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Building Association Business Models

Beyond Member



BY JEFF DE CAGNA, FRSA, FASAE

As both the fundamental human experience of associating and the traditional economics of membership continue to transform before their very eyes, association boards, CEOs and C-Suite executives must begin to confront an immediate and practical challenge: making the shift away from membership-centric business models and toward business models that place greater emphasis on new value creation. Undertaking this transition will not be easy, however, considering the continuing investment the association community as a whole has made in the existing membership paradigm.

It is important to remember, then, that moving away from membership-centric business models does not necessarily imply the elimination of membership going forward. It does mean, however, that associations can no longer operate with a restrictive yet inviolable commitment to membership as the sole defining logic for how they create and deliver

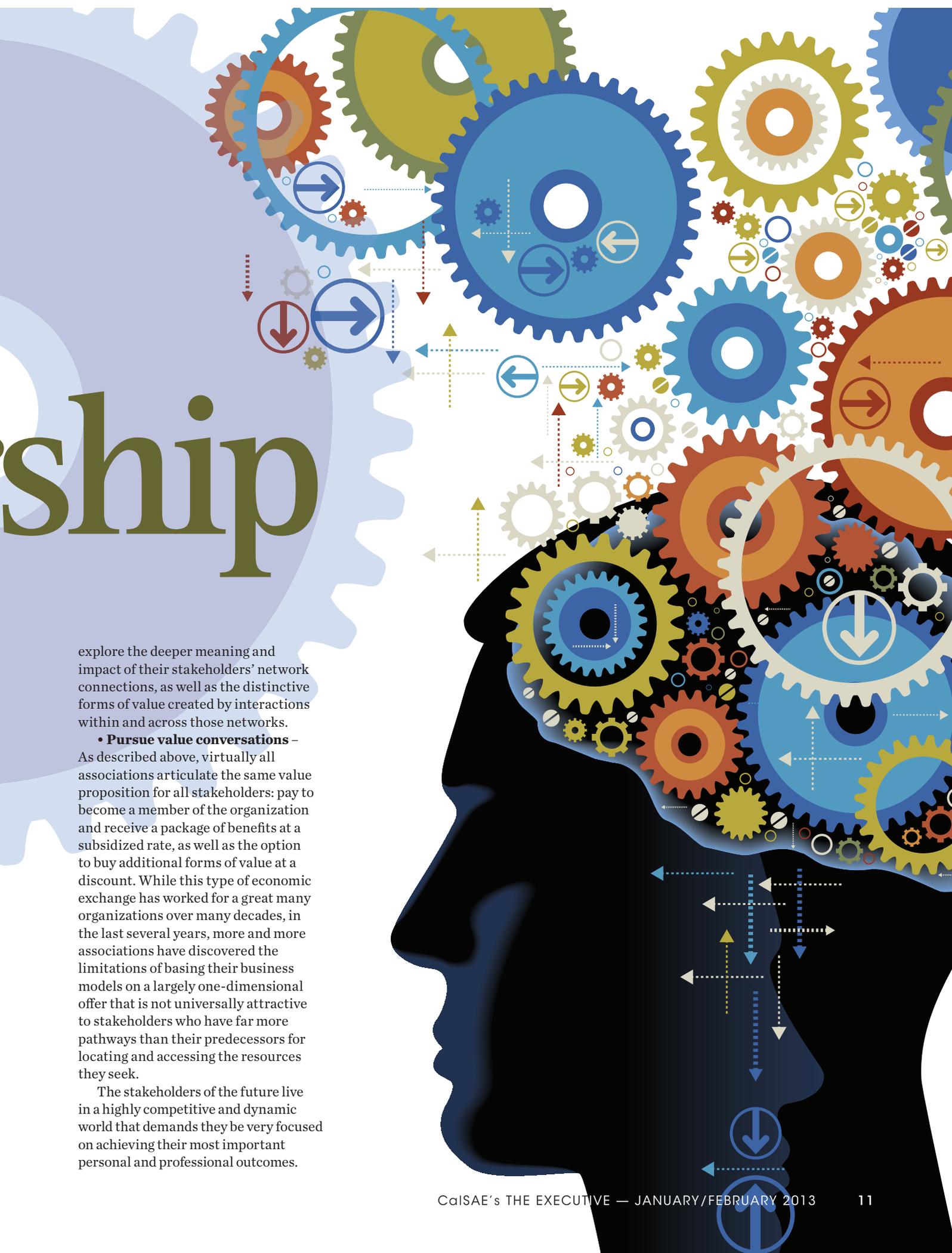
value for future stakeholders. An association may well continue to offer membership, but that decision needs to be made in the context of a broader and more meaningful strategic framework for radical new value creation that does not position the selling of memberships as the cornerstone of any future business models the organization may choose to implement.

Associations must understand the powerful forces of relentless societal transformation in order to uncover the emerging opportunities for associations to build business models beyond membership. To capitalize on the profound shifts unfolding around them, however, association leaders will need to question their orthodox assumptions about new value creation, and bring a 21st century mindset to the work of business model innovation. This article identifies four critical areas of new business model design in which association leaders will need to think differently going forward.

• **Understand the influence of stakeholder networks** – Current association business models tend to

organize stakeholders into segments, loosely grouping them based mostly on the association's internal interpretations of their stakeholders' common needs and preferences. While this type of segmentation is a slight improvement over past practice, it has not altered the enduring association belief that a one-size-fits-all membership offer is sufficient to satisfy the particular requirements of every individual stakeholder within each segment.

In our highly connected world, however, the stakeholders of the future do not stand by themselves. They participate in any number of personal and professional networks that extend far beyond the boundaries of a single organization, making it far more difficult to categorize them into cleanly defined segments. These stakeholders are shaped as much by the complex influences exerted by their diverse network connections as they are by their unique personal characteristics or specific professional challenges. To advance the conversation about building business models beyond membership, associations need to



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explore the deeper meaning and impact of their stakeholders' network connections, as well as the distinctive forms of value created by interactions within and across those networks.

- **Pursue value conversations** –

As described above, virtually all associations articulate the same value proposition for all stakeholders: pay to become a member of the organization and receive a package of benefits at a subsidized rate, as well as the option to buy additional forms of value at a discount. While this type of economic exchange has worked for a great many organizations over many decades, in the last several years, more and more associations have discovered the limitations of basing their business models on a largely one-dimensional offer that is not universally attractive to stakeholders who have far more pathways than their predecessors for locating and accessing the resources they seek.

The stakeholders of the future live in a highly competitive and dynamic world that demands they be very focused on achieving their most important personal and professional outcomes.

In designing 21st century business models, association leaders need to pay much closer attention to the kind of people their current and future stakeholders wish to become, and the things they wish to achieve in their lives. Instead of formulating their own conventional assertions about the value **they believe** they should **create for** their stakeholders, associations need to pursue on-going “value conversations” by asking more powerful and generative questions about the kinds of value they can **co-create with** their stakeholders, as well as their extended networks, to solve short-term problems, sustain intermediate-term needs and, most of all, support the drive to realize long-term stakeholder outcomes.

• **Negotiate value relationships** –

By design, most membership-centric business models require stakeholders to pay for membership in order to enter into a relationship with the association. Stakeholders unwilling to participate in such “pay-to-play” arrangements are, for the most part, not welcome as

contributors to the association, except as prospects for future membership campaigns or potential customers for stand-alone value offers. What’s more, stakeholders who derive a benefit from the association’s work, such as in the area of advocacy, without paying for membership, generally are branded as “freeloaders.” The wisdom of demonstrating blatant disrespect for your potential future stakeholders notwithstanding, this inflexible way of thinking about membership severely constrains the ability of associations to craft more meaningful connections with stakeholders who are not interested in membership but might be open to other relationships.

Given the unprecedented complexity and uncertainty they face today and going forward, future stakeholders are seeking supportive and collaborative relationships to help them navigate the unfamiliar terrain ahead. For these stakeholders, the most important thing is finding the “thick value,” i.e., meaningful and purposeful value, they need to make real progress toward realizing their ambitions. Associations have a chance to be impact players going forward if they can engage these stakeholders through business models beyond membership that capitalize on the power of associating as an open and inclusive experience, without any mandatory financial transactions or tests of organizational fidelity. By lowering barriers to participation and developing trusted stakeholder relationships that are mutually beneficial, associations can co-create thicker value that answers a critical question in the minds of their future stakeholders: why do I need this relationship?

• **Identify value flows** – The typical membership-centric business model produces a predetermined bundle of mostly standardized outputs that is delivered to all stakeholders according to the work practices and operational schedules that best serve the interests of the association. This quasi-industrial method of creating and delivering value is no longer a good fit with the real-time demands facing the stakeholders of the future. These stakeholders are immersed in an always-on social and mobile environment that offers them excellent access to value flows from across their own personal and

professional networks, as well as from a wide variety of other sources.

Associations can begin the process of building business models beyond membership by shifting their mindsets about new value creation. Instead of establishing value propositions, associations need to engage in richer value conversations with stakeholder networks connected through mutually beneficial relationships. Through this value cycle, associations can co-create new tangible and intangible value flows, as well as receive flows of value in return from their collaborators. Of particular significance in pursuing this approach will be the opportunity to discover and surface hidden assets from within stakeholder networks, including previously untapped knowledge, expertise, connections, or even financial resources, that would not be otherwise accessible to associations and their stakeholders.

Where should association leaders begin in their quest to build business models beyond membership? The simple yet difficult answer is with their own deep-seated assumptions. Associations need to be both purposeful and profitable going forward, making the conversation around business model innovation the most vital strategic discourse in our community today. Navigating this conversation successfully will demand considerable deep reflection on long-standing association orthodoxy, along with consistent and thoughtful action to counteract its increasingly adverse effects. The work of business model innovation requires a genuine commitment to thinking differently that, in the long run, is well worth the investment of time, energy and passion. Association leaders have the opportunity and the responsibility to imagine, design and develop adaptive and resilient business models that will give their organizations the best chance to thrive over the next decade and beyond. Now is the time to get started.

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