Chambers of Commerce: The Basics
Produced by the American Chamber of Commerce Executives

Misconceptions abound regarding many brands, products and organizations. When it comes to the term "chamber of commerce," confusion and erroneous assumptions are even more likely, even though almost everyone has heard of the term. The lack of understanding is in large part self-inflicted because chambers in various towns, cities, regions, states and even nations focus on different things and actually operate in different ways. A chamber of commerce primer may be helpful. What follows is a "living" document produced by ACCE.

DEFINITION

A **chamber of commerce** is an organization of businesses seeking to further their collective interests, while advancing their community, region, state or nation. Business owners in towns, cities and other territories voluntarily form these local societies/networks to advocate on behalf of the community at large, economic prosperity and business interests. Chambers have existed in the US for more than two centuries, with many having been established *before* the jurisdictions they represent. A business-led civic and economic advancement entity operating in a specific space may call itself any number of things – board of trade, business council, etc. – but for the purposes of this primer, they are all *chambers of commerce*.

Chamber missions vary, but they all tend to focus to some degree on five primary goals:

1. Building communities (regions/states/nations) to which residents, visitors and investors are attracted
2. Promoting communities
3. Striving to ensure future prosperity via a pro-business climate
4. Representing the unified voice of the employer community
5. Reducing transactional friction through well-functioning networks

Chambers have other features in common. Most are led by private-sector employers, self-funded, organized around boards/committees of volunteers and independent. They share a common ambition for sustained prosperity of their community/region, built on thriving employers. Most are ardent proponents of the free market system, resisting attempts to overly burden private sector enterprise and investment.

Local businesses are voluntary paying members of a chamber (non-profits, quasi-public and even public sector employers also sometimes pay dues to belong). The membership, acting collectively, elects a board of directors and/or executive council to set policy for, and guide the workings of, the chamber. The board or executive committee then hires a chief executive (various titles), plus an appropriate and affordable number of staff to run the organization.

In the majority of countries, the use of the term "chamber of commerce" is regulated by statute, though this is not the case in the US. Only trademark, copyright and domain name rules protect a chamber's identity – only state corporation law defines their existence and reason for being. While most chambers work closely with government, they are *not part of* government and many consider the process of appropriately influencing elected/appointed officials to be one of their most important functions.

Currently, there are about 13,000 chambers registered in the official World Chambers Network registry. There are roughly 3,000 chambers of commerce in the US with at least one full-time staff person and thousands more established as strictly volunteer entities.

MEMBERSHIP

Under the private, volunteer membership model, which exists in the US and many other nations, companies are *not* obligated to become chamber members. Membership roles in a given North American chamber can range from a few dozen firms to more than 20,000, so there is no real "average" or typical chamber of commerce.

Chambers do not operate in the same manner as a Better Business Bureau or trade association, which can bind its members under a formal operations doctrine (and, thus, can remove them). Businesses and other employers pay dues to belong and expect to receive the benefits of membership as long as they continue to invest in the organization. They usually accept any reputable business as a member, though dues investment schedules can sometimes result in intended or unintended exclusivity.

It is important to note that in most cases it is the company that is the member, not an individual. A member company is then encouraged to involve numerous senior level employees in the work of the chamber. While five, ten or more individuals from a given company will identify themselves as "members" of the chamber, only the organization they work for is counted when a chamber states its size. A company is free to join (pay dues to) multiple chambers and many mid-size to large firms do so (especially neighbors), in order to further advance their companies' market or policy interests.

Dues amounts are typically determined by the size of the member company (employee count or annual revenue), rather than by the number of people engaged in the chamber from that company. Some chambers have adopted pay-as-you-go or funding models based on specific categories or quantity of services provided to member companies.

Occasionally, chambers will "bundle" memberships, allowing a single dues investment in one organization to qualify a company for membership in a group of chambers. This is sometimes referred to "federation" membership and it can even extend to the national level.

SERVICE TERRITORY

The geography of any one chamber of commerce – often referred to as "service territory" – is seldom defined by any political or legal jurisdiction. More likely, the territory is defined by the catchment area of a chamber's membership. The locations of the businesses that compose the membership tend to define the chamber's footprint and "claim" to a territory. Adjoining organizations often establish formal or informal understandings about borders.

Minority chambers – Hispanic, African-American, Asian – exist in many larger markets. Women's chambers, gay chambers, German heritage and other demographically focused business groups have been established around the country.

While a chamber's name (usually trademarked) is typically drawn from its approximate territory (The Greater Lehigh Valley Chamber or the Chicagoland Chamber), there are no rules governing the number of business-led economic advancement groups (chambers) that may exist in, or serve, a given plot of land. Just within the city limits of Chicago there are more than 20 chambers of commerce and similar organizations. Even where a county or regional chamber has been incorporated and established over generations, there may be dozens of local and town chambers operating independently within that same turf.

Why are there so many chambers? Historical circumstances, population fluctuations, differing ambitions and the needs of employers have all played a role in the formation of chambers. At the time many chambers were established geographic isolation underscored the need for separate organizations to represent local business and community issues. While developments in infrastructure, transportation and communications over the past century have better linked businesses with their peers in neighboring communities and even foreign countries, the chambers that represent those businesses have remained viable and vital institutions. Without a valid purpose, a chamber's board, members and funders would have abandoned them long ago.

As suburban and exurban populations blossomed, new chambers sprung up to promote the interests of business in those communities. In some cases, a crisis, like a hurricane, or an opportunity, like attracting a rail connection or promoting an airport expansion, has led to the formation of a chamber that remains viable for decades. New chambers have also been formed out of disagreements or disgruntlement about the direction, position or focus of an existing chamber.

Like other businesses, chambers also dissolve and merge based on economic or other conditions. Both the economic recession and increased focus on regionalism appear to be driving increased examination of the benefits of mergers.

RELATIONSHIPS

The chambers in the US and Canada are *not* bound together under contracts or government regulations. There is no chapter or franchise arrangement between or among them. There can be very strong relationships between neighboring organizations, but those relationships are voluntary and informal rather than required or written. Chambers interact with each other across the nation and the globe – many even maintain formal memberships in other chambers – but the network is informal. In the chamber world, nobody is "in charge" of anybody; a local chamber does not answer to a state or national chamber.

Local chambers are often, but *not always*, paying members of their state and national chambers of commerce. This connection is one of voluntary membership and does not extend to control or governance. A significant number of chamber executives also choose to join professional associations of their peers, such as the American Chamber of Commerce Executives, the Western Association of Chamber Executives, State Chamber Executive Associations, or the World Chambers Federation. These memberships are for professional development purposes similar to those of any trade association and, once again, the relationships do not involve the abdication of self-determination.

POLICY INDEPENDENCE AND COOPERATION

The most difficult aspect for the general public, media, government officials and even some businesses to understand is that there is literally no inherent hierarchical structure in the chamber world. This can be extremely confusing to those who naturally assume that a few thousand entities sharing the same name *must* be related and that some ordered lineage must exist among them. That is simply not the case in the US. When business and economic policy priorities align, which is usually the case, chambers of all sizes attempt to work together and speak with a unified voice. Inevitably, conflicting positions will arise about some issues, or about strong positions (or lack thereof) of chambers at various levels.

To illustrate, the head of a community-based organization like a retired citizen group may wrongly assume that a position taken by a state chamber is shared and endorsed by their local chamber. Likewise, a large metropolitan chamber of commerce could take a strong position in favor of an infrastructure project or educational reform initiative, which will not be embraced or supported by suburban chambers operating within the same metro region.

Or, a coalition of chambers might unite under the leadership of the United States Chamber (the national business advocacy organization representing hundreds of thousands of member corporations) to advocate for/against a bill affecting border crossings, but the coalition may include only a few dozen of the thousands of chambers in the US. Any individual chamber may take a very visible, contradictory stand on that same international visitor policy. On certain issues at certain times, the US Chamber can organize thousands of its member chambers and associations into a unified grassroots lobbying force. Many chambers have also voluntarily entered into a "Federation" relationship with the United States Chamber, which involves more consistent engagement in federal policy activities by both the local chamber and its members.

Since businesses are not required to join a chamber (penetration levels vary widely), and because territories overlap, it can be difficult for any one organization, regardless of size, to state that it "speaks for business," but they do. They earn that privilege by attracting numerous and large heterogeneous employers to their membership and leadership, as well as by utilizing their collective voice on meaningful policy initiatives. In general, the smaller the chamber (and community it represents), the less active the organization will be on the policy/advocacy front. Even small organizations, however, take stands on regional issues ranging from school funding to road development.

The processes of choosing and articulating specific policy positions vary by organization and issue. For the most part, a vote (or expression of consensus) of a chamber board of directors determines the stand to be taken in the name of *that* chamber on any issue. In recent years, with the increased involvement of public sector and non-profit employers in chambers, consensus-building has become more difficult at all levels. Chamber boards are independent, but they usually take into account the recommendations of state and national organizations when larger issues are considered.

The US Chamber and state chambers provide local counterparts with extensive background and adaptable sample documents. Local chambers then debate, adopt, adapt or reject the larger entities' recommendations. Likewise, local, regional and state chambers express their opinions about legislation specific to them, in hopes that their views will be shared, embraced and supported by others. The American Chamber of Commerce Executives provides access to a Policy Clearinghouse, which enables member chambers to share knowledge about state and local public policy issues and strategies being employed in various regions to deal with those issues.

Because the chamber world is not structured around an affiliate or chapter model, such disagreements cannot be solved by a controlling authority. Sometimes the disagreements cause destructive friction and bonds between chambers are broken. More often, chambers issue differing position statements and agree to disagree, knowing that the opportunity for cooperation on future issues will be critical for them all.

STRUCTURE

Chambers of commerce in the US operate almost exclusively as non-profit entities known as 501(c)(6) corporations. Unlike charities, these 501(c)(6) non-profits have the authority under state and federal tax rules to represent their members in public policy debates. They may lobby and take positions on actual or proposed legislation, subject to local, state and federal laws. Chambers may legally endorse candidates for public office and/or ballot propositions (but most do not). The use of general fund revenues for chamber political and lobbying purposes is strictly regulated. The chief executive or another member of the staff is sometimes a state-registered lobbyist. The portion of any member's dues investment allocated to direct lobbying is not deductible as a business expense.

Chamber business models and organizational missions vary significantly. Some chambers may offer services and products that appear to compete with businesses operating within their own territories. One group of chambers may affiliate with a service provider to offer discounts or other benefits to chamber members (from low-cost office products to health insurance), while another group aligns with a completely different vendor. As a rule, larger chambers tend to rely less on membership dues revenue than their smaller counterparts. About one-third of the chambers of commerce in the US also include economic development corporations and/or tourism and visitors bureaus. Virtually *all chambers have revenue sources other than dues*; event income is the most common.

Although a chamber is a non-profit entity under federal tax law, such a 501(c)(6) is free to undertake supporting business activities (referred to as "unrelated business income) – publishing, trade shows, insurance programs, etc. In many cases, these activities are subject to business income taxes.

Many chambers establish charitable/educational foundations, known as 501(c)(3) corporations, to support specific, eligible parts of the chamber's agenda. The allowable purposes and rules related to such supporting foundations are different than those that have been established for 501(c)(6) organizations.

(NOTE: In a few cases, for-profit chambers have been established in some communities. These business ventures are routinely shunned and fought by traditional non-profit chambers.)

The largest metro or state chambers may employ up to 100 people. The vast majority, however, have staffs numbering fewer than five and budgets under half a million dollars. Chamber professionals serve in jobs covering most of the disciplines found in other small businesses – communications, finance, marketing, customer service and event planning. Some chambers specialize in certain activities, such as economic development, tourism, research, and/or advocacy. Some provide staffing and management to development-related government agencies on a contract basis.

IF YOU'VE SEEN ONE . . .

The term "chamber of commerce" is one of the oldest and most well-recognized brands in the world, but there is significant public misunderstanding of its meaning. There is an old adage in the chamber world: "If you've seen one chamber, you've seen one." Others who find themselves frustrated with a desire to apply universal truths to chamber of commerce models point to the Chinese parable of the seven blind men touching different parts of an elephant and coming away describing it differently ("It's a snake . . . no it's a tree . . . no it's a brush on a rope . . ."). In all cases, the whole of a chamber of commerce is greater than the sum of its parts, programs, people and participants.

ADDITIONAL NOTES ON INTERNATIONAL CHAMBERS

In many countries around the world, membership in the chamber of commerce is mandatory under national laws, with fees collected under some part of the business permit or taxation process. These organizations are referred to as "public law" chambers. Many of them boast memberships in hundreds of thousands, since literally all legitimate businesses must belong. Chambers in the UK, Canada, Australia and Eastern Europe tend to operate on a voluntary membership basis like the US. In the European Union and much of Asia, public law chambers are more prevalent.

The government advocacy activities of these chambers are, of course, substantially different than those in the US, but many of the issues addressed by these public law chambers would seem familiar to chambers of commerce in North America – i.e. workforce, infrastructure, economic development, education, community image, etc. The issues are similar, but the business models are dramatically different, since they have government-sanctioned status, rather than corporate identities.

Many chambers around the globe belong to regional associations (i.e. Eurochambers, Mediterranean Chambers of Commerce). The World Chambers Federation ties a few thousand chambers from around the world together into one loose association, which operates under the auspices of the International Chamber of Commerce in Paris. The WCF meets every other year for a World Chambers Congress.

Entities nicknamed "Am-Chams" exist in many large markets around the world – i.e. The American Chamber of Commerce of Singapore, or the Egyptian Am-Cham. These organizations involve the American companies operating in these locales, as well as the local firms doing business with US firms. They focus on trade issues, but also on regulatory climates in the host countries.

To help chamber executives better communicate to media, elected officials and their own members, use this primer to answer questions about what chambers of commerce are and what they do, how they are structured and funded, and how they interact and cooperate. And, consider it for educating a new employee, building a deeper relationship with media outlets, or orienting a board member.