

Professional Practices in Association Management

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STRATEGIC MANAGEMENT

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Alice: Would you tell me, please, which way I ought to go from here?

Cheshire Cat: That depends a good deal on where you want to get to.

Alice: I don't much care where.

Cheshire Cat: Then it doesn't matter which way you go.

— *Alice in Wonderland*, by Lewis Carroll

Many organizations are like Alice. They have no idea where they are going, so any way will do. Unfortunately, this approach leads to disorganization, misuse of resources, and dissatisfied members and customers.

Strategic management can resolve these problems. It's the process by which an association assesses its strengths and weaknesses, identifies present and future member needs, and empowers volunteers and staff to provide excellent products and services that respond to those needs. Strategic management involves monitoring and evaluating environmental opportunities and problems in light of the organization's strengths and weaknesses and then shaping a coherent set of strategies, programs, and budgets to take advantage of these circumstances.

Strategic management has four steps:

1. **Strategic thinking** assesses the future effects of outside forces on the organization. A key component is gathering information and opinions from important constituencies to give planners a solid basis for decision making.
2. **Strategic planning** creates the association's future based on strategic thinking. It includes developing a vision of the future and identifying what the association needs to do today to achieve the vision.
3. **Strategic implementation** translates the strategic plan into detailed programs and budgets - the work plan of the association-and evaluates them to ensure that they meet member or customer needs.
4. **Evaluation and feedback**, based on data and activity reports, determine how closely performance matches the plan.

Strategic management involves asking a set of basic questions: Where is the association now, and how does it fit into its environment? What is the associa-

tion's vision of its desired future? If no changes are made, where will the association be in one year, two years, five years, and ten years? Are the answers acceptable? If not, what specific steps need to be taken now to bring about the desired future? What are the risks and payoffs of those steps? What evaluation and control mechanisms are needed to ensure that the steps are carried out? What provisions should be made for reconsideration if circumstances change?

Strategic management and strategic planning are not synonymous. Strategic planning is only one step in developing a strategic-management action plan that is practical, serves the best interests of the organization, and can be implemented (See Chapter 4). Unless it's an integral part of the association's overall management structure, a strategic plan represents an exercise in futility.

When asked for a copy of their strategic plan, many association executives mistakenly pull out their long-range plan. Strategic planning, however, is not long-range planning. The latter addresses what to do in the future, while strategic planning is what you do now to achieve your vision of the future.

Although many associations do long-range planning, few engage in strategic planning. Even when they claim to have a strategic plan, many associations have nothing more than a multi-year budget document. But extrapolating the current year's budget figures or extending a historic growth curve into the future is not planning: Basing decisions principally on budgetary considerations doesn't prepare an association to cope successfully with future challenges. Many associations begin their planning process with their budget, but budgeting should be virtually the last step in the planning process.

Long-range plans rarely work. Strategic plans do, when they are part of the institutionalized strategic-management process outlined below.

Step 1: Strategic Thinking

Strategic thinking begins with an *environmental scan* - a look at the future world in which the association must operate. An environmental scan enables the association to base its decisions on fact and substance rather than conjecture and serves as a baseline for consensus on the board and within the staff

Every association operates within two environments-the external (the world outside the association) and the internal (volunteer leadership, membership, staff). An environmental scan needs to encompass each of these in terms of the current situation and alternative future scenarios as they affect the association's history, culture, and traditions.

No association can hope to respond to members' needs and earn their continued support unless it regularly learns what they think of the issues that concern them. It's unrealistic to expect elected leaders to serve as an accurate barometer of member views. Instead, an association must use member-needs research to judge how well it meets three "fitness tests":

- 1. Fitness to standard:** determining what members consider to be standards of excellence in products and services currently offered and ensuring those standards are met.
- 2. Fitness to need:** asking members what new services they would value and fulfilling those needs with excellence.

3. **Fitness to future needs:** staying a step ahead of members by identifying emerging trends and critical issues and responding with excellent new products and services before members realize they need them.

THE EXTERNAL ENVIRONMENT

Five forces affect the general external environment in which an association operates. These “spheres” can influence the association but are difficult for the association to influence in return:

- **Econosphere-** the world market for products and services, gross national product trends, interest rates, inflation/deflation, and financial markets. This sphere also encompasses regional conditions, employment/unemployment, energy, monetary policy, income, skill requirements, defense/budget priorities, and new-business formation.
- **Sociosphere** - lifestyle changes, consumer activism, education, career expectations, demographics, values, role models, and mass communications. Population growth/decline also falls within this category, as do family formation, population shifts, family stability, life expectancy, birth rates, literacy, crime, and drug use.
- **Technosphere** - automation, productivity, the Internet and World Wide Web, biotechnology,, and new products. Also included are laboratory-to-market transfers, federal research and development, patents, international technology transfer, and building-code developments.
- **Politisphere** - in addition to the current occupant of the White House, this sphere includes control of federal, state, and local governments; the justice system; environmental protection; antitrust regulations; tax and employment laws; discrimination; foreign trade regulations; government stability; federal/state balance; and international conditions (for example, terrorism).
- **Biosphere** - conditions in the natural environment that may limit the association’s freedom of action, such as air and water pollution, depletion of natural resources (for instance, rain forests and petroleum), global warming, endangered species, erosion of farm land, and water shortages.

As with any gaze into the crystal ball, simply making assumptions about the likely shape of the future is likely to be wrong. Making assumptions based on *alternative futures*, however, enables the association to frame contingency plans that better prepare it to shape the future to its liking and to deal successfully with *any* outcomes. An alternative-futures assessment uses information from the five spheres and drafts scenarios that could develop.

This exercise offers the best way to deal with crises-which is to prevent them or, if that’s not possible, to have contingency plans in place to deal with them. In fact, after analyzing 50,000 news stories, the Institute for Crisis Management determined that only 14 percent of business crises are unexpected; 86 percent are “smoldering”-trends that could have been identified before becoming crises.

Many clues to possible futures have already emerged. For example:

- † The young, middle-aged, and elderly people of the next decade are already available to study, Projections of their behavior can be made from current data.
- † Worldwide economic trends often take years to change direction, so current indicators can provide a glimpse of the emerging economy of the 21st century
- Political trends already in place may determine the shape of government for many years, such as a-relatively youthful Supreme Court, the collapse of the Soviet Union, and the emergence of China, to name a few.
- † Emerging technologies might be extrapolated into new products and services.

Some managers shrug off alternative-futures assessment as too theoretical. But the five forces have brought about profound changes in the closing years of the 20th century, including the worst stock market crash in 50 years and an unprecedented bull market (economicsphere); the aging of America and the dramatic increase in working mothers (socio-sphere); the explosive growth of the Internet and wireless personal communications (technosphere); the United States' shift from a creditor nation to a debtor nation and the collapse of Communism in much of the world (politisphere); and the destruction of tropical forests and the worldwide decline of lakes from acid rain (biosphere).

An association that had used alternative-futures assessment to prepare for any of these developments would have been in a highly advantageous position.

Scanning the general environment will identify the association's principal opportunities and threats. But while the general external environment has a powerful effect on the association, it is difficult to influence or change. In contrast, the *specific* external environment-those forces in society that directly affect and are directly affected by the association-can be changed.

Another term for those forces are an association's key "publics" or audiences. They include:

- ▷ Government officials and regulators
- † Communities served by the organization and its members
- † The news media
- † Special interest or consumer groups
- † Competing organizations
- † Suppliers
- † Customers

THE INTERNAL ENVIRONMENT

Scanning the internal environment - the association's leadership, members, management, and staff-will identify its strengths and weaknesses so that it can successfully address external opportunities and threats. The internal environment encompasses three areas:

1. **Structure** - how the association is organized in terms of communications, authority, and work flow. This area deals with the chain of command: the relationship between volunteer leaders and staff, the relationships among departments and peer groups, and the relationships with members.
2. **Culture** - the beliefs, expectations, and values that predominate within the association. For example, the organization may have strong top-down direc-

tion or be consensus-driven; it may value innovation and risk taking or favor a conservative course of action.

- 3. Resources**-the association's financial, human, and capital assets. These include volunteer leadership, staff, and managerial talent; dues, contributions, earnings, and investments; and physical assets, buildings, and reserves.

A CLEAR DIRECTION

The environmental scan sets the framework for a possible future by examining scenarios that may possibly emerge. Once it's complete, the board of directors and the chief executive officer have the necessary information to identify the association's future opportunities as limited by future threats.

Next, the leadership must articulate an organizational vision that is possible within the emerging reality. This process is known as "visioning." Identifying an inspirational vision around which everyone can rally helps create a strong association culture. Without such a vision, leaders, staff, and members will inevitably wander off in different directions.

Step 2: Strategic Planning

This step uses the environmental scan to develop a mission statement, identify goals and objectives, and adopt a strategy for achieving them. It's best accomplished by a strategic management committee that's appointed annually and chaired by the person next in line to become the chief elected officer. This choice of committee chair ensures that the plan will serve as the basis for the association's activities during the ensuing year and those that follow.

Ideally' the committee is small enough to function easily' with a maximum of 15 members (a board of directors could perform this function as well). It should include representatives from the board and the chief executive officer (CEO), all of whom should have participated in the environmental scanning process. Staggered terms ensure that there's no gap in institutional memory.

The committee has the responsibility for developing a multi-year strategic plan. This entails making decisions based on the association's overall needs, not on personal, chapter, regional, or sectional considerations. Committee members must focus on the future, not on the past or present, and avoid overcommitting the association's resources. The strategic planning they undertake must do the following:

- ' **Focus on meeting core member or customer needs.** After all, planning is done to ensure that resources are being applied effectively to produce the products and services desired by members and customers.
- ' **Be a process, not an event.** To be the force that drives the association, planning must be more than just an exercise.
- ' **Be continuous.** The forces affecting associations are constantly changing. Leaders must continually revisit planning assumptions to make sure they're current and still valid.

- | **Address outcomes.** Getting something accomplished is the whole point of planning.
- | **Be based on research, not opinions of the few.** Although it's tempting to assume that elected leaders know what is best for members, such an assumption is tantamount to a doctor's self-diagnosis.
- | **Be done by small groups with large-group input.** Large planning groups tend to focus on parochial interests (chapter, region, or section) rather than the broad interests of the association. They also tend to create "wish books" rather than plans.

ON A MISSION

An association's mission identifies its most critical priorities in realizing its vision by addressing the opportunities and threats identified in the environmental scan.

Many associations have mission statements that, unfortunately, often consist of pious platitudes or have become obsolete. But the mission statement is a living document that should address the association's most important current challenges and opportunities. In short, an association's mission statement describes the businesses it's in.

Goals grow out of the mission. In fact, goals often restate the principal activities identified in the mission. Strategic planning involves programs goals (which describe what the association does) and management goals (which describe what the association needs to carry out its programs). Program goals address products and services, while management goals address structure, culture, and resources. form follows function, meaning that an association must determine program goals before developing management goals.

Ideally, goals are:

- | **Results oriented** - an outcome is stated.
- | **A definition of general results** - the outcome is stated in broad, rather than specific, terms.
- **Long term** - no specific deadline is set for accomplishment.
- | **Ranked** - goals must be listed in order of priority as determined by research and strategic thinking. This is helpful when the time comes to allocate resources.

A Point of Clarification

Associations often confuse purpose and mission. The association's purpose is why it exists. Its mission describes what it does - what businesses it is in.

As illustrated by this example of a fictitious association, here's how the two differ:

- | **Purpose:** The purpose of the Scuba Divers Association is to bring together recreational scuba divers from all walks of life to share and promote their common interest in sport diving.
- | **Mission:** The mission of the Scuba Divers Association is to support protection of the underwater environment, promote safe and responsible diving, give recreational divers a unified voice in matters that affect them, and enhance opportunities to engage in the sport.

OBJECTIVES AND STRATEGIES

A strategic plan is like a funnel-large at the top, small at the bottom. Objectives (which describe specific outcomes) and strategies (which describe the steps for achieving those outcomes) move the plan from the top to the bottom, from the general to the specific.

Objectives and strategies must be measurable and have deadlines for accomplishment that staff have helped develop-because staff carry out strategic implementation. The deadline for an objective is within a particular year; the deadline for a strategy is within a particular month in that year. Strategic management requires that each goal and objective list not only supporting strategies but also the person (or position) accountable for results.

Here's an example of how a goal leads to objectives and strategies:

Goal: Become the industry's principal resource for professional development.

Objective: Provide six new business management courses by (year); responsibility - director of education.

Strategy: Develop partnering opportunities with a leading university business

What's the Plan?

A useful strategic plan exhibits several characteristics. Specifically, it should be:

- 1 A set of priorities. Everything the association wants to do is not of equal importance. By setting priorities, the plan can be adjusted according to changing needs or resources without doing harm to the programs and services that members value most.
- 1 Achievable, measurable, and time sensitive. Keeping in mind that it's better to do a few important things well than many things poorly, planners must ensure that the association can realistically accomplish all its plans. The strategic plan also needs to be measurable and contain deadlines so that it is clear when activities have been accomplished.
- 1 Flexible and responsive to changing conditions. The plan is a road map for the association's future, but sometimes a detour may be necessary if a crisis looms, a new opportunity arises, or resources change.
- 1 Short and simple. Plans that fill up a thick three-ring binder will sit on a shelf. The plan needs to focus on the most important things to accomplish.
- 1 A unit, not a menu. The strategic plan is not a wish book that leaders pore over before picking out their personal choices. Everything in the plan needs to be accomplished - unless a good and justifiable reason arises to change it. Conversely, the association should not do things that are not in its plan.
- 1 The means to an end, not an end in itself. The plan enables the association to reach its destination; it is not the destination. Creating a plan simply for the sake of creation is a wasteful and futile activity.
- 1 Based on a three-year period. The strategic plan needs to be a rolling plan. In other words, one year should drop off the plan and a new year be added annually so the plan always covers a three-year time line.

school by (month and year); responsibility-assistant director of education.

Policies flow directly from strategic planning and provide both volunteers and staff with a framework for decision making. They provide limitations on action but do not specify actions, which empowers people to be innovative and to do their best.

Well-designed policies express the association culture so thoroughly and are so well-understood that everyone in the association instinctively adheres to them. They relieve elected officers and senior staff from constantly providing detailed direction and guidance to others in the association and can help prevent crises (See Chapter 2).

Step 3: Strategy Implementation

In this step, the association puts its strategies and policies into action through allocation of the association's resources. Whereas volunteer leaders - assisted by staff - have the responsibility for strategic planning, staff - with the assistance of volunteers - carry out strategy implementation.

Strategy implementation has three components:

- 1. Programs.** These serve as the step-by-step blueprints for converting objectives and strategies into concrete realities. Association programs (encompassing products, services, and events) fall into one of two categories:
 - Those that directly support its mission**, such as the government relations function - representing members' political views to legislators and policy makers. These programs exist to achieve outcomes defined in the strategic plan. As a result, they should appear under the appropriate objective in the strategic plan and be listed in priority order, according to how directly each helps to achieve that objective.
 - Those that are primarily sources of revenue**, such as trade shows and affinity programs. These programs are designed primarily to supplement dues and support the programs directly related to the association's mission.
- 2. Procedures.** Procedures are specific, sequential steps for the tasks required to complete the programs.
- 3. Budgets.** Budgets express the association's programs in monetary terms. Associations should draw up budgets to fund programs, which are the tangible result of the mission and strategic plan. Instead, many draw up programs based on their budget; in other words, they're budget-driven rather than strategy-driven.

STAYING FOCUSED

When translating a strategic plan into a work plan and budget, the association must focus on each program through a *strategic prism* - a succinct statement summarizing the association's business strategy. Take, for example, this strategic prism: "The association will be sharply focused on core issues that are vital to the broad base of its membership." During a time of cutbacks and scarce resources,

putting programs to this test will screen out the ones that aren't essential to most of the association's members.

Other prisms can be applied to specific products and services. For example:

- ' If we were not doing this, would we start doing it now?
- ' Are we working in the right areas?
- ' Do we need to change our focus?
- ' What does this look like when we do it?
- ' Is it important?
- ' Can we afford it?

In many associations, an ongoing clash of wills occurs over the proper roles of volunteers and staff. Volunteers often think they have an unlimited right to tell staff what to do. Staff often believe that they are better informed and should play a greater role in policy making and deciding on goals and objectives.

Volunteers and staff have complementary and equally important roles, but a Great Wall of China needs to be erected between them that neither should cross. The role of volunteers is to create a future for the association by developing its mission, objectives, and policies. Staff can provide input, but the governing body makes the decisions.

On the other side of the wall, the roles are reversed: Staff implements what the governing body has decided. They may call upon volunteers to assist in carrying out the programs they develop to reach the board's objectives. Programs, budgets, and procedures are the job of first-line and middle management, with evaluation and control by senior management.

Step 4: Evaluation and Feedback

Successful strategic management depends on prompt, unbiased feedback. Every manager should receive performance data and activity reports that compare actual performance with what's called for in the plan. This step requires an evaluation of results, not activities. Volunteer leaders and staff executives who supervise and evaluate daily activities have their eyes on the wrong ball; instead, they should concern themselves with whether staff is reaching strategic objectives.

An approach called *management by exception* can help in this regard. It encourages responsible staff and others to develop their own plans to achieve the goals and objectives established by the board of directors. Through feedback, staff receive information on how well they're meeting their goals and adhering to the budget. This allows each person to use his or her unique personality style and skills to achieve the desired results. Management need only be notified when an exception to the agreed-upon plan arises. Notification is done in time to make necessary adjustments to keep the plan on target.

These plans then serve as the basis for performance evaluations. Management by exception releases the creativity of all members of the association and ensures that evaluation and recognition programs are tied to results. In turn, those results are directly related to the association's strategic objectives.

Putting Programs to the Test

Programs that financially support an association's mission-related activities require the same kind of rigorous market analysis that any private-sector business venture might endure. Even mission-driven activities can benefit from portfolio analysis to ensure that they're either self-supporting or operated cost effectively.

Portfolio analysis considers each product, strategic business unit (SBU), or division of the association separately for purposes of strategy formulation. (An SBU is a discrete, independent, product-market segment that has been given primary responsibility and authority for management of its functional areas.) Even associations involved in only one business-professional development, for instance - might benefit from a separate handling of several business segments. For example, it might manage national conferences, self-instructional programs, and regional meetings as separate and distinct market segments.

Portfolio analysis encourages managers to evaluate the association's businesses individually and to set objectives and allocate resources for each one. It stimulates the use of externally oriented data to supplement management's judgment. It also raises the issue of cash-flow availability for use in expansion and growth.

The effect of portfolio analysis is to serve the association's members with a small number of strong services and excellent products rather than with a large number of fragmented products and services that compete for limited dollars. Ian C. MacMillan, a professor at the Wharton School, has observed that it's preferable to provide good service to a focused market rather than to provide mediocre or poor service to too large a market. In other words, associations should concede mediocre programs to better competitors and wrest away promising programs from weaker competitors.

As part of portfolio analysis, MacMillan urges that an association evaluate each program in this way:

- | Is it a good fit with our organization's mission and goals?
- | Is it easy or difficult to implement?
- | Is there much or little competition (high or low market coverage)?
- | Is our competitive position strong or weak?

If there's a good fit, the program will relate to the mission and purpose of the association, have the ability to draw on existing skills within the association, and be able to share resources and coordinate activities with other programs. Ideally, an association has two types of programs: well-fitting, easy programs where the association has a strong position and competes aggressively for a dominant position; and well-fitting, difficult programs with low coverage that the association has the unique capability to provide to stakeholders.

Low coverage exists if comparable programs are few and far between. High coverage exists if many similar programs are offered elsewhere. "Easy" means the business appeals to groups capable of providing current and future support; has a stable source of funding; experiences market demand from a large, concentrated, and growing client base; appeals to volunteer leaders; and has measurable and reportable results.

ANNUAL UPDATING

Most plans, no matter how good, tend to end up gathering dust on a forgotten shelf. They may fail because they lack a strategy-implementation phase after the strategy-formulation phase. Or they may fail simply because they become obsolete. The moment a plan is drafted, the assumptions on which it is based start to change. That's why ongoing environmental scanning, feedback, and adjustments are necessary.

A "rolling" strategy, rather than a multi-year plan, ensures that the association always has an updated plan for a three-year period. As each year is completed, the second year is adjusted in light of the experience gained during the previous year. Then an additional year is added to the end of the plan. In this way, each incoming group of board members also participates in the planning process.

The future of associations is filled with uncertainty and difficult challenges. As in society generally, everything about associations is being questioned—programs, governance, and costs, to name a few. Members demand constant proof of value, increasingly view dues as a tax, and have little time to volunteer.

Associations principally are in the information business, and new, powerful competitors have emerged to provide a rich choice of information on new communications systems such as the World Wide Web. The speed of change leaves no time for reaction and little room for error. The accelerated pace of change demands that associations do strategic thinking, planning, and implementation concurrently. This parallel planning is imperative to an association's survival and success.

The Perils of Not Planning

In the absence of strategic management, these misfortunes often overtake associations:

- | Lack of institutional memory. Repeated turnover of volunteer leadership leads to constantly shifting priorities and agendas. Because the association is constantly being reinvented, its mission remains vague and little agreement is found on vision, goals, and objectives.
- | Lack of organizational definition. Confusion exists about the varied responsibilities of board and staff, as well as their relationship to one another and to chapters and members.
- | Budget-driven decisions rather than needs-driven. When no clear vision or sense of direction prevails, leaders tend to base decisions on budgetary, rather than strategic, considerations.
- | Crisis-driven management. Many associations tend to be reactive instead of proactive. They don't have an effective, formal strategy in place for anticipating and preventing crises or undesirable developments or for coping with them once they occur.
- | Shifting priorities. These are a natural consequence of the lack of vision, mission, and purpose.
- | Membership restlessness or dissatisfaction. If the association has no common vision of the future and no clearly defined, generally understood mission, goals, and objectives, continual quarreling will occur over what direction programming should take. Members may not know what to expect in return for the dollars invested.

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