

# SOLUTIONS

FOR ASSOCIATION PROFESSIONALS AND VOLUNTEERS

## BOSTROM'S SOLUTIONS

*Solutions*, Bostrom Corporation's newsletter for association professionals and volunteers, provides leading-edge thinking on the trends, issues and opportunities facing associations. Each of the featured articles draws on Bostrom's 70-year history of advising professionals on how to lead and manage successful associations.

## ISSUE FOUR

*Solutions* welcomes your feedback and your suggestions for future articles. If you have comments or questions you want to direct to us, wish to submit an idea for a *Solutions* topic, or if you want to receive the latest issue of *Solutions*, please e-mail us at [solutions@bostrom.com](mailto:solutions@bostrom.com).

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SOLUTIONS FOR SUCCESS™



## Branding for Success

By Barton Tretheway

Whether it's in our personal or business lives, we tend to do business with individuals and organizations that we've come to respect and trust. American Medical Association, National Safety Council, Rotary International and U.S. Chamber of Commerce—are all icons of the association world and brands that have stood the test of time.

### HOW HAVE THEY DONE IT?

On the surface, it appears that most of their success stems from doing a good job of meeting members' needs and offering solid value. And that's in large part true. But look a little deeper and you'll find that each of the organizations listed above—along with countless other well-known brands like Starbucks, Nike, Wrigley's, Amazon.com and General Electric—has truly succeeded by becoming a brand and by using that brand to maximize stakeholder value.

Creating a successful brand yields powerful benefits. By differentiating yourself from your competition and providing a clear and compelling offer, you will:

- Attract and retain members more effectively
- Increase the number of credible and successful new product introductions
- Allow for premium pricing/increased margins

See "Branding", page 4

## Outsourcing: 'Doing It Right' Provides Resources, Capabilities and Focus

By Jonathan Howe and Ken Monroe

Associations are under growing pressure to identify new resources that can help offset the current pressure on dues revenue and to align programs and services to be more responsive to changing member needs. These issues have led to the growing trend to outsource activities or functions—the process of opting for an external provider of a product or service. Every department, function, service and product of the organization should be open to scrutiny as a candidate for possible outsourcing.

Outsourcing offers three important benefits. It allows you to:

- Focus staff and financial resources on your core competencies (i.e., areas that provide the greatest competitive advantage to the association and value to your members);

See "Outsourcing", page 6

# Association Directions— Governance In the Spotlight



By Ken Monroe

A frequently talked about issue at the American Society of Association Executives (ASAE) Conference in Minneapolis this year was the impact of the Sarbanes-Oxley Act on not-for-profits. The Act, passed by Congress in 2002 to help restore

the public's confidence in financial reporting and compliance with applicable laws and regulations, is directed at publicly-traded companies and set June 15, 2004 as its first compliance deadline.

So if Sarbanes-Oxley is directed at public-traded companies, why all the discussion about the legislation at the ASAE Conference? It turns out that the Act is having an effect on private companies and not-for-profits as well. There are two key reasons for this phenomenon. First, compliance with Sarbanes-Oxley has become viewed as "best practice" and not-for-profit board members are reasoning that, if a high level of transparency and scrutiny is expected in the corporate world, it should become standard operating procedure in the not-for-profit world as well. Second, some states are currently considering similar legislation focused on not-for-profits. In fact, the state of California recently signed into law the "Nonprofit Integrity Act of 2004," which will go into effect on January 1, 2005.

The bottom line of the discussion surrounding Sarbanes-Oxley is that forward-looking associations are using the legislation as an opportunity to improve their organizations. That includes becoming even more responsive to member needs and "getting out in front of the curve" on an important issue vs. reacting at a later date. For a more detailed discussion of this topic, see a related article, "Sarbanes-Oxley Act Raises the Bar for Not-For-Profits," *Solutions*, Issue Two, by John Dee, general manager of Bostrom's Chicago office.

## LOOKING BEYOND FINANCIAL REPORTING

In addition to the financial aspects of Sarbanes-Oxley, the Act can also provide opportunities to broaden and improve board governance in your organization. The Act discusses a number of areas of governance within an association, including internal controls, auditor independence, the role of the Audit Committee, CEO and CFO certification of the annual

report and financial disclosure. Using these subjects as a starting point, you can review your organization's overall process of board governance. While there are different approaches available for defining the structure and effectiveness of board governance, most approaches involve three functions:\*

1. Ensuring a process for defining the organization's strategic direction and priorities;
2. Allocating resources against these strategic directions and priorities; and
3. Evaluating effectiveness and efficiency of the organization's people, systems and strategies in terms of achieving the defined strategic direction and priorities.

It's worth noting that the Sarbanes-Oxley Act only addresses one of the functions listed above (#3).

Implementing a process for board governance begins with an understanding of the above functions, and continues with discussion and documentation of a clearly thought-out set of responsibilities for each function. Further, it should make a provision for an annual evaluation of the board's effectiveness in meeting its responsibilities.

## SUMMARY

Compliance with the Sarbanes-Oxley Act is quickly becoming a 'best practice' in the not-for-profit sector, and many associations are using compliance as a method of improving their organizations and becoming more responsive to members' needs. Compliance, however, should lead to a discussion of how well your association is managing the broader issue of board governance, including the creation of strategic direction and priorities, allocation of resources, and evaluation of the board's effectiveness and efficiency in meeting its responsibilities. Considered in this broader context, compliance with Sarbanes-Oxley can be an even more valuable tool for your association.

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Ken Monroe is the President and Chief Executive Officer of Bostrom Corporation.

## FOOTNOTES

- \* John F. "Jack" Schlegel, PharmD, CAE, "Linking Performance Assessment to the Strategic Plan" (*Association Management*, Washington, DC, January 1999).

# Associations That Run As a Business Run More Effectively

By Jeanne Sheehy

Many association professionals and volunteers are of the opinion that, unlike their for-profit counterparts who are bottom-line focused, theirs is a loftier mission—like furthering the profession of its members and supporting the goals of its various stakeholders.

There is a growing body of evidence, however, that points to the fact that associations that run their organizations like a for-profit business do a better job of meeting their members' needs, providing superior value and, in the long term, retaining members and their dues revenues than associations that do not. In a nutshell, they're more successful because they're more effective.

So how can you change your model to one that emulates the management and operations techniques of the business community and lead to a more effective and successful organization? The following is a checklist of the most important business practices employed by today's leading associations, addressed from the top down—in order of strategic importance.

## KEYS TO AN EFFECTIVE ORGANIZATION

- **Strategic Management (planning).** The process of leading an organization through change and creating the best outcomes and benefits for members and other stakeholders lies in an enhanced approach to planning that we call strategic management. In contrast to strategic planning, which is "event oriented," strategic management begins with a plan but then puts special emphasis on managing, monitoring and enhancing the plan throughout the entire year. Because it incorporates change and ties back all organizational decisions to it, it becomes a living document and part of the fabric of the organization.

There are five overlapping phases throughout the year, some board driven and some staff driven:

1. Conduct preliminary research and set planning goals
2. Create strategic direction: Set association's vision and mission; agree on goals and objectives; create strategic alternatives; define success criteria
3. Develop a strategic action plan, including tactics that are needed to implement strategies (i.e., action steps, responsibilities, costs and timing.)

4. Implement, manage, and monitor the plan (i.e., plan and performance are tracked, progress is reviewed, concerns are addressed, the plan is revised.)
5. Evaluate and enhance the plan, annually

The key to this planning approach is that it focuses all activities of the board and staff on the organization's mission, while providing flexibility to adapt the plan throughout the year to meeting changing circumstances.

- **Relentless Focus On Serving Members.** One of the most important concepts to understand in planning the direction of your association is what the business world often refers to as the "marketing concept," or that the customer is the focus of everything we do. This can be translated into association language as "member focus," and that we want to provide benefits that add value to their businesses or practices and to their personal lives and passions.

The same logic can be applied to attracting and keeping other stakeholders of the association (i.e., volunteers, technology partners, sponsors and donors), including consideration of what benefits they are looking for by participating in your association and how you can provide them with good value for their investment of time and resources.

## "NON-PROFIT IS A TAX STATUS—NOT A BUSINESS MODEL."

KAREN HORTING, DIRECTOR OF DEVELOPMENT,  
SOCIETY OF WOMEN ENGINEERS

In meeting member needs, don't accept the status quo—the way its always been done. Use research to ask your members what they value and you're more likely to be successful in meeting their needs.

- **Providing Greater Value.** Both the changing economic environment and changing member needs have put pressure on resources, and have forced associations to identify new resources that can help offset the current pressure on dues revenue and become better stewards of existing resources.

See "Business", page 5

## Branding cont.

- Increase the return on your marketing dollars
- Simplify the decision making process
- Send a positive message to all stakeholders.

### WHAT IS A BRAND?

A brand is more than a name, symbol or slogan. While they are important elements of communicating who you are, a brand goes to the very heart of your organization by expressing the unique experience that members can expect to receive by joining, or by buying a product. In the end, it enhances the value provided to all stakeholders.

**Definition of a brand: A brand is all of the promises and perceptions an organization wants its stakeholders to feel and believe about its product and service offerings.**

Scott Bedbury, the marketing genius behind the Nike and Starbucks brands, was once asked in an interview, “What is the one most important element of creating a brand?” His answer: “Everything.” His simple but thoughtful reply to the question underscores one of the most important principles of branding: It is a process. As a process, it utilizes a balanced approach for building the meaning of the brand, communicating it internally and externally, and then leveraging every function and activity of the organization to increase brand awareness, profitability and value over time.

Like all strategic initiatives, brand strategy management is treated like a process. And, as a process, it utilizes specific disciplines/steps to develop a vision and positioning for the brand, and to craft brand-based strategies (e.g., product, marketing and communications) and methods for implementing brand strategy management in the organization.

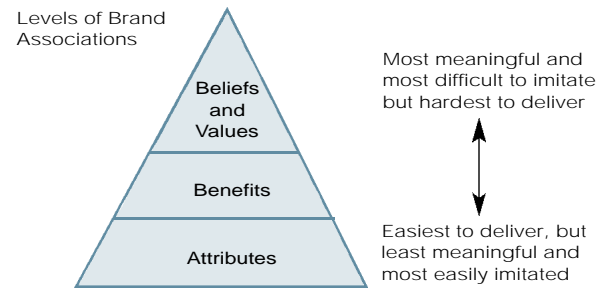
It’s also important to remember that, as a process, brand strategy management is an ongoing effort that has to be managed. If you don’t, the market will end up managing your brand—possibly leading to unfavorable results.

### THE MULTIPLE LEVELS OF A BRAND

Just as customers can have different ‘levels of experience’ with an organization and its products (e.g., experience the features of the product, receive benefits by using the product, etc.), so too can members have many ‘levels of experience’ with an organization’s brand.

As illustrated in Figure 1, the most powerful brands are the ones that address the beliefs and values of the organization and its members. While a brand that allows members to experience the emotional, spiritual and cultural values offered by the organization is the hardest to deliver, it offers members the most meaning, provides the greatest value for their membership dues, and is the most difficult for competitors to imitate.

FIGURE 1—THE LEVELS OF A BRAND



Nike, with its “Just Do It” message, is an excellent example of a brand that addresses all levels of the brand pyramid, including the beliefs and values of its customers. At the bottom of the pyramid, it offers the attributes (e.g., high-tech shoes and gear) that today’s active population demands. In the middle of the pyramid, it provides the benefits (e.g., enhanced performance) to jump higher and run faster. At the top of the pyramid, it helps people fulfill their dreams to be the best—just like Michael and Tiger!

### COMMUNICATING THE BRAND

A positioning statement is the foundation from which all communications are based. It leverages brand strengths and drives the organization toward its future vision.

**Definition of brand positioning: Relative to others, positioning is a statement of what your brand stands for in the mind of the member or other stakeholders.**

Typically, the positioning statement references a target market and communicates the key benefits and the relevant support that members will receive by joining the organization.

An effective positioning also adheres to five principles, including:

- **Fit**—it leverages the strengths of the existing brand picture (developed in the Brand Strategy Management process)

- **Uniqueness**—no one can claim the same position
- **Credibility**—it is believable
- **Value**—it focuses on the benefits that members value
- **Aspirational**—it is forward thinking.

#### SUMMARY

Successful organizations develop strong brands and leverage them to deliver maximum value to their stakeholders. They move beyond the traditional use of marketing techniques to define their organization (the four P's) and create a 'brand strategy manage-

ment' process. This process is used to develop the meaning of the brand, communicate it to internal and external stakeholders, and leverage all functions and activities of the organization in a way that increases brand awareness, profitability and value over time. One of the most important elements of developing a brand is to build it around the organization's beliefs and values (vs. product features and attributes) so that it is meaningful to members, yet difficult for other organizations to imitate.

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#### Business cont.

Associations are addressing these pressures in two key ways:

1. Focusing on what's most important to members, thus demonstrating more value. Other activities that are less cost effective or do not directly add value to members are then handled differently. Outsourcing of mission-related activities or functions is one of the best ways of meeting this need. See related article, "Outsourcing Provides Resources, Capabilities and Focus," in this issue.
  2. Considering non-dues revenue sources, whether it's traditional methods like advertising, sponsorships, etc. or new creative ideas like online auctions, high-end travel tours, etc. For every new revenue source, care must be taken to develop a business plan, conduct market testing and seek outside expertise (if outside your core competency) to make sure you'll generate expected revenues and enhance members' perception of value.
- **Adopt Best Practices.** There are countless examples of activities and functions conducted in the business community that have become the 'gold standard' of efficiency and effectiveness. All of these activities and functions can be adopted by an association, either by benchmarking a 'best-in-class' organization or by contracting for the services of an association management company.

Some of the most common best practices available to the not-for-profit world include:

1. Process improvement and quality improvement techniques, like Six Sigma, ISO certification or the Malcolm Baldrige National Quality Award criteria
2. Financial standards, including compliance with the Sarbanes-Oxley Act
3. Outsourcing
4. Brand strategy management, including effective marketing and communication to various stakeholders. See related article, "Branding For Success," in this issue.

#### SUMMARY

Associations that run their organizations like a for-profit business do a better job of meeting their members' needs, providing superior value and, in the long-term, retaining members. It requires changing your model to one that emulates the management and operations techniques used by the business community, including strategic management, relentless focus on your members, providing greater value and adopting best practices that lead to improved efficiency and effectiveness.

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**Jeanne Sheehy** is Director of Marketing at Bostrom Corporation.

## Outsourcing cont.

- Achieve greater effectiveness and performance in your operations than you might be able to produce on your own (e.g., access to the latest information technology tools); and
- Realize improved efficiencies and cost savings.

While some associations have experienced problems with outsourcing—including employees who are less member oriented, longer response times, and loss of control—we believe that 90 percent of all problems can be avoided by ‘doing it right.’ That includes thinking through the strategic issues of what and how to outsource. It also includes implementing a number of practical issues and addressing legal concerns in a correct manner—including such matters as identifying expectations, building accountability and establishing performance measures in the contract.

### BEGIN WITH A STRATEGIC OUTSOURCING PLAN

Outsourcing is of such great importance to an organization (i.e., it enables you to focus on your core competencies and strategic business goals) that it should be identified as a strategic initiative in your strategic plan. The strategic plan then becomes the driver of what will be reviewed for possible outsourcing, and the umbrella under which the organization creates a separate ‘outsourcing strategic plan.’

An outsourcing plan explains how outsourcing will help the organization achieve its vision, goals and strategies. It includes a careful assessment of each function to be outsourced and explains how its

outsourcing will affect the organization. Every outsourcing activity should be taken directly from the strategic outsourcing plan.

**Consider all activities**—core and non-core. While outsourcing has typically been thought of as opting for an external provider of a product or service that is non-core or not mission critical, an increasing number of organizations have successfully outsourced activities that are also vital to the operation of their core functions.

The outsourcing of core activities can be considered under certain conditions, including when you can find a provider that:

- Has more experience or different skill sets than you do;
- Can bring economies of scale that you cannot achieve; and
- Has already made capital investments that you have not, and that would save you resources that you could re-direct to other higher member-value areas.

**Freeing-up the “ultimate resource.”** One benefit of outsourcing as many functions (core and non-core) as possible is that it frees the CEO/executive director from many day-to-day operations and allows him/her to focus on the mission critical/high-member value functions of the association, like advocacy or professional development.

FIGURE 1A—TOP 10 REASONS COMPANIES OUTSOURCE

1. Reduce and control operating expenses
2. Improve company focus
3. Gain access to world-class capabilities
4. Free internal resources for other purposes
5. Resources are not available internally
6. Accelerate re-engineering benefits
7. Function difficult to manage or ‘out of control’
8. Make capital funds available
9. Share risks
10. Cash infusion

Source: *The Outsourcing Institute.*

FIGURE 1B—TOP 3 REASONS ASSOCIATIONS OUTSOURCE

1. Gain access to world-class capabilities
2. Improve company focus
3. Reduce and control operating expenses

Source: *Andrew S. Lang, “The Art of Outsourcing.”*

**Co-sourcing as an option.** If you’re reluctant to completely outsource a core activity, you might consider it as a candidate for co-sourcing. This can be especially effective when you have a need for special expertise, skill sets or knowledge to supplement your own. Good candidates for co-sourcing include lobbying, public relations, legal services and information technology.

**Join the trend.** If you're already outsourcing, you're in good company. Recent data suggests that 90 percent of all associations are outsourcing at least some of their functions/activities. If you're not outsourcing yet, chances are you're missing the trend created by outsourcing toward improved organization focus, effectiveness and efficiency.

Figure 1A lists the major reasons companies choose to outsource, based on a study of for-profit organizations. Similar surveys\* of associations reflect the same reasons for outsourcing, with the exception that the top three reasons for associations (see Figure 1B) appear in the reverse order of for-profit organizations.

#### FOLLOW-THROUGH FOR SUCCESS

Outsourcing can't take place in a vacuum within your association.

First, as discussed earlier, care must be taken to make sure any outsourcing you undertake reflects and is driven by your strategic plan and is a good fit with your organization goals and objectives. This involves writing a separate 'outsourcing strategic plan.'

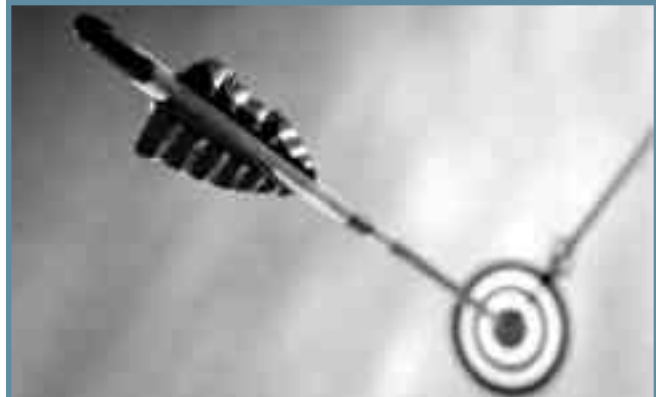
Second, you have to select the right service provider or partner. In addition to the obvious questions concerning each candidate's commitment to quality, price, references, and the scope of their resources, a checklist of outsourcing considerations should be developed to consider the relationship items discussed in the following paragraph.

Third, effort has to be made to create a relationship with the outsourcing partner—one based on compatibility, good fit/chemistry, agreed upon expectations and excellent communication. Both parties have to have the same expectations for and understand what will constitute success in the relationship; have a clear agreement on why the outsourcing is being done; and a commitment to the all important transition and implementation phases of the project.

Fourth, flexible contract terms, including price, schedule, performance targets, etc. need to be negotiated and agreed upon, with the help of an attorney with outsourcing experience and a proven project manager. See Figure 2.

#### SUMMARY

Many associations are turning to outsourcing as a means of focusing their staff and financial resources on core competencies, achieving greater effectiveness



**FIGURE 2—TOP 10 FACTORS FOR SUCCESSFUL OUTSOURCING**

1. Understanding each other's goals and objectives
2. A strategic vision and plan
3. Selecting the right service provider
4. Ongoing management of the relationship
5. A properly structured contract
6. Open communication with affected individuals
7. Senior executive support and involvement
8. Careful attention to personnel issues
9. Near-term financial justification
10. Use of outside expertise

*Source: The Outsourcing Institute*

and performance in operations and realizing improved efficiencies. It's critical, however, that outsourcing be conducted in a proactive manner, based on the needs expressed in the association's strategic plan and not in response to a current problem. Rigorous methodologies must also be employed to make sure the correct vendor is selected for the project and that a relationship and contract are developed that help assure project success.

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#### FOOTNOTE

\* Andrew S. Lang, "The Art of Outsourcing" (*Association Management*, Washington, DC, February 2000).

# SOLUTIONS

LEADING-EDGE THINKING FOR  
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# ABOUT BOSTROM CORPORATION

Bostrom Corporation is a professional services firm offering comprehensive management, consulting and outsourcing to associations and other not-for-profits. For over 70 years Bostrom has continually met the needs that define our clients' success.

A few of the services provided at Bostrom include:

- Strategic Planning
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- Marketing and Communications
- Membership Management
- Technology and Infrastructure

Whether it's consulting, outsourcing or management, Bostrom's flexibility and personalized service approach will provide solutions for success.

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