

SOLUTIONS

FOR ASSOCIATION PROFESSIONALS AND VOLUNTEERS

WELCOME TO 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 associations on how to lead and manage successful associations.

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CONSULTING ■ OUTSOURCING ■ MANAGEMENT

Role Definitions: Leading vs. Managing

By Randy Lindner

We've all worked in organizations that just "click." Everyone seems to know his/her responsibilities and goes about accomplishing them almost as a matter of routine. There's little wasted effort, few misunderstandings, and almost no confusion about expectations. And there's that unmistakable esprit de corps that tells you "this is a great organization in which to work!"

Conversely, we've all worked or participated in organizations where the experience is, quite frankly, unpleasant. People spend as much time complaining and sniping as they do achieving the goals of the organization. Misunderstandings, confusion, frustration, and waste are commonplace and result in lost momentum and a loss of interest in the organization.

So what's the reason that some organizations are role models while others are "wrecks waiting to happen?" The answer lies in a proper understanding of the roles of leadership and management, and the knowledge and experience of how to balance responsibilities between the two roles for maximum effectiveness within the organization—and maximum benefit for the members you serve.

See "Leading vs. Managing", page 8

How Well Are You Managing Ethical Issues?

By Barton G. Tretheway

It's not only the Enrons, Tycos, and Worldcoms that have failed to live up to public and stakeholder trust in recent times. A number of not-for-profit organizations have also come under scrutiny (and been the subject of the wrath of the press and angry members) because their boards failed to maintain appropriate oversight over the actions of the organization. Lack of oversight led to a number of ethical* missteps, including letting some of these organizations fall victim to fraud or embezzlement, suffer from the effects of mismanagement, or result in some other breach of member trust.

For associations and other non-profits, ethics is a matter of credibility. Without credibility, they will cease to exist.

So if it's widely accepted governance practice that boards are responsible for ensuring adherence to ethical norms, why have some boards failed to

* For purposes of this article, we are defining ethical behavior as acting in accordance with the organization's formal system, as well as society's informal systems, of rules and standards for right and good conduct.

See "Managing Ethical Issues", page 6

Association Directions



By Ken Monroe

How many times have we heard the phrase “change is the only constant?” We know that change is all around us and that it’s accelerating at a rapid rate. But how many of us take the time to scan the environment and study change? And of those that do,

how many work to identify trends that might affect their associations and incorporate the analysis into their planning? It is a role that association leaders, both board members and staff, have to take seriously if they want to steer their associations successfully into the future.

From my experience in association leadership, I believe there are a few overarching issues to which we must pay attention in our planning activities. I have summarized five in this article.

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THE IMPORTANCE OF STRONG LEADERSHIP

The first three issues reflect the growing importance of board members and chief executives that are capable of providing strong leadership for their associations. They know what members want and they have the leaders and the governance process to provide it.

1. Leaders must manage change. Since change is all around us, leaders have to create a culture that embraces change and that constantly adapts the organization to respond to change. This is usually best achieved when a “team approach” to leadership is used (comprising both elected leaders and staff, each performing their appropriate roles) to help the organization grow. Leaders that successfully manage change have a few common characteristics. They scan the environment and anticipate how various changes might affect their association, industry or profession.

They know how to be flexible and responsive in creating solutions to change. They deal with change by being creative thinkers and by not being adverse to risk. And they recognize the need to use a collaborative approach to building consensus within an increasingly diverse membership and workforce.

2. Member needs come first. Changing social and economic factors have resulted in increased competition for members’ time and money, making it imperative that associations have a clear understanding of their members’ needs and how they can provide them with excellent value for their dues investment. Our understanding of members’ needs must be based not only on “intuition” but “information,” and requires that we know our members by surveying and/or assessing their needs.
3. Governance has to adapt to the times. Traditional association board models are not particularly responsive to today’s fast-paced, change-oriented business environment. It is obsolete thinking to believe you can wait until the next quarterly board meeting to address a sudden change in member information needs or a new for-profit competitor in your industry.

While no one has come up with a new “one size fits all” model for governance in the 21st century, there are two generally accepted guidelines your board can follow in adapting to today’s changes. First, utilize a planning process that focuses on your members’ needs and organize around how you can be responsive to changes in the environment and member expectations. (See the related article in this issue, *Job #1: A Relentless Focus on Providing Value to Members*) Second, make sure your board and staff reflect the diversity of your membership, both today and in the foreseeable future.

THE NEED TO PROVIDE GREATER VALUE

The last two issues deal with providing the resources that are needed to meet members’ needs and making sure the resources are used wisely.

4. Revenue sources and uses are changing. Ready access to information (i.e., the Internet) has many members wondering why they need associations at all. Associations are scrambling to retire their historically profitable (but less member-relevant) programs so that they can create new programs/

“ WITHOUT CHANGING OUR PATTERNS OF THOUGHT, WE WILL NOT BE ABLE TO SOLVE THE PROBLEMS WE CREATED WITH OUR CURRENT PATTERNS OF THOUGHT ”



services that are more responsive to today's changing member needs. In the same light, they're developing new core competencies (e.g., knowledge networks) that will help retain and attract members in the future. All of these changes are putting pressure on associations to re-align revenue uses, protect current revenues, and look for new sources of revenue—including non-dues revenue that can help offset the current pressure on dues revenue.

5. Focus on core competencies leads to outsourcing. In response to the issues of change, member needs, and governance discussed above, associations are diligently working on ways to concentrate on what's most important to members. This effort includes increased focus on core competencies, finding ways to perform non-core functions at lower cost, and freeing staff to concentrate on activities that create added member value. Outsourcing and co-sourcing of non-core functions help associations achieve the above goals. An additional benefit of outsourcing is having access to functional expertise without having to maintain the expertise in-house.

SUMMARY

If I had to describe the direction in which the association world is moving in just one phrase, I would describe it as 'adapting to a world of change.' We lived through the unbridled growth of the 90's and the excess capacity and flat economy of the last three years. We experienced the emergence of the knowledge worker and the advantages of information technology. All of these changes, and more, have created a number of challenges and opportunities for associations. But it's the speed at which we adapt and benefit from these changes that will determine how willing our members are to remain with us. Change is not only constant—it's our friend.

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

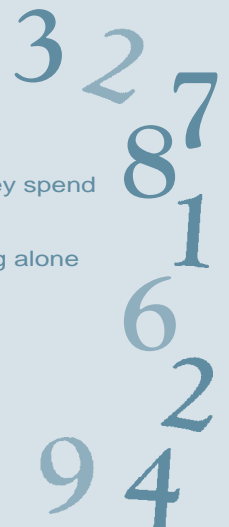
FOOTNOTE

Rhea L. Blanken and Allen Liff, *Facing the Future: A Report on the Major Trends and Issues Affecting Associations* (American Society of Association Executives and ASAE Foundation, Washington, DC, 1999)

TIPS FOR STAYING ON TOP TEST YOUR ASSOCIATION KNOWLEDGE

- There are 147,000+ associations in the U.S., including 127,000+ local, state, and regional associations; 20,000+ national associations; and 2,400+ international associations headquartered in the United States.
- Nine out of 10 adult Americans belong to at least one association; one out of four belongs to four or more associations.
- Associations employ 295,000 people in the U.S.
- Associations have significant purchasing power. Collectively they spend annually:
 - \$5.6 billion on printing and publishing; \$3.2 billion for printing alone
 - \$2.2 billion on technology
 - \$56.0 billion on conventions, expositions, and seminars
- 71% of all associations conduct industry research or develop statistical information.

Source: American Society of Association Executives



Job #1: A Relentless Focus on Providing Value to Members

By Philip Lesser

Many experts agree that associations are facing a crisis in member confidence and support. The struggling economy, rising unemployment, and the increased competition for members' time and dollars are all robbing associations of membership renewals and dues revenue. "Time poverty" among volunteer leaders is also starving association boards of the volunteer talent they need to do their jobs. And instant access to information on the Internet is making members question why they need an association to stay current in their industry and/or profession.

Can associations survive dwindling dues revenues and reduced volunteer levels? Can they adapt quickly enough to meet the challenges they're facing?

While the current social and economic changes confronting associations are sobering, experts agree that a competent association executive and a strong board can provide the leadership that's needed to adapt to change and succeed in today's tougher economic environment.

"IT'S THE NEW BUSINESS OPPORTUNITY... NOT THE DIRECTORY!"

Experienced association executives and boards understand the realities of the current economic and social environment. And that reality is...members are looking for benefits that add value to their businesses or practices, not merely a basket of products and services.

But how do boards orient their organizations to focus on the delivery of member benefits versus product and service features? The answer is through a process known as outcomes-based planning.

Outcomes-based planning calls for the board and staff to focus relentlessly on ways the organization can provide value to its members. They understand the difference between features of the organization and benefits to the member, and they know that value is only provided to members through benefits that enhance their business or practice. Consider the following comparison:

- A. Your association's annual membership directory
- B. Active participation in the association leads to business contacts that can result in new business opportunities

Can there be any question that members will renew their memberships in an association to receive the benefit offered in B as opposed to the opportunity to receive a copy of the member directory described in A? We don't think so.

And that's why most so-called strategic planning is unsuccessful and often ignored by associations: traditional planning is usually feature-based and "how to"-oriented, and not relevant to the ultimate goal of meeting members' needs.

Classical planning elements are typically used in outcome-based planning, but they too need to be benefit-focused as opposed to feature-focused. For example:

Mission.....	Statement of the <i>value</i> provided to members
Goals	Major <i>benefits</i> needed to achieve our mission
Objectives	Measurements of our goals (<i>benefits</i>)
Implementation	Specific ways we will achieve our goals (<i>benefits</i>) such as timelines, budgets, and operations

If being benefit-focused is the key to outcomes-based thinking, then being measurement-focused is the key to successful planning. Good plans always include measurements of how the organization's member benefits will improve member businesses or practices. Again, we underscore the importance



FIGURE 1—OUTCOMES-BASED MANAGEMENT

<u>Feature Oriented</u>	<u>Outcomes Based</u>
How to.....	Value added
Means	Ends
Inputs	Outcomes
Activity.....	Accomplishment
Products/Services	Solutions to problems
Features	Benefits
(e.g., membership directory)	(e.g., new business opportunity)

of measuring member benefits versus measuring the number of activities, attendees, or new members added.

Figure 1 points out some of the qualities of an outcomes-based management style versus a more feature-oriented style.

SUMMARY

Most associations don't pay attention to strategic planning because it is usually feature-based and, therefore, of little value in creating an understanding of how to attract and retain members to the organization. Outcomes-based planning, on the other hand, concentrates on understanding member needs and articulating what benefits the association has that respond to those needs and enhance the member's business.

This discussion is more than an academic exercise. An association's survival depends on maintaining and increasing revenue and volunteer levels. Yet, members are in control of the situation by choosing which association will be the recipient of their time and dollar investments.

Do you offer the best value for your members' investment or is another association about to steal it away? You might want to find out!

Philip Lesser, PhD, CAE is a Vice President of Bostrom Corporation.

TOP 10 BUSINESS BOOKS OF 2002

How familiar are you with the top 10 business books of 2002? They are listed below, in alphabetical order by title:

1. **Creating A Life** by Sylvia Ann Hewlett. Economist Hewlett presents a picture of what life is like in the U.S. for career women.
2. **dot.con:The Greatest Story Ever Sold** by John Cassidy. Addresses why professional money managers poured funds into Internet stocks and more.
3. **Globalization And Its Discontents** by Joseph E. Stiglitz. Argues that global financial institutions are not helping many poor countries.
4. **Martha Inc.: The Incredible Story of Martha Stewart Living Omnimedia** by Christopher Byron. Chronicles Stewart's life and rapid ascent following publication of her book *Entertaining*. (Pre insider-trading scandal.)
5. **Memoirs** by David Rockefeller. Provides an inside look at Rockefeller's life and the postwar American establishment.
6. **Take on the Street:What Wall Street and Corporate America Don't Want You to Know; What You Can Do to Fight Back** by Arthur Levitt with Paula Dwyer. Offers advice on how to invest wisely; chronicles Levitt's term as Chairman of the SEC.
7. **Tuxedo Park: A Wall Street Tycoon and the Secret Palace of Science That Changed the Course of World War II** by Jennet Conant. The story of physicist Alfred Lee Loomis and his role in winning support for research in radar technology.
8. **Wealth and Democracy: A Political History of the American Rich** by Kevin Phillips. This political commentator argues that the wealthy use their money to buy influence, and use influence to accumulate more money.
9. **What Management Is: How It Works and Why It's Everyone's Business** by Joan Magretta with Nan Stone. Presents the core principles of managing, including ideas of some of the world's greatest management thought leaders.
10. **Who Says Elephants Can't Dance? Inside IBM's Historic Turnaround** by Louis V. Gerstner Jr. Insights into IBM's culture make this book a must-read for students of strategy, corporate behavior and how to communicate with employees.

Source: *Business Week* magazine

Managing Ethical Issues cont.

live up to their responsibilities? Why have many failed to protect their organizations from legal action, failed to promote an ethical work environment, or failed to safeguard the organization’s integrity? The simple answer is a lack of commitment on the part of many boards to establish and enforce policies that guide board members, staff members, and volunteers in the area of ethical behavior.

But is it just the board that has a responsibility to ensure ethical behavior? Absolutely not! All

stakeholders—board members, staff members, volunteers, and association members—have a role to play by “practicing what the organization preaches” and by helping enforce the ethics policy of the organization.

HOW WELL IS YOUR ORGANIZATION DOING?

The following quiz will help you judge the effectiveness of your organization’s ethics program and efforts. After you’ve taken the quiz, compute your organization’s ethics effectiveness score below.

THE “MANAGEMENT OF ETHICAL ISSUES” QUIZ

Rate each element on a scale of 0 to 10 (0=the element does not exist and/or functions poorly; 10=the element exists and functions well in our organization) and give yourself a score for that element in the blue box.

	Score
<p>1. Basic policies exist that govern management of ethical issues. 10 points</p> <ul style="list-style-type: none"> • A “code of ethics” (i.e., written policies or guidelines) clearly positions the association in the mainstream of best practice in the profession or industry we serve. • A “Formal Organizational Ethics System,” as well as informal ethics systems, are in place to help enforce ethical conduct. • Our “Ethics Standards” are more exemplary than minimal (i.e., aspire to a level higher than merely following the law). • We endorse “professional or industry standards” established by an accreditation council of the profession or industry we serve. 	
<p>2. Disclosure policies identify when board members, volunteers or staff members have interests adverse to that of our organization. 10 points</p> <ul style="list-style-type: none"> • A “Disclosure of Specific Items Form” informs the individual what must be disclosed. • An “Open-ended Disclosure Form” asks the individual to declare interests that might be adverse to those of our organization. 	
<p>3. Communication and education materials reinforce our ethics policy. 10 points</p> <ul style="list-style-type: none"> • Meetings and event handouts/signage reference our ethics policy. • We actively communicate our ethics standards to members and other stakeholders. 	
<p>4. The board or a board ethics committee takes responsibility for, and actively manages, the following “ethics management” functions. 10 points</p> <ul style="list-style-type: none"> • Policy Development—considers all ethical issues that pertain to the association and makes recommendations to the board regarding new policies or changes to existing policies. • Enforcement—handles allegations of violations of ethics policy. • Education—provides ongoing education in ethical matters to board and staff members and volunteers. • Ethics Audit—conducts an “ethics audit.” 	



	Score
5. One of our staff members is assigned responsibility to lead our Ethics Management Program, commonly referred to as the Association Ethics Officer (AEO), and reports directly to our association executive and the board for the activity. 10 points	
6. Members of our staff and volunteers have an anonymous reporting system that enables them to report ethics issues to the organization’s AEO, chief executive and/or board. 10 points	
7. Members of the board, staff, and volunteers are aware of our ethics policy. 10 points <ul style="list-style-type: none"> • Board and staff members and volunteers are asked to review and sign copies of the association’s ethics policy on an annual basis. • Our board and staff member selection policy includes background “checks” and ethics policy orientation. 	
8. Our culture encourages an open dialogue about ethical conduct. 10 points <ul style="list-style-type: none"> • We proactively manage values and norms in order to establish an ethical culture, including “walking the ethics talk” and living by the “golden rule.” • We support the attitude that “dissent is an obligation.” 	
9. Our ethics policies and procedures are reviewed and updated annually to make sure they are responsive to the changes in our association environment. 10 points	
10. Our organization embraces ethical behavior. 10 points	
Total Score	

<p>SCORING THE QUIZ</p> <p>86–100 points Congratulations! You have a solid program in place for managing ethical issues.</p> <p>71–85 points The basics of a good program are in place; keep developing and refining your program.</p> <p>55–70 points Your program needs work. Lack of attention to improvements in the program could result in breaches of ethical conduct.</p> <p>< 55 points Red Alert! Your organization needs an Ethics Management Program. You probably are already facing breaches of ethical conduct that could result in legal action or threaten your organization’s integrity.</p>	
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SUMMARY

Events of the past few years have many organizations waking up to the need for a formal program that can help ensure adherence to ethical norms. While there is no question that an organization’s board has responsibility for establishing and enforcing policies that govern management of ethical issues, it is equally apparent that it takes all of the stakeholders (board members, staff members, and volunteers) to establish and nurture an ethical culture within the organization. Granted, ethical behavior is an intangible asset. But it

is an asset that can help your organization avoid missteps and help brand the organization as a provider of excellent value to its members.

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FOOTNOTE

Richard T. Ingram, *Ten Basic Responsibilities of Nonprofit Boards* (National Center for Nonprofit Boards, 1998)

Leading vs. Managing cont.

“DOING THE RIGHT THING” VS. “DOING THINGS RIGHT”

Effectiveness, results, and satisfaction are all found in an organization where the roles of leaders and managers are clearly defined to provide the following:

- Direction, including a vision, a strategic plan, and operational plans;
- Expectations of what every board and staff member, and volunteer is responsible for;
- Performance measurements of how well individuals and the organization are meeting members’ needs; and
- Balance between the roles of leaders and managers.

Leadership is primarily responsible for making sure the organization and all of its stakeholders “do the right thing.” It has authority to set direction, make decisions, and create policy. Leadership also has a fiduciary responsibility to assure that the organization is being managed well, that resources are aligned with expectations, and that the organization is operating within legal and ethical boundaries.

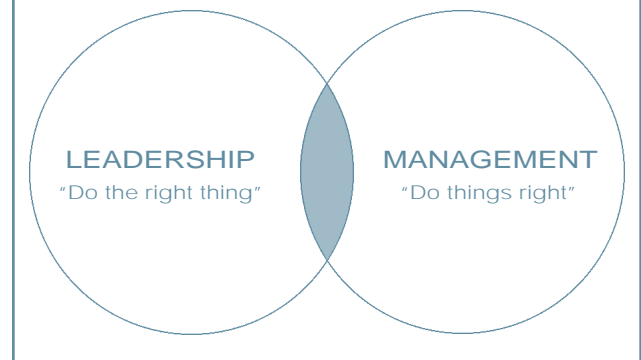
Management assures that the staff and volunteers of the organization follow the direction set by the board and “do things right.” It implements the board’s strategic plan through a set of specific operational plans, and presents data to the board that explains how well the organization’s operational plans are being implemented. Management also makes sure that the board understands the data it presents.

“ LEADERS MUST UNDERSTAND FOLLOWERS, AND FOLLOWERS MUST UNDERSTAND LEADERS. ”

–LEARNING TO LEAD

Balancing responsibilities between leadership and management is key. While balance will be defined differently in every organization, it is safe to say that an organization cannot be too leadership-driven or too management-driven and be successful. Too leadership-driven and the staff of the organization will be micro-managed. Too management-driven and the board will be isolated.

FIGURE 1. Proper definition of roles, balance of responsibilities, and alignment of expectations and resources are central to a well-run association and the satisfaction of the members you serve.



In addition to balance, clear lines of responsibility are also important. Clear lines prevent confused responsibilities, ineffective communication, and surprises. And that’s what every organization board and paid executive want: No Surprises!

SUMMARY

The understanding of the roles of leadership and management is one of the most striking differences between effective and ineffective organizations. In effective organizations there is a clear definition of who is responsible for setting direction and who is responsible for implementing the plan. There is also a clear definition of the expectations of every board and staff member, and of precisely how individual and organization performance is going to be measured.

The above attributes lead to a work environment that is highly effective and results-oriented. Board and staff members enjoy their roles in the organization. Most importantly, the entire organization pulls together to provide complete satisfaction to the members they serve.

Randy Lindner, MHSA, CAE is the Executive Vice President and Chief Operating Officer of Bostrom Corporation.

FOOTNOTE

Warren Bennis and Joan Goldsmith, *Learning to Lead* (Perseus Books, 1997)