

RISK & RESILIENCE IN UK TRADE ASSOCIATIONS

February 2024



Foreword

A trade association's central mission is to help its members, so it is no surprise that associations have had to develop more sophisticated approaches to risk and resilience.

I am delighted to launch this research in partnership with Partners&, a TAF partner and leading insurance advisory business, exploring how associations approach risk and resilience in their own operations.

In recent years, economic shocks, political uncertainty and the Covid-19 pandemic have had profound impacts on the global economy, whilst the UK has also had to adjust to new trading arrangements with the EU. Associations have been at the forefront of responding to these events, helping their members to respond, evolve and thrive despite sometimes difficult external forces.

That is what the association sector is all about - working together to solve challenges and support their member businesses to adapt to changing environments, whether that be new regulations, access to trade or embracing the technological revolution that is coming through increased use of AI.

Associations help businesses grow and thrive, providing opportunities, and supporting our economy. Ensuring the continued success of our association community should be a national priority.

As such, this research is intended to help the UK association sector understand the risks they face and what steps can be taken to address them. Our findings show that whilst the majority of associations are holding decent reserves, revenue in the sector is still largely membership-dependent and 33% of associations don't maintain an active risk register.

With more uncertainty on the cards in 2024, we need a vibrant and robust associations to help prepare, adapt and evolve for whatever comes next. It's no exaggeration to say that our economy depends on it.



Emily Wallace

CEO of the Trade Association Forum



About this report

Over the past few years, the risks that organisations have faced have grown. From global economic crises, Brexit, political shocks and uncertainty and the Covid-19 pandemic, ensuring your organisation has the resilience to weather the unexpected is vital.

Trade associations face these challenges like all other organisations, but also have the additional role of helping their members and their sectors at large not simply manage risk, but thrive.

This report, produced in partnership with the membership-specialist insurance advisory business Partners&, examines the risks faced by associations, how they are responding to a less certain world and what they can do to be better prepared in the future. Based on survey data from 128 UK trade associations, this represents a unique view of the association sector and its attitudes towards risk.



About TAF

Since our formation in 1997, the Trade Association Forum has been the 'association of associations' – encouraging the development and sharing of best practice among UK trade associations and promoting the role of effective trade associations to government, industry and the wider public.

The Trade Association Forum is the leading representative body for associations in the UK, helping our members to engage, improve and lead their sectors.

We work closely with the UK Government, as well as a huge range of partners and sponsors, to help our associations deliver value for their members. Membership is open to any trade association based in the UK.



About Partners&

Partners& is a Chartered insurance broker providing specialist insurance, employee benefits, risk management and claims advice to businesses and private clients. As a next generation insurance advisory business, Partners& combines the best traditions of broking, such as technical advice and client service, with modern thinking and intelligent use of technology, to enhance the client experience and create a dynamic workplace for its talented team.

In 2023, Partners& was recognised in a number of prestigious industry awards:

- UK Broker of the Year - The British Insurance Awards 2023
- Commercial Lines Broker of the Year – UK Broker Awards 2023
- Best Training Programme – UK Broker Awards 2023
- UK Broker of the Year – UK Broker Awards 2023
- Schemes Broker of the Year – Insurance Times Awards 2023

Other accolades include:

- Best Diversity & Inclusion Programme - UK Broker Awards 2021
- Best UK Start Up - UK Broker Awards 2021
- Best Diversity & Inclusion Programme - Broker Innovation Awards 2022

It has also been awarded its second gold Investor in Customers award demonstrating its commitment to delivering exceptional client experience.



The UK Trade Association Sector



Trade associations are membership organisations that bring together a group of organisations in a specific industry or sector.

Most trade associations represent specific verticals, such as housebuilders or pharmaceutical companies, though some represent horizontal groups such as manufacturers or small businesses.

Associations exist to help advance and protect their members' interests and to build industry consensus, drive up standards and help plan for the future.

There are close to 1,000 trade associations in the UK, representing every sector and specialism in our economy.

Key Facts about UK Trade Associations



63%

Are headquartered in London



96%

of turnover less than £5m p/a



71%

of revenue is derived from membership



52%

of costs are people



9%

average operating surplus p/a

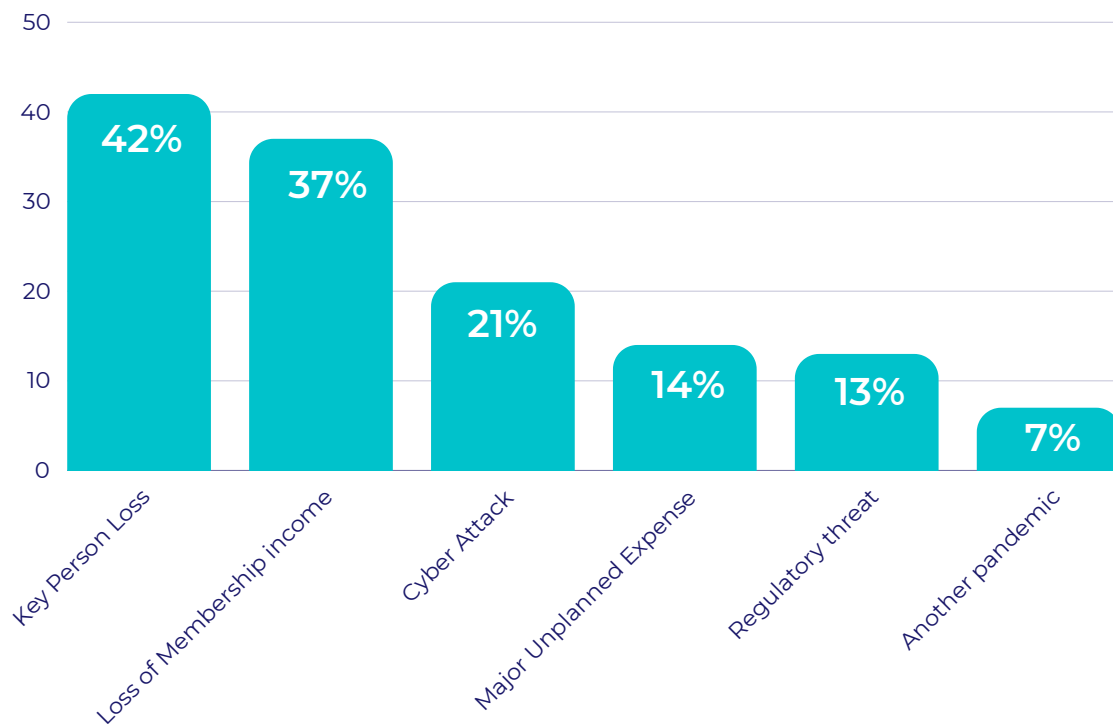
Risks Faced by Trade Associations

Drawing on the UK's largest survey of trade associations, we have uncovered the key risks faced by the association sector today.

In November 2023, TAF launched its annual Benchmarking survey - the largest trade association-specific analysis of the sector. Given the volatile external context, for this year we asked a series of questions about associations' attitudes to risk and how they were managing them for the first time.

The results showed that whilst many associations felt they were on top of managing risk, 36% of respondents did not have a risk register and the key concern amongst associations was related to key person loss.

What is the top risk faced by your association?

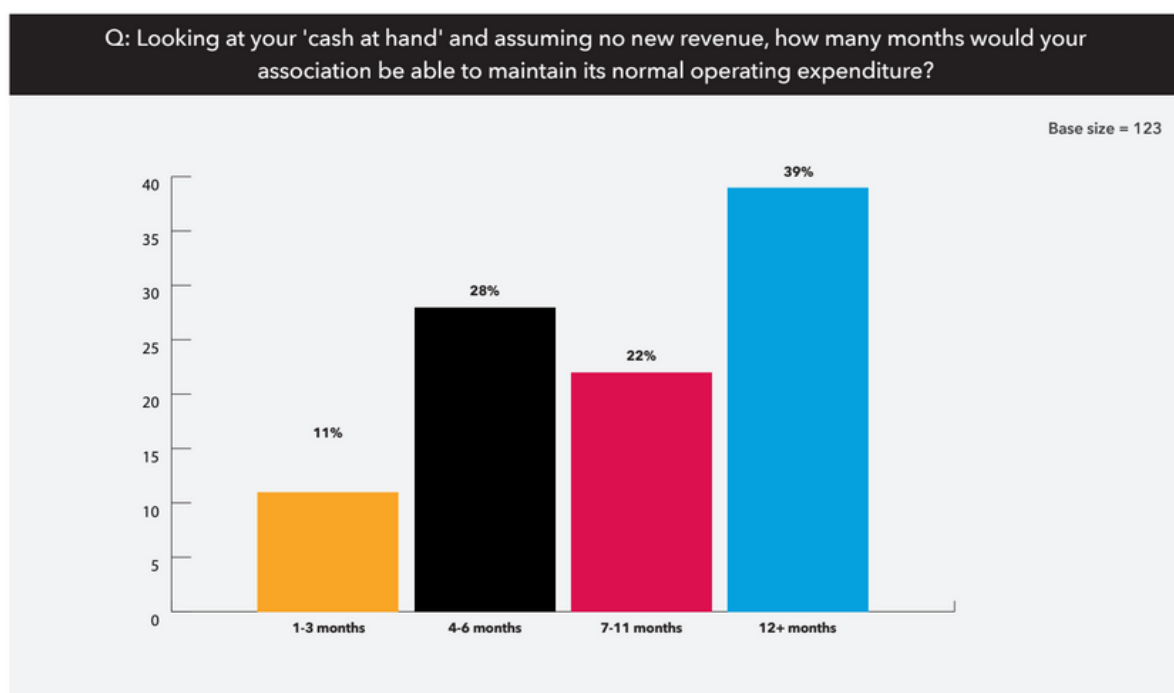


Rising costs and resilience



Whilst most associations are not-for-profit, the majority maintain healthy reserves to insulate them against rising costs or economic shocks.

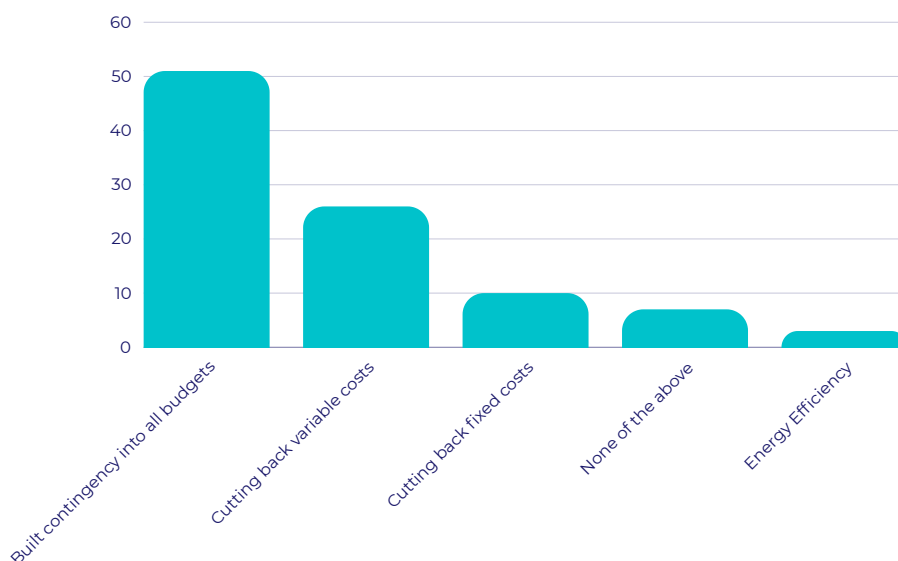
According to our survey, 39% are holding reserves sufficient to cover 12 months or more of operations, with 89% holding 4 months or more. This prudence makes sense when we reflect that 70% of income is dependent on membership subscriptions, with limited channels to exploit to raise revenues in the event of an unexpected shock. Just 11% of respondents reported to be holding 3 months or less in reserves.



Associations are also adopting prudence when it comes to budgeting in response to the volatile inflationary pressures - 51% of respondents have built contingency into all of their budgets going forward, whilst 26% are reviewing or cutting back on non-essential expenditure.

Just 6% of respondents said they had not taken any measures to respond to rising costs, whilst 3% said they were worried that rising costs could threaten their existence as an organisation.

What measures are you taking to respond to rising costs and inflation (if any)?



Planning for the year ahead

The start of a new year, is an opportunity to take stock, acknowledge your current position and embrace the plans for the year to come.

Understandably, taking a moment to reflect and reassess is easier said than done for many businesses, especially those that are still finding their feet after the turbulence of the last 12-24 months.

That's why at the beginning of 2023, we wrote to our clients announcing the launch of our inflation campaign – an initiative that seeks to support businesses as they navigate these uncertain times. Working in partnership with our clients to provide the level of advice that will help to build resilience into the foundations of your organisation as it grows.

Putting this into practice, what does this mean for the new financial year?



Yusuf Ali

Client Executive,
Partners&

[Find out more](#)



Key person loss

Despite their sizeable impact, the typical UK association is a lean operation.

Staffing costs make up 52% of total costs on average, but that represents an average FTE (full time equivalent) headcount of just 20 staff. This figure has risen year on year, reflecting the 67% of respondents who said they had recruited over the past year, but it is still not back to pre-pandemic levels - the average headcount was at 22.5 in the same survey in 2019 suggesting that, on average, associations continue to maintain leaner staffing models.

Q: Enter the total number of employees in your organisation (excluding consultants)						
	Mean	Lowest	Lower Quartile	Median	Upper Quartile	Highest
Overall	20.2	0.0	5.0	10.0	22.0	200.0
London & SE	25.0	0.0	6.0	13.0	27.0	200.0
Midlands	11.0	1.0	5.8	8.5	14.0	32.0
North	10.2	0.0	1.0	6.0	12.0	45.0
South West	4.3	0.0	0.8	2.0	5.5	13.0
East of England	26.8	2.0	2.8	6.5	9.5	134.0
Scotland	4.5	3.0	3.8	4.5	5.3	6.0

Base size = 110

Due to these lean staffing operations, it is unsurprising that key person loss was cited as the most common risk that associations are worried about. With limited staff numbers, the role of the most senior people (or sometimes single individuals) is paramount, and they hold a lot of organisation knowledge and responsibility, so losing them presents significant risks.

Across the board, however, recruitment and retention is a key challenge for associations.

Rising salaries

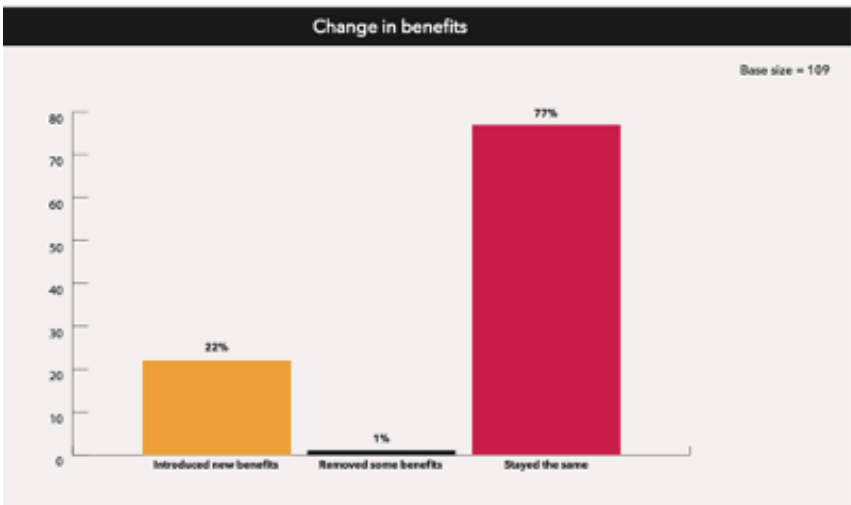
Despite persistent wage inflation in the sector over recent years, salaries still track behind the private sector and, for roles such as marketing and events that are in universal demand, retaining a strong team can be difficult.

Q: Thinking about how your new starter salaries compare to last year, are they?		
	2022	2023
	%	%
Lower	1	2
About the same	26	19
0-5% higher	21	26
5-10% higher	36	40
More than 10% higher	15	13

Base size = 125

Most associations respond to this by offering based on flexibility, softer benefits and emphasising the purpose-led nature of the work. According to our survey, 97% allow staff to work from home in some way, with only 14% mandating specific days in the office. 22% have introduced new benefits, most commonly support to help employees with their health and well-being, notably the introduction of private health insurance.

We also saw several associations enhance flexibility and extend holiday entitlements. A few associations told us that they had introduced schemes to support staff to buy an electric vehicle and others said that they were looking to introduce this.



Supporting employee financial wellbeing

Whilst money might not buy happiness, it can often be the root cause of stress, impact our overall wellbeing and even influence our performance at work.

From a business perspective, supporting your employees in this way could have a positive impact on retention, productivity and the overall success of your business.

An employee benefit programme to meet today's demanding needs



**Read the
Partners&
case study**



Significant drop in membership revenue

With an average of 71% of associations' revenue coming from membership, any significant changes can have catastrophic effects.

As we have previously explored, 71% of associations' revenue comes from membership subscriptions on average, whilst some associations report that they account for 100% in almost every size and location bracket. With such a high dependence on membership, it is no surprise that associations are concerned about any significant reduction in this revenue line.

Q: Please give the percentage of your turnover that is derived from your membership subscriptions						
	Mean	Lowest	Lower Quartile	Median	Upper Quartile	Highest
Overall	71	5	55	80	90	100
Very small	79	30	67	80	98	100
Small	75	18	62	85	90	100
Medium	70	30	60	73	90	98
Large	64	18	48	70	82	92
Very large	56	5	29	70	81	90

Despite the recent economic turbulence, membership revenues in the sector are on the whole still growing - with respondents on average reporting 6% net growth over the past 12 months.

However, given the sectoral focus of associations, the impact is not symmetrical and whilst some associations have experienced double-digit growth others reported net losses of up to 15%.

Membership attrition is not just driven by pure cancellations, increased consolidation of members via mergers and acquisitions can present real risks in some sectors, reducing the total number of potential members and potentially leading to the loss of larger members as they are subsumed.

Due to all these factors, revenue diversification is an increasingly important focus for associations with many exploring how they can expand the provision of services to membership. However for most associations, this is still a work in progress - in our survey, only 10 associations reported commercial revenues making up 50% or more of their revenues, though interestingly 3 of them reported revenues of £10m+ per annum, including the highest figure of 95%.

Q: Please give the percentage of your turnover that is derived from commercial partnerships and sponsorship revenue						
	Mean	Lowest	Lower Quartile	Median	Upper Quartile	Highest
Overall	15	0	2	6	20	95
Very small	10	0	0	2	11	70
Small	11	0	2	5	15	67
Medium	14	0	3	6	23	60
Large	19	0	5	10	25	67
Very large	27	1	7	12	34	95



Revenue Diversification Case Study

Partners& has built a successful partnership with TAF member NAPIT to develop their own-label insurance product, adding value to members and generating new income for the association.

The NAPIT Insurance offering was designed to provide another valuable service that the membership needs. The majority of NAPIT members are small businesses – either sole traders or involving one or two employees of a limited company. Insurance isn't something they have the time to spend researching – they simply need to find the right covers for the specific type of work they carry out, for the right price.

Working with both NAPIT and their insurer partners, Partners& carefully developed a tailored package based on the insurance needs of members and tailored to their sector. And it proved a great success.

Since October 2020, NAPIT Insurance has:

- Transacted over 5,000 policies, representing almost a third of the membership
- Achieved a total premium spend of approximately £1.7m GWP
- Generated more than £250k in revenue for NAPIT
- Anticipated annual revenue after three years expected of £175k p.a.
- Embedded the insurance offering as a fundamental benefit of joining NAPIT
- Achieved gold standard Investor in Customers Award, demonstrating our commitment to delivering a positive experience for members



Read the full case study on the TAF website

Cyber Risk

Cyber risk is the risk of exposing a business's data and communications systems to dangerous actors, either accidentally or through malicious actors, which can result in data breaches, operational disruption and significant costs.

Associations are particularly at risk to data security as they hold large data sets on members, and financial information, and are potentially seen as a soft target. More than 20% of organisations have been victims of cyber attacks in 2023, according to research.

Expert opinion

Cyber attacks are an ever-present threat to your operational resilience and can severely impact your organisation's ability to function normally.

Cyber events can be as damaging to a business as a fire or flood, so careful planning is essential to avoid costly interruptions. **Preparation is key.**

A cyber security breach can cripple your IT systems, anger customers, enrage shareholders, impact your bottom line, draw the unwanted attention of regulators, and even destroy your firm's hard-won commercial reputation. With 32% of UK business reporting at least one cyber attack in the past 12 months, preparing for cyber events is essential.



Matthew Clark

Cyber Director,
Partners&

What steps can you take to protect yourself?

It's crucial to prioritise cybersecurity to protect sensitive information, maintain the trust of your members, sponsors and partners, and safeguard your operations. There are some practical, affordable steps that organisations can take to mitigate the chance of falling victim to cyber attack.

- **Good corporate governance:** make information security a Board-level priority – conduct regular reviews, adopt best-practice processes & procedures and document everything.
- **Build a cyber-aware workforce:** train your people in information security, cyber threats, password hygiene, recognising phishing attempts (e.g. how to recognise suspicious emails), and social engineering awareness. 80% of cyber attacks succeed because of human error; through training you can turn your people into your first line of defence.
- **Adopt “security-first” infrastructure:** use firewalls, intrusion detection and prevention systems, secure Wi-Fi networks, and segment your network to limit access to sensitive information like membership or financial data.
- **Software and device patching programme:** regularly patch and update your network devices and software, including operating systems, applications and plugins to minimise vulnerabilities that attackers could exploit.
- **Authenticate:** establish Multi-factor Authentication across all email, Virtual Private Network (VPN), Remote Desktop Protocol (RDP), or other remote access, as well as Network / cloud administration or other privileged user accounts.
- **Encrypt Data:** encrypt sensitive data, both in transit and at rest, to prevent unauthorised access. Encryption ensures that even if data is intercepted, it remains unreadable without the decryption key.
- **Secure Data Storage and Backup:** implement secure data storage practices by using encrypted cloud storage or on-premises servers with access controls. Regularly back up your data (minimum weekly) and test the restoration process to ensure its availability in case of data loss.
- **Scan for vulnerabilities:** conduct regular domain scans and arrange regular (annual) penetration tests. Fix issues before they become problems.
- **Secure your Web presence:** ensure it is protected by using HTTPS encryption and keep software up to date.
- **Adopt strong internal financial controls:** to avoid or mitigate funds transfer frauds.
- **Incident response flowchart:** a diagram that helps steer your response, from initial discovery
- **Plan for disaster:** create incident response and data breach plans and test them annually.
- **Consider Cyber Insurance for your organisation.** This can provide a breach response service in the event you do suffer an attack. Insurers will pay for the services needed to get you back on your feet, as well as meeting any legal obligations you have to indemnify third parties whose data is breached.

For further information contact Matt Clark, Cyber Director, Partners&

How to manage risk in your Trade Association

While the majority of associations in our survey reported that they had an active risk management process, 33% of associations we asked didn't even have a risk register.

As we have previously explored, 71% of associations' revenue comes from membership subscriptions on average, whilst some associations report that they account for 100% in almost every size and location bracket. With such a high dependence on membership, it is no surprise that associations are concerned about any significant reduction in this revenue line.

Why have a risk register?

A risk register is a tool that enables organisations to systematically identify, assess and manage risks. At its heart, a risk register is simply a log of the risks faced by an organisation, their potential impact and probability and sets out steps to mitigating them, but the process of producing and regularly reviewing one is itself a form of proactive risk management.

By taking this approach, organisations can make better-informed decisions, allocate resources better and, should the worst happen, have agreed protocols of how to respond.



How to Develop a Risk Register

It can be hard to know where to start when producing your first risk register, what to include and what mitigations are appropriate. Below is a helpful 4-point guide to help you through the process:

1

Identify the risks

To start you need to identify all the possible risks faced by your association. This could include risks related to both internal and external factors, such as key person loss, loss of revenue, cyber-attacks, changes to market conditions or changes in government regulations.

2

Assess the probability & impact of each risk

Now you have identified your risks, you need to assess how likely they are to affect you and what the impact would be if they happened. Normally this will be done using a simple ranking system, or traffic lights. This process helps you to understand where you should prioritise managing your risks or putting in place mitigation or crisis response protocols.

3

Develop a Risk Management Plan

Next you need to decide how you will manage each risk, which will depend on both the likelihood of them occurring and the impact they might have. Your risk management plan should have clear actions with owners so everyone knows who is responsible for what.

4

Review and update regularly

You should schedule regular reviews of your risk register to assess whether the risks are still current, if any new risks have emerged and if your response plan is still appropriate. This is normally done on a quarterly, bi-annual or annual basis, and forms the backbone of your ongoing risk management plan.

Find out more

Wherever you are on your journey to managing risk, help is out there!

As we have seen through this report, managing risk should be a key part of your organisational strategy. Every organisation and every sector is different and will present different nuances to their risk profile, but many will be common to all sectors. The three top risks faced by associations - key person loss, significant drops in revenue and cyber - are common to all organisations, and there are lots of resources that you can access to help.

Both TAF and Partners& can also offer further help and support beyond what is included in this report:

How TAF can help



As the UK's association of associations, TAF has access to a great deal of specialised resources and contacts that can support any association that is looking to review its risk management processes. From how-to guides to webinars and peer support, we have a range of ways we can help - get in touch to find out more:

W: www.taforum.org | E: secretariat@taform.org | T: 020 8080 3316

How Partners& can help



You're not just a policy number to us, you're a real person, with a real business. No two businesses are the same, which is why we focus on protecting risk based on what we learn about your business and what we know is happening in your industry. Only then can we recommend a risk management approach that protects you, your business and your people when you need it most.

For more information, visit www.partnersand.com or contact Malia Brown, Marketing and Communications Director, on malia.brown@partnersand.com or follow us on our social media channels!

