

# CAE study guide 2020

Preparation Reference for the  
**Certified Association Executive**  
Exam

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Executive Editor



WASHINGTON, DC

The contributors have worked diligently to ensure that all information in this book is accurate as of the time of publication and consistent with standards of good practice in the general management community. As research and practice advance, however, standards may change. For this reason it is recommended that readers evaluate the applicability of any information in light of particular situations and changing standards.

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<b>CAE Commission and Its Staff</b>	for review of CAE program information, and permission to use questions retired from the CAE exam item bank
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# Introduction

The Certified Association Executive program is designed to elevate professional standards, enhance individual performance, and designate individuals who demonstrate the knowledge essential to the practice of association management. Founded in 1960, the CAE program has stood as a mark of excellence for more than 50 years and has evolved to reflect the growth of and changes in the practice of association management.

This study guide is intended to help you, as a CAE candidate, prepare for the CAE examination. Whether you are a first-time candidate or have previously taken the exam, the guide offers information and advice to help you make the most of your preparation time. The study guide has five sections and appendices; be sure you set the stage for a more valuable study experience by reading through the entire guide first. Avoid the temptation to jump directly to Section 3 and studying the content.

Section 1: **Getting Started**—including methods to assess your readiness

Section 2: **Creating and Executing a Study Plan**—including essentials and resources for group and individual study

Section 3: **Studying the Content**—the heart of the study guide: a high-level summary of exam content by domain, including tips and resources

Section 4: **Exam Day and Beyond**—fine-tuning difficult areas and tips for the big day, including getting in the right mindset, coping with pre- and post-exam anxiety, and applying what you’ve learned in the exam environment. This section contains important information that will help your study be more effective.

Section 5: **Abbreviated Practice Exam**—giving you a “real life” experience in taking the exam using vetted practice questions provided by the CAE Commission

**Appendices**—ASAE’s Standards of Conduct, ASAE’s Ethics Core Standards, Study Questions Answer Key, and Practice Exam Answer Key

## Using the Study Guide

This study guide integrates key elements enabling qualified candidates to study and prepare for the CAE examination. It begins with a review of the *CAE Exam Content Outline* and a self-assessment, which will help you identify how well you believe you know the exam content. You’re encouraged to do each of the self-assessments; however, even if you find you do not have time to do every one, do *read* each one and think about why a CSE would need to have this knowledge.

Then, you’ll explore your learning preferences, how to learn effectively, and ideas for incorporating these ideas into a self-designed study plan. Each candidate’s individual

path may be different; however, you'll discover generally effective study practices compiled from the experiences of many who have achieved the CAE credential.

The CAE exam is designed to identify those ready to step into the role of chief staff executive (CSE) in an association of any type or size. As you work through the study guide, you may discover that how you've done things in the past may not necessarily be the right or best way, and that there may be alternative ways to address a challenge. Your success will come from your experience, the new knowledge and understanding you acquire through your studies, and your decision-making capabilities. As you prepare, your mindset should always be that of a CSE regardless of your current association role.

This last point cannot be emphasized enough. The self-assessments in this guide give you a foothold in evaluating what you'll need to understand to earn the credential. You must not think in terms of how you might respond to a question in the context of your current role in your association; instead, think as the CSE, who is responsible for all areas of an association.

Avoid relying solely on this study guide during your exam preparation. Successful candidates typically combine individual study with participation in a study group. Several organizations offer CAE study courses; however, a study course should only be one part of preparation. Check with your local, state, or regional society or association network to connect with other CAE candidates. Additionally, reading case studies, participating in online discussions, and networking with a variety of association professionals can help you better understand the nuances of different nonprofits.

### **Give Yourself the Best Chance for Success**

Savvy candidates begin early and align their association management continuing education courses to build their skills across all aspects of the Exam Content Outline. Work through Section 1 of this guide to see where you stand, and then use Section 2 to schedule your study accordingly. You'll find it worthwhile, also, to read Section 3 before you dive into Section 4 about studying the content. The CAE examination is not easy; plan to devote as much study time as you need to pass the exam first time.

Knowing and understanding your personal motivation for pursuing the CAE certification can provide focus and strengthen your commitment to the process. Being aware of and committed to the timelines and your preparation goals for the exam are important to a successful outcome.

Enjoy the journey! You will learn more than you anticipate. The knowledge you gain will be quickly valuable in your association management work.

### **The CAE Commission**

The CAE Commission, an independent certifying body of the American Society of Association Executives, is responsible for the governance of the CAE program and all policies and standards related to the CAE credential. The program is administered by ASAE staff members, who implement the policies. This structure allows the CAE Commission to maintain integrity concerning policy matters related to credentialing. The commission issues certificates to individuals who successfully meet its standards.

## For Assistance and More Information

- **Visit** [asaecenter.org/cae](http://asaecenter.org/cae) for complete program information, including the *CAE Candidate Handbook*, which includes information about the entire CAE process and additional sample questions.
- **Call** the CAE staff at 202-626-2759
- **Email** the CAE staff at [caedep@asaecenter.org](mailto:caedep@asaecenter.org)

**Note:** The *CAE Study Guide* is independent of the CAE certification program. The CAE program is governed by the CAE Commission, an independent certifying body of the American Society of Association Executives. “CAE” is a registered trademark of the American Society of Association Executives and the CAE Commission. CAE Commissioners and CAE program volunteers are not involved in the development of any preparatory resource, and no preparatory resource is endorsed by the CAE Commission nor is a prerequisite to earn the CAE. The CAE Commission and CAE staff persons are solely responsible for the policies and administration of the CAE program.

## CAE Candidate group in ASAE’s Collaborate

ASAE members can connect with other CAE candidates and CAEs via the CAE Candidate group page in *Collaborate*, ASAE’s online member community. Candidates use this group to discuss exam study tactics, connect with other candidates to form study groups, and engage in other methods of support in preparing for the CAE exam.

To join the group, please use your ASAE member username and password to log in to [asaecenter.org/collaborate](http://asaecenter.org/collaborate). Click on the “Communities” header from the main page navigation and then click on “View Communities.” Finally, in the search box, type “CAE Candidate.”

Recurring programs of note in the CAE Candidate Group:

- **CAE Virtual Cram Chats**—Typically held the Tuesday & Thursday during the week of the CAE exam, these virtual online chats allow candidates to ask CAEs any last minute content questions as they prepare for the exam. Archives of past chats are stored in the Library section of the CAE Candidate group page.
- **Discussion Section**—Candidates can post questions or requests to other candidates and CAEs, such as questions about content, inquiries to start a study group, etc.
- **Library Section**—Includes additional resources created by CAE candidates and the CAE Community Outreach Committee, such as notes taken from cram chats, materials from study groups, and numerous other postings to aid in targeted studying for the exam.



# Section 1: Getting Started

## Introduction

The Certified Association Executive (CAE) designation is designed to elevate professional standards, enhance individual performance, and identify association professionals who demonstrate the knowledge essential to the practice of association management. The credential is held by a diverse group of more than 4,400 people worldwide who achieved the CAE to demonstrate their commitment to the profession of association management and to the missions of associations. Successful CAE candidates join this distinguished group in pursuing a high level of personal commitment to continuing education and professional development.

Founded in 1960, the CAE program stands as a mark of excellence and has evolved to reflect what it takes to manage an association in today's challenging climate. Reflecting ASAE's commitment to the program's quality and effectiveness, the CAE program was accredited by the National Commission for Certifying Agencies in 2010 and reaccredited in 2015 and 2020. The CAE is a vibrant program that continues to grow and be refined in accord with the evolution of association management and certification professional practices.

## What is Certification?

*Credentialing* is the term commonly used to describe the group of programs that provide recognition that individuals, programs, or organizations have met established requirements. In associations, the most common credentialing programs are licensure, certificate programs, accreditation, and certification.

The CAE is a *certification* program, a voluntary process in which individuals demonstrate, by satisfying requirements and passing an assessment, that they possess an established level of knowledge in a particular field. In many cases, the CAE included, certain requirements must be met to qualify to take the exam; once earned, additional requirements must be fulfilled in order to maintain the certification. A CAE must recertify every three years by completing a minimum level of professional development programs and, perhaps, other activities such as writing, teaching, and/or volunteer service. Visit ASAE's website [asaecenter.org/cae](http://asaecenter.org/cae) to learn more about CAE certification and recertification.

## Reasons for Earning the CAE

People seek the CAE certification for a variety of reasons, chief among which is a personal commitment to a career in association management. Those who seek the credential are typically motivated by the resulting opportunities to enhance knowledge, improve advancement opportunities, and elevate their status in their current position. And there is a certain pride in having accomplished a challenge less than one percent of the people working in associations have achieved.

As a CAE, you commit yourself to lifelong learning and an ongoing pursuit of knowledge in the profession. Once earned, the credential opens doors and creates connections through a range of CAE-only events and increased volunteer leadership opportunities through ASAE and local, state, and regional association professional societies. In the association community, the CAE designation is recognized as a mark of distinction. Board leaders, members, and those involved in hiring nonprofit professionals recognize the potential value and commitment the individual holding the credential brings to their organizations.

Read what several CAEs say about their reasons for achieving the credential:

**“Preparing for the CAE exam will dramatically expand your knowledge of the association profession. When you receive your CAE, you really will have become a learned practitioner and you will have earned the prestige and recognition that will come your way.”**

– David M. Patt, CAE, President, Association Executive Management

**“I applied to take the CAE exam as soon as I was eligible to do so. I thought that earning the CAE would help me build my career and open doors—which proved to be true. What I didn’t realize was how much I would learn through the process of studying for the exam, and what great connections I would make to other CAE candidates. I’m still grateful for both of those things.”**

– Lisa Junker, CAE, Senior Director of Publishing and Content Strategy,  
Infectious Diseases Society of America

**“Obtaining my CAE was the best decision I could have made for my career in association management. The entire process was a tremendous learning opportunity. I was able to learn from current professionals who shared their domain knowledge and expertise. I participated in a study group that allowed me to have discussions with peers going through the same process. Since obtaining my CAE I’ve seen opportunities open up and others within and outside of my organization look to me as a resource within the community. When moving into my first CSE role, I relied heavily on the CAE content as I navigated my role.”**

– Trevor S. Mitchell, CAE, CEO and Executive Director,  
American Mensa LTD and the Mensa Foundation

**“I was determined to earn my CAE because it distinguishes me as someone dedicated to lifelong learning with a commitment to following best practices inside my association. ASAE does a tremendous job of preparing CAE candidates through immersion courses and numerous other resources that help association executives run better, stronger organizations.”**

– Maria E. Brennan, CAE, President & CEO,  
Women in Cable Telecommunications

“One of the benefits of attaining and maintaining my CAE is that I am a more prepared, well-rounded association professional with a real appreciation for areas outside my area of technical expertise. It has made me better prepared to handle the challenges of leading a small staff association.”

– Mike Chamberlain, MBA, CAE, Chief Executive Officer,  
Grant Professionals Association

“I always believed in doing the things necessary to be at the top of my profession. Attaining the CAE was an important piece of being a successful association executive. Through the study process and earning the certification, the people you meet and the information you pick up really add to your library of experiences and become part of your knowledge base.”

– Barry S. Pilson, CAE, Vice President, Membership & Marketing,  
National Business Officers Association

“Earning the CAE denotes a level of competency and understanding that goes well beyond nonprofit principles, policies, and procedures. Preparing for the CAE examination provided me with both the incentive and means necessary to bring together the vast knowledge that I knew existed in the area of association management but to which I might not otherwise have been exposed.

“Having the CAE allows me to be more successful in my day-to-day work and also allows me, through my volunteer leadership experiences, the opportunity to add to the body of knowledge and raise the level of professionalism in the association management sector.”

– Debra N. McGuire, MBA, IOM, CAE, Founder & CEO,  
Association Interim Solutions

## Are You Ready to Earn the CAE?

If you’ve decided to make association management your career, it makes sense to pursue the field’s highest professional credential. However, before you begin it is important to ensure that you meet the qualifications.

### Basic Qualifications

To be eligible to take the CAE exam, you must:

- Be employed (currently or within the past five years) in a qualifying nonprofit organization or association management company, or employed currently or within the last five years in paid service as an employee, consultant, or independent contractor with demonstrated professional involvement with the association management community by providing services as defined by the CAE exam content outline.
- Have sufficient qualifying association management experience (one year as a CEO or C-suite level executive, five years as an employee at a qualifying nonprofit organization, 10 years as an employee, consultant, or independent contractor with demonstrated professional involvement with the association management community providing paid services as defined by the CAE exam content outline, or five years of such service if substantially all of your work is for qualifying organizations.

- Have a bachelor's degree or higher, or fulfill professional equivalency requirements. Applicants without a qualifying degree must submit eight additional years of professional work experience to qualify to take the exam. Each year of completed undergraduate studies may be substituted for two years of professional work experience.
- Have completed a minimum of 100 hours of broad-based association management-related professional development activities within the five years preceding the application.
- Sign an attestation to uphold ASAE's Standards of Conduct.
- Disclose any felony convictions.

You will be eligible to sit for the CAE exam for one year after your application is accepted; if you're not ready by then, the application process begins again.

### **Your Commitment to Success**

To earn the CAE credential requires making a firm commitment to dedicate the time required to achieve and maintain it. Recent successful candidates say to plan on a minimum of six to eight hours a week for study, so you must block time on your calendar well in advance. Remember the commitment is not yours alone; it may include support from employers and family.

Once you have decided to seek the CAE credential, commit to doing whatever is required for you to pass the exam the first time you take it. The CAE exam is designed to identify those ready to step into the executive director role of a nonprofit of any type or size. That means that if you have had a more specialized role in association management, you will need to expand your horizons to gain the general knowledge outlined in the eight domains of the CAE exam content outline.

To be successful in earning the CAE, commit yourself to the process. Get excited about the learning opportunities and new knowledge you will acquire. Invite a colleague to prepare for the exam with you or join a study group locally or online, where you will meet new colleagues who have made the same commitment.

### **Your Readiness: A Self-Assessment**

Now that you have committed to seeking the CAE, your first step should be self-assessment and planning. There are a number of things you may not yet have considered that will be important as you begin to plan your exam preparation.

Your path to earn the CAE will be unique. You will need to make choices on how to prepare based on your individual motivation, professional and educational background, personal learning preferences, and available resources. The worksheet on the following two pages is designed to help you reflect on your current strengths and plan your path to earning the CAE credential.



## My Path to Earn the CAE—A Personal Worksheet

### My Motivation

- I want to earn the CAE because...
- I would like to hold the CAE credential by [date]: \_\_\_\_\_

### My Background

- My professional background has given me experience in the following exam content areas:

#### Domain 1: Governance

- ☐ Governance Structure
- ☐ Chapters and Affiliate Relations
- ☐ Volunteer Leadership Development

#### Domain 2: Executive Leadership

- ☐ Decision Making
- ☐ Ethical Leadership
- ☐ Diversity, Inclusion, and Equity
- ☐ Adaptive Leadership

#### Domain 3: Organizational Strategy

- ☐ General Management
- ☐ Critical Analysis and Planning
- ☐ Knowledge Management

#### Domain 4: Operations

- ☐ Financial Management
- ☐ Human Resources
- ☐ Legal Oversight and Risk Mitigation
- ☐ Infrastructure and Technology
- ☐ Vendor Relations

#### Domain 5: Business Development

- ☐ Programs, Products, Services, and Non-dues Revenue
- ☐ Meetings and events
- ☐ Certification, Licensure, and Accreditation
- ☐ Industry Standards
- ☐ Strategic Partnerships

#### Domain 6: Member and Stakeholder Engagement and Management

- ☐ Recruitment and Retention
- ☐ Stakeholder Identification and Cultivation
- ☐ Volunteer Management
- ☐ Ethics

#### Domain 7: Advocacy

- ☐ Government Relations
- ☐ Coalition Building
- ☐ Public Policy

#### Domain 8: Marketing and Communications

- ☐ Marketing
- ☐ Brand Management
- ☐ Communication
- ☐ Public Relations

- My professional background has given me experience in the following types of nonprofits:

#### a. Nonprofit organization types:

- ☐ Trade association
- ☐ Individual membership organization
- ☐ Professional society
- ☐ Philanthropic organization
- ☐ Other

#### b. Membership types:

- ☐ Companies/institutions only
- ☐ Individuals/professionals only
- ☐ Combination—both individuals/professionals and companies
- ☐ Donors

**c. Membership scope:**

- ☐ Local                      ☐ National  
☐ State                      ☐ International

**d. Membership size:**

- ☐ A limited number of members  
☐ Several hundred members  
☐ Thousands of members

**e. Staff size:**

- ☐ Less than 10 employees  
☐ 10–49 employees  
☐ 50 or more employees

• Areas of the exam content that I have formally studied include:

- |  |   |
|--|---|
| <input type="checkbox"/> Domain 1: Governance              | <input type="checkbox"/> Domain 6: Member and Stakeholder Engagement and Management |
| <input type="checkbox"/> Domain 2: Executive Leadership    | <input type="checkbox"/> Domain 7: Advocacy   |
| <input type="checkbox"/> Domain 3: Organizational Strategy | <input type="checkbox"/> Domain 8: Marketing and Communications                     |
| <input type="checkbox"/> Domain 4: Operations              |   |
| <input type="checkbox"/> Domain 5: Business Development    |   |

**Personal Learning Preferences**

• My preferred methods of learning are:

• In general, I would characterize my ability and comfort with test-taking as:

**Resources I Plan to Use to Assist Me in My Preparation**

• I plan to ask the following people for help as I prepare for the CAE:

• I plan to use the following resources to prepare myself to earn the CAE:

## Evaluating Where You Are Now

One of the most important considerations in preparing for the CAE exam is realistically evaluating your level of preparedness. By doing so you can better map out your study plan and devote sufficient time to areas in which you need to build your knowledge. The sooner you begin, the better you will be able to align your study plan and your association management continuing education programs to build your skills across all aspects of the Exam Content Outline.

In fact, the Exam Content Outline is a good place to begin! Using the outline on pages 21–27, candidly rate your level of knowledge on each task in the outline according to the four categories shown below. Be careful about making assumptions about your experience. It's far better to initially underestimate your expertise and then discover, as you study, that you know more.

- *Basic knowledge*—you know and easily use key terms and concepts.
- *Intermediate knowledge*—areas in which you have had limited professional experience. That is, if you have only on-the-job experience in a function, you may be operating with commonly held misconceptions. Through reading and/or formal learning and synthesizing that information you will be more likely to become aware of and utilize effective practices.
- *Advanced knowledge*—you have studied academically and/or have extensive professional experience in the specialty area.
- *CAE knowledge*—you understand the basics, the possibilities, and how to apply strategy to each domain; you know when to use the knowledge; and you know how to gather and deploy the resources to make strategy happen.

Once you have determined what you need to learn more about, you can develop a study plan to strengthen those areas. Remember that the CAE exam is designed to assess your readiness to step into the executive director role in any type or size of nonprofit association. Seek out a variety of ways to build your perspective such as courses, reading, discussions, and mentoring. Using a variety of study resources can help you better understand the nuances of different nonprofits.

### Other Considerations

Of course, preparing for the exam is more than ensuring you know the outline content. Unless you're a recent graduate or regularly take courses requiring work outside formal sessions, it's likely you haven't had to engage in concentrated study for some time. Your study skills may need polish!

Studying for the exam typically takes as little as two months and as much as four months or more; it quickly becomes as much about your ability to set priorities and maintain the right (for you) work/life balance. So consider how you will balance exam study with other things in your work and personal life. You'll find some ideas for planning your study journey in Section 2, *Creating and Executing a Study Plan*.

Earning the CAE requires that you also know *how to apply* the content outline knowledge as the chief staff executive of an association. It cannot be overemphasized that to earn the CAE, you must adopt the perspective of a chief staff executive. You'll want to do more than simply read the Core Resources. Studying for the exam also involves a significant amount of reflection and considering how to apply what you read. The more diverse your study sources, the greater the chance you'll have to

succeed. This guide contains content review, study questions, discussion questions, and scenarios throughout Section 3, organized by the CAE content domains. Work through these on your own and engage in discussions with other CAE candidates as well as current CAEs and/or other mentors.

The best advice from those who've been where you are now is simply this: get started! And a good way to get started is to assess what you know using the Exam Content Outline as a guide.

## The Exam Content Outline—And a Self-Assessment

Periodic changes to ensure currency and relevance are a hallmark of a well-designed credentialing program. Therefore, the Certified Association Executive (CAE) credentialing program undertakes a job analysis study every five years, as well as an ongoing review of policies and procedures.

The composition of the CAE exam is guided by extensive research on the job tasks performed and knowledge needed by association executives. During 2018–2019, the CAE Commission oversaw a methodical and comprehensive investigation into the skills required for successful association management. The research resulted in the identification of 119 essential association management competencies organized into eight knowledge domains. This outline presents the content covered on the CAE exam with the amount of the test devoted to each area indicated in parentheses.

*Starting on the next page, rate your perception of your level of knowledge in each area.*

Use the result as the basis for developing your study plan (see page 21).

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	Basic	Intermediate	Advanced	CAE
<b>Domain 1: Governance</b> <i>9% to 11% of exam</i>				
<b>A. Governance Structure</b>				
1. Sustain an effective governance system that values diversity of thought to guide the organization in accomplishing its mission.				
2. Implement the board's policies and strategic priorities.				
3. Partner with the board and board committees to achieve the organization's mission and vision.				
4. Ensure there are clear lines defined for members and staff in the governance of the organization.				
5. Comply with laws and regulations that relate to board activities, meetings, and governance.				
<b>B. Chapters and Affiliate Relations</b>				
1. Evaluate the structure and function of affiliates and chapters to advance the organization's mission.				
2. Delineate the lines of authority and responsibility for affiliates and chapters using appropriate agreements				
3. Align policies, procedures, and resources to support affiliate and chapter relationships.				
<b>C. Volunteer Leadership Development</b>				
1. Develop a leadership identification program that addresses diversity and inclusiveness and aligns the organization's needs with individual talent.				
2. Ensure the leadership development program addresses orientation, ongoing training, collaboration, fiduciary responsibility, and accountability.				
3. Develop a volunteer leadership succession plan.				
<b>Domain 2: Executive Leadership</b> <i>19% to 21% of exam</i>				
<b>A. Decision Making</b>				
1. Manage roles between the chief staff executive and leadership to facilitate effective decision making.				
2. Ensure the creation of organizational performance metrics.				
3. Establish a culture of accountability.				
<b>B. Ethical Leadership</b>				
1. Adhere to the ASAE Standards of Conduct to demonstrate transparency, professionalism, and integrity.				
2. Embody the highest ethical principles in behavior and decision making.				

## CAE Exam Content Outline

	Basic	Intermediate	Advanced	CAE
3. Communicate the importance of ethical behavior and decision making throughout the organization.				
<b>C. Diversity, Inclusion, and Equity</b>				
1. Model an understanding and respect for a culture of inclusivity to enhance the daily work and sustainability of the organization.				
2. Proactively address the impact of changing demographic and cultural trends.				
3. Identify ways that conscious and unconscious biases may impact the organization.				
4. Align communications, programs, products, and services to reflect the organization's diversity.				
5. Create policies in support of diversity and inclusiveness.				
<b>D. Adaptive Leadership</b>				
1. Seek new perspectives and growth opportunities to increase effectiveness and build team capacity.				
2. Develop a diverse array of facilitation techniques and communication skills to stimulate creative thinking, ensure all voices are understood, and accomplish intended goals.				
3. Exercise effective and ethical negotiation skills to resolve conflicts and achieve consensus.				
4. Formulate a process to effectively navigate change and promote innovation.				
5. Cultivate relationships to advance the organization's strategic objectives.				
6. Model self-care and wellness behaviors to encourage workforce satisfaction and productivity.				
7. Facilitate a culture of inquiry that assesses the impact of trends, future scenarios, challenges, and opportunities.				
<b>Domain 3: Organizational Strategy</b> 8% to 10% of exam				
<b>A. General Management</b>				
1. Analyze economic and other external factors to guide long term financial planning and performance.				
2. Prepare business plans to align resources, activities, and operations with the organization's core purpose.				
3. Utilize performance metrics to guide progression towards organization's goals.				
4. Develop a policy of independent periodic review and audit of the organization's finances.				
<b>B. Critical Analysis and Planning</b>				
1. Analyze the impact of key trends, including the competitive environment, on the organization and its stakeholders.				

## CAE Exam Content Outline

	Basic	Intermediate	Advanced	CAE
2. Implement a strategic planning process to advance the organization's vision and mission.				
3. Develop strategies for capturing business intelligence data to inform decision making.				
<b>C. Knowledge Management</b>				
1. Design a knowledge management system to address stakeholder needs and preferences.				
2. Analyze data from the knowledge management system to advance the organization's mission.				
3. Evaluate the effectiveness of the knowledge management system.				
<b>Domain 4: Operations</b> 17% to 19% of exam				
<b>A. Financial Management</b>				
1. Oversee financial and business planning to achieve the organization's strategic objectives and mission.				
2. Implement systems, metrics, and tools to monitor, manage, and report financial performance and ensure compliance with laws and regulations.				
3. Communicate clear and accurate financial information to leadership and relevant stakeholders to support decision making and ensure transparency.				
4. Manage revenue, investment, and reserve policies to protect and enhance the financial security of the organization.				
5. Apply generally accepted accounting principles for independent review or audit of the organization's finances.				
6. Anticipate the impact of internal and external factors to guide financial planning and policies.				
7. Develop financial modeling to inform decision making and evaluate performance.				
<b>B. Human Resources</b>				
1. Foster a safe and accessible workplace through compliance with rules and regulations and development of policies and procedures.				
2. Delineate job roles and responsibilities with clear position descriptions, policies, and procedures.				
3. Ensure fair and equitable treatment of staff and mitigate exposure to risk through compliance with applicable law and regulations in recruiting, hiring, disciplinary, and termination practices.				
4. Evaluate employees using a documented process to support teamwork, performance, growth, and professional development.				
5. Maintain an up-to-date employee handbook to articulate the organization's policies, values, and expectations and comply with applicable employment laws and regulations.				

## CAE Exam Content Outline

	Basic	Intermediate	Advanced	CAE
6. Ensure diversity, inclusion, and equity are integrated into policies, practices, and culture.				
<b>C. Legal Oversight and Risk Mitigation</b>				
1. Manage the organization in compliance with relevant laws and regulations.				
2. Obtain appropriate insurance to protect the organization's reputation and assets.				
3. Maintain data privacy and security consistent with current law and best practices.				
4. Protect the organization's intellectual property.				
5. Protect human, technological, and physical assets with an emergency and business continuity plan.				
<b>D. Infrastructure and Technology</b>				
1. Align facilities, equipment, and technology with organizational objectives and the requirements of a changing workplace environment.				
2. Determine the organization's ongoing technology strategy.				
3. Ensure technology solutions are appropriate, used effectively, and aligned with organizational goals.				
4. Establish policies and procedures to ensure appropriate use of the organization's technology assets.				
<b>E. Vendor Relations</b>				
1. Assess the organization's needs for products and services.				
2. Develop selection and evaluation criteria for potential vendors.				
3. Implement objective processes for Requests for Proposals.				
4. Implement contracting procedures that ensure the organization's expectations, interests, and assets are protected.				
5. Enforce contractual compliance.				
<b>Domain 5: Business Development</b> 12% to 14% of exam				
<b>A. Programs, Products, Services, and Non-dues Revenue</b>				
1. Analyze stakeholder feedback to ensure that programs, products, and services are consistent with evolving member needs and the organization's strategic goals and values.				
2. Evaluate the feasibility of introducing, modifying, or discontinuing programs, products, and services.				
3. Develop comprehensive implementation plans to ensure that programs, products, and services are mission-driven.				



## CAE Exam Content Outline

	Basic	Intermediate	Advanced	CAE
<b>B. Meetings and events</b>				
1. Define objectives for meetings and events in alignment with organizational goals and stakeholder needs.				
2. Prioritize the use of organizational resources to achieve successful meetings and events.				
3. Evaluate outcomes relative to objectives to improve future meetings and events.				
<b>C. Certification, Licensure, and Accreditation</b>				
1. Maintain a current understanding of the distinguishing characteristics of certification, certificate programs, licensure, and accreditation.				
2. Assess the need for and relevance of credentialing programs.				
3. Comply with relevant standards and legal obligations associated with credentialing programs to ensure validity and reliability and minimize risk.				
<b>D. Industry Standards</b>				
1. Identify the need for standards in keeping with the organizational vision and mission.				
2. Implement transparent and objective standards development and promulgation processes.				
3. Ensure that standards are maintained to protect the organization and minimize risk.				
<b>E. Strategic Partnerships</b>				
1. Determine the organization's strategic needs and objectives for partnership.				
2. Develop strategic partnerships to advance the organization's mission.				
3. Conduct due diligence and ongoing review to ensure partnerships are viable and aligned with the organization's mission.				
4. Negotiate agreements that define the terms of partnership and comply with legal requirements.				
<b>Domain 6: Member and Stakeholder Engagement and Management</b> 10% to 12% of exam				
<b>A. Recruitment and Retention</b>				
1. Determine the membership business model and value proposition to ensure alignment with the mission and strategic goals.				
2. Define goals and key performance indicators for membership recruitment and retention.				
<b>B. Stakeholder Identification and Cultivation</b>				
1. Establish criteria for the identification of individuals and organizations as stakeholders to align them with the organization and its strategic objectives.				
2. Engage stakeholders by identifying their current and future needs in order to maximize organizational impact.				
3. Review the alignment of stakeholders using organizational metrics on a regular basis.				

## CAE Exam Content Outline

	Basic	Intermediate	Advanced	CAE
<b>C. Volunteer Management</b>				
1. Establish a system that attracts and engages volunteers through training, recognition, and accountability.				
2. Clearly delineate roles and responsibilities of staff and volunteers.				
3. Establish a volunteer succession plan that supports organizational continuity.				
<b>D. Ethics</b>				
1. Define the ethical standards for professional conduct that align with the vision and mission of the organization and stakeholder interests.				
2. Raise awareness of the ethical standards to encourage adherence.				
3. Manage a discipline program to address violations of the ethical standards.				
4. Review stakeholder interests and professional practice periodically to maintain the relevance of the ethical standards.				
<b>Domain 7: Advocacy</b> 5% to 7% of exam				
<b>A. Government Relations</b>				
1. Assess the appropriateness of and need for government relations programs.				
2. Maintain an understanding of laws and regulations related to federal and state Political Action Committees.				
3. Define the government relations agenda consistent with accomplishing advocacy goals.				
4. Implement strategies that adhere to applicable laws and regulations for lobbying and political activity.				
5. Establish an evaluation process for government relations programs.				
<b>B. Coalition Building</b>				
1. Establish a vision of coalition building that is flexible and inclusive to advance mutual goals.				
2. Identify opportunities for new coalitions to address emerging issues.				
3. Organize coalitions to address issues of common interest.				
4. Assess the efficacy of each coalition relative to the organization's advocacy goals.				
<b>C. Public Policy</b>				
1. Establish prioritized public policy positions that support the organization's goals.				
2. Determine strategies to achieve public policy goals.				

	Basic	Intermediate	Advanced	CAE
<b>Domain 8: Marketing and Communications</b> <i>12% to 14% of exam</i>				
<b>A. Marketing</b>				
1. Define the scope of current and potential markets.				
2. Identify market segments and their unique interests and needs.				
3. Develop a data-driven marketing strategy to achieve organizational goals.				
4. Utilize effective methods of marketing to diverse groups and cultures.				
<b>B. Brand Management</b>				
1. Establish brand standards to convey the features, benefits, and value of the organization to stakeholders and other audiences.				
2. Direct the integration of the organization's brand in all programs, services, and activities.				
3. Evaluate the organization's brand effectiveness.				
<b>C. Communication</b>				
1. Define the communication goals.				
2. Identify the most appropriate communication channels and preferences for meeting the diverse needs and interests of targeted audiences.				
3. Customize content and messaging that leverage current and emerging communication channels.				
4. Establish an evaluation process to gauge the effectiveness of messaging and communication methods.				
<b>D. Public Relations</b>				
1. Identify the target audiences that should be influenced to ensure that PR efforts meet strategic goals.				
2. Implement a public relations program to include public education, information, media relations, and influence strategies.				
3. Evaluate the changing effects of external factors on public relations strategies.				



# Section 2:

## Creating and Executing Your Study Plan

### Planning Your CAE Study Path

You might think studying for the CAE exam is just doing a lot of reading. If so, think again! Reading is just a portion of what you'll be doing to prepare. The most successful candidates are those who use a combination of study resources and tools as they prepare for the exam.

Take a few minutes to read through this section to discover how knowing about learning can help you design your personal study plan in a way that makes sense for you.

#### Identify Your Learning Preferences

Consider how you prefer to learn new things. Say you've heard for the first time about the exciting world of digital photography, and want to learn more.

What do you do first? Do you...

- a. ...grab the latest book or do an online search for information to read about digital photography?
- b. ...call a friend who's a fairly accomplished photographer?
- c. ...sign up for a class at your local community college, or take a photography workshop?
- d. ...buy a DSLR camera and start experimenting with camera settings and photo opportunities?

Chances are whichever of the options you gravitate to first is connected to your preferred way of learning. You're certainly not limited to one preference; it's likely, however, that one stands out over the others.

If you chose 'a,' for example, you probably like to read new material and reflect on it a bit, considering what it means to you, before you try it out. If you chose 'b,' calling a friend, you might prefer to first watch how it's done the "right" way. 'C' might represent a preference for guided instruction in which you have the opportunity to learn the process and then try it out under the watchful eye of someone skilled. And if your first inclination is to just buy that DSLR and take photos as you play with camera settings, you may tend to learn best by getting started and figuring it out as you go.

None of these options is right or wrong, or all inclusive. It's possible that two of them are equally appealing. What's important to note is that you likely *do* have a preference for one or two.

### Preferences, Not Styles

Be careful about confusing preferences with styles. At one time or another, you might have heard about learning styles; the most commonly mentioned are visual, auditory, and kinesthetic styles, although there are many other terms used.

In exploring how you like to learn, you may find yourself thinking, for example, that you're a visual learner and as such you look mostly for visual ways to learn new material. While a "classification" like this might be interesting, it has no connection to how you learn. Regardless of what many believe to be true, research indicates people are able to learn effectively using all three of these frequently cited "styles" and they don't influence learner success.

In her book *Evidence-Based Training Methods: A Guide for Training Professionals* (ASTD, 2010), Ruth Colvin Clark cites research confirming the lack of evidence and calls the concept "the learning style myth." She considers it the most important point in the book, saying, "If you make one change as a result of reading this book, *give up the learning style myth!*" [emphasis Clark]. And a 2008 study that looked at decades of available data concluded, "At present.... we feel that the widespread use of learning-style measures in educational settings is unwise and a wasteful use of limited resources." (Pashler, McDaniel, Rohrer, and Bjork, in the journal *Psychological Science in the Public Interest*).

Take a moment to reflect...

***As a CAE candidate, what does insight regarding your learning preferences mean to you personally?***

*Write your response, including how it might affect your study planning.*

### What We Know About How We Learn

Discoveries in neuroscience are blowing wide open our traditional beliefs about learning. For example, we know absolutely that the sometimes-popular technique of last-minute cramming does not work. Neither does merely reading—or re-reading—the material. In his book *Brain Rules* (Pear Press, 2008), Dr. John Medina cites research backing his Rule #5—*Repeat to remember*, and Rule #6—*Remember to repeat*. If you want to enhance the reliability of your long-term memory, Medina says to add new information gradually and repeat it at timed intervals. Spaced repetitions have proven to be the most effective way to learn new information *and be able to recall it when needed*.

*How* you repeat the material also seems to matter. Emulating a test environment by quizzing yourself, or being quizzed by others, can help you remember as much as twice the facts and concepts you'll remember using other study habits, according to a recent study in the Memory Lab at Washington University in St. Louis. In the study, five to seven quiz-based "retrieval sessions" seemed to lead to the best long-term memory of a concept.

In another reported study at Purdue University, college students who focused on quizzing as a study habit (over others like reading, re-reading, and outlining) scored 10 percent higher on a science test, on both direct questions and those that required

making connections across concepts. Further, other research seems to indicate that outlining material or re-reading key words actually *decrease* long-term retention—not something you want to have happen!

Take a moment to reflect...

***As a CAE candidate, what does knowing about the value of spaced repetition in recalling information mean to you?***

*Write your response, including how it might affect your study planning.*

### What Does This Mean for Your CAE Study?

As you prepare for the exam, it seems relatively safe to assume that it is the *recalling* of information previously obtained—not just reading it again—that strengthens its retention.

Seek out opportunities to recall what you are reading and discussing with others—particularly concepts and facts that are new to you. Plan your study schedule to include plenty of time and opportunity for quizzing, both on your own and with others. Use the self-assessment and study questions included in the Section 3 domain reviews in this study guide, and take the practice exams in Section 5 and online... perhaps more than once!

Members of a study group might create questions or scenarios and challenge each other to answer them correctly. Some candidates find the use of flash cards, alone or with others, very helpful in testing themselves on how well they know the material.

Take a moment to reflect...

***As a CAE candidate planning your study schedule, what steps will you take to ensure you allocate sufficient time to practice recalling what you learn? What types of quizzing opportunities will you use?***

*Write your response, including how it might affect your study planning.*

## Study Resources

A good place to start planning your study for the CAE exam is with *CAE Core Resources*, shown below. It is **not** a required reading list, nor are questions on the exam taken directly from these sources. You may, however, find the list very helpful in preparing for the exam. Use it as the foundation for developing your own personal reading and study plan based on what you already know and what you need to learn.

Bearing in mind that you're likely to be better prepared the more you read and by availing yourself to diverse opinions and resources, a thorough reading of these two resources is a good starting point: *ASAE Handbook of Professional Practices in Association Management, 3rd Edition*, and *Association Law Handbook, 6th Edition*. You might consider using *Professional Practices* as a diagnostic tool: if as you read the material it makes sense to you and is easy to understand, it's likely you have a decent grasp of the content. If, on the other hand, any of the material is new to you and/or you find it challenging to grasp the concepts, this is a clue indicating

you need more in-depth reading and study on the subject. Seek out additional resources.

This list is compiled by the CAE Commission to reflect literature that is aligned with the CAE exam content outline and useful both for preparing to be a chief staff executive and preparing to earn the CAE. It is periodically reviewed and new references may be added; the list below is current as of July 2020. The most current list is generally available at [asaecenter.org/cae](http://asaecenter.org/cae). For information about and to purchase the books on the list, visit [asaecenter.org/bookstore](http://asaecenter.org/bookstore) and either search by title or click on the “CAE Core Resources” link under “Books by Topic” to view the entire list. Product descriptions are available if you select a specific title.

### The CAE Core Resources

Cox, John B., FASAE, CAE, executive editor, Susan S. Radwan, SMP, ARM, CAE, executive managing editor	<i>ASAE Handbook of Professional Practices in Association Management, 3rd Edition</i> (ASAE-Wiley Series). Hoboken, NJ: Wiley, 2015
Jacobs, Jerald A.	<i>Association Law Handbook, 6th Edition</i> Washington, DC: ASAE Association Management Press, 2018
Jacobs, Sheri, FASAE, CAE	<i>Membership Essentials: Recruitment, Retention, Roles, Responsibilities, and Resources, 2nd Edition</i> (ASAE-Wiley Series). Hoboken, NJ: Wiley, 2016
Lang, Andrew S., Eisig, William D., Klumpp, Lee, and Ricciardella, Tammy.	<i>How to Read Nonprofit Financial Statements, 3rd Edition</i> (ASAE-Wiley Series). Hoboken, NJ: Wiley, 2017
Renz, David O. and associates	<i>The Jossey-Bass Handbook of Nonprofit Leadership and Management, 4th Edition.</i> San Francisco, CA: Jossey-Bass, 2016
Rhea, Marsh	<i>ASAE ForesightWorks User's Guide.</i> Washington, DC: Association Management Press, 2018

### Other Recommended Reading

Pay particular attention to the selected readings supporting the study as outlined in this guide. However, remember that the exam is *practice-based*; the correct answers will not be found in any one text or reading. Preparation for success on the exam requires that you read a broad range of resources, integrating innovative thinking and effective practices into your study.

As you rate your level of knowledge in each area of the exam content outline in Section 1 (pages 21–27) and consider the self-assessment questions included in each of the domain content review portions of Section 3, you'll discover your knowledge gaps—and it's up to you to find the information that fills in those gaps. Anything you read will likely contribute to your success on the CAE exam. This includes *Associations Now* magazine articles and books on management and



leadership in addition to the recommended readings. Current business literature from outside the not-for-profit world may alert you to widely accepted effective practices for specific disciplines inside the association industry. Use the ASAE website, your local SAE lending library, fellow association executives, or other appropriate sources for information.

### **Additional Study Resources**

One of the most important things to realize about preparing for the CAE exam is that the most successful candidates take advantage of a variety of study situations: self-study, mentoring, continuing education, and study groups, to name a few. Check with your local, state, or regional society or association network to connect with other CAE candidates. Several organizations offer CAE study courses; however, a study course should be only one part of your preparation.

Explore the options available to you, and then design a study plan that will work best for you. The next few pages contain some ideas for developing your own personalized study plan.

## **Creating a Personalized Study Schedule**

Deciding to seek the CAE credential is a major commitment. It is not easy, making achieving it all the more rewarding. To give yourself the best chance for success, create a personal study plan that takes into account a variety of factors, especially these:

- Your work schedule
- Your personal and/or family commitments
- How you learn most effectively
- How much you need to learn vs. what you already know of the exam content

Considering each of these areas, and any other factors that may affect your ability to study, decide how much time you can devote to studying each week. Include time for a study group as well as time for individual study. Allow more time than you think you will need!

Successful CAE candidates—those who pass the exam—typically devote at least six to eight hours per week to study, for three to nine months prior to the exam. Strategies vary; you'll have to decide what will work for you based on your current knowledge and available time. For example, if your schedule is packed with work and personal activities, your available study time may be limited. You'll likely want to start earlier so there are more weeks between your start and the exam date.

Have you reviewed the Exam Content Outline in Section 1 (pages 21–27) to estimate how well you know each content area? If not, do it before taking any further steps in planning your study schedule so you'll have a better idea of what you know and where you need to learn more.

### **Deciding How to Allocate Study Time**

How much time you devote to studying each content area depends on your current level of understanding of the exam content. For example, for content areas of which you have a good understanding and use every day, your preparation may require only a quick review. For areas with which you are less familiar, you may decide you need more in-depth study or training before taking the exam. Another key indicator for dividing your available study time might be the percentage of the exam devoted

to each major content area. You'll find these percentages on the Exam Content Outline (pages 21–27) and in the domain content sections. Using these two indicators—your perceptions and the exam percentages—estimate the amount of time you will devote to studying each domain.

### **Defining Good Study Habits**

Regardless of the study formats you choose, organizing your study time in ways that make sense for you will help you keep your study commitments. Define and establish good study habits from the beginning. Know yourself well; using the tools provided in this study guide as well as your own history, identify how you study, how you take a test, how much time you need to read and quiz yourself, etc. Then decide which resources and how much time will best help you to prepare for the exam.

If possible, commit the same amount of time each week to study so it becomes habitual—perhaps even in the same time frame, such as every Saturday, or on Monday, Wednesday, and Friday evenings. Block that study time on your calendar! Also block on your calendar any deadlines, study group meetings, course dates, etc. Treat each as an important appointment you can't miss. Finally, block the exam date on your calendar, along with any travel time you might need to get to the exam site. Allow yourself enough time to arrive fresh, even if it means an overnight stay. Plan to take the entire day off work; if you're like most candidates, you won't go back to the office after the exam.

Build review time into your study schedule. Most CAE candidates save the last week or two prior to the exam for reviewing everything; some also schedule time for review along the way. For example, you might review what you studied last week before starting what you will study next. See Section 4 of this study guide for some thoughts about review and how to spend the days leading up to the exam. Once you decide what you'll do, add it to your calendar.

### **Keeping Track of Your Progress**

Writing things down seems to help us keep commitments to ourselves. Doing so also helps keep track of larger projects such as studying for the CAE exam.

There's a lot to review and learn in preparing for the exam. How you track your study progress is certainly up to you; however, it's imperative to have some type of planning/tracking system in place. To get you started, on pages 35–36 is a study schedule template you can use to plan and track your study time across as many as 16 weeks. Use it as it is, or perhaps recreate it with more or fewer spaces to better suit your needs. You might even want to format it for your mobile device so you can keep an eye on things when you're on-the-go.

# CAE Study Schedule Planner

Here's a template you can use to plan your CAE study schedule. Look at your personal and business calendars before planning your overall study schedule. Then, select an exam date and decide how you will allocate your study time in the weeks leading up to the exam. Note when your work or personal demands will not allow study time during the week and plan accordingly. Advance planning allows you to incorporate enough time for preparation and

even to plan a break if needed.

The schedule planner below, while offering space for planning 16 weeks, can be adjusted to whatever number of weeks you will invest in preparing for the exam. Log your plan below and enter the key study sections and dates in your business calendar.

When considering how much time to allocate to studying each domain, note the percentage of the exam

that is devoted to it. Consider the relative weight of the exam content combined with how well you know that content, and portion your time accordingly.

Plan to use the last week prior to your exam date for final review. The night before the exam, get plenty of rest, eat right, and hydrate to be at your best!

Weeks to exam	Calendar dates	Domain section	Study time available this week	Date completed
16				
15				
14				
13				
12				
11				
10				

Weeks to exam	Calendar dates	Domain section	Study time available this week	Date completed
9				
8				
7				
6				
5				
4				
3				
2				
1		Re-read Section 4: Exam Day Preparation		
0		Exam date—Rest, hydrate, eat, relax!		

## Participating in a Study Group

While it's possible to study on your own and pass the exam, the majority of CAEs report that a combination of individual and group study provides the most effective preparation for the exam.

Reading and self-study are critical; however, being part of a study group keeps your reading on track, gives you insights into content areas and specific questions you might not understand, and can lighten your study load when other group members are responsible for various modules. Plus, it's a wonderful way to make some great friendships, get support, commiserate, and celebrate together!

CAE preparation courses are another form of group study. More structured and formal than a study group and typically offered over a shorter time frame, courses can be a great way to begin your exam preparation and may help you to determine in what content areas you need to devote more study time.

### Finding—or Making—Group Study Opportunities

Contact your local, state, or regional society of association executives (SAE) to learn how it supports CAE candidates. For a list of organizations offering study groups and/or courses, visit [asaecenter.org/cae](http://asaecenter.org/cae); click on “Read more about eligibility requirements and get other information about earning your CAE,” scroll down and click on “Independent Study Tools.”

If your local SAE doesn't offer a study group, formal course, or other support, find out if there are any people in your area who are planning to take the exam when you are. Consider forming your own study group; review the tips below and on the next page for ideas on how to establish and run an effective group.

Online communities of CAE candidates are another possibility for group study. While they tend to be more informal than a study group, you can certainly collaborate with people in other areas to study for the exam virtually. Having a support group, wherever it is located or however it is designed, can be very beneficial!

### Contributing to and Learning from a Study Group

If you've ever been engaged in a study group, you know you'll need to come to meetings prepared to both learn and contribute. One advantage of study groups is that they force you to be accountable to your fellow group members and, in the process, stay current with your reading and study. That accountability can be very important if you tend to procrastinate or modify your study schedule for “things” that crop up along the way. In short, a study group will help you maintain your study schedule as a priority in the weeks leading up to taking the exam.

A study group is generally small; typically, groups are not more than five or so people, although some successful candidates have done well with groups as large as 20. Find or create a study group early in your exam preparation; starting well in advance, you'll have plenty of time and will only need to meet once or, at the most, twice per week. Some formal study groups include CAE mentors who can help guide discussion—if you include them, lean toward inviting those who took the exam recently. Remember they are guides, not instructors. They can help you understand concepts you may find challenging; however, they won't provide all the answers. The power of a study group is in discussing the ideas and concepts that are contained in the CAE body of knowledge.

## Forming Your Own Study Group

If there isn't a sponsored study group in your area, start your own! Seek out other candidates either in your geographic area or online. Today's technology opens up many possibilities for virtual study groups. For example, Google Hangouts enable people distant from each other to gather as if they were in the same room. All that's needed is a Google+ account, a microphone, and a webcam.

## What Makes a Study Group Successful?

There are a number of characteristics common to successful study groups that have been shared by their participants, who are now CAEs. Consider some of these tips as you establish your own study group or join an existing one.

- In seeking study-group partners, ensure the group will be diverse. A mix of disciplines (education, finance, membership, technology, etc.) and positions (director, chief staff executive, etc.) will provide the most effective study experience. You'll learn the most by getting perspectives from specialists in areas other than your own. Conversely, if everyone shares the same discipline, you may find gaps in the quality and value of your discussions.
- At the beginning, lay out a "plan of attack" so everyone knows what topics will be covered when (see page 40 for a sample group schedule planner). You don't necessarily have to go through the domains in numerical order; it may make sense to combine or sequence those that relate to each other. Knowing the subject schedule ahead of time can help you feel less overwhelmed.
- As you plan the group's study schedule, assign specific readings to each person in the group. That person is then responsible for close reading of the assignment and being prepared to share a content summary and insights with the rest of the study group. This sharing then provides the basis for group discussion of that portion of the content.

A tip for making assignments: each person should tackle content areas in which they're weak. Focus first on what you *don't* know, not on what you already know well.

- While reading everything on your own is important, at the very least be sure to read your study-group assignment and come to the group meeting prepared. When sharing what you read, avoid getting into too much minutiae; hit the content high points and share your insights—your "ahas" and "I didn't know's."
- Spend time discussing the scenarios and study questions included in this guide; however avoid getting bogged down. If you get stuck on why something is the way it is—for example, it's not clear why a provided answer is the "most right" response—ask a CAE to help you work through it.
- Do spend time throughout the group's life quizzing each other on the content. It might be helpful, for example, to devote the last portion of every study-group meeting to quizzing the content covered in the previous meeting. Perhaps, for example, the people experienced in a particular area could write questions about their area of expertise and ask them of others in the group. This type of practice would support the concept of spaced repetition and provide regular practice in recalling the content...a skill you'll need when taking the exam.
- When discussing the scenarios, study questions, and group-generated quizzes, if everyone in the group gets a particular answer wrong, focus your time on trying to

figure out why another response was the “most right” answer instead of trying to figure out why yours isn’t it.

- As you get closer to the exam date, consider having each group member individually take the practice exam in Section 5 and additional practice exam questions available online (see page 215), and then review together the questions missed. Discussion should consist of analyzing why one answer is correct vs. another; this practice reinforces the basic concepts and helps you learn to think through the questions that will be on the actual exam.

As you work together to prepare for the CAE exam, your study group will experience highs and lows, share anxieties before and after exam day, and become a great support to and for each other. If you’re taking the exam together, celebrate its completion and stay in touch throughout the wait for results! For additional ideas about how to support each other, see “After the Exam” on page 195.

**One last thought:** Study groups are a highly effective way to prepare for the CAE exam. However, they are not enough on their own. For your best chance at success, you must undertake a variety of study modes and options in addition to study groups.

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## Sample CAE Study Group Planner

Here's a template you can use to plan your CAE Study Group's schedule. There is space to note the group's meeting dates, and which domain and specific content areas that will be studied at that meeting. In most study groups, members take turns leading discussions, so there

is a column to note who will be the study leader for each meeting. Planning this schedule as the group gets underway provides everyone clear reminders of what will be studied and who is responsible for preparing the discussion.

As with the individual schedule planner, the template

offers space for planning 16 weeks and can be adjusted to whatever number of weeks your group is in place. Once the group agrees to a plan, log meeting dates in your personal calendar.

Weeks to exam	Calendar dates	Domain section	Study time available this week	Date completed
16				
15				
14				
13				
12				
11				
10				



Weeks to exam	Calendar dates	Domain section	Study time available this week	Date completed
9				
8				
7				
6				
5				
4				
3				
2				
1		Re-read Section 4: Exam Day Preparation		
0		Exam date!		

## Using Your Study Time Effectively

Once your study schedule is set, including any group meetings you're planning and/or courses you're taking, it's time to think about how you will manage your personal study time. You have a lot of ground to cover, so creating a purposeful process for tackling it will help you stay on track.

Take a few minutes to go back and re-read the beginning of this section. If you have not yet done the reflection exercises highlighted in those pages, do so before you continue any further. If used candidly and honestly, personal reflection is a powerful learning tool, and answering the questions provided can give you important insights that will aid your study planning.

### 1. Take Stock of Your Current Knowledge

By now, you have identified your perceptions of the level of knowledge you have in each area of the Exam Content Outline. If not, stop! Go back to pages 21–27 and decide which of the four categories you fall into for each item in the outline. Highlight the areas in which you have just basic or intermediate knowledge; those are the areas that will likely require the most study time. Prioritize the content outline—what do you need to study the most? What would make sense to study first? What content are you quite comfortable with, and to which you perhaps can devote less study time?

Confirm your perceptions! For example, if you believe you're quite knowledgeable in a given domain, answer the self-assessment questions in that domain in Section 3 of this study guide. While no answers are provided for these questions (they're intended for individual thought and group discussion), you'll likely get a sense of your knowledge level by how easy or difficult you find them. You may discover that you do in fact have sufficient knowledge...or you may discover you don't know the domain content quite as well as you thought.

Getting a realistic picture of what you know and, more importantly, what you don't know is a critical element of study planning. However, it's not the only thing to consider as you are taking stock.

*Take a moment to reflect...*

***How do you view your role in association management?  
Do you consider yourself an association management  
generalist?  
Or are you a specialist in a particular area who happens to  
work in associations?***

*Write your response, including how it might affect your study planning.*

Your vantage point—generalist or specialist—may impact how you take in what you read and study during exam preparation. Be very clear about your current perspective; you may need to shift your thinking. Remember that the CAE exam questions need to be viewed through the eyes of the chief staff executive in an association of any size (see Section 4, Get Into the Right Mindset). If you've only specialized in one or two areas, find a generalist mentor who can help you consider the “big picture.”

## 2. Selecting Study Approaches

First and foremost, you'll be doing a lot of reading whether on your own, as part of a study group, or both. Additionally, this study guide provides a wealth of wisdom based on the experiences of many people who have come before you and earned the CAE credential. Study is personal; however, you would be wise to consider their experiences and suggestions.

There are a variety of ways to approach the Exam Content Outline and preparation.

### Reading: the CAE Core Resources and Beyond

The more CAE Core Resources and other books you read, the better prepared you'll be. Note, however, that reading the CAE Core Resources or any additional reading materials is not required.

Additional reading, as described earlier, including the additional reading lists in the discussions of domains in Section 3, may be useful. Exam questions are based on application of knowledge, not recall of the specifics in the books.

Some other helpful resources for reading include

- *Associations Now*: ASAE's monthly magazine covers a wide variety of current and effective practice; provides current association scenarios.
- ASAE's online communities in *Collaborate* and the #assnchat thread on Twitter, both of which share real world examples of typical association challenges.
- Domain content reviews in this study guide. These are most effective when used in concert with other reading and discussion.

### Approaches to the Domain Content

As you read the recommended material and other resources, consider the following tips:

- Look over the relevant domain portion of Section 3 in this study guide for an overview of the recommended reading, key terms and concepts to watch for, and the domain content.
- Work through the self-assessment questions in the opening pages of the domain. The questions are aligned with the Exam Content Outline.
- As you begin the recommended reading, boost your comprehension of the material you're reading by asking yourself, "What do I already know about this topic? What do I want to find out in this reading?"
- Once you've finished reading a particular resource or a section of one, ask yourself, "What did I learn?" Apply this learning to some relevant aspect of your current work. Note that in each domain section of this guide, just before the study questions, are one or more pages titled "Section Review Considerations," including questions to consider in reflecting on what you've learned.
- Use the domain content review portions of this guide to actively engage with the material you're reading. There is plenty of space for taking notes, jotting questions, and citing examples and real-life application from your own experience. Thinking about how you will *apply* what you are learning will support retention.

- Where the domain content reviews contain scenarios labeled “Consider this scenario...,” stop for a moment to think about how you, as the CSE would respond. Jot down your approach.
- Use the “Key Terms and Concepts” noted in each domain *and* other terms from your reading to create note cards with the terms and definitions. You need to be able to recognize and apply the definition when you see a term and the term when you see a definition. Alternatively, consider the flashcards from the Michigan Society of Association Executives.
- When you’ve completed the reading and content review, work through the study questions in the domain and check your answers against the answer key at the end of the section. Each question is mapped to the Exam Content Outline and to one or more chapters from the CAE core resources. For any questions you miss, go back to that area of the domain for further study.
- If you are participating in a study group, share your insights and questions about the material to encourage discussion and gain further insights.
- Remember to periodically quiz yourself on the domain content to aid retention and your ability to recall the information later. You can use the provided self-assessment, study, and scenario questions—or make up your own questions as you read and then go back later to see how well you recall the answers.

### Additional Tips: While You Read

- Read the content purposefully; avoid skimming.
- Avoid affirming what you already know—notice new ideas and concepts.
- Sequence is important; notice “first step” and notice patterns in sequential steps.
- Ensure you fully understand the concepts being covered; memorizing does not work for most of the CAE content.
- Read glossaries! Become familiar with terms in glossaries, as they are likely to be important.
- Pay attention to charts and lists.
- Make up stories to illustrate learning points that are fun and help you to remember.
- Consider using mnemonic devices to help you remember straight factual information.
- Seek additional resources in areas where you feel less confident.

### 3. Keys to Study Success

Studying is as much a “mind game” as anything else. Your mental approach to an extended period of studying for the CAE exam can support or hinder your success! Self-knowledge, self-discipline, and self-control are key; achieving your goals is directly dependent on your ability to do what it takes. As you approach each study session (whether with your study group or by yourself), recognize, monitor, and control your **attention**, your **attitude**, and your **commitment**.

- **Attention.** Be aware of your attention level as you read. You may notice you’re drifting into a day-dream or becoming distracted by noise or unrelated thoughts;

you *can* make choices that bring your focus back to your reading. Stay in the present!

When your attention wanders, it may be a signal you're having some difficulty grasping what you're reading. Instead of just "waking up" and trying to read the same material over again, look at it differently. Connect it to experiences you may have had, or consider how the concept/topic might apply in the "real world." The more you actively engage with the content, the better you will be able to learn and recall it.

- **Attitude.** Your attitude about studying and the exam itself attaches directly to emotion that affects your learning. Thinking positively about the opportunities to learn more about your chosen field, regardless of the exam outcome, can put you in a good frame of mind. Telling yourself, "I can do this" creates self-determination to succeed! Use a technique popular with athletes: envision what it will look and feel like when you succeed.

Psych yourself *up*, not *out*!

- **Commitment.** As Yoda remarked to Luke Skywalker, "Do, or do not. There is no try." Deciding to seek the CAE credential is a commitment you choose to make. You may need to re-commit to yourself from time to time, when the task seems a little overwhelming...and that's okay. Reflect on why you first decided to pursue the CAE and whether any other reasons for achieving it have come up since you began.

Ken Blanchard, management consultant and author of *The One-Minute Manager, Situational Leadership*, and other management books once offered some insight into the difference between "interest" and "commitment." He asked a question: "How many diets does it take to lose weight?" His answer? "Only one, if you're committed."

If you're committed to earning the CAE, you will arrange your life to ensure you have the time you need to prepare and be ready when exam day arrives. Are you committed to earning the CAE?

#### 4. Check Your Progress

Earlier in this section the importance of keeping track of your progress was mentioned; a sample study schedule planner is provided on pages 35–36.

You'll notice that the far right column of this planner is titled "Date Completed."

As you complete each step of your study plan, check it off as completed and you'll be able to see at a glance your march through the content. There's a certain sense of accomplishment in visibly noting your completion of each area.

More important than noting completion is assessing your progress in learning the material. The best tools for that, of course, are the study and scenario questions in each domain content area in Section 3. The first time you work through them, note your scores (perhaps logging them in your study schedule planner). As you go back and review troublesome areas, test yourself again and log those scores, noticing differences. Hopefully you've correctly answered questions missed earlier!

#### Domain Practice versus the Practice Exam

The study questions and scenarios in the domain section of this guide are solely for study and review; they are intended to help you think about the answers and to facilitate your learning. However, they are not officially vetted exam questions. After you've successfully completed the domain study and scenario questions, and

feel confident regarding the domain content, schedule time to complete the practice exams in Section 5 and available online (see page 215). This is the closest you'll come to the actual CAE exam experience; the CAE Commission authorized release of these retired questions from the exam item bank.

Again, log your score the first time through, and keep track of your scores as you review content and retake the practice exam. Ideally, your comfort with the content will grow as you work through the content on your own and in your study group. Come exam day, you'll be ready!

*Your plan is in place. You know what you need to do.*

*Turn to the next section and get started!*

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# Section 3:

## Studying the Content, the CAE Domains

### **The CAE Domains—Basis and Creation**

Periodic changes to ensure currency and relevance are a hallmark of a well-designed credentialing program. Therefore, the Certified Association Executive (CAE) credentialing program undertakes a periodic job analysis study every five years, as well as an ongoing review of policies and procedures. The composition of the CAE exam is guided by extensive research on the job tasks performed and knowledge needed by association executives.

Such a comprehensive analysis was last conducted in 2018–2019, when the CAE Commission oversaw a methodical and comprehensive investigation into the skills required for successful association management. A national job analysis survey of association professionals defined the scope of practice for association professionals and determined the content areas appropriate for the test. A representative panel of association management experts reviewed the results of the survey and identified the scope of practice for association professionals based on these data, thus ensuring that the content of the test reflects the day-to-day practice of association professionals nationwide.

The research resulted in the identification of 119 essential association management competencies organized into eight knowledge domains. The results were organized into the Exam Content Outline. The outline presents the content covered on the CAE exam with the amount of the test devoted to each area indicated in parentheses (see pages 21–27). This outline will guide the content of the CAE exam until the next job task analysis is completed.

### **How the Test Questions Are Developed**

The CAE test questions are written by Certified Association Executives and reviewed by a panel of association management experts. Prior to being selected for the test, every question is also reviewed by a psychometrician, an expert in writing valid examinations. After the test, the questions are analyzed statistically to identify any hidden flaws. Questions that appear to be flawed are discussed by the CAE Examination Committee to determine if credit should be given for more than one answer. After these issues are resolved, the test is scored.

The test question pool for the CAE certification program is updated on a regular basis to reflect current practices in association management. Individual questions that have been shown by statistical analysis to be unclear or unfair are modified or deleted from the pool.

The CAE certification test has been designed to meet testing industry standards for *validity* and *reliability*.

**Validity** is the degree to which the content of the test reflects the knowledge and skills required to perform the duties of an association chief staff executive in a competent manner.

**Reliability** is the accuracy of the test results. That is, the degree to which the test results are free from error.

### How the Exam is Administered

The CAE exam is offered as a computer-based test in a two-week window in May and December. The test is administered at scheduled test sites throughout the United States and internationally at Scantron testing centers. Specific sites depend on where candidates are located, and may change with each examination. Once your application is approved, you may sit for the exam on any test date offered within one year of that approval. Remember that you must register for your desired exam date; having a CAE application on file does not automatically register you for an exam date.

For more information on exam dates, locations, and policies, check the webpage, [asaecenter.org/cae](http://asaecenter.org/cae), or contact the CAE staff at [caedep@asaecenter.org](mailto:caedep@asaecenter.org).

## Studying the Content Domains

The remainder of this section of the study guide contains study support for all eight domains contained in the Exam Content Outline. An abbreviated practice exam appears in Section 5.

For each domain, you will find:

- The percentage of the questions likely to appear on the exam from the domain
- Recommended readings—chapter recommendations for two primary texts and additional relevant books from the CAE Core Resources
- List of relevant key terms and concepts to look for
- Exam content outline, with open-ended self-assessment questions
- Content review—a framework or outline of key content areas organized by the exam content outline—with plenty of space to jot your own reference notes
- Content-focused scenarios to think about—answers to these are intentionally not provided to promote discussion and learning
- Multiple-choice study questions, provided by the Association Societies Alliance, *for study, review, and learning only*; each question is mapped back to the Exam Content Outline
- Scenario questions
- Review considerations and reflection questions



- Answer keys for the study and scenario questions, with chapter references in two texts: *Association Law Handbook, 6th Edition* and *ASAE Handbook of Professional Practices in Association Management, 3rd Edition*. (Answer keys are located in Appendix C.)

Some domains also include “Effective Practice Opportunities and Common Misconceptions,” which will further expand your thinking on the content.

Regardless of the study approaches you choose, use these support materials as a guide to your reading, study groups, individual study, and other preparation.

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# Domain 1: Governance

9%-11% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management, 3rd Edition*, Chapters 14–17.
- *Association Law Handbook, 6th Edition*, Chapters 1–15, 20–21, 23–26, 29–32, 35–37, 61–62, 72, 92–93, 100.
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management, 4th Edition*, Chapters 2, 4–6, 8, 24.

## Additional Reading

- Aplebaum, Lowell and Mitchell, Trevor, editors, *Component Relations Handbook: A Guide to Successfully Managing and Motivating Chapters, Affiliates, and other Member Groups* (Washington, DC: ASAE, 2012).
- Axelrod, Nancy R., *The Governing Board: Key Responsibilities for Association Boards and Board Members* (Washington, DC: Association Management Press, 2013).
- Connors, Tracy D., ed., *The Volunteer Management Handbook*, 2nd ed. (Hoboken, NJ: Wiley, 2012).
- Eckert, Gabriel, and Harris, *Strategic Integration: Tips, Tools, and Techniques to Move Beyond Strategic Planning and Transform Your Organization* (Washington, DC: ASAE, 2019).
- Engle, Mark, and Brown, William, *Recruit the Right Board: Proven Processes for Selecting Critical Competencies* (Washington, DC: ASAE, 2019).
- Gazley, Beth, and Bowers, Ashley, *What Makes High-Performing Boards* (Washington, DC: ASAE, 2013).
- Gazley, Beth, and Kissman, Katha, *Transformational Governance: How Boards Achieve Extraordinary Change* (Hoboken, NJ/Washington, DC: ASAE-Wiley Series, 2015).
- Jacobs, Jerald, *Legal Duties for Directors: An Association Board Member's Guide to Avoiding Risk While Advancing the Mission* (Washington, DC: ASAE, 2014).
- Tecker, Glenn H., Paul D. Meyer, Bud Crouch, and Leigh Wintz, *The Will to Govern Well: Knowledge, Trust, and Nimbleness*, 2nd ed. (Washington, DC: ASAE, 2010).
- Westman, David, *Board and CEO Roles for Achieving Association Goals* (Washington, DC: ASAE, 2016).

## Key Terms and Concepts

Communities of practice	Groups of people who gather together to accumulate and share their collective learning. Typically self-forming.
Consent agenda	<p>Maximizes board and committee effectiveness. The consent agenda or calendar is a “batched” list of items for approval by the board or committee. Items in the batch are routine, noncontroversial items that require approval. All items are provided in writing prior to the meeting. Any board member has the right to pull an item off the consent agenda for discussion, often because it is a controversial issue.</p> <p>When requested, it is done with no questions asked. Then, in a single motion, the board approves every item on the consent agenda. This eliminates the need for most oral reporting at meetings.</p>
Contracts: Affiliation agreements	Memorandums of understanding or partnership between the parent organization and its affiliates or chapters. These contracts should bind both organizations and set forth how each is to be governed, the extent to which one may hold itself as an agent of the other, and how the chapter is permitted to use the name of the parent.
Dialogue before deliberation	On key issues before the association, the leadership should engage in a dialogue with the members at large, then bring what was learned in that dialogue into the board room for deliberation on the issue. This process keeps the governing body relevant to the membership and keeps the membership engaged with the organization.
Governance	The board is the chief governing body, ensuring that the organization achieves what it should and avoids unacceptable situations. Typically an organization’s bylaws describe its governance structure, relations with affiliated groups or components, and how power is allocated within the association.
Governance: Transparency	Transparency involves operating in an open, accountable manner and providing the public with information it can use to evaluate the organization’s performance.
Governance: Acting in good vs. bad faith	Usually, one who acts in good faith, using ordinary diligence and care, will not be found personally liable for debts or responsibilities of the association. Even incompetence or bad judgment is not sufficient grounds for personal liability. Bad faith is based in gross negligence, an intentional disregard that causes injury, violates antitrust laws, or is beyond the scope of authority. Bad faith decisions can incur personal liability.
Governance: Actual vs. apparent authority	<p><i>Actual authority:</i> if a chapter has actual authority, the national or international organization, along with the chapter, will be responsible for obligations incurred.</p> <p><i>Apparent authority as it relates to parent/chapter relations:</i> may be inferred by a third party where the national organization permits the chapter to behave as if it has actual authority.</p> <p><i>Apparent authority relating to employment and antitrust:</i> an employer can be responsible for authorized wrongdoing of an agent, such as an employee, even if the agent only appears to be authorized. The <i>Hydrolevel</i> case applied this concept to volunteers as well in that an association is strictly liable when it fails to prevent antitrust violations through the misuse of the association’s reputation by its agents, including members who are only unpaid volunteers or lower-level employees.</p>

Governance: <b>High-impact board</b>	<p>Involves five key elements:</p> <ol style="list-style-type: none"> <li>1. A strategic framework that is clear and detailed</li> <li>2. A detailed design of the board's governing work</li> <li>3. Standing committees that serve as powerful governing engines</li> <li>4. Board self-management and performance accountability</li> <li>5. Strong support from a board-savvy CSE</li> </ol>
Governance: <b>Sarbanes-Oxley policies</b>	<p>While Sarbanes-Oxley requirements are intended for corporate governance, associations are recommended to adopt them as effective practices, taking some basic measures to ensure that funds granted or loaned are not misused or embezzled. Examples:</p> <ul style="list-style-type: none"> <li>• Create an Audit Committee; at least one member required to be a “financial expert.”</li> <li>• Adopt a code of ethics for senior officers and directors.</li> <li>• Establish a document management policy to guide employees in handling and disposing of documents.</li> <li>• Adopt a form of employment policy and procedures to encourage internal disclosure of misconduct or mishandling of funds, and ensure funds are properly handled and that any certifications or reports made to funders (especially those administering federal funds) are correct and fairly represent the finances and operation of the organization.</li> <li>• Conduct internal file reviews.</li> </ul>
Governance: <b>Shared values</b>	<p>Governance decisions should be based on the shared values of the voting body. Shared values can be determined only through deliberation. Decisions should be based on the value of the common good, rather than made for the individual or self-serving agendas.</p>
<b>Hierarchy of documents</b>	<p>Establishes the legal status of organizational documents:</p> <p><i>Articles of incorporation:</i> an agreement between the association and the state defining the organization's legal purpose and its tax-exempt status; establishes the legal basis for the organization's existence.</p> <p><i>Bylaws:</i> an agreement between an association and its members, defining who can participate in the association and how they do so. Member eligibility and classes, officers, and standing committees are key provisions found in the bylaws; this agreement is second in the hierarchy.</p> <p><i>Policies:</i> set parameters or specific mandates for action and decision making. The board's policy manual is third in the hierarchy, followed by board minutes.</p> <p><i>Procedures:</i> step-by-step processes detailing how to accomplish tasks in the organization. Procedures are operational and are not considered governing documents.</p> <p><i>Practices:</i> ways in which organizations do things that are not documented in policies and procedures.</p>
Insurance: <b>Directors and officers liability</b>	<p>Management or governance errors and omissions insurance provides coverage in the event that a board, director, or officer is accused of mismanagement of the organization. It provides a source of funds to cover legal costs and judgments and settlement fees associated with certain types of lawsuits naming board members as individuals.</p>

<b>Legal implications of electronic governance</b>	Where state nonprofit organization statutes allow use of electronic media in association governance, i.e., voting electronically or by fax, the extent to which such use is permitted varies. The use of electronic media in association governance must not be inconsistent with the association's articles of incorporation or bylaws.
<b>Negligence, fraud, and honesty</b>	At any level of the association, fraud includes misappropriation of association funds or authorization of association payments for personal gain. Gross disregard for one's responsibilities constitutes <i>gross negligence</i> . Staff are usually shielded from personal liability but fraud and dishonesty are exceptions. Directors and officers insurance will generally protect the board from these claims. The association should invest in an <i>employee fidelity</i> bond to protect itself from staff fraud (embezzlement).
<b>Organizational components, volunteers</b>	<p><i>Standing committee</i>: performs a continuing function and operates indefinitely, such as the education or nominating committee; established in the association's bylaws.</p> <p><i>Special or ad hoc committee</i>: organized with a specific objective or problem and is usually disbanded when its work is completed.</p> <p><i>Task force</i>: a form of special committee with a defined time span.</p> <p><i>Special interest group, section, or council</i>: a group within an association that operates with a limited amount of autonomy and has jurisdiction over an area of professional or business interest. Note: Many national and international organizations refer to their chapters or state and local affiliate organizations as <i>components</i>.</p>
Organization models: <b>Volunteer-driven</b>	In a <i>volunteer-driven</i> organization, volunteers make basic decisions about the direction of the association and allocation of resources; volunteers have veto power over most programming decisions and have a direct impact on budgeting decisions.
Organization models: <b>Staff-driven</b>	In a <i>staff-driven</i> organization, volunteers serve in a more advisory capacity, as staff make most programming and budgeting decisions. Volunteers have little impact on day-to-day operations and focus on longer-range, strategic issues.
Organization models: <b>Balanced</b>	In a <i>balanced</i> organization, staff are responsible for day-to-day operations matters, and volunteers are responsible for organization strategy, governance, and other member-related matters.
Parent/chapter: <b>Control of membership requirements</b>	The national or international organization should retain some control over the local organization's membership requirements to ensure that chapter/component procedures do not violate antitrust laws.
Positioning: <b>Relevance</b>	Thriving associations have a strong need to create flexible structures and governance processes in order to react to changing environments. In order to accomplish this, associations need to create a unique and sustainable reputation for value among members, customers, and stakeholders.
<b>Special interest group (SIG)</b>	A group or organization (but not an association) that operates with a limited amount of autonomy and has jurisdiction over an area of professional or business interest. Special interest groups within an association may also be called membership sections. <i>Special interest group</i> is a term often used by the general public to refer to organizations with political action committees who attempt to influence elections or legislation, including associations.

<b>Stakeholders</b>	Individuals or groups who have a significant explicit or implicit interest in the association or in the accomplishments of the association.
Tax-exempt status, 501(c)(3): <b>Criteria to qualify</b>	An association with 501(c)(3) status must be organized and substantially (80% to 95%) devoted to one or more exempt public purposes, such as educational, religious, or charitable purposes; no substantial part of its activities may constitute engaging in propaganda or otherwise attempting to influence legislation; and it must not participate or intervene in any political campaign.
Tax-exempt status, 501(c)(3h): <b>Limitations on lobbying (expanded lobbying)</b>	501(c)(3h) status is a “safe harbor” for 501(c)(3) associations that want to be able to lobby; they are still subject to limitations and lobbying cannot be substantial.  Additionally, this IRS code defines <i>insubstantiality</i> as less than 20% of the first \$500,000 of the association budget; 15% of the second \$500,000; 10% of the third \$500,000; and 5% of each subsequent \$500,000, regardless of budget. Also a (c)(3) may not spend more than \$1 million on lobbying; a (c)(3) association with a \$5 million gross budget could, under Section 501(h), spend \$400,000 on lobbying and still pass the insubstantiality test. Contributions to a (c)(3) can qualify as a tax deduction for donors. Also, (c)(3)’s may receive exemptions from local real estate taxes and receive favorable postage rates.
Tax-exempt status, 501(c)(4): <b>Criteria to qualify; limitations</b>	An association with 501(c)(4) status must be primarily (more than 50%) devoted to social welfare activities. It may engage in lobbying activities so long as they are directed at social welfare. Not prohibited from political activity.
Tax-exempt status, 501(c)(6): <b>Criteria to qualify; limitations</b>	An association with 501(c)(6) status must be primarily (more than 50%) devoted to activities in the business interests of members; it must represent at least one line of business. It is free to engage in unlimited legislative activity and not prohibited from political activity. Payments to (c)(6) organizations are deductible only if they are ordinary and necessary business expenses.
Term of engagement: <b>Parliamentary procedure</b>	A standard process used by governing bodies, also known as <i>Robert’s Rules of Order</i> . The process defines clear procedures to ensure the governing body is aware of the issue on the floor, gives permission to discuss the issue, and allows for balanced discussion in an orderly way.
Term of engagement: <b>Consensus model</b>	Consensus model decision making refers to agreement by all members of a group, rather than a majority. Consensus is based on the belief that each person holds some part of the truth and no one person has all of it. By combining their thoughts, people can create a higher-quality decision than a vote decision. Consensus invites the buy-in of the decision makers.
Types of associations: <b>Trade vs. professional</b>	<i>Trade association:</i> a 501(c)(6) organization; a group of individuals and/or firms concerned with a single type of business or field, or related products or services.  <i>Professional association (or society):</i> an association of individuals with an acquired knowledge and experience that qualifies them as specialists, or sharing a field of business or practice in a profession, often with a certain credential. In the medical, legal, and engineering-related professions, individual membership associations are generally professional societies.

**Types of organizations**

*Two-tiered:* both state and local chapters may join the national association.

*Three-tiered:* local associations join their state associations and state associations join the national association.

*Vertical:* serves all functional areas of an occupation or profession; i.e., a state society of association executives offers membership to CSEs, legal counsel, staff specialists in all functional areas, and administrative assistants.

*Horizontal:* serves one functional level of an industry or profession.

*Federation:* association composed of a group of other associations representing professionals, businesses, or industries with a common interest.

*Reciprocal/unified:* membership in one organization automatically allows privileges to another organization in another geographic area.

*Combination/conglomerate:* a combination of individual and corporate members.

*Contingent:* an arrangement between an organization and its chapters that requires members to belong to two or more levels.

Types of organizations:  
**S-corporations vs. C-corporations**

In the formation of subsidiary for-profit corporations, articles of incorporation must declare whether the for-profit organization is a C-corp (a commercial corporation) or an S-corp (service corporation).

*C-corporations* may have unlimited shareholders and many classes of stock;

*S-corporations* may have no more than 75 shareholders, none of whom may have nonresident alien status, and may have only one class of stock. The election of corporate status has implications for taxation for the shareholders.

## Domain 1 Content Review

### A. Governance Structure

1. Review governance documents.
2. Manage a governance system.
3. Establish and maintain governance structure that values diversity of thought.
4. Manage governance relationships.
5. Liaison with the board and executive committee.
6. Facilitate the activities of the board.
7. Implement the board's policies and strategic priorities.

It's all about *relationships*!

#### **Liaison with the board and executive committee**

The focus is on *decision making*.

- When to take things to the executive committee
- When to go to the full board
- When to notify the chair about things happening



- What these relationships should look like

### **Facilitate board activities to support organizational goals**

The focus is on *accomplishing the mission*.

- What committees, task forces, and special interest groups are necessary?
- What should be their focus?
- What is the division of labor and responsibility?

## **B. Affiliate/Chapter Relations**

1. Ensure components are serving member needs.
2. Craft affiliation agreements to delineate lines of authority and responsibility.

The focus is on *setting expectations and creating a productive relationship to achieve the mission of the organization*. Best practices include

- Defining roles and responsibilities of lead association and components
- Codifying roles and responsibilities
- Defining criteria used for recognizing new components
- Clarifying expectations
- Determining services to offer
- Providing relevant and timely resources
- Facilitating information exchange to promote ongoing communication and positive relationships

The focus is on *relational matters, support, and communication*. Best practices include

- Providing orientation to component leadership
- Identifying staff to work with components
- Communicating with components

## **C. Volunteer Leadership Development**

### **Recruitment, training, recognition, and accountability systems**

The focus is on *strengthening leadership at the board level to advance the organization*. Best practices include

- Establish methods to recruit volunteer leaders.
- Determine traits to look for in volunteer leaders.
- Establish volunteer management program.
- Provide clarification and expectations.

### **A succession plan**

The focus is on *developing a system for leadership succession*. Best practices include

- Establish policies regarding term limits in writing.
- Create job description for board positions.
- Provide clear delineation of roles & responsibilities.

### **Education and orientation on ethics and fiduciary responsibilities**

The focus is on *ethical behavior*. Best practices include

- Code of ethics
- Communication: member-to-member and staff-to-staff

- Duties of care, loyalty, and obedience
- Accountability

## Domain 1 Exam Content Outline Self-Assessment

Refer to the exam content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then use the study questions and scenarios to determine how well you have learned the material.

### Self-Assessment Questions—Governance

1. What is the difference between corporate and nonprofit governance structures?
2. What is the difference between governance and management?
3. What is the role of a committee or task force in governance?
4. What types of governance decisions would be typically made by the following:
  - a. House of delegates
  - b. Board
  - c. Executive committee
  - d. Committee
  - e. CSE
  - f. Staff department heads

### Self-Assessment Questions—Affiliate/Chapter Relations

1. Describe the nature of an affiliation agreement.
2. Describe typical components of an affiliation agreement.
3. Differentiate between the role of local/state chapters and the (inter)national organization.
4. What is a community of practice, and how would you form one?
5. What policies would you most likely want to have in place to govern communities of practice?
6. Distinguish between interest groups and communities of practice.

### Self-Assessment Questions—Volunteer Leadership Development

1. What are the characteristics of an integrated and effective volunteer system?
2. What is the scope of volunteer authority?
3. What methods are available to assess volunteer accountability?
4. How would you build an effective volunteer structure to guide the mission of the association?
5. What is fiduciary responsibility?

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. Which of the following could give rise to personal liability on the part of directors and officers?
  - a. Incompetence and bad judgment
  - b. Intentional injury or damage to persons or property
  - c. Performance of contracts entered into by an association
  - d. Activities and actions of a committee that lead to antitrust violations
  
2. What is the proper relationship between a CSE and a board chair?
  - a. A board chair supervises a CSE and leads the board.
  - b. A board chair and CSE should be friends and confidants to one another.
  - c. A CSE keeps the board chair informed of the direction of the association.
  - d. The two are partners with specific areas of focus: the CSE on operations and the board chair as the link to the volunteers and members.
  
3. What is a best practice as it relates to the relationship between a 501(c)(6) and its subsidiary 501(c)(3) foundation?
  - a. A policy should be established that defines the relationship between the two entities.
  - b. The 501(c)(6) can use the foundation as a tax shelter for revenue generated through its educational programs.
  - c. Managerial responsibility for the subsidiary should always be given to a member of the association staff.
  - d. Once the subsidiary is incorporated, there should be no documented relationship between the two entities, in order to protect the insular nature of each corporate board.
  
4. Why are policies important tools in volunteer management?
  - a. Affirm boundaries and are enforceable.
  - b. Create expectations and suggest guidelines.
  - c. Motivate volunteers to operate at a higher level.
  - d. Fulfill legal requirements for nonprofit organizations.
  
5. What is the most effective way to ensure balance in the volunteer-staff relationship?
  - a. Conduct a climate survey.
  - b. Form an audit committee of volunteers and staff.
  - c. Establish clear delineation of roles and responsibilities.
  - d. Hold a staff meeting to encourage staff to be more appreciative of volunteer efforts.
  
6. Which of the following is the primary difference between an incorporated association and one that is not incorporated?
  - a. It needs to file IRS Form 990.
  - b. It has the ability to sue or be sued as an organization.
  - c. It may enter into contracts as an organization.
  - d. Members are responsible for the debts or legal obligations incurred by the organization.
  
7. Which of the following determines when a component and its lead association will move to joint planning?
  - a. When the whole organization needs alignment.
  - b. When the effort will impact the whole organization.

- c. When they recognize each other's value in the relationship.
  - d. When their affiliation agreement requires them both to participate in the effort.
8. In your role as executive director of a newly formed association, how will you establish, integrate, and maintain an effective and representative governance system to guide the association in accomplishing its mission?
- a. Use the articles of incorporation and work with volunteer leaders to establish the mission of the association.
  - b. Set up an office, mailing address, bank account, and website for the organization that will help the association achieve its mission.
  - c. Work with volunteer leaders to develop a strategic plan that will help the association accomplish its vision and its mission.
  - d. Use the articles of incorporation and work with volunteer leaders to establish an interim board of directors to create bylaws to manage the election process.
9. Part of the mission of the National Society of Certified Water Bottlers (NSCWB) is to provide continuing education programs that support the professional industry certification of all its members. With more than 100,000 members nationwide, this can be a daunting task. Furthermore, the organization that administers the certification has just announced that the minimum amount of CEUs needed for renewal will double beginning with the next renewal cycle. What can NSCWB do to ensure it continues fulfilling its mission?
- a. Expand the staff to allow for multiple concurrent programs to occur in cities throughout the United States.
  - b. Survey the membership to gauge satisfaction/dissatisfaction with the new certification requirement.
  - c. Survey each state component to gauge satisfaction/dissatisfaction with the new certification requirement.
  - d. Establish a system for state components to offer programs that have been approved for certification renewal.
10. In general, association policies and procedures should address which three areas?
- a. Governance, structure, and organization
  - b. Organizational, operational, and financial
  - c. Governance, management and operations, and public image and public policy
  - d. Public image and public policy, operational procedures, and organizational procedures
11. With whom should the CSE work to ensure that the board receives timely and accurate information on the activities of the organization?
- a. Chief elected officer
  - b. Chief financial officer
  - c. Department heads within the association
  - d. Chairs of standing committees, ad hoc groups, and special interest groups
12. Your association has identified a desire to develop a new component relationship to better meet a specific area of member need. Which of the following will help ensure that this new relationship will remain mutually beneficial for the component and the association?
- a. Develop a committee to oversee the relationship with the component.
  - b. Develop and implement an affiliation agreement that specifies the roles and responsibilities of all parties.
  - c. Develop an RFP and submit to interested parties.
  - d. Develop a subsidiary that will meet this new member need.

13. You are the new CSE for a national association. Recently you attended a monthly meeting of a state chapter. The chapter president took you aside and expressed concern about a lack of communication from the parent organization. What is the first thing you would do upon returning to your office?
- Ask a board member to call the chapter president who had the concerns.
  - Assign an association staff member to develop a form for chapters to submit feedback.
  - Conduct a survey of the chapters' boards of directors to evaluate existing products and services.
  - Write an apology letter to the chapter president who expressed a concern, and commit to improved communication.
14. You are the CSE of a national organization that has recently developed statewide chapters. While the chapters seem to be successful in reaching the local membership, there is tension between the chapters and their national counterpart. Which of the following is the best solution for settling this tension?
- Hold a formal meeting with the leaders of the local chapters to discuss the issues.
  - Release a public statement praising the local chapters for their accomplishments within the national organization.
  - Suggest that the national board of directors be restructured to proportionately better reflect more highly concentrated membership areas.
  - Decide that the tension between state chapters and the national organization is a clear indicator that any success the local chapters may have will be detrimental to the national organization; therefore, suggest that the national board of directors disband local chapters.

### Scenario Questions

You have just taken a new job as a CSE. One of your first tasks was to evaluate the committee structure of the organization. The membership is a healthy and growing 10,000 individual members. However, according to staff, recruiting volunteers to serve on the fifteen standing committees has been a struggle for the past four years. As you review the various committee minutes, you note that many of the committees meet only once or twice per year and seem not to accomplish any substantive work.

- Who should "own" the solution?
  - The board of directors
  - You, as the CSE, after discussion with your senior staff
  - You, as the CSE, with input from the board of directors
  - The bylaws committee
- Which is the best solution to this scenario?
  - Refer the situation to the bylaws committee.
  - Send every member a notice asking for volunteers.
  - Look at the strategic plan and create committee charges that will contribute to the achievement of the plan.
  - Review the needs of the association and reorganize the volunteer committee structure based on "form follows function."

## Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, create a checklist to identify areas of the domain that need additional exam preparation focus.

- ☐
- ☐
- ☐
- ☐

## Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about organizational management? If so, what did you learn from this discovery that you can apply in the future?
- What new information is important for you to integrate into your thinking and professional practice?
- Additional thoughts?

## Effective Practice Opportunities and Common Misconceptions

### Separation of duties

Board vs. executive committee vs. direct intervention by CSE:

- Board addresses broad policy issues that focus on strategy, direction, and results.
- Executive committee considers issues for the board’s agenda in conjunction with the CSE.
- CSE shepherds operational/staff issues.
- Board chair shepherds the governance workforce.

### When there is a volunteer problem

- Volunteers handle volunteers.
- CSE handles staff.
- CSE should always remember the separation between operations and governance before jumping into action. Peers listen to each other differently from the way they listen to the chief employee of the organization.
- The CSE is never a peer with the volunteers.

### Minutes

- Record only motions, votes, and assignments. Narrative of who said what exposes the organization to liability unnecessarily.
- Cutting-edge practice: record minutes to display on large monitor, and approve the minutes before meeting adjourns.

### Parent/chapter relationships

- Affiliates are *not* the competitor but a partner in achieving an end.
  - Have clearly defined boundaries.
  - Have clearly defined grievance procedures.
- Parent organizations need to create transparency to the chapters.
- Communication is the best policy to get results.
  - Get input from affiliates before launching a new initiative.
  - Get buy-in; do not create competition.

### Structure and communication between 501(c)(6) and 501(c)(3) subsidiaries or S-corporations

- Define the relationship clearly in the formation documents.
- Be clear that the subsidiary is a means to achieve a certain result—usually a result described in the strategic plan.
  - It is not uncommon for the subsidiary to overshadow the primary organization. Goals are different.
  - Make money or serve member needs?

### Communities of practice

- To create more nimbleness in knowledge management, associations are creating or facilitating formation of communities of practice.
- Communities of practice are groups of people informally bound together by shared expertise and passion for a joint enterprise. They are the engine that creates social capital in an organization that leads to behavioral change that positively influences business performance.
- Communities of practice are *learning communities* within organizations who work collaboratively on strategy, innovation, problem solving, developing professional skill, developing and promoting best practices, and so forth.
- The nature of communities of practice is to be organic, spontaneous, and informal, making them resistant to supervision and interference.
- Managerial responsibility for success includes bringing the right people together, providing an infrastructure in which the communities can thrive, and measuring the communities' value in nontraditional ways.

### Cost of governance

- Poor governance costs more than learning to govern well. As a result, a trend is for the board to determine its own budget or budget policies for its governance process, including allowances for
  - Training, including attendance at conferences and workshops
  - Audits and other third-party monitoring of organizational performance
  - Surveys, focus groups, opinion analyses, and meeting costs
  - Staff support of board activities
- This board budgeting focus gives the board the opportunity to declare its value system, rather than having the CSE second-guessing and being surprised by unanticipated board expenditures.

### Finance and audit committees

- Audit committees define the scope of the audit, review proposals, and recommend an audit firm to the board.
  - The audit function is a board responsibility.
  - The CSE has a conflict of interest in hiring the audit firm.
  - Sarbanes-Oxley provisions are well advised in the nonprofit sector. They require financial expertise on your audit committee, hiring registered auditors, and certification of financial statements by the CEO and CFO.
- Budget development is not a board function; it is an operational function.
  - Boards create policies to address budget parameters. The budget should be constructed to comply with those policies while focusing on the outcomes or goals defined by the board.
  - Trend: Finance committees are disappearing as staff-driven organizations hire CFOs.

For answers to study questions, see “Study Questions Answer Key” beginning on page 211.

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# Domain 2: Executive Leadership

19%–21% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management*, 3rd Edition, Chapters 1–4, 9–10, 15, 19–20, 27–28
- *Association Law Handbook*, 6th Edition, Chapters 11–13, 24
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 4th Edition, Chapters 3–7, 11–12, 16

## Additional Reading

- Frankel, Jean, and Gabriel Eckert. *From Insight to Action: Six New Ways to Think, Lead, and Achieve*. Washington, D.C: ASAE Association Management Press, 2012.
- Coerver, Harrison, and Mary Byers. *Race for Relevance: 5 Radical Changes for Associations*. Hoboken: Wiley, 2013.
- Jacobs, Sheri. *Pivot Point: Reshaping Your Business When It Matters Most*. Washington, D.C: ASAE Association Management Press, 2018.
- Tecker, Glenn H. *The Will to Govern Well: Knowledge, Trust, and Nimbleness*. Washington, DC: ASAE Center for Association Leadership, 2010. Parts 3 and 5.
- ASAE *Handbook of Professional Practices in Association Management*, 2nd Edition, Chapter 10

## Key Terms and Concepts

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### Active listening

Requires being in the present moment, engaged with the speaker rather than thinking about your response. This includes noticing when body language does not match the words spoken or the passion expressed is not aligned with the issue being discussed, and inquiring about the incongruence. That may require paraphrasing in your own words what you heard, assuring understanding and acknowledging that you heard the speaker correctly.

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Capacity: <b>Maximizing volunteer capacity</b>	Volunteers are looking for minimum time involvement, maximum influence, and major benefit. To maximize volunteer capacity, the association needs to assess how volunteers are used and train them for the decision-making process. Members usually become volunteers because they want to make a difference, and they don't necessarily know how to do that. The association needs to provide skill and conceptual development in governance and leadership, team building, and a cultural orientation to maximize the potential. A critical focus to build capacity is through succession planning: intentional and thoughtful recruitment of volunteers who provide the skills, resources and connections vital to the organization now and into the future.
<b>Collaboration</b>	A relationship where multiple parties work together on a project or other initiative to achieve mutually desirable ends.
<b>Confidentiality</b>	One of the key duties related to fiduciary responsibility of a governing body. Maintaining confidentiality on sensitive issues fulfills the legal duty of loyalty to the organization.
Conflict: <b>Constructive confrontation</b>	Organizational cultures that avoid conflict and confrontation cannot function as an aligned team. Teams that engage in confrontation: <ul style="list-style-type: none"> <li>• Have lively, interesting meetings</li> <li>• Extract and use the ideas of all team members</li> <li>• Solve real problems quickly</li> <li>• Minimize politics</li> <li>• Put critical topics on the table for discussion. Constructive confrontations bring the team together. Conflict, confrontations, and closeness are on the same continuum. Creating an honest environment and taking responsibility for your own actions makes managing conflict and confrontation easier.</li> </ul>
<b>Cost/benefit analysis</b>	The technical process of judging the value of a given activity, program or service against the cost.
<b>Crisis management planning process</b>	A three-phase process: <ol style="list-style-type: none"> <li>1. <i>Pre-crisis</i>: plan for crisis; establish policy; and establish a crisis information function (communications).</li> <li>2. <i>The Crisis</i>: define the crisis; access existing crisis plan; and respond professionally.</li> <li>3. <i>Post-crisis</i>: review the association's crisis performance; and plan for the next crisis.</li> </ol>
Culture: <b>Collaboration to solve problems &amp; challenges</b>	A successful negotiation is a win-win and should never be confused with "equal win." The term win-win means mutual gain; very seldom can each party win equally. Following a principled approach to negotiations, however, ensures that all parties come out of the negotiation ahead.
<b>Diversity</b>	Encompassing a broader array of differences than race, ethnicity, and gender. Also includes age, physical abilities, skill sets, socioeconomic status, family status, lifestyle preferences, language, religious beliefs and spiritual values. It is more than demographic differences. Optimally, it is about inclusiveness of differences at all levels of the organization.

<b>Ethics check</b>	<p>Questions to ask when faced with an ethical question to which the answer may not immediately be apparent:</p> <ul style="list-style-type: none"> <li>• Is it legal?</li> <li>• Is it balanced?</li> <li>• What organizational and/or personal values are being violated?</li> </ul>
<b>Ethics: CSE</b>	<p>The association CSE is responsible for establishing the ethical framework and expectations for staff behavior. In addition, the CSE is responsible for communicating and promoting the ethical standards established by the association. The leadership and commitment of the CSE must be consistent, fair, and widely communicated.</p>
<b>Informed intuition</b>	<p>Accessed by considering the implications of four interrelated knowledge perspectives:</p> <ol style="list-style-type: none"> <li>1. Sensitivity to member needs, expectations, and preferences</li> <li>2. Foresight into the likely evolution of the member's environment</li> <li>3. Insight into the capacity and strategic position of the organization</li> <li>4. Consideration of the ethical dimensions of choices</li> </ol>
<b>Leadership competencies</b>	<p>Seven possible skills include:</p> <ol style="list-style-type: none"> <li>1. Servant leadership</li> <li>2. Creating and communicating vision</li> <li>3. Promoting and initiating change</li> <li>4. Building partnerships</li> <li>5. Valuing diversity</li> <li>6. Managing information and technology</li> <li>7. Achieving balance</li> </ol>
<b>Leadership vs. Management</b>	<p><i>Management:</i> directing and controlling, decision-making, creative thinking, listening, problem solving, implementing and technology.</p> <p><i>Leadership:</i> supporting, empowering, inspiring creativity, ensuring understanding, conflict resolution and humanizing.</p>
<b>Leadership through data</b>	<p>In a knowledge-based culture, not-for-profit organizations will find that making decisions will be only as valuable as the quality of information on which those decisions are based. Databases must be built to guide decisions about programs, policies, strategies, and delivery systems. Members &amp; staffs will engage in continuous and integrated consideration of member needs, wants and preferences; capacity and strategic position of organizations; external marketplace dynamics and realities; and fairness and appropriateness of choices.</p>
<b>Leadership: Mentoring</b>	<p>A best practice in developing leadership capacity is to institute a leadership-mentoring program for “emerging” leaders and institute orientations for new board members. On an assigned one-on-one basis, teach upcoming leaders the behaviors of leadership and how to follow through on promises. Current leaders and past presidents get involved in nurturing and training, cultivating leadership skills and passing on knowledge and context for understanding the issues.</p>

<b>Managing change</b>	It is never totally possible to manage change. You can manage through the transitional phases of change by aligning the working parts of the organization in a way that lets you establish conditions; increase fluidity; become beneficially opportunistic; and encouraging participation from others.
<b>Organizational culture</b>	A particular set of policies, practices, values, and expectations that define and guide a workplace or organization.
<b>Partnership vs. joint venture</b>	<p>Both are legal relationships in which two independent parties join together in pursuit of a common goal.</p> <p><i>Partnering:</i> creates synergy, expanded resources, and markets and is done when there is a win/win possible for all partners.</p> <p><i>Joint venture:</i> an entrepreneurial pursuit in which both parties share risk in the investment and uncertainties.</p> <p>Contractual language must be in place to define the relationship and responsibilities for either configuration. Usually, a separate corporate entity is created in the joint venture to protect all parties from liability incurred by one of the venture partners.</p>
<b>Role: CSE &amp; external alliances</b>	The CSE must never lose sight of what is best for the organization. That may mean entering into collaborative efforts with competitors; merging and eliminating one's own position for the good of the organization; looking for opportunities on behalf of the members' interests; and applying the standards for conflict of interest.
<b>Trust-building</b>	<p>There are three elements required to build trust:</p> <ul style="list-style-type: none"> <li>• Achieving results</li> <li>• Acting with integrity</li> <li>• Demonstrating concern</li> </ul>

## Domain 2 Content Review

Be aware that Domain 2 questions are often disguised as questions about something else. Also, you'll find that leadership overlaps with other domains.

### A. Decision Making

Discussion question:

*How would you make a decision that is in the best interests of the association?*

#### General leadership

- Use qualitative and quantitative data in making decisions
- Make decisions in the best interests of the organization; take risks as appropriate
- Practice collaborative leadership
- Promote a sensitive organizational culture
- Integrate interests of stakeholders
- Support board's stewardship role

- Demonstrate strategic leadership and calculated risk taking to achieve the long-term goals of the organization.
- Establish strong, open working relationships with volunteer and staff leaders.
- Establish and model the core values to provide a framework for effectively leading the organization.

### Effective decision making

- Scan
  - Define the problem/question/choice
  - Collect and analyze qualitative and quantitative data
  - Identify/balance/manage risk
- Plan
  - Evaluate alternatives; consider implications
  - Link the decision to the larger, strategic vision of the organization
  - Develop a course of action
- Implement
  - Just do it
- Evaluate
  - Did you get the result(s) you expected?
  - Unintended consequences (Good news? Bad news?)

### Organizational culture “To be is to do, to do is to be”

- The Golden Rule is still a good idea.
  - **Define:** document core values and related actions/behaviors that support them
  - **Adapt:** be receptive to feedback; be ready to make normative changes; expect it to take time
  - **Assess:** measure how well reality aligns with aspirations
  - **Respect:** Respect the culture within; its historic sources and modern manifestations

### Collaborative leadership

*“It’s amazing what you can accomplish when you don’t care who gets the credit.”*

- CSE as Servant-Leader
- No individual has enough knowledge or powers to make decisions alone
- Invite all the perspectives; keep your eyes and mind open
- Seek to influence not to control
- Be accountable

### Proactive leadership “Defense wins championships”

- The CSE is the antitrust compliance officer (get your “MMR Booster”)
- The CSE supports the board’s stewardship responsibilities (fiduciary duties)
- Keep the board and staff looking forward
- Do things because they are important not because they are necessary
- Identify and anticipate risk

### Consider this scenario:

*“My dad’s got a barn...”*

*The State Association of Professionals is looking for ways to diversify revenue. At the last meeting, the treasurer suggested that SAP should open a bookstore/café in a building that is managed by his son-in-law’s brother. The board approved the motion before you or the CFO could suggest any amendments.*

What is your next decision or action?

Which of the following options is your first and best response? *Know* why the others are not!

- ☐ Resign
- ☐ Recess and reconsider
- ☐ Recommend a feasibility study
- ☐ Start negotiating a lease

## B. Ethical Leadership “Doing the right thing when no one is looking”

Discussion question:

*How would you disclose the appearance of a conflict of interest?*

### Ethics

- ASAE Standard’s of Conduct
- CAE Code of Ethics
- Personal integrity
- Conflict of Interest Policies

### Key words and phrases

- Model ethical behavior
- Personal integrity
- Policies
- Disclosure

### Ethics *Welcome to the Glass House!*

- Establish the ethical framework and expectations for staff/volunteer behavior
- Communicate and promote the ethical standards established by the association
- Ensure that leadership and commitment of the CSE is consistent, fair, & widely communicated
- Adhere to the ASAE Standards of Conduct and the CAE Code of Ethics

### Ethics test “Actions speak louder than words.”

- Is this LERP (legal, ethical, reasonable, and practical)?
- How will it make me FEEL about myself?
- How will this LOOK on the front page of *The Washington Post*?

### Conflict of interest *Conflicts aren’t bad; you just need to manage them.*

- The CSE is the conflict of interest compliance officer (part of MMR)
- Establish and implement a “Conflict of Interest” policy for volunteers and staff that includes annual disclosure
- Identify and resolve dilemmas quickly.

### Consider this scenario:

*“60 Minutes called...”*

*You arrive in your office and find the CFO waiting for you. She has spent the last six months managing a competitive RFP process for a new fulfillment center. She tells you she has just taken a call from a board member who told her “off the record” that the treasurer was “about to be offered” the CEO position with one of the companies on the short list for the contract.*

What are your next steps?

Which of the following options is your first and best response? **Know** why the others are not!

- ☐ Call the president—have the treasurer revise the conflict of interest disclosure
- ☐ Call the treasurer—ask her for a revised conflict of interest disclosure
- ☐ Wait to see if the treasurer gets the job and then call and ask for a revised disclosure
- ☐ Tell the CFO to call the treasurer and ask for a revised disclosure form.

## C. Diversity, Inclusion, and Equity “Imagine all the people living in this world.”

Consider this:

*How would you create a climate of inclusiveness?*

### Key words and phrases

- ASAE Standards of Conduct
- Personal Integrity
- Understanding
- Respect
- Policy and disclosure

### Diversity

- Creating a climate of inclusivity.
- Ensure that communications, programs, products, and services, and operations reflect policies and practices that support a climate of inclusivity.
  - Communicate these values to the board and membership.
  - Extend them to association communications, programs, products, and services.
  - Establish and communicate consequences.

## D. Adaptive Leadership

Consider this:

*How would you facilitate a group discussion?*

### Interpersonal skills and group facilitation

- Support staff members’ professional and personal goals.
- Mentor volunteers.
- Manage group decision making.
- Facilitate the board.

### Key words and phrases

- Goals for growth
- Consensus, compromise, collaboration
- Facilitate “*The guide on the side.*”

### Staff development “Growing your own”

- Encourage professional growth and development by modeling it.
- Make room for experimentation by focusing on objectives.
- Allow failure.

**Volunteer leadership** “Guide on the side”

- Strategically surrender your ego.
- Help your leaders adjust to the difference between what they thought the job was and what it is.
- Listen.
- Answer questions directly and honestly.
- Provide the other perspectives.

**Group decision making**

- Listen. Listen. Listen.
- Be open to ideas from unexpected sources.
- Let others drive the conversation.

**The board**

- Know and communicate the reason(s) for every meeting.
- Keep the focus on the policy and the greater objectives.

**Consider this scenario:**

“Why are we here?”

*The SAP board has 17 members and meets on the 3rd Tuesday of the month at 6:00 p.m. Meetings routinely run late, you rarely have full attendance, and a number of decisions have been postponed. The new president wants to institute a new rule making attendance mandatory. You want the board to stop postponing decision making.*

What is your best option?

Which of the following options is your first and best response? **Know** why the others are not!

- ☐ Make attendance mandatory.
- ☐ Plan an agenda for each meeting in advance.
- ☐ Order better take-out.
- ☐ Reduce the number of meetings.

**Negotiating**

- Uses effective ethical processes to get and keep agreements
- Successful if it will work for both parties—where each has something to gain
- Successful if each party can admit to what is not important and be willing to give it up
- You will be successful if you remember three things:
  - You are talking about a scarce resource (time, money, space, people).
  - The terms can be varied.
  - Each party must have **something** to gain.

**Conflict resolution**

- Productively resolves differences among parties.
- First speaker sets the tone.
- The person who asks the most questions determines content and direction.
- Good negotiators need to state and understand the other party’s case.



***What do you know now that you didn't know before?***

- A. How would you make a **decision** that is in the best interests of the association?
- B. How would you disclose the appearance of a **conflict of interest**?
- C. How would create a climate of **inclusiveness**?
- D. How would you **facilitate** a **group discussion**?
- E. How would you describe the goal of a successful **negotiation**?

**Domain 2: Exam Content Outline Self-Assessment**

Refer to the exam-content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

**Self-Assessment Questions—Decision Making**

1. Describe how decisions are reached within an association and how association decision making differs from most for-profit corporations.
2. How should you approach risk-taking? What is your risk tolerance level as a CSE?
3. What is the risk tolerance of your board? What should it be?
4. As a CSE, how would you evaluate a course of action to take?

**Self-Assessment Questions—Ethical Leadership**

1. What is the role of the CSE in establishing the ethical climate (standards of behavior, expectations, value) for an association?
2. List some of the ethical dilemmas that association executives might face in the context of their job responsibilities.
3. How do you evaluate your own ethical conduct and that of your circle of influence?
4. What is the role of the CSE when a member, volunteer, supplier, or staff person acts unethically?
5. How would you avoid/discard the appearance of a conflict of interest?

**Self-Assessment Questions—Diversity, Inclusion, and Equity**

1. Describe the relationship between diversity and inclusiveness.
2. How would you build a successful diversity program within your organization?
3. *For reflection:* Within your industry or profession, how would you build a successful diversity program?

**Self-Assessment Questions—Adaptive Leadership**

1. How would you go about building an environment of healthy group dynamics? Would it be different with staff vs. volunteers?
2. Describe the difference between consensus, compromise, and collaboration.
3. List five techniques to use in facilitating a conversation with a group of people with diverse backgrounds and perspectives.
4. Describe a five-step process for conflict resolution.
5. Describe the three requirements of successful negotiation.
6. Describe three principles of negotiation.
7. Describe some “golden rules” for negotiation.

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. Which of the following management practices encourages innovation inside the organization?
  - a. Setting quantitative goals
  - b. Individual performance appraisals
  - c. Incentives to promote internal competition
  - d. Eliminating blame when mistakes are made
2. How do long-lasting associations continue to operate?
  - a. By blending continuity with invention
  - b. By generating significant non-dues revenue
  - c. By surviving both in good and tough economic times
  - d. By reinventing before they hit the developmental stage of maturity
3. Which of the following is the end point of a diversity initiative?
  - a. Your conscious efforts become subconscious to operations.
  - b. You get a diversity committee functioning in an association.
  - c. A value statement on diversity is created and adopted by the board.
  - d. Staff hiring and member recruitment represent diversity proportionate to the general population of the community you serve.
4. Which of the following is the first step in culture management?
  - a. Educate staff on your values and how to emulate them.
  - b. Document core values and the actions that support them.
  - c. Persuade the board and volunteers of the value of staff ideas.
  - d. Develop staff incentives to support the strategic plan initiatives.
5. What of the following defines successful negotiation?
  - a. Equal wins for both parties
  - b. Getting and keeping agreements
  - c. Favorable treatment in a politicized decision
  - d. Encouraging both parties to come with an all-or-nothing attitude
6. How does an individual develop the skill of effective negotiation?
  - a. Everyday business conduct
  - b. Intuition and interpretation
  - c. Knowing the outcome your association needs from the deal
  - d. Testing and summarizing his/her understanding of a situation

7. Which of the following would be the best indicator of a meaningful diversity management initiative?
- A diversity value statement is adopted by the board.
  - EEO and Affirmative Action posters are posted in the lunchroom.
  - A plan to diversify the membership, staff, speakers, and volunteer leaders.
  - A diversity task force made up of individuals of each underserved population.
8. Which of the following describes a successful corporate culture?
- Risk taking is encouraged.
  - Control of information is important.
  - Time-honored practices are maintained.
  - Development of individuals is based on need.
9. Which of the following is a maxim for ends-based thinking in ethical decision making?
- “Do the right thing.”
  - “Do unto others as you would like them to do to you.”
  - “Do whatever produces the greatest good for the greatest number.”
  - “Stick to your principles and let the consequences fall where they may.”
10. What is a CSE’s role in supporting and reinforcing the board’s stewardship responsibilities?
- Follow the established status quo.
  - Support the decisions of the CEO.
  - Impartially champion the best interests of the association.
  - Limit board discussions that digress from his/her opinion of what is best for the organization.
11. What is an outcome of a CSE’s ability and willingness to be receptive to feedback from staff and volunteers?
- Can be one way the CEO assesses performance
  - Can be the springboard to developing standards of conduct
  - Can be a way to infuse diverse ideas into the culture of the organization
  - Can lead to development of policies to promote change in the organization
12. How can a CSE be successful in negotiations with the Board?
- Avoid all types of conflict.
  - Have data to justify decisions.
  - Make counterproposals right away.
  - Operate from a position of being trusted.
13. Which course of action should a CSE follow to provide informed consultation to the board to facilitate their activities and objectives?
- Focus on quantifiable information.
  - Focus on a single major course of action.
  - Collect and share the experience of colleagues.
  - Gather and use data through formal and informal processes.

14. How can a CSE support the development of leadership skills among the staff and board?
  - a. Focus on his/her own job satisfaction in order to motivate others.
  - b. Model appropriate skills during interactions with staff and board.
  - c. Create a climate that values following established protocols through training.
  - d. Create incentives for board members and staff to remain in their current roles.
  
15. At a board meeting, the strategic committee presents three candidates to facilitate the annual planning session and recommends one as their best choice. Because the association has a conflict of interest policy, one director announces immediately that the recommended candidate is her brother-in-law. What is your next step as the CSE?
  - a. Recommend that the director be allowed to participate in discussions but not vote.
  - b. Suggest to the board that they remove the candidate from the list of potential facilitators.
  - c. Recognize that the candidate is the director's brother-in-law and let the board continue its discussion.
  - d. Bring to the board's attention that this is a conflict of interest per the organization's conflict of interest policy.
  
16. How does the CSE of an association develop a diversity initiative?
  - a. Train and retrain staff.
  - b. Research current trends among colleagues.
  - c. Use the board to make the diversity business decisions.
  - d. Use images that reflect the association's current audience.
  
17. Which of the following is key to weaving a diversity message into an association's culture?
  - a. Ensure the message is well researched and consistently applied.
  - b. Prevent discrimination by creating affirmative action hiring policies.
  - c. Create a message that makes it clear that staff is protected from sexual harassment.
  - d. Develop the message in compliance with the Americans with Disabilities Act.
  
18. You are the new CSE of an association that has historically failed to come to agreement on issues important to the profession and the membership. How would you begin the change in the association's decision-making culture?
  - a. Demonstrate your leadership skills by defining for the board the goals of the association.
  - b. Meet individually with each board member to determine his/her goals for the association.
  - c. Plan a strategic planning session so the board can come to a consensus on the mission and goals of the association.
  - d. Plan a board orientation where information is presented on how boards should be organized to work more effectively.
  
19. Which of the following is the rule of thumb with regard to the obligation of confidentiality by board members?
  - a. Only financial information and discussion issues are assumed to be confidential.
  - b. The obligation of confidentiality ends when a volunteer's term of office ends.
  - c. Once the volunteer knows the confidential nature of information, the obligation to maintain confidence is triggered.
  - d. Everything spoken in a board meeting is confidential, with only information recorded in the minutes allowed to be shared.

20. You are the executive director of a nationwide membership organization. Your organization has a Listserv which is the main communication tool with your members. A user's guide and protocol has been developed and is posted for all members to review. Your president-elect uses the Listserv to send relevant news pieces and legislative developments, which generates many comments, positive and negative. One day your president-elect sends a joke out on the Listserv; as a result you receive six complaints from the membership. After you review and edit the protocol as needed, how do you handle the situation?
- Smile and let the situation work itself out.
  - Call the president-elect to discuss the issue.
  - Respond to each member; have the president contact the president-elect.
  - Post the protocol on the Listserv as a reminder, along with an editorial about the evils of SPAM.
21. In order to promote a complete and effective ethics program within an association, what is necessary in addition to a committee, code of ethics, and informational literature?
- A strong moral code
  - A step-by-step guide to dealing with and resolving internal conflict
  - Examples of ethical dilemmas and how the response reflected a responsible decision
  - A copy of the United States Sentencing Guidelines, which federal district court judges use when sentencing organizations convicted of federal crimes
22. Two valuable members of your team cannot come to an agreement on a dual project. As tempers are on the verge of flaring, they have asked for your help in coming to a decision. How do you recommend they handle the situation?
- Draw on negotiation skills and strive for a win-win outcome.
  - Suggest that one individual compromise in order to keep the peace.
  - Stay out of it. This is a matter the two of them should work out on their own.
  - Place both ideas before the entire staff and allow for confidential voting to determine how to proceed.

## Scenario Questions

You are the new CSE of the American Widget Association. You made an operational decision that significantly impacts the budget of your government relations program. The staff member most affected by this decision approaches your president seeking a reversal on your decision. The president acquiesced and informed you in writing, clearly undermining your decision.

- What is your best short-term solution?
  - Fire the staff member for gross insubordination.
  - Reiterate with the president your contractually stipulated staff management authority.
  - Ask the president to withdraw her reversal of your decision.
  - Meet with the staff member to understand what he was thinking in this action.
- Which would be your worst response?
  - Acquiesce and do nothing.
  - Fire the staff member for insubordination.
  - Require the president to withdraw her reversal of your decision.
  - Meet with the staff member to understand what he was thinking in this action.

## Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, on what areas of the domain should your additional exam preparation focus?

- ☐
- ☐
- ☐
- ☐

## Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about leadership and decision making? If so, what did you learn from this discovery that you can apply in the future?
- What new information is important for you to integrate into your thinking and professional practice?

## Effective Practice Opportunities and Common Misconceptions

Leadership is rich with best-practice models to assess for possible application in your setting. How do you begin to review them to find the ones best suited to your leadership style? In your study and discussion, what best practices are in place within your own organization? Do you witness best-practice leadership across your organization? How would you tackle this issue when you become a CSE?

Read books in association management and business to support your developing a broader understanding of a CSE’s style of leadership, and how to adapt it to new situations.

### Assure the board considers diverse perspectives before making decisions

For optimal decision making, the board seeks input from diverse sources including the wisdom within the board itself. Though difficult at times, it is important to have the board chair remind board members that decisions are made on behalf of all of the membership. Respect and acceptance of diverse perspectives are essential to sound decision making.

A commonly held misconception, especially in staff-dominant associations, is that the only important opinions are those of staff and the dominant members of the board. Just as common is the sense that because the vote has been taken and the item approved, the board is speaking with one voice. Another misconception is that board members think alike because each member expresses an opinion, and then the vote taken is unanimous. However, a collaborative board reaches consensus based on facts and the shared view of their future. When every perspective is heard and respected the likelihood of a common voice increases.

### CSE as servant-leader

The CSE serves the board; however never surrenders the important leadership role the CSE is charged with. Leadership focuses on the big picture of an interdependent system, including any components as well as the organization’s interaction with the industry or profession. The CSE must speak the big-picture perspective when no one else does. He or she is entitled to have a balanced life and this example will set the tone for other staff. One of the CSE’s hard tasks is to set the boundaries for the relationship the board has with the staff and themselves.

### Participative management

Generally accepted as best practice, participative management means that the people likely to be affected by a decision have some opportunity for input into the decision. In some cases, the CSE may accept their assessment and decision. True participative management requires that input is actively

sought, rather than simply requested, and is given full consideration in the analysis before a decision is made. The CSE is responsible for building board and staff capacity to participate effectively in group-process decision making.

One commonly held misconception is that participative management provides license for association staff to make all the decisions. The participative CSE ensures openness concerning issues appropriate to staff responsibility. He or she carefully weighs staff insights and interpretation of situations. At no time does staff automatically have the decision power.

**Proactive leadership**

Keeping focus on the long range and the immediate are indicators of a proactive leader. Seeking answers to higher-level questions helps orient staff to similar thinking. This aids in focusing effort on activities important to do rather than because any particular issue seems important in the moment.

CSEs find proactive leadership important in recognizing trends and projecting a preferred future. This assures the organization's volunteer leadership is engaged in dialogue about risk, trends, and the future.

For answers to study questions, see "Study Questions Answer Key" beginning on page 211.

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# Domain 3: Organizational Strategy

8%-10% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management*, 3rd Edition, Chapters 1-5, 7, 9-13, 21, 35
- *Association Law Handbook*, 6th Edition, Chapters 8, 22
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 4th Edition, Chapters 4, 8-10, 12, 15-17, 19, 21

## Additional Reading

- Dalton, James, and Alan Balkema. *Environmental Scanning for Associations: The Everyday Guide to Capturing, Analyzing, and Interpreting Strategic Information*. Washington, DC: ASAE, 2012
- Coerver, Harrison, and Mary Byers. *Race for Relevance: 5 Radical Changes for Associations*. Hoboken: Wiley, 2013.
- Coerver, Harrison, and Mary Byers. *Road to Relevance: 5 Strategies for Competitive Associations*, Washington, DC: American Society of Association Executives, 2013.
- *7 Measures of Success: What Remarkable Associations Do That Others Don't*. Washington, DC: Association Management Press, 2012.
- *ASAE Foresight Works Action Briefs Complete Collection and User's Guide*. Washington, DC: Association Management Press, 2020.

## Key Terms and Concepts

Audit:  
clean vs.  
unqualified

**Clean Audit:** an opinion providing the highest level of assurance that the *Statement of Financial Position* fairly presents the organization's financial position; the *Statement of Activities* fairly presents the results of the organization's operations; and the *Statement of Cash Flows* fairly presents its cash flows.

**Unqualified Audit:** an opinion providing the highest level of assurance an audit can provide. Attention is given to a particular matter and provides for disclosure of additional financial statements provided or draws attention to an additional important matter.

<b>Balanced scorecard, monitoring</b>	Associations are adopting this popular for-profit means of expressing strategy in measurable terms. Board performance is measured in four categories that would provide a more “balanced” perspective: financial performance, customer satisfaction, process efficiency and, at the time, innovation.
<b>Budgeting, strategic program</b>	A budgeting “best practice,” allocating salaries and other overhead to a program budget to know the true profitability of its products and services. It is achieved through conducting a systematic study relating allocation of staff time to program categories, then applying the calculated prorated share of overhead expense to the programs identified.
Financial controls: <b>Annual audit</b>	Management is responsible for the organization’s financial reports and the information contained within; the auditor’s role is to verify the amounts included in the reports. In its fiduciary responsibility, the board hires the external auditor and receives the report. It is a conflict of interest for the CSE or CFO to hire the auditor. Financial records must agree with the financial report certified by the auditor. Any changes the auditor deems necessary are subject to acceptance by management. Sarbanes-Oxley has created regulatory requirements for corporations related to the audit function.
Financial statements: <b>Management letter</b>	Issued by an independent auditor, the <i>Management Letter</i> communicates those areas that management needs to address in order to come into compliance with GAAP accounting practices.
<b>Organizational capacity</b>	The state of how well the organization taps into and leverages the wealth of resources in its leadership, staff, and membership. It includes the ratio between infrastructure and programming to sustain quality delivery of service. To build capacity, you need to develop your leadership team to learn new skills and broaden their approach to problem-solving, critical, and conceptual thinking.
<b>Organizational stages of development</b>	All organizations develop and move into and out of various “stages” that are characterized by certain behaviors and problems. Organizational stages include: <ul style="list-style-type: none"> <li>• embryonic</li> <li>• survival</li> <li>• success</li> <li>• take-off/entrepreneurial</li> <li>• aging</li> </ul>
<b>Organizational uncertainties</b>	A process to assess uncertainties includes: <ol style="list-style-type: none"> <li>1. Broadly identify key questions about the future. Consider macro-uncertainties, i.e. events that your organization has little or no control over; industry uncertainties where you have limited control, such as actions by competitors or regulators; and internal uncertainties, such as budgets and deadlines.</li> <li>2. Isolate real uncertainty from perceived uncertainty.</li> <li>3. Understand your biases, to address the uncertainties.</li> <li>4. Develop leadership and the right culture.</li> <li>5. Change organizational systems that block success.</li> </ol>

Planning: High yield, tactical	<p>A model for planning that yields the highest return on the investment of the association's resources of time, people and finances. The eight-step process includes:</p> <ol style="list-style-type: none"> <li>1. Setting goals and objectives</li> <li>2. Situation analysis/problem definition</li> <li>3. Identification of key audiences</li> <li>4. Identification/development of vehicles/tactics</li> <li>5. Creating the tactical plan</li> <li>6. Scheduling the plan</li> <li>7. Budgeting the plan</li> <li>8. Evaluation</li> </ol>
Planning in unpredictable times	<p>Because it is impossible to predict the future, associations must create "intelligence" systems to gather information and detect patterns of behavior that indicate trends. This information, grounded in data and leveraged with informed intuition, allows for an association to anticipate the future and plan for it.</p>
Planning: Strategic and long-range	<p>Strategic planning enables an association to establish a reasonable framework for making short-term tactical decisions in an uncertain environment. Long-range planning involves establishing goals, objectives, and strategies that have a time frame of more than one year. Strategic long-range planning combines the two concepts.</p>
Planning, scenario	<p>A specific type of future planning where the organization creates multiple "plotlines" based on various states of existence; evaluates the likelihood and impact of each; then plans for the most likely scenario and the one with the most beneficial impact. This process applies trends and external decisions that could have both positive and negative results on the organization. Once the scenarios are defined, the planners work backwards to create a strategic plan to address the issues that created the projected circumstances.</p>
Reinvention	<p>In the stages of development, an organization is best positioned to reinvent itself when it is at the crest of the take-off/entrepreneurial stage. An organization must continue to reinvent itself or it will lose its relevance to the current needs of the members. However, leadership can become comfortable with its past successes and ultimately ride them into the sunset.</p>
Statement of purpose vs. mission	<p><i>Statement of Purpose:</i> Statement of the reasons for an association's existence that defines its underlying design and thrust. The stated purpose is crucial in making determinations such as whether the association can be a non-profit corporation; is exempt from paying taxes; has interests and activities consistent with its purposes; and can attract prospective members who wish to support its objectives.</p> <p><i>Mission:</i> The focused energy driving the organization; defining the business it is in. The mission may change, but its purpose generally does not.</p>
Strategic direction vs. strategic management planning	<p>Defining <i>strategic direction</i> is the work of the board; it is a broad focus of where to align the association's resources. Optimally, that direction should be outcome-driven rather than activity-driven.</p> <p><i>Strategic management planning</i> is the operation work plan to achieve the outcomes defined by the board. It involves monitoring and evaluating environmental opportunities and problems in light of the organization's strengths and weaknesses, and shaping a coherent set of strategies, programs, and budgets to take advantage of these circumstances.</p>

Strategic planning: <b>Core values</b>	The organization's core values describe the assumptions and beliefs of the organization, which represent the common understandings and commitments of the members. Core values are the most important central qualities that define the character of the association as an organization.
Strategic planning: <b>Values vs. vision</b>	<i>Values</i> —the beliefs at the heart of the organization. <i>Vision</i> —the image or state to which the association aspires.
Strategic planning: <b>Environmental scan</b>	Environmental scanning and strategic planning are not simply linked. They are inseparable. Environmental scanning is a systematic effort to obtain information about the world that will affect an organization. Scanning is important in managing change and avoiding costly mistakes.  <ol style="list-style-type: none"> <li>1. Macro environment: larger space shared with other organizations and professions.</li> <li>2. The association industry environment and organizational trends: evolving governance, structures, operational practices, services to members, technology trends, and competition.</li> <li>3. The environment in which the members operate: the profession itself.</li> <li>4. The association's immediate operating environment: internal trends and issues need to be addressed. Key aspects are governance and structure, leadership, management and administration, internal and external relations, communications, programs and services.</li> </ol>
Strategic planning: <b>Environmental scanning</b>	Six-step model includes:  <ol style="list-style-type: none"> <li>1. Plan, including a review of the literature—print and internet; brainstorming issues, trends and other important topics; outreach to members through surveys, list servers, workshops; outreach to others, e.g. new members, young employees and members, periphery observers.</li> <li>2. Scan the trends in your industry, associations, and the operating environment.</li> <li>3. Apply insight and interpret trends important to the association's strategy.</li> <li>4. Establish a framework for decision-making.</li> <li>5. Identify strategic issues for the association to address.</li> <li>6. Develop strategies.</li> </ol>
Strategic planning: <b>Response models: fluidity, flexibility, nimbleness</b>	<i>Fluidity</i> : encourages a paradigm where the marketplace outside the organization decides its actions and priorities.  <i>Flexibility</i> : involves ways to easily move assets around and reshape direction much more quickly. In a world of diverse needs, this paradigm has associations organizing to meet needs and be strategically important.  <i>Nimbleness</i> : decision-making processes operate more quickly, and are more maneuverable. Seek out and upgrade structures that inhibit nimbleness. Consider your membership, governance, event and educational programs, workforce, financial, and information structures.

Strategic planning:  
**Growth vs.  
maintenance**

*Growth Objectives*—“Doing the right things” is the ability to identify critical issues and opportunities that can change and develop an organization for the better—strategies that energize and maximize a strategic plan.

*Maintenance Objectives*—“Doing things right” is important for maintaining and sustaining growth.

Strategic planning:  
**Visioning**

Imagining a desired future: a commitment to rethinking and reviewing the organization holistically; a process of scanning and planning for long-term results in an organization.

It begins with a commitment by leadership, which sets off a chain reaction that generates enthusiasm, sparks creativity, leads to new ideas, attracts committed followers, and ultimately reinforces the leaders’ commitment.

## Domain 3 Content Review

### A. General Management

#### 1. Long-term financial planning and performance

- Scan and assess economic and other external factors
- Has consumption changed? Are there disruptors emerging that are likely to have an impact?
- Which revenue streams are increasing? Which revenue streams are decreasing or flat?

Use the analysis to guide your planning.

#### 2. Business plans

Understand the difference between a business plan and a budget plan.

Review the elements of a business plan.

When developing business plans, consider the following questions to ensure alignment across all resources and activities of the organization.

- Mission—Why does organization exist?
- Vision—To what future does it aspire?
- Core Values—How is work carried out?
- Goals—What specific outcomes are desired?
- Strategies—How will we reach our goals?
- Tactics—What specific steps will be needed?
- Objectives—What are the milestones along the way?
- Metrics—How can we measure progress toward our goals?

*Definitions will vary!*

#### 3. Performance metrics

- Internal (operational)
  - Financial
  - How much of X did we do?
  - Return on investment, efficiency, overhead

- External (leadership and membership)
  - How did members benefit? (and what is our membership count?)
  - How did society (broadly) benefit?
  - Volunteer engagement
- Observable and derived metrics

#### 4. Audits

- Annual audit (different types may be mandated depending on funding sources, such as for federal contracts)
- Three stages
  - Audit planning
  - Document review
  - Financial statement reconciliation and analysis
- Auditor's report
  - Unqualified (clean) opinion
  - Qualified opinion
  - Adverse opinion

*In addition to financial statements and reporting, organizational policies will be reviewed by the auditors.*

#### Consider this scenario:

*For each of the competencies under General Management, how much time each week should a CSE dedicate? What factors should be considered in planning for these activities?*

## B. Critical Analysis and Planning

SPIE (Scan, Plan, Implement, Evaluate) and SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats) are key processes.

### 1. Strategic planning process

- Thinking: assess future effects of outside forces.
- Planning: create the association's future based on that thinking.
- Implementation: execute the plan.
- Evaluation and feedback: how does performance match the plan?

### 2. Engagement/communication

- Everyone is a stakeholder. Maximize stakeholders' role in strategic thinking/planning.
- Lead planners are the board, CSE, Planning Committee.
- Engage others before and after planning.
- Volunteers
- Staff
- Members
- Customers
- Public

### 3. Setting priorities

- Associations often find it hard to set priorities.
- Can't be all things to all people
- Programs have champions/owners.
- Too many goals lead to confusion and dilution.
- Effective practice is a limited number of focused goals (maybe 3–5).
- Should include both short- and long-term goals
- Everything should align with and support goals.
- Staff, budgets, volunteers, committees, etc.

## C. Knowledge Management

*Knowledge management* involves sharing or otherwise capturing institutional knowledge and then using that knowledge to provide services.

### Benefits

- Better organization and use of institutional knowledge
- Reduction of staff time used searching for information
- Less duplication of work
- More efficient customer service
- Increased time to spend on improving member services

### Types of knowledge

- Explicit
- “Know-what”
- Formalized and codified
- Written down
- Exists in databases, memos, notes, documents, etc.
- Tacit
- “Know-how”
- Intuitive knowledge, largely experience-based
- Context dependent and personal
- Exists in minds of human stakeholders (individuals and groups) as culture, values, skills, expertise
- Data → Information → Knowledge → Wisdom

### Examples of knowledge management goals

- Internal
  - Organize and quantify content
  - Identify stakeholder interests
  - Find content gaps
  - Content retirement planning
- External
  - Content organization and navigation in all delivery modes
  - Content “findability”
- Content mobility (how and when users need it)

### Primary elements of knowledge management

- Gather, manage, and use knowledge.
- Improve outcomes by introducing processes.
- Transfer and share knowledge.

### Knowledge management terms

- Communities of practice (knowledge networks)
- Customer relationship management
- Silo mentality
- Summary of key issues and direction (SKID)
- User-generated content
- Web-based or virtual communities
- Wiki
- World Café

### Knowledge management strategy

- First step is to assess or develop the organization's *taxonomy* (a hierarchical classification system with a defined scope and context).
- Goal is to make strategic business decisions and leverage historical experiences in the context of market information.
- The investment required is not small.

## Domain 3 Exam Content Outline Self-Assessment

In Section 1 of this study guide you assessed your *perceptions* of your current knowledge of the exam content outline and thought about adopting the chief staff executive perspective. Here's an opportunity to see how accurate that assessment is. Referring to the exam-content outline segments for this domain beginning on page 22, consider the following questions. How well do you know the material?

Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

### Self-Assessment Questions—General Management

1. What external factors might be considered for long-term financial planning?
2. What elements are included in a business plan?
3. What is the role of the CSE in a periodic audit of the organization's finances?

### Self-Assessment Questions—Critical Analysis and Planning

1. Describe a strategic planning process?
2. In what ways might you capture business intelligence data to inform decision making?

### Self-Assessment Questions—Knowledge Management

1. Distinguish the differences between data, information, knowledge, and knowledge management.
2. Identify at least 6 general sources of knowledge in your organization.
3. Identify at least 6 delivery systems that could be leveraged for a knowledge management system.

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. Why would an association use a radar screen?
  - a. To monitor a limited number of issues the association's leadership scans
  - b. To limit the number of strategic issues that will be considered at any point in time
  - c. To monitor association trade show traffic in conjunction with barcodes on name badges
  - d. To conduct environmental scanning whereby the board identifies future challenges for the association



2. What is the primary reason a CSE should use as justification to the board for establishing a knowledge management program for association members?
  - a. It will create a new member service.
  - b. It is identified as a need in the strategic plan.
  - c. It is needed to gain an advantage over competitors.
  - d. It is needed to improve outcomes and institutional learning.
3. Which is the first step in constructing a strategy for your association?
  - a. Determining the desired outcomes for the strategic plan
  - b. Defining the issues that are driving strategy development
  - c. Gathering stakeholder input on issues facing the organization
  - d. Developing a database of potential projects and using it to determine strategy
4. What is the first step an association should take to implement a knowledge management program?
  - a. Identify the knowledge sources.
  - b. Hire a consultant to develop a work plan.
  - c. Decide what knowledge is critical to the mission.
  - d. Identify a clear vision for gathering and using the knowledge base.
5. Which describes the correlation between an association's budget and strategic plan?
  - a. Prepared with the plan leading the way
  - b. Prepared with the budget leading the way
  - c. Prepared for the same three- to five-year period
  - d. Prepared simultaneously with references to the budget placed in the strategic plan
6. Which is a wise approach to association planning when resources are limited?
  - a. Address membership services first
  - b. Do a few things well and move forward in small measures
  - c. Tackle the opportunities identified in the environmental scan
  - d. Implement the best ideas that emerge from the planning process
7. Why are scenarios used in planning?
  - a. Stories about how things are
  - b. Case studies for problem solving
  - c. Alternatives for how things could be
  - d. Predictions of a future that is sure to occur if an association doesn't act effectively
8. Your 501(c)(6) association has a bylaw that requires all members to be domiciled in the United States. At your annual convention, a contingent of six Canadian business owners requests a formal meeting with your board chair and you. In the meeting they propose that the association vote them into membership. Which is your best response?
  - a. Tactfully tell them it is not possible since the bylaws prohibit such membership
  - b. Refer the request to the membership committee to evaluate by the next board meeting
  - c. Begin a strategic exploration of an international mission and strategy after the convention

- d. Arrange for a motion to be put forth at the next board meeting, changing the bylaws and allowing membership for the Canadian prospects
9. An association conducted an assessment of its core competencies and will commence alignment of its operations and activities to make the best use of the competencies as it has defined them. It has asked its professional development team to develop a model for alignment that will serve as an exemplar to be adapted by all other teams and departments within the organization. The professional development team has already defined the core competencies relative to its group. The next step it will take to align its operations is to:
  - a. Identify which programs and services it has and/or needs
  - b. Assess whether current programs and services meet member wants and needs
  - c. Develop a marketing strategy for generating new revenue for the organization
  - d. Determine which products and services are inconsistent with the organization's mission
10. What is required in knowledge transfer?
  - a. Inspiration and rewards
  - b. Discovery and synthesis
  - c. Revelation and application
  - d. Transmission and absorption
11. Your association is celebrating its 50th anniversary. Membership is declining, yet the profession you represent is in high demand in the current job market. Non-dues revenues are decreasing every year, but several new programs and benefits have been introduced in the past three years. What recommendations should you make to the board?
  - a. Initiate plans to achieve the goals identified in your strategic plan
  - b. As long as the association is profitable each year, there is no need to make any changes
  - c. Implement social media technologies to promote your products and services and recruit new members
  - d. Identify which current programs and services no longer are relevant and which might need to be added
12. The board of directors has asked you to evaluate recent efforts to increase non-dues revenue to the association. How do you employ project processes based on quantitative and qualitative measures so that activities can be conducted effectively and efficiently and you can judge whether or not the resulting income is a good return on the association's investment of resources?
  - a. Track the income from each of the non-dues revenue sources with the highest income and ranked the highest on effectiveness and efficiency
  - b. Prior to the start of the project, establish criteria to judge which of the non-dues income sources provides the best results given the cost in effort and resources
  - c. Prior to the start of the project, establish a timeline to use as a measure for which of the non-dues income sources begins paying income the quickest with the least amount of effort
  - d. Work with the board to determine which non-dues income sources will appeal to current and potential members as they consider becoming a member or renewing their membership
13. An association wishes to implement quality control procedures for the purpose of improving operations and increasing stakeholder satisfaction. This will be the first time the organization has engaged in this type of evaluation. It understands the purpose of conducting an assessment and how the proposed framework is to fit

with the organization's values, culture, and competencies. In developing this type of assessment, the organization must first:

- a. Understand how to use the information acquired
- b. Adopt a perspective of what knowledge management is
- c. Determine which metrics will be used to track the management of knowledge
- d. Ask what knowledge is critical to the organization, the department and the job

14. The CSE has been charged with using environment scan data to inform key publics of branding and positioning strategies. External experts have been hired to assist the organization in identifying socio-demographics, technology, economics, environment, and politics (STEEP) categories. During the scanning process, change areas will be identified, two of which can be efficiently leveraged. They are:

- a. Cycles and emerging issues
- b. Cycles and wildcard events
- c. Emerging issues and trends
- d. Emerging issues and wildcard events

15. The leadership of the Futures Organization completed its strategic plan three months ago. Due to an unforeseen loss, the leadership must scramble to identify alternative revenue streams. What step of the strategic planning process should be repeated?

- a. Asking for input
- b. Drafting a budget
- c. Considering future trends
- d. Collecting feedback from plans

### Scenario Question

The board chair has suggested the organization's Statement of Purpose be updated and has taken it upon himself to draft the revision.

1. What should be your primary concern?
  - a. The general membership did not have any input
  - b. The Statement of Purpose doesn't jeopardize the organization's tax-exempt status or have potential antitrust implications
  - c. Staff members were not consulted and will not have buy-in to the new Statement of Purpose
  - d. The board chair had to do all the work alone

### Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, create a checklist for areas of the domain that need additional exam preparation focus.

- ☐
- ☐
- ☐
- ☐

## Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about organizational management? If so, what did you learn from this discovery that you can apply in the future?
- What new information is important for you to integrate into your thinking and professional practice?
- Additional thoughts?

For answers to study questions, see “Study Questions Answer Key” beginning on page 211.

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# Domain 4: Operations

17%–19% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management*, 3rd Edition, Chapters 5, 7, 13, 20, 28–34
- *Association Law Handbook*, 6th Edition, Chapters 10, 14–23, 27–28, 32, 39–43, 61–69, 75, 84–100
- *How to Read Nonprofit Financial Statements*, 3rd Edition, Chapters 4–16
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 4th Edition, Chapters 2, 17, 19–23

## Additional Reading

- ASAE Research Foundation, *Tech Success for Associations: Balancing IT Maturity, Readiness, and Expectations for a Satisfying, Sustainable Future* (Washington, DC: 2016)
- Glassie, Jefferson, Johnson, Eileen, and Lynch, Dana, *Intellectual Property for Nonprofits and Associations* (Washington, DC: 2012)
- Stevens, Craig, and et. al., *Financial Management Handbook for Associations and Nonprofits* (Washington, DC: ASAE, 2011)
- U.S. Department of Labor: [www.dol.gov](http://www.dol.gov)

## Key Terms and Concepts

Accounting:  
Segregation of  
duty

No individual should control all four aspects of any financial transaction:

- Initiation (check requests)
- Authorization (approval to pay)
- Asset custody (keeping the checkbook)
- Recording the transaction (posting)

Americans with  
Disabilities Act  
(ADA)

The ADA is the most significant federal civil rights legislation affecting private employers since the Civil Rights Act of 1964. The act became fully effective in July 1994 for employers of 15 or more employees. The law prohibits discrimination based upon disability.

ADA and  
pre-employment  
medical inquiries

Only drug testing is permitted during the application and pre-screening process; the ADA forbids pre-employment inquiries and exams. However, a medical exam may be required once an offer has been made. Must impose the same requirements on all employees in that particular category. Interviewing questions must only be about job-related concerns.

ADA prohibitions	The ADA prohibits discrimination against a qualified individual with a disability who can perform the essential functions of the job, with or without reasonable accommodation.
ADA: Reasonable accommodation vs. undue hardship	<p><i>Reasonable accommodation:</i> All covered employers must make reasonable accommodations that would not impose an undue hardship on the organization. Accommodation must ensure that the essential functions of the job can be accomplished. These include:</p> <ol style="list-style-type: none"> <li>1. Making facilities accessible and usable</li> <li>2. Restructuring or modifying jobs</li> <li>3. Acquiring or modifying equipment and</li> <li>4. Providing qualified readers and interpreters</li> </ol> <p><i>Undue hardship:</i> If a “reasonable accommodation” imposes significant difficulty or expense, it might be deemed an “undue hardship.” Factors include the size of the association or business, the nature and cost of the accommodation and the type of operations.</p>
Antitrust: Compliance	Associations are particularly susceptible to antitrust allegations. National associations must maintain and should promote antitrust compliance programs, including written guidelines to all staff members and association leaders. Chapters must also receive and implement this compliance information. A <i>Compliance Program</i> proactively creates an environment that demonstrates that the association has taken all reasonable means to prevent antitrust behavior and conversations; and provides a defense in court where the burden of proof is on the defendant/association to prove innocence.
Antitrust: Potential violations	The suggestion of profit levels, price-setting, advertising prohibitions, prohibiting competitive bidding, requiring uniform terms, suggesting use of specific raw materials and encouraging boycotting are all potential antitrust violations.
Antitrust: Related laws and issues	<p><i>Clayton Act:</i> prohibits specific distribution and growth activities that may substantially restrain trade (i.e., tying arrangements, exclusive dealing and requirements contracts, price discrimination, mergers and acquisitions and joint ventures).</p> <p><i>The Robinson-Patman Act</i> Section 2(a): prohibits discriminatory pricing between different purchasers of commodities of like grade and quality. Competitors must not be able to use the association as a shield.</p> <p><i>The Federal Trade Commission Act:</i> established the FTC, giving it responsibility for the prevention of “unfair methods of competition in or affecting commerce.”</p> <p><i>Sherman Act:</i> prohibits restraint of trade, monopolies, and other anti-competitive activity.</p>
Audit: Clean (unmodified), modified, and adverse	<p><i>Clean Audit:</i> an opinion providing the highest level of assurance that the auditor, after thorough review, is satisfied with the organization’s financial statements as a whole and that they are presented in accordance with U.S. GAAP (generally accepted accounting principles).</p> <p><i>Modified:</i> an opinion provided when the auditor has some cause for concern, such as a departure from GAAP or a limitation on the scope of the audit.</p> <p><i>Adverse:</i> this opinion reflects more serious problems, for example, the auditor may have identified items in the financial statements that were materially incorrect or misleading and management refuses to fix them, or there may have been severe departures from GAAP in the development and presentation of the financial statements.</p>

<b>Budgeting, strategic program</b>	A budgeting “best practice,” allocating salaries and other overhead to a program budget to know the true profitability of its products and services. It is achieved through conducting a systematic study relating allocation of staff time to program categories, then applying the calculated prorated share of overhead expense to the programs identified.
Financial controls: <b>Annual audit</b>	Management is responsible for the organization’s financial reports and the information contained within; the auditor’s role is to verify the amounts included in the reports. In its fiduciary responsibility, the board hires the external auditor and receives the report. It is a conflict of interest for the CSE or CFO to hire the auditor. Financial records must agree with the financial report certified by the auditor. Any changes the auditor deems necessary are subject to acceptance by management. Sarbanes-Oxley has created regulatory requirements for corporations related to the audit function.
Financial controls: <b>Essential factors</b>	<p>Four factors essential to good internal financial controls:</p> <ol style="list-style-type: none"> <li>1. Clear lines of authority</li> <li>2. Clear definition and acceptance of responsibility</li> <li>3. Authority commensurate with responsibility</li> <li>4. Proper training</li> </ol>
Financial controls: <b>Sarbanes-Oxley</b>	<p>Only two provisions of Sarbanes-Oxley directly impact nonprofits: the whistle-blower protection provision, which prohibits interference with a person who reports a potential infraction to a federal law enforcement agency, and the prohibition of document destruction upon the commencement of a federal investigation. However, many nonprofits are moving towards creating a separate audit committee, drafting conflicts of interest and fraud policies, and being much more transparent.</p> <p>Audit committees establish procedures for processing whistle-blower complaints by employees:</p> <ul style="list-style-type: none"> <li>• A code of ethics for financial officers</li> <li>• Increases penalties for document destruction or alteration</li> <li>• Certifications by the CEO and the chief financial officer regarding the financial condition of the company and internal controls</li> </ul> <p>Nonprofit recommendations include:</p> <ul style="list-style-type: none"> <li>• A code of ethics for the board of directors</li> <li>• Whistle-blower policy</li> <li>• Regular board training</li> <li>• Regular board self-evaluations</li> <li>• Audit committee members who are financially literate</li> </ul>
Financial controls: <b>Segregation of duty</b>	At the heart of any internal control system is having no single individual able to control all essential aspects of any transaction: initiation, authorization, asset custody, and recording. Other steps include a well-designed record-keeping and information system, a sound budgetary process, and an independent audit. <i>See also</i> segregation of duty under Accounting, above.

<b>Financial key indicators</b>	Selected by leaders, these quantitative measurements are of strategic importance to indicate a fairly accurate picture of the organization in relation to its strategic plan. Indicators might include: number of new members, accounts, new business starts, and organizational members participating in programs, plus percent of retained members.
<b>Financial policies, types of</b>	Among the kinds of financial policies commonly found in associations are investment and reserve policies, budget policy, and operational accounting policies.
<b>Financial Projections</b>	A forecast of future financial results, usually presented in a “pro-forma” statement, that is generally speculative. Investors are cautioned to recognize the projections are not guarantees of performance. Sound financial projections should be based on credible assumptions, a conservative projection of revenue, and an aggressive projection of expenses.
Financial statements: <b>Cash and accrual statement</b>	In a combined statement, certain transactions are recorded on an <i>accrual basis</i> and others are recorded on a <i>cash basis</i> . Usually, unpaid bills are recorded on accrual and uncollected income is recorded on the cash basis. Many organizations keep books on the cash basis and convert them to accrual at the end of the month for accounting purposes.
Financial statements: <b>Management letter</b>	Issued by an independent auditor, the <i>Management Letter</i> communicates those areas that management needs to address in order to come into compliance with GAAP accounting practices.
Financial statements: <b>Reporting capital gains</b>	Capital gains or losses should be reported in the unrestricted class. There are two exceptions to the rule: <ul style="list-style-type: none"> <li>• Gains must be reported in the restricted class if there are explicit donor restrictions on the gains</li> <li>• An applicable state law judged by the organization’s governing board to require the retention of some or all of the capital gains/losses in the restricted class.</li> </ul>
Financial statements: <b>Statement of activities</b>	Shows the organization’s financial activity by the month and on a year-to-date basis. It reports revenue generated, expenses incurred, and results in net income or net loss. Previously called the <i>Statement of Revenue and Expenses</i> or the <i>Profit/Loss Statement</i> .
Financial statements: <b>Statement of cash flows</b>	Provides relevant information about cash receipts and cash disbursements from operations, investments, and financing activities during a period of time. The statement helps creditors and others to assess the organization’s ability to generate positive future cash flow to meet its obligations and its need for external financing. Since cash is the single most liquid asset, cash plays an important role in maintaining an organization’s financial health. Sufficient cash, along with the ability to readily convert other assets into cash, is important for maintaining an organization’s financial flexibility.
Financial term: <b>Association reserves</b>	Net assets minus net liabilities. This is the “surplus” or “rainy day” fund for an association. Reserves are usually protected by the board. Some organizations budget to contribute to the reserve fund annually; others contribute if they have extra cash at the end of the year.



Financial term: <b>Accrual vs. cash accounting</b>	<i>Accrual-basis accounting:</i> recognizes revenues when earned and expenses when incurred. <i>Cash-basis accounting:</i> recognizes revenue when cash is received and expenses when cash is expended. <i>Best practice</i> in association accounting is to use accrual accounting, allocating dues when earned monthly, rather than recording a lump sum when received. Accrual accounting gives a much better financial picture and cash flow projection than cash accounting.
Financial term: <b>Capital budget</b>	The financial plan for long-term expenditures such as land, buildings, or equipment, including depreciation.
Financial term: <b>Capital expenditures</b>	Requirements for long-term objectives, such as major equipment purchases, major improvements, or additions to the physical facilities.
Financial term: <b>Chart of accounts</b>	A system for organizing financial data: a listing of all the line item accounts being used by the organization. Numbers are assigned to each account to facilitate identification. Accurate and appropriate entry into correct accounts is the key to sound financial management and reporting.
Financial term: <b>Financial narrative</b>	Tells a story of how all the elements relate. It must provide more than just numbers and highlight key financial issues, concerns, and trends. Numbers have meaning only in context.
Financial term: <b>Financial ratios</b>	<i>Liquidity ratio:</i> measures the organization's ability to pay its short-term obligations. <i>Current ratio:</i> measures the current assets divided by current liabilities. <i>Profitability ratio:</i> measures the profits (losses) over a specified period of time. <i>Coverage ratio:</i> measures the projections for the interest and principal payments to long-term creditors and investors. <i>Activity ratio:</i> measures the resources required to carry out certain activities, sometimes referred to as <i>efficiency ratio</i> .
Financial term: <b>Net assets</b>	The residual values of the association's assets after liabilities have been paid. Contains three classes of assets: <ul style="list-style-type: none"> <li>• Unrestricted net assets</li> <li>• Temporarily restricted net assets</li> <li>• Permanently restricted net assets</li> </ul>
Financial term: <b>Operating budget</b>	The basic day-to-day financial plan that projects all the operational revenue streams and normal business expenses incurred.
Financial term: <b>Overhead</b>	Expenses incurred that are not actual, direct expenses of a specific program; they are incurred and booked as a general expense to an association. Overhead expenses include administrative, i.e. the cost of telephone, computer expense, rent, insurance, accounting, maintenance, and similar expenses.

Financial terms: <b>Classes of funds: restricted, temporarily restricted, unrestricted</b>	<p>There are three classes of funds in a 501(3) organization: unrestricted; permanently restricted; and temporarily restricted (as to time and/or purpose).</p> <p><i>Unrestricted Funds:</i> can be used at the discretion of management within the range of uses defined.</p> <p><i>Permanently Restricted Net Assets</i> result from contributions where the donor has stipulated a specific use that does not expire with time and cannot be shifted by the organization.</p> <p><i>Endowments</i> are one common type of permanently restricted net assets.</p> <p><i>Temporarily Restricted Net Assets</i> result from contributions of assets when use by the organization is limited by donor-imposed stipulations that either expire or can be fulfilled and removed by actions of the organization. These assets are shown on the <i>Statement of Financial Position</i> and reported on the 990 long form.</p>
Human resources: <b>Co-employment</b>	<p>Professional Employer Organizations (PEOs) create a co-employment arrangement under which staff are employees of both the association and the PEO. Advantages to this arrangement are:</p> <ol style="list-style-type: none"> <li>1. Better benefits to staff as PEO is able to give a small staff access to less expensive health insurance and generally better benefits of various kinds.</li> <li>2. Training resources</li> <li>3. PEO maintains employee information, employee manuals and files workers' compensation.</li> <li>4. PEO will not tell the employer who to terminate, just how to do it.</li> </ol>
Human resources: <b>Compressed vs. flextime</b>	<p><i>Compressed time:</i> employers allow employees to work four 10-hour days, and have one day off or work nine days for 80 hours in a two-week period, with an extra day off every two weeks. Other variations are possible.</p> <p><i>Flextime:</i> this practice allows employees to vary their schedules within limits established by the association. Usually employers ask staff to set a definite schedule but allow occasional changes.</p>
Human resources: <b>Disabled person</b>	<p>An individual qualifies as disabled under ADA when he/she has a physical or mental impairment that substantially limits one or more major life activities; has a record of such an impairment or is regarded as having such an impairment. Impairments include but are not limited to speech, hearing, sight, and mental impairments; HIV, cancer, diabetes, missing limb, and recovery from substance abuse.</p>
Human resources: <b>Employee assistance plans (EAP)</b>	<p>An employee benefit program often found in unionized organizations. EAPs coordinate alternative treatment for substance abuse rehabilitation and recovery as well as other treatment for mental health issues generally when the benefit is self-insured.</p>
Human resources: <b>Equal opportunity employment</b>	<p>A voluntary status for employers which allows use of the EOE designation if they abide by certain employment regulations, including compliance with a written policy of nondiscrimination, promotion and equal access for all employees as well as posting the rights of employees.</p>

Human resources: <b>Exempt vs. non-exempt</b>	Employees with jobs governed under the Fair Labor Standards Act are either <i>exempt</i> or <i>non-exempt</i> . Identification of who is exempt is defined by the Department of Labor, not by the employer. Paying exempt employees on a “salary” basis means that the employee is paid the same, predetermined amount for each week that work is performed. Non-exempt employees can be paid a salary or an hourly wage, but must be paid overtime for any hours they work over 40 per week.
Human resources: <b>Factors in staff recruitment</b>	<p>Create a standard approach to staff recruitment to assure consistency in candidate evaluation. Consider these factors before recruiting applicants for the position:</p> <ul style="list-style-type: none"> <li>• Salary: will the salary attract the skills needed?</li> <li>• Job design: every position should include a variety of duties to retain the interest of an employee over the long haul.</li> <li>• Interest in association’s issues or work: if interest is present, an employee may bring an emotional commitment to the job.</li> <li>• Interest in staff specialty area.</li> <li>• Salary and benefits including opportunity for advancement and continuing education</li> <li>• Reward and recognition programs</li> <li>• Fair treatment</li> <li>• Care and concern</li> <li>• Trust</li> <li>• Instilled accountability of managers, supervisors and employees at every level</li> </ul>
Human resources: <b>Human performance improvement</b>	Serves as an effective means for associations to improve organizational performance by identifying performance gaps at the individual performer level.
Human resources: <b>Job descriptions, ADA compliance</b>	<ul style="list-style-type: none"> <li>• Job descriptions provide evidence of the “essential functions” of the job as described in the ADA.</li> <li>• Descriptions can be used as the basis for discrimination, equal pay, and contract lawsuits.</li> </ul> <p>Minimum criteria:</p> <ul style="list-style-type: none"> <li>• List everything the person will have to do on the job.</li> <li>• Distinguish essential major job functions from peripheral ones.</li> <li>• Weigh the importance of each function according to percentage of time spent.</li> <li>• List the skills, physical demands, credentials and experience required; distinguish between mandatory, preferred, or desired requirements.</li> <li>• Do not make promises that you do not intend to keep.</li> </ul>

Human resources:  
**Legal checklist,  
staff reduction**

- Review your personnel handbook.
- Map out relevant issues on paper.
- Be consistent.
- Know the law on early retirement.
- Review your *Worker Adjustment and Retraining Notification Act* (WARN Act) checklist. This act permits the release of employee claims in exchange for enhanced severance packages if employees receive necessary information to evaluate the offer. Employees must be given 45 days to consider the offer and seven days to revoke their acceptance.
- Look into relevant state regulations.
- Maintain compliance with state unemployment laws.
- Take care to prepare appropriate *Consolidated Omnibus Budget Reconciliation Act* (COBRA) and pension notifications for affected employees; consider outplacement assistance.
- Consider transfer opportunities where appropriate and maintain compliance with any applicable collective bargaining obligations.

Human resources:  
**Outsourcing**

Outsourcing human resources and line functions is a current trend in association management. Employee leasing is now done through a professional employer organization (PEO). PEOs create a co-employment arrangement under which staff are employees of both the association and the PEO. This offers a small association better benefits, training resources, and employee upkeep. A consideration is that PEO employees are eligible for certain federal benefits, i.e. the *Family-Medical Leave Act*. Outsourcing line functions, e.g., education director or marketing director, requires that an inside person monitor the contracts and performance in fulfillment of those contracts. That role is the *Outsource Coordinator*.

Human resources:  
**Over-managing**

Micro-managing by the CSE is disempowering to the employee. Both the employee's willingness and competence and the leadership style of the CSE determine the level of management needed in a situation.

Human resources:  
**Performance  
management**

Three essential aspects of performance management:

1. Goal setting
2. Day-to-day coaching
3. Performance appraisal

Human resources:  
**Professional  
employer  
organizations  
(PEO)**

See Human resources: Outsourcing

Human resources: <b>Sexual harassment</b>	<p>Considered any “unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature.” Requests, advances, or conduct of this kind constitute sexual harassment when:</p> <ul style="list-style-type: none"> <li>• It is a condition of employment,</li> <li>• There is an employment consequence at risk, or</li> <li>• It is an offensive job interference, i.e., it creates an intimidating, hostile, or offensive working environment.</li> </ul>
Human resources: <b>Terminating employees</b>	<p>Terminating employees is a highly sensitive issue, fraught with potential liability lurking beneath many time-honored reasons for terminating employees. Wrongful termination is not an unusual liability claim in today’s litigious society and the emerging human resource liability field. Whistle-blower protections, anti-discrimination laws, and issues related to eligible disabilities under the ADA law should give pause to any employer considering an employee termination. The rule of thumb is: consult an HR attorney before terminating to assure you have the appropriate documentation to support the termination.</p>
<b>Insurance, property &amp; casualty</b>	<p>Coverage for buildings and the content of buildings as well as accidental bodily injury and personal injury or accidental property damage to another’s property.</p>
Legal term: <b>Criminal vs. civil liability</b>	<p><i>Criminal Liability</i>: claims brought by the government; for example, antitrust actions alleging price fixing.</p> <p><i>Civil Liability</i>: claims brought by individuals or companies due to personal injury; for example, breach of contract, copyright infringement, or bodily injury.</p>
Legal term: <b>Due diligence</b>	<p>The act of prudent investigation when entering into a contract; involves background, reference, and fact checks; an assessment to determine whether the prospective contractor is able to fulfill the commitments defined; and if there is a cultural fit with the contractor. In the case of a merger, analysis of financial condition of the merging companies as well as researching the outstanding liabilities of the organization is imperative. Due diligence should be pursued anytime the association is considering significant long-term contracts, e.g. technology firms, building contractors, partnerships and joint ventures.</p>
Legal term: <b>Work made for hire</b>	<p>Work made for hire, such as an article or program written by an association employee, is presumed to be owned by the employer. When dealing with a contractor, be certain to put in writing who owns the finished product. When filing for copyright protection, the application asks if the submission is a work made for hire.</p>
Legal: <b>Five elements of a contract</b>	<ol style="list-style-type: none"> <li>1. Mutual consent—an offer is made and accepted.</li> <li>2. Competent parties—persons have the legal authority to commit their respective organizations legally.</li> <li>3. Consideration—the price to be paid.</li> <li>4. Mutuality—a mutual obligation on the part of both parties (i.e. hotel provides rooms, association provides members for rooms)</li> <li>5. Enforceable—must be in writing.</li> </ol>

Liability, personal in association operations	Liability claims are sometimes brought against officers, directors, members, or staff as they perform on behalf of their associations. Personal liability claims are more the exception than the rule. Generally, homeowners insurance will cover limited personal liability claims for volunteer activity. Directors & Officers liability insurance protects volunteers from claims due to decisions made in good faith on behalf of the association.
Management: Abstract & information management systems	Facilitate collaborative online database management for use in membership management, conferences and meeting management, and financials.
Open information	Not-for-profits are required by law to make their 990 or 990EZ filing available for public inspection. This is particularly important for 501(c)(3) donors to verify allocations of donations to administrative expense. Minutes of the organization must be made available to members, if requested. Statistical reports must be made available to anyone who requests the information; non-members may be charged a reasonable fee for the report. Member lists are the property of the association and may be withheld from non-members.
Personnel records	<p>The following <i>should</i> be included in a basic personnel file: employment application and resume, college transcripts, job descriptions, records relating to hiring and promotion, training, records relating to other employment practices, letters of recognition, disciplinary notices or documents, performance evaluations, test documents used to make an employment decision, exit interviews, termination records.</p> <p>The following <i>should not</i> be in a personnel file: medical or insurance records, EEO or invitation to self-identify disability or veteran's status records, immigration (I-9) forms, child support or garnishments, litigation documents, workers compensation claims, requests for employment or payroll verification, reference checks.</p>
Planning: Disaster & recovery	<p>A crisis planning process that helps you determine what to anticipate in order to better prepare. Considerations are:</p> <ol style="list-style-type: none"> <li>1. <i>Service &amp; time interruptions</i>: identify the time intervals the association would be able to operate without key base processes, including those that are outsourced to a third-party vendor or organization.</li> <li>2. <i>Emergency incident assessment</i>: determine the types of disruptive events that are most likely to affect normal business process; review any documentation relating to the areas under investigation (evacuation plans, building management documentation, back-up procedures, etc.)</li> <li>3. <i>Operational impact service interruption</i>: knowing time bands and then conducting an emergency-incident assessment will establish "significant impact" areas on normal office and membership operations.</li> </ol>
Request for proposal (RFP)	A document that details requirements for vendors that are specific to a project, outlining its major elements so that proposals received match the association's needs. Often includes requests for information about vendor's business history, support staff, association experience, etc.

<p>Risk management: <b>Crisis planning</b></p>	<p>Safeguarding staff:</p> <ol style="list-style-type: none"> <li>1. Work with building management</li> <li>2. Expand safety and emergency policies</li> <li>3. Collect additional staff contact information</li> <li>4. Purchase various supplies (three major categories: medical, survival and protective equipment)</li> <li>5. Provide staff with additional information (i.e., their own personal emergency kits)</li> <li>6. Practice safety measures</li> </ol> <p>Informing constituents:</p> <ol style="list-style-type: none"> <li>1. Enhance information for constituents</li> <li>2. Establish special tracking systems online</li> <li>3. Create emergency contact channels</li> <li>4. Participate in cooperative efforts</li> </ol> <p>Protecting infrastructure:</p> <ol style="list-style-type: none"> <li>1. Computers and duplicate server equipment; network security</li> <li>2. Planning for meeting and conference contingencies</li> </ol> <p>Increase financial flexibility:</p> <ol style="list-style-type: none"> <li>1. Allow authorized staff to process payroll remotely at any time</li> <li>2. Encourage electronic payments</li> <li>3. Arrange for backup payment options</li> <li>4. Review insurance coverage</li> </ol>
<p>Risk management: <b>Indemnification, ultra vires, torts</b></p>	<p><i>Indemnification:</i> The laws in many states allow nonprofit corporations to indemnify their officers and directors against claims made against them if the claims are based on officers' or directors' activities on behalf of the associations. The exception: criminal situations or those involving gross negligence or fraud. Indemnification of officers and directors, where the law permits, should be stated in the association bylaws.</p> <p><i>Ultra vires:</i> When officers, directors, or other volunteers are involved in association activity beyond the corporate authority of the association.</p> <p><i>Torts:</i> Activities that cause injury or damage to persons or property.</p>
<p>Sexual harassment: <b>CSE role in environment &amp; policy</b></p>	<p>Prevention is the best tool for the elimination of sexual harassment. The CSE needs to provide a safe work environment (co-employees and non-employees) and take steps to prevent sexual harassment from occurring, such as provide a sexual harassment policy for employees, board members and members and a mechanism for reporting complaints without fear of reprisal. Additionally, investigate promptly and carefully all complaints; provide for sexual harassment (sensitivity) training for employees and/or board.</p>
<p>Subsidiaries: <b>For-profit</b></p>	<p>An exempt association can own 100% of the stock of a for-profit, taxable subsidiary, provided the two entities engage in separate activities and have separate boards of directors, separate books and records, and separate bank accounts. The subsidiary is not the "alter ego" of its parent organization.</p>



Subsidiaries: <b>Reasons to form</b>	<ul style="list-style-type: none"> <li>• Protects the association's exempt status</li> <li>• Facilitates joint ownership in property</li> <li>• Insulates the association from liability</li> <li>• Enables an association to properly reflect income from an activity</li> <li>• Aids in reducing taxable income</li> <li>• Performs member services</li> </ul>
Subsidiaries: <b>Separate identities</b>	A parent and its subsidiary should have separate corporate tax identities where the subsidiary carries on a separate business activity and is not acting as a true agent of its parent.
Taxes: <b>Charitable contribution disclosure for 501(c)(6)</b>	"A conspicuous and recognizable statement that contributions or gifts to the organization are not deductible as charitable contributions" must be displayed on dues billing invoices or other requests for payments. Failure to comply is a fine of \$100 per day per offense. Such a statement must be clearly displayed in the solicitation package or dues billing.
Taxes: <b>Employment-related</b>	Associations exempt from federal income tax remain subject to federal, state and local employment taxes—withholding, Social Security, and unemployment taxes.
Taxes: <b>Taxable functions</b>	<ul style="list-style-type: none"> <li>• Dues related to lobbying</li> <li>• Expense deductibility from attendance at association meetings</li> <li>• Income derived from real estate</li> <li>• Income produced from non-dues sources of revenue.</li> <li>• Advertising</li> </ul>
Taxes: <b>UBIT &amp; 990T</b>	<p><i>Unrelated business income</i> is income derived from a regularly conducted trade or business activity that is not significantly related to the tax-exempt purpose of the organization. Its purpose is to prevent exempt associations from competing unfairly with taxable businesses in activities that do not advance their exempt purposes. An association's exempt status can be jeopardized if unrelated business income constitutes too high a proportion of the organization's income.</p> <p>Some specified requirements for computation, payment and reporting UBIT are:</p> <ul style="list-style-type: none"> <li>• Unrelated business income and losses generally can be lumped together to offset total income and total losses.</li> <li>• A \$1,000 special deduction</li> <li>• Regular business deductions are allowed</li> <li>• Taxation is at corporate rates</li> <li>• Quarterly estimated tax payments are required</li> <li>• A foreign tax credit is available to foreign associations</li> <li>• IRS form 990-T is to be filed by associations with more than \$1,000 annual gross unrelated business income. This is in addition to form 990.</li> </ul>



<p>Taxes: <b>990 &amp; 990 EZ Forms</b></p>	<p>An association that exceeds gross annual income of \$50,000 must file a Form 990. Associations with gross receipts less than \$200,000 and total assets less than \$500,000 at the end of the year can file a Form 990EZ simplified form. The forms are due the 15th day of the fifth month after the association's fiscal year ends.</p>
<p><b>Tax management</b></p>	<p>Intentionally structuring the for-profit and nonprofit functions of the organization in order to minimize the organization's tax liability requires a tax management process:</p> <ol style="list-style-type: none"> <li>1. Assign a top executive to make minimizing taxes an ongoing priority, making it part of the job description.</li> <li>2. Plan for minimizing taxes; it does not happen by accident.</li> <li>3. Documentation is paramount.</li> <li>4. Perform annual updates. Items not updated annually are all suspect. Each year, review the prior year's plans and documents. Ask a lawyer about new legal and tax developments. Ask colleagues about factual and operational changes. Any of these may require an update to your plan and documents.</li> </ol>
<p>Technology: <b>Five steps to strategic technology process</b></p>	<ol style="list-style-type: none"> <li>1. Develop a technology planning committee.</li> <li>2. Conduct an internal and external environmental scan, including the association's existing strategic plan.</li> <li>3. Evaluate potential technology options that are focused on the association's business goals.</li> <li>4. Develop prioritized strategic technology initiatives.</li> <li>5. Implement strategic technology initiatives, including: obtain ongoing recognition and support from leadership; ensure the project manager has the authority and accountability for implementing the initiatives; identify measures of success for each project with a contingency plan in place should the initiative fail to meet expectations; carry forward unused tech funds to the next fiscal year; and be sure to access knowledgeable resources on current and emerging technology.</li> </ol>
<p>Technology term: <b>Instant messaging</b></p>	<p>E-mailing in real time, allowing two or more people to "chat" through electronic text.</p>
<p>Technology term: <b>Information technology (IT)</b></p>	<p>The broad subject concerned with all aspects of managing and processing information, especially within a large organization or company.</p>

## Domain 4 Content Review

Key processes and relationships:

<b>LERP</b>	<b>SMART</b>	<b>SPIE</b>	<b>SWOT Analysis</b>
Legal	Specific	Scan	Strength
Ethical	Measurable	Plan	Weaknesses
Reasonable/Relational	Attainable	Implement	Opportunities
Practical/Procedural	Reasonable	Evaluate	Threats
	Timely		

### A. Financial Management

#### 1. Budgets

- Budget = financial expression of the organization's plan for a defined period of time (typically one year)
- Budget and Finance Committee
  - Staff vs. volunteer roles vary greatly by organization
  - Tracking financial performance
  - Provide regular reporting and analysis to volunteer leadership

*The cash budget and capital budget provide short- and long-term financial resources, respectively.*

#### Capital budget

- Fixed asset consideration
- Should include a depreciation policy and capitalization limit (Impacts the operating budget according to these policies)
- Amortization v. Depreciation

#### Cash budget

- Projects the cash sources and uses over time
- Uses input from the operating budget and the capital budget to identify crucial timing considerations for funding

#### Operating budget

- Identified all the income and expenses for the organization for the coming year

#### 2. Monitoring finances

- Be clear, accurate, complete
- Accrual method vs. cash method
- Generally Accepted Accounting Practices (GAAP)
- Chart of Accounts:
  - Assets
  - Liabilities
  - Net Assets
  - Revenues
  - Expenses
  - Department codes (Programmatic)
  - Account codes (Functional)
- Reading the financial statements

### Statement of Financial Position

- Current Assets—Cash or cash position within a year
- Non-current Assets listed in order of liquidity
- Current Liabilities—Debt to be paid within a year
- Long-term Liabilities
- Net Assets (aka Fund Balance)
  - ◊ Unrestricted
  - ◊ Temporarily restricted (for a purpose or time)
  - ◊ Permanently restricted (endowment funds)

### Statement of Activities

- The difference between revenue and expenses is the change in net assets
- Comparables are important
  - ◊ Have the sources of revenue changed significantly?
  - ◊ Are major expenses consistent or variable?

### Statement of Cash Flow

- Noteworthy to consider the net increase or decrease in cash and the drivers for this result
- Important ratios in the financial statements

$$\text{Current ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

- Measures the ability for the organization to pay its current debts

$$\text{Quick ratio} = \frac{\text{Current Assets—inventory and pre-paids}}{\text{Total Current Liabilities}}$$

- Measures the organization's liquidity

$$\text{Reserve ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Annual Expenses}}$$

- Measures the percentage of the organization's budget covered by available assets

## 3. Financial reporting

- Understand purpose of various financial statements
  - Statement of Financial Position/Balance Sheet
  - Income and Expense Statement
  - Cash Flow Statement
- Associations now must also submit extensive IRS Form 990 information
  - Deeper level of reporting on policy, governance, decision-making, compensation of key employees and financial data than previously required
  - Overall compliance based on policy responses where policies are not “required” but used as input for the overall assessment (whistleblower, records retention/destruction, conflict of interest, etc.)
- Most non-profits are exempt from federal income tax as 501(c)(3) or 501(c)(6) corporations
- Tax is due for non-profits on revenue earned in activities not related to the mission/purpose of the organization used to gain the original tax-exempt status (Unrelated Business Income Tax)
  - Revenue subject to UBIT:
    - ✓ Results from activities which do not support the exempt purpose of the organization
    - ✓ Must be “regularly carried out”

- ✓ Royalties do not apply to UBIT
- ✓ Require active involvement in the program
- Matched expenses related to the UBIT activities can offset some or all of the tax liability
  - ✓ Requires careful and accurate allocation of all related expense categories
  - ✓ Important to track staff time allocation through time sheets and functional expense tracking

*Transparency and clarity for all stakeholders should determine the financial reporting processes.*

- Internal Financial Statements
  - Developed by management, usually monthly to assess performance against budgeted targets
  - Statement of Financial Position
- Snapshot of the assets, liabilities, and net assets at a point in time
- Old 'Balance Sheet'
  - Statement of Activities: Financial activity over a period of time, Old 'P&L', Cash v. Accrual Accounting
  - Cash accounting recognizes revenue and expenses when they are received or paid
  - Accrual accounting matches revenue in the period it is earned and the related expenses in the period they are incurred

#### 4. Audits

- Annual audit (different types may be mandated depending on funding sources, such as for federal contracts)
- Three stages
  - Audit planning
  - Document review
  - Financial statement reconciliation and analysis
- Auditor's report
  - Unmodified (clean) opinion
  - Modified opinion
  - Adverse opinion

*In addition to financial statements and reporting, organizational policies will be reviewed by the auditors.*

- The Form 990 requires the organization to disclose practices for:
  - Records retention policy
  - Conflict of interest policy
  - Whistleblower policy
  - Investment/reserve policy
  - Anti-fraud policy
- Financial management policies safeguard the organization against fraudulent behavior and/or inappropriate decision-making authority
  - Goal for reserves
  - Short and long-term funds, acceptable risk levels
  - Outlines roles, responsibilities and abilities of staff and volunteers

*The audit or review provides some reassurance for the fiduciary responsibility of the board of directors.*

- Audit/review of the financial reporting of the organization
  - An assessment of controls and accuracy of financial reporting compiled by management
  - Not a validation of the financial information but rather an opinion reached by the auditors
  - Not required by the IRS; however, the form 990 will ask if an audit was performed
  - An "unqualified opinion" from the auditors means they are satisfied with the financial statements

- Other opinions offered by the auditors include: qualified, adverse, or disclaimer
- Accounting Services can take one of three levels of involvement
  - Audit: Conducted by an independent firm and offering the greatest level of assurance
  - Review: Limited scope and will primarily uncover material misstatements
  - Compilation: No assurance of accuracy of information presented or organizational controls

## 5. Investments and reserve policies

- Investment policies should clearly outline volunteer and staff responsibilities and abilities
- Breakdown of short and long-term funds
- Breakdown of % at various risk levels
- Establish reserve goals to weather downturn
  - Target reserve goals ~ 50% of operating budget

## 6. Contingency planning

- What to do if...
  - Revenues fall?
  - Membership drops?
  - Expenses increase?
- Carefully considered by board and senior staff
- Refer to the association's strategic plan goals
- Update regularly (1-3 years)
- Related to business continuity planning

## 7. Internal financial controls

*Financial controls ensure the organizational safeguards intended in the policies are achieved.*

- Regular, accurate reporting
- Essential components of internal controls
  - Clear lines of authority
  - Acceptance of authority
  - Authority appropriate to level of responsibility
  - Training to support authority and ensure the infrastructure is maintained
- Segregation of duties
  - One person should not be able to control all essential areas of a transaction
    - ✓ Initiation
    - ✓ Authorization
    - ✓ Asset custody
    - ✓ Recording
- Sarbanes Oxley—fraud, whistleblower protection, and document destruction policies
  - Suggests Audit or Finance Committee for associations

Consider the following:

- *What are the most important reasons for coding income and expenses both functionally and programmatically?*
- *What are some likely events that could trigger a contingency plan in an association?*
- *Who is responsible for financial results in an association?*

## B. Human Resources

### Policies & procedures

- Policies
  - Standards of conduct and decision-making
  - Who approves the policy is dependent on to whom the policy relates
  - Critical to communicate to staff & have staff understanding
- Procedures
  - The “how to” of administering policy
  - Executed by staff
- Use SPIE & LERP to create policies and procedures
- Every policy should have related procedures

### Job descriptions

- Liability starts here
- Clear delineation of responsibilities
- Accurate written job descriptions
- Keep them up to date!

### Recruitment

- Job posting
- Job bidding
- Referrals

### Interview questions

- Member of a union?
- Veteran?
- ASAE?

### Background checks & liability issues

- Can you do a credit check?
- Can the candidate see the credit or background check?
- Do you disclose if candidate is not hired based on credit or background check?

### Compensation

- Compensation Committee
- Salary grades
- Benchmarking
- Role of benefit
- New compensation & benefits regulations
  - Form 990 reporting—Part VII, Sec. A & Schedule J
  - Excess benefits
  - Intermediate sanctions

### Employment

- I-9 Forms ([www.dol.gov](http://www.dol.gov))
- Job descriptions & contracts
- Conflict of interest statements
- Enrollment forms
- Orientation programs & training
- State & Federal reporting requirements
  - Recordkeeping—document, document, document...

- FLSA, OSHA, ERISA, etc.
- State payroll taxes, etc.

### ADA guidelines

- Basic information

### Federal labor laws

- Labor Laws by # of Employees
- All federal labor laws apply to 1 or more employees with exceptions...

### Federal labor laws—exceptions for greater than 1 employee

- OSHA = 11+ (*Ocean's Eleven*)
- Title 1, ADA of 1990 = 15+
- Civil Rights Act of 1964; Title VI, Civil Rights Act of 1991 = 15+
- ADEA = 20+ (*age 40 & over workers; half of 40 is 20*)
- COBRA = 20+ (*Note recent changes in benefit period*)
- FMLA = 50+ (*Fifty equals Family*)
- EEO-1 Report (non-federal contractors) = 100+
- WARN = 100+ (*Warning you are over 100*)

### Federal Labor Laws—Fair Labor Standards Act (FLSA)

- Employment status
- Minimum wage
- Hours worked per week & overtime
- Child labor
- Enforcement
- Recordkeeping requirements
- Sets tests for determining exempt & non-exempt employees

### Fair Labor Standards Act (FLSA)

- Exempt Employee
  - Not covered by FLSA (exempt from FLSA)
  - Not covered by minimum wage or overtime regulations
  - Four classes of exempt employees:
    - ✓ Executives
    - ✓ Outside salespeople
    - ✓ Administrative employees
    - ✓ Specialized professionals if they meet the short & long tests and do not exceed the 20% rule
- Non-exempt employee
  - Protected by FLSA
  - Protected by minimum wage or overtime regulations

### OSHA General Duty Clause

- Workplace must be free from recognized hazards
- Does not apply when there are specific OSHA standards
- Employers must furnish hazard-free workplace
- Employees must comply with OSHA standards

### Performance review process

- Formal, written, and regular
- Praise and compensation increase
- Disciplinary process, up to and including termination, must be in writing
- Be consistent

- **Tip: WE EAT**
  - Written Evaluation
  - Equitable
  - Accurate
  - Timely

## C. Legal Oversight and Risk Mitigation

### Business continuity plan goals

1. To protect safety and welfare of staff
2. To protect the organization's property, facilities, and data
3. To communicate clearly and in a timely manner with the board, staff, members, vendors, and the public
4. To maintain critical services as long as possible
5. To restore lost services as quickly as possible

*Tip: People, Places & Things*

### Business continuity plan

- Use SPIE to develop your plans
- Plan components
  - Plan for crisis/disaster-scenario planning
  - Establish policy
  - Establish command center
  - Define the crisis/disaster
  - Assess crisis/disaster
  - Respond appropriately and professionally
  - Human capital and logistical needs
  - Review response
  - Plan for next crisis

See “Legal and Tax Issues for Nonprofit Associations,” beginning on page 114, which covers general legal and tax issues.

## D. Infrastructure and Technology

*Remember you ARE the chief staff officer (CSE).*

*You are NOT the chief information technology officer (CIO).*

- Evaluate if technology is meeting needs
- Who, What, Where, When & How
- Policies for use of technology
- Procedures and time tables
- Enforcement
- Use SWOT & SMART
- Technology Trends (*social media, software, hardware, virtual, remote, etc.*)

### Technology plan overview

- Use SPIE
- **Scan:** Set goals, assess IT needs, understand current & emerging technology trends
- **Plan:** Identify appropriate systems to support goals, understand and address security issues, create backup plans, establish policies and timeframes
- **Implement:** Contract necessary services; oversee implementation, maintenance, and adherence to the plan and policies



- **Evaluate:** Continually evaluate systems and make necessary course corrections

## E. Vendor Relations

- Pros & cons of outsourcing
- Needs assessment
- Request for Proposals process
  - SPIE
  - LERP
- Managing and evaluating vendors/suppliers
  - Goals and benchmarks
  - Regular intervals of evaluation
  - SMART
  - Conflicts of interest

### Request for proposals (RFP)

1. Introduction
2. Goals, responsibilities & expectations
3. Standards & quality of service
4. Budget & financial liability
5. Samples & supporting information
6. Response format & deadlines

### Aspects of vendor contracts

- Who's going to do/provide/create what? (*the offer*)
- Ownership of material developed
- Copyrights, trademarks, patents
- Ownership of code, ownership of data
  - Who signs the contracts? (*acceptance*)
  - Payment and services (*consideration*)
  - Termination clause
  - Remediation
  - Get everything in writing

## Consider this Scenario:

*You are the chief staff executive (CSE) of a national trade organization with 55 employees based in Washington, DC. Your office is closed for Inauguration Day; however, you and most of your staff are in Chicago for a conference of 2,000 attendees. Your conference registration manager is unable to register attendees via the internet and remote access.*

*Your IT manager informs you that the server has crashed and cannot be restarted remotely and goes into the office to reset the server. Upon her arrival at the office, she discovers that the water main in the building has burst and flooded your entire office suite. The server is underwater and not salvageable. Your association offices are uninhabitable due to the water damage.*

*To make matters worse, your office manager gets in a serious car accident after leaving the office to go home. Her car is totaled. She is in the hospital for five days and will need to spend four months in extensive rehabilitation at an in-patient facility. You do not know when she will return to work.*

## Scenario questions

1. Identify the major short and long-term crises your association is facing and prioritize them.

2. What components would be included in a restoration plan?
3. Identify the benefits your office manager may be entitled to and list the specific laws.
4. Develop a Business Continuity Plan for the above scenario.

## Legal and Tax Issues for Non-Profit Associations

### Introduction

This legal and tax content provides an overview of legal and tax issues affecting non-profit associations with which you should be familiar. However, it does not necessarily correlate with the exam content outline noted above. It also does not coordinate exclusively with Domain 4; it covers legal issues that may impact matters across all eight domains. Be sure to review the recommended readings and other materials to ensure you have a complete understanding of legal and risk management in associations. One of the most important aspects of studying for the CAE exam is paying attention to the legal basis of all the domain content.

This section touches on the following topics:

Legal issues	Application to association activities
A. Corporate governance	Meetings
B. Contracts	Publications
C. Taxation	Board activities
D. Antitrust	Contracting with vendors
E. Intellectual property	Other areas

### A. Corporate Governance

#### Hierarchy of authority

- State nonprofit corporation law (statute and common law)
- Articles of Incorporation
- Bylaws
- Board policies and procedures
- Unwritten common practices

#### Governance structure

- Board of directors
- Executive committee
- Other committees of the board (nominating, finance)
- Other committees
- Staff

#### Fiduciary duties

- Care
- Loyalty
- Obedience
- Roles of board members are defined by articles, bylaws, board policies manual, common practice.
- Board sets the policy and the mission of the organization; staff is charged with carrying out the policy and the mission.
- Boards are generally only allowed to act in a meeting.
- While members may have some powers, power of the board of directors is paramount.

## B. Contracts

- What is a contract?
  - Offer
  - Acceptance
  - Consideration
- Memorandum of understanding
- Letter of intent
- Oral vs. written
- Who can bind your organization?

### Tips for negotiating and reviewing contracts

- Start with the RFP
- Everything is negotiable
- Warranty
- Liability issues
- Payment terms
- Intellectual property
- Term and termination
- Read *everything*
- Be willing to walk away
- “Special” considerations

## C. Taxation

### The basics

- Associations are usually exempt from tax under Section 501(c)(6) or Section 501(c)(3).

*That does not mean associations are exempt from all taxes.*

### Basic requirements—(c)(6)

- Not organized for profit
- Membership organization with meaningful membership support
- Line of business or profession
- No “private inurement”
- No “particular services”

### Basic requirements—(c)(3)

- Religious, charitable, scientific, testing for public safety, literary or educational purposes (among others)
- No “private inurement”
- No “private benefit”
- No substantial part is “carrying on of propaganda” or other wise attempting to influence legislation
- No political activities

### Unrelated Business Income Tax (UBIT)

- Trade or business
- Regularly carried on
- Not substantially related
- Exceptions to UBIT:
  - Royalty-Affinity programs
  - Sponsorship-permissible benefits
  - Qualified conventions and trade shows
  - Investment income

- Public disclosure issues

### **Form 990**

- Disclosure of employees' salaries
- Policies
  - Conflict of interest
  - Document destruction/records retention
  - Whistleblower
  - Joint venture
  - Executive compensation approval
  - Review of Form 990

## **D. Antitrust**

- Sherman Antitrust Act
- Federal Trade Commission Act
- Clayton Act
- Robinson-Patman Act
- Contract, combination or conspiracy unreasonably in restraint of trade
- Must be some form of agreement to unlawfully restrain trade—agreement need not be formal

### **Association activities affected by antitrust**

- Membership restrictions and termination
- Standards
- Certification
- Meetings
- Information reporting
- Cooperative buying and selling
- Lobbying

### **General risk management rules**

- Clearly define restrictions and standards in the bylaws or applicable documents
- Make sure restrictions and standards are reasonably designed to pursue a pro-competitive result (avoid arbitrary restrictions or restrictions related to price)
- Make sure reasonable policies and procedures are in place for enforcement

### **Other antitrust issues**

- Membership services to non-members
- Board meetings
  - Antitrust reminder
  - Monitoring discussions
- Statistics
  - Third party
  - Make data available
  - Stick to the past
  - Aggregate data only
  - Voluntary
  - Avoid unregulated discussions

## E. Intellectual Property

### Copyright

- Generally protects original works of authorship, such as books, articles, songs, software, paintings
- Must be an original work (not copied)
- Must consist of “expression” (not just ideas)
- Must be fixed in a tangible form (when you put pen to paper)
- Registration
- Fair use
- Works for hire (association volunteers)
- Transfers and licenses

### Trademarks

- Generally those items that readily identify the association or its projects/activities, such as names, logos, slogans

## Domain 4 Exam Content Outline Self-Assessment

Refer to the exam-content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

### Self-Assessment Questions—Human Resources

1. Determine which Federal Labor laws apply for various sized organizations and their reporting requirements.
2. Name the elements of an effective performance appraisal process.
3. How would you create a salary administration program?
4. How would you create a flexible and adaptable work environment?
5. How would you use employment contracts? For whom? What would you include?
6. What would you consider in creating an efficient and safe office environment?
7. To avoid wrongful discharge liability, what procedures must an employer follow for evaluating and terminating staff?
8. To avoid discrimination in hiring practices, what procedures must an employer follow for recruiting, interviewing, and selecting new hires?
9. What are the basic provisions of ADA and their impact on human resources management and access to association services?
10. Distinguish between an exempt and non-exempt employment status and the impact of working overtime on each classification.

### Self-Assessment Questions—Legal Oversight and Risk Mitigation

1. Describe an appropriate risk management program for an association.
2. What are three areas of possible legal liability for association officers?
3. Describe key elements of an anti-trust compliance program.
4. What is fiduciary responsibility?
5. What is the difference between anti-trust and restraint of trade issues?
6. What is the role of general counsel in governance?
7. In membership eligibility, what restrictions are legal?

8. In membership expulsion, what is necessary to protect the legal rights of the member?
9. What products/services can an association withhold from a non-member without creating a restraint of trade liability exposure?
10. What should be a top goal in a business continuity plan?

### Self-Assessment Questions—Infrastructure and Technology

1. What would be included in an RFP for a major technology acquisition or upgrade?
2. How would you assess technology needs and timing for a major technology purchase?
3. What policies should be in place to regulate use of technology?
4. Describe a risk management program for your technology.
5. How would you evaluate your information services for effectiveness or value to members?

### Self-Assessment Questions—Vendor/Supplier Management

1. Describe a system to effectively review the performance of suppliers to the association.
2. What areas of operations make the most sense to consider for an outsourcing arrangement?

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. Your association has recently begun accepting member dues payments, conference registrations and payments for training manuals for continuing education materials. How do you develop and establish policies and procedures to ensure strong internal financial controls to prevent financial/accounting irregularities and inappropriate funds accounting?
  - a. Work with your accountant to develop a financial policies and procedures manual
  - b. Establish a tracking system for all money received by the association from members
  - c. Based on written policies and generally accepted accounting procedures, assign staff roles for handling financial activities
  - d. Work with your accountant and your board of directors to develop and establish policies that meet the specific needs of your association
2. What must be maintained and filed for an association incorporated in one state and having offices in another state?
  - a. Separate 990 forms for each location
  - b. Corporate annual report only in the state of domicile
  - c. Corporate annual report in both the state of incorporation and the state of its offices
  - d. Documents for incorporation in each state where the association has an office
3. What would an association want to avoid in its contract with a vendor for an association-sponsored affinity program?
  - a. Termination features

- b. Mutual indemnifications
  - c. License of the intellectual property of the association
  - d. A clause on the association licensing, administrative, and marketing activities
4. Which of the following forms of income incurs Unrelated Business Income Tax (UBIT) liability?
- a. Interest
  - b. Royalties
  - c. Dividends
  - d. Rental income
5. Which of the following could be a cause of liability during the interview process?
- a. Checking the references of a candidate
  - b. Requiring a medical exam prior to the job offer
  - c. Testing a candidate for skills required to do the job
  - d. Asking about a candidate's abilities related to medical conditions
6. What should a CSE consider before disciplining or discharging an employee because he/she is an alcoholic or a drug user?
- a. The action is potentially illegal
  - b. The action is the right of the employer
  - c. It is important to take this action to maintain staff morale
  - d. It is essential to review if there is a clause addressing this action in the employment contract
7. Which is considered a best practice, inspired by the Sarbanes-Oxley Act?
- a. Boards should restructure and downsize to be more efficient and accountable for oversight
  - b. The top executive compensation review process should be reviewed by the board on an annual basis
  - c. The board-management relationship should be studied periodically to ensure independence of the board from management
  - d. Audited financial statements should be subject to certification of the CSE and CFO and must be made available annually to all members
8. As the new CSE in an association with a strategic plan that calls for major technology (3B2) improvements, what would be the first step in assessing your information management system?
- a. Form a team of managers to look at the needs
  - b. Hire an information technology consultant to lead your association through the process
  - c. Form a cross-departmental team of people who perform the detail work of assessing the needs
  - d. Delegate decision-making authority to your information technology manager for purchases and upgrade solutions
9. The board of directors wants to establish an investment policy. What are the main components of a prudent and systematic investment program?
- a. Analysis of stocks and bonds
  - b. Factors that influence borrowing/lending decisions
  - c. Asset allocation, risk tolerance, and measurement of performance

- d. Statement of purpose, statement of objectives and currency denomination
10. You are tasked with reporting the finances of the Association to the Board. What must be included in an accurate and complete budget?
- A capital budget, cash budget, expense budget
  - A cash budget, revenue budget, operating budget
  - An operating budget, strategic budget, cash budget
  - An operating budget, capital budget, cash budget
11. When is the preferred time to conduct performance appraisals?
- After the close of the fiscal year
  - Every six months from the date of hire
  - Every twelve months from the date of hire
  - A month before the close of the fiscal year
12. How would a CSE determine the rate range within a particular salary grade?
- Determine the market rate of the position and set that as the midpoint of the range
  - Establish the starting point of the grade 10 percent below the midpoint reported in a compensation survey
  - Establish the maximum rate of the grade 25 percent above the midpoint reported in a compensation survey
  - Determine the range as 15 percent below to 15 percent above the midpoint value reported in a compensation survey
13. How is a *benchmark position* used in a salary survey?
- Internally to test the appropriateness of the salary range
  - Internally to test the validity of the relative value of salary levels
  - Externally to test the comparative relationship to the marketplace of similar titles
  - Externally to test the competitive relationship of salaries of specific positions in the marketplace
14. Which of the following is the first step in implementing an outsourcing strategy?
- Determining if staff has the capability to handle the work
  - Determining if outsourcing can help your association be successful
  - Determining if the association's policies and procedures allow outsourcing
  - Determining if the financial situation and budget allow funds for the project
15. Which of the following describes the exchange of information among an association's members on the credit standings of customers of those members?
- clearly illegal
  - governed by state laws
  - a violation of privacy laws
  - legal in principle by action of the U.S. Supreme Court



16. Which of the following statements is correct when it comes to an association's legal obligations regarding statistical surveys and non-members?
- There is no need to provide survey results to nonmembers
  - Survey results must be made available to nonmembers at the same rate schedule as to members
  - Survey results that impact competitive advantage can be an exclusive member benefit of the association
  - Survey results may be denied to nonmembers who were eligible to participate in the survey yet chose not to participate
17. The best way to allow your association to continually maintain a team of staff that meets the needs of your members is to:
- Conduct annual performance evaluations with employees and set goals based on the SMART principle
  - Survey the membership on what Association services are most needed, and hire staff based on that need
  - Rely on upper-level managers, who are more in tune with the needs of their supervisees, to keep you advised of employee morale
  - Promote all levels of staff to participate in association-wide training so that all employees are aware of the general workings of the association
18. How can you ensure that staff members understand their job functions, organizational responsibilities, and the staff chain of command?
- Hire only experienced people
  - Carefully draft job advertisement copy
  - Update the employee handbook annually
  - Document and communicate up-to-date job descriptions
19. An applicant's conditional job offer for receptionist was withdrawn when functional testing revealed she was unable to perform unassisted lifting up to 45 pounds. The ruling in the applicant's discrimination case favored the employer because it was shown that the lifting requirement was a documented essential function of the job. How was the lifting requirement documented?
- It was listed on the job description
  - It was discussed during the job offer
  - It was discussed during the interview
  - It was expected of all employees in that department
20. Your association is in the process of conducting an audit of its recruiting and hiring practices. What step should be taken to avoid employment discrimination claims related to hiring, health maintenance, rehabilitation and disability?
- Consult an attorney
  - Document job offers
  - Identify employee expectations with regard to their positions
  - Write job descriptions that detail the requirements that job workers are expected to perform
21. Which of the following statements is true regarding employee development?
- One-on-one training is a more cost-effective way to ensure that common developmental needs are satisfied
  - To maintain loyalty to their position, employees should only be trained to meet the needs of their current job function

- c. To keep up employee morale, policies should be routinely reviewed to ensure they are generous and apply appropriately to each seniority level of employee
  - d. An employee's view of their workplace as a good and productive one is, in large part, due to their employer's interest in continued training and development
22. An existing employee recently promoted to Director of Education is six months into her new role and you couldn't be more pleased with her performance. You foresee that this employee will do great things and you want to encourage more ideas; however, you're afraid of putting too much responsibility on her too soon. What can you do to help her on her path to success?
- a. Encourage open communication
  - b. Suggest she join a local association of peers for networking and sharing of ideas
  - c. Oversee each project from inception to completion to gauge level of performance
  - d. Plan for a semi-annual or annual review to evaluate performance and workload while establishing future goals
23. All of the following statements are true regarding any type of disciplinary action taken against an employee EXCEPT:
- a. If a drug or substance abuse problem is identified, the supervisor should consider urging the employee to seek professional help
  - b. If a performance problem is identified, the supervisor should address it with the employee along with concise expectations of corrected future behavior
  - c. Every step of the disciplinary process should be privately documented by the supervisor and copies should be retained in the employee's file for future action
  - d. Employers need to carefully consider the reason for terminating an employee and if there are any legal ramifications that may come about as a result of termination
24. Identifying an appropriate information technology system to achieve your organization's objective is best done by which of the following.
- a. The board
  - b. Done solely by a consultant
  - c. The Information Technology Department alone
  - d. Multiple and varied staff users along with Information Technology specialists
25. How important is it to maintain data integrity and prevent unauthorized access?
- a. Nice but not a priority
  - b. A top organization wide priority
  - c. Left up to the Membership Department
  - d. The responsibility of individual members
26. You are the new CSE for an established, yet stagnant, association. Your first duty in this new role will be to review existing policies and procedures to ensure compliance and that all critical areas are addressed. Who would be your best resource to aid in this mission?
- a. An attorney specializing in association law
  - b. An experienced board member who has served the association for many years
  - c. An outside consultant with experience in working with association strategic planning

- d. The association's executive assistant whose responsibility it is to maintain policies and procedures
27. Your organization has just completed the development of a new theme along with a name, logo and tag line. What is the most important step you should take to ensure ownership of this intellectual property?
- Establish rules for use of the logo, theme and tag line
  - In all uses of the new logo, theme or tag line mark it with a copyright symbol
  - Include the logo, theme and tag line in your charter and bylaws
  - Obtain a trademark through the US Patent and Trademark Office
28. An effective crisis management plan should address which of the following four types of emergencies:
- Fire, hurricane, earthquake and terrorist
  - Financial, legal, occupational, and structural
  - Human resources, facility, structural, and financial
  - Natural element, civil disorder, structural, and utility
29. All of the following should be provided on a request for proposal (RFP), EXCEPT:
- Budgetary constraints set for the project
  - Governing documents of the association
  - Minimum level of expectation that you have from any prospective supplier
  - Background information about your association such as your structure, member base, and goals for the project
30. During a committee report at the board of directors meeting, the legislative committee identifies a need for organizational software to help further the association's legislative goals. A member of the board states he has a relative who recently started her own consulting firm; she would be able to contract with the association to develop the software the association needs. What is the best course of action to take during the board meeting?
- Move to discuss the organizational software issue at the next board meeting
  - Dismiss the board members' suggestion as a violation of the association's conflict of interest policy
  - Assemble a task force to address whether or not the association's legislative agenda is in line with the ability of the association
  - Request that the Legislative Committee assemble an RFP which includes the software specifications and send the RFP to any and all interested and related parties
31. You are the new CSE of an association that has a history of setting goals but not achieving those goals. During a strategizing session with key leaders, your best advice to them in setting strategic goals would be to:
- Set strategic goals based on the most recent performance evaluation of the CSE
  - Compare your association to other successful associations and choose strategic goals similar to theirs
  - Focus on the steps that should be taken to accomplish the goals to help ensure those goals are met
  - Evaluate the mission/vision statement of the association and integrate goals into the activities and culture in which the association already takes part
32. The board of directors has asked for an evaluation of the effectiveness of certain association programs and services. In addition to collecting feedback from users of these programs and services, which financial report will you need to conduct your evaluation?
- Balance sheet

- b. Operating budget
  - c. Cash flow statement
  - d. Statement of activities
33. What is required to produce timely and useful financial information?
- a. A good bank advisor
  - b. A strong Finance Committee
  - c. Accurate and transparent accounting services
  - d. The executive director needs to have an accounting degree
34. After analyzing the effectiveness of current association programs and services, it is revealed that the association might benefit from the introduction of a new membership benefit program. Which document would you prepare to show the board the growth potential of this new program and the information that would be needed to make a decision on whether to proceed?
- a. Strategic plan
  - b. Business plan
  - c. Statement of activities
  - d. Business continuity plan
35. Your association has gone through the process of developing a business plan by identifying goals and objectives, evaluating data and preparing the written business plan, including financial projections, breakeven points and total costs for new and existing programs, products and services. A summary of financials is found at the conclusion of a written business plan. This financial analysis confirms that:
- a. You have a budget, there is a management team, and the product or service is a strong and good idea
  - b. There is a market for the product or service, there is a management team, and there is a description of the product or service
  - c. The internal resources to produce and maintain the product or service are available, you have a budget, and the product or service is a good idea
  - d. The product or service is strong and a good idea, there is a market for the product or service and a plan to reach that market and the internal resources to produce and maintain this product or service are intact and available
36. Water pipes in your office building burst, flooding most of your headquarters and destroying equipment and files. To cope with this disaster, which resource will you need?
- a. Business continuity plan
  - b. Availability of satellite offices
  - c. General liability insurance coverage
  - d. Offsite storage of critical documents and computer files

## Scenario Questions

1. You are conducting your first new director-level hiring process. You are determined to make it a participative process to demonstrate leadership to your new staff. All senior staff members screened the applications and interviewed the top three candidates. The senior management team recommends you hire Ms. Smith for the

position. You believe her qualifications match the position as it stands but are not sufficient to take the position to the next level.

Which of the following is your best approach in response to the recommendation?

- a. Override the recommendation and hire your choice.
- b. Accept the senior staff recommendation and hire Ms. Smith.
- c. Have staff go back to the drawing board and interview other candidates.
- d. Meet with senior staff, discuss your reservations, and reach consensus as to whether Ms. Smith is the right candidate.

2. After the board meeting, several members proceed to the bar located in the hotel next door to the association offices. At the bar, two board members engage in a detailed conversation about boycotting a vendor. You are sitting at a nearby table with your board chair and other staff members, and overhear pieces of the conversation.

Which of the following is your best course of action?

- a. Ignore the conversation since this is not an association-sponsored event.
- b. Do nothing and leave so no association staff is present to overhear any further conversation.
- c. Point out the violation to your board chair who is sitting at your table and let her handle it.
- d. Approach the board members and request they stop the conversation because they are exposing the association to liability.

3. A non-exempt employee is consistently late for work, causing frustration among the rest of the staff. You have mentioned it to the immediate supervisor; however, the supervisor's comments to the employee have been ineffective in resolving the situation. Other department staff have complained to the Human Resources Department. The HR director discusses this with you in your weekly meeting.

Which of the following is the best way for you to address this situation?

- a. Direct the immediate supervisor to quickly and firmly address the situation.
- b. Let it go. This otherwise good employee gets the work done quickly and efficiently.
- c. Document the employee's record of tardiness in the personnel file.
- d. Arrange a meeting with the employee and her supervisor to discuss the situation, setting forth an expectation for change and the consequences of continued tardiness.

## Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, on what areas of the domain should your additional exam preparation focus?

- ☐
- ☐
- ☐
- ☐

## Effective Practice Opportunities and Common Misconceptions

Solid administration knowledge and practices are the backbone of successful organizations. The effective CSE ensures the operating procedures match the organizational culture within the requirements of law.

- How do you begin to assess an organization's policies and procedures?
- How will you review them to find the ones best suited to your leadership style?
- In your study and discussion, what best practices are in place within your own organization?
- Do you witness effective practice within your current organization?
- How will you address the issue of change when you become a CSE?

### Human resources

You are the CSE of a mid-sized association. The organization does not have a formal telecommuting policy, although you are set up for remote access. You occasionally allow staff members to work from home on a case-by-case basis (snow days, waiting for the cable guy, etc.). Your government relations director lives in a remote suburb. As traffic continues to worsen and gas prices continue to rise she mentions, during her annual review, that she would like to start telecommuting two days a week. After all, she points out, her meetings on the Hill are scheduled well in advance, and she does most of her work by phone and email anyway.

- What would be your next steps?

### Technology

Your information technology staff is complaining more frequently that your Association Management System (AMS) is outdated and is not functioning well. They are advocating for an upgrade, if not a total replacement. You know the costs might be far outside the organization's capacity to support financially. In addition, the membership department dislikes the thought of making such a drastic change. The meetings department worries that its registration and peer review programs will have to be rewritten.

- What discussions should you have with these respective staff?
- What initiatives could you begin to develop with the board?
- What are the key factors for you to consider as you develop your strategy?

Several new board members were elected in the last board election, among which are two young professionals from your industry. They are full of new ideas and very knowledgeable about technology. At the first meeting with your new board, they ask about adding "Web 2.0" functions to the association's web site to help attract younger members and engage people who cannot attend face-to-face events. The board reaction is generally positive and they task you with investigating this further and preparing a report for their next meeting.

- What factors do you need to consider?
- What cautions do you need to heed?

### Risk mitigation

You have just hired a new director of finance and HR. As he's reviewing policies & procedures to get up to speed on how your organization works, he asks to see your business continuity plan. You pull it out only to realize that it hasn't been touched since it was written five years ago. Not only that; it really only addresses recovering the association's data in the event of a disaster.

- What are some factors you need to consider in updating it?

**Vendor relations**

You are the CSE of a small, young organization. Your conference director is getting married and moving out of the area. She will continue to work remotely to ease the transition process; however, being a permanent telecommuter is not an option for her. One of your senior staff suggests looking into outsourcing as a means of running your meetings.

- Where do you begin your research?
- What others should be included in the preliminary discussions?
- How do you get permission from the board?
- If you did make this decision, what metrics would apply for measuring performance?

You are the CSE of a small, young organization. Up to this point, you've been relying heavily on very involved volunteers, who helped found the organization, to provide content for the various free publications distributed to members. You've had them sign contracts assigning copyright to the organization; however, because no one has been getting paid and you haven't been charging for the products, it's all been pretty informal. One of your organizational goals for the coming year is to work with a professional writer or writers to produce a series of monographs you intend to sell to members and non-members.

- What arrangements will you need to make?

For answers to study questions, see "Study Questions Answer Key" beginning on page 211.

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# Domain 5: Business Development

12%–14% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management*, 3rd Edition, Chapters 19–26, 34, 36, 38
- *Association Law Handbook*, 6th Edition, Chapters 38–43, 49–50, 66–71, 78–80, 88, 94–95
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 4th Edition, Chapters 2, 6, 13, 16, 18

## Additional Reading

- Tracey, Terri, and Kathleen M. Edwards. *Core Competencies in Association Professional Development: The Essential Resource for Designing, Implementing, and Managing Effective Learning Programs*. Washington DC: Association Management Press, 2011.
- Burton Nelson, Mariah. *Focus on What Matters: A 3-Step Workbook for Selecting and Sunsetting Association Programs, Products, and Services*. Washington DC: Association Management Press, 2015.
- Hane, Carrie, Lewis, Dina, and Marsh, Hilary. *Association Content Strategies for a Changing World*. Washington DC: ASAE Research Foundation, 2019.

## Key Terms and Concepts

Accreditation vs.  
certification vs.  
licensure

**Accreditation:** usually refers to a process of standards-setting and compliance measurement for systems, organizations, or institutions.

**Certification:** usually implies the measurement of competency for individuals. Certification and accreditation programs are also referred to as credentialing activities.

**Licensure:** programs administered by government agencies.

Antitrust:  
Statistical  
reporting program

To avoid anti-trust violations in statistical reporting programs:

1. Survey instruments must be in written form and prepared by an independent contractor
2. Participation must be voluntary and open to all industry members
3. Information should be based on data at least three months old when published
4. All data should be presented in aggregate form and only in categories where there are more than five responses

Contracts: <b>Hotel attrition clause</b>	A hotel attrition clause clarifies the agreed upon percentage of attrition from the anticipated room block that a hotel will allow before the organization incurs fees or damages.
Contracts: <b>Force majeure</b>	A performance contract clause which excuses a party from liability should a performance be prevented due to disruptive circumstances beyond that party's control. Typically, <i>Force Majeure</i> clauses cover natural disasters (hurricanes, earthquakes, floods), war (riots or other upheavals), or failure of third parties such as suppliers or subcontractors (e.g., airline mechanical failures delay planes, labor strike prevents access, building renovation incomplete due to union work stoppage). Inclement weather is not usually covered. When negotiating <i>Force Majeure</i> clauses, make sure that the clause applies equally to all parties, includes time-frames and does not contain restrictive language.
Education: <b>Credentialing vs. accreditation</b>	<p><i>Credentialing</i> is a process whereby individuals who meet an objective standard of competency receive recognition by designation and/or certificate. Credentialing often requires an individual to re-qualify for the credential over a period of years.</p> <p><i>Accreditation</i> refers to a process of standards-setting and compliance measurement for systems, organizations, or institutions. Both processes have implications for exposure to antitrust liability.</p>
Education: <b>Credentialing program criteria</b>	Criteria should be established only after reasonable notice and opportunity to participate is afforded to all who may be affected. They must not restrict or boycott competitors.
Education: <b>Credentialing program guidelines</b>	<ul style="list-style-type: none"> <li>• Participation should be voluntary and open to non-members.</li> <li>• All candidates should be treated equally.</li> <li>• Associations should not promote credentialed individuals by name or disparage the non-credentialed.</li> <li>• Credential should not be used to "blackball" or limit competitors.</li> <li>• Denial of credential should be made by written notice, giving reasons for denial; opportunity for an appeal in writing or at a hearing should be offered, to be decided by a body other than the one that made the initial decision.</li> <li>• Decisions on applications should be made by an objective body not composed exclusively of credentialed individuals who might stand to gain financially from a decision affecting competitors.</li> </ul>
<b>Foundations</b>	There are two types of foundations, private and public. Private foundations can be designated as company-sponsored or corporate, independent or family and operating foundations. Many 501(c)(6) associations have 501(c)(3) foundations as subsidiaries in order to fulfill a special educational or charitable need. They are usually formed to attract gifts from individual or corporate donors, the government, or other foundations that would not otherwise be available for the industry. Donors to a 501(c)(3) make tax-deductible contributions; whereas contributions to a 501(c)(6) can only qualify as a business expense. A bonus to 501(c)(3) is to take advantage of tax and postal-rate benefits for that classification.
Fundraising: <b>Annual fund</b>	The cornerstone of many fundraising programs, this fund generates money for ongoing support and seeks to enroll new donors, renew donations, and upgrade the level of donation. Contributions typically support current programs through unrestricted gifts.

Fundraising: <b>Capital campaign</b>	Raises funds aimed at constructing or renovating a building or purchasing equipment. This appeal is a time-limited campaign and encourages gifts in the form of multi-year pledges, sometimes over five or six years.
Fundraising: <b>Principles of linkage, ability, interest (LAI)</b>	<p>The LAI principle (Linkage, Ability, Interest) usually proves helpful when researching and identifying true donor prospects.</p> <p><i>Linkage</i> is any contact, bridge, or access through a peer to a potential donor, e.g., who do your board members know?</p> <p><i>Ability</i> is an assessment of whether the potential donor has the ability or sufficient holdings to make a contribution.</p> <p><i>Interest</i> assesses the potential donor's interest in the organization's cause, mission or accomplishments.</p>
Fundraising: <b>Planned giving</b>	Planned giving refers to the solicitation of gifts from current asset holdings or a person's estate. The gift can be cash or assets, such as stock, property or insurance bequests. The donor makes the bequest as a trust, contract or gift.
Fundraising: <b>Special events</b>	Fundraising events that connect donors to the institution, and integrate fun and social capital into the mix.
Fundraising: <b>Why people give</b>	People contribute to organizations because they care and want to express their personal values, ideals and goals, or a deep gratitude for life, benefits and services received. They also may have personal or family pride, the opportunity to join an organization's success, gratitude for personal achievements or a provision for tributes and memory. People very seldom give only for tax reasons.
Fundraising: <b>Grantwriting</b>	A skill needed for successful fundraising through application to other foundations, government agencies or other funding organizations. An individual (or individuals) writes a professional proposal that must persuade the granting foundation to give the money to your organization. The proposal includes what you want to do, why this program is needed, how you will do it, how much it will cost, and how much money you want from the foundation. Proposals of this type compete for available moneys from the foundation.
Legal issue: <b>ASCAP/BMI</b>	Two major performing rights organizations. Both offer music license agreements to users of copyrighted music.

Legal issue: <b>Copyright</b>	<p>These rights fall under copyright law protections. To minimize potential liability:</p> <ol style="list-style-type: none"> <li>1. Seek written copyright assignments or licenses from non-employees responsible for creating copyrightable works that the association will publish or sell.</li> <li>2. Be careful in the electronic distribution and reproduction of any communication containing materials written by non-employees and freelance authors.</li> <li>3. Seek appropriate representations and warranties from third parties responsible for creating copyrightable works that the association will use.</li> <li>4. Restructure contractual arrangements with electronic publishers and database operators.</li> <li>5. Review and research copyright law in other nations prior to reproducing or distributing materials outside of the United States.</li> <li>6. Ensure that written agreements with speakers include their warranty that they either own or have obtained the right to use any material (including images and recordings) that may be part of presentations they are giving.</li> </ol>
Legal issue: <b>Music licensing</b>	<p>Addresses the legal requirements to purchase performing rights to copyrighted music used at association-sponsored meetings and events. The one who owns the copyright to a musical composition may enforce any of several kinds of ownership rights. The rights to publish and sell sheet music or to produce and sell recordings are subject to license by the copyright owner. Also, the right to perform the composition for a public audience also is subject to license. For example, if the association is going to play recorded music during its general session or trade show, if any supplier will be using copyrighted recordings as part of its exhibit, or if a performer will be singing a copyrighted tune, the association holds liability for assuring there is a music license in place (refer to ASCAP and BMI )</p>
Legal term: <b>Copyright</b>	<p>The legal protection afforded an original work. It grants to its owner the right to control an intellectual or artistic creation, and to prohibit other persons from using and profiting from the sale and performance of the work without permission, in specific ways.</p>
Legal term: <b>Intellectual property (IP)</b>	<p>A general term for intangible property that is the result of intellectual effort; is deemed to be unique and original; has marketplace value; and thus warrants protection under the law. IP includes but is not limited to ideas; inventions; literary works; chemical, business or computer processes; company names and logos. IP protections fall into four categories: copyright for literary works, art and music; trademarks for company and product names and logos; patents for inventions and processes; and trade secrets for recipes, code and processes. Concern over defining and protecting intellectual property in cyberspace has brought this area of law under intense scrutiny.</p>
<b>Licensing and royalty revenue</b>	<p><i>Royalty</i> income refers to revenues, fees, or payments made by a third party to the author, copyright or patent holder, or owner of a work in exchange for the use of the work, generally under some form of license agreement.</p> <p><i>Licensing</i> refers to a legal agreement with an outside organization to use association proprietary property. Examples: Use of mailing lists, program logos and software is commonly licensed by associations. Member mailing lists represent a valuable intangible association resource and the potential to generate non-dues revenue by licensing their use to third parties. To ensure that income from the licensing of these lists and compilations is not taxable, associations must properly structure business arrangements so the resulting fees or other types of revenue fall within existing exceptions to federal taxation regulations as royalty income.</p>

<b>List rental</b>	An association's primary knowledge management component is the database. The organization should have a policy on whether they share the list, in what format and with whom. These lists can be "rented" (usually for a single use fee) in various formats-electronically, labels, or mail merges.
Meeting planning: <b>Drayage</b>	For the hauling of shipments; exhibitions and trade shows need to contract with an official drayage firm. Exhibit hall contracts usually include a provision that defines financial consequences for early shipment to the facility.
Meeting planning: <b>Banquet event order</b>	Specifies every detail of an event; acting as a contract of performance. The order is created by the facility staff and sent for review to the association meeting planner. The details of count, set up, menu and timing are presented in the order. The <i>Banquet Order</i> should be reviewed carefully within the timeframe specified by the facility sales department and should also be available and checked during the event to assure that you have received everything the association is paying for.
Member services: <b>Endorsing vendor products &amp; services (disadvantages)</b>	<p>Associations granting third parties permission to use their names and logos in connection with various programs and activities expose themselves to liability in product and tax issues. Legal concerns arise when such use is perceived as giving official advice or providing a formal endorsement of a product or service related to the field or industry the association represents.</p> <p>Consider:</p> <ul style="list-style-type: none"> <li>• The market power of your endorsement. It may be considered as anticompetitive.</li> <li>• Assess your tort liability as an endorsement may give the impression that the association is an expert with respect to the product being endorsed and opening itself up to negligence claims.</li> <li>• The tax implications as revenue generated may be considered UBIT.</li> </ul> <p><i>Product endorsements:</i> the association's endorsement may be regarded as vouching for the product's safety, efficacy or propriety.</p> <p><i>Liability risk:</i> potential for misuse of intellectual property.</p>
Member services: <b>Golden handcuffs</b>	A product or service that builds loyalty because it is unattainable elsewhere. These services ease association concerns over recruitment and retention, but they are not foolproof. Organizations that depend entirely on such products should consider the danger that competing organizations may develop similar products and services.
Member services: <b>Mailing list ownership</b>	Associations should respect the ownership rights of other organizations' mailing lists and obtain written permission to use the list. If a list has copyright protection, permission must be obtained from the owner of the copyright. Associations should protect their ownership rights in their own mailing lists. Lists should have a copyright notice and registration where circumstances permit.

Research: <b>Best practices</b>	The goal of a best practices study in sharing information is to raise performance and otherwise increase progress and innovation. Awards programs are often designed to reward best practices. “Best Practices” research involves a statistical study that identifies key practices or conditions that make the difference between average performance and high impact performance within an industry, profession or field of business. The first step in a “best practices” program is gathering performance data and then identifying high performers. Research then identifies what practices are harnessed by the high performers that set them apart from average performers. A published study could allow practitioners to compare their own performance with the benchmarked performances to determine their own status. Such research could be followed up with a comprehensive education program that teaches the “best practices” identified.
<b>Self-regulation</b>	A voluntary regulatory process rather than a mandatory governmental process that sets and enforces rules and standards relating to the conduct of firms or individuals in the industry. Included are standards for products and services, professional licensing and accreditation, and administrative and executive ethical behavior.
<b>Standardization</b>	Standardization programs are designed to help members realize greater efficiency and interchangeability, and to help customers obtain a means to measure value. Standardization processes establish industry definitions, recommended practices, methods of testing, classification, and design or performance specifications.
<b>Strategic alliances</b>	A strategic alliance involves a commitment to continue, for a contractually stated period of time, shared or transferred decision-making power and a formal agreement. Two areas most likely to be handled through a strategic alliance are administrative consolidation (contracting for, exchanging, or sharing services) and joint programming (single or multi-focus programs, or integrated systems). There is no change to the corporate structure of any of the organizations involved. Strategic alliances are highly recommended to assist the organization in creating efficiencies, outreach, program or geographic expansion. Strategic alliances serve as an effective forerunner to corporate integration (merger).
Tax issue: <b>Advertising income</b>	Advertising revenue is subject to taxation because a tax-exempt periodical containing advertising is, in the view of the IRS, performing both exempt and non-exempt activities. Income from editorial activities is not subject to taxation and must be separated from the income derived from advertising.
Tech term: <b>Electronic commerce</b>	The conducting of business communications and transactions over networks and through computers. The buying and selling of goods and services, and the transfer of funds, through digital communications.

## Domain 5 Content Review

### What is Domain 5?

The most common characteristics of the items covered in Domain 5 are that they are 1) member services, and 2) sources of non-dues revenue. Because of those commonalities, the content areas in this domain naturally fit together. They also cross over into other domains; keep that in mind as you study.

## A. Development of Programs, Products, and Services

1. Determine *best* methods for responding to constituent needs and interests
2. Conduct needs assessment and market research
3. Develop comprehensive implementation plans
4. Formulate marketing plans
5. Review and evaluate metrics
6. Identify, develop, and monitor revenue streams
7. Evaluate all programs and services annually.

**Sub-competency: The focus is on *knowing your audience*:**

- Best practices include:
  - Survey and evaluate (*how will needs be met*)
  - Measure success (*determine metrics*)
  - Monitor revenue sources (*sponsorships, fees*)

### Putting it into practice

*Your organization launches a new series of regional programs for your local chapters. These programs are primarily supported by sponsorship revenue. Attendance is poor for each location; however, feedback was good. What are possible reasons for poor performance?*

### Professional development programs and delivery systems

1. Develop and enhance content for member and industry needs
  2. Evaluate and plan for multiple methods and delivery systems
  3. Create conditions necessary for learning
  4. Plan and implement preventive education to help members maintain compliance with applicable laws and regulations.
- Effective practices include:
    - Conduct education needs assessment
    - Utilize adult learning principles and practices
    - Balance member wants and needs
    - Evaluate

### Putting it into practice

- Relevance and effectiveness of learning programs

*Most of your association's learning opportunities consist of lectures by subject-matter experts. As your education manager is planning next year's programs, she tells you that research in how the human brain learns indicates lecture is ineffective as a primary learning methodology. Additionally, program evaluations have clearly conveyed that members are not happy with current programs, and registrations are slipping.*

*The education committee wants to create a new series of professional development programs aimed at reversing this situation. What steps should be taken?*

### Fundraising, scholarship, and development programs

1. Use qualitative and quantitative data in decision-making process
2. Develop fundraising plan—connect to strategic plan
3. Collect data to evaluate effectiveness
4. Establish philosophy and strategies

### Types of fundraising campaigns

- Capital campaign
  - Specific/scheduled for construction/equipment



- Annual fund
  - Ongoing, usually unrestricted gifts, provides the best funding for ongoing support
- Planned giving
  - Assets/estate, principle benefit available at later date
- Endowment
  - Built around issue/theme, principle invested, interest supports, both restricted and unrestricted
- Special Gifts
  - Unique, often restricted

The focus is on **understanding**:

- What?
- Who?
- Why?
- Purpose?
- Best practices include:
  - Do elements of the strategic plan lend themselves to funding beyond usual sources?
  - Does the fundraising vehicle match the need?
  - Who are your donors and how will you reach them?
  - Do you establish a separate entity within the not-for-profit legal structure?

#### Putting it into practice

- Strategic Linkage
 

*The Board has asked you to present a revenue diversification plan. As part of that plan, you consider fundraising as a new revenue option. What are the pros and cons, and what are the next steps to take?*

## B. Meetings and Events

1. Determine program and format based on purpose, content, and audience
2. Manage planning, logistics, and operations
3. Evaluate to measure objectives and goals
4. Determine stakeholder needs (education, information, and networking) and define program objectives to ensure the success of meetings and events.

#### Sub-competency: The focus is on **proper planning**:

- Best practices include:
  - Set clear objectives (*why is the meeting/event being held*)
  - Know meeting/event requirements (*budget, site selection, contracts, food and beverage, logistics*)
  - Post-meeting/event evaluation

#### Putting it into practice

- Meetings and events are about more than just logistics
 

*At a recent board meeting, discussion centered around a new federal regulation that impacts your association's industry. The board instructs you to find a way to disseminate information and educate members about the regulation. What are your next steps?*

## C. Certification, Accreditation, and Licensure

1. Define and promote professional standards.
2. Investigate and evaluate relevant standards and legal implications and liabilities—minimize risk
3. Ensure that credentialing programs meet technical standards to maintain validity and reliability.
4. Maintain validity and reliability



### Types of credentialing

- Certification
  - Individuals who meet an objective standard of competency receive recognition by designation and/or certificate (examination, eligibility, and ethics)
- Accreditation
  - Process of standards setting and compliance measurement for systems, organizations, institutions
- Licensure
  - Regulation programs administered by government agencies
- Certificate
  - Training program on a topic for which participants receive a certificate after attendance/completion of work
- Best practices include:
  - Value → Reputation
  - Minimize risk
    - ✓ Understand legal requirements
    - ✓ Know industry standards
    - ✓ Due process for denials

### Putting it into practice

- Embarking on certification, accreditation and licensure is a long-term commitment  
*Your association has decided to create a professional certificate program. What is the most appropriate group to provide oversight in maintaining high standards and accountability to the stakeholder groups?*

## D. Industry Standards

1. Establish and manage a voluntary standards program
2. Create equality, minimize liability

### Establish voluntary standards

#### Best practices include:

- All standards and participation must be voluntary
- Must not be a device to fix prices or lessen competition
- Standardization should judge performance only
- Standardize to minimum levels

### Create equity, minimize liability

#### Best practices include:

- Periodic review and monitoring: *standards must be kept current*
- Cost of participation must be reasonable
- Standards should be validated wherever possible by an independent laboratory
- Participation must be available to nonmembers and foreign competitors

*Always consider legal implications and liabilities.*

## E. Strategic Partnerships

- Needs assessment
- Managing and evaluating
  - Goals and benchmarks
  - Regular intervals of evaluation
  - SMART

- Conflicts of interest
- Best practices for strategic partnership agreements include:
  - Identify the need
  - Clearly define who's responsible for what
  - Evaluate

#### Putting it into practice

- Understand the what and why of strategic partnerships  
*Acme Enterprises approaches your organization about a possible strategic partnership opportunity. It has the potential to generate lots of money. What are the basic considerations?*

## Domain 5 Exam Content Outline Self-Assessment

Refer to the exam-content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

### Self-Assessment Questions—Programs, Products, Services, and Non-dues Revenue

1. What is the value of needs assessment/market research in evaluating the feasibility of program initiation, modification, or discontinuation?
2. Who should create the program/products/service development and implementation plan?
3. Identify sources of association revenue that could create unrelated business income tax liability.
4. How would you approach an abandonment matrix assessment?
5. Identify different fundraising vehicles for an association.
6. What methods can be used to collect data to assess the development needs of members?

### Self-Assessment Questions—Meetings and Events

1. What are the various formats of meetings and how do you choose the most appropriate?
2. List key steps in developing a meeting.
3. What are the basic components of a meeting budget?
4. What are the basic components of a speaker, hotel, or supplier contract?
5. List factors to consider in site selection, including its budget impact, appropriateness for the meeting, and attendee value.

### Self-Assessment Questions—Certification, Licensure, and Accreditation

1. What is the difference between credentialing and standardization?
2. What guidelines should be used to determine if credentialing criteria are reasonable?
3. What are three considerations to avoid liability in credentialing programs?
4. What do you know about developing, managing, revising, and evaluating a standards or credentialing program?

### Self-Assessment Questions—Industry Standards

1. When establishing a standards program, what are some key steps to consider that will help minimize liability risk to the association?
2. What are the antitrust implications related to standard settings?

### Self-Assessment Questions—Strategic Partnerships

1. Describe a system to effectively review the performance of your strategic partnerships.

2. What legal and tax concerns are there with a strategic partnership agreement?

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. What is a main goal of association education?
  - a. Provide knowledge and skills specific to the industry
  - b. Impart information to the learner
  - c. Maintain best practices within the industry
  - d. Create a training ground for members to become peer teachers
2. Which of the following are buzz groups as used in the context of adult education?
  - a. Small discussion groups assigned a specific task to complete
  - b. An online listserv formed to focus on a clearly identified topic
  - c. Task-oriented workshops designed to complete a specific project
  - d. A group of workshop attendees who continue to have sidebar conversations that distract the large group
3. What is the best way to transfer tacit knowledge?
  - a. Knowledge maps
  - b. Electronic technology
  - c. Partnership mentoring or apprenticeships
  - d. Procedures, codified documents, and databases
4. Which of the following is true regarding fees for educational events?
  - a. A nonprofit association should always make a profit on educational offerings.
  - b. Indirect costs need to be factored into event pricing in order to get an accurate bottom-line outcome of the event.
  - c. Pricing a course is a function of whether there is a for-profit subsidiary requiring a profit margin built into the registration fee.
  - d. One reason meeting return on investment (ROI) is better with larger turnouts is because variable costs are a smaller percentage of overall costs per person.
5. What is the logical first step in planning a meeting?
  - a. Selecting a meeting site
  - b. Conducting research on member needs
  - c. Reviewing the history of past meetings
  - d. Determining the purpose of the meeting

6. Which of the following is most true when applying marketing principles to fundraising?
  - a. Contributions are a one-time investment
  - b. Contributors fund the future, not the debts of the past
  - c. Contributors' funding decisions are based on logic and rationality
  - d. A case statement should be focused on the association's needs for funding
7. Which fundraising method generally has the highest return on investment?
  - a. Major gifts
  - b. Direct mail
  - c. Special events
  - d. Corporate giving
8. Which of the following statements is correct when it comes to an association's legal obligations regarding statistical surveys and non-members?
  - a. There is no need to provide survey results to nonmembers
  - b. Survey results must be made available to nonmembers at the same rate schedule as to members
  - c. Survey results that impact competitive advantage can be an exclusive member benefit of the association
  - d. Survey results may be denied to nonmembers who were eligible to participate in the survey yet chose not to participate
9. Which of the following describes the best candidate when choosing an affinity vendor?
  - a. One who gives the greatest financial reward to the association
  - b. One whose references give testimony of a solid track record for performance
  - c. One who allows the association significant control over the vendor's activities
  - d. One who promises to commit to significant association sponsorship for the long term
10. Which of the following is the most common practice in conference planning and implementation?
  - a. Using a committee to determine subjects and format
  - b. Allowing speakers to select the focus of their presentations
  - c. Covering as many subjects as possible so that every area of concern is addressed at the conference
  - d. Incorporating panel discussions with a maximum of four (4) participants focused on sound group process
11. What assures that a conference is successful and productive?
  - a. The conference is oriented to the hopes and goals of the attendees.
  - b. The attendees listen to a variety of presenters during the conference.
  - c. Conference subjects are focused on "what's" and "how's", and provide specific skill training.
  - d. The focus of the conference is on the attendees as a homogenous group with specific needs.
12. What is the outcome when a differentiation strategy is used in program marketing?
  - a. The program or service is focused on a particular market segment.
  - b. The association is different because it offers a specific product or service.
  - c. Members will be different because they purchased the program or service.
  - d. The program or service offers something that is perceived as unique in the marketplace.

13. BBB Society set out to develop a professional development program for its members. When considering the following factors, which should be ranked first in order of importance?
  - a. Organizational budget
  - b. Projected revenue
  - c. Usefulness to members
  - d. Staff time for implementation
  
14. Your organization just developed a new course on diversity for your membership. What factor should be considered when deciding on a delivery method?
  - a. Meeting sites that are offering a special
  - b. Member preferences with regard to learning methods
  - c. Airline specials
  - d. Staff size
  
15. A new CSE, having assumed the role upon the predecessor's retirement, observes that the association is not reaching out to its components when it comes to developing programs, products, and services. The new CSE believes that a key step in building trust between the association and its components is clear and regular communication. The most powerful communications outreach for building trust with component leaders is:
  - a. Phone, email, conferences, and field visits
  - b. Conference calls, and frequent email conversations
  - c. Share information, seek input, and brainstorm ideas
  - d. Polls and surveys, and seeking feedback to ensure message delivery
  
16. The association is recovering from a major crisis, exacerbated by the downturn in the economy. The association's chief staff executive and board of directors are taking decisive action to recover from their financial challenges. One major goal is to decrease the association's dependency on dues revenue, and increase non-dues revenue sources to 45 percent of total income. One strategy is to evaluate the association's programs, products, and services. To achieve its goal, the association will use strategies successfully deployed by other associations, more particularly:
  - a. Data-driven strategies because they continually track members' wants and needs
  - b. Alignment of products and services with the association's mission
  - c. Form alliances with other organizations to raise awareness, and build the association's brand
  - d. Implement organizational adaptability, and engage in the practice of purposeful abandonment
  
17. The association's board of directors has determined that it relies too heavily on member dues and one major annual event for funds. It has directed the CSE to bring back information on whether establishing a for-profit subsidiary is a viable option for funding. Which of the following recommendations from the CSE would allow the board to make the best informed decision?
  - a. Establishing a for-profit subsidiary is the correct decision because it allows the association to conduct activities that would produce substantial net revenues, are clearly unrelated to the purposes for which the association holds its tax-exempt status, and is an excellent way to manage risk.
  - b. Establishing a for-profit subsidiary is the correct decision because, after analyzing the amount of staff time devoted to unrelated activities, the CSE has determined that the percentage of staff time devoted to unrelated business activities are substantial compared to the association's exempt activities.

- c. Establishing a for-profit subsidiary is the correct decision because, after conducting a feasibility study, the study becomes the base for a detailed business plan to guide the new venture and is a prudent approach to safeguarding the association's tax-exempt status.
  - d. Establishing a for-profit subsidiary is the correct decision because, by increasing the association's capabilities and scope, additional staff can bring expertise of great value in other areas.
18. Your association has been contacted by a national corporation offering an affinity program. In reviewing if this endeavor is appropriate for your association, your first step would be to:
- a. Budget for the costs associated with such a program to see if the benefit is worthwhile
  - b. Have the proposal reviewed by your legal counsel.
  - c. Conduct a needs assessment of your membership pertaining to the area of service.
  - d. Hire an accounting consultant to ensure the outlined plan does not generate unrelated business income
19. You are the new CSE of an association with historically poor non-dues revenue. Which of the following methods would best allow you to develop revenue generating programs?
- a. Work with the association's public relations department to create a new association brand.
  - b. Hire an advertising consultant to sell ads on the association's website.
  - c. Conduct a needs assessment of interested stakeholders.
  - d. Hold a meeting of the board of directors to analyze trends in the association's current programs.
20. The IRS applies the "as reasonable" test when determining the deductibility of:
- a. Membership dues
  - b. Unrelated business income
  - c. Foreign convention expenses
  - d. Donations to PACs
21. Post-meeting evaluations should:
- a. Include all audience segments (attendees, exhibitors, speakers, and members of the press)
  - b. Indicate the profitability of the meeting
  - c. Collect data from members only
  - d. Be distributed and collected onsite for best results
22. An association certificate program:
- a. Includes various licensure programs administered by government agencies
  - b. Is a training program for which participants receive a certificate after completion of course work
  - c. Confers a professional certification on individuals who successfully complete the program
  - d. Sets standards and measures compliance to those standards
23. In order to maintain validity and reliability in a credentialing program, an association should:
- a. Charge nonmembers a higher fee than members.
  - b. Make participation mandatory to establish minimum competency.
  - c. Not revoke certification once it is issued.
  - d. Allow those affected by the certification requirements to participate in establishing certification criteria

## Discussion Questions

1. What role should a meeting planner play in adding to the value proposition offered to members by his/her association?
2. How do meetings play a role in raising the visibility of the sponsoring organization? How can the meeting planner maximize the positive aspects of this enhanced visibility while mitigating the risks associated with the negative aspects of a higher profile?
3. How are marketing principles applied to fundraising?
4. What are the pros and cons of at least two fundraising methods that might be used in your association?
5. What specific areas should be addressed in an affinity marketing agreement?

## Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, on what areas of the domain should your additional exam preparation focus?

- ☐
- ☐
- ☐
- ☐

## Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about organizational management? If so, what did you learn from this discovery that you can apply in the future?
- What new information is important for you to integrate into your thinking and professional practice?

For answers to study questions, see “Study Questions Answer Key” beginning on page 211.





# Domain 6: Member and Stakeholder Engagement and Management

10%-12% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management*, 3rd Edition, Chapters 2, 5, 8–9, 11, 16–21, 31–32, 36, 38
- *Association Law Handbook*, 6th Edition, Chapters 11, 62–66, 68–70, 74, 76, 82–83
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, Chapters 4, 15–16, 24

## Additional Reading

- Dalton, James G, and Monica Dignam. *10 Lessons for Cultivating Member Commitment: Critical Strategies for Fostering Value, Involvement, and Belonging*. Washington, DC: ASAE Association Management Press, 2012.
- Dalton, James G, and Monica Dignam. *The Decision to Join: How Individuals Determine Value and Why They Choose to Belong*. Washington, D.C: ASAE & the Center for Association Leadership, 2007.
- Hoffman, Peggy, Houstle, Peter, and Whorton, Kevin. *Mutually Beneficial Volunteerism: Opportunities for Enhancing Association Volunteer Management Systems*. Washington, DC: ASAE Research Foundation, 2017.
- Jacobs, Sheri. *The Art of Membership: How to Attract, Retain, and Cement Member Loyalty*. ASAE and Jossey-Bass, 2014.
- *Membership Essentials: Recruitment, Retention, Roles, Responsibilities, and Resources*, 2nd Edition. ASAE and Jossey-Bass, 2016.
- Sladek, Sarah L. *The End of Membership As We Know It: Building the Fortune-Flipping, Must-Have Association of the Next Century*. Washington, DC: ASAE Association Management Press, 2011.
- Sladek, Sarah L. *Knowing Y: Engage the Next Generation Now*. Washington, DC: ASAE Association Management Press, 2014.

## Key Terms and Concepts

<b>Common bases for dues</b>	Sales, income, profits, assets, number of employees or members, payroll, number of staff hours, units of production, units of equipment, plants or business establishments, flat rate, voluntary dues, combination.
<b>Dues: Structure vs. base vs. rate</b>	<p><i>Dues Structure:</i> the entire dues framework, including the dues base, rate and the way in which members determine their specific amount of dues owed to the association.</p> <p><i>Dues Base:</i> a description of the units or entities on which dues are measured, e.g., units of equipment, sales volume, flat rate.</p> <p><i>Dues Rate:</i> the specific amount of money assessed; can be set in brackets, on a sliding scale, as a percentage, fixed or flat.</p>
<b>Dues: Annual rate change</b>	Calculate the dues rate every year; often tied to an economic indicator, such as the CPI.
<b>Dues: Member expulsion</b>	<p>Anytime a US authority takes away a right, privilege or property of an individual, the individual is entitled to due process. Member expulsion and denial of credentials requires due process (a formal notice and a formal hearing). As applied to membership expulsion, to ensure fairness and objectivity, a member cannot be expelled without first receiving:</p> <ul style="list-style-type: none"> <li>• Notice of intention to proceed against him;</li> <li>• A recital of the charges or accusation;</li> <li>• Notice of a fair and impartial hearing;</li> <li>• Opportunity to examine evidence and cross-examine witnesses;</li> <li>• Opportunity to refute all charges in person or in writing; and</li> <li>• Right to counsel and a hearing before an unbiased tribunal.</li> </ul>
<b>Dues: Sliding scale</b>	Dues rates decrease as the base increases.
<b>International vs. global association</b>	<p><i>International:</i> A significant portion of membership is based outside one region, or members headquartered in one region with significant interests in other regions.</p> <p><i>Global:</i> Direct membership is spread over two or more regions of the world, more or less equally, and no one country holds a board majority.</p>
<b>International: Cross-border collaboration</b>	<p>Know your market and give them what they want.</p> <p><i>Global localization:</i> identify individuality in any given place.</p> <p><i>Identifying market needs:</i> working with people within the given market to discover those needs; tailoring services to international markets.</p>
<b>International: Globalization strategy of engagement</b>	<p>Typically region specific, includes but is not limited to the following elements:</p> <ul style="list-style-type: none"> <li>• Establish international chapters.</li> <li>• Create cooperative partners with other international organizations to fulfill operational needs in foreign countries.</li> <li>• Secure localized access, getting close to local markets with: seminars, major meetings held regionally, and localized customer service (regional hub for localized service center).</li> </ul>

<b>International: International vs. multinational meetings</b>	<p>An <i>international</i> meeting may simply be holding a meeting in a foreign country. Issues to consider: currency exchange, visas, border passage, prohibitions on exhibitor and association goods crossing international borders, and security.</p> <p>A <i>multi-national</i> meeting implies integrating multicultural/national participation across all facets of the event, including attendees, speakers, exhibitors, sponsorships and advertisers representing a range of countries where the association is active. Such a meeting could be held in the US, but is not US-centric.</p>
<b>International: Parity and transfer of money</b>	<p>Addressing parity of payment for services: currency exchange is a key concern when offering international services. Financial implications for international delivery of service may require the association to open an overseas bank account to handle international member payments for dues and other financial transactions. Or, it could contract with a foreign currency exchange firm to process international wire transfers, handle forward contracts, and make foreign currency payments.</p>
<b>Membership: Categories, classes, sections</b>	<p><i>Membership categories:</i> defined by their relationship to regular members; such categories are found in the bylaws.</p> <p><i>Membership class:</i> a type of designation for which certain privileges are available: regular, associate, life, and honorary, etc.</p> <p>A <i>membership section</i> focuses on a specific interest within the profession, e.g., the finance section. A section may hold its own education sessions and provide services focused on the special interest.</p>
<b>Membership: Expulsion</b>	<p>An association must establish reasonable standards and fair procedures for expulsion. Valid reasons for expulsion include:</p> <ul style="list-style-type: none"> <li>• Willful violation of code of ethics</li> <li>• For cause, upon two-thirds vote by the board</li> <li>• Failure to pay dues</li> <li>• Member no longer meets bylaws definition of membership</li> <li>• Withdrawal from industry/professional</li> <li>• Loss of required government licensing</li> </ul>
<b>Membership: Restrictions not permitted</b>	<ul style="list-style-type: none"> <li>• Members block or blackball prospective members</li> <li>• Limiting membership (e.g., only one member per area)</li> <li>• Creating a geographical boundary limiting where members can serve</li> <li>• Granting the right to be an exclusive member in an operating area</li> <li>• Restricting membership to doing business at certain locations, hours, etc.</li> <li>• Arbitrarily eliminating prospects where only members have privileges (Law, pg. 308)</li> <li>• Requiring members to retain a certain amount of stock in a trade</li> </ul>
<b>Membership: Reasonable restrictions</b>	<p>Membership eligibility should not be so narrow as to be exclusionary or so broad as to be too inclusive. Membership restrictions usually considered “reasonable” include: same kind of trade or profession; engaged in a particular functional level; geographic boundaries or specific to trade or business; willing to adhere to a reasonable code of ethics; and promptly pay dues.</p>

Membership:  
**Reasonable  
qualifications**

Examples:

- Minimum size in terms of sales, employees, production, etc.
- Minimum percentage amounts of total business to be in profession
- Requisite educational background or achievement
- Membership only available to those belonging to another organization

## Domain 6 Content Review

### A. Membership Recruitment and Retention

- Create a tactical recruitment and retention plan
- Segment and target your market
- Research member ROI strategies
- Communicate member value
- Evaluate and measure programs to assure relevance
- Develop member service policies and standards
- Identify measurable standards for member service and performance
- Do not be afraid to change your plan
- Encourage member involvement
- Develop effective renewal process

#### Planning

**Have a Plan!** Capture internal and external data regarding association's membership environment to 1) gain a better understanding of the association's membership challenges and 2) establish a baseline measurement for evaluating the effectiveness of a membership plan.

#### *Begin with ...*

- Categories, classes and sections. Establish and identify current and historical status for measurement criteria (ie., net growth, retention rates, dues).
- Association strategic plan
- Membership needs assessment

#### *Key steps of the plan*

- SPIE: Scan → Plan → Implement → Execute

#### **Segment and target your market**

##### *Best practices include:*

- Determine your key audience(s)
- Use research to hone your message
  - Qualitative research is generally more exploratory and descriptive and based on words. It's used to define a problem, develop an approach to a problem, or go deeper into issues of attitude and motivation.
  - Quantitative research is generally more conclusive in its purpose and uses numbers and statistics to quantify a problem with results that are projectable to a larger population.
- Determine your outreach method
- Set goals
- Measure results
- Evaluate

**Recruitment and retention***Key questions to ask ...*

- Do you have a clear value proposition?
- Have you researched the competition?
- Are resources, timeline and measurement actions addressed?
- Are strategies broken down by market segmentations?
- Have the strategies addressed members' key concerns?

**Member to member recruitment**

Highly effective and lower cost membership recruitment option. Also serves as a low-time commitment engagement option for members.

Member to member recruitment may consist of formal membership campaigns (ie. referrals, bonuses) or informal word-of-mouth.

To encourage participation:

- Formalize association-wide membership recruitment framework
- Include membership growth in association's strategic plan.
- Provide supporting written materials for recruiters
- Coordinate public relations efforts
- Provide training for recruiters

**Legalities—Membership restrictions**

Membership is a privilege BUT denial must be on reasonable grounds.

**Tests**

- Will denial result in a serious economic disadvantage to outsiders?
- Will denial significantly impair ability to compete with members?

**Red Flags**

- The more directly involved in members business—greater likelihood to produce concrete, anti-competitive effects.
- Restrictions include areas unrelated to the association

**Legalities—Membership qualifications***Reasonable if...*

- Minimum size for sales, employees, production
- Minimum percentage of total business to be in profession
- Minimum number of years in business or trade
- Requisite educational background or achievement
- Membership contingent on belonging to another organization

**Legalities—Membership expulsion****Reasonable Standards**

- Willful violation of code of ethics
- For cause upon 2/3 vote by the board
- Failure to pay dues
- Member no longer meets bylaws definition of membership

**and...**

- Due process is followed

**Legal view—Membership expulsion****Due Process for Expulsion**

- Notice of intention to proceed
- Recital of charges or accusation
- Notice of a fair and impartial hearing
- Opportunity to examine evidence and cross-examine witnesses
- Opportunity to refute all charges
- Right to counsel and a hearing before an unbiased tribunal

**Legal view—Membership****Membership Services to Non-members**

Services *must* be available if non-members would be competitively harmed by denial...

...however, the association is *not required* to advertise or promote to non-members.

**B. Stakeholder Identification and Cultivation**

1. Communications Strategy
2. Member Relations Strategy
3. Engagement, Volunteer Opportunities
4. Member Privacy
5. Awards & Recognition
6. Member to Member Recruitment

**Communications strategy**

Best practices include:

- Clear, consistent communications in a variety of forms
- Member segmentation:
  - Do we clearly understand different members?
  - Target communications/products accordingly?
- Research
- Many engagement opportunities at many levels
- Member service policies & standards

**Member relations strategy**

Member service policies & standards should...

- Identify and measure good service
- Set standards of good performance
- Assure member service starts at the top!
- Establish that membership is an association-wide responsibility

**Member privacy**

Develop and enforce a member privacy policy to protect members' personal and financial data

Privacy considerations:

- Notice/Awareness
  - Payment Card Industry (PCI) Compliance
  - Choice/Consent
- Access/Participation
- Integrity/Security
- Enforcement/Redress

**Awards and recognition**

Should support & further association programs and strategic plan

Two tests in setting:

- Can you repeat your process?
- Is it reasonable?

## C. Volunteer Engagement

### Engagement

Best practices include:

- Establish a variety of ways to get involved
  - Local chapters
  - Ad hoc task forces or groups
  - Committees and task forces
  - Online opportunities
- Make volunteering easy
- Thank you, thank you, thank you!

### Volunteer recruitment and management

Best practices include:

- Ways to recruit volunteer leaders
- Traits to look for in volunteer leaders
- Orientation and management of volunteer leaders
- Clarification and expectations

### Volunteer leadership—A succession plan

The focus is on developing a system for leadership succession

Best practices include:

- Policies regarding term limits in writing
- Job description for board positions
- Clear delineation of roles & responsibilities

## D. Ethics

1. Foster an Ethics Environment
2. Establish an Ethics Program
3. Provide Ethics Education
4. Evaluate

### Foster an ethics environment

Best Practices:

- Must be embedded in mission & objectives
- Must have support of board & senior management
- Management & ownership are critical in the code's effectiveness

### Establish an ethics program

Best practices:

- Code enforcement has practical & legal implications...consider ability to enforce and due process issues
- Incorporate ethics and self-regulation activity throughout the organization
- Have detailed documented processes for development and maintenance
- Create a high-standards environment
- Procedures for administering sanctions **should** include:
  - Written notice to the member of the alleged violation, the proposed sanction and the right to comment or hearing

- A hearing on the matter, if requested, at which the member may present their views personally or through another representative
- The right to appeal an adverse decision
- Avoidance of any competitive motive or conflict of interest among all staff and volunteers participating in the enforcement of the code

### **Provide ethics education**

Best practices include:

- Education for members
- Specific roles & responsibilities for volunteers and staff
- Due diligence

### **Evaluate**

Best practices include:

- Evaluation
- Due process
- Code enforcement has practical & legal implications...consider ability to enforce and due process issues
- It is best practice to incorporate ethics and self regulation activity throughout the organization
- Detailed documented processes for development & maintenance
- Create a high-standards environment

### **Legalities**

*To avoid anti-trust concerns, programs should not:*

- Require suppliers to give firm price quotations
- Suggest fair profit levels
- Set prices for returned products
- Prohibit advertising
- Prohibit competitive bidding
- Prohibit proposals to clients of others
- Require uniform terms and conditions of sale or credit
- Suggest the use of specific raw materials
- Prohibit overcharging and short-weighting
- Encourage boycotting of prepaid service plans
- Encourage boycotting of nonmembers

## **Consider These Strategic Thinking Scenarios**

1. *The membership committee of the American Widget Makers Association (AWMA) reviews all member applications and makes a recommendation to the board of directors regarding companies that should be accepted or turned down.*

*The board then directs the CSE to send letters out to the candidates stating the outcomes.*

*Member criteria are vaguely stated in the association's bylaws.*

What actions should the CSE take?

2. *The board of AWMA has been noticing a steep decline in the number of volunteers the association has available. For years they've had more than 150 members engaged in the work of the committees who meet*



*three times a year. Now they are down to just under 100 and it's the same people who've been volunteering for years.*

*The board has asked the CSE to come up with a plan to increase the number of volunteers.*

What steps should the CSE take?

3. *According to the AWMA code of ethics, member companies may only purchase materials from ethical suppliers. Suppliers may not:*

- *Use child labor or forced labor*
- *Employ sweatshops*
- *Violate the basic rights of workers*
- *Ignore health, safety and environmental standards*

*American Widgets, the largest AWMA member, has been accused of purchasing materials from a company that is a known abuser of child labor. Smaller members (and competitors) are asking for the company's dismissal from AWMA membership.*

What should the CSE do?

4. *AWMA has a very influential member, Acme Widgets, that wants to create standards for widget size. Coincidentally, this size is one in which Acme specializes.*

*The rest of the membership agrees it is important to standardize the widget size; however, the members of the Standards Committee do not want Acme Widgets to participate.*

How should the CSE proceed?

## Domain 6 Exam Content Outline Self-Assessment

Refer to the exam-content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

### Self-Assessment Questions—Membership Recruitment and Retention

1. What are the elements of a successful plan for member recruitment?
2. What are considerations in a successful plan for member retention?
3. How would you identify the ROI for membership?
4. How would you leverage technology with member retention?
5. What is the role of the CSE in membership recruitment and retention?

### Self-Assessment Questions—Stakeholder Identification and Cultivation

1. What are some ways an association builds the capacity of its members to better do their work?
2. What criteria should be considered to identify potential members?

### Self-Assessment Questions—Volunteer Management

1. What are effective practices for keeping a volunteer pipeline full?
2. What are characteristics of an effective volunteer system?

### Self-Assessment Questions—Ethics Program

1. Compare and contrast government mandated regulation vs. voluntary self-regulation.

2. What is the purpose of self-regulation and what guidelines must associations follow in setting standards?
3. What are some types of voluntary standards?
4. What are the legal issues involved with creating an enforceable code of ethics for your association?
5. What methods should be used to achieve compliance with your association's ethical standards?

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. Which of the following is the most essential element of a membership retention program?
  - a. Ensuring members are engaged
  - b. Creating a rollover renewal process
  - c. Developing a detailed retention plan
  - d. Sending an annual report with your renewal notice
2. Which of the following is the most effective membership retention communication?
  - a. A dues structure and how much it costs to belong
  - b. A message reinforcing what is in it for the member
  - c. A listing of benefits the association offers to the profession
  - d. A listing of the association's education activities and networking events
3. Membership organizations today are customizing communications to fit the needs of their members. What is the key to mass customization?
  - a. Rapid and accurate responses to the identified needs of members
  - b. Careful editing of communications to members through mail merges
  - c. Utilizing contracted resources, if necessary, to assist in the preparation of communications to members
  - d. Identifying key membership segments, their problems, and what can be done to help solve those problems
4. You are the CSE of XYZ Association. During the next board of directors meeting, the board is evaluating several programs and services to determine if they should be discontinued, revised, or kept as they are. What set of criteria should be considered during the evaluation?
  - a. Cost, revenues, feelings of the past presidents and staff
  - b. Purpose of the program, cost, revenues, and mission of the organization
  - c. Membership needs assessment survey results for the past two years
  - d. Attendance records for all XYZ events for the past two years
5. Which of the following steps can help foster high standards of ethical behavior in association members?
  - a. Establish a code of ethical conduct for members.
  - b. Publish minutes of board of director meetings.

- c. Establish a code of ethical conduct for staff.
  - d. Publicize examples of bad ethical behavior by members.
6. To encourage high ethical standards among members, and the acceptance of those standards and actions:
  - a. Staff should make all decisions about ethical lapses and discipline.
  - b. A committee of carefully selected volunteers should be empowered to make decisions about ethical issues.
  - c. The board of directors should make all ethical and disciplinary decisions.
  - d. There should be no appeal from any decision of an ethical standards committee.
7. To communicate and educate members about the association's position on ethical standards:
  - a. Publicize meetings and decisions of the ethics and discipline committee.
  - b. Post minutes of ethics and discipline committee on the association's website and in publications.
  - c. Include the association's code of ethical behavior on applications and renewal forms.
  - d. Keep the board of directors informed of any ethical complaints.
8. Among steps needed to promote a voluntary standards program you should consider the following actions:
  - a. Establish and implement a vigorous member and general public PR campaign promoting the importance of standards, and why the public should always select someone in the industry/profession who abides by these standards.
  - b. Promote the standards program to members only.
  - c. A standards program should be self-evident. There is no need for promotion or marketing.
  - d. Take steps to automatically grandfather long-time members in the standards program.
9. The communications and membership teams are looking for ways to get members more involved and connected with the association. With all the resources available, how would you reach out to your membership to get them engaged?
  - a. Keep your members informed on a regular basis through your website, social media channels, and newsletters about leadership and networking opportunities available to them.
  - b. Mail brochures listing the benefits available to them and occasionally mention them in your newsletter.
  - c. Send an email every week encouraging the member to join a committee or attend a networking event.
  - d. List all leadership and networking opportunities on your website and wait for the member to sign up.
10. You are tasked with developing a strategy to assess the current needs of the membership. What is the most efficient way to find out that information?
  - a. Conduct focus group, develop member survey, and talk to members directly.
  - b. Develop member survey, conduct phone interview and market research.
  - c. Secondary research, primary research, scientific research
  - d. Gather secondary research first, and then gather missing primary research.
11. Your website got hacked and all your members email information was stolen out of the online member directory. A member received a spam email and is now accusing the association of selling their personal information. To prevent this from happening again, what steps should you take to ensure the privacy of the membership is protected?
  - a. Remove the online member directory from your website and only provide a printed directory.
  - b. Establish a policy not to provide email addresses online, in print, or over the phone.

- c. Publish an email directory accessible to members only.
  - d. Ask the members if they want their email addresses listed online and only show the ones for which you received permission.
12. The association is considering an awards program for members who have made considerable contributions to the association and their own profession. What step should you take to start the process?
- a. Discuss with the board of directors whether an awards program fits with the goals of the association.
  - b. Create the program and submit a call for nominations to your members.
  - c. Survey your membership to see if they would want an awards program.
  - d. Create an awards committee that will determine the nominations and winners.
13. What does calculating the lifetime value of a member help you do?
- a. Determine the number of membership staff you should employ.
  - b. Determine the average tenure a member has with the organization.
  - c. Determine how many new members you need to recruit each year.
  - d. Determine how much the association can spend to acquire a new member.
14. Keeping members active and involved is an ongoing challenge for associations and membership organizations. In today's working environment, which of the following is the most likely way to achieve that goal?
- a. Recruiting members for a committee/ad hoc work group or for the board
  - b. Creating regional chapters to encourage member involvement at the local level
  - c. Encouraging a greater number of chat rooms, chat lines, and interactive sessions for members
  - d. Offering meetings, conferences, focus groups, and educational programs to encourage member involvement

## Scenario Questions

1. One of your first challenges in your new role as the CSE of a large organization is a detailed analysis of membership. During your analysis, you notice a trend over the last three years showing a 38 percent decline in the renewal rate of second-year members in a prime demographic range (between 25 to 40 years).

What is your best research option to analyze this pattern?

- a. Conduct a new-member survey to determine the relative importance of various member benefits and services.
  - b. Conduct research and analysis to identify the barriers influencing eligible prospects to reject the association.
  - c. Conduct research and analysis to identify the relative influence certain factors have on the membership renewal decision.
  - d. Conduct a market benefit/market segmentation analysis to identify member segments that may be underserved in terms of member benefits, communication, and networking.
2. You are an experienced CSE for an association that has experienced a downward trend in membership for the past three years. The "big box company" segment of the market has had a significant impact on the industry. Many small family-owned businesses have sold out or are planning to close. This makes the outlook for membership growth dim. With this "handwriting on the wall," you question the board's reluctance to leave the comfort of the organization's traditional identity and membership base.

Which of the following presents your best option for moving forward?

- Submit your resignation. You never will be able to achieve what you were hired to do.
- Meet with leaders of organizations related to your industry to assess their interest in pooling resources, merging, or melding membership into one organization.
- Conduct a member needs assessment to determine the best course of action to build the likelihood of survival and create a new membership category for associate members.
- Assemble a future outlook event for the board to engage them actively in projecting the future of their industry, given the current trends in economic and societal environments.

## Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, on what areas of the domain should your additional exam preparation focus?

- ☐
- ☐
- ☐
- ☐

## Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about organizational management? If so, what did you learn from this discovery that you can apply in the future?
- What new information is important for you to integrate into your thinking and professional practice?

## Effective Practice Opportunities and Common Misconceptions

“Membership is everyone’s business” is a valuable best practice to promote within your organization. How would you initiate such a culture if you assumed the reins at an association that did not practice this? How deep within the staff would you go with your message to ensure all personnel are focused on the member as the first priority? What strategies could you use to heighten the board’s awareness of this philosophy?

As the CSE, you are responsible for assuring that service standards are in place with systematic monitoring of compliance. The membership department carries out the membership mission, controls the membership data input process, and creates membership marketing communications. However, others have a significant role as well.

All departments are expected to uphold the written service standards policy; how do you ensure that this occurs?

### For Additional Discussion

An association of 1500 executives from 115 companies has a limited program of education and social activities. One full-time staff person manages the membership budget of \$100,000. Membership has stagnated. The “same old faces” are involved in and lead the association. While other members express little interest in giving more time to the association, they agree that the association needs “new blood” and should open up to new ventures. Your association management company has been consulted to recommend solutions to address this problem. In your research, you discover:

- Most members just do not want to get involved in the cold-calling membership recruitment process.
- Members have considerable market penetration of potential members within their own companies.

- The association is perceived by outsiders as a “good old boys” club.
- There are at least five other membership associations in this industry that actively attract and recruit CEOs and other senior executives.
- Board members are willing to attend meetings and express interest in helping; however, they really don’t want to get involved with the operational aspects of the association.

Which recommendation would be your first choice?

- The board should develop a short-term membership recruitment campaign with incentives for staff and members to attract and recruit identified prospects.
- The board should create a membership committee to partner with staff to plan a campaign.
- The board should implement one-on-one invitations to prospects as one-time guests of the association.
- The board should evaluate the effectiveness of the staff position.
- The board should hire the AMC to manage this association, including membership and retention strategies.

For answers to study questions, see “Study Questions Answer Key” beginning on page 211.

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# Domain 7: Advocacy

5%-7% of the exam

## Recommended Reading

- *ASAE Handbook of Professional Practices in Association Management, 3rd Edition*, Chapter 37
- *Association Law Handbook, 6th Edition*, Chapters 48, 51–60, 81, 96–97
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management, 4th Edition*, Chapters 2, 8, 11, 14–15

## Additional Reading

- *The Power of Partnerships: Principles and Practices for Creating Strategic Relationships Among Non-Profit Groups, For-Profit Organizations and Government Entities*, Washington, D.C: ASAE & the Center for Association Leadership, 2008.

## Key Terms and Concepts

Advocacy	The act of leveraging influence or attempting to influence a decision-making body on an issue of importance to the organization. Advocacy usually relates to leveraging or influencing legislation or moving the general public to action.
Coalition	An alliance that forms for lobbying or public relations purposes. Associations broaden their reach by including organizations with interests that run parallel with theirs or converge in some areas. Coalitions may require some financial commitment or may be underwritten by one or more entities that have an interest in a particular issue. The goal of a coalition is to unite voices and make the coalition interests known over the din of many other groups clamoring for attention.

<b>Government relations (GR)</b>	<p>Associations often advocate the views of members by making those positions known to legislators and regulators. It is common practice for associations involved in government relations to develop a formal procedure that involves input from the membership, channeled through a GR Committee. Program goals and objectives should be concisely stated, measurable, based on thorough discussion, and approval by the board. Examples of GR programs and activities:</p> <ul style="list-style-type: none"> <li>• Monitoring legislative and regulatory activity</li> <li>• Holding legislative conferences</li> <li>• Conducting grassroots lobbying</li> <li>• Influencing issue management</li> <li>• Hiring a lobbyist</li> <li>• Scheduling a “plant visit” (gives legislators a hands-on experience with a member’s working environment)</li> </ul>
<b>Issues management</b>	<p>A legislative or regulatory PR campaign for influencing and managing public opinion regarding a controversial issue. The process includes: defining a specific goal, (e.g., passing a legislative bill); crafting a clear message; identifying the audiences to be influenced; crafting a multi-faceted campaign to effectively reach those audiences; assessing the campaign’s momentum; and responding to public perception of the issue in a clear and consistent way.</p>
<b>Legislation Legislative body</b>	<p><i>Legislation:</i> an action with respect to acts, bills, resolutions, or other similar items of a legislative body.</p> <p><i>Legislative body:</i> Congress, state legislatures and other similar governing bodies who make laws for the general public.</p>
<b>Lobbying</b>	<p>An oral, written or electronic communication with members of congress, congressional staff and aides, cabinet secretaries, political appointees or senior executive branch officials with respect to legislative or administrative matters.</p>
<b>Lobbying by 501(c)(3) associations</b>	<p>A 501(c)(3) organization may engage in some lobbying, but too much lobbying activity risks loss of tax-exempt status. In general, no organization may qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation. Whether an organization’s attempts to influence legislation, i.e., <i>lobbying</i>, constitute a substantial part of its overall activities is determined on the basis of all the pertinent facts and circumstances in each case. The IRS considers a variety of factors, including the time devoted (by both compensated and volunteer workers) and the expenditures devoted by the organization to the activity, when determining whether the lobbying activity is substantial. Organizations other than churches and private foundations may elect the expenditure test under section 501(h) as an alternative method for measuring lobbying activity. Under the expenditure test, the extent of an organization’s lobbying activity will not jeopardize its tax-exempt status, provided its expenditures, related to such activity, do not normally exceed an amount set by the IRS. This limit is generally based on the size of the organization and may not exceed \$1 million.</p>
<b>Lobbying expense: Omnibus Budget Reconciliation Act of 1993 (OBRA 93)</b>	<p>This act eliminated the business tax deductibility of lobbying expenses and required associations to notify members as to the portion of their dues that are nondeductible as a result of the association’s lobbying activities. As an alternative, associations may pay a 35 percent proxy tax on their lobbying expenses. The law imposes significant recordkeeping requirements and administrative burdens on associations.</p>



<p>Lobbying: <b>Attempting to influence legislation</b></p>	<p>Making any communication with a member or employee of a legislative body or government official or employee who may participate in the formulation of legislation that:</p> <ul style="list-style-type: none"> <li>• refers to specific legislation and reflects a view on that legislation, or</li> <li>• clarifies, amplifies, modifies, or provides support for views reflected in a prior lobbying communication.</li> </ul>
<p>Lobbying: <b>Expense &amp; tax deductibility</b></p>	<p>Organizations may use any reasonable method to allocate costs between lobbying and other activities. A method is only reasonable if it is applied consistently, allocates a proper amount of costs to lobbying and is consistent with certain special rules contained in the regulations. Under the <i>estimation rule</i>, lobbying organizations must notify members at the time of dues assessment or payment what percentage of member dues is estimated to be nondeductible because of anticipated lobbying expenditures. Under the <i>allocation rule</i>, lobbying associations must allocate, on a dollar-for-dollar basis, all expenditures for federal and state lobbying against dues and similar income received by the association. The <i>proxy tax</i> is an election where associations pay a flat 35 percent excise-type tax on their lobbying expenditures and avoid having to notify members of dues non-deductibility.</p>
<p>Lobbying: <b>Examples of non-lobbying activities</b></p>	<ul style="list-style-type: none"> <li>• Communications published or disseminated to the public.</li> <li>• Administrative requests for information; participation in a federal advisory committee.</li> <li>• Providing testimony before a congressional (sub) committee in response to an official request.</li> <li>• Written responses to a covered official's request for specific information.</li> <li>• Legally compelled communications, i.e., a response to a subpoena; comments responsive to notices of proposed rulemaking.</li> <li>• Statements made in the course of judicial or administrative adjudications.</li> <li>• Requests for agency action on the public record.</li> <li>• Any communications made on the record in public proceedings.</li> <li>• Communications made on behalf of foreign governments or political parties.</li> <li>• Communications that the communicator could not report without disclosing information illegally.</li> <li>• Communications that the government is legally required to keep confidential.</li> </ul>
<p>Lobbying: <b>Activity and expense</b></p>	<p>Communications that merely inform members of details of a legislative bill would not be treated as lobbying unless the association has evidenced a purpose to influence legislation. Once a lobbying purpose is evidenced, all subsequent (but not prior) communications to members asking them, either explicitly or implicitly, to contact their legislators concerning a specific piece of legislation (a call to action) and the cost of the communication must be treated as lobbying.</p>

<p>Lobbying: <b>Calculating expense-ratio vs. gross-up vs. Section 273a methods</b></p>	<p><i>The Expense Ratio Method:</i> used in determining lobbying costs for the purposes of allocation in which total operating costs are multiplied by the percentage derived by dividing labor hours devoted to lobbying by the total number of labor hours; the result is then added to any third-party lobbying costs.</p> <p><i>The Gross-up Method:</i> a method in which basic labor costs for lobbying hours are multiplied by 175 percent. Basic labor costs are wages or other costs of labor; the result is then added to third party lobbying costs.</p> <p><i>The Alternative Gross-up Method:</i> treats lobbying hours as zero for support staff; however, the costs for lobbying labor hours is multiplied by 225 percent.</p> <p><i>The Section 273a Method:</i> combines the ratio and gross-up method even if volunteers conduct lobbying activity.</p>
<p>Lobbying: <b>Contact vs. lobbying activity</b></p>	<p>A <i>lobbying contact</i> is any oral or written communication made on behalf of an employer or client to a “covered legislative or executive branch official” regarding any of several subjects, such as formulation, modification or adoption of federal legislation, including legislative proposals or regulatory rules, policies or executive orders, the administration or education of a federal program or policy, or the nomination or confirmation of any person who requires Senate confirmation.</p> <p>A <i>lobbying activity</i> is any action taken in support of a lobbying contact, including planning and preparation, research intended for use in the contact, and coordination with other lobbyists.</p>
<p>Lobbying: <b>De Minimus Rule</b></p>	<p>Associations may treat time spent by staff on lobbying activities as zero if less than 5 percent of the person’s time is spent on lobbying activities. However, any time spent by an employee on direct contact lobbying may not be accepted under the <i>De Minimus Rule</i>. Direct contact lobbying includes travel time related to the lobbying.</p>
<p>Lobbying: <b>Direct vs. grassroots</b></p>	<p><i>Direct lobbying:</i> contacting a legislator to advocate the adoption or rejection of legislation or urging your members to take action on a specific piece of legislation.</p> <p><i>Grassroots lobbying:</i> an attempt to influence legislation through a campaign that solicits the general public to write letters, email, or phone legislators about a specific issue.</p>
<p>Lobbying: <b>Gifts &amp; invitations to widely attended gatherings</b></p>	<p>Both the U.S. House of Representatives and the U.S. Senate allow members and staff to attend conventions, conferences, charity events, and other events, with their expenses paid by the sponsor, so long as attendance is related to official duties. Necessary travel expenses to these meetings may be paid by a sponsor, but not a registered lobbyist, and must be publicly disclosed. Recreational activity fees would be considered gifts. If the event is a charity event, an unsolicited offer for free attendance from a sponsor is acceptable, however transportation and lodging may not be accepted.</p>

<p>Lobbying: <b>Gifts to members of Congress</b></p>	<p>Each chamber of the legislature has its own rules:</p> <ul style="list-style-type: none"> <li>• Gifts a senator can accept are limited to \$50 per gift, including meals and entertainment, with a \$100 annual limit on gifts from any one source. Any gift or meal costing \$10 or more counts toward the limit.</li> <li>• In the House, no gift (including meals) may be accepted, with the exception of minor items such as hats, T-shirts, and other gifts of nominal value.</li> </ul> <p>Limited exceptions on the receipt of gifts include gifts from family members or close personal friends. Contributions to charities in lieu of honoraria and reported within 30 days of a speaking event are unaffected. Neither chamber allows gifts from registered lobbyists, foreign agents, or principles regardless of value.</p>
<p>Lobbying: <b>Impact of coalitions</b></p>	<p>There is strength in numbers. When facing a large-scale issue or one that affects diverse populations, associations may team up to form a coalition which may bring together seemingly unlikely groups. Their goal is to unite their voices and make their interests known. Additionally, whether long-term or short-lived, coalitions provide a useful mechanism for information exchange, vote counting, and allocation of assignments in pursuit of public policy goals.</p>
<p><b>Lobbyist</b></p>	<p>A lobbyist is a person or firm employed or retained by a client for financial or other compensation to make more than one lobbying contact. A lobbyist must be registered with the federal or state governments where lobbying contacts are made.</p>
<p>Lobbyist: <b>Federal lobbying registration</b></p>	<p>Association-employed lobbyists who spend more than 20 percent of their overall work time in lobbying activity, lobbyists who receive more than \$5,000 for lobbying from any single client in a six-month period, or organizations that spend more than \$20,000 in six months must register with the clerk of the House of Representatives and the Secretary of the Senate within 45 days of the first contact or being employed to make a contact, whichever is earlier. Registrants must, within 45 days of the conclusion of a six-month registration period, file reports disclosing their names, names of clients, congressional chambers contacted, federal agencies contacted, general area and specific issues lobbied, names of lobbyists employed and income generated and amounts spent on lobbying.</p>
<p><b>Political Action Committee (PAC)</b> <b>Administrative/ solicitation costs</b></p>	<p>Association funds may be used to pay for PAC administrative and solicitation costs, but cannot be used as contributions to the PAC or to candidates through the PAC. Examples of PAC administrative costs: printing, mailing and other solicitation costs, salaries, rent and consultant fees, such as attorneys, etc.</p>
<p><b>PAC: Limits</b></p>	<p>The total annual contribution from an individual cannot exceed \$5,000.</p>
<p><b>PAC: Soliciting PAC funds from members</b></p>	<p>A PAC may not solicit a corporation but may solicit from corporate member employees after receiving advance approval from the corporation. A PAC may solicit, just twice per year, individual members and their families as well as executive and administrative staff and other staff. Each member corporation can approve solicitation by only one federal PAC per year. Oral solicitations at meetings may be made only if approval has been received for all corporate members in attendance; however, a PAC can maintain a booth at meetings provided there is no publicity.</p>
<p><b>Public Policy</b></p>	<p>The basic policy or set of policies forming the foundation of public laws, especially such policy not yet formally enunciated.</p>

## Domain 7 Content Review

### A. Defining the domain

- Government Relations
  - Activities ranging from monitoring to relationship building to lobbying and partnerships between governmental and non-governmental entities.
- Public Policy
  - Broad category of interest and activities focused on relevant initiatives of government and “the public sector.”
- External Relations
  - Connecting your association to just about anyone else

#### Public policy

- Identify and analyze the need for public policy development activities.
- Identify and foster advocacy sources that support the profession or industry and implement association-sponsored advocacy programs.
- Recommend and implement public policy programs.
- Plan, implement, and evaluate government relations programs consistent with board-approved policies.
- Monitor city, state, and national legislation and regulations.
- Report to membership and other interested parties on the current political environment, the actions of relevant regulatory bodies, and the impact of proposed and enacted legislation to their bottom line and operations.
- Manage association lobbying activities, including the identification and retention of registered lobbyists.
- Determine the advisability of, establish, and manage political action committees (PACs)
- Determine the need for, and feasibility of, grass roots activities and implement and evaluate such activities.

#### Public policy implications for associations

- IRS/Tax Code
- Employment Law
- Zoning ordinances
- Antitrust

#### Mission-focused public policy implications for associations

- Public policies that affect associations’ members
- Advocacy Initiatives tied to the specific mission of an organization

### B. Government Relations

Through government relations, associations act to influence government actions and public policy.

Examples of “GR” strategies include:

- Relationship building
- Direct lobbying of legislatures, elected officials, and administrative agencies
- PACs and campaign support
- Education of association members on public policy issues

Government relations in action	Government relations on the exam
<p>Subjective, relationship-building process subject to long-term processes and planning and highly dependent upon individual relationships, subject-matter expertise, and elections.</p> <ul style="list-style-type: none"> <li>• ASAE coursework on government relations, including the Government Relations School held in Washington, DC each year</li> <li>• ASAE has online resources on GR and a section council e-newsletter.</li> <li>• Consider joining the ASAE “Association Day” fly-in to lobby on association issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Definitions</li> <li>• Quantifiable requirements</li> <li>• Federal laws affecting association government relations and lobbying</li> <li>• Process &amp; strategies for effective development and implementation of a GR plan</li> </ul>

### Definitions

Review recommended texts and hone in on clearly written definitions within the GR domain.

For example:

“A ‘lobbyist’ is a person or firm ‘employed or retained by a client for financial or other compensation’ to make more than one ‘lobbying contact,’ including a lobbyist employed by an association.”

### Quantifiable requirements

Numbers, dollar limitations, filing deadlines, and other numerical factoids are highly testable material.

For example:

- Annual individual limit for contributions to an Association PAC is \$5,000.
- PACs must be registered within 10 days following their formation.

### Overview of key regulators, legal, and regulatory requirements for lobbying associations

#### The key actors

- The Internal Revenue Service (IRS)
  - Nonprofit status and differences between 501(c)(3) and 501(c)(6)s corporations
- Congress
  - Federal Lobbying Disclosure Act (LDA) and the Honest Leadership and Open Government Act of 2007 (HLOGA)
- The Federal Election Commission (FEC)
  - Election laws, Political Action Committees (PACs), and campaign contributions

#### The IRS and nonprofit lobbying—501(c)(3) and 501(c)(6) associations

- Nonprofit organizations that qualify for federal income tax exemption under Section 501(c)(3) can engage in lobbying activities within certain expenditure limitations and in accordance with IRS reporting requirements.
- There is an *absolute prohibition* on 501(c)(3) organizations participating in political campaigns to support or oppose candidates for public office. Violation of this prohibition risks revocation of the IRS nonprofit status.

#### Lobbying activity and 990 reporting options

Lobbying activity may be reported through either:

- “No substantial part” test

- Limits 501(c)(3) spending for lobbying to an “insubstantial” amount.
- The IRS has not defined “insubstantial”—the courts have suggested that 5 percent would be “insubstantial”; however there is no good guidance on this point.
- The penalty for violating the “no substantial part” test can be loss of tax-exempt status.
- “Expenditure test”—known as the “501(h) election” and applies to 501(c)3s
  - Clear IRS guidance on implementation:
    - ✓ Definition of “lobbying”
    - ✓ Specification of what is *not* lobbying
    - ✓ Clear expenditure limits (\$1 million ceiling) and calculations
  - Tax-exempt status placed in jeopardy only if (c)(3) grossly exceeds lobbying limits over four years

*(501(c)(6)s can lobby to their hearts’ content without IRS concerns*

### **IRS definitions of lobbying**

#### ***Direct Lobbying***

- ◇ Communication with legislator regarding specific legislation.
- ◇ May be delivered in person, through correspondence, by telephone, or other means
- ◇ Urging association members to contact legislators to support or oppose specific legislation

#### ***Grassroots Lobbying***

- ◇ Communication with public intended to influence outcome of specific legislation or proposal
- ◇ Urging the recipient to take action on specific legislation or with a specific legislator

### **For the IRS, lobbying is NOT**

- Regulatory contacts with administrative agencies regarding proposed regulations
- Lobbying by members/volunteers independent of the association urging or communications
- Educational communications to members on public policy as long as no encouragement is given to lobby
- Responses to written requests for information
- Results of nonpartisan research
- Discussions of policy issues

### **IRS rules for 501(c)(6)**

- No limitations on lobby expenditures
- The association must either:
  - Inform members that a specific portion of their membership dues is NOT tax deductible as a business expense because it is utilized for lobby activities, *or*
  - Pay a “Proxy Tax” at the highest rate imposed by the IRS

### **Congressional rules and reporting**

<http://lobbyingdisclosure.house.gov>

- Federal Lobbying Disclosure Act (LDA)
- Honest Leadership and Open Government Act of 2007 (HLOGA)

### **New laws for lobbyists**

- Lobbying Disclosure Act (LDA) of 1995 was amended by the Honest Leadership and Open Government Act of 2007 (HLOGA)
- More stringent registration and reporting requirements for lobbyists with stiffer penalties for noncompliance

- Restrictions on gifts to members of Congress, including meals

### **HLOGA—what's new**

- HLOGA requires quarterly lobbying reports due on the 20th of April, July, October, and January for the prior quarter
- Lower financial threshold for reporting—HLOGA requires lobby firms (including contract lobbyists hired by associations) to file reports with lobbying income of \$2500 or greater
- For associations, those with expenses of \$10,000 or greater per quarter employing in-house lobbyists, must register and report quarterly. Indexed to the CPI beginning in 2010
- Registered lobbyists and entities must report twice per year (July 30 & January 30) on expenses including election & campaign contributions, honorary contributions, presidential library contributions, and payments for event costs. Lobbyists must certify that they understand and have followed the House and Senate rules relating to gifts and travel.
- Disclosure of Affiliated Entities who support & control lobby activities—must disclose affiliated entities that contribute more than \$5,000 toward the registrant's lobbying activities (either directly to the registrant or indirectly) in a quarterly period and actively participate in the planning, supervision, or control of such lobbying activities.
- Hiring government officials—HLOGA requires disclosure of lobbyist past government service during the past 20 years!
- Mandatory electronic filing of all reports.
- Increased civil & criminal penalties—up to \$200,000 fine and 5 years in prison for violators.

### **New gift, meal, and travel rules**

Members of Congress and Congressional staff generally may not accept from registered lobbyists or those that employ or retain registered lobbyists, including associations:

- Gifts of *any* value
- Reimbursement for most travel costs

*Yes, that means an association cannot pay for a member of Congress to visit a facility in his/her district or take a staffer out to lunch on the association's dime.*

### **Political action committees**

Campaign Contributions and the Federal Election Committee (FEC)

#### **PAC basics**

- Associations cannot directly contribute to Federal campaigns; however, 501(c)(6) associations can start PACs, which can make contributions
- 501(c)(3) associations CANNOT have a PAC
- PACs must be registered with the Federal Election Committee within 10 days of formation
- Receipts and disbursements must be reported quarterly to the FEC and details are available for public review on the FEC website.

#### **Raising PAC money**

- Individual membership associations may solicit PAC contributions from members & their families.
- Trade associations, must obtain a corporate authorization from member companies granting authority to solicit company employees for the association PAC prior to making any solicitations. If corporate authorization is not received from a member company, individuals associated with that company cannot be solicited to make PAC donations.



- Federal law limits contributions to PACs at \$5,000 per individual or PAC

## **Process & strategies for effective development and implementation of a government relations plan**

### **Developing a GR plan**

- Identify & prioritize advocacy issues important to your members.
- Develop advocacy leadership among board of directors and members.
- Educate and engage members on policy issues and provide tools/resources to effectively advocate.
- Effectively communicate the value of lobby activities to members & return on their investment.
- Integrate legislative activities into association activities such as website and conference.
- Leverage technology to work smarter (not just harder) to coordinate grassroots.
- Build coalitions with like-minded organizations to leverage limited resources.

## **C. Coalition Building**

- Identify and bring together groups with a common interest to develop a plan to reach mutual goals.
- Calibrate and communicate mutually advantageous goals and objectives to appeal to new allies.
- Form short-term and long-term coalitions to address single, time-limited or long-term issues of common interest.
- Develop coalition-building model that is responsive & flexible which may include partnerships, alliances, and/or informal and formal relationships.

### **Issue management**

- A legislative or regulatory PR campaign to influence and manage public opinion regarding a controversial issue. The process includes:
  - Defining a specific goal
  - Crafting a clear message, talking points
  - Identifying the audiences to be influenced
  - Implementing a multi-faceted campaign to effectively reach those audiences
  - Assessing the campaign's momentum
  - Responding to public perception of the issue

## **Domain 7 Exam Content Outline Self-Assessment**

Refer to the exam-content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

### **Self-Assessment Questions—Government Relations**

1. Name twelve possible activities that association leadership might assign to a legislative/governmental relations committee.
2. Outline those actions which constitute an association's attempt to influence legislation.
3. How would you go about planning and implementing a government relations program or a public advocacy effort?
4. Compare and contrast government mandated regulation vs. voluntary self-regulation.
5. What is the purpose of self-regulation and what guidelines must associations follow in setting standards?



6. What are some types of voluntary standards?

### Self-Assessment Questions—Coalition Building

1. Describe the purpose of coalitions and when they are useful.
2. What are the key elements for a successful coalition?
3. What is the CSE's role in developing coalitions?

### Self-Assessment Questions—Public Policy

1. A 501(c)(3) may spend up to what percentage of its budget on lobbying without concern for tax liability?
2. What are the legal issues involved in raising funds for an association PAC?

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. The Forestry Association has just expanded its staff to include a government relations department. As a senior staff member you were asked to attend a brainstorming session to identify issues and trends affecting the membership and stakeholders. During the first meeting, packets of data and research materials were handed out to all participants. In addition to copies of the mission, goals, and strategic plan, what other information should have been included in the packet?
  - a. Lapsed members for the past 18 months
  - b. List of organizations for prospective coalition
  - c. Retention statistics
  - d. Recruitment strategies
2. The board of directors wants to establish a public policy program. What is the next step for advancing this initiative once issues and priorities have been identified?
  - a. Identifying media outlets and their anchors
  - b. Developing goals to measure effectiveness
  - c. Scanning national headlines for issues and stories relevant to the goals and mission of your organization
  - d. Scheduling meetings with the marketing department for brochures and press releases
3. When setting up a government relations program you should consider the following first:
  - a. Set up a PAC and solicit contributions.
  - b. Hire a lobbying firm.
  - c. Set up a new staff department dedicated to government relations.
  - d. Determine what specifically the association and membership wish to promote and defend.
4. Tracking or monitoring legislative activity can be done best by:
  - a. Working with your local elected representative

- b. Developing positive relationships with elected representatives and legislative staff of committees in the same subject areas
  - c. Developing positive relationships with organizations with similar government relationship objectives
  - d. Monitoring news reports
5. Active lobbying is subject to government regulation. To ensure that your association complies with applicable laws and regulations, you should:
  - a. Design only education programs, and never meet with legislators or staff.
  - b. Hire a lobbyist and let him/her handle everything.
  - c. Become familiar and follow any laws/regulations and consult your attorney and accountant.
  - d. Avoid taking controversial positions.
6. The National Association of Independent Restaurant Owners is in the process of forming a political action committee. The board of directors would like to promote the PAC to the membership and is trying to identify an eye-catching name to assist in its efforts. Under what name should the association register the PAC?
  - a. Restaurant Owners Political Action Fund
  - b. National Association of Independent Restaurant Owners Political Action Committee
  - c. National Association of Independent Restaurant Owners Political Action Fund
  - d. IRO-PAC
7. Which of the following is true regarding an association's expenditures for grassroots lobbying?
  - a. They are deductible expenses which may affect members' dues.
  - b. They are nondeductible and ineligible for inclusion under the \$2,000 exception for minimal, in-house lobbying activities.
  - c. They are typical lobbying expenses and therefore eligible for inclusion under the \$2,000 exception for minimal, in-house lobbying activities.
  - d. There are stringent laws against soliciting public letter writing or phone calling to influence policy decisions.
8. The National Coalition for Underprivileged Youth comprises many partners in education and government, yet each entity has its own unique mission and vision. Which of the following is a crucial step to ensure that all partners work together for the same purpose regarding their joint venture?
  - a. Direct a staff member to assign duties to each partner, and follow up on a routine basis.
  - b. Develop a Statement of Purpose, and have each partner CEO sign and date.
  - c. Create a Statement of Purpose based on input from all partners.
  - d. Redefine core issues, and create an immediate focus.
9. You just received notice that new legislation that would have a negative impact on your membership may be presented in the upcoming session. What should you do first to position your organization to contest this legislation?
  - a. Write letters to all members of the Senate and the House of Representatives.
  - b. Identify other organizations that may be impacted and join forces to fight the legislation.
  - c. It is the hired lobbyist's responsibility to handle these issues and inform the membership directly.
  - d. Post live updates and news items pertaining to the legislation on the association's website.

10. What entity establishes the rules for registration of a federal lobbyist?
  - a. Federal court
  - b. Federal legislature
  - c. State elections commission
  - d. Federal elections commission
11. What is most effective when managing your contract lobbyist?
  - a. Have the lobbyist give you written activity reports weekly.
  - b. Play the role of coach while the lobbyist plays the role of quarterback.
  - c. Monitor and manage the fees paid to and additional expenses incurred by the lobbyist.
  - d. Give your lobbyist the overall goal, with exclusive authority to conduct the campaign as needed to achieve that goal.

### Scenario Questions

An influential board member of the National Association for Preservation of Old Sailors wants to support a personal friend in a political campaign. During a board meeting she encourages other board members and you, the CSE, to take several actions in support of this candidate.

1. What action can members take?
  - a. Authorize that an association check be written to the campaign.
  - b. Write a personal check to the campaign.
  - c. Have the organization's PAC write a check to the campaign.
  - d. Place an article in the foundation's magazine advocating the candidate's election.
2. As a result of the board member's work on behalf of the candidate, the staff lobbyist receives an invitation to attend a national political fundraiser that costs \$500. The PAC has not yet decided to support the candidate.

If the lobbyist decides to attend, from what source should the \$500 payment come?

- a. The PAC fund
- b. The association's operating budget
- c. A personal check from the lobbyist attending
- d. A personal check from the lobbyist, reimbursable by the association

### Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, on what areas of the domain should your additional exam preparation focus?

- ☐
- ☐
- ☐
- ☐

### Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about organizational management? If so, what did you learn from this discovery that you can apply in the future?

- What new information is important for you to integrate into your thinking and professional practice?

For answers to study questions, see “Study Questions Answer Key” beginning on page 211.

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# Domain 8: Marketing and Communications

12%–14% of the exam

## Recommended Reading

- ASAE *Handbook of Professional Practices in Association Management*, 3rd Edition, Chapters 1, 6, 11, 36, 38, 39
- *Association Law Handbook*, 6th Edition, Chapters 27–28, 42–43
- *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, 4th Edition, Chapters 2, 8, 12–13, 16

## Additional Reading

- Burnett, John. *Nonprofit Marketing Best Practices*. Hoboken: Wiley, 2007.
- Jacobs, Sheri. *The Art of Membership: How to Attract, Retain, and Cement Member Loyalty*. ASAE-Wiley Series, 2014.
- Hane, Carrie, Lewis, Dina, and Marsh, Hilary. *Association Content Strategies for a Changing World*. Washington DC: ASAE Research Foundation, 2019.

## Key Terms and Concepts

Antitrust: Non-member receipt of publications	To avoid exposure to antitrust/restraint of trade liability, publications that have information of competitive value should be made available to non-members. The association may charge a full subscription rate to the non-member.
Branding	A marketing process that incorporates a singular look, feel, and message in building a belief about your association and its products. It creates in the mind of the prospect the perception that there is no product on the market quite like yours. The power of a brand is its ability to influence purchasing behavior.
Legal term: Invasion of privacy	Privacy is a legal right. Publishing names or pictures in association publications may invade the rights of privacy of individuals. Names or pictures should not be used to advertise or promote products or services or in any discrediting or embarrassing way without permission from the individuals named or depicted.

Legal term: <b>Libel vs. slander</b>	<p><i>Libel</i>: a published statement declaring persons to be dishonest, fraudulent or immoral.</p> <p><i>Slander</i>: an oral statement that defames, misrepresents, or otherwise vilifies another person.</p>
Marketing: <b>Cause-related marketing</b>	Through corporate collaborations, companies gain the image of being socially responsible. Non-profit organizations benefit from marketing efforts that put them and their missions into the limelight. Such collaborations might include the sale of a product, marketing or organizational expertise, or even the birth of a for-profit enterprise.
Marketing: <b>Features vs. benefits vs. value</b>	<p>In the marketing process, there are three perspectives to express: features, benefits and value.</p> <p><i>Features</i> list all of the attributes of the product or event (e.g., “our convention offers 130 concurrent sessions to choose from”).</p> <p><i>Benefits</i> define what positive result might come from the feature (e.g., ability to customize your learning experience)</p> <p><i>Value</i> zeroes in on the specific impact that the product or service will deliver to the individual customer. For example, “Our 75 ‘how to’ sessions will give you practical tools that can immediately improve your bottom line performance.”</p>
Marketing: <b>One-to-one marketing</b>	<p>Focuses on four things when selling to customers:</p> <ol style="list-style-type: none"> <li>1. Increase “share of wallet”. Figure out which needs you can satisfy and then use the knowledge you have, and the trust you’ve built, to make the additional sale.</li> <li>2. Increase the durability of customer relationships. Invest money in customer retention, because it’s a small fraction of the cost of customer acquisition.</li> <li>3. Increase your product offerings to the customer. By being customer-focused instead of retail-focused, you can increase your offerings and subsequently your share of wallet.</li> <li>4. Create an interactive relationship that leads to meeting more customer needs. In a cyclical pattern, you provide incentives for the customer to give you more information from which you offer more products.</li> </ol>
Marketing: <b>Permission marketing</b>	A marketing process offering the consumer an opportunity to volunteer to be marketed to. It encourages consumers to participate in a long-term, interactive marketing campaign in which they are rewarded in some way for paying attention to increasingly relevant messages. This approach begins at the first point of contact with a prospect. The permission marketer’s goal is to continually expand and leverage the permission of the customer. The focus is on how deep the level of permission is with your existing customers, rather than how many sales have been made.
Marketing: <b>Segmentation</b>	<p>A segmentation research process that divides the total potential market into specific and identifiable groups of customers. The process includes:</p> <ul style="list-style-type: none"> <li>• Identifying bases for segmenting</li> <li>• Developing profiles of segments</li> <li>• Developing measures of segment attractiveness</li> </ul>
Marketing: <b>Target marketing</b>	Selecting one or more audience segments and developing a position for each, plus developing a marketing mix for each and a strategy to penetrate those markets.

Marketing: <b>Viral marketing</b>	<p>A marketing strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message's exposure and influence. An effective viral marketing strategy involves six principles:</p> <ol style="list-style-type: none"> <li>1. Gives away products or services</li> <li>2. Provides for effortless transfer to others</li> <li>3. Scales easily from small to very large</li> <li>4. Exploits common motivations and behaviors</li> <li>5. Utilizes existing communication networks</li> <li>6. Takes advantage of others' resources</li> </ol>
Publications: <b>Trademarks (™)</b>	<p>A name, symbol, or other device identifying a product (publication), officially registered and legally restricted to the use of the owner or manufacturer. It usually includes company or product names and logos.</p>
Public relations (PR): <b>Message framing</b>	<p>Part of a strategic PR campaign; identifying key and secondary messages to motivate the target audiences in taking actions the organization desires.</p>
Public relations: <b>Very important publics</b>	<p>In a strategic PR campaign, the association needs to identify the key publics to be reached. A good strategy will limit the list to three. Each public requires its own key and secondary messages and proof points.</p>
<b>Blogging (weblog)</b>	<p>A website which displays a reverse chronological listing of short text entries added by a single author; an online journal usually taking a conversational tone and features the viewpoint of an individual or an organization.</p>
<b>Intranet vs. internet</b>	<p><i>Intranet</i>: an internal network, closed to the general public, providing electronic communication services similarly provided by the Internet.  <i>Internet</i>: a worldwide network of computers that store, transmit and distribute information.</p>
<b>Newsreader</b>	<p>Programs or services that allow one to subscribe to RSS feeds and track the updates to many sites through a single screen. A newsreader allows you to follow dozens of sites in the time it would take you to manually browse a handful.</p>
<b>New media vs. media</b>	<p><i>New media</i>: often used to describe advanced communication technologies, such as CD-ROM, the World Wide Web, multi-media and others.  <i>Media</i>: usually refers to broadcast or print media.</p>
<b>Portal</b>	<p>A website considered as an entry point to other websites, often by being or providing access to a search engine.</p>
<b>RSS</b>	<p><i>Really Simple Syndication</i>: a technical standard for providing the most recent headlines from a website as an XML document, which is then readable by other programs and services.</p>
<b>Social media</b>	<p>Vehicles, such as Twitter, blogs, videos, commenting, and others used to share content</p>
<b>Social networking</b>	<p>Social networking, or coming together to share information and learn, has always been around, but contemporary use of the term tends to be tied to the technologies or platforms, such as Facebook or LinkedIn, that enable it.</p>

Spam	Electronic junk mail or junk newsgroup postings. Some people define spam even more generally as any unsolicited email. Only federal legislation has jurisdiction over spamming.
Wiki	A website that can be edited by anyone. Wikis provide an easy way to rapidly develop a body of web-based content without having to learn a complex content management system. The most prominent example of a wiki is Wikipedia (wikipedia.org).

## Domain 8 Content Review

Key concepts:

- **Marketing:** Discipline to encourage the exchange of resources for the satisfaction of a need within a targeted group of customers
- **Public Relations:** The management of communication between an organization and its publics (often referred to by associations as communications)
- **Publicity:** Disseminates information through the news media based on its news value and without payment. The less controlled part of public relations
- **Advertising:** Paid, one-way communication that is completely controlled

### A. Marketing

#### Four P's of marketing

- Product
- Price
- Place
- Promotion

#### Define market scope

- Environmental scan
  - Internal data
  - External sources
- Setting limitations

#### Marketing plan specifics

- Introduction
- Business Summary
- Research
- Marketing Strategies and Projections
- Monitoring and Evaluation Techniques

#### ROI tactics

- Membership survey
- Focus groups
- Retention calls (including lapsed and prospect members)
- Tracking product/benefit usage
- Testing new products

#### Marketing terms

- Features
  - Attributes of an offering (product, service or event)



- Benefits
  - Positive results from the features
- Values
  - Specific impact from the offering
- Market segmentation
  - Divides the total market into identifiable segments
    - ✓ Identify basis for segmenting
    - ✓ Develop profiles of segments
    - ✓ Develop measures of segment attractiveness, a position for each segment and a marketing mix and strategy for each
- One-to-one marketing
  - Increase share of wallet
  - Increase the durability of the relationship
  - Increase product offerings to the customer
  - Increase the interactivity of the relationship that leads to meeting more customer needs
- Viral marketing
  - A marketing strategy that encourages individuals to pass along marketing messages to others

## B. Brand Management

### 1. Positioning strategies

- Know your member, know your customer
- Know your “competitors”
- Assess (potential) offerings on:
  - Fitness to standard (based upon expectations of excellence from the association)
  - Fitness to need (services members would value based upon their needs)
  - Fitness to future needs (identify trends and respond to resulting needs before members realize they exist)

### 2. Value proposition

- Product/service value promised by your organization
  - Not to be confused with features (attributes), which are descriptive
  - Benefits define positive results of features
  - Value defines specific impact delivered to individual members/customers
- [Association] will provide indispensable information for professionals

### 3. Brand positioning

- Brand = promise of consistency to your external audience
- Branding saves people time by clearly conveying expectations in an honest and forthright manner
- Branding happens whether it is managed or not
- Association influences brand, but does not control it. Target audiences do.

*Coherence in branding should cut across all you do*

## C. Communication

### Media relations

- Reporters seek information and access
  - Provide reliable, interesting and useful information and prompt access to experts
- Tools
  - Press release (inverted pyramid style) who, what, where, when and how
  - Media advisory (simpler with five W's in bulleted form)

- Press conference (use only when news value is great)
- Individual relationships with media
- Have a plan for media interviews
  - Designate a spokesperson and media train if possible
  - Deliver clear, simple message points (three or less)
  - Stay on message
  - No such thing as “off the record”
  - Don’t say “no comment”
  - Silence is OK
  - “I don’t know” is OK
  - Stay positive
  - Dress appropriately for on-camera interviews

### **Crisis communications**

- Crisis Management Objectives
  - Present and maintain a positive image of the organization
  - Keep the overall goals of the organization in mind
  - Deliver timely, accurate and current information
  - Monitor all channels of communication and address inaccuracies
  - Maintain the support of key stakeholders
- Stay in control during the crisis
  - Proactively contact the media and accept all media inquiries
  - Establish a media command center
  - Get the facts before making statements
  - Do not stonewall, lie, or speculate
  - Be cautious in drawing conclusions
  - Admit when you do not have the information and commit to finding out

### **Publications**

- Identify need
  - Survey membership
  - Statement of purpose
- Develop the management system
  - Centralized vs. decentralized
  - Peer review
  - Board of Editors
  - Internal processes
- Determine editorial mission
  - Disseminate news and information
  - Provide practical information of use in audience’s work/life
  - Advocate for association’s positions on issues
  - Promote association products and services
- Consider key audiences
  - General association membership
  - Special-interest segment
  - Controlled circulation
- Consider types of periodicals
  - Print newsletters or magazines
  - E-newsletters or magazines
  - Tabloid newspapers

- Bulletins/e-alerts
- Journals
- More unusual formats—audiotapes, videos, blogs, podcasts
- Consider periodicals already published by your association
- What are the financial goals?
  - Profit, break-even, acceptable loss
  - Level of revenue expected
  - Will advertising be accepted? Be aware of UBIT implications if it is (discuss with counsel)
    - ✓ Editorial income separated from advertising income
    - ✓ Net advertising income is subject to UBIT
  - Will outside subscription sales dilute/change audience? Will they impact membership recruitment?

### **Tax implications for publications**

**General Rule:** No UBIT imposed on a publication that does not net any overall revenues

### **Key concepts, communications law**

- **Copyright:** Legal protection afforded an original work set in some tangible form
- **Work for Hire:** an article by an employee produced for its newsletter is considered to be owned by the employer
- **Fair Use:** Exception to copyright exists for limited use of works such as excerpt in reviews or articles based on certain factors
- **Information of Competitive Value:** Must be made available to non-members. This need not be promoted and non-members can be charged higher fees.
- **Invasion of privacy:** Publishing names or photos of individuals in association publications may invade the rights of privacy of individuals.
- **Libel, slander:** Libel is a published statement declaring persons to be dishonest, fraudulent, or immoral. Slander is an oral statement that defames, misrepresents, or otherwise vilifies another person.
- **Liability Insurance:** needed to protect against claims related to publishing activities

### **Trends in publications**

- Outsourcing or contract publishing
- Online publishing and Web-based programs as communication tools

### **Website development strategy**

- What is the mission of your website, and how does it connect to the association's mission?
- What are your key audiences?
- What are the needs of your key audiences, and how can the website meet them?
- How will the site be kept up to date? Who will "own" it?

### **Key concepts—Web**

- **Blog:** An online "journal" displaying a reverse chronological listing of short text entries added by a single author. Often conversational in tone; can become a two-way communications vehicle if comments are allowed.
- **Intranet:** Internal network providing electronic communication services.
- **Internet:** World-wide network of computers that store, transmit, and distribute information.
- **Newsreader:** Programs or services that allow one to subscribe to RSS feeds and track the updates to many sites through a single screen.
- **New media vs. Media:** New media often used to describe advanced communication technologies such as wikis, RSS. Media usually refers to traditional broadcast or print media.

- **Portal:** A website used as an entry point to other websites, often by being or providing access to a search engine.
- **RSS:** *Really Simple Syndication*: technical standard for providing the most recent headlines from a website as an XML document.
- **Spam:** Electronic junk mail or unsolicited e-mail.
- **Wiki:** Website that can be edited by anyone.

## D. Public Relations

*SPIE: Scan, Plan, Implement, Evaluate*

1. Conduct internal and external analysis and research
2. Set program goals
3. Identify and define target audiences
4. Develop objectives and communications strategies (for each audience)
5. Implement the program (internal and external)
6. Evaluate results
7. Modify the program as necessary

### Scanning and research

- Conduct research first
  - Gather information on target groups
  - Scan external and internal environments
  - Primary and secondary research

### Set program goals

- Match goals and objectives to mission and to achieve the goals of the organization
  - Influence groups and individuals (stakeholders)
  - Enhance public trust
  - Change opinion
  - Increase awareness of the organization/industry/profession
  - Call for action or reaction

### Identify key audiences

- Choose target audiences most important to the organization's mission and goals
- Choose target audiences in cooperation with the elected leaders and key volunteers
- Set forth and manage a realistic reach
- Many possible target audiences
  - Association leaders
  - Members
  - Customers/clients of members
  - Government
  - Media
  - General public

### Develop objectives and strategies

- Determine quantifiable, measurable, time-sensitive objectives for each audience
- Develop communication/action strategies for each objective
  - Message strategy
  - Media strategy

### Implementation and evaluation

- Design implementation plans

- Assign responsibilities
- Create a delivery timeline
- Determine and administer budgets
- Test program
- Evaluate program
  - Process measures, Progress measures
  - Refine objectives, messages, etc. based on test results

## Discussion Scenarios

1. *You are the CSE for a national association and increasingly you are hearing from your board that “people just don’t understand who we are and what we do.” They are asking you for “some PR” to gain public support for the association and its goals and objectives.*

- What is your response to this request within the context of planning, implementing and evaluating a public relations program?
- What are the questions you would ask to seek further clarification?
- What would be the hurdles you would have to overcome in order to meet the request?
- What first steps would you recommend?

2. *A chemical dumpsite is found near an elementary school. While no specific injuries or illnesses have been tied to this site, the parental outrage is quite vehement.*

*As CSE of the Hazardous Waste Association, you are called to respond to the media inquiries.*

*The organization responsible for the dump is a member.*

- What is your response to this request within the context of the mission of the organization and the relationship with your member?
- What do you need to know about the responsibility of the member regarding the dumpsite?
- Do you have any reason to respond at all?

3. *The major publication of the association has seen a significant decline in its revenue. A survey conducted six months ago indicated most of the members do not read the publication.*

*The Publications Committee has made a concerted effort to increase the advertising revenue. To draw member readership, the Editorial Board has published several controversial articles, including one that has taken a position critical of the ethics of one of the charter members of the association.*

- Do you agree with the strategy of using controversy to increase readership?
- What do you see as risks to the association of pursuing this strategy?
- Are there legal risks, other risks?

## Domain 8 Exam Content Outline Self-Assessment

Refer to the exam-content outline segment for this domain in Section 1. Adopting the chief staff executive perspective, consider the following questions. How well do you know the material? Refer to the reading material noted at the beginning of this section to fill in any gaps in your knowledge. Then, use the study questions and scenarios to determine how well you have learned the material.

### Self-Assessment Questions—Marketing

1. Describe a process that would assist an association to determine its unique value proposition.
2. What are the elements of an effective marketing plan?

### Self-Assessment Questions—Brand Management

1. In an environmental scan, what general areas should be considered in the scope of the scan?
2. Describe a process that would assist an association to determine its unique value proposition.
3. How would you identify the members' return on investment (ROI) for their dues dollar?
4. What are the benefits of branding an association?

### Self-Assessment Questions—Communication

1. Describe an approach to establish media outlets that promote association-sponsored programs and services.
2. How would you approach defining your audience and matching delivery with their needs?

### Self-Assessment Questions—Public Relations

1. Name two goals of public relations activity.
2. Distinguish between issue management vs. crisis management, and earned media vs. paid media.
3. What is the scope of a branding initiative?
4. Distinguish between public relations vs. marketing.
5. Distinguish between public education and public information.
6. How do community service projects impact the public image, perception of the industry or profession and brand of the association?
7. Assess the risks of poorly integrating public information programs with other association initiatives.

## Study Questions

The following study questions, derived from the predecessor guide of the Association Societies Alliance, are designed to help you further refine your understanding of this domain's content. When you've finished the questions, compare your answers to the answer key located in Appendix C. Remember, these study questions are for review and learning; they are not indicative of actual exam questions. The practice exams in Section 5 and available online (see page 215) are drawn from the actual, vetted CAE exam item bank.

Please note: CSE = *chief staff executive*.

1. What are elements of a strategic communications plan?
  - a. Association policies, evaluation mechanisms, and target audiences
  - b. Target audiences, vehicles for message delivery, and evaluation mechanisms
  - c. Key association messages, communication strategies, and membership demographics
  - d. Mission of the public relations function, communication strategies, and objectives of the strategic plan
2. An established association publishes a successful periodical. At a recent board meeting, several directors suggest the publication be eliminated to save money, and that an electronic publication be started. What should be the response of the CSE?
  - a. Suggest creating a task force to research this issue
  - b. Suggest conducting a readership survey to see what readers want
  - c. Suggest the issue be considered thoroughly at the next board strategic planning session

- d. Suggest conducting a communications audit to determine if members' needs will be met
3. Associations are increasingly pressed to identify sources of non-dues revenue. Advertising in publications is one alternative. Which of the following is true regarding advertising?
- Advertising may make the association liable for taxation
  - Advertising in a member service publication is not taxable
  - Advertising revenue has no bearing on a tax-exempt association
  - Advertising may jeopardize the tax-exempt status of an association
4. What is a key strategy in handling an issue that is creating industry controversy?
- Be the first to address the issue
  - Address this type of issue online
  - Recruit allies to present information on the issue
  - Wait until the issue gains momentum in the field
5. To be most successful, public relations campaigns must be carefully targeted to specific publics. Which of the following is not a primary audience for membership associations?
- Members
  - Members' clients
  - Legislators
  - The general public
6. In developing media programming and delivery systems, which of the following is the most important?
- Setting up a volunteer and staff communication structure
  - Ensuring publication content is relevant to the needs and interests of members and associates
  - Researching the CEO's preferred communication tool and redesigning the layout
  - None of the above
7. A recent survey indicated members have a strong interest in electronic communication. As a result, the association has decided to develop a new website. To best meet members needs, a website should have which of the following:
- Current and pertinent industry information
  - Member sign-up and renewal options
  - Vehicle for idea exchange and interaction
  - All of the above
8. With the advances in technology and availability of instant access to information, the public is demanding up-to-date information that is relevant to their needs. This concept is best captured in:
- Increasing the frequency of the association's primary technical journal
  - Ensuring that messages are communicated consistently and in a timely manner
  - Launching a new social networking campaign
  - Renting an outdoor advertising space to promote the association's upcoming convention

9. By capturing information on the interests and purchasing habits of the membership, what might the association hope to achieve?
  - a. Improve upon personalizing correspondence with membership
  - b. Identify other competing membership organizations
  - c. Identify subgroups or market segments with special needs
  - d. Gain a better understanding of the individual member
10. When is it appropriate for an association to assess the needs of the entire membership simply by conducting an informal survey of their leaders?
  - a. When there is no budget to allow for an expensive and elaborate scientific study
  - b. When the association is small and the membership is homogenous
  - c. When staff and resources are limited
  - d. When the membership is very diverse
11. To be effective, a marketing plan must:
  - a. Allow for ongoing market research and updates as necessary
  - b. Integrate all activities of the association
  - c. Ensure adequate resources are allotted
  - d. All of the above
12. Why are the customers of members part of an association's PR program target?
  - a. The member, not the member's customer, should be the focus of a PR campaign
  - b. To improve an industry's or profession's image among its customers
  - c. To validate fees and services of the industry/profession
  - d. Helps to bridge the communication gap between members and their customers
13. Your association has spent countless hours researching and developing a crisis management plan and has named an official spokesperson to communicate with the media. What would be an effective training method for the spokesperson?
  - a. Rehearse talking points for each crisis situation the association may encounter
  - b. Emergency management services and CPR training
  - c. Participate in a public speaking improvement course
  - d. Conduct mock crisis management training with all staff
14. Your association has changed its name to better reflect the diversity of its global membership. How should you proceed in order to reinforce the association's unique position?
  - a. Incorporate the change into the overall strategic marketing plan
  - b. Include the logo development into the association's budget
  - c. Develop communications that explain the significance of the new logo
  - d. Send a blast email to members directing them to the association's website



## Scenario Questions

A. You are CSE of a state-level professional society with more than 1,000 members. Your membership retention level is above average for the industry; however, the number of volunteers is less than 6 percent for 10 different society committees and councils. Your board has asked you to create opportunities to attract more members into volunteer positions. One of the new councils you wish to form is a Rookie Club, made up of professionals who have been in the industry for less than five years. You have drafted strategies for getting volunteers to serve on various committees and have presented them to the board for implementation.

1. What marketing messages would be included in your plan that would best attract members to the Rookie Club?
  - a. Giving something back to the industry by serving on a committee.
  - b. Serving on a committee with other professionals will look great on your resume
  - c. Serving on a committee will bring you recognition in the professional community
  - d. Making professional contacts with experienced professionals well-known in the profession
2. Your marketing plan has been in place for six months, but the number of volunteers has not increased. Your board is evaluating the results at its quarterly meeting. When asked why the plan has not been successful, which of the following is the best plausible explanation for the failure to recruit more volunteers?
  - a. The goals are supported by strategies set by the board.
  - b. The launch of a new website was delayed by the contractor.
  - c. A one-time promotional effort was the focus of the strategy.
  - d. Market research is ongoing and should provide results soon.

B. You are the CSE of a statewide health care association that has been a leader in the industry for more than 45 years. Your association has three classifications of corporate membership. Growth has been continuous overall relative to new professionals and organizations coming into the workplace, although not equally per classification. You are working with the association's marketing committee on the strategic marketing plan for presentation at the annual meeting of your board.

1. What would your committee consider first in determining the overall marketing plan?
  - a. Market position
  - b. Professional members
  - c. Potential new products
  - d. An aggressive recruitment program
2. What would your committee consider the most important "key public" of the marketing plan?
  - a. Volunteer leaders of existing chapters
  - b. Readers of general interest publications
  - c. Subscribers of industry and trade publications
  - d. Non-member purchasers of association products

C. You are the CSE of a national trade organization, with a staff of 52 based in Washington, DC. You and your staff have a crisis plan that includes backing up data from your server stored in an air-conditioned, fireproof room in your office. While you and your key staff members are in San Diego for your annual meeting, the air conditioning unit in the server room crashed. The resulting "burn" has damaged the server beyond repair. You discover the extent of the damage when your registration coordinator is unable to register attendees via remote access.

1. Responding to board demand for a revised crisis response plan for the association, what is the best sequence?
  - a. Pre-crisis planning, policy formulation, determine the nature of the crisis at hand, accessing and using the plan, respond to the crisis in an orderly professional manner, evaluate the response
  - b. Pre-crisis planning, policy formulation, establish a communication /information center, determine the nature of the crisis at hand, access and use the plan, respond to the crisis in an orderly professional manner, evaluate the response
  - c. Pre-crisis planning, establish a communications/information center, policy formulation, determine the nature of the crisis at hand, access and use the plan, respond to the crisis in an orderly professional manner, evaluate the response
  - d. Pre-crisis planning, establish a communications/information center, determine the nature of the crisis at hand, access and use the plan, respond to the crisis in an orderly professional manner, evaluate the response, policy formulation

D. Your professional association publishes a technical journal. For the past 25 years, the editor of the journal has been elected, according to the bylaws, from the membership at the annual meeting. As the CSE, you feel this function is more of an operational role. The position should be accountable to you and filled by a staff person with publishing, advertising, and technical expertise.

1. What would be the ideal solution for this situation?
  - a. Leave the volunteer editor in place. This sacred cow of the organization should not be changed.
  - b. Volunteer editors are symbolic figureheads. Leave the position in place, but get the job done with professionals. Make a deal with the current volunteer editor.
  - c. The editor's position is one of status within the profession. Continue the practice of election at the annual meeting; however, shift the role to clearly be that of technical editor. Handle all other publishing issues in-house.
  - d. This could be a shared leadership situation. The editor position should be a staff position accountable to the CSE for the business concerns of the journal, and accountable to an editorial board for editorial direction, content, and juried articles.

## Section Review Considerations

After reviewing the content areas in this domain and your performance on the study questions, on what areas of the domain should your additional exam preparation focus?

- ☐
- ☐
- ☐
- ☐

## Reflection Questions—What Did You Learn?

- What “rules of thumb” or general principles apply in this domain?
- Did you discover any commonly held misconceptions about organizational management? If so, what did you learn from this discovery that you can apply in the future?
- What new information is important for you to integrate into your thinking and professional practice?

## Effective Practice Opportunities and Common Misconceptions

Public relations and external communications represent the face of the association to publics we seek to influence. In addition to the membership, we include legislatures and other policy-making bodies whose actions may affect the profession or trade positively or adversely. The practice of PR is not an “only when we need it” activity.

How do you begin to assess an organization’s ability to leverage issues management in its own favor? How does your current association determine target audiences? Are there some that seem to slip through the cracks occasionally? Do you ever wonder where “USA Today” gets its factoids? When was the last time your association research made that publication’s front page?

Event management, even in fundraising, benefits from managing issues unique to fund solicitation to assure our publics of our ethical approach. Sponsorships are nice, but the lesson learned from the AMA/Sunbeam debacle offers an important lesson for us.

When was the last time your association thoroughly examined its disaster policy? Have times changed in society or within your trade or profession that necessitate changes?

For answers to study questions, see “Study Questions Answer Key” beginning on page 211.

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# Section 4:

## Exam Day Preparation...and Beyond

### Preparing for Exam Day

You may just be beginning to plan your CAE study: working your way through this study guide, considering the advice of colleagues and mentors, engaging with a study group, and spending time quizzing yourself on the content to aid your ability to recall and apply what you have learned. However, it is natural and smart to think ahead to exam day and consider a number of things that will serve you well *as you are studying* and *just before and after exam day*.

That's the intent of this section. You'd be wise to read it at the outset of your study process and again in the few weeks leading up to the exam. While this section focuses on the final days and aftermath of the exam, its contents actually need to be absorbed to form and execute an effective study plan.

In the final few days before taking the exam, the best advice anyone can offer is to be gentle with yourself. Avoid last-minute exam-cram. Despite what your younger self may have gotten away with in college, it really doesn't work (see Section 2). If you've done a good job in designing and implementing your study plan, you're as ready as you can be. Once you've reached this point, it's time to relax and get into the right mindset for taking the exam.

### Get Into the Right Mindset

Most successful candidates reserve the last week or two for reviewing domain content and thinking “bigger.” What does that mean? For one thing, it's not about trying to learn new material or merely re-reading material in the hope it will finally stick in your brain. Remember the concept of spaced repetitions (see page 30 for refresher)? If you haven't learned the content by now, you won't have time for the spaced repetitions that aid your recall ability.

Instead, spend your remaining study time quizzing yourself to practice recalling the content. Do so with a strategy in mind: focus on your weakest areas first, as it's likely you need more repetition of the content in those areas. Take another look at the self-assessment questions at the beginning of each domain, and consider using flashcards. Retake the practice exam in Section 5, timing yourself again to practice the pace at which you'll need to complete the exam.

Pay attention to the questions with which you have difficulty; space repeated quizzes over several days, particularly in those areas. As you examine the correct answers provided in the answer keys, focus on understanding *why* a particular answer is the right one, not merely that you got it right or wrong. Then quiz yourself again. If you're in a study group or have a study-buddy, quiz each other, focusing on each others' weakest areas first.

### “Bigger” Content Ideas to Keep in Mind

Here, in no particular order, are some broad concepts to consider as you approach the date for taking your exam. They are reprinted with permission from “Bigger Content Ideas to Keep in Mind,” © 2014 by the Michigan Society of Association Executives, the host of the CAE Online Learning, East Lansing, Michigan.

- Answer questions from the perspective of a *chief staff executive* of an association. CSE's must apply a high-level or “System's Thinking” thought process to lead their association. The CSE must hold the whole organization as his or her primary concern rather than favor one department over another. The focus should remain on bringing value to members/stakeholders rather than the organization.
- The CSE is responsible for the aligned values and vision across the whole organization: board, staff, and membership. A CSE needs to focus on global competitiveness and strategic positioning of the association. Select answers that are appropriate for associations of any size and type.
- It's all about *accepted effective practice* in association management, not about what your organization or department does. Select answers that facilitate optimizing the association's effectiveness as a whole, rather than optimizing parts only to diminish the impact of the whole.
- Always apply the SPIE (Scan, Plan, Implement, Evaluate) framework when seeking solutions for problems, challenges, activities, and opportunities that present themselves in day to day activities.
- The CSE has to continuously scan the environment, prioritize strategies, and evaluate opportunities. Collect, evaluate, analyze, and make meaning of relevant data prior to acting.
- Consider the *cost of acting* vs. the *cost of not acting*.
- Consider your actions with LERP in mind:
  - Legal, (most important)
  - Ethical (very important)
  - Reasonable/Relational (important)
  - Practical/Procedural (not so important)
- Set the tone for open communications and build effective work teams and ensure a productive work environment. Interactions are typically: *member-to-member, staff-to-staff, board-to-board*. The board and CSE are partners with specific roles inside the partnership. The CSE implements the ideas of the board that is accountable for its governance to the members.
- Address conflicts first with the *individual*; then with the *smallest possible group*; move to a larger group only if the earlier interaction doesn't solve the conflict. For example: individual, executive committee, board of directors.

## The Last Few Days

**Rest!** You won't be at your best if you've stayed up late cramming five nights in a row. Dr. John Medina's *Brain Rule #7* (*Brain Rules*, Pear Press, 2008) clearly makes the case: "Sleep well, think well." According to the research, loss of sleep hurts your attention, working memory, mood, quantitative skills, and logical reasoning, among other things. Simply put, sufficient sleep helps you learn, retain, and recall the information you'll need to perform well on the exam.

**Eat!** Practice good nutrition; it's fuel to aid your body's preparedness and stamina. Eat well and regularly; this isn't the time to overindulge or go on a diet. Lots of fresh fruits, vegetables, and protein are best. Avoid heavy carbohydrates the night before and the morning of the exam.

**Hydrate!** Most people don't drink enough water. If you're one of them, during the last week or two before the exam, gradually increase your water intake until you're drinking six to eight glasses per day. It takes a little time to become well-hydrated! Yes, you might spend a little more time in the bathroom; however, water is critical to health. Don't drink enough, and you could dehydrate, which impacts your body's ability to function well. Hint: if you feel thirsty at any time during the day, chances are you're not hydrated enough.

## The Night Before

1. Stay away from your books and notes.
2. Eat a well-balanced meal.
3. Avoid alcohol.
4. Get to bed early and have a restful night's sleep!

## Exam-Day Tips

**Ensure you'll have what you need for the four-hour testing period.** A photo ID and your confirmation notice are needed to enter the testing center. The confirmation notice lists what you should bring. If you are sensitive to ambient noise, you might consider bringing earplugs. If you do, the earplugs could be subject to examination by the testing center staff. If you have special needs for the four-hour testing period, you should request accommodations when you submit your exam application.

**Arrive at the exam site at least 30 minutes prior to the exam.** Have your confirmation notice and a photo ID with you. Spend some of this time getting oriented to the site, find the restrooms, etc. Smoking, eating, and drinking during the examination are not allowed.

**Pace yourself.** If you timed yourself when you took the practice exam, as suggested in this guide, you have a sense of the pace you need to keep in order to finish within the allotted four hours. Some people find it helpful to quickly run through the exam questions and answer first those to which they immediately know the answers. Keep an eye on the time, yet don't stress about it. Take a break if you need to.

**Some questions may require you to consider both what is legal and what is right.** Choose the answer that is both.

**Answer every question to the best of your ability.** There is no penalty for a wrong answer, and you can't get credit for an answer you left blank, so be sure to mark an answer for every question. Over time, the exam pass rate has averaged approximately 70 percent. However, statistics indicate candidates involved with

a structured study plan—for example, using this study guide as a resource and/or participating in a study group—are likely to perform better.

**Treat yourself to lunch when it's over**, and make it a group lunch if everyone taking the exam is up for it. There's often a palpable sense of relief in knowing it's over!

**Don't go back to work** if you can avoid it. After lunch, go home and sleep or go do something fun...relax in whatever way strikes your mood.

*Last, yet not least...*

**Relax!** You've prepared, and you're ready for this!

## Taking the CAE Exam

The CAE exam is a practice-based exam, not a citation-based exam, meaning that more than likely you will not be able to go back to any resource and find the “correct” answer. The exam is given during a single, four-hour session at a number of scheduled test centers throughout the United States and internationally. As you are planning your study schedule, check [asaecenter.org/cae](http://asaecenter.org/cae) for specific exam dates available within your one-year exam window.

The exam consists of 200 multiple-choice questions. Each question contains four options or choices, only one of which is the correct or best answer. You will be asked to select the best answer from among the options—each of which may at first *appear* to be correct. Because the questions are scenario-based, memorization will not work for this exam.

In order to make the right choices for each question, beginning with the proper frame of reference is a must! The definitive frame of reference for the CAE examination is thinking as the Chief Staff Executive (CSE) of an organization of any type, budget, or size. This will be new territory for a staff specialist or even for the CSE of a small state organization. Thinking like a CSE requires a broad perspective. This perspective helps you grasp the implications of a decision on other aspects of the organization, for both short- and long-term results. As you think about and determine the most right answer to each exam question, make sure your perspective is one that would work for a CSE of any range of associations, from small to large.

The more complex questions on this exam are constructed to test your highest levels of analysis and synthesis thinking. The exam will test your judgment and decision-making abilities. Through your study and taking the exam, you'll discover commonly held misconceptions and effective practices in the field of association management.

For all of the above reasons you must be well-read prior to this exam. The breadth of association management encompasses effective practices in business, human resources, accounting, public relations, governance, meeting planning, education, and of course, volunteer management practices. The more widely you read, the more likely you will pick up those current effective practices in each of those disciplines.

## Keys to Reading Questions

Under the self-induced pressure of the actual exam, it is very easy to overlook key words. The list of words below will be important for you to be aware of as you read each question.



- Words that indicate **time** or **sequence**, such as: meantime, first, next, so far, or subsequently. The use of these words significantly changes the relationships in a scenario; misread the time relationship and you will get the question wrong.
- Words that indicate **cause**, such as: by, consequently, so that, on account of, considering that, presuming that.
- Words that indicate **addition**, such as: furthermore, besides, similarly, indeed, overall, in short, or to summarize.
- Words that indicate **reference**, such as: he, she, theirs, who, whom, which, that, where, when, why. Be certain you clearly analyze who is **he**, **she**, or **they**.
- Negatively phrased questions (e.g., except or not) are not used on the CAE exam.

### Thinking through Questions

A good strategy to use during your study effort and the exam, particularly when you aren't sure about the answer, involves the following steps:

- Identify what is true about the current situation.
- Identify similar situations from personal experience (your experience is important as you take the exam!), generalizations, or reference to authorities (e.g., your CAE readings).
- Identify what is known in the similar situations that may fill an information gap in the situation.
- Decide whether the situations are similar enough to warrant an inference about the current situation.
- Make an inference and choose your answer.

### Filters to Use to Discern the Correct Answer

Question writers develop their material using three parts for each question. Each question has a **stem**, the portion of the question that presents background and asks the question. The correct answer is the **key**. Other choices, no matter how plausible they may seem, are simply **distracters**. Distracter answers can sometimes shake your confidence in your knowledge level.

On the exam, one or more of the distracters will present as a plausible answer. When stuck between two answers, here are some questions you might want to ask yourself:

- Is one of these answers a generally accepted effective practice or a commonly held misconception?
- Is my answer, "It depends on what kind of organization you are?" Consider all responses and select the one that will work for ALL types of associations, not just some.
- Does this situation call for management through other individuals or through personal execution? Personal execution by a CSE is most likely needed in emergencies, in direct conflict with another individual, or in supervisory management of a direct report.
- Which answer offers the least liability to the association?

- Does the situation require a long-term or a short-term solution? Which of these answers offers the best long-term solution? If there is no indication in the stem of the question, consider the best long-term solution.
- Which of these answers focuses on the thinking of a CSE? Remember this exam tests your ability to think as a CSE!

### **Beware of Predicting**

Attempting to predict an answer or the interpretation of a question during the CAE exam is a large reason people do NOT pass the exam. Evidence from reading research shows that predicting by itself is not effective in improving comprehension and may even hinder it. As you read a question, do you assume you know what the question is? Instead of predicting, try reading the question backwards in order to slow down. Pay special attention to the ends of the questions.

Consider, at every step of the way, whether you're making assumptions: as you undertake the recommended readings, when you're discussing the scenarios and quizzing yourself during your study efforts and, ultimately, as you read and answer the exam questions.

### **Elaborate from Your Own Experience**

Your understanding of a question may improve by adding relevant information from your experience and the knowledge gained from your study discussions. Bringing experience into your thought processes generates new meaning as it links with the material you covered during your preparation. Elaboration may include things like generating an example of the concept, a relevant anecdotal situation, a related evaluation, a visual image that represents the statement, or a mental recognition that you don't understand some of the vocabulary in the question's stem. Elaboration like these examples aids your comprehension of what the question is really asking and helps you determine the answer.

### **Minimizing Re-Reading Time**

Some might suggest that on some of the more complex questions on the CAE exam, one of the answer options may be easy to eliminate. The thought behind this is that candidates can spend more time in assessing the remaining answers. However, this may not always be the case. There is no substitution for a thorough knowledge of the material.

As you read the possible answers to a question, mark each as true or false. This can make the correct answer obvious, and eliminate unnecessary re-reading. If you feel comfortable with an answer, don't waste time going back to it. However, if you're really clueless or find yourself questioning your answer, write the number down on your doodle sheet and go back to it later.

### A Final Exam Tip

One potentially daunting aspect of the CAE examination preparation and testing process is that for many candidates classroom study habits are long gone. The thought of taking an exam may cause many to shrink from the prospect. To be successful in this pursuit, recognize that you can control your exam experience. Prior to the exam, think about any tendencies you have to become fatigued or “zoned out” when you run into something you don’t recognize. Perhaps you become distracted at the very time you need to stay focused. What are the messages you give yourself as you experience these disruptions?

Knowing yourself in these situations is the key to strategizing for the exam. Prior to the exam, you may want to think about and write down a strategy for controlling your exam situation.

For example, if you recognize...

- ...that you get tired after 90 minutes of focused thinking, plan to take a break at that time.
- ...that you don’t think well when you are tired, you might want to start the exam with the longer-stemmed questions. Nobody says you have to start at Question 1 and go in order to the very end.
- ...that you are engaging in negative self-talk, intentionally stop those messages and start telling yourself, “I am smart enough to figure this out.” Your brain will believe it if you are consistent!
- ...there is something in the testing environment that is distracting you—for example, construction in an adjacent room, or the proctor is doing something that distracts you—call the proctor’s attention to it. You have the right to a reasonably distraction-free environment; the test site should accommodate that.

The value in the CAE study process is found not just in preparing to pass the exam. Its greatest value is in the gaining of new knowledge and discovering of new ideas, and thinking about how you can integrate these new perspectives into the work of your association. As a result, both you and your organization will most certainly benefit.

### After the Exam

After months of work, it’s all over in four hours—all, that is, except the waiting!

Immediately following the exam, take it easy. Arrange to take the entire day off work. You no doubt felt some stress just prior to and during the exam, and letting off a little steam when it’s over is a good idea. If you took the exam with your “study buddies,” go out for lunch together right afterward. If that’s not possible, agree to meet for dinner to celebrate “surviving” the exam. You’ll likely feel a strong need to talk about the experience, and the only people who will truly understand will be those who also went through it.

It takes about six to eight weeks for your exam results to arrive from ASAE. To assure confidentiality of results, you will be notified by mail; no results are provided via telephone, email, or fax. The time can seem to take forever; don’t be surprised if you start second-guessing some of your answers, and experience some anxiety about how well you *think* you did on the exam!

Stay in touch with your study group during this time, and if you've participated in an online CAE candidate community, remain active there as well. You can receive and give support as you all wait for your exam results.

### **The Results Arrive**

When the envelope arrives, you'll be excited and anxious at the same time! If you passed, share your excitement with your board of directors or immediate supervisor and co-workers! Do something nice for your family and/or friends to say thank you for giving you the space and support to get it right. Update your business cards to include the CAE designation after your name; make plans to attend the next ASAE annual meeting to receive the recognition due this accomplishment.

Let your study group know your outcome, too. Celebrate together if you all passed! However, with an average pass rate of 70 percent, it's possible that one or more of your colleagues will not have been successful. Be there to listen and support anyone in this position, as it's likely they'd do the same for you if your positions were reversed.

### **If You Don't Pass the Exam**

If you don't achieve a passing score, you will receive a diagnostic report with your results showing your performance in each content area. You can use this information to assist you in planning your study efforts for a future test. Meanwhile, do tell people. Talk with your study group or a mentor about it. You may not want to share your situation at first; however, people around you knew you were studying for the exam, and it's good to share what you're thinking.

The good news is that there is no limit on the number of times you can take the exam. Now that you've been through it once and know what to expect, you'll likely find the process easier the second time. For details on retaking the exam, visit [asaecenter.org/cae](http://asaecenter.org/cae) or contact ASAE's CAE staff at [caedep@asaecenter.org](mailto:caedep@asaecenter.org).

### **What's Next?**

Once you've earned the CAE credential, watch for opportunities to attend CAE-only functions at ASAE's annual meeting and other events. There are online CAE communities as well; the CAE community is a vibrant one, and will welcome you with open arms.

You must renew your certification every three years; your first renewal date will be the third December 31st after your certification date. To maintain the certification, a CAE must accumulate 40 CAE credit hours, one of which must be focused on ethics, and submit a qualifying completed certification renewal application by December 31st of the expiration year. Details about recertification can be found at [asaecenter.org/cae](http://asaecenter.org/cae).

# Section 5:

## CAE Practice Exam

### Introduction

The CAE examination is a knowledge-based examination consisting of 200 multiple-choice questions administered via a computer in a single four-hour time frame. It can be grueling; much like preparing for any other “endurance” activity, previous CAE candidates have found it helpful to take practice exams that both test knowledge and provide a sense of what the pace of the actual exam will be like.

Taking the practice exam in this section, as well as the version available online (see page 215), is the closest you’ll come to the actual CAE exam experience. Why? The CAE Commission graciously authorized release of these questions retired from the official exam item bank specifically for use in this CAE Study Guide. These questions are both indicative of the quality of questions asked on the exam and generally reflective of the distribution of questions by domain on a given exam. While they are intended to give you a better sense of the questions that may be asked, the actual CAE exam you take may include these types of questions as well as other similar types, in varying proportions.

### Using the Practice Exam

You may recall reading, in Section 2, that research indicates the best way to really learn new information is via spaced repetition using tests or quizzes that allow you to practice *recalling* the information. Merely re-reading the material is not effective for retention; besides, the CAE exam is based on application of knowledge; memorizing what you read will not work. That’s why there are self-assessment, study, and scenario questions throughout Section 3—they provide you with *one* way to practice (certainly not the only way you can do so). The CAE Practice Exam in this section and the version available online (see page 215) will take to a new level your previous practice in recalling and applying CAE knowledge.

When you feel you’re ready for the “real thing,” set aside two hours during which you will not be distracted or interrupted (half the question count of the exam, half the time allocated). Mimic the exam environment as much as possible: do not have available any snacks or drinks. Use a timer or alarm clock so you can set and forget a two-hour timeframe; focus on the practice exam and don’t worry about how much time has passed until you hear the alarm. You want to learn to pace yourself to ensure you can complete the actual exam in the allotted four hours.

Relax, and give it a try. After two hours or when you've finished, whichever comes first, take a break. Take a walk, get something to eat or drink, do some stretching exercises. Clear your mind for a bit before scoring your practice exam.

The answer key for the practice exam in this book is in Appendix D. While it may be tempting to peek at the answers before you try the exam, don't! You only hurt yourself if you do. As you score your practice exam results, avoid dwelling on a missed question and chastising yourself—at least until you've scored the entire exam.

If you do miss any of the questions, that's okay; expect it at this stage! You've taken the practice exam early enough—at least two to three weeks prior to your exam date—that you have time to review and examine the area(s) you missed.

### What If You've Answered Questions Incorrectly?

Once you're done scoring your practice exam, go back and read again any missed questions; take notes for each about the correct answer versus the one you marked, and note to which domain it pertains. Look at the exam as a whole; in which domains did you have problems? Were your incorrect answers centered in any particular area(s) of the exam content outline? Your review approach may be determined in part by the distribution of incorrect answers (e.g., in a single domain or spread across several domains).

Next, spend time examining each question you missed. Be purposeful! Avoid just looking at right/wrong answers; analyze the questions and answers to figure out why one answer was correct and other answer options were not.

Ask yourself these questions about each incorrect response:

- **What was my rationale in selecting the response I did?** Remember the exam is testing your judgment and decision-making abilities as the chief staff executive (CSE) of an association of any size or type. You must be able to analyze and synthesize information, so understanding your own response rationale is important in determining what went wrong.
- **Do I see why my answer was incorrect?** Once you are fairly certain you know where the flaw in your approach resides, look again at the question. Think through *why* your response was incorrect, and ensure you understand that rationale.
- **Do I see why the correct answer is the right response?** After identifying the reasons your response was incorrect, explore what made the correct answer the right one. Remember the exam is seeking the *most right* response, so being able to discern the subtleties within the question is an important skill.

While it may seem tedious, you will find this self-analysis of your practice exam results an important learning experience. If you're having any trouble in answering the three questions above, even for a single question, seek the aid of other CAE candidates, your CAE mentor, or another CAE to guide you through this thought process.

## The Study Group Advantage

If you are participating in a study group, you have an advantage over those studying alone: you have a built-in group with whom to bounce around ideas!

Here's one suggestion for an approach to the practice exam; it comes from previous candidates engaged in study groups who found it helpful! Consider scheduling a period of time during which each member of the group takes and scores the practice exam individually. Then, the next two or three times you gather to study, review and discuss together the questions members of the group missed. Again, focus not just on right or wrong answers, but on *why* the correct answers are the right ones. This discussion will also help you prepare for the exam by learning to think through the questions and answer options—something you'll need to be able to do when faced with the actual exam.

## Ready? Go for It!

By the time you've worked through this study guide and reached this point, the best thing to do is just sit down and take the abbreviated practice exam beginning on the next page. See how you do and go from there! You'll find the answer key in Appendix D.

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## Abbreviated CAE Practice Exam

1. An association has paid a deposit for an event to be held in the next fiscal year. How would this be classified on the statement of financial position?
  - A. Credit
  - B. Current asset
  - C. Current liability
  - D. Long-term debt
2. The type of insurance which provides financial resources to the association after the death of a chief staff executive is:
  - A. life insurance
  - B. directors and officers liability insurance
  - C. general liability insurance
  - D. key person insurance
3. The membership director of a national organization is seeking a local chapter's support to conduct a joint membership campaign. Most of the local members do not join the national organization. The most popular service of the local chapter is its technical expertise on the local regulatory environment. Which of the following should the marketing cover letter emphasize to encourage membership in the national organization?
  - A. The national organization's record on legislative issues
  - B. Regional seminars and workshops on critical business issues
  - C. The member-only online database of national regulatory trends and information
  - D. Opportunities to volunteer for national leadership positions
4. An association's board has passed a motion to expend the equivalent of 20 percent of the association's annual operating budget to fund a new initiative in the next fiscal year. There are only nominal funds in reserve. Which of the following is the best course of action for the chief staff executive to take?
  - A. Work with the finance committee to amend next year's operations budget.
  - B. Work with the board to identify funding sources.
  - C. Recommend that the board authorize a dues increase.
  - D. Direct staff to formulate strategies to use new programs to generate funds.
5. An association has decided to change its brand identity. The first step is to ask which of the following fundamental questions?
  - A. What benefits do our products and services currently provide?
  - B. What products and services are not yet being provided to our members?
  - C. What business is our association in?
  - D. How do our competitors please their members?
6. What percentage of an annual budget may a 501(c)(6) organization spend on lobbying activities?
  - A. 50%
  - B. 75%
  - C. 90%
  - D. 100%



7. What element of an investment policy is most critical to determining its success?
- A. Amount of capital available to invest
  - B. Level of risk
  - C. Diversity of investment vehicles
  - D. Measurable financial goals
8. Which types of budgets are most commonly used by associations for financial planning and reporting?
- A. Operating, capital, and cash
  - B. Capital expenditures and depreciation expense
  - C. Balance sheet and statement of activity
  - D. Incremental and zero-based
9. Member participation in the election of board members has been gradually declining. Which of the following is the most appropriate approach in determining the cause of this decline?
- A. Analyze the attributes of existing board candidates to discern member appeal.
  - B. Investigate new voting technologies to find ways of making voting easier.
  - C. Survey members to ascertain reasons for voting or not voting.
  - D. Evaluate pre-election communication with members regarding the candidates.
10. Using accrual accounting, when and how should a not-for-profit membership organization report dues payments received prior to the beginning of the fiscal year to which they apply?
- A. After the beginning of the fiscal year, as dues revenue on the statement of activities
  - B. Immediately, as dues revenue on the statement of activities
  - C. Immediately, as current assets/accounts receivable on the statement of financial position
  - D. Immediately, as current liabilities/deferred revenue on the statement of financial position
11. An association with several subsidiary corporations decides to create another subsidiary. Monitoring the activity of the subsidiaries has significantly expanded the length of board meetings. What governance solution for the new subsidiary should the chief staff executive recommend?
- A. An independent board should be formed to govern all subsidiaries.
  - B. The executive staff should serve as the board of the new subsidiary.
  - C. Management of the new subsidiary should be outsourced to an association management company.
  - D. All subsidiaries should adopt the same bylaws.
12. After an environmental scan, a national trade association determines that the only sector of the industry that is growing is also represented by a competing national trade organization. Discussions take place between the two organizations about a potential merger. Which of the following is the next step in the process?
- A. Both organizations' members should be surveyed to determine their opinions about a merger/consolidation.
  - B. Both organizations' members should meet jointly to develop a shared vision of a new, combined organization.
  - C. Both organizations should engage legal counsel to conduct a due diligence review of the other organization.
  - D. Both boards should agree on the process required to determine whether or not to merge/consolidate.

13. In examining next year's budget, the finance committee determines that dues revenue will be reduced by 10 percent. The committee charges the chief staff executive with identifying the best option for replacing this income. What is the best approach to meet immediate needs?
- A. Negotiate a joint venture or partnership with a larger association.
  - B. Brainstorm new promising nondues income streams.
  - C. Expand the current strongest nondues revenue source.
  - D. Expand grant proposal activities.
14. A member of an association's board is politically powerful and continues to champion a program that has lost money for the past three years. What should the chief staff executive do about continuing the program?
- A. Work with the staff to make the program profitable.
  - B. Have the membership vote on continuing the program.
  - C. Recommend that the board vote on continuing the program.
  - D. Provide the board with the financial impact of continuing the program.
15. Which of the following best describes binding arbitration?
- A. The third party makes a decision for the involved parties regarding the contested issues.
  - B. The third party makes two mutually acceptable recommendations for the contested issues.
  - C. The involved parties reach a mutually acceptable settlement with the use of a third party.
  - D. The involved parties negotiate a mutually acceptable settlement under the oversight of a third party.
16. A chief staff executive (CSE) is trying to develop a high-performing board. The best way to facilitate this is to
- A. help the board focus on policies, operating plans, and budget
  - B. solicit the board's input on key growth areas, programs, services, members, and revenues
  - C. help the board focus on its vision for the future, long-term direction, and strategic targets
  - D. encourage the board chair to work with the CSE to create a new vision statement
17. A board member of a medical association is asked to serve on the advisory board of a new organization that is developing a certification program which will be a competitor of the one the medical association administers. What should the board member do?
- A. Choose to be a member of one board.
  - B. Serve on both boards but disclose the conflict of interest.
  - C. Serve on both boards and do not disclose the conflict of interest.
  - D. Choose not to serve on either board.
18. Which of the following responsibilities should be performed by the chief staff executive?
- A. Hiring in-house counsel
  - B. Selecting the association's auditor
  - C. Establishing a board attendance policy
  - D. Selecting committee chairs
19. How can the chief staff executive best ensure staff's commitment to the association's mission?
- A. Include the mission in staff job descriptions
  - B. Display the mission in a public area

- C. Brainstorm expectations during staff retreats
  - D. Require staff to incorporate the mission in their goals
20. While negotiating a vendor contract, progress stalls. In considering a next move, the chief staff executive must be prepared to
- A. make an undesirable concession to jumpstart negotiations
  - B. walk away from the table
  - C. involve a third party for mediation
  - D. offer a counter proposal
21. While discussing overall job performance with a long-term employee, the chief staff executive learns that the employee has not embraced the association's upcoming internal reorganization. The employee's continued employment with the association will be best achieved by
- A. sending the employee to a strategic planning workshop
  - B. giving the employee a specific period of time in which to adapt to the new structure
  - C. involving the employee in the reorganization implementation process through a staff team
  - D. modifying the new structure to be more accommodating to the employee's needs
22. To what individuals or entities does an association bear responsibility with regard to professional and industry practices?
- A. Members only
  - B. The public only
  - C. Both members and the public
  - D. The profession or industry it represents
23. The board chair would like to move to web conferencing for executive committee meetings, but two of the four executive committee members do not agree. What is the next step for the chief staff executive?
- A. Take no action until a unanimous decision is reached by the executive committee.
  - B. Discuss hardware and software options with knowledgeable staff.
  - C. Conduct an analysis of costs and communication benefits of web conferencing.
  - D. Examine the association's long-range budget projections for technology.
24. An association's chief staff executive (CSE) serves on the board of a for-profit company. The CSE recommends that the two organizations partner on a project. Such an arrangement is best described as
- A. a common and acceptable practice
  - B. an effective business practice
  - C. a potential conflict of interest
  - D. an illegal activity
25. Which of the following is the best way to foster a culture of diversity?
- A. Elect a board that reflects the level of diversity in the membership.
  - B. Position diversity as a fundamental business principle.
  - C. Keep abreast of industry trends and demographics.
  - D. Hire a diverse staff that is reflective of the association's geographic location.



# Appendix A:

## ASAE Standards of Conduct

August 2011

### Preamble

More than 287 million people around the globe look to associations for their vision, their values and their effectiveness. With this role comes a great responsibility for associations to serve members and the public with integrity. To fulfill this responsibility, ASAE: The Center for Association Leadership's membership of association professionals, consultants, and industry partners are committed to ethical standards that promote the goal of transforming society for the better.

To join ASAE is to commit to work in accordance with its ethical standards and to encourage the development and implementation of the ethical standards within the industries and professions represented by its members.

The Standards of Conduct embody aspirational ethical standards. The aspirational ethical standards describe the conduct that individuals strive to uphold as ASAE members. Although adherence to the aspirational ethical standards is not easily measured, conducting themselves in accordance with these ethical standards is an expectation that members have of themselves as professionals. Among the aspirational ethical concepts which these Standards of Conduct embrace are those of respect, responsibility, fairness and honesty.

- *Respect* is demonstrating a high regard for one's self, others, and the resources entrusted to them. Those resources may include people, money, reputation, the safety of others, and natural or environmental resources. An environment of respect engenders trust, confidence, and performance excellence by fostering mutual cooperation—an environment where diverse perspectives and views are encouraged and valued.
- *Responsibility* is taking ownership for the decisions one makes or fails to make, the actions one takes or fails to take, and the consequences that result.
- *Fairness* is making decisions and acting impartially and objectively. A member's conduct must be free from competing self-interest, prejudice, and favoritism.
- *Honesty* is understanding the truth and acting in a truthful manner both in one's communications and in one's conduct.

## Core Ethical Standards

As an ASAE member, one should aspire to:

1. Respect and uphold public laws that govern one's work;
2. Be honest in conducting the member's business;
3. Respect the confidentiality of information gained through one's work;
4. Act fairly;
5. Foster an ethical culture through one's work; and
6. Take responsibility for one's conduct.

**ASAE Association Professional/Executive members\*** aspire to demonstrate ethical conduct by acting in the manner described in ASAE's Ethics Core Standards Addendum [see *Appendix B, following*].

\* The ASAE Association Professional/Executive member category encompasses the staff of trade and professional associations, philanthropic organizations, and association management companies, and includes association chief executive members, and association professional staff members of ASAE.

**ASAE Consultant members†** aspire to demonstrate ethical conduct by acting in the manner described in ASAE's Ethics Core Standards Addendum [see *Appendix B, following*].

† The ASAE Consultant member category encompasses those individuals whose primary service to ASAE members involves the sale of intellectual property or expert advice to associations or other membership organizations, and who are not full-time association executives.

**ASAE Industry Partners members‡** aspire to demonstrate ethical conduct by acting in the manner described in ASAE's Ethics Core Standards Addendum [see *Appendix B, following*].

‡ The ASAE Industry Partners member category encompasses those individuals who market to ASAE members, members of learned professions, government employees, and others who are not full-time association executives.

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# Appendix B:

## ASAE Ethics Core Standards

Core Standards	Association Professionals/Executives	Consultants	Industry Partners
<b>1. Respect and uphold public laws that govern my work</b>	Know and abide by the laws and regulations that govern nonprofit organizations and their entities.	Know and abide by the laws and regulations that govern the member's profession or industry and that of his/her clients.	Know and abide by the laws and regulations that govern the member's profession or industry and that of his/her clients.
	Encourage all stakeholders to respect and uphold the law.	Encourage all clients to respect and uphold laws and regulations.	Encourage all industry partners to respect and uphold laws and regulations.
	Ensure all contractual dealings are conducted fairly and in compliance with the law.	Ensure all contractual dealings are conducted fairly and in compliance with the law.	Ensure all contractual dealings are conducted fairly and in compliance with the law.
<b>2. Be honest in conducting my business</b>	Strive to create an environment in which others feel safe to tell the truth	Strive to create an environment in which others feel safe to tell the truth.	Strive to create an environment in which others feel safe to tell the truth
	Be honest and accurate in communications and in conduct particularly when describing one's knowledge, experience, expertise and credentials.	Be honest and accurate in communications and in conduct particularly when describing one's knowledge, experience and expertise to clients and when promoting one's services.	Be honest and accurate in communications and in conduct particularly when describing one's knowledge, experience and expertise to clients and when promoting one's services.
	Demonstrate transparency in the decision-making process and disclose all potential and actual conflicts of interest.	Maintain a transparent line of communication and fully disclose all potential and actual conflicts of interest.	Maintain a transparent line of communication and fully disclose all potential and actual conflicts of interest.
	Negotiate in good faith and provide all information material to the terms of the contract to the persons with whom the member is negotiating.	Present contracts that are clear, unambiguous and transparent to prospective clients and fully disclose potential costs within the defined scope of work to the client before beginning an assignment.	Present contracts that are clear, unambiguous and transparent to prospective clients and fully disclose potential costs within the defined scope of work to the client before beginning an assignment.

Core Standards	Association Professionals/Executives	Consultants	Industry Partners
<b>2. Be honest in conducting my business,</b> <i>continued</i>	Follow the employer's policies and procedures in the acceptance of commissions, remuneration or other benefits in connection with the scope of the member's employment.	Obtain client's prior written consent before accepting commissions, remuneration, or other benefits from a third party in connection with the recommendations regarding the client's business.	Obtain client's prior written consent before accepting commissions, remuneration, or other benefits from a third party in connection with the recommendations regarding the client's business.
<b>3. Respect the confidentiality of information gained through my work</b>	Disclose confidential information only with written authorization or when required by law.	Disclose confidential information only with written authorization or when required by law.	Disclose confidential information only with written authorization or when required by law.
	Protect confidential information, including information that is in the possession of staff or volunteers whose service to the association is ending.	Protect confidential information, services and products, including after the professional relationship has ended.	Protect confidential information, including after provision of services has ended.
<b>4. Act fairly</b>	Serve the interest of the member's organization through fair, honest and courteous dealings that help advance the association management profession.	Serve the interest of the member's client through fair, honest and courteous dealings that help advance the association management profession and consultancies.	Serve the interest of the member's employer through fair, honest and courteous dealings that help advance the association management profession.
	Represent one's organization at all times in a manner that reflects positively on the organization.	Represent one's client at all times in a manner that reflects positively on the organization.	Represent one's client at all times in a manner that reflects positively on the organization.
	Hold foremost the interest of the association that employs the member and its industry or profession; faithfully executing the member's duties and never using his/her position for undue personal gain and promptly and completely disclosing to appropriate parties all potential and actual conflicts of interest.	Hold foremost the interest of the member's clients and the industries or professions they represent; faithfully executing the member's duties and never using his/her position for undue personal gain and promptly and completely disclosing to appropriate parties all potential and actual conflicts of interest.	Hold foremost the interest of the member's employer and its industry or profession; faithfully executing the member's duties and never using his or her position for undue personal gain and promptly and completely disclosing to appropriate parties all potential and actual conflicts of interest.
	Avoid taking an unfair advantage of another person or entity through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.	Avoid taking an unfair advantage of another person or entity through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.	Avoid taking an unfair advantage of another person or entity through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.



Core Standards	Association Professionals/Executives	Consultants	Industry Partners
<b>4. Act fairly,</b> <i>continued</i>	Remain mission-focused at all times.	Remain client-focused at all times and provide services as presented.	Remain client-focused at all times and provide services as presented.
	Provide members, vendors, co-workers, and other stakeholders with all necessary information needed to make an informed decision.	Provide clients with all necessary information needed to make an informed decision.	Provide clients and co-workers with all necessary information needed to make an informed decision.
	Advance, support, and promote association membership and the profession of association management through word and deed.	Advance, support, and promote association membership and the profession of association management through word and deed.	Advance, support, and promote association membership and the profession of association management through word and deed.
	Approach directly those persons with whom one has a conflict or disagreement, when appropriate.	Approach directly those persons with whom one has a conflict or disagreement, when appropriate.	Approach directly those persons with whom one has a conflict or disagreement, when appropriate.
	Conduct one's self in a professional manner in all circumstances.	Conduct one's self in a professional manner in all circumstances.	Conduct one's self in a professional manner in all circumstances.
	Maintain and constantly reexamine my impartiality and objectivity, taking corrective action as appropriate.	Maintain and constantly reexamine my impartiality and objectivity, taking corrective action as appropriate.	Maintain and constantly reexamine my impartiality and objectivity, taking corrective action as appropriate.
	Actively encourage equitable access to opportunities in association employment, membership, volunteer engagement and development, meetings events, and activities.	Actively encourage equitable access to opportunities in association employment, membership, volunteer engagement and development, meetings events, and activities.	Actively encourage equitable access to opportunities in association employment, membership, volunteer engagement and development, meetings events, and activities.
<b>5. Foster an ethical culture through one's work</b>	Model and encourage the integration of ethics into all aspects of management of the association which employs the member.	Model and encourage the integration of ethics into all aspects of the member's firm's work and relationships with its clients.	Model and encourage the integration of ethics into all aspects of the member's firm's work and relationships with its clients.
	Pursue the objectives of the association that employs the member in ways that are ethical.	Pursue the objectives of the firm that employees the member in ways that are ethical.	Pursue the objectives of the firm that employ the member in ways that are ethical.

Core Standards	Association Professionals/Executives	Consultants	Industry Partners
<b>5. Foster an ethical culture through one's work, <i>continued</i></b>	Employ practices that exemplify "Social Responsibility" as it pertains to both the human and environmental conditions.	Employ practices that exemplify "Social Responsibility" as it pertains to both the human and environmental conditions.	Employ practices that exemplify "Social Responsibility" as it pertains to both the human and environmental conditions.
	Respect diversity and foster inclusion in all aspects of one's work.	Respect diversity and foster inclusion in all aspects of one's work.	Respect diversity and foster inclusion in all aspects of one's work.
	Build strong relationships with all to enable a culture of integrity and uncompromising ethics.	Build strong relationships with all to enable a culture of integrity and uncompromising ethics.	Build strong relationships with all to enable a culture of integrity and uncompromising ethics.
	Members inform themselves about the norms and customs of others and avoid engaging in behaviors they might consider disrespectful.	Members inform themselves about the norms and customs of others and avoid engaging in behaviors they might consider disrespectful.	Members inform themselves about the norms and customs of others and avoid engaging in behaviors they might consider disrespectful.
	Listen to others' points of view, seeking to understand them.	Listen to others' points of view, seeking to understand them.	Listen to others' points of view, seeking to understand them.
	Provide accurate information in a timely manner.	Provide accurate information in a timely manner.	Provide accurate information in a timely manner.
	Make commitments and promises, implied or explicit, in good faith.	Make commitments and promises, implied or explicit, in good faith.	Make commitments and promises, implied or explicit, in good faith.
<b>6. Take responsibility for my conduct</b>	Exhibit professional conduct that is a credit to the ASAE, one's employer and one's self, and strive to continually advance personal knowledge and achieve higher levels of excellence in one's profession.	Exhibit professional conduct that is a credit to the ASAE, one's client and one's self, and strive to continually advance personal knowledge and achieve higher levels of excellence in one's profession.	Exhibit professional conduct that is a credit to the ASAE, one's employer and one's self, and strive to continually advance personal knowledge and achieve higher levels of excellence in one's profession.
	Follow the established standards of the member's profession and ASAE's Standards of Conduct.	Follow the established standards of the member's profession and ASAE's Standards of Conduct.	Follow the established standards of the member's profession and ASAE's Standards of Conduct.

# Appendix C:

## Study Questions Answer Key

**In this answer key, numbered references are as follows:**

#1: *Association Law Handbook, 6th Edition*

#2: *ASAE Handbook of Professional Practices in Association Management, 3rd Edition*

### Domain 1: Governance

#### Study Questions

1. b #1, Chapter 14
2. d #2, Chapter 15
3. a #2, Chapter 14
4. b #2, Chapter 17
5. c #2, Chapter 15
6. d #1, Chapter 2
7. d #2, Chapter 17
8. c #2, Chapter 14
9. d #2, Chapter 17
10. c #2, Chapter 14
11. a #2, Chapter 15
12. b #2, Chapter 17
13. c #2, Chapter 17
14. a #2, Chapter 17

#### Scenario Questions

1. d #2, Chapter 15
2. c #2, Chapter 15

### Domain 2: Executive Leadership

#### Study Questions

1. d #2, Chapter 3
2. a #2, Chapter 3
3. a #2, Chapter 28
4. b #2, Chapter 4
5. b #2
6. d #2
7. a #2, Chapter 28
8. a #2, Chapter 3
9. c #2, Chapter 15
10. c #2, Chapter 15
11. c #2, Chapters 1, 15
12. d #2, Chapter 15
13. d #2, Chapter 1

14. b #2, Chapter 15
15. d #1, Chapters 11–13
16. a #2, Chapter 28
17. a #2, Chapter 28
18. c #2, Chapter 15
19. c #1, Chapters 11–13
20. c #2, Chapter 15
21. c #2, Chapter 19
22. a #2, Chapter 3

#### Scenario Questions

1. b #1, Chapter 24;  
#2, Chapter 3
2. a #2, Chapter 3

### Domain 3: Organizational Strategy

#### Study Questions

1. b #2, Chapter 10
2. d #2, Chapter 35
3. b #2, Chapter 11
4. a #2, Chapter 35
5. a #2, Chapter 7
6. b #2, Chapter 12
7. c #2, Chapter 9
8. c #2, Chapter 9
9. a #2, Chapter 13
10. d #2, Chapter 35
11. d #2, Chapter 21
12. b #2, Chapter 13
13. b #2, Chapter 13
14. c #2, Chapter 9
15. c #2, Chapter 9

#### Scenario Question

1. a #1, Chapter 8

### Domain 4: Operations

#### Study Questions

1. c #2, Chapter 7
2. c #2, Chapter 31
3. d #1, Chapter 88
4. d #2, Chapters 7, 31
5. b #2, Chapter 29
6. a #1, Chapter 16
7. c #1, Chapter 10
8. c #2, Chapter 30
9. c #2, Chapter 7
10. d #2, Chapter 7
11. a #2, Chapter 29
12. a #2, Chapter 29
13. d #2, Chapter 29
14. b #2, Chapter 34
15. d #1, Chapter 75
16. d #1, Chapter 67
17. d #2, Chapter 29
18. d #2, Chapter 29
19. a #2, Chapter 29
20. d #1, Chapter 17
21. d #2, Chapter 29
22. d #2, Chapter 29
23. c #2, Chapter 29
24. d #2, Chapter 30
25. b #2, Chapter 30
26. a #1, Chapter 32
27. d #1, Chapter 27
28. d #2, Chapter 33
29. b #2, Chapter 34
30. d #2, Chapter 34
31. d #2, Chapter 11
32. d #2, Chapter 7
33. c #2, Chapter 7
34. b #2, Chapters 13

35. d #2, Chapters 13

36. a #2, Chapter 34

#### Scenario Questions

1. d #2, Chapter 3

2. d #1, Chapter 61

3. d #2, Chapter 29

### Domain 5:

#### Business Development

##### Study Questions

1. a #2, Chapter 26

2. a #2, Chapter 26

3. c —

4. b #2, Chapter 23

5. d #2, Chapter 23

6. b #2, Chapter 22

7. a #2, Chapter 22

8. d #1, Chapter 67

9. b #2, Chapter 25

10. a #2, Chapter 23

11. a #2, Chapter 23

12. d #2, Chapter 38

13. c #2, Chapter 26

14. b #2, Chapter 26

15. c #2, Chapter 21

16. d #2, Chapter 21

17. c #2, Chapter 21

18. b #2, Chapter 25

19. c #2, Chapter 36

20. c #1, Chapter 95

21. a #2, Chapter 36

22. b #2, Chapter 24

23. d #1, Chapter 78

### Domain 6:

#### Member and Stakeholder Engagement and Management

##### Study Questions

1. a #2, Chapter 18

2. b #2, Chapter 18

3. d #2, Chapter 18

4. b #2, Chapter 21

5. a #2, Chapter 19

6. b #2, Chapter 19

7. c #2, Chapter 19

8. a #1, Chapter 66

9. a #2, Chapter 38

10. d #2, Chapters 18, 36

11. b #2, Chapter 32

12. a #2, Chapter 19

13. d #2, Chapter 18; also  
*Membership Essentials*

14. c #2, Chapter 18

##### Scenario Questions

1. c —

2. d #2, Chapters, 9 and 11

### Domain 7:

#### Advocacy

##### Study Questions

1. b #2, Chapter 37

2. b #2, Chapter 37

3. d #2, Chapter 37

4. b #2, Chapter 37

5. c #1, Chapter 51

6. b #1, Chapter 52

7. b #1, Chapter 96

8. d #2, Chapter 37

9. b #2, Chapter 37

10. b #1, Chapter 96

11. b #2, Chapter 37

##### Scenario Questions

1. b #1, Chapter 54

2. c #1, Chapter 51

### Domain 8:

#### Marketing and Communications

##### Study Questions

1. b #2, Chapter 38

2. d #2, Chapter 39

3. a #2, Chapter 39

4. a #2, Chapter 38

5. d #2, Chapter 38

6. b #2, Chapter 38

7. d #2, Chapters 11, 38

8. b #2, Chapter 38

9. c #2, Chapter 38

10. b #2, Chapter 36

11. d #2, Chapter 38

12. b #2, Chapter 38

13. a #2, Chapter 38

14. a #2, Chapter 6

##### Scenario Questions

A1. d #2, Chapter 38

A2. c #2, Chapter 38

B1. a #2, Chapter 38

B2. d #2, Chapter 38

C1. b #2, Chapters 1, 23

D1. d #2, Chapter 39

# Appendix D:

## Practice Exam Answer Key

1. B
2. D
3. C
4. B
5. C
6. D
7. D
8. A
9. C
10. D
11. A
12. D
13. C
14. D
15. A
16. C
17. A
18. A
19. D
20. B
21. C
22. C
23. C
24. C
25. B

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# Appendix E:

## Additional Practice Exam Questions

Section 5 contains 25 retired CAE exam questions as an abbreviated practice exam to help you get a sense of the types of questions that may be on the exam. Many more additional retired questions are available online to purchasers of this guide.

To request access, please email [books@asaecenter.org](mailto:books@asaecenter.org) with “CAE Study Guide 2020 exam questions access” in the subject line and provide your unique book registration number. The number, which begins with “AMP,” is printed on the inside back cover of this book.

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