Table of Contents

- About the ASAE-Wiley Series
- Title Page
- Copyright
- Dedication
- Preface
- Acknowledgments
- Chapter One: A Prescription for a Successful CSE
  - Unique Position
  - Board Partner
  - Changing CSE Role
  - Deliver Results
  - Beacon to Others
  - Think Like a CSE: How You Think Is How You Lead Is How You Act!
  - Leadership to Successful Strategy
  - The CSE Sequence of Thinking
  - The Future
  - The Authors
- Chapter Two: Mission
  - Revisiting Mission
  - Mission and Leadership
  - Aligning Mission with Work
  - The Changing World of Mission and Leadership
  - The Board and the Mission
  - Mission of the Future
  - Responsiveness + Resolution = Return Member
  - Notes
  - The Author
- Chapter Three: Management
  - Management of Associations Compared with Nonprofits and Corporations
  - How Boards Affect Association Management
  - The Role of the CSE
  - Association Management Models
  - Alignment and Execution of Operations with Mission, Goals, and Core Competencies
  - Establishing and Managing to Performance Metrics
  - Succession Planning to Ensure Continuance of Progress to Goals
  - Systems to Promote Innovation, Management to Goals, and Adaptability
  - Human Capital Management
  - Notes
  - The Author
- Chapter Four: Managing the Complex Association Enterprise
  - The Manager
  - Making Sense of Complexity
  - The Enterprise
  - The Tools
  - Integrated Dashboard
  - The Lenses
  - The Enterprise Coordinating Body
  - Engaging, Sensing, and Responding

- Notes
- The Author

Chapter Five: Business Models and Economic Drivers

- Business Model Defined
- The Association Business Model
- Reimagining the Association Business Model
- Examples of Emerging Business Models
- Considerations in Business Model Assessment and Development
- Conclusion
- Notes
- The Author

Chapter Six: Identity and Branding

- The CSE's Role in Branding
- Assessing Brand Effectiveness and Equity
- The Rules
- Notes
- The Author

Chapter Seven: Financial Management

- Strategic Budgeting and Financial Planning
- Financial Reporting and Analysis
- Metrics for Financial Analysis
- Internal Controls and Attestation
- Tax Exemption
- Reserves
- Investment Management
- Summary
- The Author

Chapter Eight: Globalization

- Phase 1: Deciding Whether to Expand Globally
- Phase 2: Developing a Plan for Globalization
- Phase 3: Implementing the Globalization Plan
- Phase 4: Managing, Evaluating, and Sustaining Globalization
- Summary
- Resources
- The Authors

The Planning Continuum

- The Author

Chapter Nine: Environmental Scanning and Futures Analysis

- Categories of Change
- Components of Futures Analysis
- Components of an Environmental Scan
- Do It Yourself (DIY) Environmental Scanning
- Identifying Change Drivers
- Creating Your Preferred Future
- Notes
- Resources
- The Author

Chapter Ten: Environmental Scanning: A Chief Staff Executive's Perspective

- Multiple Models and Methodologies
- Developing a Strategic Radar Screen

Elements of a Strategy
Understanding Your Limitations
Maintaining the Environmental Scan
Avoiding the Whiplash Effect
Notes
The Author
Chapter Eleven: Strategic Planning
What Is Strategic Planning?
It Is Not Primarily About the Plan, It's About the Planning
Charter, Mission, and Vision
Core Values
Challenges and Opportunities
The Language of Planning
Who Does Strategic Planning?
How Is Strategic Planning Conducted?
Role of the Facilitator
Communicating Strategy
Notes
The Authors
Chapter Twelve: High-Yield Tactical Planning
Step 1: Setting Goals and Objectives
Step 2: Situation Analysis and Problem Definition
Step 3: Identification of Key Audiences
Step 4: Identification and Development of Vehicles and Tactics
Step 5: Creating the Tactical Plan: "A Matrix of Opportunities"
Step 6: Scheduling the Plan
A Handy Shortcut
Step 7: Budgeting to the Plan
Step 8: Evaluation
The Author
Chapter Thirteen: Business Planning
What Is a Business Plan?
Content of a Business Plan
Organizing the Plan
Driving Long-Term Revenue Success
Planning for Long-Term Expenses
Business Plan Accountability
The Authors
Governance: An Introduction
Notes
The Author
Chapter Fourteen: Governance Structures, Process, and Culture
What Is Governance?
Governing Documents
Board Policies
Board Authority and Responsibilities
What Makes a Board Effective?
Governance Structure
Governance Management
Conclusion

- Notes
- Resource
- The Author

Chapter Fifteen: Governance Relationships: The CSE and the Board

- Providing Advice and Guidance
- Roles and Responsibilities
- Nurturing Future Leaders
- Providing Role Clarity to the Board
- Facilitating Continuous Process Improvement
- Putting the CSE-Board Relationship in Perspective
- Notes
- The Authors

Chapter Sixteen: Volunteer Leadership Development

- The Volunteer Pathway
- Volunteer Leaders Need A Why
- Designing Volunteer Leadership Structures
- Volunteer Job Descriptions
- Types of Volunteer Opportunities
- Volunteer Selection
- Designing a Volunteer Leadership System
- Trends in Volunteer and Board Leadership
- Notes
- Resources
- Web Resources
- The Authors

Chapter Seventeen: Component Relations

- Why Components?
- General Types of Components
- Financial and Legal Considerations
- Strategic Alignment
- Component-Lead Relationship
- Volunteer Management
- Global Considerations
- Struggling Components
- A Hopeful Path Ahead
- Notes
- Resources
- The Authors

Chapter Eighteen: Membership Recruitment and Retention

- Serving, Leading, and Connecting
- Recruitment
- Retention
- Membership Models
- Defining and Measuring Success
- Notes
- Resource
- The Author

Chapter Nineteen: Standard Setting

- Definition and Rationale for Standards
- Content of *Professional* Standards

- Process for Development of Standards
- More on Assessment Choices
- Assessment Tools
- About Self-Assessment Rubrics
- Summary
- Notes
- Resources
- The Author

Chapter Twenty: Legal Issues in Association Standard Setting, Certification and Accreditation Programs, and Codes of Ethics

- Antitrust
- Intellectual Property
- Due Process
- Negligence
- Defamation
- Compliance with the Americans with Disabilities Act
- Federal Tax Exemption
- Steps to Minimizing Risk
- Resources
- The Authors

Chapter Twenty One: Developing and Managing Programs, Products, and Services

- Key Considerations
- Idea Generation
- Product Review
- Sunsetting Products
- Product Portfolio Analysis
- Implementation and Evaluation
- Notes
- Resources
- The Author

Chapter Twenty Two: Fundraising and Development

- Five Stages of the Fundraising Cycle
- Essential Considerations
- Role of Technology in Successful Fundraising
- Strategic Planning: Articulating Foundation Goals in the Context of the Whole Organization
- Tactical Strategies and Work Plans
- Implementation of Fundraising Strategy and Campaigns
- Resources
- The Authors

Chapter Twenty Three: Meeting and Event Management

- Program Development
- Choosing Your Format
- Budgeting
- Site Selection
- Conducting a Site Inspection
- Contracting
- Specialized Services
- Booking Speakers
- Marketing Your Event
- Exposition Management
- Housing

- Food and Beverage Functions
- Registration
- Security
- Printed Materials
- Leading the Team
- Onsite Management
- Evaluating the Meeting
- Emerging Trends
- Notes
- Resources
- The Authors

Chapter Twenty Four: Certification Principles

- Needs Assessment
- Assessing Resource Needs
- Legal Issues
- Developing a Certification Program
- Evaluating Performance
- Credentialing Trends
- Notes
- Resource Organizations
- The Authors

Chapter Twenty Five: Affinity Programs

- The Changing Landscape
- Program Types or Categories
- Value Proposition
- Choosing a Program: Guiding Principles and "Must Haves"
- Handling Inquiries
- Structuring the Program
- Responsibilities
- The Association
- The Business
- Marketing
- Drafting the Agreements for the Program
- Ongoing Management and Relationship
- The Future
- Resource
- The Author

Chapter Twenty Six: Optimizing Professional Development

- Responding to Change
- What Is Professional Development?
- Motivation to Participate
- Goals of Professional Development Programming
- Key Education Principles for the Non-Educator
- The Basic Building Blocks of Education
- Models of Programs, Products, and Services
- A Few Notes on Technology
- Organizing the Professional Development Department
- Summary
- Notes
- The Author

Chapter Twenty Seven: Strategic Leadership
- Demonstrating Interpersonal Effectiveness
- Cultivating an Innovation Culture
- Managing Ambiguity
- Developing Talent
- Nurturing and Sustaining Trust
- Committing to Social Responsibility
- Conclusion: Collaborating in Leadership
- Notes
- Resources
- The Author

Chapter Twenty Eight: Diversity and Inclusion
- Why Diversity and Inclusion Matters
- The Approach: Make D&I a Strategic Priority
- Strategic Direction
- Dashboard or Scorecard
- Conclusion
- Notes
- The Authors

Chapter Twenty Nine: Human Resource Management
- Recruitment and Retention
- Staffing Management
- Compensation and Benefits
- Managing the Work Environment
- Legal Compliance
- Hiring an HRM Executive
- Conclusion
- The Author

Chapter Thirty: Integral Technology Management
- Creating a "Living System" for a Changing Work Environment
- Approaching the Prospect of New or Integrated Technology
- Choosing Future Hardware and Software
- Scanning to Ensure Effective Technology Solutions
- Critical Staffing Questions
- Making the Buying Decision
- Planning for Implementation
- Business Planning for the Project
- The Author

Chapter Thirty One: Legal Issues
- Legal Audits
- Corporate Status
- Finances
- Tax
- Insurance
- Litigation
- Contracts
- Personnel
- Intellectual Property
- Association Programs
- Appropriate Protection

- Resources
- The Author

Chapter Thirty Two: Legal Liability Risk Management

- Who and What Do You Need to Protect Against and How?
- Managing Conflicts and Claims
- Member Insurance Programs
- The Authors

Chapter Thirty Three: Facility Management

- Essential Organizationwide Considerations for Effective Facility Planning
- Effective Implementation of Your Facility Management Plan
- Performance Evaluation
- Notes
- The Author

Chapter Thirty Four: Building Effective Industry Supplier Partnerships

- The Contract
- Developing the Business Relationship
- Monitoring the Business Relationship
- What If a Business Relationship Is Not Working?
- When Association Members Interact with Your Business Partners
- The Ethics of a Business Relationship
- Current Trends: Are You Getting the Best the Industry Offers?
- Acknowledging Your Business Partners
- Summary
- The Authors

Chapter Thirty Five: Knowledge Management

- What Exactly Is Knowledge?
- What Exactly Is Knowledge Management?
- Financial Considerations
- Leadership Considerations
- KM Principles and Process
- KM Repositories and Retrieval
- Conclusion
- Notes
- The Authors

Chapter Thirty Six: Research and Evaluation

- External versus Internal Research
- Setting the Research Agenda
- Specific Types of Research Projects
- Research Process
- Data Analysis and Interpretation
- Data Dissemination and Use
- Notes
- Resource
- The Authors

Chapter Thirty Seven: Government Relations, Public Policy, and Coalition Building

- If You're Not at the Table, You're On the Menu!
- The Role of the Chief Staff Executive in Association Government Relations
- Working with Your Board
- Board and Member Engagement
- The Association Government Relations Team

The Role of the Association Lobbyist
Developing Your Advocacy Plan
Email Action Alerts
Coalitions
Section 501(c)(3) Versus Section 501(c)(6) Organizations: Lobbying and Political Activities
Ethical Considerations of Lobbying
Lobbying Registration
Lobbying Disclosure
Political Action Committees
Requirements to Starting a PAC
Working with Your Other Association Staff
Notes
The Author
Chapter Thirty Eight: Marketing and Communications
Analysis and Data
Setting Goals
Developing the Plan
The Message
The Brand
Market Segments
Marketing and Communications Channels
Ready? Set? Execute!
Key Stakeholders
Back to the Goals
The Author
Chapter Thirty Nine: Publishing and Media
General Guidelines for Media Operations
Publishing with a Purpose
Matching Needs and Formats
Is It Still Relevant?
Content Development
Design for Readability
Staffing and Policy Considerations
The Business Considerations
Advertising
Circulation and Distribution
Books
Setting the Price
A Strong Link
Notes
Resources
The Authors
Index
End User License Agreement

List of Illustrations

Figure 3.1
Figure 3.2
Figure 3.3
Figure 3.4

Preface

We come now to the third edition of a book that has become the "go to" reference work in the field of member-organization management. Quite a leap for something with far more modest aspirations, first created almost twenty years ago.

As noted in the two earlier editions, *Professional Practices in Association Management* was first conceived of as the one-stop guide for those studying for the certified association executive (CAE) designation. In a burst of serendipity, the American Society of Association Executives (ASAE) board of directors at the time wished to identify the body of subject knowledge essential to managing the complex entities that nonprofit membership organizations are. It assembled the best and the brightest in this field and set for them the task of creating such a body. That group labored for more than a year, gathering information, opinion, data, and the critical taxonomy needed. As word spread of this endeavor, the effort quickly became known as the Body of Knowledge Project. When completed, it was a sparkling thing of beauty, instantly identifying everything known, and needed to be known, in the field of association management. I was serving on the CAE Commission at that time, and it became obvious to all involved that those creating the Body of Knowledge had just designed a guide for the CAE examination. Thus the fruits of all that labor quickly became adopted as the core framework for future CAE examinations and *Professional Practices in Association Management*. As society at large and nonprofit management in general evolved—sometimes almost to the point of revolution—so did the body of knowledge essential to managing in this field. The second edition of *Professional Practices* reflected those changes when it was published some eight years ago. And in what seems like a twinkling, those changes were surpassed and replaced with still more urgent imperatives, making a third edition absolutely necessary.

There are significant developments in this third edition, which is now titled *ASAE Handbook of Professional Practices in Association Management*. It integrates a focus on helping both CAE candidates and all association staff see how to think like a chief staff executive. Association management is populated with superb subject and functional executives, many of whom would never dream of, nor want, a CSE position. But wise ones know they have to *think* like their CSE in order to succeed in their own area of specialization. Thus the reader will note references in almost every chapter to the CSE perspective approach to management of a program, a project, or the entire organization. By thinking like a CSE, staff specialists will, in brief, be better in their own functional areas and will contribute more to the entire organization. In addition, planning has now been identified as a continuum, with many points across an extensive horizon. Each is sequential on that continuum, and taken together, they are invaluable for realizing optimal association management. And there is a far greater emphasis on the *business* of association management, from building different business models to identifying and acting smartly in the risk-management arena. There are other critical areas of both evolutionary and revolutionary change. Obviously, technology now permeates every aspect of association management, from something at once as simple and complex as social media to how association markets are now identified, how communications work with different audiences, how legislation and regulation are addressed, how financial issues are approached, and on *ad infinitum*. It is hoped that all are more than adequately addressed in this third edition.

In closing, it is a daunting task indeed to attempt thanking all the people involved in producing this work. Guidance was sought with and from other organizations in member-organization management. The work of three individuals, however, has to be recognized, for they were the *sine qua non* in making it happen. Creating the first edition was fairly much a solo act. The second edition was a working partnership between this writer and Baron Williams, CAE, ASAE's director of book publishing. This far more complex and detailed third edition simply would not have been possible without the additional, hands-on participation of Keith Skillman, CAE, ASAE vice president, publications, and Susan Radwan, CAE. Indeed, Ms. Radwan's contributions have been enormous. She helped identify and refine topical areas, coauthored two of the chapters, and wrote sidebars or original passages to still others. As a result of her insight gained in working for many years as an instructor in CAE preparation, she helped identify those issues most important to association executives in the field. Further, she was involved in review and editing of virtually every chapter in the book. But, collectively, it was a team effort, from the initial discussions of a third edition to what the reader now sees in this work.

So whether you are an individual sitting for the next CAE examination, a CSE, an aspirant to the chief staff role, a staff specialist who wants to better acquit your specialty, an individual new to member-organization management, or someone who just wants to "know what you need to know" in association management, it is genuinely hoped that *ASAE Handbook of Professional Practices in Association Management*, Third Edition, becomes the reference, the road map, the essential guide you are seeking to both thrive and succeed in this field.

Chapter One

A Prescription for a Successful CSE

Cheryl O. Ronk, CMP, FASAE, CAE and Susan S. Radwan, SMP, ARM, CAE

The success of chief staff executives (CSEs) can be tied to perspective and focus more than anything else. The CSE's perspective—the way of thinking about himself or herself, others, the team, the organization, and the positioning of the organization—is a key variable for success.

Perspective and focus alone, however, will not carry a leader. The CSE needs knowledge of association concepts and strategies while fostering important connections to provide for long-term success. CSEs must possess qualities that lead others toward a preferred future for the industry or profession. The CSE plays the pivot position to communicate, direct, and manage staff and volunteers, plus work with other entities as partners, collaborators, and contributors toward the preferred future.

What makes a successful chief staff executive? Many individuals who should be very successful, according to their credentials on paper, fail within an association culture. Yet others who did not hold comparative credentials to other candidates identified in the search process grew into very successful CSEs. There is no one magical element or combination. It is a combination of perspective, personal traits, knowledge, experience, communication style, and fit with the organizational culture that results in success.

What Does an Association Buy in a CSE?

When an organization selects a chief staff executive, what are they purchasing? Think about it. A scanner? A planner? A visionary? A leader? Consider the idea that they purchase culture and judgment.

The culture for the organization and the industry as a whole is heavily influenced by the long-term CSE. The CSE is responsible for the aligned values and vision across the whole organization: board, staff, and membership. The CSE's personal and professional values show through and set the tone for ethical behavior and organizational integrity. Staff asks for direction; the board asks for judgment. This judgment influences the culture and ultimately the brand of the organization.

Unique Position

One of the key elements of successful chief staff executives is that they understand their positioning within the organization. The board has primary authority and secondary commitment for the association. The CSE has the primary commitment and secondary authority for decisions made. It is critical for a CSE to understand this dynamic, recognize the appropriate role that needs to be played, and leverage the value that role can provide.

Inside this unique position, a CSE needs to offer the board and staff a skill set beyond being an "expert" in a particular area of association management or industry expertise. Savvy CSEs establish the role in the following ways:

- They evaluate and recommend strategy based on alignment to the mission.
- They collect, evaluate, analyze, and make meaning of relevant data.
- They determine positioning and present recommendations to the board.
- They recognize the role of and plan for an appropriately sequenced process that yields board and member support.
- They build effective work teams and ensure a productive work environment.

These avenues make for better strategic decision making and stronger member buy-in.

Board Partner

The board and CSE are partners, with specific roles inside the partnership. The CSE implements the ideas of the board, which is accountable for its governance to the members.

Appropriately, the CSE brings ideas to the board to advance and position the association. A successful CSE ensures that board members are informed about the direction and achievements within the

strategic plan, the capacity and efforts to expand the talent pool, and pursuits to enhance the industry or profession as a whole.

Much of the CSE's role is about working *on* the association so that it is relevant, efficient, and effective. The CSE often facilitates the board's work to create the *what* for the organization (for example, What is the preferred future? What strategies will be most effective? What values are important to our culture? What is member return on investment?) The CSE then works with staff on creating the *how*, or the means, to achieve the outcomes defined by the board. The CSE is the linchpin that keeps both alignment and focus on the right work. In essence, the CSE's role is synonymous with organizational performance.

Changing CSE Role

Not too long ago, to be successful, one had to know the other players in his or her industry; the association connection was the place to do just that. If you wanted referrals, you had to meet and greet. Who you knew was essential for effective communication and partnerships. Being elected to the board of an association equated to being at the top of your field. It was the ultimate recognition in the profession.

Over two decades ago, associations had a unique niche often related to why they were formed. Their "golden-handcuff" (affinity) programs were a guarantee of sustainability. Associations represented their members in the public policy, regulatory, or collective-bargaining arenas. The niche was driven by the members as a collective group, and the association only served specific needs that could be solved better together.

The formula for success was to follow a traditional association business model. For example, an association had to have a communications vehicle, a website, member education, a trade show, a public policy agenda, and the like.

Now we have moved to intensely analyzing what the members need and delivering it. The name of the game is "mass customization." Thus the successful CSE has to know what can be delivered from an entrepreneurial perspective, listen for member needs, and provide solutions.

We live in a nonstop, dynamic environment in which we have few models to follow. It is even more important now to not only listen to members but also "read between the lines" and create member-supported solutions. It is equally important to know what is changing in the environment that will significantly affect members and the association as an entity so that you can prepare to meet the demands of that future state.

This requires a way of thinking that considers the association's relationship to allied associations around the world, regulators, legislators, and global partners. A CSE needs to focus on global competitiveness and strategic positioning of the association.

It is essential to become an organizational designer. How the organization looked ten years or even four years ago may not be right any more. The CSE has to continuously scan the environment, prioritize strategies, and evaluate opportunities. Just because another organization is providing a specific service does not mean it is the right fit for your organization. In fact, if another organization is doing it, what should your organization do differently? What is your differentiated value proposition in the marketplace?

To be an effective organizational designer one has to be open to innovations from other industries or professions. Interacting with peers at the local, state, and national levels, industry leaders and leaders from other sectors through your association executive community, leads to the possibility of cross-pollination. As a CSE, it is essential to learn from others outside the profession you represent. To build on the brilliance of others, you have to reach out beyond your regular networks.

Consider the story of the chief executive officer of Federal Express who, during a business trip, visited a grocery industry trade show. He was introduced to barcode technology at this event, which at the time was primarily marketed to grocers. Tracking packages appeared soon afterward and is still one of the elements of FedEx's success. He saw the innovation as relevant for his own industry and leveraged the opportunity.

Staying within the same circles and hearing the same stories will get you the same results.

Deliver Results

Today, CSEs are asked to deliver results, not just activity—or reports on activity via dashboards or other means. Understanding the return on investment (ROI) for divergent stakeholders and communicating that ROI is essential in today's competitive environment. ROI communication can only be directed from the top of the organization.

Since today is different from yesterday, and tomorrow will be different from today, successful CSEs must have intentional learning about their personal and professional growth. Some CSEs believe they know all there is to learn and could teach other executives about leadership. Really? Do we ever truly master this profession? Savvy CSEs see the value of continual learning. Like the medical and legal professions, perhaps we should "practice" leadership. "Practice" means repetition, learning from the experience, and mastering technique; in other words, continual learning and coaching. Part of that "practice" might include gathering new tools to drive excellence in the field, being curious about how others think and achieve results, and being open to new perspectives that might optimize results.

Beacon to Others

As previously mentioned, the CSE is the linchpin that keeps both alignment and focus on the right work. The long-time CSE is the individual who is often in place longer than any board leader. The CSE must provide for continuity between volunteers and staff members who come and go. The long-term CSE provides stability to the organization and holds its institutional wisdom.

This wisdom recognizes the big picture of how a strategic plan builds upon previous success, and the CSE's perspective, if shared, can assist volunteers and staff in understanding how everything fits together. Leadership is essential in the CSE position, for it is the only position there is to create total alignment among the board, committees, task forces, and staff.

The CSE is compensated for creating the culture to achieve the preferred future, to make the judgments on how to accomplish it, and what opportunities should be considered to maintain the nimbleness of the organization. This high-level thought process is the accountability of the CSE.

Emotional Intelligence

A CSE with high emotional intelligence makes everyone better. That "model from the top" inspires both volunteers and staff to become continually better.

In general, emotional intelligence is the ability to practice ethical behavior, honesty, and integrity with yourself and others. According to social scientists, emotional intelligence includes

1. Knowing one's emotions; in other words, self-awareness.
2. Managing those emotions, which includes handling feelings in a way that is appropriate to the context of your situation.
3. Motivating oneself, operating from a place of emotional self-control—delaying gratification and stifling impulsiveness.
4. Recognizing emotions in others and practicing empathy.
5. Handling relationships, maintaining trustworthiness throughout the course of those relationships.

Those with high emotional intelligence understand the difference between authority and responsibility and expect themselves and others to be accountable for the proper use of authority.

Think Like a CSE: How You Think Is How You Lead Is How You Act!

From the top of the operational organization, a CSE has a unique position in the responsibility for the whole organization. To be successful, the CSE must hold the whole organization as his or her primary concern rather than favor one department over another. The CSE needs to be concerned about maximizing the whole by optimizing the parts of the association, rather than maximizing parts only to diminish the impact of the whole.

For example, in the budgeting process, if the CSE allocates funding to the government relations department at the expense of the IT upgrade, will that decision maximize or diminish the overall value

proposition to the members? Of course, the answer is, "It depends on the rationale." However, the question posed is a critical one for CSEs to consider in making decisions to allocate resources.

Successful CSEs build an aligned culture. CSEs need to understand the internal culture and strategize what it needs to become for optimal effectiveness in this time and place. Let's break this down in more detail.

The CSE recognizes the interdependent nature of what the organization does. He or she sees how all the parts have to be in good working order and in sync with each other to create the value proposition of the organization.

A successful CSE needs to exhibit advanced leadership skills. These skills go above and beyond the skill set of team-building, trust-building, and personal capacity-building. Advanced leadership breaks through traditional barriers of departments and going it alone. These advanced skills foster cross-functional teamwork and a culture of openness and continuous learning that results in

- Integrating organizational outcomes across all departments, which brings added-value to the membership
- Effective strategic positioning that creates global competitiveness and synergy through partnerships and alliances.

The CSE sets the tone for cross-functional teamwork: the leadership across teams. This is a difficult task because the CSE needs to bridge departmental turf to create an aligned culture that recognizes the interdependence inside the value proposition for members. Core to this culture is valuing diversity of viewpoints and perspectives. Better solutions are devised when different and relevant viewpoints are shared. Whether there is diversity of staff functions at the table or diversity of social experience, the synthesis of these shared perspectives will yield a much richer result.

When there is a shared vision for what creates value for members, positive energy will emerge that will move the organization forward. Savvy CSEs remember that people support what they help to create.

In this collaborative style of work environment, the CSE sets the tone for open communication in which feedback is sought, genuinely considered, and acted upon. This collaborative culture is much more effective than a competitive environment in which one department is intent on winning or dominating at a cost to others. To be effective in making the transition to this cultural style, the CSE has to inspire team leaders to be focused on outcomes for the members every step of the way.

Successful CSEs Master Systems Thinking

Successful CSEs apply high-level thinking to advance the association. This thinking, known as "systems thinking," synthesizes these concepts into an aligned whole:

- Focus on value to the beneficiaries, members, and stakeholders rather than the organization itself.
- Recognize and embody interdependence rather than independence.
- Focus on outcomes and bottom-line results rather than activity results.
- Focus on convergent solution-seeking rather than linear problem solving.
- Focus on the total organization rather than departmental silos.
- Foster cross-functional teamwork rather than siloed solutions.
- Foster a culture of openness and feedback rather than a closed environment to which outside influences can't get in.
- Foster a culture of communication and collaboration rather than a "not my job" delineation.
- Consider systemic changes rather than isolated change.
- Adopt circular cycles to foster internal learning rather than linear processes.
- Hold the whole organization as the primary concern so that you optimize the parts in order to maximize the whole.

Leadership to Successful Strategy

No CSE is successful without the leadership attribute. However, let's review here a few traits that set the best CSEs apart.

Communicating

Choosing the tone and frame of a message is one of the key elements of communication success. Watch any news program or read the newspaper and notice the tone and frame the spokespersons use to frame a situation so that others understand it.

The process for communication, however, starts with thinking through what you want to achieve. It begins with defining, "What is my desired outcome for this communication?" For example, is it the desired outcome to alarm? To energize action? To inform? To create peace of mind? Once you decide, then consider appropriately framing and crafting the message.

When framing an issue, the CSE needs to think about how to position the issue so that the language chosen and the message crafted connect with the audience and the desired outcome is achieved.

For example, how would you frame a message for your board when a significant segment of membership has not renewed? You might frame the message in terms of comparative results, such as "As many organizations have experienced in this economic downturn, membership has decreased." Or you might frame the message in terms of a crisis to solve, such as, "The drop in renewals is a clear indication that we need to evaluate our relevance to the membership." Or you might frame the message in terms of long-term impact, such as, "If we continue to lose members at this rate, we will need to close our doors or merge." You might frame the situation in terms of a commonly understood metaphor, such as, "We view this loss more like a spring pruning, when we can make room for new growth." Which frame will achieve the desired outcome?

Successful CSEs layer tone in their communication as well. For example, if you have bad news to share, do you create a "just the facts" tone, a "remorseful" tone, a "panicked" tone, or a "serious crisis" tone? There are many options, but the bottom line is that the CSE's communication must always take a professional tone. The choice of tone used will heavily influence the response of the receiver of the message.

The frame and tone you choose are critical to create the desired outcome of the message.

Delegating

To be a leader means there are followers. The job of the CSE is to create an environment in which people can be productive. To be productive, delegatees have to see that they are contributing to the accomplishment of some goal or outcome. This usually requires giving initial guidance, tools, resources, and a degree of autonomy to do the job.

Delegating could be to volunteers, partners, or staff. Communicating about a project, including the rationale and the expected results, clearly allows for more effective delegation. Structuring what is needed, by when, and why can result in better productivity. Of course, appropriately matching talent to the project is part of the assignment as well. Fit your people to the job.

CSEs understand the importance of providing direction and then trusting but verifying that the work is being accomplished. They establish and check in on milestones, not specific tactics, with the delegatees.

Managing Growth and Change

One of the best tools for managing growth and change is business planning with a keen eye on the flow of money, sources of revenue, and the feasibility and sustainability of revenue streams.

CSEs see how all the pieces fit together and what may need to be realigned for new direction and opportunities. Successful CSEs manage the processes that run through the association's departments, rather than the silos created by departmental boundaries. Examples of processes that run through departments include revenue generation, membership retention, and knowledge management.

Aligning with Mission

Shiny pennies. This is a term used to describe distractions that catch the eye of leaders and staff. A program may sound great and be sold as a revenue generator—*but* does it relate to what we do? Is it in alignment with our mission or our strategic plan? When a *shiny penny* does align, it is the CSE, and in larger organizations, the senior team, who sets the tone across departments to make sure the concept is properly vetted, planned, and implemented. As a manager, she or he assesses the impact and opens capacity, if appropriate, by eliminating activities that are no longer productive.

Successful CSEs assess and learn when to say yes and no. They do their homework with a focus on mission. They scan the environment and assess opportunities with clear criteria. They sense when to take risks and assess the level of risk that will be tolerated by the volunteer leaders.

Creating a Learning Organization

The CSE needs to set the tone and lead continuous learning for the industry or profession, the association's members, and the organization as an entity. What does this mean? It means that knowledge is freely and regularly shared and highly valued. It also means that insights of how this knowledge affects work processes, jobs, initiatives, and opportunities is shared. It is learning through each and every interaction and conversation. It is seeking to understand rather than seeking to be understood. A successful CSE models how to listen to shared experience and draws out lessons to be learned, applied, and integrated into the way we think and do, and encourages others to follow in this path.

We live in a nonstop, changing environment. Association leadership not only guides their members through these changes but actively shapes the future and responds to changes that will better the industry or profession.

The CSE Sequence of Thinking

Successful CSEs play out a particular sequence of activities in seeking solutions as they come across problems, challenges, activities, and opportunities that present themselves in day-to-day activities. One such way of framing that sequence is *scan, plan, implement*, and *evaluate*, or SPIE.

This sequence is applicable to any situation, be it a major transformational change for the association, an accusation of wrongdoing at the staff level, or planning for a meeting.

A misconception is that an effective CSE will recognize a problem and quickly jump in and *do* something about it. This command-and-control approach is only effective if the CSE is dealing with a crisis when people and property are at risk, such as there is a fire in your building and evacuation is necessary. However, that "jumping in" impulse is not the best option in most situations. In fact, that *implementation* phase—the *doing something* phase—is really the third step in the desired sequence of action.

A successful CSE is *not* an impulsive player. For success, a CSE knows that one needs to have all the relevant facts to execute appropriate action (*a scan function*). "Knowing what I want out of this situation before I jump in" is the *plan* function.

All four of these steps are process oriented, offering a particular thinking sequence that will lead one to or toward the desired result.

Let's look at each of these steps in the sequence.

Scan

The process of scanning is all about intelligence gathering at whatever level is relevant to the situation. Scanning could include assessing how you feel about an issue, gathering facts about an interpersonal conflict situation, scanning past events to assess where you are today, observing the interactions between managers and their subordinates, conducting a survey with relevant players to understand how they think about an issue or what they need in a solution, environmental scanning to understand the influences at play, and even future environmental scanning to anticipate how change drivers will affect the association and its members.

A successful CSE will scan for the relevant intelligence, including facts, contributing factors, motivations, and pertinent relationships, to fully understand the issue before planning a response.

Plan

Any planning process implies that you wish to make some change in the environment. Identifying the change—beginning with the end in mind—creates an efficiency in the planning, allowing the planner to identify the key steps in reaching the desired goal. Consequently, the first step in any plan of action is to answer the question, "What is the desired outcome?"

It would be important to note that you may desire multiple outcomes. For example, what is the outcome you want to achieve at the end of the process? What is the outcome you want to achieve among the players in the process? What is the outcome you want to achieve as you personally engage in the process? Identifying the outcomes for all the various levels involved will point to certain ways to plan your implementation process.

For example, you have an interpersonal staff conflict that you must address because it is impeding progress of your senior management team. What is the desired outcome you wish for your intervention? *Resolution of the conflict*. What is the desired outcome you wish for the players involved? *Mutual respect, valuing differences, and shared resolution to the situation*. What is the desired outcome

you wish for you in the intervention? *Become less reluctant to deal with tough interpersonal issues, better understand the interpersonal dynamics of strong personalities.*

The planning should consider the process to be used, who should be involved, and how you might frame the messaging, all focused to achieve the desired outcome. You may want to pre-think likely objections to your actions and be ready for appropriate responses that will override the objections presented.

The *process* to be used is a critical component of planning. The politics of who gets invited first or who sits next to whom in a high-level meeting at the head table is the stuff that creates hard feelings and political faux pas. For a CSE, designing and sequencing the process is a critical task for effectiveness and success in achieving the desired outcomes.

Implement

Executing your plan is the focus of implementation, rather than impulsively "jumping into the fire" and making things happen. Implementation requires focus on the end prize—your desired outcomes. Effective execution of your plan requires that your actions track with your plan. Of course, there are times when you need to make modifications, particularly when you run into unplanned responses. However, tracking your actions with your plan will likely get you a better overall result versus "shooting from the hip" in the moment.

Evaluate

Evaluation is a space that we tend to forget as a key to process improvement. Evaluation can take place during the process (formative process evaluation) and after the process (summative evaluation).

In formative process evaluation, you continually evaluate your every move and assess whether it advances the likelihood of achieving your desired outcomes. If the planned moves are not leading in the right direction, you have to modify your plan.

In summative evaluation, you debrief on the process used, identify the lessons learned in the experience, and ultimately integrate those lessons into your future activities. This activity is critical to being a learning organization.

The Future

If you are the CSE of an organization or hope to be one in the future, take to heart the importance of continually learning to master the profession of association management. Learn how to stay connected to your leadership, staff, and partners to build trust and avoid surprises.

Be intentional and strategic in your knowledge, relationships, and perspectives. Learn from every interaction. Observe and listen. Align your decisions to be consistent, since this is what sets the culture and brand of the organization and influences the profession as a whole.

The Authors

Cheryl O. Ronk, CMP, FASAE, CAE, is the chief staff executive of the Michigan Society of Association Executives (MSAE).

Susan S. Radwan, SMP, ARM, CAE, is the owner of Leading Edge Mentoring, an international consulting firm based in Grand Ledge, Michigan. Since 1996, Ronk and Radwan have partnered to teach the MSAE-sponsored CAE online exam preparation program, supporting CAE candidate learning around the world.

Chapter Two

Mission

Kerry C. Stackpole, FASAE, CAE

Mission is the pathway to the hearts and minds of your membership, donors, customers, stakeholders, and the public. Done well, a mission statement illuminates and reflects their values and aspirations. Without those aspirations, your organization is just another business enterprise, jockeying for revenues from a fickle marketplace defined by measures of lesser means and values.

Don't misunderstand. Believing in dynamic capitalism, revenue generation, and spirited entrepreneurship are noble causes. Believing that making money is the core purpose of not-for-profit organizations confuses their essential role of serving, instead of selling. If this is confusing, or seemingly at conflict with your experience, that is completely understandable. Not-for-profit organizations of all shapes, sizes, and purposes have partnered with commercial for-profit interests for decades to deliver perceived value to their members in the form of group buying discounts and other types of benefits.

We live in a world in which commerce crosses over into not-for-profit missions in ways few would have imagined. As just one example, the factories that bake Girl Scout cookies surely benefit financially from the $800 million generated by Girl Scout cookie sales to fund local Girl Scout councils. Cookie sales are the cornerstone of the group's ability to fulfill the Girl Scouting mission at the community level, "to build girls of courage, confidence and character, who make the world a better place."

The U.S. Internal Revenue Service has clear definitions of how it sees the role of tax-exempt organizations, which generally must file an annual Form 990 or Form 990-EZ information return with the IRS. For example,

- 501(c)(3): The exempt purposes set forth in section 501(c)(3) are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and preventing cruelty to children or animals. The term *charitable* is used in its generally accepted legal sense and includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.
- 501(c) 6: The Internal Revenue Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

A business league is an association of people having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Trade associations and professional associations are business leagues. To be exempt, a business league's activities must be devoted to improving business conditions of one or more lines of business as distinguished from performing particular services for individuals. No part of a business league's net earnings may inure to the benefit of any private shareholder or individual and it may not be organized for profit to engage in an activity ordinarily carried on for profit (even if the business is operated on a cooperative basis or produces only enough income to be self-sustaining).

Your organization can be tax-exempt without being not-for-profit, and vice versa—though most associations are both. The authority for tax exemption derives wholly from the federal government, whereas the categories of nonprofit or not-for-profit are—except in cases of quasi-governmental agencies (such as the American Red Cross)—granted exclusively by the corporate authority granted state government. In its simplest form, the designation of nonprofit or not-for-profit requires that no one who supports or serves the organization make a profit. While state statutes vary, none limit a not-for-profit organization's ability to earn a profit, create reserves, buy property, or otherwise engage in activities to support their mission and purpose. This unique distinction often serves to confuse board leaders, members, donors, stakeholders, and the general public. It is easy to understand why.

Federal law mandates certain limitations. In recent years the Internal Revenue Service has required tax-exempt organizations with gross income of $1,000 or more (gross income is gross receipts minus the cost of goods sold) from a regularly conducted unrelated trade or business to file Form 990-T and to pay taxes on that income. This amount has changed over time, and it's always good to confirm the reporting thresholds with your auditors. IRS regulations clearly define the rules. "Unrelated trade or business income is the gross income derived from any trade or business regularly conducted and not

substantially related to the organization's exempt purpose or function (aside from the organization's need for income or funds or the use it makes of the profits)."

So how does a leader reconcile the increasingly blurred border between commerce and commitment—serving or selling—in a marketplace holding high expectations and demands for effective and efficient solutions to the challenges of an industry, profession, community, or charitable cause? As Socrates reminded us, the "beginning of wisdom is the definition of terms." In this case defining your mission is at the heart of it all.

Revisiting Mission

The mission in its most basic form defines why your organization exists and what you as an organization leader are here to do on behalf of all stakeholders.

The purpose of a mission statement is to define the organization's business. What are we are here to do? Who do we serve? How will we accomplish our purpose?

Mission is often intertwined with purpose and values. A scan of the leadership and management literature sometimes uses these words interchangeably.

Unless you were a founding member of your organization, you will most likely inherit the mission. It is exceedingly rare for mission to receive more than passing attention even as organizations grow and change and consider new strategies and directions over the course of their existence. Unlike the vision statement, which is often reworked to calibrate with strategy, mission is viewed as bedrock, underpinning the very reason for the existence of the organization. That need not be so.

One of the chief staff executive's responsibilities is to ensure that mission aligns with strategy, value, and purpose as well as with the activities and initiatives of the organization. If the elements are out of alignment, the task for bringing them back falls to the CSE and the governing body.

On occasion, even with a beneficial and clear mission, a revision or reconsideration may help bring greater focus and deliver significant benefit. One such example is the American Red Cross, whose original 1900 charter articulated the mission, "To furnish volunteer aid to the sick and wounded of armies in time of war, in accordance with the spirit and conditions of the conference of Geneva of October, 1863." In subsequent revisions, the Red Cross came to today's considerably broader mission: "The American Red Cross prevents and alleviates human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors."

Take a moment to consider these two mission statements. More than anything, seen in comparative fashion, they acknowledge the evolving purpose and goals of the American Red Cross in an understandable and clear fashion. While not widely understood, mission is taking on greater significance as members, donors, contributors, and stakeholders consider their decisions to engage with membership and charitable organizations. Research by ASAE explored this question in the course of collecting data from 16,944 individuals to create *The Decision to Join* study, written in 2007 by James Dalton and Monica Dignam.[1]

In their research, Dalton and Dignam point out that associations face a dilemma in answering questions surrounding mission. While individual perspective is a consideration, they point out that the real organization question comes down to, "Who are you and what utility do you offer?" The need for a member, donor, contributor, or stakeholder focus—a customer-oriented view—is critical to overcoming the inherent limitations imposed by a "producer oriented" view.

The reasons this becomes so important are made clear by shifts in the way the next generation of members, donors, contributors, and stakeholders are likely to engage with associations and charitable organizations in the future.

Charitable giving is developing a new face as the new wealth displaces the old wealth as major sources of philanthropy and giving. Where the names Rockefeller, Ford, Mellon, and Carnegie were once the predominant sources of vast giving power, they are being supplanted by new names such as Gates, Bono, Buffett, and Case, and organizations created by celebrities such as Sonja Sohn, whose experience on the streets of Baltimore filming the HBO hit series *The Wire* inspired her to create Rewired for Change to empower at-risk youth, families, and communities living in underserved areas through educational programming, community building support, and media and social advocacy.

There are new philanthropy models emerging as well. Venture Philanthropy Partners (VPP), created by technology moguls Raul Fernandez, Senator Mark Warner, and Mario Morino, invests in high-performing nonprofit organizations that are serving the core healthy developmental, learning, and educational needs of children from low-income families in the greater Washington, D.C., area. Rather than serve as a funder, VPP aspires to serve as a trusted advisor, helping great leaders build stronger, more effective, more enduring organizations to better serve children. The venture fund's investments

are not intended to fund program costs. Instead, the focus of every VPP investment is helping leaders build the strength of the organization behind their programs, often referred to as "organizational capacity."

Mission and Leadership

One of the greatest challenges for leaders is honoring the mission of the organization as part of day-to-day leadership. Keeping the reason your organization exists at the forefront of your leadership may seem unnecessary; however, it is shockingly easy for mission to be subverted in the pursuit of competing needs.

Every organization needs resources to accomplish its mission. The two largest are human (members, volunteers, donors, staff) and financial (revenues, contributions) capital. In pursuit of securing these critical resources, leaders wrestle with a daily barrage of opportunities to exchange access to the organization's human capital typically for financial gain. Consider the number of tax-exempt organizations offering health, life, and property insurance programs; group buying discounts; 401K plan administration; bookstore publications; or other professional services to their members, donors, or other stakeholders.

Mark Levin, CAE, CSP, is an association executive and professional speaker who specializes in helping associations grow their membership. When reviewing membership literature as part of his membership workshops, he is fond of asking association leaders the question, "What is all of this stuff?," referring to the myriad programs and services offered universally by organizations. Is your organization's rental car discounting that much better than another organization's? How about book discounts? Can you truly compete with Amazon, and should you try, if it's not a core component of your mission?

As leaders it's easy to rationalize our decisions to add yet another discount program or to justify the next "partnership" because in the broadest form it leans into our mission to educate, advocate, or enhance our member's or donor's interests. The real question is, is it at the core of our mission? Straying outside the strictest interpretation of your mission may be a resource necessity; however, straying too far may bring the unwanted attention of regulators and the sudden departure of valued members, donors, or stakeholders.

In 2012, leaders of the Susan G. Komen Foundation, the nation's largest nonprofit devoted to preventing, treating, and curing breast cancer announced the organization was eliminating $680,000 in funding for breast cancer screenings conducted by Planned Parenthood. The foundation issued a statement at the time saying it cut funding to Planned Parenthood as part of its effort to "evolve to best meet the needs of the women we serve and most fully advance our mission." While Komen ultimately reinstated the funding grant, the damage to the foundation's "charitable brand" and reported declines in contribution resulted in major leadership realignments within the organization and prompted cutbacks in other grant giving.

In 1997, members and outsiders criticized marketing plans by the American Medical Association to allow Sunbeam Corporation exclusive use of the AMA logo on its medical wares. Although the AMA did not plan to test the devices, the deal was expected to bring in millions of dollars for the association. In the resulting furor, there were allegations the AMA was seeking deals with private companies to make up financial shortfalls resulting from declining membership. Ultimately the debacle cost three association leaders their jobs, the CEO stepped down, and the American Medical Association found itself in the midst of a crisis affecting both the board's oversight and the organization's reputation.

While there are likely other situations of similar nature, the real purpose of sharing these stories is to encourage leaders to exert a higher degree of caution and due diligence in decision making when considering activities and services outside the circle of your organization's primary mission.

Aligning Mission with Work

Working to ensure the integrity of mission to the vision and goals of your organization is vitally important to avoid critical missteps. One of the ways leaders ensure the integrity of an organization's efforts and its mission is to conduct a regular audit of the organization's products and services to examine both their value and their alignment with organizational mission. While often described as "mission impossible," sunsetting programs that do not align with your mission is an essential part of overall strategy. In some instances, the shifting needs of your membership, donors, or stakeholders may require a revision to the organization mission. A regular review of the activities of your group gives you a basis to explore, examine, and act as necessary to ensure that you remain on course.

In his research book *Good to Great and the Social Sectors*, author Jim Collins makes the point that aligning purpose and mission relies on asking the right questions. Collins in his work on aligning actions and

values suggests leaders ask themselves and those around them, "If these are our core values and this is fundamentally why we exist, what are the obstacles that get in our way?"[2] It is not an idle question.

As a leader you are likely familiar with the idea that you cannot truly motivate anyone to do anything. You can, however, remove the barriers to motivation to encourage forward progress. Determining precisely what allows your organization to thrive and removing the obstacles to success offers a parallel pathway worthy of consideration and implementation.

The Changing World of Mission and Leadership

Over the past century, as businesses and professionals formed not-for-profit organizations to represent, support, and sustain their chosen industry or profession they have more actively engaged in bringing along the operational structures, titles, and frameworks to many not-for-profit organizations. The chief staff executive's title has followed a historical migration from secretary or executive secretary to managing director, then executive director, on to executive vice president and, for many organizations —trade, professional, or philanthropic—finally to president and chief executive officer.

This has led to considerable confusion among board members and other stakeholders who imagine their association or society is aligned with a "bottom line" business-like structure, instead of a more diffuse community service structure addressing and serving the needs of a broad-based group of individuals, organizations, and communities. That confusion often manifests when a board member or stakeholder suggests or attempts to impose structures, frameworks, or policies of the industry or profession they serve on the association, professional society, or charitable entity.

The confusion has also been exacerbated as both privately held firms and publicly traded companies have entered the "membership" space. For many, it began with the charge card company American Express shifting its advertising and marketing messages in 1987 by asserting that cardholders were "card members" with the ubiquitous tag line, "membership has its privileges." They were not alone.

On a growing basis, health insurance providers, Internet service providers, airline loyalty programs, social networks, and commerce platforms are using the term *members* to describe their customer base. Among the largest in the private sector are the warehouse-style stores, including B.J's, Sam's Club, and Costco. For Costco, the high level, "executive member," generates 60 percent of its overall revenues. Costco's mission statement puts its members at the top:

> Costco's mission is to continually provide our members with quality goods and services at the lowest possible prices. In order to achieve our mission we will conduct our business with the following Code of Ethics in mind:
>
> - Obey the law
> - Take care of our members
> - Take care of our employees
> - Respect our vendors
>
> If we do these four things throughout our organization, then we will realize our ultimate goal, which is to reward our shareholders.

A critical responsibility and obligation of the association's chief staff executive is to ensure that all stakeholders have a consensus and understanding with clarity about the mission of the organization.

What's different is that unlike privately held companies or publicly traded corporations that ultimately have one "bottom line"—returning value to the owners and shareholders—trade, professional, or cause-related organizations more often come with multiple "bottom lines." The absence of shareholders' demand for dividends and a return on investment likely comes with myriad different and more demanding expectations.

The Board and the Mission

While it may be unlikely you see yourself as the steward of the mission of your organization, it is a critical role you need to embrace as a leader in the tax-exempt sector and for your organization. If your first thought is "seriously?" you are forgiven. It's not like you don't have enough responsibilities and demands on your intellectual and physical horsepower. Time is a limited commodity, and it's likely your calendar is jammed full of important and pressing appointments and activities.

So pause for a moment to consider just where your board sits in regard to mission. In today's demanding environment, it's unlikely—though not impossible—your board members ever give mission a second thought. Asking board members to write down the mission of the organization often results in looks of confusion, repeated scratch-outs on the paper in front of them, and finally a sigh of resignation when

they realize they don't actually know. I'm not being critical of volunteers or governing boards; rather I am pointing out the real importance of your role as a leader and steward.

By the very nature of their roles, board members are not focused on the mission and purpose of your organization on a regular basis. In instances when the board meets only a few times a year, the gap is greater still. As one volunteer director pointed out to me, "Since we only meet face-to-face twice a year, every time I come to a meeting I see the enormous changes in our industry."

Board members are focused on their own professional practices, companies, personal lives, and communities long before they bring their expertise and ideas to the board meeting for their associations. The notion that *where we stand depends on where we sit* can routinely be applied to those who gather in boardrooms. Each person brings his or her own experiences, frustrations, accomplishments, biases, and, in the language of the day, agendas. How those things affect the organization and influence the meeting outcomes are mostly uncertain.

What is certain is that as a leader, you have the ability to influence their thinking, introduce innovative approaches, and present new ways of thinking about how the group can best contribute to and drive forward the organization and its mission. In my own experience, boards regularly struggle with the inherent conflict between the for-profit environment many inhabit ("the selling world") and the not-for-profit tax-exempt environment ("the serving world"), especially when the mission is less than clear or out of step with the direction in which the organization is actually moving.

As leader, you are the chief interpreter of the mission for the board. Board members look to you for the leadership and direction essential to the proper functioning of the organization. Lose sight of the primary mission or fail to engage the board in adapting the mission to new circumstances and you run the serious risks of derailing both your own professional growth and the organization's future.

A critical part of your personal mission has to be to fully comprehend the contexts your members, donors, and stakeholders are bringing into the room whenever you gather together. Your communication on mission and direction must reflect their reality at least in part to garner their attention. In one organization where the board membership was entirely composed of direct marketers who measured the value and response of every promotional mailing or communiqué, failing to demonstrate attention to a corresponding metric for the association's mission resulted in a complete disconnect between the chief staff executive and the board.

Remember, where you stand has a direct correlation to where you sit.

According to the research conducted by ASAE in support of the best-selling classic *7 Measures of Success: What Remarkable Organizations Do That Others Don't*, leading organizations look at membership as constituencies to serve versus markets to sell to. The research data strongly suggest that aligning mission and purpose drives membership, membership retention, and financial results. In Chapter Three of *7 Measures*, the writers note the extraordinary focus leaders in the study group bring to member service, describing it as "an association of the members, by the members, for the members."[3]

Remarkable associations and their leaders work diligently to "build their structures, processes, and interactions—their entire culture around—assessing and fulfilling members' needs and expectations."

Linking your reason for being to the hard work of examining your products and services against the light of fulfilling your mission will create some of the most difficult conversations leaders and their boards will have. Straying too far from mission even when the organization needs the funds has the potential to create a disconnect with the membership and serious declines in member retention. As the authors point out in *7 Measures of Success*, such actions serve only to delay the inevitable rather than bolster true financial strength.

The staff and leaders of the Girl Scouts of the USA consistently ask two questions in examining their new initiatives:

1. How do we need to change to stay true to our mission?
2. What do girls need today for us to achieve the mission we have always had?

While the questions do not preclude change, they bring a laser-like focus to the values of the organization and hold the idea of reconsidering mission at bay until they can be answered fully and completely.

Mission, especially in membership organizations, will likely take on greater importance and significance in the decades ahead than it perhaps has before. The demographics of our organizations are shifting. Where the "baby boom" generation had a strong commitment to belonging, the generations to follow are more wary of political and religious institutions.

The Pew Research Center, examining social and demographic trends of young adults in the eighteen to thirty-three age range, discovered they are relatively unattached to organized politics and religion,

linked by social media, burdened by debt, distrustful of people, in no rush to marry—yet remain optimistic about the future.[4] In the future, it's quite likely membership will no longer be about belonging; it will be about believing.

Mission of the Future

So where does the evolving landscape leave the leaders of today's tax-exempt organizations? In part, it leaves you thinking hard about the vitality and relevance of the mission of your organization to its current members, prospective members, donors, and stakeholders. Mission will increasingly be the motivating tool both for membership and for growing commitment to the organization. Success will not come from adapting more "business-like models" for operations or management; rather it will come from providing a platform that serves to inspire and encourage commitment from the generations to come.

In schools across America, the value of community service is integrated into curricula and class activities beginning in elementary school. Helping others in less fortunate circumstances, those affected by natural disasters, and others in need is a common value shared throughout society. Illuminating this shared value and igniting action to bring real meaning to the efforts of members and volunteer leaders is the challenge at hand.

Every association, professional society, and charitable organization has a greater purpose beyond ensuring the continuity of its enterprise. Thinking about horizons is a good metaphor for what is essential for leaders. It has been said, "Good leaders hit targets no one else can hit and great leaders hit targets no one else can see." The notion of things beyond the horizon is a powerful incentive and tool for leaders to use in imagining their organization's mission and future.

So much success in today's tax-exempt environment relies on innovating by shifting the basic rules of that marketplace. While incremental change may garner some progress and offer added rewards, those dreamers, thinkers, and innovators who imagine a totally different marketplace are the ones reaping an increasingly larger share of both community capital and progress. It does not require too much reflection to remember diseases no one believed could be cured, technologies that would never work, or the collapse of long-standing regulatory frameworks. For example, if you are the leader of the Taxi Driver's Association, the technology that allows Uber, the transportation service, to enable passengers to summon a ride using a smartphone app creates a significant and serious competitive threat to your membership and perhaps your mission. The question on the horizon for your association is, What changes or adaptations could you make to give your members more ready means to compete by gathering access to the information they need and want from your organization?

Making your association member-centric is essential to your success. How many times have you found yourself stewing about the "four-hour window" that utilities, repair services, and other vendors require to schedule your service or delivery? Looking closer to home, what systems or processes do you have in place when a new membership application arrives at headquarters?

Responsiveness + Resolution = Return Member

Successful associations find the right metrics and measure, measure, measure. One of the challenges in looking over the horizon is imagining what issues or problems may arise for your members or donors. Some are easy to anticipate and some considerably more difficult because they reflect the unique manner in which your member uses the resources of the association and its products or services.

Associations willing to rethink their member process, consider new approaches, and measure their accomplishments from the member's perspective will gain new insight about potential opportunities and risks on the horizon and ways to solidify and strengthen their mission.

None of this is a guarantee of success. It is more akin to operating a compass. You have to learn how to use it proficiently before it yields any meaningful results. Failure is inevitable at some point along the way. Know it. Work like crazy to avoid it. Prepare for it in any case. Finally, do not get caught in the trap of separating mission from strategy and most certainly not execution. It is a myth these processes could or should somehow be separated. If you haven't taken all of the variables of your culture, organization dynamics, demographics, and attitudes into consideration right alongside mission, you're missing a huge opportunity and a huge point of leverage.

The old axiom, "There is no such thing as a lost opportunity, because someone always finds it"? Believe it. Opportunity, innovation, and success are linked as tools to help organizations grow by standing on the bedrock of their organization's mission. The growing number of for-profit enterprises adopting social missions and membership models increases by the day. While they may not cast a shadow on your organization today, they undoubtedly create an opportunity to create confusion in the

marketplace. It is not too early to have begun making certain your mission is optimized to resonate with members, donors, and stakeholder for things to come tomorrow and from well over the horizon.

Notes

1. J. Dalton and M. Dignam, *The Decision to Join: How Individuals Determine Value and Why They Choose to Belong* (Washington, DC: ASAE Association Management Press, 2007).

2. J. Collins, "Aligning Values and Action." June 2000. Web. http://www.jimcollins.com/article_topics/articles/aligning-action.html.

3. ASAE and The Center for Association Leadership, *7 Measures of Success: What Remarkable Organizations Do That Others Don't* (Washington, DC: ASAE Association Management Press, 2006), 24.

4. Pew Research Center, "Millennials in Adulthood." Mar. 7, 2014. Web. http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/.

The Author

Kerry C. Stackpole, FASAE, CAE, is an entrepreneurial association CEO respected by his peers and colleagues for his uncanny ability to solve the toughest business problems. His unique skills of helping associations envision a future no one else sees and inventing concepts not previously imagined powers his work with boards, volunteers, and top executives.

Chapter Three
Management

Mark Engle, DM, FASAE, CAE

Association management requires knowledge and skill sets particular to this business segment, but beginning with a definition of management in a larger context creates a useful foundation for the key principles and practices covered in this chapter.

Peter Drucker, cited by *Business Week* as "the man who invented management," identified the following five basic tasks of managers: (1) sets objectives, (2) organizes, (3) motivates and communicates, (4) measures, and (5) develops people.[1] Simply stated, management means "getting the work done." A manager is someone who leads the charge. In the association arena, management is led by the chief executive officer, also known as the chief staff executive, president, executive vice president, or executive director. (For the sake of clarity, *chief staff executive*, or *CSE*, is used in this book to distinguish the staff executive role from that of the chief elected officer.)

Management of Associations Compared with Nonprofits and Corporations

Although it may be true that all managers should be responsible for handling the five basic tasks cited by Drucker, it also is helpful to understand the subtle distinctions that separate how boards and managers in the association world function compared with their counterparts in the much larger nonprofit and corporate arenas. In the association world, when the chief elected officer (chair) and the CSE are functioning well together there is a correlation of high-quality decision making for the organization.[2] The CSE provides a key support function for the chief elected officer. Research indicates that exceptional chairs had the most impact on (1) clarifying the board's role in the organization vis-à-vis management, (2) setting the broad direction for the organization, (3) helping the board become organized and efficient, meeting its fiduciary responsibilities, overseeing the organization's performance, and attracting top-quality board members.[3] Strategic board contributions were directly linked with organizational performance.[4] The three key functions identified here require the two leaders, the chair and CSE, to work in partnership or the oars will be rowing out of synch with much wasted time and effort. (More about the chair-CSE relationship is covered in Chapter Fifteen.)

One key distinction separating associations, nonprofits, and corporations is the pace of change. According to association governance and leadership consultant Glenn Tecker and colleagues, "Risks tend to occur every two to three years in the association world, but every 30 to 60 days in the corporate world. Members, therefore, are accustomed to much quicker decision processes" (when coming from the corporate world into the association community).[5] Making decisions on key strategic issues in the association world can take up to two years because the process requires achieving consensus among a group of peers.[6] Although the board of directors is the principal decision-making group, its members generally operate by making decisions through a consensus-building process. Getting buy-in usually starts with the board but often requires approval or at least support from the membership to embrace a significant change. The process can be time consuming but ensures support in implementing a decision.

A second differentiator relates to the customer base. In corporate America, the customer has many options when searching for a product or service. Product benefits typically are easy to calculate and compare. Although the face of competition for associations is rapidly changing, "associations are different from such organizations as for-profit businesses (and most other nonprofits) in that their populations of owners, customers, and workforce are one and the same."[7] Members have a relationship with the association because they have already made a financial commitment by paying dues. Associations rely on member input to design, shape, and create product offerings, which they, in turn, purchase.

"A competitive advantage for associations is the aggregate intellectual capital of their memberships, their energy as communities with a common purpose, and their credibility as voluntary institutions."[8] Good management brings together the brightest minds in the whole industry or profession to develop products or position statements. High-performing associations recognize that although competition exists in the marketplace, the association should provide an environment in which professionals support the "greater good" for the industry. In their voluntary roles, volunteers are loyal to the association, not to a specific company or employer.

How Boards Affect Association Management

Key differentiators between corporate America and associations include board turnover, the role of the board, and decision-making hierarchy. In corporate America, turnover in the boardroom generally is viewed negatively. The primary role of the board in the corporate world is to monitor management and guide decisions toward maximizing shareholder wealth.[9] In the general business world, organizational charts indicate decision-making hierarchy, as ultimate authority generally falls to an individual even if a group informs decisions. The rate of risk facing corporate America versus the nonprofit world also greatly affects the decision-making process.

In associations, the steady turnover of board members and officers creates a "rolling culture" that keeps boards in flux[10] yet often stimulates new ideas due to new eyes, ears, and approaches. The result is that management, particularly the CSE, provides constancy and continuity in the larger management processes. The primary role of the board in the association community is to examine the environment, set strategy, and attend to fiduciary functions.[11] Contrasting with corporate America, the legal definition of a nonprofit organization has been expanded to include "any activity or entity that does not involve the distribution of surpluses through dividends."[12]

Differences also exist in decision making between the corporate and the nonprofit worlds. In the association world, it is the CSE's role to bridge the corporate and association environments and promote wise and consequential decision making. Even within the broader nonprofit community, there are role differences for the CSE.[13] With associations, the board is the ultimate authority and is composed of peers.

In the association community, even compared to the broader nonprofit community in which fundraising is key,[14] the primary revenue streams stem from membership dues and conferences or trade shows (associations derive more than 50 percent of income from these sources).[15] Therefore, the CSE's time is invested in building programs and products. As the nature of association work is considered to be knowledge work (for example, the development of practice standards or educational content),[16] volunteering in a professional society is characterized as professional development or continuing education.[17]

The primary role of the board is to govern by setting direction, allocating resources, ensuring compliance, and evaluating the CSE, who reports to the board.

The board must provide clarity of purpose and direction to the workforce, such as task forces and committee members (without performing committee work).

The Role of the CSE

The CSE's role is to position the board for success (which means enabling the board to make wise decisions on consequential issues), implement the decisions, and lead the staff. The board decides the direction and allocates key resources (dollars and time), and the staff executes the strategic direction. To be effective, the CSE must be in lock-step with the board and be seen as a trusted partner in every sense. He or she must inform the board's decisions by providing pertinent data, information, and recommendations, and ensuring that board members adequately understand the key issues at hand.

According to Richard Chait and colleagues, "nonprofit managers have become leaders. CSEs are expected to shape agendas, allocate attention, and define problems."[18] Research indicates that high-performing boards (in conjunction with the CSE) use a filtering mechanism to determine which issues merit board attention and which belong to staff. The following seven questions are useful to consider during this process: (1) Is the issue strategic or operational? (2) Is the issue on mission for your organization? (3) Is the magnitude of the issue consequential? (4) How significant are the potential consequences in making this decision? (5) What is the potential for failure or risk? (6) Is the issue precedent setting? and (7) Is the issue course changing for the organization?[19] Running new issues or opportunities through this filter helps keep distractions from consuming valuable board time. It also empowers staff with latitude to make decisions in an efficient manner.

Understanding and distinguishing the role of the CSE in the eyes of the board is empowering to the executive. Glenn Tecker and colleagues use a chart to highlight the CSE role continuum (Figure 3.1), which maps an association CSE progressing from indentured servant to strategist and visionary.[20] Although sometimes a CSE can operate at the two extremes during a board meeting, the chart is helpful in identifying the key role that the board desires of its CSE and that the CSE should attain. Important leadership traits, such as facilitator and advisor, become more vital as you move to the right in the continuum.

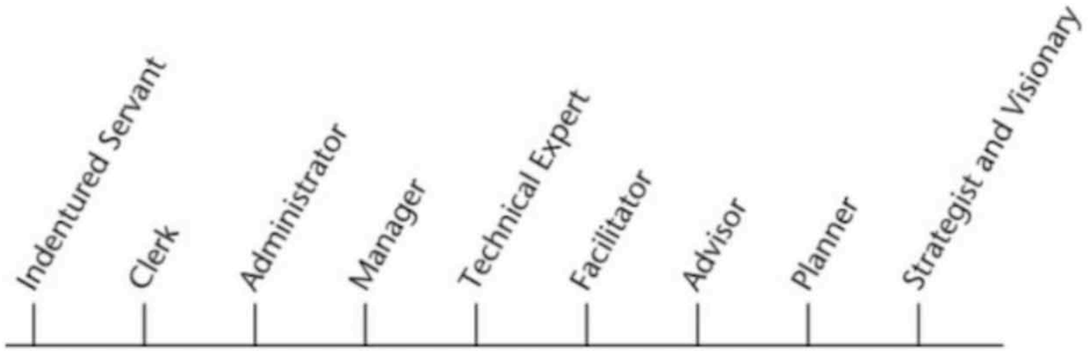

Figure 3.1 CSE CONTINUUM.

Some association CSEs hail from the profession or industry the association serves, while other CSEs come from the field of association management. According to *7 Measures of Success*, both types of CSE have produced high-performing associations.[21] Regardless of the career path, association CSEs, as business managers, need to consider business, human capital skills, and soft skills as part of their daily practice.

Because associations are nonprofit corporations, some leaders discount the need to be profitable and undervalue the programs and services of the association. Managing to margin is a concept that encourages that all costs (including the value of staff time) of the association are adequately covered and also provides reserves at the end of the day for the future growth or survival of the organization. The CSE needs both strategic and financial acumen and an appreciation for best practices in association management. Operating in the strategic realm, the CSE must push the vision but be grounded in reality (for instance, affordability or capacity to achieve), while being action-oriented.

A sound financial understanding is essential to running a business. The CSE needs to consider, Is the organization financially healthy or in need of a turnaround? Do you have sufficient financial strength to invest in new programs or continue offering programs that are subsidized? Are you allocating all costs (including staff time and other overhead) to projects to ensure you fully measure program ROI?

CSEs need adequate financial tools to assess program profitability and assign priorities in decision making. Accurate and timely reports are needed to ensure that there are no surprises for the board. Managing to a budget is important to gain trust and confidence from the board. It is important to deliver any bad news early with accurate assessments and course-correcting recommendations. While the board has a fiduciary responsibility for maintaining financial accountability and exercising due diligence with respect to use of the association's resources, CSEs have financial management responsibilities and are accountable to the board for the financial performance and reporting of the corporation.

Although financial management is covered in detail later, understanding a profit-and-loss statement and providing accurate, pertinent, and timely financial reports are essential to developing trust between the board and the CSE. The CSE must ensure that the board understands that controls are in place and that they have enough financial detail to allocate resources and make key decisions that reflect the financial position of the organization and programs.

The CSE needs to exemplify a constantly learning culture that is creative and self-sustaining. Peter Senge's concept of the learning organization is to create an environment "where people are engaged in their work and committed to the vision of the organization."[22] This goes hand in hand with ASAE's research in *7 Measures*, which encourages CSEs to be idea brokers. The CSE must not only understand the organization's vision but also be able to engage others in defining, refining, and responding to that vision and all it entails.[23] A warning to CSEs who have emerged from the profession or industry that the association serves: the culture of an association may be vastly different than the culture of the field it serves. For instance, emergency room physicians face crisis situations all day long. Constantly managing an association in a crisis environment would be highly ineffective. For many associations, crisis management is not a routine occurrence; however, if you have a significant advocacy agenda, crisis management would likely be a valued skill set for leadership.

The second skill category centers on human capital development and values. Recruiting, supporting, and promoting top staff talent is a necessary ingredient for high-performing associations. This also is reflected in the volunteer element of associations. The CSE should be engaged in the nominations process, not just when the nominating committee meets, by identifying and cultivating future volunteer leaders.

If you are the CSE, the staff reports to you or through you. The CSE is the primary interface with the board and the ultimate staff authority and responsible party. With very few exceptions (perhaps a medical staff officer) all staff report to the CSE. The same theory holds for consultants and contractors.

CSEs serve at the pleasure of the board (or executive committee—not just the chief volunteer). The staff and extensions of the staff, such as contractors or consultants, ultimately report through the CSE. The CSE is accountable for performance to the board. An annual CSE evaluation is an important tool to gauge success and performance (see Figure 3.2).

First Quarter Evaluation

Management & Leadership

1. Please rate the following:

	Does Not Meet Expectations	Meets Expectations	Exceeds Expectations	Not Applicable
Possesses a good understanding of issues affecting the association and field	○	○	○	○
Serves as a source of knowledge and guidance regarding association and non-profit management practices and principles	○	○	○	○
Performs functions within scope of responsibilities	○	○	○	○
Responds to requests in a timely and appropriate matter	○	○	○	○
Demonstrates resourcefulness, employing an action-oriented approach to management of issues and ideas	○	○	○	○
Utilizes expertise of professional staff and engages outside counsel/consultation when necessary	○	○	○	○
Shares information and encourages dialogue and deliberation as part of decision-making	○	○	○	○

Figure 3.2 EXECUTIVE DIRECTOR EVALUATION TEMPLATE (PARTIAL).

A separate evaluation of association services (that is, staff functions) is a good management tool to guide the CSE in determining if service issues or staff issues exist. The sample evaluation in Figure 3.3, while framed in an association management company context, is adaptable and useful whether such services are provided by external or internal sources.

2013 - AMCs Evaluation of Services and Outcomes Provided by AMC

Page description:

This evaluation is intended to elicit your level of satisfaction with the quality of service you receive from Association Management Center. Your candid feedback and suggestions will help ensure that AMC is continuously improving its professional services and value to meet *XXXXX* evolving needs. Respondent identification is optional should you wish to comment anonymously.

This survey should take less than 15 minutes to complete. We ask you to submit it by *XXXXXXX*

1.

BOARD/COMMITTEE SUPPORT

	Exceeds Expectations	Fully Meets Expectations	Meets Most Expectations	Meets Some Expectations	Does Not Meet Expectation
Board Support *	○	○	○	○	○
Board Meeting Support*	○	○	○	○	○
Committee Support*	○	○	○	○	○

Figure 3.3 2013—AMC'S EVALUATION OF SERVICES AND OUTCOMES PROVIDED BY AMC.

The third skill category is the soft skills of leadership. In his seminal study on great companies, Jim Collins introduced the concept of Level 5 leadership (the highest level in a hierarchy of executive capabilities identified during Collins's research). "Level 5 leaders blend the paradoxical combination of deep *personal humility* with *intense professional will*."[24] By crediting others for their organization's success and taking blame for poor results, Level 5 leaders are able to manifest humility.[25] Humility is a key trait in successful association managers. The concept of ensuring that the board and volunteers receive credit for success is a recipe for success in this profession.

The variable terms of board members versus the longer tenures of staff often result in a tension between the CSE and the board regarding authority. Two attributes of a CSE are elemental to reducing tension in the board-CSE relationship—self-denial and respect for authority. Self-denial in the form of humility means not owning an idea, project, or the podium (taking responsibility is different than feeling a sense of ownership). Decisions are more readily accepted and easily implemented when volunteer leadership has ownership rather than when staff is seen as driving the bus. Regarding respect for authority, this means acknowledging that the organization belongs to members and their elected board, as opposed to being "owned" by the staff or CSE. It is often said that the quickest way to get fired as a CSE is to make the mistake of thinking the organization is "yours."

Attributes such as being a good listener and good communicator also rank high as traits of high-performing CSEs. Being politically astute is a valuable asset. Determining whether the CSE is out in front of the association may be necessary but also may make the CSE a target. Defining the parameters of CSE spokesmanship and ambassadorship with volunteer leaders is an important issue to navigate. Additional desirable traits of high-performing CSEs include being authentic, relational, and trustworthy. Being a consensus builder helps the board maintain high performance. The last and perhaps most important of the primary responsibilities of the CSE is to guard the values of the organization, which are dictated and articulated by the board.

Association Management Models

According to ASAE, there are four primary staffing options for associations, each with its own advantages and disadvantages.[26] The four options are

- All volunteers
- Volunteers with a skeletal staff
- Association management company
- Stand-alone association

Volunteer efforts can be erratic and difficult to control or predict. In addition, there is little continuity as officers and board members rotate quickly, and even the phone number and address of the organization may have to be updated yearly. A better management option is to have volunteers working with a skeletal staff. Usually this means a paid administrator works on a part- or full-time basis, either in an office or out of his or her home.

Another management option is contracting with an association management company to manage the association, including services and benefits such as a headquarters location, professional staff with association management expertise, program management, and so forth. Many groups are not aware that such companies exist, but they can be found in most major cities.

When making arrangements with a management firm, certain areas need to be investigated by the board or search committee. It is most important that the board investigate the financial stability of the firm because the association may be expected to pay association expenses in advance. In addition, they should learn how the financial accounts of separate clients are handled (for example, is there pooling of funds?); check the depth of staffing to ensure that it's adequate to carry out all association operations; and understand how the firm makes its profits (for example, in management fees, markups of products or services, commissions, or some other manner). Finally, the board should have a clear understanding of the terms of the agreement under which they would work. The AMC Institute provides an accreditation program in conjunction with ANSI (http://www.amcinstitute.org/?Accreditation) that establishes standards of good practice for the association management company community.

A stand-alone organization means a fully operational office staffed by full-time professional and support employees. Obviously, this is the most expensive option, but it has advantages. You can locate the office wherever you wish, and choose exactly the kind of people you want working on organization activities. You have direct control over employees, costs, and purchasing decisions.

All significant stakeholder groups within the construction industry are convinced of the advantages of using metal in the building envelope.

a. Residential Issues and Opportunities—(Council chair and staff liaison)

b. Commercial Issues and Opportunities—(Council chair and staff liaison)

c. Insulated Panels Issues and Opportunities—(Council chair and staff liaison)

VII. Strategic Objective 2—Advocacy/Public Policy

MCA is the recognized leader influencing public policy affecting the use of metal in the building envelope.

a. Legislative Update—(Committee chair and staff liaison)

b. Research and Code Initiatives—(Committee chair and staff liaison)

VIII. Strategic Objective 3—Membership

MCA's membership has grown in quality and engagement through penetration of new and existing industry segments.

a. Membership Report—(Committee chair and staff liaison)

b. Communications Report—(Committee chair and staff liaison)

IX. Council and Committee Initiatives

Issues requiring board direction or decisions.

a. Product Council A—(Council chair and staff liaison)

b. Product Council B—(Council chair and staff liaison)

c. Governance—(Committee chair and staff liaison)

d. Program—(Committee chair and staff liaison)

e. Statistics—(Committee chair and staff liaison)

X. 2014 Budget Discussion/Approval

XI. Consent Agenda

a. Approval of Minutes—May 11, 2013

b. Committee Appointments

c. Trade Show Report

d. Committee Reports

e. Future Board Meetings Schedule

XII. Other Business

*Board Evaluation Discussion—Miller and Engle

XIII. Adjournment—11:30 A.M.

Board Meetings Focused on Strategic Objectives

During its strategic planning, the Metal Construction Association's (MCA's) board articulated three goals—grow the market, advocate for favorable codes and standards, and be the home for all manufacturers in the metal construction community. The strategic plan influenced the development of each board meeting agenda. All of the programs and activities were measured against the three goals; if something didn't fit, it was terminated. The success statement for each goal was the lead statement on each section of meeting agendas (identified by italics). All of the work of the association was aligned with a strategic goal. This encouraged generative conversation around the changing landscape in commercial construction and the implications for the marketplace and association.

During budget preparation, resources were allocated across the three goals to help focus the board's attention on top-line issues in their meetings. This process encouraged the board to focus time on strategic and environmental issues, without spending much time in the weeds. (See sample agenda from board meeting in the previous sidebar.)

The board articulated two specific value statements—doing the right things well and serving quality product manufacturers—which was helpful in focusing attention on detail and quality statements (about the association and the industry MCA represented). This focus also helped the association elevate the goal of creating codes and standards set at a high level for the industry versus at a commodity or low level. This discouraged some companies from participating; however, MCA ultimately was successful in producing a value statement to the industry. The value statement also helped support the pursuit of certification and accreditation programs and empowered the CSE to carry these values throughout all components and programs of the association.

Establishing and Managing to Performance Metrics

According to *7 Measures of Success*, remarkable associations constantly gather data (environmental, product, and so on)—qualitative, quantitative, or anecdotal. They use data to modify a product, introduce a new service, or initiate change through board dialogue and deliberation. The executive committee of one organization assigned metrics to each strategic goal. Their metrics included statistical performance of publications and conferences (attendance, readership scores, abstract submissions), membership numbers (satisfaction scores, retention), customer service metrics (call center waiting times, web access), and financial performance (revenue growth, revenue diversification). Each quarter, leaders evaluated the metrics against the goals.[28]

Similarly, ASAE utilized a strategic direction dashboard (see Table 3.1) for measuring performance in key outcome areas. Areas for measurement were determined by staff under the guidance of the strategic objectives articulated in the plan. Agreement was reached between the staff and board on what was measured, how items were measured, and how often items were measured.

Table 3.1 Strategic Direction Dashboard

Overall Measures	Frequency	Goal	Status
1. Overall member satisfaction	A		
2. Gross revenue	Q		
3. Net income	Q		
Knowledge Outcome: ASAE and The Center are the first choice for knowledge and information for the association profession.			
4. User satisfaction index (compilation of user evaluations of Knowledge Center, *Associations Now* journal, newsletters, books, knowledge resources)	A		
5. Innovation index (based on survey responses)	A		
6. Number of Knowledge Center inquiries	M		
7. Number of website knowledge resource page views	M		
8. Number of CAEs	A		
Learning Outcome: Those in the association community attribute their enhanced performance to ASAE and The Center's learning experiences.			

9. Total attendance	M		
10. Attributed performance (in follow-up survey)	Q		
11. Attendee satisfaction based on immediate survey	M		
Community Outcome: ASAE and The Center are the professional community of choice for association professionals and industry partners.			
12. Number of members in three main categories	M		
13. State of community assessment index	A		
14. Volunteer satisfaction index	A		
15. Diversity index	Q		
Advocacy Outcome: The legislative and regulatory climate is favorable to associations, and the general public recognizes the valuable role that associations and association professionals play in advancing society.			
16. Number of media placements in which associations are quoted as an authoritative source	Q		
17. Percentage of CEO hires who come from Associations	Q		
18. Grassroots participation index	A		

Agree on which key metrics to monitor with the board and, where practical, tie these metrics to staff performance so each staff person knows how his or her position or function supports achieving the strategic plan. The partial action plan previously reviewed provides a clear approach to assigning strategic plan initiatives to key staff members. Deliver bad news to your board when you are aware of the problem and have solutions to offer. Don't give the board a problem without solutions or options. Don't overwhelm the board with detail (for example, although financial statements may be ten pages each month, the board gets the overview, and the treasurer gets the full ten pages).

Succession Planning to Ensure Continuance of Progress to Goals

Volunteers

Because staff members often are the primary interface with committees and task forces, they should continuously be identifying and cultivating future leaders. Staff should have considerable input into the nominations of future leaders. Staff are able to identify and recommend those volunteers who support with time, talent, and treasure as opposed to those who just have the loudest voice during meetings and online forums. Although staff may not be the best to determine content expertise, neglecting their wisdom in identifying leadership and participation would be unwise.

Typically, a chief elected officer submits committee and task force rosters for board approval. One technique to accomplish staff input is to ensure that the process of committee and task force appointments allows for adequate inclusion of staff input prior to circulating the recommendations to the board for final approval.

On a related note, one of the most important functions of a CSE is to suggest or vet names for leadership positions, particularly officers and directors. Caution should be had in taking public positions relative to individuals. However, with proper finesse, sharing factual information about volunteer engagement is appropriate and important to the future success of the organization and performance of the board. As Collins reports in *Good to Great*, "Attend to people first, strategy second. Get the right people on the bus and the wrong people off."[29] Ensuring continuity of the association's business case is facilitated by lining up future leaders who are smart, are well respected, meet deadlines, and are resourceful.

CSEs and Senior Staff

Being prepared for a senior staff change is good management. For a small association, what if the CSE has an immediate exit? Who provides leadership and continuity? Having a disaster recovery plan that identifies interim executives can be hugely helpful and reassuring for the leadership. Such a plan would include references for qualified interim executives and search firms. There are firms that specialize in disaster recovery plans for associations and may serve as fine resources for volunteer leaders should the need arise. Share a copy of the disaster recovery plan with each member of the executive committee and your key staff. Be sure to update it annually.

Figure 3.7 CHARTER TRACKING TOOL.

Completing the business case or charter requires discipline. Going through the process encourages organization of ideas and thoughtfulness to what you are trying to accomplish—and is best accomplished when partnering a volunteer's wisdom with staff's counsel and legwork.

Through the goal statement, the program or activity is tied back to the strategic goal, while the executive sponsor, project manager, and process owner depict staff accountability. This tool provides clarity of purpose and tie-in to the tactical plan with budget and metric implications and staff assignments. Charting the progress to date also serves as a resource during annual staff evaluations and chartering progress toward the overall plan achievement.

Human Capital Management

Association management requires wearing many different hats. If you are in a smaller association (for example, with a budget of less than $2 million) and you are the staff expert in negotiating hotel contracts, balancing the books, ensuring database security, and writing the newsletter, your association's success likely is limited to (and by) your personal strengths. Hiring staff professionals or outsourcing some of these functions will likely increase the levels of expertise, and thus performance, of your association. Naturally, current budget and business plan projections are key factors in staffing decisions.

When you have identified your action plans and resources to achieve your strategic objectives, hiring the best available talent who can conceive and execute the tactics necessary to ensure success likely requires hiring talent smarter than you. A leadership style of equipping and encouraging has proven effective in achieving results. Fostering an environment of cooperation and support, for example, gathering your team to discuss how to respond to a hotel attrition situation, ensures focus on the larger issues instead of placing blame on individuals. Some CSEs find that weekly senior staff meetings encourage proper communication across boundaries and help remove obstacles to achieving the objectives.

Winning the "Best Places to Work" award for our team at my company, Association Management Center, indicated that our staff was fully engaged with the mission of the associations we serve. In competing for this award, it was a humbling experience to see how our policies, benefits, and staff morale compare in competing for top talent. If your staff are happy and engaged, your members are likely being well served.

Leading an association is rewarding work and requires passion, humility, intelligence, and patience. There is no profession that can have a greater influence on transforming society. How exciting is that?

Notes

1. "How-To Guide," adapted from *The WSJ Complete Small Business Guidebook* (New York: Three Rivers Press, 2009), available at http://guides.wsj.com/management/developing-a-leadership-style/what-do-managers-do.

2. M. Engle, *The Strategic Decision-Making Process of the Board and Its Impact on Decision Outcomes (Quantitative Research Report for Doctor of Management Program)* (2011). Retrieved from http://library.case.edu/digitalcase/datastreamDetail.aspx?PID=ksl:weaedm377&DSID=weaedm377.pdf.

3. C. Cornforth and W. A. Brown, *Nonprofit Governance: Innovative Perspectives and Approaches* (Abingdon, Oxon: Routledge, 2014).

4. W. A. Brown, "Exploring the Association Between Board and Organizational Performance in Nonprofit Organizations," *Nonprofit Management & Leadership 15*, no. 3 (2005): 317–339.

5. G. H. Tecker, P. D. Meyer, B. Crouch, and L. Wintz, *The Will to Govern Well: Knowledge, Trust & Nimbleness* (Washington, DC: ASAE Association Management Press, 2010), 46.

6. M. Engle (2011).

7. Tecker, Meyer, Crouch, and Wintz, *The Will to Govern Well*, xi.

8. Ibid., 36.

9. M. Huse, *Boards, Governance and Value Creation* (Cambridge, UK: Cambridge University Press, 2007), pp. 45, 46.

10. N. Axelrod, "In the Boardroom, 'Culture Counts,'" *Journal of Association Leadership* (Fall 2004): 7.

11. R. P. Chait, W. P. Ryan, and B. E. Taylor, *Governance as Leadership: Reframing the Work of Nonprofit Boards* (New York: John Wiley & Sons, 2011).

12. A. Gardon, "Strengthening Boards of Nonprofit Organizations," *Journal for Nonprofit Management 5* (2001): 2.

13. Tecker, Meyer, Crouch, and Wintz, *The Will to Govern Well*.

14. Axelrod, "In the Boardroom."

15. ASAE and The Center for Association Leadership, *Operating Ratio Report*, 14th ed. (Washington, DC: ASAE Association Management Press, 2012).

16. M. Niederpruem. (2014). Situational Factors Influencing Sustained Volunteer Commitment in Professional Associations. Retrieved from http://library.case.edu/digitalcase/DatastreamListing.aspx?PID=ksl:weaedm431.

17. Ibid., 19.

18. Chait, Ryan, and Taylor, *Governance as Leadership*, 2.

19. M. Engle (2011).

20. G. H. Tecker, Presentation conducted at the Chief Staff Executives and Chief Elected Officers (CEO Symposium) of the American Society of Association Executives, Scottsdale, Arizona, February 2014.

21. ASAE and The Center for Association Leadership, *7 Measures of Success: What Remarkable Associations Do That Others Don't* (Washington, DC: ASAE Association Management Press, 2006).

22. P. Senge, "Management Theory of Peter Senge," available at http://www.business.com/guides/management-theory-of-peter-senge-15935.

23. ASAE and The Center for Association Leadership, *7 Measures of Success*.

24. J. C. Collins, "Text Excerpts from . . . *Good to Great and the Social Sectors*," available at http://www.jimcollins.com/books/g2g-ss.html.

25. J. C. Collins, *Good to Great and the Social Sectors: A Monograph to Accompany Good to Great'* (New York: HarperCollins, 2005).

26. ASAE and The Center for Association Leadership, *Starting an Association*, available at www.asaecenter.org/Resources/whitepaperdetail.cfm?ItemNumber=24445.

27. ASAE and The Center for Association Leadership, *Starting an Association*.

28. ASAE and The Center for Association Leadership, *7 Measures of Success*, 41.

29. Collins, *Good to Great and the Social Sectors*, 13.

30. Ibid., 1.

The Author

Mark Engle, DM, FASAE, CAE, principal of Association Management Center (Chicago), has been a CSE for nearly thirty years. Engle recently earned his doctor of management degree from Case Western Reserve University with his research in nonprofit governance; Engle is an ASAE fellow and chair of the ASAE Services Board.

Chapter Four

Managing the Complex Association Enterprise

Gary A. LaBranche, FASAE, CAE

Associations come in all shapes and sizes. The budgets of most associations are less than $7 million with a median of $3.5 million.[1] But some associations have budgets in excess of $25 million, and a few generate more than $1 billion. Larger budgets are associated with larger scope and scale. Greater size, scope, and scale impose complex management challenges and demand responses that are proportionate to the situation.

A $2 million budget, 10-staff association with one office and one board is a different environment from a $40 million, 150-staff association with boards for five different entities and subsidiaries and offices in Chicago, London, Shanghai, and Sao Paulo. Add several dozen chapters, special-interest groups, and other units, and management challenges grow exponentially.

Scope—the breadth and depth of an enterprise—and scale, the operating systems, impose unique demands on structure, staff, and governance and produce multifaceted relationships and dynamics.[2] Aligning the work of multiple governing bodies and dispersed staff is just the start. Alliances, coalitions, and ventures with third parties add the challenge of working with groups outside of the association structure, affecting the association's ability to coordinate efforts. Adding a variety of components, subsidiaries, and other organizational units ensures communication challenges.

The complex association enterprise is one of the most challenging environments in the field of association management. You'll need a thorough understanding of strategy, management, and organizational development to ensure that the resources of the association are focused in the right direction and applied to achieving the intended outcomes. Failure to do so delays goal achievement and fosters confusion and conflict. Most associations have resource constraints and must "do more with less." To achieve its mission and serve the evolving needs of members, an association can't afford to waste time, effort, and resources.[3] Alignment, coordination, and communication are vital for the complex association enterprise to succeed.

The association chief staff executive is best positioned to lead the complex enterprise. The CSE has a comprehensive view of all facets of the organization: people, resources, structure, and strategy. With longevity, the CSE develops institutional memory and perspective, along with critical intelligence and insight on the internal and external environments.[4] But while the CSE plays a critical role, the complex association enterprise imposes limitations on what the CSE can know or do, especially in a time of continuous and rapid change. As association members become increasingly engaged in co-creation of customized products and services, the ever-changing environment is a standard reality for association managers. Adapting to, compensating for, and embracing such limitations, challenges, and opportunities is the crucial skill set for the CSE in complex association enterprises.

This chapter provides the current or prospective association CSE with a broad review of the challenge of managing the complex enterprise, along with a sampling of tools and techniques. Complex enterprises are examined using four frames of reference:

> *The Manager*: Applying fundamental concepts of management from the manager's point of view provides a baseline starting point for understanding.
>
> *The Enterprise*: Using a framework to analyze how each organizational element contributes to organizational health.
>
> *The Tools*: Techniques and tools are available to assist management in alignment, coordination, and communication with the complex enterprise.
>
> *The Lenses*: This refers to a set of perspectives that provide a unified vision for integrating the requirements of today and the opportunities of the future.

Managing any association is a challenge due to the unique realities of mission, governance, and membership. The basic structural components of an association—structures, programs, members, committees, board, and staff—can quickly multiply as associations grow in size and scope. Complex association enterprises may include a variety of components in addition to boards and committees. Examples include

- Chapters, which provide a local means of organizing members and connecting them
- Allied organizations, or local or regional groups that do not have formalized or official "chapter" relationship

- For-profit subsidiaries, often established for the pursuit of activities outside the association's exempt purpose (such as for group purchasing programs or investment service offerings)
- Foundations, or legally separate but related 501(c)(3) organizations
- Houses of delegates, or assemblies of member representatives that serve as "legislative" branches in association governance systems
- Member communities, or groups (online or otherwise) created to facilitate the exchange of knowledge, sharing of expertise, and networking activities
- Certifying, accrediting, or standard-setting bodies, which support activities that accredit people, institutions, places, or equipment to designate levels of proficiency, performance, accuracy or achievement relative to established standards, as well as for other reasons
- Strategic alliances, which are voluntary relationships with one or more independent organizations established for purposes such as advancing mutual goals or coordinating efforts
- Joint ventures, for sharing risk and collaboratively pursuing new initiatives
- Political Action Committees, or vehicles that enable associations (except 501(c)(3)s) to participate in the electoral process at the U.S. state or federal level
- Coalitions, or often loosely organized groups of organizations or companies to work on specific legislation, regulations, or other issues
- Special-purpose programs, funded by special dues, assessments, or contributions from an interested member segment to address the needs of a small but vocal group willing to put resources into a project that is not as widely embraced by other members

Mergers

Associations consider mergers as an option to achieve strategic goals and respond to changes in their environment. While publicly traded companies can be subject to unsolicited takeover bids, associations are far more insulated from being compelled to act by outside forces. Because association boards have no personal economic interests in a merger transaction, they have different motivations than found in the for-profit sector.

Association mergers are often driven by members, customers, or strategic objectives. The most common reasons that associations consider mergers include

Adjacency: Substantial overlap in membership or customer base

Expansion: Access to new markets

Capacity: Opportunity to add capacity or capability

Financial: Consolidation or competition that has created economic or operational inefficiency

Associations can acquire other associations, for-profit entities, or specific assets of either. Not all acquisitions result in mergers, as acquired units can be operated independently.

Mergers are complicated and challenging due to the many legal and financial hurdles. While legal and financial issues are many, association mergers most often fail because of "people" and cultural issues. Issues such as which board members will serve on the new board, which CSE will emerge to lead the new organization, and how any differences in values and behaviors will be handled are among the considerations that may de-rail association mergers. It is always important to remember that mergers are really between people, not institutions.

Merger partners typically proceed through several distinct stages:

Precursor partnering: Working together in real partnership can help in moving toward common objectives.

Informal discussions: Often occurring between members or other stakeholders, discussions reveal opportunities and challenges and "test the waters" for resistance and acceptance concerning merits and benefits of a merger.

Formal negotiations: Involving officially designated leaders from each party, formalized discussions may lead to negotiations and due diligence and conclude with formal merger.

Implementation: Integrating governance, staff, systems, style and other elements are critical to completing a successful merger.

Much has to be right and go right for association mergers to succeed. Some mergers have taken decades to achieve; others have been completed in months. However, the more compelling the reasons, the more likely those merger discussions will resolve with a new, combined organization.

[*] J. A. Pietroburgo and S. P. Wernet, *Investigation of Association Mergers* (Chicago: The William E. Smith Institute for Association Research, March 2007).

Organizational units proliferate because they provide specific responses or capabilities to address specialized and focused tasks. Diverse units and supporting systems are needed to meet member needs, exploit opportunities, pursue innovation, manage risk, grow revenue, create and share knowledge, and deliver value. Some of the units mentioned earlier may be incorporated or domiciled in countries far from the association's headquarters. An association may also have offices or representatives around the world, with a workforce composed of staff, consultants, or third-party administrators.[5] Each component or unit within the association faces its own unique environment and is positioned at a specific point on its own lifecycle continuum, requiring strategy, leadership, and management corresponding to the situation.[6] Complex enterprises are complicated in every sense.

The Manager

Mastering the fundamentals of management, strategy, and operational systems is essential; to succeed as an executive or manager in a complex environment, your first task is to manage your mind-set.

Peter Drucker, considered by many as the most influential thinker on management, shaped much of what is currently taught about management. What he had to say about the work of managers and management continues to resonate today:

- Management is about people—maximizing their performance in a collaborative setting.
- Management is embedded in culture—how managers manage depends on the culture in which they operate.
- Focus and commitment to shared goals and values are essential. Management's first job is to ensure that the enterprise has simple, clear, and unifying mission and objectives that are widely shared and held.
- Every enterprise is a learning and teaching institution. Management must support each person in the enterprise to learn and grow.
- Every worker is unique and diverse, but within the enterprise each is interdependent. Management's task is to ensure that everyone is valued and supported while focused on the work in common.
- Performance can be measured in many ways, but it has to be measured and continuously improved.
- The result of an enterprise—its value—exists only on the outside, most often in the mind of a customer, client, or member.[7]

Drucker's view of management provides a blueprint for a managerial mind-set. Explicit in Drucker's approach is that your responsibility is to think about the perspectives of others. That understanding, when married to clarity of purpose and focus objectives and outcomes, is what management is all about. This managerial mind-set provides a strong foundation for leading the complex enterprise.

Another way of approaching the context of managing a complex enterprise is to imagine "standing on a balcony" while observing the entire organization. Having such context is critical to appreciating and analyzing all the forces that have an impact on an organization. While standing on the balcony, the manager looks for patterns of work, struggles over values, and leadership, as well as functional and dysfunctional behaviors.[8]

Management theorists call this "sense making": synthesizing information, patterns of behavior, and other clues to inform analysis and judgment.[9] Sense making is a critical skill for the manager of a complex enterprise.

"Standing on a balcony" may suggest the manager as a distant figure, but it is just the first step to understanding the complex organization. One of the first things that a manager realizes while taking in the view is that there are real limitations to any specific vantage point.[10] The manager must get closer to the action and must have the means to make sense of the situation from multiple vantage points, without actually being there.

Making Sense of Complexity

Few endeavors in human history were more carefully planned than the invasion of Normandy on June 5, 1944. Countless hours were devoted to planning, preparation, and coordination. Vast stores of equipment and detailed schedules of logistical support were organized. Battle plans were laid out, with clear, specific objectives detailed, along with alternatives and options. Enormous human and capital resources were concentrated on the task, the biggest endeavor of World War II.

And then D-Day began. Plans went immediately awry. The weather was miserable, the troops were wave-tossed and sea-sick. Paratroopers were dropped miles from their targets. Landing craft drifted off course. Shells and bombs missed their targets. Equipment failed or didn't perform adequately. Communications systems failed. The enemy was stronger in some places than expected. Men died in horrible ways. Aboard the USS Augusta, eleven miles out to sea, Lieutenant General Omar N. Bradley, the senior tactical U.S. commander, stood helpless in the fog of war. From the moment of engagement, Bradley and his allied comrades in arms had to improvise, adjust, regroup, counter, and change as circumstances required.[11]

While managing a complex association enterprise doesn't rise to the life-or-death struggle of D-Day, it shares with it the fundamental challenge of complexity: too many variables. You will rarely have enough information, or resources, or time. Things happen faster than expected, or slower, or not at all, or in ways not imagined. People behave as people will: in uniquely human ways.[12]

Few plans ever totally survive the clash with implementation. The reality that no plan is ever perfect, or perfectly implemented, does not render planning obsolete or irrelevant. Rather, it suggests that the power of planning is found in the process of thinking. Thinking strategically involves a synthesis of analysis, forecasting, testing, and responding.[13]

Complex enterprises also behave differently because they consist of multiple, independent, and self-reinforcing systems. In such complex enterprises

- Obvious solutions don't often produce intended outcomes; in fact, intended solutions often backfire.
- Cause and effect aren't as closely related as they may at first seem.
- Resistance is embedded in complex systems. Complex systems strive to maintain internal balance—status quo—against external forces (which can include the CSE).
- Changing a complex system requires a deep understanding of the organization and its environment as a unified system. Achieving change or affecting behavior requires learning and depends on fostering a systems-thinking approach to leadership.[14]

Management challenges are magnified by size, scale, and scope. Complexity forces limitations on a manager's knowledge and imposes realities on implementation. Accepting the limitations of what a manager can reasonably do, know, or anticipate is an essential element in mastering complexity thinking.[15] Peter Drucker repeatedly focused on the role that ignorance plays in management.[16] Compensating for such limitations by developing supporting systems is critical to managing the complex enterprise. These systems and tools are designed to augment "sense-making" and provide continuous intelligence and insights from throughout the enterprise.

The Enterprise

Managers have long sought the means to compensate for the dynamic variability of complex organizations. A number of tools, models, and frameworks have emerged to bring order to chaos and create mental maps to guide comprehension. And no wonder: complex enterprises almost defy comprehension because they are so dynamic:

- The complex organization didn't just arrive as it appears today—it has history. But hindsight does not lead to foresight because the conditions constantly change.
- The elements of a complex organization interact with each other, often in unpredictable ways.
- The interaction of a large number of players with differing roles and goals creates ever-evolving alliances and motivations.
- The whole is greater than the sum of its parts, and solutions can't be easily imposed.[17]

Faced with such dynamic variability and unpredictability, your task is to distill the foundational elements of the organization to understand how the whole comes together. Theoretical models are often used to provide baselines for understanding.

Member recruitment, onboarding, engagement, renewal

Registration, fulfillment

- Staff

  Staff refers to the number and types of personnel within the organization and how they are trained and developed. In today's complex association enterprise, "staff" includes all workers who contribute to the organization, including full and part-time employees, outsource providers, and volunteers.

- Style

  How management acts is more important that what management says. Thus, "style" has immense symbolic power and is a critical component of managing, as it expresses acceptable and expected behavior in achieving the organization's goals.

- Skills

  Skills are the distinctive capabilities and core competencies of staff as individuals as well as teams within the organization.

The McKinsey 7-S Framework provides context to analyze the essential elements of every enterprise. You can use the tools shown in Table 4.1 to apply the framework to a specific association.

Table 4.1 McKinsey 7-S Framework Key Questions

7-S Element	Application	Sample Key Questions to Ask and Answer
Strategy	Decide what is to be done to achieve specific outcomes.	Are we focused on the right things? Is our effort aligned and concentrated appropriately? Do we need to adapt and change? How do we engage all stakeholders in sensing our environment and co-creating strategic responses?
Structure	Define each organizational unit's authority, responsibility, and accountability.	Does our structure support the annual "Plan of Work"? Are responsibilities and accountabilities clear? Is our team engaging across boundaries?
Systems	Ensure that systems are designed to reinforce desired behaviors; systems are not obstacles to work.	Do our compensation and bonus plans support the desired outcomes—both short term (annual) and long term (strategic)? Does the annual "Plan of Work" align with the "Strategic Plan"? Does the annual "Plan of Work" drive the budget? How do we gather and interpret data and information? Do we have technology that facilitates collaboration and knowledge management? How can we use social media systemically to engage in conversations and feedback with staff and stakeholders?
Staff	Determine which staff positions are required to achieve tasks, goals, and desired outcomes.	Have we considered all forms of "staffing," including Insourcing versus outsourcing? Does our staffing approach allow for flexibility? What is our recruitment and retention plan? How do we ensure diversity? Do we have the right people in the right jobs? How do we develop and train staff? Do we have succession development and contingency plans? What is the right mix of employee and volunteer staff? Do we have the right staff in-house, or do we need to acquire resources from outsourced providers?

		Are compensation systems aligned with and supportive of goals and plan? How are we building capacity and developing capability? How can we eliminate distractions?
Style	Consciously exhibit behaviors and practices that set standards and influence others.	What do we believe are the most important behaviors to demonstrate? How do we demonstrate them? What do we do if someone exhibits nonproductive behaviors? Are we authentic? How much risk are we comfortable with? Are leaders seen as visible champions for improvement? Are leaders available to front-line staff, in order to solicit ideas and ensure that work is aligned with objectives?
Skills	Specify distinctive capabilities of key staff as well as specific skill sets of team members.	Are job descriptions accurate? Do they reflect sound HR practices and provide for appropriate accommodations as needed for differently abled persons? What are our training and development goals for each position? Is there a skill-development path for each position and each person?
Shared Values	Express the guiding values of the organization.	What do we believe in as an organization? Are these values communicated consistently throughout the organization? Are our actions guided by ethical considerations? What is our responsibility to society?

The Tools

The working tools of management in any enterprise are also fundamental to the complex enterprise: plans, budgets, performance measures, human resources, IT and data management, and others.

However, size, scale, and scope, coupled with dynamic variability and limitations on knowledge, require you to emphasize organizational focus and effort. As a CSE or senior staff member, focus on the key leverage points for driving performance and outcomes:

- *Alignment*: Ensuring that each organizational component is aligned toward objectives that support the guiding strategic vision. Articulate and emphasize the importance of alignment regularly with leaders and staff throughout.
- *Coordination*: Concentrating resources and work effort on key performance outcomes. Ensure that high-priority items are not subverted by distractions unrelated to the plan and desired outcomes. Make mid-course corrections and adjustments as a result of continuous learning and process improvement.
- *Communication*: Building and nurturing an environment in which data, information, and knowledge are transparent, accessible, and shared; critical conversations and honest dialogue are encouraged and expected; leaders listen and engage with both internal and external stakeholders; leaders are visible champions of improvement.

Numerous tools are available to aid in alignment, coordination, and communication. You're encouraged to find those that fit your needs. The 7-S Framework is one such tool that can be adapted to facilitate alignment. In addition, embracing a more open, inclusive approach to strategic thinking and planning is one of the new capabilities needed within the complex association enterprise—and one that can help address the challenge of communicating the plan and gaining alignment and commitment throughout the enterprise.

As an example, the American Institute of Architects (AIA) has designed a strategic planning response to fit its complex environment. AIA shares its strategic plan along with an online toolkit to help components to align their plans and programs with the national vision.[19] The objective isn't

Figure 4.2 SAMPLE DASHBOARD: ABC ASSOCIATION.

Source: J. O'Loughlin and G. LaBranche (March 17, 2014).

Dashboards are essential tools in managing a complex association enterprise and can be a key component in "sense making." When shared widely throughout the organization, dashboards promote transparency and help to hold all team members accountable for deliverables.

The Lenses

Ensuring congruence between management and governance is one of the keys to alignment in complex enterprises.

Among the many concerns that must be addressed between staff leadership and governance are the following:

> *Alignment*: Do we share mental models and values? Do we share the same level of knowledge and understanding of our environment, opportunities, and challenges? Are we focused on the same strategy and objectives? Do we share values and styles?
>
> *Coordination*: Are our systems, staff, structure, and skills working toward the same goals?
>
> *Communication*: How do we monitor performance and check and adjust as needed? How do we solve problems and ensure teamwork across components?

The *3 Sight Lens* (3SL) approach is a framework to support governance alignment. The framework provides three "lenses" through which the governance and management team can view the total enterprise. Each lens provides a vantage through which to view the organization in the past, present, and future.

The Stewardship Lens: The lens of *oversight* is a popular viewpoint in governance. And it should be: boards have a fiduciary duty to provide oversight. By its nature, this viewpoint primarily utilizes lagging data: financial reports, committee reports, membership statistics, and so on. Oversight uses a *microscope* to discern anomalies, exceptions, and disruptions. The Stewardship Lens focuses on ensuring the sustainable continuity of the enterprise.

The Membership Lens: By contrast, a *periscope* is employed to look through the Membership Lens. A periscope is designed to look over and around the scene and gain immediate, current data. This lens is used to gain *insight* on the needs, wants, and desires of members and other stakeholders. Member and prospect research, data on member engagement and participation, sales of products and services, and so on help to provide needed metrics. The Membership Lens is used to ensure the currency and relevancy of the business that the enterprise is in today.

The Leadership Lens: This is the viewpoint of *foresight*. Imagine using a *telescope* to see far ahead. Peer through the Leadership Lens to "define the meaningful outside" and discover emerging needs.[22] Trend-watching and forecasting, predictive analytical tools, and environmental scanning are among the tools used to gain clarity on coming changes, opportunities, and threats. The objective is to use this lens to drive the generation and exploration of new ideas.

The 3 Sight Lens model highlights the triple challenge in leading the complex enterprise:

- Ensure sustainable continuity
- Deliver current and relevant value
- Plan for the future

When overlapped, the three lenses bring into focus a balanced view of the organization and its environment, as shown in Figure 4.3.

Notes

1. ASAE, *Benchmarking in Association Management: Financial Operations* (Washington, DC: ASAE Association Management Press, 2012).

2. J. C. Panzar and R. D. Willig, "Economies of Scale in Multi-Output Production," *Quarterly Journal of Economics* (March 1977): 481–493.

3. H. Coerver and M. Byers, *Road to Relevance* (Washington, DC: ASAE Association Management Press, 2013).

4. Coerver and Byers, *Road to Relevance*.

5. ASAE, *Benchmarking in Association Management*.

6. G. LaBranche, "Situational Governance: Suiting Style to Stage," *Leadership* (January 1991): 33–36.

7. P. F. Drucker, *The Essential Drucker* (New York: HarperCollins, 2001).

8. R. A. Heifetz and D. L. Laurie, "The Work of Leadership," *Harvard Business Review* (1997): 124–134.

9. S. Clegg, M. Kornberger, and T. Pitis, *Managing & Organizations* (London: Sage, 2008).

10. G. Sargut and R. G. McGrath, "Learning to Live with Complexity," *Harvard Business Review* (2011): 3–10.

11. R. Atkinson, *The Guns at Last Light: The War in Western Europe 1944–1945* (New York: Henry Holt, 2013).

12. H. Mintzberg, *The Rise and Fall of Strategic Planning* (New York: The Free Press, 1994).

13. Coerver and Byers, *Road to Relevance*.

14. P. M. Senge, *Systems Principles for Leadership* (Cambridge, MA: MIT Sloan School, 1985).

15. K. A. Richardson, "Managing Complex Organizations: Complexity Thinking and the Science and Art of Management," *E:CO* (2008): 13–26.

16. J. E. Flaherty, *Peter Drucker: Shaping the Managerial Mind* (San Francisco: Jossey-Bass, 1999).

17. D. J. Snowden and M. E. Boone, "A Leader's Framework for Decision Making," *Harvard Business Journal* (2007): 69–76.

18. T. Peters, Tompeters.com/dispatches, January 9, 2011, available at Tompeters.com: http://www.tompeters.com/dispatches/012016.php.

19. J. Notter and M. Grant, *Humanize* (Indianapolis: QUE, 2012).

20. G. A. LaBranche, "The Open Source Association," *This Week at Association Forum* (March 26, 2007).

21. J. De Cagna, "Associations Unorthodox: Six Really Radical Shifts Toward the Future," *Chief* (2012).

22. A. Laffey, "What Only the CEO Can Do," *Harvard Business Review* (2009): 54–59.

23. G. LaBranche, "Meaning, Relevance and the Future of Associations," presentation at the Special Libraries Association, July 16, 2012.

24. G. Tecker, P. Meyer, L. Wintz, and B. Crouch, *The Will to Govern Well*, 2nd ed. (Washington, DC: ASAE Association Management Press, 2010).

25. ASAE and The Center for Association Leadership, *7 Measures of Success: What Remarkable Organizations Do That Others Don't* (Washington, DC: ASAE Association Management Press, 2006).

26. Coerver and Byers, *Road to Relevance*.

The Author

Gary A. LaBranche, FASAE, CAE, is the president and CEO of the Association for Corporate Growth. His thirty-plus-year career in association management includes serving as chief staff executive of three associations.

Chapter Five
Business Models and Economic Drivers

Paul Pomerantz, FASAE, CAE

Many association CSEs have found themselves in the following situation. Things have gone well for years. Suddenly, revenues have flattened. You watch as the income begins to dip and slide gradually (or quickly deteriorates). The board is concerned. They say "Try harder" or "We need to market more." Some say a new strategic plan is the answer, but the new plan, when all is said and done, is a continuation of the past, with emphasis on "member value" and improvements to current programs, such as the annual meeting. You know the answer is far more fundamental. It goes to the very core of what you do, how you attract customers (members) and generate revenue.

In fact, the oversight of your business model is one of the most important responsibilities of the chief staff executive (CSE). It is your responsibility to optimize its performance and your responsibility to recognize when improvements and changes are necessary.

Associations are businesses, distinguished from others only by their purpose and tax status. Businesses, to exist, must have customers, and, in the case of associations, these are usually, but not all the time, members. To attract customers, associations must provide value, defined as benefit over cost. The process of generating revenue to support the organization's value proposition is often referred to as the business model.

The association business model is a bit of a paradox. In many ways it is very standard and predictable, usually driven by membership and events. Each association, however, is different. Moreover, the business drivers for associations are rapidly changing.

Business Model Defined

A business model describes the rationale of how an organization creates, delivers, and captures value.[1] The process of business model construction is part of business strategy. "In theory and practice, the term *business model* is used for a broad range of informal and formal descriptions to represent the core aspects of a business, including purpose, target customers, offerings, strategies, infrastructure, organizational structure, trading practices, and operational processes and policies."[2]

Business model design includes the modeling and description of an organization's

- Value propositions
- Target customer segments
- Distribution channels
- Customer relationships
- Value configurations
- Core capabilities
- Partner network
- Cost structure
- Revenue model

The concept of the business model is captured by Peter Drucker in his classic, "The Theory of the Business."[3] He describes three key assumptions that drive the business model.

- Assumptions about the environment of the organization and its market
- Assumptions about the specific mission of the organization
- Assumptions about the core competencies needed to accomplish the organization's mission

Drucker then defines four specifications for a valid theory of the business:

1. The assumptions about the environment, mission, and core competencies must fit reality. Assumptions must be based on the realities of the market and the capacity of the organization to address market needs.
2. The assumptions in all three areas have to fit one another. Drucker gives the example of General Motors, whose core competencies in financial control of the manufacturing process fit with its mission to manufacture cars geared at virtually every customer segment.

3. The theory of the business must be known and understood throughout the organization. The theory becomes a part of strategy, culture, and the discipline of decision making.
4. The theory of the business has to be tested constantly. Drucker stipulates "It is not graven on tablets of stone. It is a hypothesis. And it is a hypothesis about things that are in constant flux—society, markets, customers, technology. As so, built into the theory of the business must be the ability to change itself."

The Association Business Model

An association is, by definition, a group of individuals or organizations organized around common interests. Associations will often define their activities around services to individuals, organizations, or interests including community, networking, information resources, education, standards, or advocacy. Accreditation of institutions and certification of individuals also represent primary activities.

Similarly, revenues are derived from a limited set of sources. Membership is at the core of associations and, for most organizations, is the single largest activity and revenue source. In addition to membership revenue, according to ASAE's *Operating Ratio Report*, other large revenue sources come from meeting registration and exhibits, certification programs, contributions, subscriptions, and advertising.[4]

The ASAE report points out some important trends:

> While membership dues have constituted a decreasing proportion of association revenue over the long term, in recent years this proportion has stabilized. For example, in 1953, the first year of the *Operating Ratio Report*, dues represented 95.7 percent of association revenue, by 1977 it represented 52.3 percent, and in the most recent survey, 37.7 percent. However, dues have represented, as a percentage of revenue, 37.5 percent, 37.7 percent, and 37.7 percent in 2003, 2007, and 2011, respectively.
>
> The extent to which membership dues contribute to an association's revenue varies by type. Trade associations tend to rely more heavily on dues than individual membership organizations. This is also the case for 501(c)(6) organizations when compared to 501(c)(3) organizations, which rely more heavily on donations and contributions. When looking at geographic scope of the association, regional or state and local organizations tend to rely more heavily on dues than those with an international or national scope. Size is also important, with larger organizations less reliant on membership dues than their smaller counterparts.
>
> As a consequence of decreasing reliance on dues income, associations are continuously striving to develop nondues revenue streams for their organization. According to the *Operating Ratio Report*, the largest nondues revenue areas are meeting and convention registration fees (11.4 percent of total revenue), exhibit and trade show booth fees (7.8 percent of total revenue), and educational program fees (6.1 percent of total revenue.) Table 5.1 lists the top five sources of nondues revenue for trade associations and individual membership organizations.

Table 5.1 Top Five Nondues Revenue Sources by Membership Type

Rank	Trade Associations	Individual Membership Organization
1	Meeting and convention registration fees (10.4 percent)	Meeting and convention registration fees (12.5 percent)
2	Exhibit and trade show booth fees (9.7 percent)	Educational program fees (7.5 percent)
3	Certification, accreditation, and standardization evaluation revenue (5.0 percent)	Contributions, grants, and contracts—non-government (7.2 percent)
4	Meeting sponsorship revenue (4.6 percent)	Exhibit and trade show booth fees (6.0 percent)
5	Educational program fees (4.5 percent)	Certification, accreditation, and standardization evaluation revenue (4.7 percent)

A core and unique concept of associations is volunteerism. This generally refers to the voluntary donation of time to do the work of an association. Activities may include governance, program planning, speaking or teaching, standards development, and advocacy. Many associations, particularly small associations, are staffed and driven by volunteers. As associations get larger and more complex, professional staffs are employed and volunteers and staff work in a partnership to accomplish the aims of the association.

From a business perspective, associations are unusual in that members govern, develop content, and form the market for their offerings. For many organizations, this was a predictable and relatively stress-free business model.

Reimagining the Association Business Model

In years past, CSEs and their staffs need not have minded the business model. Sources of revenue and the value provided were very predictable.

However, the world of associations is rapidly changing. Many factors are driving this, including the impact of technology, the economy, changing demographics, globalization, and competition. Many of the services that once defined associations, such as community and information, can now be obtained by consumers at no charge via the Internet, social media, and mobile technology. Meanwhile, the corporate world is adopting "membership" and "engagement" as part of their business models. Businesses as diverse as LinkedIn and Zipcar are examples and illustrate the evolving concept of membership and community. Nonprofit web-based resources, such as Coursera, the Khan Academy, and edX offer educational programs for free or at nominal cost.

While competition increases, demands on associations are increasing along with costs for programs, technology, and staff.

Harrison Coerver and Mary Byers, CAE, in their book *Race for Relevance*, point out six trends that are having a dramatic impact on the business of associations.[5]

1. Time pressures

   The traditional association model is time insensitive, with expectations for volunteerism, meeting attendance, and reading of materials. Yet people are busier than ever with demanding jobs; two-income households; and many other factors, including a twenty-four-hour stream of news, information, and entertainment clamoring for attention.

2. Value expectations

   Membership was considered a professional obligation of professionals or of business for organizations. Today, "individuals and companies expect return on their dues investment."

3. Member market structure

   Associations are challenged to serve markets that are vastly different from those they were initially designed to serve. Industry consolidation and professional specialization require a rethinking of the member market the association can competitively and realistically serve. The threat is real. Some associations have lost members, have merged, or have ceased to exist.

4. Generational differences

   Coerver and Byers quote from the 2006 report "Generations and the Future of Association Participation," "the difference between Generation X and Baby Boomers is not the propensity to join associations but in their expectations about what membership means and the return it provides." There are real differences between the generation leading the association and the succeeding one.

5. Competition

   As noted, competition for associations is emerging from nontraditional firms, including universities and for-profit businesses. Areas of competition include education, tradeshows, online community, and certification and accreditation.

6. Technology

   Coerver and Byers point out that "a tidal wave of technologies has evolved to offer virtually every association deliverable and function: education, information, networking, fundraising, grassroots mobilization, and more." Associations frequently lack the financial resources and human talent to respond to the rapid influx of new technologies that are disrupting business models in every industry.

Indeed the question of relevance is one that consumes boards, CSEs, and their staffs. The role of associations and the business models that support them must change.

What is an association to do? Strategic planning is not enough. Strategic planning is the process of defining an organizations' strategy or direction, and making allocations of people, technology, and other resources in order to achieve its vision and goals. As noted earlier, the strategic plan usually does not test the assumptions surrounding the business of your association.

However, the design of the business model or theory of the business is in fact more basic. It involves disciplined research and decision making combined with innovation, creativity, and experimentation.

When should the business model be assessed? From a practical perspective, the business model cannot be changed frequently. You have based the very structure and operations of your organization on it. In some aspects, the answer might be, when it no longer works. However, it may work, but not as well as that of your competitor, or it may not be able to reach its potential. The following represent "warning" signs that should drive business model assessment.

- Maturity or flattening or decline in major sources of revenue
- Failure to penetrate a large percentage of your target market
- A dramatic change in the industry or profession you serve, such as demographic shifts, consolidation, or technology disruption
- The emergence of new competitors

Coerver and Byers, in their follow-up book, *Road to Relevance*, suggest five steps that can be applied by an association to assess and develop their business model.[6] All of these areas require focus and discipline and can be compared, in some ways, to the hedgehog principle outlined by Jim Collins in *Good to Great*,[7] The hedgehog always wins because he is doing what he was born to do and what he is best at doing. Collins encourages individuals and companies to create their hedgehog bases on the intersection of three circles:

- What are you best (and equally important, what you cannot be the best) in the world at?
- What drives your economic engine?
- What are you deeply passionate about?

Coerver and Byers recommend that associations do the following:

1. *Build on strength*: The authors stress that to compete you begin assessing your strengths in terms of customer base, member base, or both; programs; delivery channels; and core competencies.
2. *Concentrate resources*: Associations of all sizes tend to be spread thin. However, resources should be focused on the most impactful programs and strategies in terms of member value and for competitive advantage.
3. *Integrate programs and services*: The authors agree with strategy guru Michael Porter, who has written that one of the most critical aspects of competitive strategy is *fit*, in which all parts of strategy or portfolio of programs are mutually supportive and fit together seamlessly.
4. *Align people and processes for efficiency*: In general, there is significant waste in associations. The authors advocate that associations adapt the techniques of lean production to understand processes, to optimize value, and to eliminate unnecessary resources.
5. *Abandon services and activities when necessary*. Purposeful abandonment of obsolete or underperforming programs is viewed as essential activity to create capacity for innovation.

Examples of Emerging Business Models

Many associations are successfully transforming their business models. In each case, the approach is unique to the market served by the association and its environment. Following are a few examples.

Freemium

"Freemium is a pricing strategy by which a product or service (typically a digital offering such as software, media, games or web services) is provided free of charge, but money (premium) is charged for proprietary features, functionality or virtual goods."[8] In a freemium model, the key metrics to watch are (1) the average cost of serving a free user and (2) the rates at which the free users convert to premium (paying) customers.[9]

One example of this is the Drug Information Association (DIA), a global association serving professionals in the life sciences. DIA offers access to regulatory information and industry news before the member "wall." Viewers must trade up to membership to get full access to publications and more in-depth information.

Consistent with this is the notion of low-cost, virtual membership. The 2012 edition of *Benchmarking in Association Management: Membership and Components Policies and Procedures* reports that 13 percent of associations have a virtual or e-membership category.[10]

Moving from Membership to Cause-Based

The Healthcare Information Management Systems Society (HIMSS) started in 1961 as an individual membership serving IT and informatics professionals in the United States. Rapid changes in health policy, technology, and globalization have caused a reshaping of the business. Today, HIMSS describes itself as a cause-based, not-for-profit organization focused on better health through information technology. It focuses on its goals through leadership, education, events, market research, and media services. While headquartered in the United States, it has evolved to a global organization with offices in Europe and Asia.

Leveraging Certification

Certification and accreditation are major drivers in health care, engineering, education, and other areas. The Project Management Institute has leveraged global trends and demands to make certification its primary driver of association services. Certification drives membership, education, and PMI's global strategy. There are now 2.9 million PMI-certified individuals globally.

Quality as a Business Driver

The College of American Pathologists represents about fifteen thousand individual members, yet generates revenue in excess of $100 million. Its primary revenue driver is a set of resources directed at supporting, measuring, and demonstrating quality in laboratories and accreditation. This has grown in recent years to become a worldwide business and generates nearly two-thirds of its revenue.

The Association as Market Creator

AARP, originally the American Association of Retired Persons, was founded in 1958, in part as a vehicle to sell insurance, including Medicare supplements, to aging Americans. It has over time rebranded itself and refocused its market on individuals over the age of fifty and reframed its audience as active and vital. Today, AARP has thirty-seven million members and earns annual revenue approaching $1 billion, primarily from royalties and advertising on a wide range of insurance, financial, travel, and lifestyle products. Dues are only $16.

While AARP is an extreme example, other associations have leveraged their membership to create additional value for members and an additional stream of revenue.

The Business of Big Data

Associations are unusually positioned in that we capture significant data on our market segments. These data are often captured in our association management systems and may represent basic demographic data, but increasingly also represent transactional data. With increased computing and analytical power, several associations are developing businesses around "big data." This trend is very evident in medical societies, such as the American College of Cardiology and American Society of Anesthesiology, in which new regulatory requirements are incentivizing members to provide clinical data to large registries. These societies, in turn, can monetize the large data through the sale of analytics and data files to members, health care systems, and industry. The National Association of Realtors uses its multiple-listing service in a similar way.

Converting Your Network and Knowledge into Consultative Resources

A number of associations, including the American Optometric Association, the American Academy of Family Practice, and the Medical Group, either directly or through related organizations have built their business around consulting services. These businesses successfully leverage members' search for solutions in a changing environment, the association's reputation and network, and the assets of its database and knowledge resources.

Knowledge Management and Content Strategy

Associations are redesigning and restructuring on the basis of their approach to knowledge management and content strategy. Packaging and monetizing curated content drawn from all levels of the organization, including co-created offerings from communities of practice, offers new possibilities as an economic driver in a global environment.

The Power of Globalization

A common theme in most of these examples is globalization. Modern communications technology has removed physical limits on your market and amplified association opportunities on a global scale. U.S.-

and European-based associations typically have more knowledge resources and knowledge assets than counterparts in Asia, Latin America, the Middle East, and Africa. Of course, globalization as part of your business model requires considerable thought as to focus, market development, cultural competence, and the management of business transitions.

Considerations in Business Model Assessment and Development

As you assess your current or new business model, here are some questions to consider:

1. Does the business model represent a platform for growth or does it build on an already mature market? What are the implications of your current or proposed business model on your competitive position?
2. Does the business model address the needs of your core membership market segments? Does your business model address changing demographics of your members?
3. Does your business model optimize the use of technology, including mobile platforms, social media, and big data?
4. Does the business model fit with strategy and culture? It may make good business sense, but may not be consistent, for instance, with the core values of your membership.
5. What capabilities or competencies are needed? Do you have these? If not, how can these be acquired?
   - Should you build, outsource, partner, acquire, or merge?
   - If you decide to build, can you afford to recruit and retain the right staff?
6. What are the legal and tax implications of your business model? Are you organized properly from a legal perspective? Will your business model create tax liabilities, and how can these be addressed? Are there other compliance areas such as privacy or intellectual property that need to be considered?

Conclusion

The business model is one of the most rewarding aspects of association work. To get the model right, real discipline, expertise, and leadership are required. Done correctly, it will yield the largest rewards in terms of customer satisfaction, member value, market growth, and organizational sustainability. You can get the rest right, but you cannot survive as an organization or an individual without a business model that works.

Notes

1. A. Osterwalder, Y. Pigneur, and T. Clark, *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers* (Hoboken, NJ: John Wiley & Sons, 2010).
2. "Business Model," Wikipedia, available at http://en.wikipedia.org/wiki/Business_model.
3. P. Drucker, "The Theory of the Business," *Harvard Business Review* (1994).
4. ASAE, *Operating Ratio Report*, 14th ed. (Washington, DC: ASAE Association Management Press, 2012).
5. H. Coerver and M. Byers, *Race for Relevance: 5 Radical Changes for Associations* (San Francisco: Jossey-Bass, 2013).
6. H. Coerver and M. Byers, *Road to Relevance: 5 Strategies for Competitive Associations* (San Francisco: Jossey-Bass, 2013).
7. J. Collins, *Good to Great: Why Some Companies Make the Leap . . . and Others Don't* (New York: HarperBusiness, 2001).
8. "Freemium," Wikipedia, available at http://en.wikipedia.org/wiki/Freemium.
9. Osterwalder, Pigneur, and Clark, *Business Model Generation*, 96.
10. ASAE, *Benchmarking in Association Management: Membership and Components Policies and Procedures* (Washington, DC: ASAE Association Management Press, 2012).

The Author

Paul Pomerantz, FASAE, CAE, is chief executive officer of the American Society of Anesthesiologists. He has worked as an association CSE for over twenty years and has served in volunteer leadership positions

Chapter Six

Identity and Branding

Mark N. Dorsey, FASAE, CAE

What are the promises your association makes to its members or the public? What can stakeholders expect from your association, and how do they distinguish you from your competitors? What is the idea—the mission and foundation of your association—that you and your staff can commit to and build upon? These questions touch upon the intangible essence of branding. Fundamentally, branding is a feeling about your organization based on experience.

If branding is about someone's experience with you and your organization, then *every touch point* related to your organization reflects and contributes to your brand. Everything from advertising, messaging, public relations, presentations, product and service availability and quality, education programming, certification processes, emails, and governance to how the phone is answered influence the perception of your brand. Like the discipline of marketing, the evolution of branding is customer- or audience-centric, not "sender" centric. Often confused with each other, branding and marketing (covered in more detail later in this book) are not the same thing, nor should branding be relegated to simply a design function or logo.

Branding and marketing are closely intertwined and depend upon each other, but the disciplines are distinct. Marketer and entrepreneur Seth Godin's approach to branding paints a broader picture more relevant to today's sensibilities:

> "A brand is the set of expectations, memories, stories, and relationships that, taken together, account for a consumer's decision to choose one product or service over another. If the consumer (whether it's a business, a buyer, a voter or a donor) doesn't pay a premium, make a selection or spread the word, then no brand value exists for that consumer.
>
> ...
>
> "A brand used to be something else. It used to be a logo or a design or a wrapper. Today, that's a shadow of the brand, something that might mark the brand's existence. If you've never heard of it, if you wouldn't choose it, if you don't recommend it, then there is no brand, at least not for you.
>
> ...
>
> "Design is essential, but design is not brand."[1]

Think of branding as what goes into your choice of store or service—as well as the feeling after you've made your purchase—and marketing as all the activities that help you narrow your decision to the point of purchase. In the association world, one can make the case that associations define marketing as the acquisition and retention of "members." Being responsible for the happiness of a market is far bigger than member acquisition and retention. Arguably, so much focus on attracting and retaining members is a bit like a store focusing on the point of purchase—the cash register or the online checkout—instead of focusing on the offerings and experiences that entice the purchase in the first place. To summarize, brand is how you and your organization connect emotionally with customers.[2] Marketing is a disciplined array of activities putting buyers (the market) and sellers together.

While everyone in your organization has an influence on its brand, senior managers—particularly the chief staff executive—are primarily responsible for building and cultivating a loyal, enthusiastic following. At a minimum, this means having

- A coherent identity that stands for your organization's value
- Brand standards to ensure that clear identity, and that define the benefits, features, and value offered by your association
- An ability to integrate the brand across all association programs, services, and activities
- A means to evaluate the strengths and weaknesses—the effectiveness—of your brand

Ultimately, you should be able to clearly answer the questions "What do we do?" and "Why would anyone want to do it with us now or in the future?"

The CSE's Role in Branding

If sound strategy sets a company apart and puts it in a unique position, and if developing unique

positioning is a branding function, then branding, by definition, is a strategic function. Taking this idea a step further, if one of the roles of the CSE is to work with the board to chart strategy—along with securing relationships and resources to enable the organization's mission—then the role of the CSE is to support branding as strategy. Along these lines, publications, professional development (education, credentialing, or both), information technology, finances, the physical office space, the telephone system—*everything*—communicates in some way about the association and has a role in strategy.

If these things are all true, then the CSE has a responsibility to ensure that staff are aligned with the culture of the organization to focus and communicate the organization's messages, to guarantee that the organization has the capacity and desire to listen to stakeholders, and to prevent branding activities —or any other function—from becoming a silo.

The CSE is ultimately on the hook to the board for this success, and the CSE is only as good as the staff. Microsoft's Bill Gates and Steve Ballmer, United/Continental's Jeff Smisek, Apple's Steve Jobs, GE's Jack Welch, and any U.S. president are all examples—for better or worse. However, many companies are famous for their performance and culture without a very famous chief executive officer as figurehead. Nordstrom, REI, Google, Edward Jones, Zappos, and Intuit come to mind as shining examples of this strategy. While the CSE has an obligation and ability to shape and support culture to the benefit of the organization and its stakeholders, it's everyone's job to deliver.

Branding Is Dead

Branding has been dying a very slow death because traditional strategies are no longer viable. Gone are the days when a brand was tightly controlled by advertisers and distributed one way via your local paper and a handful of television and radio outlets, and potentially supplemented with a handful of direct mail pieces.

Earlier in the chapter we noted that branding and marketing are intertwined, and perhaps no more closely than the evolution of branding and marketing. Marketing once was—and in some companies still is—product focused. Much like radio and television broadcasting in the mid- to late twentieth century, marketing theory embraced one-way communication on the premise of developing products with the broadest possible appeal at the lowest price. Branding, in this era, was developed to provide a common identity to support this activity. In this regard, branding was a subset of marketing.

Branding concepts broadened to include customer-centric ideas. Lifestyle marketing took hold in the 1960s when markets began responding to consumer demands. Target and segmentation marketing, positioning, and services marketing evolved in the 1970s, with increasing focus on the customer leading the way to experiential marketing, cause marketing, and sponsorship marketing through the 1990s.[3] The common denominator during this time is that, despite improvements in technology and market research, the customer is still viewed as passive. The increased use of lifestyle factors and causes to differentiate companies is the beginning of a broader definition and application of branding.

What's the result of more of the same as companies spit out increasing numbers of messages, easily developed and broadcast through ever-growing numbers of channels to oversaturated audiences?

- Organizations are creating shiny new tactics of the day rather than pursuing strategy. For example, just as companies in the 1990s created websites without really knowing why they wanted or needed one, so too are companies doing the same thing with social media platforms, mistakenly believing social media are simply another form of static, web-based content.
- In the frenzy to keep up, organizations are failing to identify metrics to help measure the success or failure of branding implementation. Can your organization identify the behaviors of customers or members? What is your reputation, on the basis of news and user-generated content? How does this compare to your competitors? What are they talking about? What is the likelihood someone will recommend your product or service?
- Dull and uninspiring creative content lists features rather than focusing on the *value* of the offering: anyone can offer resources, continuing education, information, discounts, and networking. Will what you offer give me a competitive edge or make me more successful? Will I get a raise or be a better human being by taking your education and certification offerings? Can you save me money? Many associations use the generic "You have access to an array of programs that allow you to enjoy group discounts," as opposed to "Cut your equipment costs through members-only offers from dozens of association suppliers you won't find anywhere else."

Glum tidings indeed, and what's a brand manager to do? For many associations, it would seem that products and services often seem to sell despite our best branding and marketing, not because of it.

Long Live Branding

If branding is "the set of expectations, memories, stories and relationships that, taken together, account for a consumer's decision to choose one product or service over another,"[4] then modern views of competitive strategy should be music to an association executive's ears. Harvard business professor Michael Porter asserts three strategic principles that apply perfectly to branding:

1. It's not just a matter of being better at what you do, it's a matter of being *different* at what you do.
2. Good strategy differentiates your company and positions it as unique.
3. It's not good enough to be different; you have to trade off with other ways of being different (another way of saying you can't be all things to all people).[5]

Associations may struggle to adopt this approach because it means they have to make choices—something they generally are not good at, especially if it means disappointing a member. Further, this philosophy subtly presumes one-way communication, from producer to customer, removing important feedback aimed at enabling members to feel their voice is heard and depriving the organization of information about its performance.

Seize the Opportunities

How can we benefit from these new trends? Consumers' behavior and expectations of their relationship with a brand has changed. These days, customers trust one another more than the brand itself. Customers are increasingly engaged, informed, and communicative about their consumer experiences. Peer-to-peer referrals and relationships, even those online, are more trusted than brand messages.[6] As a result, organizations "no longer have full control over their brands because they are now competing with the collective power of consumers." In other words, you no longer own the channels of communication. Ignore this at your own peril.

Instead, it's important to create environments to encourage user-generated content and to recognize that individuals will communicate with each other about your organization *outside* those channels, whether you like it or not. For example, social media enables opportunities to rate your products and services, share video about your products and services, talk about your initiatives, and tell stories about interacting with your brand.

Recognize that customers co-create their experience with the brand. This goes beyond the idea of self-service. It may be a given that customers have always defined value for themselves. Now, customers define deeper relationships—which is one reason why Starbucks is piloting tea-only stores where customers can develop personalized blends of teas,[7] why purveyors of kitchenware are offering cooking classes, and why Porsche offers free driving improvement classes.

Authenticity rules, posers lose. Authenticity is based primarily on whether or not your organization delivers on what it says it will deliver. But almost as important, authenticity is about communicating in ways that come across as real and honest. Far too often, we really do have great things to offer our members and talk about them in ways that come across as utterly inauthentic. Although most of us have grown up hearing a near constant stream of it, no real human speaks "marketing speak." And, increasingly, no one believes it. Are we communicating in ways that are compelling? Or are we using the bland, less-than-compelling language of business?

Here's an example:

> "Why come to our event? Because professionals need access to high-quality information, professional networking, and professional development resources that only fellow members can provide."

Does that sound like an authentic, compelling message that promises a unique experience that you cannot do without? I don't think so either.

Instead, try making a topic like ceramics engineering interesting:

> Every day, materials professionals use ceramics to pioneer energy solutions, advance medicine, improve the environment, support manufacturing innovations, and make life better.
>
> Often hidden, ceramic components are critical in nearly everything that makes modern life possible—from computers, cell phones, jet engines and armor, to skis, tennis rackets, and hip replacements.[8]

Or how about trees?

> What do we do? We plant trees.
>
> Why? Every time a tree is planted, our environment improves.

> American Forests works to spread the word about the many benefits that forests provide for the health and well-being of the entire planet. With a greater understanding of what forests do for us all, we can encourage greater support to protect and restore these valuable resources.[9]

Or becoming a ski or snowboard instructor?

> What we do: We get people excited about skiing and snowboarding.
>
> Our culture: Connecting to people and ideas in unexpected ways and places.
>
> Our direction: To be the first place people come for information about skiing and snowboarding, teaching, and the industry.
>
> The value of membership: Access to people, resources, and more of the mountain environment that infuse excitement about skiing and snowboarding.

In other words, do your messages help paint a compelling picture and spark conversation about what you do, or do they merely emit "white noise"? Do they sound like the way a real person would talk about what you offer?

Authenticity is also based primarily on whether or not your organization delivers on what it says it will deliver. It's one thing to paint a compelling picture, and it's another to actually follow through. If you promise to plant trees, be ready to prove it. If the promise is to get the public and members more excited about skiing and snowboarding, then the experience had better do so. Customers will quickly judge whether or not your brand is authentic.[10] Tell a compelling, authentic story, engage your audience, and keep your promises—it's a simple, but effective combination.

Somewhat related to the issue of authenticity is uniqueness. Taking Michael Porter's comment about being different a step further, what makes your organization *indispensable* to the marketplace? Do you offer a certification, research analysis, or a service to a population that no one can match? If not, chances increase every day that some other group or free service will successfully compete against you.

Being indispensable is another way of saying the utility your brand offers is unique, and you are known for providing high value and removing friction and pain points in ways that people will support by paying for what you offer. Authentic value is not simply a question of dollar cost, especially when we have shifted from people spending time to save money to spending money to save time.[11] "Actually giving consumers something valuable seems counterintuitive to most marketing departments because they equate 'value' with 'cost,' and the last thing a marketer wants to do is give something that costs them more money to fewer people than they are reaching with their traditional advertising. The truth is that great utilitarianism marketing doesn't have to cost more. It just has to be useful."[12]

Acknowledge that social responsibility is becoming a given within more and more market segments. This takes authenticity one step further. As increasing numbers of consumers educate themselves about what companies do beyond increasing value to shareholders, organizations that want to be more successful than their competitors must demonstrate they are stewards of their community and environment, not just the balance sheet. It isn't new that for-profit entities have tried to emulate the behavior or appearance of nonprofits. Some are genuinely committed to social responsibility, others less genuinely so.

Technology Changes the Playing Field

Many of the trends cited in the previous section are the result of rapid technological evolution, or revolution, if you prefer. We've moved from having the ultimate reference library at our fingertips—in which we are challenged with the task of organizing and consuming vast amounts of information pulled from or pushed to us—to a virtual world that is more expressive and collaborative.[13] People, not just institutions that employ them, generate news, information, ideas, and entertainment in unprecedented volume. And this content appears to be created with the purpose of sharing experiences, many of which include the experience one has with a brand. Under the cautionary note of "be careful what you wish for," word-of-mouth advertising has exploded, thanks to technology.

In one sense, we're moving toward that economic idea in which the market has perfect information available to customers whenever they want it (minus the perfect part, of course). As best-selling author Daniel Pink notes in his book *To Sell Is Human*, it used to be true that sellers owned most of the information relevant to negotiation.[14] Now the information gap between buyers and sellers is about dead even. Increases in the exchange of information create a more level playing field as the flow of goods moves more seamlessly across borders due to lessening transportation and information costs.[15]

Communication Defines the Relationship

One can make the argument that branding is another view of human communication. An image of human communication may look like this: a message is sent by someone such as you (the Sender)

70 percent of Baby Boomers and 84 percent of Millennials say that user-generated content influences a purchase decision, with at least one in five saying this influences their decision "a lot."[17] And 51 percent of Americans trust user-generated content of information over that from a company website (16 percent) or news articles about the company (14 percent).[18] The point is, branding depends on factors outside your control as much, if not more, than those factors within your control.

Assessing Brand Effectiveness and Equity

Financial resources are critical to sustaining organizational activity, no matter how big or how small, which brings to mind the association adage "no margin, no mission." Volunteer efforts and in-kind contributions can be included as important financial resources as well. Measuring and reporting association progress toward achieving the mission along with stakeholder support toward—and their experiences with you in—achieving the mission is a key branding concept.

Examples of these measures may include the following:

- Financial measures
  - Changes in dues and renewals
  - Nondues revenue from all sources, including events, advertising, sponsorship, grants, and donations
  - Purchase behavior
- Nonfinancial measures
  - Likelihood of a stakeholder to recommend your organization to others (Net Promoter Score)[19]
  - Your brand's standing and importance compared to direct and indirect competitors
  - Use of and satisfaction with association print and electronic publications
  - Acceptance of, utility of, and satisfaction with certification programs
  - Unique products and services compared to formal and informal competitors
  - Identification and measurement of media content (social media and otherwise) about your industry or organization
  - Understanding of why members leave or stakeholders speak poorly of your organization
- Identifying brand attributes[20]
  - Prestigious
  - Loyal
  - Trustworthy
  - Credible
  - Effective
  - Scholarly
  - Innovative
  - Useful
  - Important
  - Practical

Ultimately, these and other measures contribute to brand equity. Multichannel marketing expert and author Akin Arikan offers a concept of brand equity that relates nicely to the definition of branding: "potential energy that has been stored in buyer's minds and that still needs to transform into actual purchases and increased shareholder value."[21]

Predictors of Behavior

Philip Kotler, as noted earlier, says that "(executives) today no longer have full control over their brands because they are now competing with the collective power of consumers."[22] He goes on to suggest that organizations that embrace this paradox, among others, will ultimately derive more revenue as the organization engages consumer emotions, which is the essence of contemporary branding. Profitability will increase as the cost of reaching more consumers decreases because the influence and importance of word of mouth—or perhaps word of keyboard—becomes more prominent. As a key influencer in your association, your role is critical in helping to identify stakeholder behaviors, identify factors that influence them, and answer the critical underlying question of "Why?" behind the results

and behaviors. Too often, managers rely on frequency distributions and cross-tabulations to assert predictors of behavior rather than using the array of data available through their association's database, combined with more sophisticated analysis to identify the variables that are relevant and important.

Branding Is Everyone's Responsibility

Too often all responsibility for branding is kicked over to the marketing department. While someone has to shepherd an organization's messages, images, and customer experiences, this creates a tricky set of organizational issues.

If an organization has a chief marketing officer or chief relationship officer, does that let the rest of the organization off the hook for attracting and maintaining customer relationships? Of course not, but where does the responsibility lie? With everyone, because meaningful customer relationships and experiences are, and should be, part of the organization's culture. Left to a silo, the care and feeding of these critical activities becomes someone else's job. Therefore, an association executive's role, particularly the CSE and anyone in marketing, becomes one of staying in touch with and influencing the organizational culture. It's also the brand advocate's role to work with colleagues to ensure the association captures relevant, timely information about marketplace behavior, enables the organization to adapt to changes in that behavior, and helps the organization to remain true and authentic within the markets it serves.

The Rules

Consistency Still Matters

The importance of consistency as it relates to branding is contained within the definitions of integrated marketing communications (IMC), wherein IMC "is the development of marketing strategies and creative campaigns that weave together multiple marketing disciplines (paid advertising, earned media/PR, promotion, owned assets and social media) that are executed across a variety of media, and selected to suit the particular goals of the brand."[23] Or, put another way, IMC is "a strategic marketing process specifically designed to ensure that all messaging and communications strategies are unified across all channels and are centered around the customer."[24]

The case for consistency is straightforward.[25] If you tout the prestige and exclusivity of certain products and services to one audience on your website, and then turn around and promote sweeping discounting as a way to attract members via the same medium, you risk confusing your audiences and your brand proposition. This isn't to say you can't adopt these tactics via different media, only to take care not to send inconsistent and confusing messages to the broader audiences.

To this end, consistency of design and identity still facilitates strong branding. This means that logo use guidelines, editorial style guides, and easy-to-access resources must be available to those who might represent your organization's brand. Part of maintaining a brand also includes working with legal counsel specializing in intellectual property to ensure that rights regarding copyrights, trademarks,[26] trade dress,[27] and other forms of intellectual property are protected.

Embrace the Mission

Successful businesses start with the relentless, organization-wide pursuit of a mission and purpose, not with planning financial returns.[28] The mission should be clear and concise, define the organization's fundamental reason for being, and connect with the customer's ideas about how to make a difference.[29] They derive their mission from core values and beliefs, and examine policies that might weaken those values. They create a mechanism that directly links actions with values.[30] Embrace the mission, and members, financial results, and other support will follow.

Be Authentic and Deliver Real Value

Your audience determines the value, not you. It's important to note that members are likely to have the highest belief in the value of their purchase at the time they join an association, meaning associations start with high credibility to squander, if they're not careful. Also realize that perfection is a myth. Be ready to deal with it when your organization makes a mistake and your audiences communicate with each other, and with you, in ways you might not like.

Ask Five Key Questions

1. What do you *do*? (You should be able to answer this in one sentence.)
2. What makes your offering unique (or, better yet, indispensable)?

3. Why do you do it, and why do your constituents engage with you? (If you can't answer this, why should anyone care?)
4. How do you know what you know? (Are you relying on solid data and testing hypotheses, or are you just guessing? And if you can't answer this, how are you tracking the effectiveness of your brand?)
5. Do you like your customers, or are you focused on trying to get them to like you?[31] (The latter comes from a place of seeking validation as opposed to creating a relationship and, frankly, is not all that attractive.)

The Care and Feeding of the Brand Is Everyone's Job

Every contact with your brand is a chance to increase or decrease an individual's support of your organization. And as noted earlier, the role of the CSE as brand steward is critical in this regard. This individual will need to maintain focus on the mission and culture, break down any internal resistance to branding, and support marketing and communication efforts to ensure that branding isn't a sideline.

Utility, Utility, Utility

As we said earlier, being indispensable is another way of saying the utility your brand offers is unique. Or, put another way, what indispensable product or service would be lost if your association were to go away?

In conclusion, viewing the association from a branding perspective, you're in a unique position to help focus the organization and connect the outside with what's happening inside it. Many of the tried-and-true brand strategies of yesterday will always be relevant, but it's a new world, and organizations that seek to gain customers or members, engender loyalty, and build a solid financial structure need to ensure the association's brand maintains the emotional tie to mission and values.

Notes

1. Seth Godin, "Seth's Blog," n.d., available at http://sethgodin.typepad.com/seths_blog/2009/12/define-brand.html.

2. Brandstoke offers nine criteria to help in assessing brand essence, because articulating how customers feel about your brand in an authentic and meaningful way is often challenging. The features of a brand, for example, "lightweight," "fast," or "blue," are tangibles. They are easy to sense, describe, measure, and compare. The essence, on the other hand, is felt. Lacing up a new pair of Nike running shoes feels inspirational. Riding a Harley-Davidson motorcycle feels liberating. Experiencing Walt Disney World with your children feels magical. Strong brands have well-defined, easily grasped, simply obvious essences. Test your essence against these criteria: (1) single-minded, (2) intangible, (3) unique, (4) experiential, (5) consistent, (6) authentic, (7) sustainable, (8) meaningful, (9) scalable. Brandstoke, February 9, 2009, available at http://www.brandstoke.com/2009/02/09/9-criteria-brand-essence/#sthash.eH80Wk6s.dpuf.

3. Philip Kotler, Hermawan Kartajaya, and Iwan Setiawan, *Marketing 3.0: From Products to Customers to the Human Spirit* (Hoboken, NJ: John Wiley & Sons, 2010).

4. Godin, "Seth's Blog."

5. Rowan Gibson, "Michael Porter on Strategic Innovation—Creating Tomorrow's Advantages," Innovation Excellence, December 29, 2011, available at http://www.innovationexcellence.com/blog/2011/12/29/michael-porter-on-strategic-innovation-creating-tomorrows-advantages.

6. Nielsen, "Global Advertising Consumers Trust Real Friends and Virtual Strangers the Most," July 7, 2009, available at http://blog.nielsen.com/nielsenwire/consumer/global-advertising-consumers-trust-real-friends-and-virtual-strangers-the-most.

7. Kelly Blessing, "Starbucks to Open Tazo Tea Store," Bloomberg, June 20, 2012, available at http://www.bloomberg.com/news/2012–06–20/starbucks-to-open-tazo-tea-store.html.

8. The American Ceramic Society, "Learn About ACerS," n.d., http://ceramics.org/about/learn-about-acers.

9. American Forests, n.d., available at http://www.americanforests.org/why-it-matters.

10. James H. Gilmore and B. Joseph Pine II, *Authenticity: What Consumers Really Want* (Boston: Harvard Business School Press, 2007).

11. "What is utilitarianism marketing? It's not about advertising, it's not about messaging, and it's not about immediate conversions. It's about providing a true value and utility: something consumers not only would want to use—constantly and consistently—but would derive so much value from it that it would be given front-and-center attention in their lives. Do you think your brand has the ability to create that kind of interest and attention in this media-saturated and ads-everywhere world in which we live?" Mitch Joel, *Ctrl Alt Delete: Reboot Your Business. Reboot Your Life. Your Future Depends on It* (New York: Business Plus, 2013), 33.

12. Joel, *Ctrl Alt Delete*, pp. 33–34.

13. Kotler, Kartajaya, and Setiawan, *Marketing 3.0*.

14. Daniel H. Pink, *To Sell Is Human* (New York: Silverhead Books, 2012).

15. Kotler, Kartajaya, and Setiawan, *Marketing 3.0*,

16. Brian Haven, with Josh Bernoff and Sarah Glass, "Marketing's New Key Metric: Engagement," Forrester Research, Inc., August 8, 2007, available at https://www.adobe.com/engagement/pdfs/marketings_new_key_metric_engagement.pdf.

17. Bazaar Voice, "Talking to Strangers: Millennials Trust People Over Brands," January 2012, available at http://resources.bazaarvoice.com/rs/bazaarvoice/images/201202_Millennials_whitepaper.pdf.

18. Ibid.

19. The Net Promoter Score, or NPS, is based on the fundamental perspective that every company's customers can be divided into three categories: promoters, passives, and detractors. By asking one simple question—How likely is it that you would recommend [your company] to a friend or colleague?—you can track these groups and get a clear measure of your company's performance through your customers' eyes. Customers respond on a 0-to-10-point rating scale and are categorized as follows. Promoters (score 9–10) are loyal enthusiasts who will keep buying and refer others, fueling growth. Passives (score 7–8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings. Detractors (score 0–6) are unhappy customers who can damage your brand and impede growth through negative word of mouth. To calculate your company's NPS, take the percentage of customers who are promoters and subtract the percentage who are detractors. Frederick F. Reichheld, "The One Number You Need to Grow," *Harvard Business Review*, December 2003, available at http://hbr.org/2003/12/the-one-number-you-need-to-grow/ar/1.

20. Sheri Jacobs, *The Art of Membership: How to Attract, Retain and Cement Member Loyalty* (Hoboken, NJ: John Wiley & Sons, 2014), 47–49, 62–63.

21. Akin Arikan, *Multichannel Marketing: Metrics and Methods for On and Offline Success* (Hoboken, NJ: John Wiley & Sons, 2008), 118–121.

22. Kotler, Kartajaya, and Setiawan, *Marketing 3.0*, 10.

23. Stir, "It's Time to Redefine Integrated Marketing," Stirology, April 16, 2013, available at http://blog.stirstuff.com/2013/04/16/time-to-redefine-integrated-marketing.

24. Journal of Integrated Marketing Communications, n.d., available at http://jimc.medill.northwestern.edu/what-is-imc.

25. Arikan, *Multichannel Marketing*, 16.

26. U.S. Patent and Trademark Office, "Trademark, Patent, or Copyright?" n.d., available at http://www.uspto.gov/trademarks/basics/definitions.jsp.

27. Cornell University Law School, Legal Information Institute, "Trade Dress: Definition," n.d., available at http://www.law.cornell.edu/wex/trade_dress.

28. Peter F. Drucker, "What Businesses Can Learn from Nonprofits," *Harvard Business Review*, July 1989, available at http://hbr.org/1989/07/what-business-can-learn-from-nonprofits/ar/1.

29. Kotler, Kartajaya, and Setiawan, *Marketing 3.0*, pp. 40–41.

30. Jim Collins and Jerry Porras, (New York: Harper Collins Publishers, Inc., 2004).

31. "(Businesses are) asking consumers to 'like' them on Facebook while few actually make an effort to connect to those individuals on their own spaces. Here's a hint: Instead of asking people to like your business, why doesn't your business start liking these people first? They're asking customers to subscribe to the RSS feeds of their blogs or share their content, while the brand editors spend

zero time engaging in the comments on the blogs being created by their customers. Here's a hint: Be active on every blog that serves your industry. Don't expect everyone to come to you. They're looking for customers to follow them on Twitter, but don't actually push beyond their own tweetstream to build affinity and loyalty. Here's a hint: If your Twitter feed is nothing but announcements about your sales or service upgrades and nobody is retweeting or sharing your content, it may be time to start thinking about adapting your content strategy." Joel, *Ctrl Alt Delete*, 16–17.

The Author

Mark N. Dorsey, FASAE, CAE, is executive director and CEO, Professional Ski Instructors of America (PSIA) and the American Association of Snowboard Instructors (AASI). He entered the association field in 1989 and served as PSIA-AASI's marketing director and later as COO. He is recognized for expertise in developing and presenting innovative corporate and association strategy with positive, quantifiable results, and an emphasis on change management, turnaround strategies, and revenue growth.

Chapter Seven
Financial Management

Rob Batarla, MBA, CPA, CAE

Money matters. Some people don't like to talk about it. And in the world of nonprofit (which includes charities and associations—both trade and individual membership), there is often focus on the mission and organizational accomplishments pushing finances to the back burner. However, deep down inside everyone knows that without the money, the mission and major accomplishments would not exist.

With increased scrutiny on nonprofits from the Internal Revenue Service and charity watchdog organizations, making sure the money is in good proper order is essential. From budgeting to financial reporting to auditing and tax preparation, following best practices can make all the difference.

Strategic Budgeting and Financial Planning

Most nonprofit entities start financial planning with a budget. Simply put, a budget is a financial roadmap of how an organization wants its finances to look. Budgets are typically done toward the end of the previous fiscal year. As organizations plan activities to come, knowing how the money is going to be spent—and how it is going to come in—is essential. And since the future cannot be predicted, budgets are oftentimes wrong the minute they are finished. So budgets should be looked at as a guideline and not a doctrine.

Types of Budgets

As you start planning, using different types of budgets can provide different perspectives in how the association's finances are viewed. Here are some different types of budgets:

- *Program budget*: Part of the operating budget, detailing out a specific program of the association, for example, the conventional budget, the magazine budget
- *Functional budget*: Equivalent to a "department budget," encompassing all activities and overhead expense of a specific department, such as the education department budget
- *Operating budget*: For a specific period, covers the revenue and expense of the day-to-day operations of the association
- *Capital budget*: Estimates all capital asset acquisitions and summarizes all expenses and costs of major purchases for the next year
- *Cash budget*: Covers the ins and outs of cash for the association.

The creation of the annual budget can be a lengthy process that involves many people in the organization. Once the association leaders set the strategies and priorities for the near future, the budget usually starts with the program managers that are responsible for specific areas of the association and then goes back "up the chain" to senior management, the chief staff officer, a volunteer finance committee, and finally the organization's board of directors. The entire process can take months.

Understanding the financial landscape of the association more than one year out is a good practice. Some organizations actually choose to do two-year budgets and just make refinements in the off year. For associations operating with a multiyear long-range financial plan, two-year budgeting may not be that difficult.

Some organizations use zero-based budgeting—a technique in which the "budgeteer" starts from scratch in building the budget. This technique may be a good idea if you want to eliminate wasteful spending or you are completely redesigning your benefit package or business model. But at most times, incremental budgeting is applied when the numbers are based on prior-year information and adjusted. Be mindful not to befriend the budget's worst enemy: "SALY," which is short for "same as last year." Although prior-year information is a great place to start, make modifications as needed. For example, if your annual conference changes cities year to year, that may have an impact on attendance revenue and conference or travel expenses. Budgeting the same amount for meals in Las Vegas as you did for meals in Charlotte would definitely cause a variance.

Budgeting techniques also work well for doing some financial planning with new initiatives. As your organization embarks on new projects, creating a business case with pro-forma financial statements or

future budgets helps determine if the project is viable. Your organization should have standards as to how long the new initiative needs to be supported by other revenue streams, the level of growth desired, and so on. By using estimates and future planning on new initiatives, decision makers can better evaluate how and when—from a financial perspective—the organization should launch new programs. (See "Business Planning," Chapter Thirteen.)

Ideally, budgeted revenue would exceed budgeted expenses (or at least break even), but that isn't always going to be the case. Sometimes, perhaps due to an economic downturn or some specific priority, a deficit (expenses exceeding revenue) is budgeted. Assuming there are ample reserves (which will be discussed later), budgeting to lose money is not a bad thing. For example, let's say that there is a strong public awareness need and the only way to accomplish that goal is to purchase a Super Bowl ad. If that one-time expense causes a deficit budget, but accomplishes a much-needed goal (and the organization has the money), then using the reserves is a good thing to do.

Capital Expenditures

Capital expenditures are large cash outlays in one year that will affect future budgets. When investing in fixed assets or some types of software, the useful life or benefit extends beyond the year of the operating budget. And thus those expenditures are capitalized and depreciated over the useful life of the assets. For example, if an organization spends $4 million on a building that has a useful life of forty years, although $4 million worth of cash may go out the door in year one, the organization will only incur $100,000 worth of expense each year for the next forty years. That $100,000 needs to be factored into the operating budget for many years to come. But that should make sense since the organization is using the assets during that time anyway!

Tying money to goals, objectives, or so on is the basis for strategic budgeting. If, as in the previous example, public awareness is a top priority, then funds, like the Super Bowl ad, should be allocated to it. If your organization has a strategic plan, then the budget should be a compendium piece to it. Resource allocation to the plan should take priority over nonplan spending. Of course, there will be nonplan expenses that need to occur. And not every expense can or should be tied to the plan. Saying that "everything we do" is strategic is simply not true, and the budget supporting the plan becomes artificial when this forcing of expenses occurs. Moreover, there is not an industry standard on how much of your expenses should be included in the strategic plan. But setting an organizational benchmark or level and then monitoring it year after year is a good practice. One calculation to consider is how much of the discretionary funds are going toward the plan. So take out expenses for "must-do" activities (such as finance, HR, IT, and so on) and calculate the percentage of expenses resourcing the plan.

> "A strategic plan without a budget is just a dream and a budget without a strategic plan is just spending."

Budget Use

Strategic budgeting and financial planning lay the groundwork for the organization to follow. Again, the actual results will be different than the budget, but the budget provides one objective barometer for measuring financial performance. Many times organizations like to adjust the budget as the year progresses. As the budget is usually a board-approved document, it should only be changed if the board wants or needs to have officially revised numbers. This would likely be requested when there is a significant variance in revenue or expenses with negative impact to cash flow and the association has no reserves. Otherwise, using forecasted numbers and variance analyses should get you through the year. Remember that budgets are history once you have actual numbers.

Financial Reporting and Analysis

There are three main financial statements for a nonprofit organization: the statement of financial position (that is, the balance sheet), the statement of activities (the income statements), and the statement of cash flows.

The statement of financial position is a point-in-time statement that lists the entity's assets, liabilities, and net assets. Assets are what the organization owns, such as cash, investments, receivables (money owed to the association), and fixed assets such as furniture and computers. Liabilities are what the organization owes, such as payables (bills not yet paid), deferred revenue, and debt. Net assets are the difference between assets and liabilities and are essentially what the organization is worth. To put it in

personal terms, let's say you own a house that has a market value of $400,000. You have a mortgage on that house for $275,000. So your equity in the house is $125,000. Your house is an asset; your mortgage is a liability; and your equity is your net assets.

Usually prepared at month-, quarter-, and year-end, the statement of financial position presents the balances at that specific point in time. So on December 31, for example, an organization has a certain amount in cash. If the next day, they pay a huge bill, that cash number would be different.

Here are a few things to look for when reviewing the statement of financial position:

- Assets are valued at market value, which is the price the asset would get on the open market (except fixed assets, which are valued at depreciated cost).
- Assets should be listed in order of liquidity, with cash always listed first.
- Organizations that keep their books on a cash basis (instead of accrual) will not show any liabilities. Organizations with modified cash or modified accrual will probably show payables.
- Net assets are broken up into three classes: unrestricted, temporary restricted, and permanently restricted. Restriction in net assets results from funds that come in through "non-exchange transactions," when money changes hands without any expectation of a return, like a donation. These are "donor transactions" and are restricted on the basis of the donor's intent.

The statement of activities is a period-of-time statement that shows the entity's revenues and expenses. Assuming accrual basis accounting, revenue represents what has been earned, not necessarily collected. And expenses represent costs that have been incurred regardless of whether payment has been made. There are many different ways to present the statement of activities. In fact, how the statement looks month to month may vary with how auditors present an audited financial statement. Although the statement generated from your accounting software may be cumbersome to work with, it is recommended that your financial statements be presented in a standard format drawn from your accounting software rather than manually created statements. This reduces the risk of transfer errors.

The statement of activities reports results over a period of time, for example, "three months ending March 31" or "twelve months ending December 31." In contrast to the statement of financial position, which is a point in time, the statement of activities spans a period and is usually cumulative during the year.

The difference between revenue and expenses is known as the "change in net assets." In the for-profit world this would be known as "net income/loss." And the two statements are linked. See Table 7.1 for an example.

Table 7.1 Sample Financial Statements

Statement of Financial Position		Statement of Financial Position		Statement of Activities	
December 31, 2015		December 31, 2016		Jan 1, 2016–Dec 31, 2016	
Assets		**Assets**		**Revenue**	
Cash	$10,000	Cash	$15,000	Dues	$100,000
Investments	$50,000	Investments	$55,000	Other	$25,000
Total Assets	$60,000	Total Assets	$70,000	Total Revenue	$125,000
Liabilities and Net Assets		**Liabilities and Net Assets**		**Expenses**	
Accounts Payable	$5,000	Accounts Payable	$7,000	Salaries	$80,000
Deferred Revenue	$15,000	Deferred Revenue	$18,000	Other Expenses	$40,000
Total Liabilities	$20,000	Total Liabilities	$25,000	Total Expenses	$120,000
Net Assets	$40,000	Net Assets	$45,000	**Change in Net Assets**	**$5,000**
Total Liabilities and Net Assets	$60,000	Total Liabilities and Net Assets	$70,000		

Although the example is simplistic, it illustrates the point. The change in net assets in 2015 from the revenue and expense is $5,000, meaning that the organization increased its net worth by $5,000 in that given year with revenues exceeding expenses. To further illustrate the point, you can see that net assets on December 31, 2016, are $5,000 higher than on December 31, 2015. This is the only line item that links the balance sheet and the statement of activities.

When reviewing the statement of activities, if the expenses exceed the revenue, then the organization has a net loss. It is the statement of activities that you use for actual-to-budget comparison.

See Table 7.2 for an example.

Table 7.2 Sample Budget-to-Actual Variances

Budget		Statement of Activities		Budget Variances	
For 201_x_		Jan 1, 201x–Dec 31, 201x		For 201x	
Revenue		**Revenue**		**Revenue**	
Dues	$115,000	Dues	$100,000	Dues	($15,000)
Other	$15,000	Other	$25,000	Other	$10,000
Total Revenue	$130,000	Total Revenue	$125,000	Total Revenue	($5,000)
Expenses		**Expenses**		**Expenses**	
Salaries	$75,000	Salaries	$80,000	Salaries	($5,000)
Other Expenses	$55,000	Other Expenses	$40,000	Other Expenses	$15,000
Total Expenses	$130,000	Total Expenses	$120,000	Total Expenses	$10,000
Change in Net Assets	$0	Change in Net Assets	$5,000	Change in Net Assets	$5,000

The budget was a break-even budget with $130,000 in revenue and the same amount in expenses. However, revenue came in below budget by $5,000, but expenses were also under budget by $10,000. The overall result is that instead of breaking even, the organization made $5,000.

Looking at budget variances helps with financial planning in future years. There may be many reasons the actual results are off from budget—including bad budgeting! As the budget is just a guide, there isn't any reason to panic when there are budget variances. Understand what causes them and use that knowledge going forward. Being under budget, like in the preceding example, may look great on the bottom line, but perhaps the money allocated to other expense that was not spent may mean that an important activity didn't get done. And that isn't good.

When you think about the budget as a plan, comparing the actual results to the budget is just a way to see how your plan was executed. Periodically checking the budget-to-actual variance helps in seeing if things are still on the track you projected.

The last statement to mention is the statement of cash flows. The statement takes the change in net assets and uses it to show the change in the cash position from the beginning of the year to the end of the year using three sections: changes in operating activity, changes in investing activity, and changes in financing activity. The statement of cash flows used by audits can be somewhat confusing to the general users of financial statements, and many associations choose to create their own versions to show the cash position throughout and at the end of the year.

Metrics for Financial Analysis

Besides comparing actual results to the budget, there are other ways to read financial statements. Table 7.3 offers seven easy metrics to look at when determining an organization's financial health.

Table 7.3 Key Financial Metrics

Metric	Where to Find or How to Calculate	What the Metric Will Tell You
Revenue growth	From the statement of activities, divide the difference of YTD current year and YTD prior-year revenue by YTD prior-year revenue.	Is the organization growing year after year?
Revenue diversification	From the statement of activities, divide the difference of total revenue and your largest revenue stream (perhaps dues) by total revenue.	Does the organization rely too heavily on one revenue stream?

Programmatic expense percentage	From the statement of activities, divide programmatic expenses by total expenses.	Do most of the funds go toward the mission?
Current ratio	From the statement of financial position, divide current assets by current liabilities.	Can the organization pay its bills?
Profitability	From the statement of activities, divide the change in net assets by the total revenue.	Is the organization making money?
Liquid reserves	Divide the unrestricted net asset balance (from the statement of financial position) by the annual expense budget.	Does the organization have money in investments?
Total reserves	Divide total investments (from the statement of financial position) by the annual expense budget.	Are the net assets adequate?

These seven metrics, together, give an overall snapshot of the organization's financial health. It makes most sense to look at these metrics on a quarterly basis and compare them to an industry or organizational benchmark and a year-to-year comparison for trending. However, be careful with benchmarks. All organizations are different, so understanding how your organization compares to a benchmark is important.

To illustrate the point of benchmarks, let's dive into the current ratio. The current ratio divides current assets into current liabilities to show that there is enough money to pay the bills. The industry benchmark on this is two, meaning a healthy organization should have twice the current assets as current liabilities. So an organization with $300,000 in cash and $150,000 in accounts payable would be fine as opposed to an organization with only $160,000 in cash and the $150,000 in accounts payable. But since assets and liabilities are pulled from the "point-in-time" statement of financial position, the below-benchmark current ratio may really only be a timing issue.

In the preceding example, let's assume that the $160,000 in cash is as of March 31st, and the organization calculates its ratios at the end of each quarter. The organization is going to have a below-benchmark ratio on that date, but perhaps with the way cash flows, they get a huge influx of cash on April 3. The first quarter current ratio may look bad, but it is just a timing issue with the organization's cash flow. And assuming that the cash flow is similar year after year, seeing a below-benchmark current ratio on March 31st becomes common and essentially is not an issue. Having a solid understanding of the metrics and benchmarks and knowing how to apply them is equally as important.

As each organization is different, perhaps there are other ratios and metrics that make more sense for your organization. If there is significant revenue from product sales, then inventory turnover would be good to look at. If donations are large, diving into the restrictions of the net assets would be important. It is also important to look at the trends of the numbers. Variances may be minor, but continual decreases over time, for example, can tell more of a story.

Another good evaluating tool, especially for specific initiatives and programs, is your return on investment (ROI). By dividing the difference of the gain and the cost of the investment by the cost of the investment, you can see if the initiative is yielding a fair return. For example, if you invest $50,000 in new software that earns the organization $60,000, then the ROI would be 20 percent. Given that most investment doesn't have double-digit returns, the 20 percent ROI is quite good. The trick to getting a complete ROI is making sure you include *all* the costs included in the investment, including staff time if applicable.

So what does one do with financial statements and ratios and financial analysis? All this information should be presented to those who make decisions in the organization, from program managers to senior management to the board of directors. Programmatic financial information should be given to program managers monthly, no later than fifteen days following the end of the month. Association-wide financial data and benchmarks should be distributed to the board and senior management on a quarterly basis, again, no later than fifteen days after quarter-end. Financial information should be prefaced with some qualitative information about the association's activities for the quarter, and it may also be helpful to add some nonfinancial data (such as membership count, conference attendees, and so on) to create a more complete picture.

Do not send too much information, as that overload could be too much for nonfinance people to digest. Less can be more, but smartly presented financial information will help. At the end of the day, providing

the right information with proper analysis that helps association leaders make good financial decisions is the ultimate goal of financial statement reporting and analysis.

Internal Controls and Attestation

To ensure that the finances run smoothly, there are certain procedures and protocols that the finance department follows. Ever wonder why they need certain signatures or proper coding? Your financial department is trying to create an environment that has good, solid controls.

Internal controls work to prevent fraudulent activities. For example, think about what it takes to pay a vendor. First, someone needs to initiate funds going out the door. Then that initiation needs to be approved. Next, someone who has custody of the checks needs to cut a check, and then that check needs to be signed. The check needs to be recorded properly in the accounting system and ultimately mailed out to the vendor. Those are a lot of steps during which error or manipulation could occur. However, with a solid internal control system, checks and balances are created and the potential for something to go wrong is reduced. So the person who initiates the check shouldn't be the same person who signs or authorizes the check because then that person could just cut themselves a check. Good internal controls would segregate those duties so risk can be mitigated.

Other types of good internal controls, besides segregation of duties, include

- Proper safeguarding of assets to prevent fraud, misuse, and waste (in other words, keep the checks locked up!)
- Timely reconciliations of bank accounts
- Processing controls that allow for an audit trail of what occurred

At the end of the year, it is a good idea to have an external review of the financial statements. There are three options from which an organization can choose:

- *Compilation*: When an external professional just compiles the financial information provided by the client but doesn't provide any attestation
- *Review*: When an external professional does limited testing on the financial information
- *Audit*: When an external professional (that is, a certified public accountant) does testing based on general accepted auditing standards in order to form an opinion to say that the financial statements are free of material misstatements

Certainly the audit is the highest level of attestation. The audit process starts with a review of the internal controls. If the organization can prove there are good internal controls, then the audit testing can be reduced. Auditors do not look over every transaction and do not state that the numbers are perfect. It is a common misunderstanding that "audited financial statements" are perfect. They are, instead, free of material misstatements. For example, in a $10 million organization, if there is a $40 expense reimbursement for travel that is coded to supplies, it is possible that the audit would not pick that up. It might be a symptom of bad internal controls, and the auditors will test for that.

Auditors give an opinion on the financial statements. Options are unqualified, qualified, adverse, and disclaimer of opinion. Organizations strive to get an unqualified ("clean") opinion, whereas a qualified opinion indicates there is an issue that the auditor has concerns about. An adverse opinion indicates there is a serious issue to address. The auditors will also provide a management letter to the board of directors with suggestions on improvements to internal controls, if there are any.

Every association should have written policies that address the process of handling financial transactions and decision making, including the receipt and recording of cash, payment of bills, authorization of disbursements, payroll preparation, account reconciliation, investments, and journal entries as well as requirements to initiate payments, who has authority to authorize or approve check requests, verification of assets shown on the books, audit frequency, lines of authority for financial decision making, bonding, and training required for anyone involved in handling the association's money.

Tax Exemption

Corporation status is determined through your organization's home state. Being a tax-exempt entity is something granted by the Internal Revenue Service (IRS). Once incorporated, an organization can apply for tax exemption from the IRS. By filing Form 1023 or 1024, a nonprofit corporation can achieve tax exemption, most often in the form of a 501(c)(3) or 501(c)(6). There are twenty-nine types of tax

exemptions under the code, but (c)(3) and (c)(6) are the two most common and are described in detail in other chapters.

Being tax exempt doesn't mean that the organization won't pay any taxes. It means that income earned by the entity within the scope of its stated purpose isn't subject to state or federal tax. However, tax-exempt entities will still pay

- Payroll taxes
- Sales tax (unless they have a sales tax exemption—which varies by state)
- Food and beverage tax
- Hotel taxes
- Taxes on income earned from unrelated activities

The last one is commonly known as UBIT, or unrelated business income tax. Net revenue generated from activities that are not part of the organization's exempt purpose is subject to taxation. Common examples include advertising, rental income, and royalties. The IRS code lists specifically what is and what isn't unrelated business income. However, you should be careful because there are nuances.

- Advertising income is taxable; sponsorship income is not. The IRS views sponsorship as publicly acknowledging their donors and thus is not the same as advertising, although many see it as very similar.
- Rental income from debt-financed properties is considered taxable, but rental income from finance that is debt-free is not.
- Royalty income is not considered taxable if the association isn't actively generating the revenue. Staying passive and letting a third party handle the business (where you just then get a royalty check) keeps the activity tax exempt.

Despite the title, tax-exempt entities are required to file an annual return with the IRS. The Form 990 (or the Form 990-EZ or Form 990-N postcard—dependent on the organization's size) is due on the fifteenth day of the fifth month after fiscal year-end. For organizations with fiscal years ending December 31, that puts the return due on May 15th. Like your personal return, it can be extended by request, and the extensions can push the return's due date six months.

The Form 990 has grown in size over the past several years to include more than just financial information. At its core, the Form 990 presents financial information similar to the statements of financial position and activities, albeit in somewhat of a different format, as well as many other schedules from international activities to related party transactions to information on gaming activities to endowments.

Form 990 statements are public documents, and many are available online for review. Because the filings are public, many organizations take the opportunity to use the form as a marketing tool. The form does provide the ability for an organization to talk extensively about its activities.

Reserves

Much like we hold money in savings, smart organizations have reserves. Whether they are saving for a new IT system or a big project, or just being cautious in case the economy crashes, having ample reserves is essential.

Reserves can be defined in many ways. Two simple reserve definitions are “liquid” and “total.” Liquid reserves equal what is held in the investment account. And total reserves equal unrestricted net assets. Reserves are often presented in percentage form with either investments or net assets as the numerator and total budgeted expenses as the denominator. For example, if an entity with a $15 million expense budget has $7.5 million in reserves (either in investments or in net assets), then you would say their reserves are at 50 percent.

So what is the right answer as to how much should be in reserves? It depends. There actually isn't a right or wrong answer; it depends on your organization. Per a recent study, nonprofits were averaging around 55 to 60 percent in reserves. This is not a benchmark but rather where the industry sits currently. Here are some reasons to have higher-than-average reserves:

- Revenue streams are not very diverse (that is, all your eggs are in one basket).
- Revenue streams are not very stable.
- There is uncertainty in the marketplace.
- There are large expenses coming up.

It is possible to have too much in reserves as well. As nonprofits are not banks, hoarding members' money doesn't go over too well. When you have 300 percent in reserves it would be hard to justify a dues increase! The best way to handle this is to have a board-approved reserve policy that sets out the target for the level of reserves.

Organizations use their reserves (using the total reserve definition) when they have a negative change in net assets. Sometimes this loss is budgeted—a planned use of reserves. Sometimes the loss is not budgeted, resulting in an unplanned use of reserves. For example, holding the annual conference in Hawaii sounded like a great idea but attendees did not want to travel there due to the increased costs. Conference revenue was way down, and the organization suffered a loss for the year. Essentially they ate into reserves. The conference was planned but the poor attendance was unexpected.

Sometimes things don't go according to plan and having a safety net or a cushion is helpful.

To ensure the future viability of the organization, you will likely use reserves. Associations cannot rest on their financial laurels and sometimes need to take some risks. To stay current, investments into new revenue streams need to occur. Creating new revenue streams may be costly at first, but by using the good planning tools talked about before, you will know what your loss tolerance is and when to "cut bait."

Investment Management

Liquid reserves are defined as what an organization has in its investment portfolio. Investments can be a very small or a very large portion of the total assets. All investment advisors would tell you to have a good diversified portfolio with the goal to reduce risk as much as possible while still maintaining some return. The funds put in your investment accounts are, in essence, from members or donors, and the last thing an organization wants to do is lose that money on bad investments.

There are many ways to set up a good diversified portfolio. With a mix of equities and fixed income investments, the organization's risk tolerance level will determine how much of each should be held. It is advisable to use an investment advisor who can help. Always make sure that the organization has a sound, board-approved investment policy for any advisor to follow. Your advisor can help in determining if the best route is mutual funds, individual stock and bonds, or a blend of both.

This is a great place to involve a volunteer investment committee that focuses on effective investment strategies in consultation with your advisor, the investment policy, and examining the risk tolerance of the board. Having your investment advisor meet with the board on an annual basis is recommended.

Summary

From budgets to metrics, finances are an integral part of a nonprofit's existence. Making sure the books are clean and the financial plan has been charted out are steps to ensuring a well-run organization. With all that being said, remember that there are external factors that can make or break an organization. The financial markets are increasingly more unpredictable. Government regulations, societal changes, and globalization are all playing into the financial health of an organization. Although many things are beyond the organization's control, being prepared and fiscally healthy through sound financial management will help you to successfully maneuver through what may lie ahead.

The Author

Rob Batarla, MBA, CPA, CAE, is currently vice president, finance and business development, and chief financial officer for the American Physical Therapy Association in Alexandria, Virginia. He is a former member of the AICPA's Exempt Organizations Expert Panel and the Not-For-Profit Audit Committee Toolkit Task Force.

Chapter Eight
Globalization

Dick Blatt and Donna Hasslinger

More and more associations are considering or engaging in globalization efforts. Some associations are just starting to take a serious look at them. Many associations are realizing that whether by plan or by natural evolution they have already undertaken some level of globalization. It is incumbent upon every chief staff executive (CSE) to be informed about the opportunities and challenges associated with an increasingly globalized world. The CSE should work to determine if the association should be more international by selling its products and services abroad or be global by bringing people together around the world to advance the industry or profession.

Some associations are well along in implementing and managing globalization and are enjoying the benefits, including opportunities to

- Enhance the association's relevance to its domestic and global community.
- Exercise thought leadership on behalf of its industry or profession on a broader stage.
- Provide growth for membership, or for products and services, including education, or for the elevation of standards.
- Increase support for the association's mission.
- Share information globally to enhance the member value proposition.

On the other hand, the primary risk of not expanding globally is potential loss of industry or profession thought leadership. The association also risks loss of value to members. Many organizations around the world are aggressively making competitive inroads into associations' traditional programming.

Globalization is not a linear process where you start at point A and then go to B and complete the effort at point C. There are four phases of globalization that represent a continuum of efforts and commitment over time. The nature of globalization often requires an association to be actively involved in different phases of globalization in several countries at the same time.

Thinking about globalization in the following four phases helps to segment efforts and makes a global effort manageable and achievable:

1. Deciding whether to expand globally.
2. Developing a plan for global expansion.
3. Implementing the globalization plan.
4. Managing, evaluating, and sustaining globalization.

Phase 1: Deciding Whether to Expand Globally

The key elements of this phase are

1. Determine whether the association's mission is applicable globally.
2. Establish the exploratory process.
3. Include all appropriate individuals.
4. Define the existing status of the association's global efforts.
5. Define what the association means by globalization.

Determine Whether the Association's Mission Is Applicable Globally

The most fundamental starting point for any global thinking is to ensure that the association's mission is applicable globally. Do the association's mission and goals have meaning that can constructively be acted upon outside of the United States? Is the industry or profession active or represented in other countries?

If the association's mission is applicable globally, then there is a viable starting point to consider expanding globally.

Establish the Exploratory Process

For all organizations, a strong exploratory process gives the organization the best opportunity to reach optimal decisions. That process should

1. Ensure consistency with strategic goals.
2. Define all terminology.
3. Identify what information is needed to make a decision.
4. Identify who is responsible for gathering and communicating the information, including the process's "point person."
5. Set a timeline for the process.

To make these determinations, an association can use its existing strategic planning process or establish a "globalization task force" to ensure that its most strategic thinkers with the most global expertise are the individuals considering globalization.

Include All Appropriate Individuals

Often within associations, specific individuals or groups within the association advocate for globalization. While it is always good to have advocates speaking on an effort's behalf, it is also important to engage people with expertise, which may include

- Knowledge of the industry or profession both domestically and internationally.
- Knowledge of the association and its decision-making processes.
- Domestic and international members who will weigh the value proposition.
- Knowledge of how decisions should be carried forward by the association, especially related to staff.
- Potential "point people" from targeted expansion countries.

An inclusive and transparent exploratory process usually serves the association best. It is especially important to have the support and active engagement of the CSE in the process. The more inclusive the group, the better chance the process has of delivering a well-rounded and properly weighed recommendation for the board. Inclusivity can also help minimize any oversights that could negatively affect the association in the future.

Define the Existing Status of the Association's Global Efforts

Whether or not they have in place formal plans mandating some global effort, many associations have initiated some level of global activity. An association may have taken advantage of an operational opportunity when it had presented itself. It may take the short-term form of accepting members from outside the country of the association's headquarters, holding a meeting or conference in a different country, or perhaps selling a product or service elsewhere.

It is important to recognize the status and magnitude of any existing global efforts and to integrate such efforts into a more comprehensive long-term strategy that relates to both mission and strategic goals. Learnings from any efforts to date should be shared with the exploratory group. The financial implications of the existing global efforts should especially be considered to

1. Define return on investment expectations.
2. Identify risk factors.
3. Find financial resources for expanded efforts.
4. Establish metrics by which to measure success.

Applying the knowledge of what efforts have already been undertaken and worked, as well as why efforts may have fallen short, should be part of assessing the existing status of the association's global efforts.

Define What the Association Means by Globalization

It is important that consensus be reached on the definition of *globalization* for the association. Some associations use an international approach that focuses on developing relationships with specific countries that benefit U.S. members. A trade association may want to expand business opportunities for its companies, while a professional membership association may be interested in increasing members and adding markets for its current products and services. International expansion is typically a U.S.-centric model that benefits the association through interactions with other countries with the oversight of a predominantly U.S. board.

Some associations choose an integrated global approach with a goal of sharing and exchanging information among countries and bringing people together worldwide to raise industry or professional standards and improve best practices. A global organization benefits members worldwide and eventually may include multiple, relatively equal entities in different countries or regions with oversight from a global board. Some associations begin expansion efforts with an international approach, and as they become more active in new countries, they develop a more integrated, global-centric structure.

Tips from Those Who Know: A Non-U.S.-Based View from Field Experience

Alfons Westgeest and Dani Kolb

One mistake often made by U.S. associations is the assumption that going global is always beneficial and at least worth a try. In fact, deep investment (over three to five years) is usually needed in order to expand successfully. In some cases, your research may conclude it is better staying with a mission focused on North America as the target market for your products and services.

We offer these additional tips for your consideration:

1. Study the landscape before you enter the market.

   - *Tap into local experience and expertise*: Local help will bring opportunity while investigating, benchmarking and scanning the options.
   - *Manage expectations*: For an American, *long term* might mean one to three years, for a Chinese it means five to ten years, but for a Japanese, it's a lifetime. Scenario planning is considered a useful method to help forecast and become more ready to tackle unexpected issues.
   - *Don't underestimate*: There is significant complexity involved when going global. Launching in more than one "country" at a time will increase complexity exponentially. Building relationships in the respective country and setting priorities is more important than structure. Misconceptions do exist in terms of what an (nonprofit) association is, what volunteering means, and what role other stakeholders may play.

2. Consider the impact of government intervention.

   There are different models around the world for which stakeholders need to prepare, discuss, and finally set the strategic direction of an association.

   When considering whom to involve, European leaders are supportive with government involvement because the European Union, for example, prepares or decides in the far majority of rules that have an impact on business and professions. On the other hand, in Asia, government dialogue is anticipated, as associations are usually funded and staffed by government departments. Some changes are afoot, however. Japan has taken a more liberal approach with new legislation in 2008, and China is working on allowing independent associations.

3. Differentiate. It is a key to success.

   When establishing criteria to choose one country or region over another consider how (dis)similar another country is in regard to accepting the products and services, not only in terms of language. For example, if the technology standards or practices and regulatory code are more comparable to, or even based on, U.S. technology, this means "accessibility" and the potential gain (in time and money) is much greater.

   Guidance and leadership by staff are essential, as personal agendas are being pushed forward and misunderstandings of language and context occur. If staff are guiding the process in a neutral manner, progress can be made faster.

4. Go local and global at the same time.

   Work with local staff, consultants, and volunteers who live outside the United States. They can provide a reality check when you believe you have found a worthwhile product or service to "export." They can tell you if your "find" is rather useless in countries that have even better or deeper knowledge.

   Oftentimes, locals claim they cannot afford the member dues and fees that the U.S.-based association asks. Is this truly the bottom-line message, or is this a negotiation technique? Any

association that wants to enter a new market needs to have this local connection to ensure understanding of local business practices, abiding by all rules and laws and understanding the need of the market. "Build it and they will come" applies to exceptional products (iPhone) or services experience (Starbucks); usually associations do not have such breakthrough services.

However, global outreach for education and certification is seen as a way to expand for professional societies. The demand for education by non-U.S. audiences remains important in spite of increased online competition. Experience has shown that professional associations only discover this option once they see a lack of growth or even decline in North American markets and want to compensate for that loss this way.

Trade associations are increasingly exposed to global developments in the regulatory environment. In other words, a new law or regulation in Europe, Asia, or Latin America may affect a "national" industry much more and faster than previously. Many trade associations set up global monitoring projects by having an "ear on the ground" in different parts of the world to listen for what is emerging that in time might potentially have an impact on them as well.

Phase 2: Developing a Plan for Globalization

The key elements of this phase are

1. Identify the process and timeline.
2. Identify criteria for the plan.
3. Differentiate between short- and long-term considerations.
4. Evaluate global opportunities.
5. Choose the business and governance models.

Identify the Process and Timeline

As with the first phase of reaching a decision to expand globally, careful planning of the process will help ensure a stronger implementation plan. Like the exploratory process, it should be inclusive, transparent, communicated, and measured.

The group tasked with developing the plan should include the people most likely to implement the plan, as well as people with a good grasp of the strategic implications of the plan for the association. It could be the initial exploratory group or it could be a staff-driven operational effort. Again, it is also important to establish and observe a timeline for delivery of the plan. Normally, the timeline should be a six- to twelve-month period for delivery of the plan.

Identify Criteria for the Plan

With the board-approved definition of globalization from Phase 1, criteria need to be identified to be included in the plan. The planning group should identify the criteria with board oversight.

Criteria often include, but are not limited to

- What is the level of risk tolerance for the board, staff, and association?
- What return on investment is required?
- What does quantitative success look like? Examples would include, but not be limited to, increases in membership, increases in product sales, increases in programming participation, or the number of countries in which efforts exist.
- What does qualitative success entail regarding the association's values and extension of the brand?
- What resources are available for implementation of the plan, and how can capacity best be increased? Resources include monetary and human considerations.
- Have short- and long-term schedules been set for the rollout to countries with types and levels of activity identified? Examples of factors for the short term include to what countries efforts will be expanded first or in how many countries per year efforts will be undertaken. Examples of long-term factors include how many countries the association ultimately looks to be in.
- Is there a shared understanding of the expectations of potential working colleagues and participants from other countries?
- What data should be tracked, and what technologies will be needed for globalization? Examples include what form a global website will take, what social media will be used to communicate, and how and how much data about members and their participation should be gathered from the beginning.

- On the basis of all of the criteria identified, what are the optimal business and governance models for the association to pursue?

Differentiate Between Short- and Long-Term Considerations

Attempt to differentiate between the initial notion of being global and what the ultimate goals of globalization are for the association. Ultimate goals could include how many countries and how much programming will be undertaken in all countries. In other words, it is one thing to make the decision to expand globally and another to develop the plan for it. The application of resources are different for each of the four phases identified.

The plan should include a long-term commitment, which is critical for a successful globalization effort. To put this in perspective, consider the evolution of the association domestically with its growth and sophistication of programming over the years. Consider that evolution relative to undertaking the business of the association in a number of countries, each of which will have a different pace or stage of development.

Evaluate Global Opportunities

Developing a list of countries or regions to consider for global expansion and providing the following information for each market can help the association compare and rank the countries for globalization:

- Competitors
- Related organizations and potential strategic alliances
- Revenue models and mixes of products and services
- The extent to which language may be an issue and what resources will be needed to address any language barriers
- The business, professional, or regulatory climate
- Whether payments will be handled in U.S. funds or local currency and what financial accommodations will have to be made
- The size of the market and the potential for market penetration
- What existing members think about investing in globalization
- A vision of what the future looks like for the industry or profession

Choose the Business and Governance Models

Recommendations on the criteria to be included in the globalization plan should drive the choice of business model for Phase 3 implementation.

The business model that is currently successful for associations in the United States may not be the most promising model for launch in a new country. Associations now have a variety of models as options which may be better suited for expansion and the association's capacity to manage and fund the initiative. Those business models include the following:

1. Forming a strategic alliance with a similar organization in a new country, which can provide a local presence, introduce the association to potential members and volunteers, and immediately add value for current members.
2. Joining a loosely organized federation of independent organizations with a common interest, which can allow an association to collaborate on important issues and enhance thought leadership.
3. Licensing individuals or organizations in other countries to provide services in the name of the association, including certification testing, local-language publishing, and translation.
4. Identifying and naming a local country representative to oversee the association's preliminary engagement, assess demand, recommend expansion strategies, and assume a leadership role if the association decides to establish a greater presence.
5. Establishing representative country chapters by selecting leaders in new countries and entering into agreements that allow those leaders to operate on behalf of the association and replicate the U.S. model or execute a new, more appropriate model.
6. Opening national or regional offices to allow the association to offer a wide variety of products and services, especially if the association has identified robust potential.

Some associations may streamline their efforts and offer the same business model in each new area. However, the number of members in areas outside of the United States may differ widely, so

some associations may use different business models for new countries if their goals, the stage of development of the industry or profession, and the opportunity in each new market differs widely.

As an example, a professional membership association may prefer to open regional offices to serve local members in more active areas and use country representatives to build a presence in areas with fewer members. The association's leadership may either manage the operations from the United States, engage local colleagues or staff to oversee new operations, or hire an association management company. A trade association may find that representative country chapters or loosely structured federations with shared control offer the most cost-effective benefits for their companies. Both types of associations may also use strategic alliances and licensing agreements from time to time.

Table 8.1 summarizes the models. The return on investment should especially be noted.

Table 8.1 Globalization Business Models

Business Models	Financial Investment	Resource Commitment	Control	Return on Investment
Strategic Alliances	Minimal	Minimal	Shared	Mission and member benefit
Federations	Minimal	Minimal	Shared	Mission and member benefit
Licensing	Minimal	Minimal	Varies by contract	Mission and member benefit at reduced cost
In-Country Representatives	Minimal—Part-time salary	Small	Full	Market testing Building relationships in new countries Gradual expansion
Representative Country Chapters	Moderate	Medium	Contractual control of brand	Mission and member benefit Repayment of investment Shared financial benefit
National or Regional Offices	Moderate to significant	Significant	Full	Mission and member benefit Repayment of investment Significant long-term growth Significant financial benefit

In addition to choice of business model, the approach to governance affects global expansion significantly. That approach may change over time as the association learns from its expansion or environmental factors change. The association's governing body will be determined by addressing the following questions:

1. Does the association's existing board want to maintain all authority over all operations through all time, often referred to as a U.S.-centric model?
2. Does the association want to provide some level of governance autonomy by country?
3. Does the association want to provide some level of governance autonomy by region?
4. Will there ultimately be a global board of directors empowering all global members, often referred to as a global-centric model? Will non-U.S. board members have a voice in U.S. policy and operations?
5. What will the structure and composition of the board be and when?
6. How, when, and where will the board meet? Do bylaws need to be revised to accommodate different forms of decision making?
7. How does the association best nurture a working relationship among global colleagues?
8. Should global committees or task forces be established to better account for good ideas about the operations of the association in all countries, or how will the voice of non-U.S. members be heard in the association?

Phase 3: Implementing the Globalization Plan

The key elements of this phase are

1. Choose the right people to work with in-country.
2. Address legalities and financial implications.

3. Plan and manage the three evolving levels of country activity.
4. Communicate appropriate information to target audiences.
5. Document processes, operating parameters, and guidelines for operations.

Choose the Right People to Work with In-Country

It is very important to choose the right people to represent the association in new countries, whether the association is selecting local colleagues to start a representative country chapter, engaging with a strategic partner, or hiring employees to staff a local association office. The local leaders should respect the association and its mission, vision, and values. They should have a prestigious reputation in their community and be able to represent the brand, strategically position the association, offer guidance, and oversee the expansion of activities in the area. To take immediate advantage of the association's broader outreach, staff can be encouraged to collaborate with colleagues in new countries to develop conferences, trade shows, magazine articles, book chapters, and website content that offer a perspective from outside of the United States.

The association's choice of business and governance models will drive what roles and responsibilities people in-country will have. Success depends in no small part on trust to be mutually earned in the working relationship between country and headquarters.

Address Legalities and Financial Implications

Legalities include but are not limited to

- Registration of the association to conduct business
- Intellectual property protection of name, trademarks, owned assets, and website URL
- Tax implications
- Employment laws
- Trade issues
- Lobbying

The best starting point for protecting all legalities and financial positions is to work with the association's legal counsel and its tax and financial advisors. In general, intellectual property rights are governed by the laws of the local country. The association needs to take steps to protect all of its intellectual property before undertaking activity in any other country. It is the best way to minimize any legal challenges after launch into a country.

Plan and Manage the Three Evolving Levels of Country Activity

At any point in time the association's level of activity in any one country will take one of three forms:

1. An introductory level of activity
2. A moderate level of activity
3. A robust level of activity

Each level of country activity, like the phases of globalization themselves, requires different management dynamics. Keep in mind which phase of globalization the association is in, as well as which level of activity each country has reached. At any point in time, an association's global efforts will likely entail all three levels of activity simultaneously. In time the association may establish working groups representing countries with similar levels of activity to help them learn from one another to facilitate progress. This type of networking, however, would not take the place of continued guidance and support from headquarters.

Communicate Appropriate Information to Target Audiences

The association should develop and communicate its message for globalization to all target audiences. For example, conveying the benefits of expanding globally is especially important for domestic members.

Audiences include

- The board of directors
- Staff
- Domestic members

- International members
- Prospective members
- Competitive or allied organizations
- Media
- Industry and profession voices of influence, including leaders and academics
- U.S. government officials (when the activity of members has implications for U.S. security or foreign policy)

Dependent upon the phase of globalization or level of country activity, communication should include

1. The plan and general reason why it is being pursued.
2. The status of progress for the plan, including both successes and challenges.
3. Always, the benefit and value of implementing and achieving the plan.
4. Any cultural or language considerations when at all possible.

A comprehensive communication plan is essential for both the implementation phase and going forward, including

1. How will publications be shared? How will translations be handled?
2. What website adjustments will need to be made?
3. How will communications take place?

Sharing information should be encouraged from country to country for both volunteer leadership and staff as well as between headquarters and individual countries. There are geographic and cultural commonalities that can benefit operations, if shared. Also, share challenges that arise in individual countries with all countries, if it will be constructive. It may help others avoid similar challenges and to identify potential solutions for all. Forums for sharing and addressing these challenges can vary, but may include the governing body in-country, a committee to address operations, simple coordination and communication among country staffs, or even a "global" committee of representatives from all countries.

Document Processes, Operating Parameters, and Guidelines for Operations

Just as the contracts negotiated with in-country partners are important to global efforts, documenting processes and procedures between headquarters and operations in new countries can ensure a smooth transition and speed the assimilation of new colleagues. It is also a constructive, cooperative mechanism to maintain leverage and consistency across multiple country efforts.

Guidelines that focus on management and governance can provide support for in-country colleagues. Documenting the requirements for the protection of intellectual property, the ethical and legal protocols expected for conducting the association's business, and the timing and content for marketing and financial reports can define general responsibilities. If approval processes for new entities are prepared and communicated with charters documented and shared, the association has taken important steps to ensure the success of global expansion.

Requirements and operating parameters should be established at the outset of a launch into a new country. This is the best time to establish procedures and guidelines so that new colleagues around the world understand their responsibilities and agree to pursue the association's strategic goals.

Phase 4: Managing, Evaluating, and Sustaining Globalization

The key elements of this phase are

1. Recognize indicators and patterns of success.
2. Reorient target audiences as turnover occurs.
3. Remind all colleagues continually of the commonalities of the association.
4. Establish processes by which to objectively assess and adjust problem areas.
5. Maintain flexibility.

Recognize Indicators and Patterns of Success

In addition to ensuring the strongest initial plan to expand globally, each new country provides opportunity for learning how to do it better. Those experiences can be used over time to identify

indicators and patterns of success that can optimize new country launches going forward.

Indicators and patterns of success may include

- Seeing growth patterns and setting critical mass for activity.
- Recruiting a solid core of people and members to be involved and increasingly engaged.
- Attracting and receiving consistent, positive media coverage.
- Developing a three-year plan for program expansion.
- Developing a plan for how funding will occur over at least three years.
- Achieving specific regulatory goals.

Reorient Target Audiences as Turnover Occurs

From the beginning, orient all target audiences with a global mind-set. The orientation might include training in cultural competency and should also include communicating what the global expansion plan is and how it is being implemented. It could also include encouraging the board to travel to other countries, participate in the association's activities abroad, and meet other country colleagues. The board of directors should also be meaningfully engaged. Go beyond reporting of results to nurturing the board's appreciation of globalization's contribution to the association's success.

As turnover among the board and among country staff and volunteer leadership occurs, newcomers should be thoroughly oriented. All of the association's audiences should be as constructively informed about the association's strategy and progress as possible. This could include testimonials from domestic and global members about how they have benefited from the global efforts.

Remind All Colleagues Continually of the Commonalities of the Association

The more people around the world that become involved with the association, the more varied opinions will surface about what is best for the industry or profession and the association. Sometimes these opinions will conflict. Acknowledge and consider these opinions while reminding people that with all of the differences that might exist, there remain commonalities that brought people and efforts together in the first place. The dialogue should be as constructive and objective as possible, focused on what is best for the common good. Final decisions should provide for local customization when possible, but always remain consistent with that common good.

Establish Processes by Which to Objectively Assess and Adjust Problem Areas

Challenges will always unexpectedly arise. If the association can establish a process that is communicated to all involved and which objectively addresses challenges, then those challenges can be minimized.

Challenges can take the form of

- Problem leaders or problem members
- Competition from other organizations
- Falling short of economic or participation projections
- Potential legal or ethical violations
- Lack of consistency in management or progress from country to country

Whatever the challenges, address them promptly and let people know the outcomes. Share the issue involved, the association's position and why the association assumes that position, and what action is being taken. The processes and positions should reflect the association's core values, uphold its established standards, and parallel its strategic goals.

Maintain Flexibility

Even the best-laid plans are subject to change. Especially in expanding globally, be pragmatic about changes that might benefit the efforts. There will be new learnings from each country that can be applied forward, especially when they concern the business model and governance.

Recognize what is working from country to country and share that information with all. In-country colleagues should feel free to utilize that which they deem is relevant to them. Good ideas should be acted upon regardless of origin at any and all times.

Summary

Recognizing that every association is unique and needs to apply its own thinking to goals and programming, this chapter has attempted to provide a checklist approach to the most salient points in expanding globally.

Be inclusive, think broadly and long term, remember that the future belongs to those who bring people together on the basis of their commonalities, and realize that global expansion is achievable and rewarding.

Resources

Axtell, R. E., and Parker Pen Company. *Do's and Taboos Around the World*. New York: John Wiley & Sons, 1993.

Glassie, J. C. *International Legal Issues for Nonprofit Organizations*. Washington, DC: ASAE Association Management Press.

Hasslinger, Donna, and Dick Blatt. *A Practical Guide to Globalization for Associations*. Washington, DC: ASAE Association Management Press.

The authors also recommend the extensive archive of globalization articles on ASAE's website as well as use of the site's Collaboration for the International Section and any general readings on the global economy and international politics.

The Authors

Dick Blatt has served as the executive director of the Information Systems Security Association, a client of the Drohan Management Group, which has over 150 chapters in nearly seventy countries. He is the former CEO of POPAI, The Global Association for Marketing at Retail, where he led global expansion to Europe, Asia, Latin America, Australia, and Africa over seventeen years. Dick was a member of the U.S. Chamber of Commerce's Committee of 100 for ten years.

Donna Hasslinger served as vice president of worldwide member services for the National Geographic Society where she had responsibility for offices in North America, Europe, Asia, and Africa; vice president of the Council for Advancement and Support of Education, which has offices in North America, Europe, and Asia-Pacific; and worldwide director for the Drug Information Association with offices in North America, Europe, Japan, India, and China.

Sidebar author *Alfons Westgeest* is group vice president of the Kellen Company, and an ASAE Fellow; and *Dani Kolb* is manager, Kellen Europe, and has served as chair of the ASAE International Section Council.

Note: The content and concepts shared in this chapter are specifically or generally derived from the book *A Practical Guide to Globalization for Associations* by Donna Hasslinger and Dick Blatt, published by the ASAE Association Management Press in 2012.

Chapter Nine
Environmental Scanning and Futures Analysis

Bruce Butterfield, APR, FASAE

When we were learning to drive, we were taught to watch the traffic ahead of the car in front of us and to shift our gaze from side to side so we could anticipate and avoid a crash. Will the vehicle three car lengths in front of me slam on the brakes? Will the truck at the intersection pull out in front of me? Will the child run between those parked cars?

Being a defensive driver is all about preparing for a potential future outcome. Association leaders should use that same principle when wrestling with how to respond to the accelerating pace of change.

Anticipation is not forecasting. Forecasts tend to assume that the future will be like today only more so. But the future doesn't run in a straight line from today. It spins out in all directions at once, and assumptions about it can be knocked askew by events. The late management guru Peter Drucker was once asked how he made such accurate predictions. He said, "I don't forecast. I identify what's visible but not yet seen."[1]

Drucker understood that many of the clues to the future exist now but are often missed or ignored. The purpose of an ongoing futures analysis process is to identify what is visible but not yet seen to avoid being blindsided, to head off adverse outcomes and take advantage of opportunities. A major component of that analysis is environmental scanning, which is the process of assessing the forces that affect the organization's future. According to the American Society of Association Executives (ASAE), an environmental scan focuses your association on what is relevant to its strategy and its future. By driving a team toward inventorying what is new, emerging, and important, scanning and trend analysis help team members reach consensus on new policies.

Categories of Change

The effectiveness of an environmental scan is a function of *what* is being scanned and *for what purpose*. The more outlets, the richer the scan and the greater the likelihood of correctly identifying critical change drivers. But scanning volumes of information is a daunting task. There are several different areas of change, with two—emerging issues and trends—being the most crucial to identify in a scanning process, as these are the change areas most effectively leveraged. There are four categories of change that an environmental scan may address:

Cycles: Changes that occur over an observable time period and are rather predictable (for example, seasons, El Nino and El Nina, solar storms, economic cycles).

Trends: Changes that move in a direction over time. Trends are not new; there are a lot of data and information about them and they have been observed for a period of time (for example, climate change, demographic shifts, and political polarization).

Wildcard events: Sudden, discontinuous change; unexpected, unpredictable (for example, the Asian tsunamis, the Arab Spring uprisings, the National Security Agency spying revelations). Even wildcard events have precursors that could help mitigate them if identified soon enough.

Emerging issues: Seeds of trends; the changes that will initiate a trend over time. This is the type of change that futurists are most interested in. Sniff out an emerging issue and you have the potential for real leverage in how that issue eventually affects the organization.

To prepare for the future and to implement any positioning strategy, associations must understand how their members' needs will change, not in the murky and distant future but in the years that lie immediately ahead. To determine what is driving the future, associations must examine not just their members and customers but also their members' customers. The very best one can expect from a study of one's own members and customers is to *react* to changes sooner. However, by studying its members' customers, an association can *anticipate* the emerging needs of its own members and customers. Schematically, the process can be described as shown in Figure 9.1.

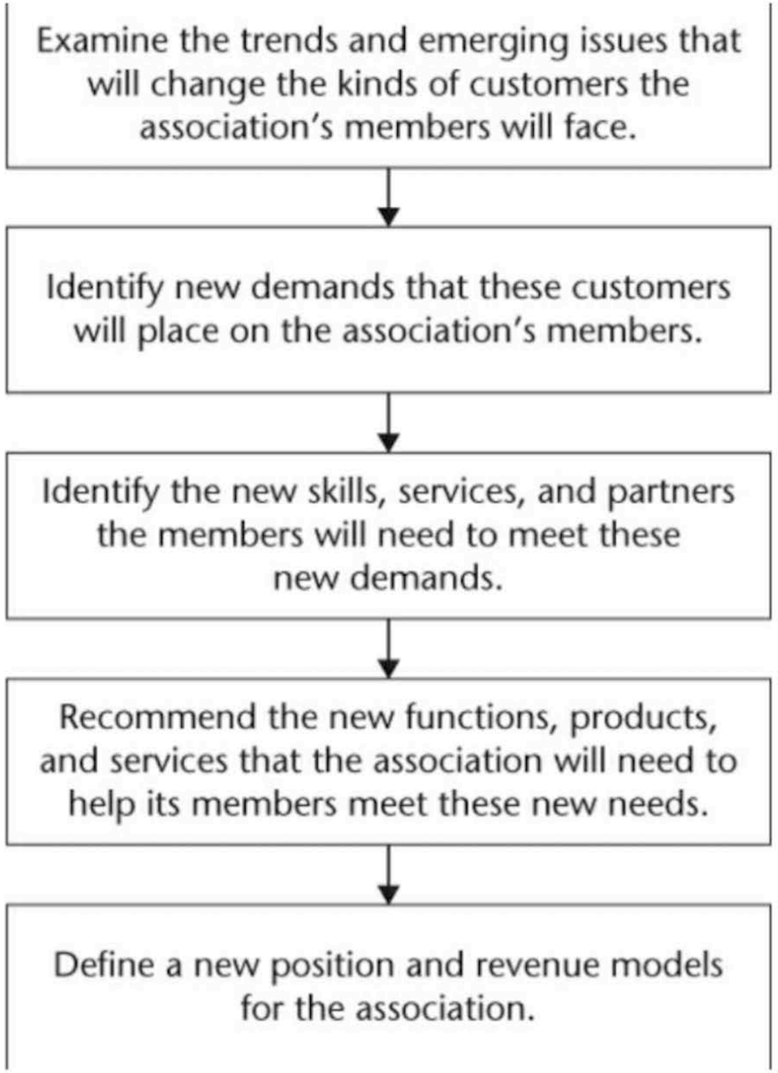

Figure 9.1 ANTICIPATING EMERGING NEEDS.

Source: The Forbes Group.

The result of this approach is a proactive, market-driven solution that responds to the long-term needs of the members' market rather than solely the short-term concerns facing today's members.

Components of Futures Analysis

Associations have always been information gatherers and producers. But there are many other sources of information today, so associations no longer have the franchise. Now they need to be intelligence digesters, abstracters, analysts, connectors, and curators. This has high value because their members often are too busy to do this for themselves. The members' cry for help is, "Just tell me what I should pay attention to and what it means!" This requires futures analysis. Note the use of the word *futures*, not *future* analysis. There is no one future to be divined from the vantage point of today. To attempt to do so leads to forecasting and predicting, which usually are wrong.

There are five primary activities involved in futures thinking. The first four are part of the environmental scanning function; the fifth activity moves the analysis into a planning and implementation phase. They are identifying and monitoring change, considering and critiquing the impacts of change, imagining alternative possible futures, envisioning a preferred future, and planning and implementing desired change.

Identifying and monitoring change involves assessment of patterns of change in the past as well as collecting baseline data on current conditions. These efforts provide a context within which an organization can look for ongoing cycles, trends, or emerging issues such as technological innovations or value shifts. The most successful tool used to identify and monitor change is environmental scanning.

Considering and critiquing the impacts of change means both assessing the effects that cascade from ongoing change throughout the macro environment and also evaluating what impact those effects have on an organization. How will this change affect day-to-day activities? Who has been newly advantaged or disadvantaged by the advent of this change? What trade-offs might we face as a result of change? One way to critique and consider impacts of change is to benchmark another industry or profession to

study how they were affected by similar changes in their environment. Benchmarking is a powerful tool for learning what was successful and unsuccessful in other organizations with regard to how they dealt with changes in the macro environment.

Imagining possible alternative futures follows naturally from the extrapolation of trends and the consideration of the long-term effects and impacts of emerging issues. Scenario building serves two purposes: first, scenarios of alternative futures allow organizations to explore possibilities and uncertainties so they can create contingency plans for the surprises the future might bring; second, exploring alternative possible futures heightens the creativity and flexibility with which an organization imagines its preferred future. There are many different scenario methods available to organizations.

Envisioning a preferred future means creating a model of the ideal future an organization would like to create as the first step in transformational planning and in leadership. It requires careful, explicit articulation of long-term ideals and goals, and the values that contribute to them.

Planning and implementing desired change require a commitment to act from the highest levels of the organization to champion actions that contribute to the creation of a preferred future and implementation plan.

The means of accomplishing these activities are, in addition to environmental scanning, identification of change drivers, scenario planning, and strategic planning.

Components of an Environmental Scan

Typically, environmental scans identify changes in the sociodemographic, technology, environmental, economic, and political arenas that may affect the organization's future. These areas are called STEEP categories by futurists for the acronym spelled by the first letter of each area. There is some debate about whether there should be more or fewer categories, but the biggest consideration is what is most important to track given an association's financial and human resources. Also, the categories do not stand alone; they are part of a fluid and interconnected web where trends and emerging issues in each affect the others.

Changes in this macro environment web will affect the working environment of an organization's industry or profession, the internal environment of an organization, and any decisions and actions taken with regard to critical issues facing an organization. For example, women increasingly are the majority of students in medical, dental, and law schools. That sociodemographic shift affects the economic and political environments and ultimately the associations serving those professions. The lingering economic effects of the Great Recession influence sociodemographics and politics as the income disparity gap widens and associations deal with more parsimony from members seeking to cut costs. Technology advances affect the political, sociodemographic, and economic environments, as workers at all levels are required to be tech savvy and younger workers question the need for association-type networks.

Environmental scans can lead to meaningful revelations that generate short-term responses. In one example, a dental association learned that its members could be tapped in a pandemic to fill in for casualties among nurses and physicians who would be first responders to the crisis. This revelation caused the association to immediately launch a pandemic response training program for its members. In another example, a medical association recognized that it could not wall off its members from competition from other disciplines and began a successful path to become a recognized subspecialty in their field with newly designed education and training programs. In yet another example, an organ transplant association created an outreach program after realizing that it had ignored the fast-growing Latino community in seeking organ donations and providing information on transplants.

Do It Yourself (DIY) Environmental Scanning

Ideally, environmental scanning should be an ongoing process rather than an event. But scanning is labor intensive and can be difficult for hard-worked staff and part-time volunteers to perform well. More often than not, associations retain a consultant to help them with the design and creation of the scan, usually in the form of a report. But unless they have extensive resources, it can be hard to keep the scan refreshed as assumptions about the future change. Nonetheless, it is possible to do scanning in house. The trick is to track only the most critical sub areas of the STEEP categories to avoid being overwhelmed. One association in the medical distribution industry hired a consultant to conduct their initial scan then created a system of refreshment that involved staff information gathering vetted quarterly by a panel of experts from within and outside the industry. Their work product was a quarterly summary for the membership.

Scanning resources abound. The U.S. Bureau of Labor Statistics has a wealth of information and data about population and employment trends. Most public libraries offer free online access to proprietary databases. All you need is a library card. A few of the resources usually available are EBSCO Host, more than 375 full-text and secondary research databases and over 420,000 e-books; ERIC, the online library of education resources; Medline, which taps the National Library of Medicine and the National Institutes of Health; Infotrac, a family of databases with full-text articles from academic journals and general circulation publications; Reference USA, a database of business information, and Papers First, a database of papers from congresses and conventions worldwide. Of course, there's always Google and the association's own databases and trade publications.

Any futures analysis system should have these extremely important objectives: that issue or trend identification and analysis be ongoing, that implications be determined, that implications lead to actions, and that the futures analysis process yields marketable products. On that final point, too often associations give away their best intelligence for free or on the cheap. Intelligence has real value.

Scanning the *internal environment* will identify the association's strengths and weaknesses so that it can successfully address its external opportunities and threats. The internal environment consists of leadership, members, management, and staff. It can be expressed in terms of three factors—structure, culture, and resources.

Structure

The association's *structure* means how it is organized in terms of communications, authority, and work flow. It deals with the chain of command and table of organization. Examples include

- Relationship between volunteer leaders and staff (chain of command)
- Relationships among departments and peer groups
- Relationships with members

Culture

The association's *culture* consists of its beliefs, expectations, and values. Examples include

- Strong top-down direction
- Consensus driven
- Innovative or risk taking
- Conservative or follower

Resources

The association's *resources* include both financial and human assets. Examples include

- Volunteer leadership
- Staff, managerial talent, facilities
- Dues, contributions, earnings, investments

Identifying Change Drivers

Through the environmental scanning process, decision makers can identify emerging forces able to reshape or overwhelm existing institutions and, consequently, promote different behaviors that may not appear rational within today's structure. The output of environmental scanning can be a daunting array of these change drivers. It is important to narrow the number of change drivers because they will be used to define alternative future scenarios. For example, a health care organization created a list of more than sixteen health care change drivers but winnowed it down to two: what kind of care will be delivered and by whom, using a "blue ribbon" scanning panel of several senior staff and select members.

Scenario Planning

When change drivers have been identified, they can be used to create potential future worlds in which planners can work at minimum risk. This methodology was initially developed by The Rand Corporation and refined by Royal Dutch Shell. It has been successfully used worldwide by companies, governments, and associations.

It is human nature to restrict our thinking to the known and the comfortable. However, history has demonstrated time and again that profound change comes in surges and jerks instead of sustained

moderate trends. Scenarios let decision makers play out alternative futures. Scenarios are not stories about the way things are but alternatives about what they could be.

The Value of Scenarios

Scenarios stories are told from a particular point in time and look back to the present. Scenario planners work with them by adding their thinking about how the stories might evolve and then creating strategies that will advance desirable futures and prevent undesirable ones. While the real future will emerge from all of the scenarios and more, scenario planning helps leaders to move past barriers and, as Peter Drucker said, identify what is visible but not yet seen.

Scenario planning is an approach to strategy development and decision making that acknowledges then addresses the inherent uncertainty in the societal, public policy, and business environments and aims at achieving maximum feasible resilience in strategy. It is predicated on the fact that, in an uncertain environment, single-point forecasts, which most leaders tend to rely on, are inherently inaccurate and strategies based on them will almost certainly be misdirected.

Scenarios are not predictions; they are carefully structured descriptions of alternative possible futures. They are not just variations around a base case; they are significantly, often structurally, different views of the future. And they are not generalized views of feared or desired futures; they are specific "decision focused" views of the future. The benefits of scenario planning, properly conceived and executed, are that the scenarios provide

- A more thorough understanding of the dynamics of change
- Better consideration of the full range of opportunities and threats
- Reduced vulnerability to surprises
- More resilient, flexible strategy
- Better assessment of risks

Scenario Principles

There are two principles required for scenario planning to work:

- Planners must agree that the scenario stories are only plausible, not probable.
- They must be willing to suspend disbelief when confronted by stories that challenge their current thinking.

The word *never* should not be used when developing and working with scenarios. For example, people once thought that the United States homeland would *never* be attacked, that the housing market would *never* collapse, and that the United States could *never* nearly experience another depression.

Creating Scenarios

Because there are unlimited possible combinations of the effects of facts, issues, and trends, scenarios usually are limited to a manageable number—two to four, with four being ideal for richness and nuance. Two scenarios lead to a best case–worst case, either–or type of approach, which is limiting. Three scenarios lead to a best case–worst case–most likely approach that encourages planners to take the easy and familiar "most likely" path. More than four scenarios are unmanageable and often lack sufficient contrast to be useful.

Scenarios can project far out into the future, fifteen years or more. Long-term projections are essential for longer-term investments such as factory locations, drug development, hospital construction, and road building. But scenario building takes practice, and long future projections can be difficult. Longer-term scenarios risk playing guessing games and injecting "wildcards," the unexpected events that disrupt the scenarios.

Scenarios also are three dimensional. Like the Rubik's Cube puzzle with its movable facets that was popular years ago, scenarios can be changed by changing assumptions, drivers, or the facts and trends chosen to describe them. In fact, scenarios are not static. Once developed, they need to be constantly refreshed as new facts, trends, and issues emerge, and the strategies that grow from them should be reviewed for continuing relevance and updated.

Scenario development begins with selection of two powerful and intersecting change drives identified in the environmental scan. Each change driver becomes an axis that defines a four-pronged matrix of alternative future worlds. Each axis has opposite poles that have an equal chance of occurring. Two significant drivers of change in the association world are technology and sociodemographics. Using them, we can create a matrix that looks like the one in Figure 9.2.

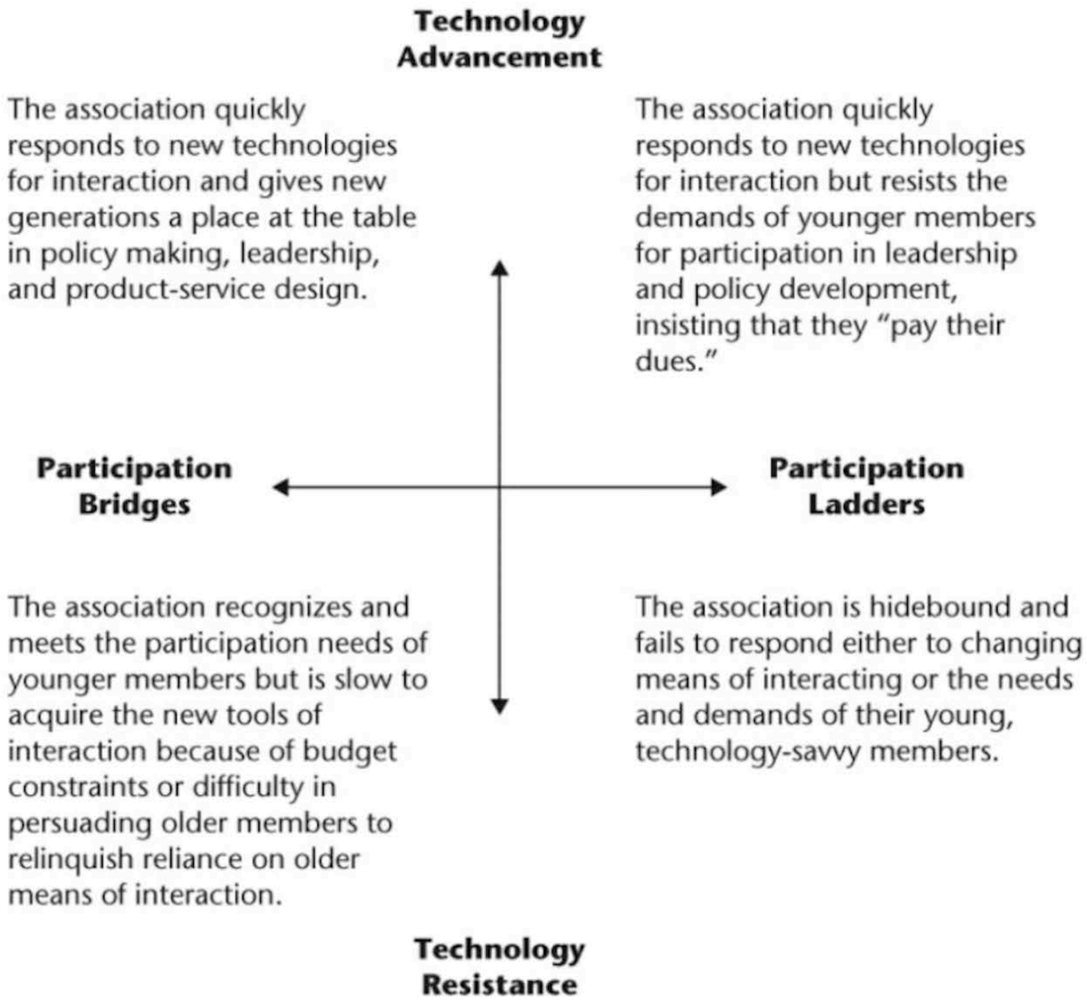

Figure 9.2 SCENARIO DEVELOPMENT MATRIX.

The quadrants of the matrix create future worlds. Each one contains a story. In creating scenario stories for each of these alternative future worlds, a five-year timeline makes sense. Within that period, there will be flashpoints of technology advancement that will make today seem antique, and new generations will be flooding that job market and the membership that have very different gender, ethnic, and cultural characteristics.

Scenario stories should be short—no more than one or two pages—compelling, and bold. The stories should have short, memorable names. It is difficult to write scenario stories in planning sessions. It is best if the consultant and staff create the stories offline and vet them in a facilitated session. At that session, the planning team should identify strategies that might work in several scenarios. Such strategies enable the association to quickly respond as the real future evolves because they have been thought through in advance.

Using the scenario matrix, an association could create a strategy of phased-technology adoption funded by sponsorships, grants, or reserves that would satisfy younger members without putting off older members and straining tight budgets. In other words, that strategy would work in all four futures. Another strategy might be a two-way mentoring program that would allow younger members to share their technological expertise with older members and older members to share their organizational expertise with younger members. This would increase understanding among the member generations and would work particularly well in the two right-hand matrix quadrants.

Working with Scenarios

Because scenarios identify strategies, they feed naturally into the association's strategic planning process. Scenarios expose gaps in the association's policies, value equation, and organizational structure that should be addressed in the strategic plan. Take, for example, the lower-right quadrant of the association scenario matrix in Figure 9.2. One could argue that it describes a bleak potential future filled with dissatisfaction and, perhaps, dissolution. Viewed through a different lens, it can be a harbinger for change. A task force of traditional and newer member cohorts could look at ways to address apparently colliding desires. Here is a place for younger members to mentor older ones about the value of new technologies for interaction and older members to mentor younger members about how to approach policy setting. Conversely, the upper-left quadrant of the matrix appears to be Nirvana. But is it? If associations in this world jump on new technologies, are they being thoughtful and prudent in use of resources? Are new generations' needs being addressed at the expense of older ones'? The

same task force addressing the bleak scenario can address the Nirvana scenario. It is well to have people work in conflicting scenarios to challenge their conventional wisdom and encourage them to think differently.

Creating Your Preferred Future

Alternative future scenarios are the means for determining a preferred future for an organization. Too often, associations indulge in the creation of meaningless vision statements, such as "be the premier association for (fill in the blanks)." Such so-called visions offer no direction to staff and leaders about how to proceed. On the other hand, preferred futures are a series of ends that create a timeline of milestones to achieve by a date certain. Here's an example that is a composite of several real-world preferred futures:

By (date), the Association

- Has defined the discipline as a specialty
- Is a catalyst for improving procedural outcomes and safety
- Has a global reach
- Is sought by policy makers in making decisions about products, procedures, and compensation
- Defines best practices

Preferred futures are a set of milestones for the association to achieve at a defined future point. Steps to accomplish them can be arrayed on a timeline—usually covering two planning cycles or six years—that defines the association's work. In this way, the preferred future directly connects to the strategic and operational plans of the association instead of being removed and ambiguous. Each element of a preferred future is an outcome. Between these milestones, or outcomes, objectives can be inserted to define specific ends and deadlines. With this timeline, staff and volunteers can create implementation strategies to accomplish the objectives, which must be achievable, measurable, and timely.

American baseball legend and cracker-barrel philosopher Yogi Berra, once advised, "When you get to the fork in the road, take it." The futures analysis process does just that. It enables associations to explore pathways to the future risk free. It creates valuable intelligence that is marketable and exciting for participants. Moreover, it puts you in charge of designing your future rather than being defined by it.

Notes

1. R. Lenzner and S. S. Johnson, "Seeing Things as They Really Are" (cover story). *Forbes* 159, no. 5 (1997): 122–128.

Resources

Heijden, Kees van der. *Scenarios: The Art of Strategic Conversation*, 2nd ed. Chichester, UK: John Wiley &Sons, 2005.

Heijden, Kees van der, Ron Bradfield, George Burt, George Cairns, and George Wright. *The Sixth Sense: Accelerating Organizational Learning with Scenarios*. Chichester, UK: John Wiley & Sons, 2002.

Shell Global. "Shell Scenarios." available at www.shell.com/futureofenergy/shellscenarios.

The Author

Bruce Butterfield, APR, FASAE, based in Sarasota, Florida, is the president of The Forbes Group (www.forbesgroup.com), whose mission is to chart your future by helping you think, plan, and act strategically.

Butterfield has decades of experience as an association and public relations executive and has worked with scores of trade and professional groups, with a focus on the health care sector. He is a leading association futurist and strategic thinker who has written and spoken extensively about association and organizational management issues and the future of "associating." He has served as an executive in seven trade and professional associations and created four for-profit associations.

Chapter Ten
Environmental Scanning
A Chief Staff Executive's Perspective

Susan E. Avery, CAE

A critical exercise for any association CSE to guide his or her board and volunteer leadership through is environmental scanning. As noted in Chapter Nine, scanning is used for multiple purposes, but the most relevant point made is to "identify what is visible but not yet seen to avoid being blindsided, head off adverse outcomes, and take advantage of opportunities." However, no existing model fits all associations. Just as there are many strategic planning models and methodologies, there are also nearly unlimited models and methodologies for environmental scanning.

Multiple Models and Methodologies

As a CSE, it's important that you identify the model and methodology that best meets your association's needs. You must take into consideration your board and association culture—as your association type (professional membership or trade association), the levels and types of professionals who serve on your board (for example, c-levels, mid-management practitioners, administrative level), your association internal resources, and other factors have a bearing on your choice of model and methodology.

Environmental scanning is not a one-time exercise. Whether you use a third-party consultant or an internal resource, such as a board member, member, or staff person, the initial scanning process simply sets up what will eventually become a process that is maintained and kept fresh and relevant.

Developing a Strategic Radar Screen

One model I have used for years is the strategic radar screen,[1] which identifies ten to fifteen issues. The radar screen should be composed of at least 80 percent of issues (trends, signs, and other items noted in Chapter Nine) that affect, or have the potential of affecting, your industry or profession, and the remaining issues may be geared toward issues to improve your association (for example, governance models and infrastructure, limitation of resources, membership resistance, and so on). Consultant Jim Dalton often said members do not pay dues for the association to solve its problems, but for the association to solve their problems.

The radar screen issues are categorized into (1) issues that we must and can address; (2) issues that we cannot affect, but should keep on our radar screen; and (3) issues for which we will create strategies to address. It requires a clear understanding of the priority issues and whether the association can do anything about them—and also an appreciation for those for which viable strategies can actually be developed and executed.

One benefit of this methodology is that the radar screen of strategic issues becomes a communication tool for current and prospective members. If you have the right issues—those that have now or have the potential to have an impact on the members' world—then the radar screen can be an effective tool to demonstrate what the association is doing for the members. When a member asks, "What value am I getting for my membership?" a great way to convey that value, beyond the standard benefits of membership, is to share the radar screen and show that the association is working on issues that address the membership's current and future professional or business needs. If at least a few of those issues resonate with the member, you have most likely retained a member or attracted a new one.[2]

Illustration of a Radar Screen

Association Management Professional Trends

1. Family and employment pressures are reducing the amount of time volunteers are willing to commit to their trade and professional associations.
2. The assumptions many elected leaders make about their knowledge of the customers they represent leads many associations to underestimate the value of customer research and the need for diverse means of two-way communication with the membership.
3. The demand for organizational transparency will generate growing demand for information on the

- Value of membership
- Ethical implications of the organization's decision-making process
- Process for becoming involved in the organization

4. The rapid development of technology for meetings and education will
   - Increase the delivery of online learning and networking
   - Put growing pressure on meeting and education professionals to keep up with the changes
   - Draw new competitors into the marketplace
   - Change traditional relationships with the hospitality industry
5. Exploding amounts of information available to trade, professional, and consumer sectors will pressure associations to validate the credibility of the information and facilitate the ability to use it reliably.
6. Consolidations in many industries are causing greater separation between those who appreciate the value delivered by trade associations and those who make the financial decision to maintain the membership.
7. The expanding development of performance metrics in many industries is increasing the demand for similar applications in associations and highlighting the unique challenges of measuring performance in not-for-profit organizations.
8. Speculation concerning the viability of the traditional dues-based, member-oriented model is driving a growing demand for evidence-based testing and verification of a variety of association operating models.
9. The risk-averse nature of associations puts them at a disadvantage with respect to growing competition from the private sector and the need to invest in capital-intensive communication technologies.
10. Volunteer leadership in many associations is shifting from prominent people who have achieved success to career builders who come with a different set of motives and expectations.
11. Economic uncertainty and rapid rates of change will increase the demand for tracking and forecasting market dynamics.
12. An increasing understanding of the way adults learn will alter the way continuing education programs are developed and expand the competencies necessary for associations to remain competitive.
13. Factors thought to have the greatest influence on the effectiveness of board governance are shifting from representational demographics to board member competencies and access to accurate information on the needs of distinct member segments.
14. The growing impact of global competition on associations will drive an increasing need for skills in developing international relationships with foreign counterparts and understanding the trends affecting global markets.

After the radar screen issues are identified, categorized, and prioritized, the next step is to assign them to committees, task forces, staff, or a combination thereof. The board's role is to set the outcomes and guiding principles. The strategy development and execution group's role is to set the major milestones and the how to's. Ideally, no more than three or four strategies are in play at any given time. Once a strategy is completed, or becomes part of the traditional operations, new strategies are developed to address the next issues in order of priority.

Elements of a Strategy

To understand how to best create a strategy from a strategic issue, first we must explore the composition of a strategy. Strategies are composed of (1) a strategic issue, or issues, from your strategic radar screen (the radar screen being an end-result of your environmental scanning process; (2) strategic outcomes that the board or visioning body identifies as what they want to achieve by addressing the issue(s) and the implementation of the strategy; (3) guiding principles, or "the parameters we must act within or considerations to keep in mind when developing the strategy," which should also be set by the board or visioning body; and finally (4) the event sequences that represent the major milestones or key execution steps that are outlined. The development of the event sequences creates a great time to set

6. Specifying engineers recognize IAPD and members as a source for information on selecting materials. Establish baseline from *Market Insight Report* metrics and raise the percentage of respondents who rate themselves as having an average or above level of awareness of IAPD by 5 percent annually. Baseline metrics are 9.38 percent, 7.81 percent, and 15.62 percent, respectively.
7. Educate the market on the validity of the distribution channel.
8. Create recruiting materials for presentation and distribution in schools and postsecondary institutions.

Guiding Principles

When planning the marketing strategy, the staff and the marketing committee should consider the following questions:

- What specific populations have the greatest potential to increase demand of plastics' use?
- What information do they need to convince them to do this?
- How should IAPD reach them with this information?
- How will IAPD know if these initiatives are making a difference?

Event Sequence

Timeline: First three steps = four months; Step 4 = ongoing

1. Determine the target populations that meet two critical criteria: (1) they can be reached in a reasonable manner and (2) they are apt to provide the greatest return on investment.
2. Identify specific strategies for reaching desired outcomes, including short-term and long-term measures of success.
3. Conduct research to provide baseline data for use in measuring awareness-building efforts.
4. Develop promotional plans for products key to success in meeting outcomes (for example, certificate program, convention and exhibition, membership promotion and renewal).
5. Implement, evaluate, and revise on an ongoing basis.

I am currently exploring a new model, the Two-Curve Future.[3] It is an emerging methodology identifying signs from areas such as technological foundations or disruptive technologies and new ways of publishing, learning, and associating. Part of the analysis and outcomes is to determine how those areas may affect the way that individuals or companies interact with the association, develop different needs that the association may fulfill, and discern whether there is competition from nontraditional sources or disruptive technologies that could alter the very way we operate.

Regardless of the methodology, you must first vet it to ensure that it fits with the culture of your association and also have a plan for how to maintain, prioritize, and use the information. The downside of not doing this prework is that your leadership may become overwhelmed by the information, avoid prioritizing, and try to address all issues or signs, become too focused on the methodology and process and not the information and data, do nothing as it seems too big to take on, or focus too much on the scan and forget that there still is an association to govern and current programs and services to maintain.

Understanding Your Limitations

In a perfect world, we would love our associations to be able to identify and address all of the current and future issues or trends that will most likely affect our members. But associations do not have unlimited resources. Time, money, staffing capacity, and maintaining current operations, programs, and services limit how much we can do. Resources are finite, which requires us to prioritize how much we will allocate to maintaining the association's current operations and offerings and how much we dedicate to planning and executing strategies for the future. At a minimum, I recommend dedicating at least 20 percent of resources and focus toward the future.

Many associations recognize the need to have resources to plan for the future and develop different reserve funds to provide the financial backing in various areas, such as operational, strategic, and information technology. The *operational reserve* is your rainy day fund. The *strategic fund* is a method for setting aside some of the reserves for development of long-term strategies, which may span multiple

years and are for developing the future of the association. The *information technology fund* sets aside resources to prepare the association for major enhancements to infrastructure, website, association management software systems, and other vital IT resources. Even though its function is fairly administrative, the technology fund can serve to add capacity or set the stage for future innovations.

Maintaining the Environmental Scan

Again, scanning is not a one-time event, but an ongoing process. When you decide what methodology or model to use, it is vital that you determine not just what you will do with the information, but how you will keep it fresh. I recommend keeping it as part of your strategic planning or strategy management process, board governance, and, minimally, your annual operational planning process. Always question what is new, still relevant, missing, or no longer an issue. Further, if used correctly, it can be a tremendous resource to develop new programs and benefits, create greater value for your members and professions or industry, as well as ensure the relevancy of the association.

Avoiding the Whiplash Effect

As CSEs, we must be extremely careful about what we put in front of our boards and avoid taking the latest and greatest methodologies and mistakenly presenting them as a prescription to fix all of our problems. So many boards experience the whiplash effect, in which every few years they are changing governance, strategic planning, and other models. If not vetted and thought through, a new methodology can disrupt the association and veer it off on a different path, only to change course when the next methodology is introduced. There is no quick fix to problems and no one-size-fits-all methodology. This same philosophy should be employed with the environmental scanning process.

Our roles are to be partners in setting vision and strategy with the board. We must keep abreast of new thoughts, processes, and methodologies applicable to managing associations. However, when introducing a new methodology, including a proposal to implement an environmental scanning process, vet the methodologies and any third-party firms you bring to your board. You know your association the best and, intuitively, you should know what feels right. Be protective, but also be bold. A great environmental scanning process, followed with a solid strategic planning or strategy development process, can give you the best chance at making your association relevant for the future.

Notes

1. J. G. Dalton, J. Jarratt, and J. B. Mahaffie, *From Scan to Plan: Integrating Trends into the Strategy-Making Process* (Washington, DC: ASAE Association Management Press, 2003).

2. J. Lampel and H. Mintzberg, *The Strategy Process: Concepts, Contexts, Cases*, 4th ed. (Harlow UK: Pearson Education, 2014).

3. Institute for the Future and the ASAE Foundation, "Sustaining and Growing Association Knowledge and Learning Workshop," 2014.

The Author

Susan E. Avery, CAE, is the CEO of the International Association of Plastics Distribution. She began her career in association management in 1998 as the deputy executive director/CFO at ARMA International, a professional association. IAPD, also owns and operates an AMC, and Susan also serves as executive director for a couple of their clients, one of which is a European-based trade association. She is an experienced association management executive with both trade and professional associations and is known for her work with governance, strategic planning and strategy development, data-driven decision making, financial and strategic turnarounds, and building professional and competent staff teams.

Chapter Eleven
Strategic Planning

Robert H. Rich, PhD, CAE

In a recent study, highly successful associations and other nonprofits reported that strategic planning has high impact on overall organizational success.[1] These organizations conduct strategic planning as a routine periodic process. Low-success organizations, by contrast, don't think strategic planning is as important.

Strategic planning is both a powerful tool and a much-maligned symptom of industrial-age management practices. How can both of these be true? It comes down to definitions. When done well, strategic planning

- Aligns the association from top to bottom
- Is agile and responsive to the latest external trends
- Focuses limited resources on the most important outcomes
- Represents a common, agreed-upon basis for making key decisions shared by volunteers and staff
- Supports performance measurement
- Enables leaders to make the difficult decisions about scaling back or terminating programs and activities

When done poorly, strategic planning

- Locks associations into inflexible plans for extended periods
- Drains creativity and innovation
- Is an enormous administrative drain for the association staff and volunteers to administer
- Focuses on minutiae, misses the big picture
- Spends more time debating the process to be followed than considering the key strategic issues

Strategic planning is no longer what it used to be. It has evolved from a cutting-edge concept in the early 1960s, through calcification into a fixed template that inadequately addressed the need for flexibility, to today's modern approaches, which put a premium on agility, efficiency, inclusive participation, and making the tough (but important) decisions. There was a point in the not-too-distant past when everyone used a similar approach to planning, but there is no longer a uniform understanding of how it should work. Still, it is essential that associations maintain some way of anticipating the future and building consensus around what should be done. An understanding of available strategic planning tools and methods is a vital competency for a chief staff executive.

What Is Strategic Planning?

The nature of the word *strategic* implies there will be trade-offs and decisions on priorities. Most associations cannot continue to do all the things they have been doing and then pile on new direction-setting initiatives. Being "strategic" implies that choices will be made so that the association will become more relevant or more competitive, or will achieve a desired positioning in the global marketplace.

Naturally, strategic planning involves strategy. *Strategy* is the intentional effort by an organization's leaders to achieve a desired set of outcomes. In the marketplace, it is directed at finding the best approaches toward the creation of maximal stakeholder value.[2]

Strategic planning also is a form of *planning* and evaluation. A plan without specifics is too ethereal to make a difference; therefore specific outcomes must be targeted, specific champions should be assigned to lead the efforts, and specific strategies should be applied to reach the desired outcomes. Plans serve to align people but can become rigid if not constantly reassessed. As an evaluative tool, tracking and measuring plan progress can help maintain management focus and discipline.

In today's dynamic environment, associations should engage in strategic planning on at least an annual basis. Even though the time horizon for a strategic plan may cover three to five years, it is valuable to look out at the next period each year using a mechanism to revisit or shift the focal points of the plan nimbly in response to internal and external changes. That way, each year's annual plan will be firmly grounded in a long-term focus.

It Is Not Primarily About the Plan, It's About the Planning

Strategic planning can be a great opportunity for leaders to step back a bit from everyday concerns, put on a big-picture perspective, and consider the most valuable ends to seek. As the discussion proceeds from vision and mission through preferred future to goals, objectives, and success measures, every attempt should be made to circle back and inform planning participants about the thinking behind the chosen path. Where there is disagreement, taking time to discuss and debate before making a clear decision will help everyone work in maximum alignment, the ultimate aim of strategic management. Certainly, a written plan document will result from the process, but the most valuable result is management and leadership consensus on the big picture outcomes to be pursued.

Even in the written work product, modern practice is to use a variety of media (for example, websites, pocket cards, posters) as the primary vehicles for communication with the association's staff, members, and other stakeholders, rather than old-fashioned bound printed reports. Dynamic planning software can also make it easier and more efficient to regularly update the plan as the external and internal realities change.

Strategic Planning in a Nutshell

Every planning function revolves around these five questions:

1. Where are we now?
2. What is changing in our environment that will affect us?
3. Where do we want to be?
4. How do we get there?
5. How will we know when we get there?

Charter, Mission, and Vision

The cornerstone of strategic planning is the association's charter (or purpose), mission, and vision. Most associations begin with a charter (presented in the articles of incorporation), which establishes the purposes of incorporation and serves as a constant reminder of the original intent. A mission statement describes the primary purpose of the organization. This should be carefully crafted, concise, and unambiguous. It defines why the association exists. Management guru Peter Drucker suggested that "only a clear definition of the mission and purpose of the business makes possible clear and realistic business objectives. It is the foundation for priorities, strategies, plans, and work assignments."[3] It can also serve as the basis for brand taglines, emblems, and catch phrases.

Built upon the mission, the vision is an aspiration of what the world will look like when the association is successful. It is a shared understanding of what the overall impact of the organization will be. It is a rallying cry that can mobilize action into its realization. A good vision is not a list or enumeration of different outcomes to be achieved; rather, such lists of priorities should be included as goals within the strategic plan.

The mission and vision are typically reviewed by the board annually, and should only be edited when substantial change to the association's direction is needed. A mission statement can last for decades unchanged, and the vision equally as long, provided that the main focus of the association remains unchanged. Any changes to these critical statements should be subject to extensive discussion by representatives of all of the association's stakeholders.

Illustrations of Charter, Mission, and Vision for the American Chemical Society (ACS)

Charter: The purposes of the corporation are

1. To encourage in the broadest and most liberal manner the advancement of chemistry in all its branches
2. To promote research in chemical science and industry

3. To improve the qualifications and usefulness of chemists through high standards of professional ethics, education, and attainments
4. To increase and diffuse chemical knowledge
5. By its meetings, professional contacts, reports, papers, discussions, and publications, to promote scientific interests and inquiry to foster public welfare and education, aid the development of our country's industries, and add to the material prosperity and happiness of our people.

Mission: Advance the broader chemistry enterprise and its practitioners for the benefit of Earth and its people

Vision: Improving people's lives through the transforming power of chemistry

Core Values

Every association has core values, whether they are formally articulated in a strategic plan or not. These are the assumptions that staff and members bring to how they are expected to complete their work. For example, the association could value autonomy or collaboration, excellence in efficient operations or innovation, member satisfaction or service to society broadly. By including explicit consideration of the desired core values in a strategic planning process, the leadership can focus on areas where change would be desirable or stability a continuing strength. They provide a standard against which the culture can be assessed and developed.

Desired core values move energy and focus in the organization. For example, a desired core value might be innovation, adaptability, or long-term perspective. Such value choices become a filter for decision making in the organization.

Care should be taken around several key issues in creating such a list. First, inclusion of overly broad and universal statements that could apply to almost all organizations (for example, being financially sustainable or providing excellent offerings) is essentially meaningless and detracts from the overall plan. Second, leaders must be prepared to "walk the walk," exemplifying the desired core values in their own interactions. Hollow words expressed in the strategic plan are worse than saying nothing at all. Finally, culture change is hard and takes time. It is only through the continual application of leadership throughout the association that the current core values can be transformed into the desired ones.

Challenges and Opportunities

Most strategic plans include reference to the environmental scan through the inclusion of challenges and opportunities that provide a rationale for the goals and objectives. This should be a short list, selected by the leadership from the most significant internal and external forces that could help or hinder the association's work toward the preferred future. Challenges and opportunities may be considered as they affect the association as a whole or in the context of each of the strategic goals.

Strategic planning is all about closing the gap between where you are now and where you want to be. It should be noted that the value of the internal SWOT (strengths, weaknesses, opportunities, threats) analysis is optimal only in relation to identifying the gap between your current state and where you want to be as defined in your mission and vision. Strategies and tactics need to be chosen to close the gap.

The Language of Planning

In strategic planning, there is much debate over the meaning of the items that support organizational goals. It seems that every practitioner has their own lexicon. There are goals, objectives, strategies, tactics, sub-objectives, milestones, and targets. The important thing is to clearly define a specific meaning to each term and to avoid debate over the language (instead of an exclusive focus on the substance of the plan). For the purposes of this overview, goals are general outcomes (a general what), objectives are more specific outcomes (for example, engage 10 percent of members in online professional development this year), and strategies are the approaches used to reach the objectives (for example, develop a series of online resources relevant to leadership skills enhancement).

Goals

Perhaps the most important phase in strategic planning is the development and selection of organizational goals. Goals form the basis for detailed objectives for the organization as a whole, and for its constituent parts. Since these should establish the highest-level outcomes to be sought by the

association, careful consideration should be given to select those which will maximize the mission impact for stakeholders and relevant value for members. Resist the temptation to simply organize the association's existing activities and call them "goals." Rather, goals are intended to drive change and create a future state in which the mission is most significantly advanced.

There should only be a limited number of such goals, perhaps three to six, forcing prioritization and decision making. One of the common pitfalls in strategic planning is the selection of too many goals. With a long list of goals, not all can be a priority. The association's impact is diluted, trying to be all things to all people, and the paid or volunteer staff responsible for implementation can be overwhelmed.

Another mistake to avoid is making the goals so broad and vague that almost anything could conceivably be seen as supporting it. Done right, vigorous debate within the board (or planning committee) about goal selection can result in powerful goals that inspire and motivate the necessary work. Setting strategic goals may be the most important work that a board undertakes.

In practical terms, goals should be broad but clear and focused, without specifying how the desired outcomes will be attained (that is the role of objectives and strategies). They should represent the most important work that the association seeks to do. In an annual (or more frequent) strategic planning cycle, it is likely that there will be a need to refine or replace one or more of the goals. Priorities and opportunities shift, so the goals must be changed along with them to keep the plan focused and relevant.

Objectives and Strategies

Objectives should represent the most important outcomes that will aid in the realization of the goals. For each goal, perhaps three to seven objectives are optimal. They should be specific, measurable, achievable, realistic, and time-determined. These can be remembered with the acronym SMART. To develop SMART objectives, it is most common to brainstorm about possible draft objectives first, narrow them down through prioritization, establish specific targets (of how much and by when), and finally refine the language to make them as clear and unambiguous as possible. When setting goals and objectives, the question to ask is "what?" not "how?"

Identification of strategies should follow agreement on the objectives. This is when the "how" discussion is useful. In other words, design activities and programs to reach objectives, instead of creating objectives that justify existing or pet activities (that is, those which are of great interest to only a very limited, but influential, segment of the membership or volunteer leadership). Strategies can be identified by asking how the association can best reach the objectives. Be creative. Sometimes the preconceived notions going into strategic planning may not be the highest value or lowest cost strategies. To have a chance of successful execution, strategies require identification of a lead "champion" to oversee each one, allocation of specific resources of money and time, and a commitment of sufficient leadership attention. Tactical planning and business planning will proceed to flesh out the details that will enable successful execution of strategies.

Who Does Strategic Planning?

Strategic planning is not just an activity for the top leaders of the organization. To maintain an effective strategic focus, leaders should develop a continuous "parallel process" that involves a wide range of members, staff, and other stakeholders in scanning the internal and external strategic environment, identifying key challenges facing the membership, considering the implications for strategy, and suggesting potential goals and objectives. In an ideal situation, every member and stakeholder would have the opportunity to participate meaningfully in helping to shape the association's developing strategic direction.

A recent innovation is "appreciative inquiry"—a powerful parallel process that engages large numbers of members and stakeholders.[4] Based on the work of David Cooperider, appreciative inquiry summits enable hundreds or thousands of participants to "discover" what currently works well, "dream" of potential goals, "design" objectives and strategies to reach the goals, and reach the organization's "destiny" through the leadership of all summit participants in realizing the possibilities around which they are most excited. A growing number of associations have used appreciative inquiry to empower members and other stakeholders in support of shared strategic goals and objectives.

The planning process needs to be owned by the leadership of the association. Usually, this means the board of directors and senior staff leadership. If this is too large a group (more than approximately twenty-five people), a planning committee that represents both sides of the association leadership can engage in the actual planning, with the final outcome refined and ratified by the full board. The assembled perspectives from the parallel process, any research available on external trends, and

awareness of the organization's recent accomplishments should be brought to bear in framing any planning discussions.

Staff participation, especially that of the CSE, is vital to successful strategic planning. Insights relayed from frontline staff can prepare the volunteer leaders to be grounded in the member's true needs, so that they can plan on the basis of more than just their own perspectives. Staff should serve as custodians of the environmental scan information, and remind leaders of the current understanding of relevant factors prior to any planning discussion. Once a plan is adopted, the management team must work to see that the goals and objectives are met through the work of staff and volunteers. Of course, this is made easier if the key implementers are also involved in the parallel process of planning, since people naturally support what they help to create. The CSE can also draw attention of the board (or planning committee) back to strategic planning in the event that a dramatic change in the environment occurs that suggests a different strategy. It is useful to build regular checkpoints on the strategy into board meetings to ensure that the plan remains directionally correct.

Strategic Planning from a CSE Viewpoint

Mark W. Light, CAE

Simply hearing the words *strategic planning* may send shivers down your spine. We've all heard horror stories about strategic planning retreats and meetings going amok, and the CSE spending untold hours trying to fix the plan. This often results in the plan being shelved and the participants developing a negative impression of a critical management and leadership tool.

The CSE's role is to ensure the process fits the organization and has the full support of the board and staff leadership. Designating top-level staff, such as the COO, as the internal champion, sends a message to the entire organization that the process is important. Even when the responsibility for implementation is transferred to the COO, the CSE must continue to support the process and show commitment to incorporating the results into future actions of the association.

The CSE must decide early in the process how the strategic planning process will be facilitated. If staff or volunteers possess the skills to manage strategic projects, will they be the best advocates to push the organization to think differently? Will they challenge elected leaders and executive staff when putting forth unconventional ideas or when the group goes off track? As the CSE, your role is to see that the process cannot be hijacked by a weak facilitator.

Another option is to hire a consultant or professional facilitator to lead the process. This approach will most likely result in someone that is not a subject matter expert in your arena, but that is not necessary. A facilitator's role is to push the group to look at new opportunities, question, and keep the process on track. They are there to help you achieve good results and can often say things that someone internal to the organization could never say.

The key consideration for hiring consultants is to make sure they understand what you want and, more important, what you don't want. If you don't want your mission statement rewritten and hours are spent doing that because it's the normal process, no one will be satisfied. All players should agree on terminology up front and agree on what defines a goal, an objective, a strategy, and an action item. You can waste valuable time in the group process arguing over whether a statement is an objective or a strategy. In addition, make sure the consultant is open to adjusting the approach during the process, so if the CSE sees it going off track, it can be changed swiftly rather than waiting until the next step to make corrections. CSEs can never forget that the process is as important as the outcomes. Make sure the process sets the stage for great results.

In evaluating the plan, ask yourself, Was the process successful? Does the plan positively move the organization forward? Does it position the organization for future challenges? Is it accepted by the membership and staff? Does it accomplish what the board and executive leaders wanted? If the answers are yes, then the hard part begins—implementing your new strategic plan.

How Is Strategic Planning Conducted?

The standard two- to three-day strategic planning retreat can be effective to focus attention on strategy each year. Increasingly, though, strategic planning conversations are broken down into the component parts and spread over a much longer period. For example, environmental scanning data may be shared in the first meeting, with discussion on what the data mean for the association. The vision and mission might be reviewed and core values updated at the second meeting, goals decided upon at a third, and objectives and strategies defined and assigned to champions and resources at a fourth. A major

advantage of this approach is allowing leaders to pause and take stock of what has been decided after each stage. Independent and collaborative consideration of what might come next in the process can then lead to a much more considered, informed, and thoughtful discussion and results. It also allows strategy to be dynamic, always in focus, and responsive to ongoing events.

The need to reconsider our understanding of strategy making under rapidly changing conditions is captured by James Brian Quinn, a management guru from Dartmouth's Tuck School of Business, in what he calls logical incrementalism.[5] Quinn's thesis is that the development of strategy in successful organizations is fragmented, evolutionary, and intuitive. Good strategy evolves over time in a stream of activities that include conversations, planning, serendipity, failed initiatives, persistence, more conversation, and technique. In this modern "strategic management," a rational-analytical technique is applied to the information flow that percolates through a wide variety of events and yields strategies.

In fact, it is useful for the board to consider key strategic issues (such as how an emerging technology may be affecting members) as a part of each of its meetings. This often helps to refine the organization's ability to achieve its goals and objectives. Sometimes such a focused discussion will also lead to refinements in the next year's strategic planning. These strategic discussions keep the board focused on the future, appropriately leapfrogging ahead of current plan implementation.

Role of the Facilitator

It is very difficult to proceed through a strategic planning process without a skilled facilitator. Facilitators can either be drawn from the association itself or hired as a consultant; however, it is ill-advised for the CSE to facilitate the process. Insiders can apply knowledge of the organization's history, culture, and the personalities involved. If the facilitator is internal, care should be taken to make sure all voices are heard and to avoid pushing a personal agenda. The advantage of an outside facilitator is that outsiders ask different questions, apply an impartial process, and play an objective role. If the facilitator is external, it is important to invest time in familiarizing him or her with the norms, preferences, and record of strategic planning within the association to avoid conflicts over expectations. Regardless of the origin of the facilitator, the planning group itself and its leader (for example, the board chair) must "own" the results of the process, buying into the decisions made and being prepared to communicate them broadly among the volunteers and staff.

Communicating Strategy

If strategy, as embodied in a strategic plan, only resides in the awareness of the association's senior leadership, its realization is highly doubtful. Once the mission, vision, core values, challenges and opportunities, goals, objectives, and strategies are identified, a concerted effort is needed to share them with all of the volunteers and staff who will make them a reality. Since the process of strategic planning is becoming more continual, this communication also needs to be much more frequent than in the past.

Perhaps the best way to communicate strategy is leading by example. If leaders explicitly consider all of their important decisions in light of the strategy, others will naturally start to do the same. They must make the effort to explain the strategy and what it implies for the tactical and operational issues at hand.

The association website is an excellent place to share the strategy broadly with staff, volunteers, and members. Though some details of a proprietary and confidential nature may need to be withheld, it can be empowering for members to know that their association's strategy is publicly and readily available (for example, American Chemical Society at http://strategy.acs.org). Such a website could also include information on relevant ongoing activities, recent accomplishments, and how members can help to reach the goals. Short videos that highlight the goals and objectives also help to cement them in the thinking of stakeholders.

Psychological research has shown that people have difficulty remembering long lists of priorities and strategies. Certainly, the multipage, bound strategic plans of yesteryear are not likely to be recalled and applied to daily work. Constant reminders of just the top-level mission, vision, and goals will make an impact in increased awareness of and engagement with the plan. Some effective approaches include the use of trifold pocket cards and framed posters of the goals, with a weblink to access the plan's details when needed. Other engagement activities can include presentations at meetings and so-called "strategy cafes," which allows groups of grassroots volunteers to consider in small groups the association's goals and how they'd like to help achieve them.

Once the strategic plan is constructed, the next step is to create the tactical plan that will connect the dots between broad strategy and actionable execution of the plan.

Notes

1. Association for Strategic Planning, "Strategic Planning for Non-Profits," n.d., available at http://www.strategyplus.org/Non-Profits.shtml.

2. Michael E. Porter, "What Is Strategy?" *Harvard Business Review* 11–12 (1996): 61–78.

3. P. Drucker, *Management* (New York: Harper & Row, 1974).

4. See Appreciative Inquiry Commons, "Definitions of Appreciative Inquiry," n.d., http://appreciativeinquiry.case.edu/intro/definition.cfm.

5. James B. Quinn, *Strategies for Change: Logical Incrementalism* (Scarborough, Ontario, Canada: R. D. Irwin, 1980).

The Authors

Robert H. Rich, PhD, CAE, is the director, strategy development, at the American Chemical Society. He holds a PhD in chemistry from the University of California, Berkeley, and has extensive association experience as an executive and as a volunteer leader. He is an active member of the Association for Strategic Planning and was a cofounder of its Not-for-Profit Center of Excellence.

Sidebar author *Mark Light, CAE*, is the chief executive officer of the International Association of Fire Chiefs.

Chapter Twelve

High-Yield Tactical Planning

John B. Cox, FASAE, CAE

It is all well and good—and critically important—to do environmental scanning, strategic planning, and business planning, but the fruits of those exercises will go unrealized if execution is poor. That's where the discipline of tactical planning comes in.

Except in entirely volunteer-run associations, tactical planning is a staff function. The chief staff executive leads the staff, and those staff members who think like chief staff executives, who focus on the issues of greatest strategic import, are those who distinguish themselves by understanding and playing a part in the CSE's most preoccupying concern: how to turn the vision of the association's leadership into reality, which is the role of tactical planning.

When it comes to tactical planning, the wise CSE thinks through questions like these:

- Do the tactics fully support the strategic direction approved by the board?
- Can the tactics be adequately resourced, and are they achievable?
- What are the risks of implementing, or not implementing, the tactical plan?
- What are the obstacles, and how will we overcome them?

By using proven tactical planning steps, association staff can exceed their leaders' visions, realizing growth and accomplishment not previously attempted or even considered. Developing the tactical machinery to drive the dream is the focus of this chapter.

With that said, please note that there are as many different approaches to tactical planning as there are associations. As long as they lead to the same result, they are all worth the effort. The following model is proffered because in use after use, it has yielded the absolutely highest return on the investment of association time and human and financial resources. It is what the sciences call radially adaptive (in other words, highly malleable); it can be freely employed for almost any application an association needs—single-purpose or organizationwide. In the latter regard, the tactical plan is most valuable. In its creation, obvious synergies among various operational functions, programs, and activities will surface, and it is in recognizing and cross-fertilizing these opportunities that the highest yields will occur. Stated simply, no association activity occurs in a vacuum. When various operations such as continuing education, annual meetings, publications, political activities, and press and communications programs are linked together in a tactical plan, a multiplier effect kicks in and the return on investment is far greater than on any activity undertaken alone.

Keep that multiplier effect in mind as you read the planning steps that follow.

Some Helpful Tips Before You Begin Tactical Planning

This book contains many references to environmental scanning. And almost all refer to the external environment. It is just as worthwhile, and sometimes more so, for the association to do an internal environmental scan. Jack Welch, arguably the most famous CEO in GE's history, developed a unique business model. In it, he postulated the need to "destroy your organization." Sounds radical, but it helped propel GE to the greatest growth in its history.

The same can and does work in nonprofit organizations. This author has witnessed and participated in exercises that literally deconstruct an association, its programs, and its operations. The overarching, guiding principle was to ask who did what, and why, and how that contributed to the organization's mission. In one astonishing example, a prominent association, using that exercise, realigned almost every staff function and operation. Older, tired programs, products, and some services were jettisoned, staff in some areas assumed responsibilities for activities and programs in other areas, and, most important, more than three dozen in-house functions were either discontinued or outsourced, some within a matter of days. Net result: within seventy-two hours of effort put into tactical planning, the association dropped a tidy six figures on its bottom line simply in realized savings. More than one prominent executive in association management has noted that nonprofit organizations rarely "plan to plan." Except for some leadership strategic exercises, internal planning is too often by happenstance. It should not be this way. It is imperative, in fact, to set aside specific times and dates, with appropriate staff, to do tactical planning. Moreover, involve as many staff as can be spared in tactical planning. It is often the staff least expected—who do the same tasks routinely, such as mailroom and reception—who have the

most unexpected and valuable contributions; they serve in the trenches, and hear firsthand what the member audiences want, and are looking for. This phenomenon becomes even more obvious in smaller and mid-sized organizations.

Don't be afraid of "blue sky," out-of-the-box thinking in tactical planning. It is often the ideas from left field that are the most productive, and yield the absolute highest return to the association. Time and again, the author has seen ideas shot down as untried, tried and failed, too bold, too new, too retro, too something to be done or considered for the association. Tell your planning participants, loudly, that this is nonsense. Some ideas that may not have worked in the past may now be ideal for the association. Some ideas that seem to be too bold may actually lead the association into the future. There are no bad ideas in tactical planning, only ideas that haven't been tested. Important: do not limit yourself or your organization in tactical planning. Its reach can often exceed the association's goals.

It should become obvious almost immediately that tactical planning is completely linear. It is one of those rare enterprises in which each step logically follows the last, in sequence. If the planner develops or refines knowledge in each step, then the next step will logically follow, and so on to completion. When viewed in its entirety, it is clear that, say, Steps 2 and 4 could not have been possible without first completing Steps 1 and 3, respectively.

The most valuable thing for all involved is to realize that tactical planning belongs to the staff. They are responsible for its creations, its content, and its execution. It begins where the board's planning ends. A handy reference is that if strategic visioning and planning is the province of the board, then realizing that visioning and planning's product tactically is the province of the staff.

Step 1: Setting Goals and Objectives

This step will already be accomplished in the aforementioned strategic planning exercise that many associations engage in. But if not, please do understand that it is the prerequisite to tactical planning. Quite simply, it must answer questions such as, What does the association want to accomplish? Why? What strategies will take it there?

If you haven't already defined your goals and objectives, do so now. Even if you have, revisit them. Ignore the obvious. Kick your way out of the box. In other words, avoid the predictable, easy-to-attain goals. Maybe it's time to think of a global presence. Of starting a for-profit subsidiary. Of opening that branch office in Tierra del Fuego.

In any case, in Step 1 you define what you want to attain, your goal(s) in planning. Then you define why you think you want to achieve them, and what your objectives are for goal attainment. Finally, you think of the gross strategies to get you there. Metrics are key components. For example,

- The World Wide Widgets Association (WWWA) establishes a *goal* to have the greatest possible number of members, to represent the entire industry.
- Its *objectives* are to generate 20 percent additional revenue in twenty-four months to increase its political clout; to become the real voice of the industry; and to provide more programs, services, benefits, and activities to its constituents.
- WWWA's *strategy* will be to design and implement a major, ongoing member recruitment and retention program focused on converting to membership the 30 percent of the identified market not currently represented in the membership.

If you are thinking that looked rather easy, you are right. Tactical planning really is as easy as it appears. It is just a question of recognizing its necessity, and then following the simple linear steps to achievement.

In a couple of steps or so, we'll look at how tactics are required to drive strategies. But first plan to plan. Setting goals and objectives is best done in an atmosphere devoted to the enterprise. A retreat is usually the best venue and vehicle. Wherever and whenever, allow thinking to roam free. That's when breakthroughs occur.

Step 2: Situation Analysis and Problem Definition

Remember those references to tactical planning being linear and sequential? Here is where it begins to become obvious.

WWWA now has a goal, objective, and even a strategy. Before it can set about attaining its goal, it needs to carefully analyze its current status, its market position, the impediments to goal and objectives

attainment, its strengths, and, most important, its weaknesses. Does it have the resources to proceed? If not, can it acquire them? What will be required to succeed?

As, and after, it has analyzed and defined its current status, WWWA needs to define its problem areas—those impediments to achieving its goals. This is actually a two-part exercise.

Internal Problems

What elements will preclude WWWA from realizing its goals? It is imperative to be brutally honest in this exercise. In a nutshell, if there are roadblocks, identify them.

Typical references here include insufficient staff, insufficient financial resources, lack of the electronic resources that would make coordination of a member campaign possible, lack of real time to devote to the effort, and so forth. If you don't candidly identify the barriers here, don't proceed with planning. The effort won't be successful. A cautionary note: revealing internal problems can sometimes be very discomfiting to certain staff. If the earlier-mentioned deconstructing exercise has been performed, this problem will have already been obviated. If not, it is the planner's task to anticipate and alleviate possible concerns at this point.

External Problems

External factors must be recognized and overcome. In marketing, it can be thought of as identifying and measuring the competition. Suppose there is a larger, stronger, longer-established association that predominates in member share, or your association is not well recognized in the marketplace, or a social networking site is undermining your historical competitive advantage by offering free means of connecting. Perhaps the association didn't prevail in an important political battle. Possibly, potential and former members consider its dues too high. Whatever the problems are, they must be identified, confronted, and, if possible, overcome to clear the way for any success with stated goals.

Something important will have transpired at this point. Staff of an association engaged in tactical planning and following the just-described steps will have established goals and know why they want to achieve them. They will know the strategies it will take to get there and will have analyzed the association's current status including what is going right and where there are challenges and problems—internal and external—that must be addressed to realize the dream. In short, the association's leadership and staff may know more about the organization than ever before. Armed with the knowledge gained to this point, those engaged in the planning exercise can create the future of the association.

First, of course, must come the next essential and sequential steps in tactical planning.

Step 3: Identification of Key Audiences

Audiences in our context may also be thought of as publics, markets, and campaign targets. In brief, these are the members, buyers, nonmembers, potential members, legislators, funders, and consumers that the association wants and needs to reach with products, services, benefits, and programs.

On a global scale, a list of the audiences includes virtually everyone with whom the association wants or needs to interact. For a specific, single-purpose campaign, the list would be narrowed to those audiences relevant to the purpose or goal at hand.

Surprisingly and too often, some associations define their universe too narrowly. When asked how many media would be on a key audiences or target list for a public information program, they might respond with six or eight, having thought primarily about trade media covering their industry or profession; considered in a broader context, though, a minimal list could include more than twenty, and the author has seen successful and ambitious media lists with forty separate kinds of media targets. Similarly, a membership recruitment and retention campaign target list might yield half a dozen different types of audiences. However, there are so many different audiences involved in a proactive campaign that any good list should extend well into double digits. The same point could be extended to lists of audiences for fund-raising campaigns, legislative and governmental initiatives, conference and meeting development plans, and more. Here is another time when blue sky thinking on the part of all involved can produce surprising results. And only when an association defines all its possible audiences for any given outreach can it achieve the full potential envisioned in its campaign. Indeed, I participated in one such audience-identification exercise in tactical planning that spanned an entire association, and the yield was almost two hundred potential campaign targets, across a vast array of categories (such as governments; funders; media at the national, state, and local levels; groups of foundations; groups of different regulators; groups of different general-population types; and so on, seemingly ad infinitum). No one has ever erred in identifying too many potential users and buyers of association programs, products, service, and benefits.

All that said, an important consideration is that the organization will be better-equipped to reach some audiences than others. Go for those first. Some audiences you may know you can reach because you have experience doing so. Others might require more effort and time to reach. Others may be aspirational, potentially reachable only as the execution of the plan gets traction and achieves success. The point is to start by identifying the prospective universe and then prioritizing your approach on the basis of importance, effort, and resources related to reaching each audience. Once you've finished this exercise, it's time to plan how to go about reaching them. That would be Step 4, logically enough.

Step 4: Identification and Development of Vehicles and Tactics

In our tactical-planning context, the ideas of vehicles and tactics are almost interchangeable. Once an association has defined all of its audiences, it must define and determine the best ways for reaching them. And as with audience definition, on a global tactical plan the association must list every possible, conceivable method of reaching the targets in its plan—and then go through the prioritization process done with audiences. Newsletters, meetings, workshops, social media, email, blogs, podcasts, testimony, letters, speeches, trade press coverage, general-interest media, annual conferences, and so forth must be listed. Even if an approach or vehicle isn't being used currently, it should nonetheless be listed; it is something to be aspired to, or ruled in or out, and may eventually prove to be a key element in achieving success.

On a cautionary note, the same concern expressed in Step 3 pertains in Step 4. Namely, associations regularly underestimate the number, breadth, and range of vehicles and tactics for reaching their intended audiences. If a list of audiences can extend well into double digits for any given tactical campaign, the methods, tactics, and vehicles possible for reaching these publics should, at the minimum, match it. The only limits here are self-imposed. Nonetheless, practicality and available resources demand a process of prioritization.

Step 5: Creating the Tactical Plan: "A Matrix of Opportunities"

The tactical plan puts the pieces together.

If the staff of an association have set its goals and objectives, determined what obstacles it has to overcome, and identified its audiences and the vehicles needed to reach them, they need only match the audiences and vehicles, calendar the activities, and put a cost line on the enterprise.

Let's look at three brief examples of single-purpose tactical campaign planning. It is important to bear in mind that if we were looking at a global, organizationwide plan, the audiences and vehicles would be integrated in their respective steps, or columns, and that all activities would be intertwined synergistically. This, of course, would produce the aforementioned multiplier effect. When one or two elements in audiences and vehicles are cross-linked with others, they become worth four or five times their value alone.

For simplicity, think in this step of just matching the right audiences for any campaign with the right vehicles and tactics to reach them effectively. So, you want to use vehicles and tactics 2, 6, and possibly 8 in your list to effectively reach audiences or publics A, C, and probably E. In matching the right vehicles —now tactics—with the right audiences, synergy and the multiplier effect will kick in, and the yield will exceed the goal.

Example One

The Ozone Society decides it wants to create a tactical membership recruitment and retention plan. It has conducted all the preliminary steps outlined to this point. In Steps 3 and 4, it identified its key audiences and the vehicles and tactics required to reach them as the following:

Step 3 Audiences or Publics	Step 4 Vehicles and Tactics
• Potential members	• Social media presence in key forums
• Former members	• Personal visits, telephone calls, or letters to the best prospects
• Students	• Direct mail letters to the remainder of the list
• Affiliated organizations	• Telemarketing to the remainder of the list
• Those ineligible, but nonetheless interested	• Member-get-a-member and other campaigns

• Corporations • Foundations • Auxiliary members • Retired members • Inactive members	• Special offers: for example, a "two months for free" offer to prior members who have allowed their memberships to lapse • A "free whitepaper" content marketing campaign designed for prospecting • Discounts for joining in conjunction with book purchases, workshops, and annual meeting attendance • Special campaign-only rates

Example Two

The American Ethereal Association wants to design and mount a major fundraising or endowment building campaign. It successfully navigated all steps to this point and has identified its targets and methods as the following:

Step 3 Audiences or Publics	Step 4 Vehicles and Tactics
• All members • Foundations • Corporations • Potential donors • Former donors • Known benefactors • Most likely individual contributors • Medium-to-least-likely contributors	• Individualized letters to all members defining the purpose of the campaign • Direct marketing targeting the most likely prospects for giving, on the basis of historical giving and the level of current engagement with the organization • Funding proposals • Grant proposals • A "like us on Facebook" campaign designed to build a community passionate about the mission of the organization

• Program sponsors for annual meetings or workshops • Government funding sources	• Telemarketing to a wide audience • Personal visits to identified prospects for highest contributions • Gifts or acknowledgments for participation or contributions • Formal recognition programs • Electronic campaign information and targeting • Planned-giving campaigns, such as estate funding

Example Three

The National Sea Shells League (NSSL) wants to pump attendance at its annual conference. It has identified its key publics and vehicles/tactical methods as the following:

Step 3 Audiences or Publics	Step 4 Vehicles and Tactics
• Current members • Interested nonmembers • Those who always attend	• Meeting program promotions and brochures targeted to those most likely to attend • Letters to past attendees
Step 3 Audiences or Publics	**Step 4 Vehicles and Tactics**
• Those medium-to-least-likely to attend • NSSL book and periodicals buyers and subscribers • All workshop attendees	• Magazine and newsletter articles reaching the entire membership • NSSL website plus all appropriate social media to reach prospective nonmember attendees • State and chapter newsletters

• Current exhibitors	• Press releases
• Potential exhibitors	• Media wires
• Former exhibitors	• Feature articles targeted to interested publications
• Members of affinity organizations	• Postage-meter cancellations or indicias
• Members of affiliated organizations	• Buck slips
• General public	• Stuffers or flyers for book orders
• Press	• Blow-ins and tip-ins for NSSL publications
• Students	• Stationery legends or logos
• Spouses	• Cross-marketing with membership campaign
	• Early-bird discounting campaigns

At this point, tactical planners would simply draw synergy lines between the audiences, targets, and publics identified in Step 3 with the vehicles, tactics, and methods needed to reach them as listed in Step 4. For ease of purpose, it can be helpful to create a "matrix of opportunities," with audiences listed on one axis and vehicles—now considered tactics—on the other; contacts and activities would then fall into the grid of the matrix. In Step 4, it is important to remember that some vehicles will reach only one public; others will reach all. Similarly, some audiences are continuously key, while others have value only once or twice. Identifying who is to be targeted and when, and with what vehicle, can produce the earlier-referenced multiplier effect, when multiple vehicle hits with various target publics can produce excellent results with modest efforts.

Technological Tactics

You will have recognized that in the three examples given, there were almost no references to specific electronic vehicles and tactics. The playing field has changed dramatically in tactical planning and association growth opportunities, and it is evolving faster than almost anyone's ability to keep pace. It is quite possible for a medium-sized or even a small association to have a worldwide portal and presence, reaching audiences not even conceived of a mere decade ago. New methodologies, vehicles, and social-media platforms are emerging almost instantaneously, only to be replaced in a blink by still newer ways to reach key audiences.

At this writing, the latest high-utility tactics for reaching vast publics include content marketing, viral marketing, blogs, message boards, social networking, and others. Before the ink dries here, there will be still newer, better, faster, farther-reaching technologies to reach key markets. The wise planner will try to keep an eye one or two clicks above the horizon and see which of these new methods, these singularly valuable vehicles, will be most beneficial in reaching what audiences to achieve specific goals.

Step 6: Scheduling the Plan

Having identified *who, what, where,* and *how*, the final step is focused on identifying *when*. In years past, strategic planning—along with the tactics needed to support it—could be thought of in multiyear terms, with typical plans stretching out four or five years and beyond. That is no longer practical or wise today. Events simply move too rapidly. A good tactical plan will max in the twenty-four-month range, with a top-end reach of thirty-six months. And if viewed globally, and not only for discrete activities, the collective tactical plan *becomes* the organization's plan of work.

Many associations use the "NASA" approach to tactical plan calendaring—identifying the goal and then working backward on the steps it will take to get there. In real terms, if an association wants to increase membership attendance at its August annual meeting, it needs to identify its target audiences several months earlier, perhaps in October or November of the preceding year—or maybe much sooner if the market demands innovative and longer-term changes to the meeting—and then begin applying its tactical steps and employing its vehicles at calendared intervals in January, March, May, and so on.

A Handy Shortcut

For those new to the tactical planning process, creating a matrix of opportunities and linking various vehicles with numerous audiences may be a bit daunting. It gets easier with each plan created. If the

reader feels somewhat stymied at this step, there is an easy shortcut to creating the plan and moving forward in Step 6.

Simply look over the list of vehicles identified in Step 4 and prioritize them numerically in Step 5. What will yield the greatest return from the most beneficial publics quickly? The most successful plans the author has been involved with developing have always identified the "low-hanging fruits" first, targeted them, and reaped the benefits to go on and finance later activities in the plan. For example, radically increasing annual meeting or workshop attendance will provide the monies to greatly increase essential publications and other revenue-producing information services. Then, high yields from those activities will finance, perhaps, new technologies that will in turn help recruit new members and retain existing ones. Every part of the plan interlocks with others and yields additional benefits and returns in still other listed activities and goals.

So, about that shortcut: continue numbering the vehicles and tactics in Step 4, from highest return to most modest, until the entire list is prioritized. Then, match these numbered items with the publics you want to reach (also prioritized) in Step 3. You now have the next step in your tactical plan. If you have taken this shortcut approach just noted, simply start creating your schedule and your tactical plan calendar with those first-identified, high-yield tactics and vehicles, and keep sequencing them in until all tactics and vehicles are matched with intended target publics and audiences. Next, allot specific time periods for accomplishing the outreach and actions required, and the calendar is complete.

A very important consideration in the calendaring step is that all tactical plans should contain a lot of air. Do not think of any tactical plan as a finished document. Rather, with ongoing evaluation, the plan will continuously be tweaked. Certain vehicles will be dropped while others are being added, and new or additional target audiences will replace existing ones. Most important, with sufficient malleability or air built into the plan, it will be possible to add and maximize opportunities not thought of or included in the plan during its design phase.

Step 7: Budgeting to the Plan

In the current climate, everything is thought of in economic terms, including and especially planning. To add the validity a serious tactical plan will require, a column should be added to the right of the matrix of opportunity or in the shortcut form just described, and in every place where an action is being calendared—where a vehicle or tactic is being used to reach a targeted audience—its economic impact must be indicated. On a happy note, not every reference connotes cost. That is, positive economic consequences should be listed as well. In brief, think in terms of a "monies out–monies in" column.

Not only will you have an accurate idea of what your effort will cost in human and financial resources, you will also be able to show the benefit to be derived. And that promotes buy-in by all the stakeholders in the plan, including other staff, boards, leadership, and interested volunteers.

A final benefit of budgeting to the plan is that it forces the planner(s) to focus and prioritize. When costs are added to the wish lists, those involved usually become a little more serious and begin to look at such things as return on investment before expending precious association resources.

Step 8: Evaluation

Evaluation is the *sine qua non* of tactical planning. It is the essential step.

In prior days, evaluation checkpoints could be built into a plan at longer intervals. In today's rapidly evolving climate, opportunities present themselves at a moment's notice, and the longest possible interval between evaluation points should be six months, and preferably three months or less for twelve- to eighteen-month plans.

In brief, evaluation is a snapshot of your progress at a given moment. It tells you where you've been, where you are, and where you appear to be going. It can tell you what to add, what to drop, what needs additional reworking, and where some tuning would help. It allows you to prevent failure and to measure success. Evaluation should focus on progress versus the metrics—whether in financial, growth, or other terms—developed when setting goals and developing the plan.

Most important, periodic evaluation guarantees that your tactical plans won't suffer the fate of most strategic and tactical plans: growing dust on a shelf. As noted at the outset, many associations think it is quite enough just to create the "strategic" plan; somehow implementation will take care of itself. By evaluating the tactical plan at specific intervals and making the changes required to ensure its success, you also ensure that the plan becomes a living, working blueprint for accomplishments. You institutionalize accountability, and that is a powerful motivator.

Well, all of this sounds fine and good. A matrix of opportunity. Budgeting to plan. Vehicles and audiences. Accountability.

But does it all work? Yes. In one association with which I am familiar, such planning increased net revenues on member professional development from $150,000 to $800,000 in a three-year period and more than doubled annual meeting attendance—from 4,500 to 9,700—in the same window. In another association, it produced a 10 percent increase in membership that costs a high three figures each year, and in still another association, generated a 6 percent increase in membership that costs four figures a year. A fourth association quadrupled its nonperiodical publishing output and income within a four-year period, while tripling its advertising revenues. The list goes on, but the point is made.

Everyone can plan strategically, and many do. It is those association professionals who knowledgeably back up their strategic plans with tactical planning who guarantee achievement. In a nutshell, high-yield tactical planning is the engine that can drive an association's success. And everybody wins: the planners, the association, its members, volunteers, and leaders. Very few other association activities can make that claim.

The Author

John B. Cox, FASAE, CAE, retired from a three-decades-plus career in association management and consulting, most recently as principal and CEO of Association Growth and Income Builders, LLC, and previously as chief staff executive of multiple associations. He mentored more than two dozen CAE candidates.