

## **Will Your Organization Survive?**

By Erin Roberts

Sarah Sladek's book, *"The End of Membership As We Know It"* has generated a lot of attention. And with good reason. The chief executives of membership organizations and their board members are concerned that the 2008-2009 downturn is not over. Although member numbers and revenues are improving, it's happening more slowly than we hoped or planned for and this is putting a strain on our resources.

Zzeem conducted the second annual survey of Canadian membership organizations in the first quarter of 2012. The numbers tell an interesting story.

Members are no longer renewing their membership just because they always have. They're assessing the member value proposition to find out if they are really getting value. Those who do renew are often less engaged than they were in previous years. It's harder for members to find the time and the budget to attend conferences and so much competing information can be found free from other sources.

With fewer attendees it's harder to make a successful pitch to sponsors. And the sponsors have troubles of their own. Many sponsors have pulled back or out of events that they have sponsored for years.

Although we seem to be through the trough in revenues it's taking organizations longer than expected for revenue to return to "normal" levels.

Some organizations will not survive because they do not have the financial reserves to get through this. The membership organizations that will survive and thrive are those who have a compelling and well-articulated value proposition to their members – and to their sponsors.

And board members must be part of this. More than half of the organizations surveyed were not confident that their board members can state their value proposition – and the level of director engagement is declining.

### ***What are membership organizations?***

By membership organizations we mean not-for-profit entities who have dues-paying members and whose primary activity is providing services to those members.

This is a specialized niche within the not-for-profit sector with its own unique characteristics. Membership organizations are typically self-sustaining, and cannot rely on government assistance or donations.

Just like service companies in the for profit sector, they need to provide value to the people that they serve or they will not survive.

A membership organization is a business and must be run as one to be sustainable.

There is very little data available for the membership organization niche. The reason we do this each year is to help to fill that void and to provide the sector with critical information about their peers and their competitors.

### ***What kind of a survey is this?***

This is a qualitative survey. In addition to collecting data, we look for anecdotal information and trends in thought, motivation and opinion. There were 59 respondents – all of whom were either chief executives or board members of the organization. All survey respondents were interviewed via telephone. The survey questions focus on issues related to the *business* of the membership organization. We have found in our consulting work that while many chief executives and chairs of membership organizations are highly business oriented, there are still many leaders who associate not-for-profit with “no profit”.

The trend we are seeing is that membership organizations are becoming more business focused. They are looking for financial information that is meaningful to running their business.

## **The Respondents**

The respondents were either Canadian organizations or the Canadian arm of an international organization. The membership organizations surveyed included entities of all sizes. Respondents’ annual revenue ranged from less than \$10,000 to more than \$20 million.

As was the case last year, the majority of the respondents are federally incorporated not-for-profit corporations. Respondents included organizations whose members are primarily individuals, and those whose members are primarily corporate. The respondents were almost evenly split between these two types of organizations.

## **Survey Highlights**

### **Membership Trends**

#### ***We’re less optimistic...***

Last year, 80% of respondents expected that they would have more members in the current year. This year only 60% of respondents expect higher member numbers.

### **Value Proposition to Members**

#### ***We’re getting better...***

Last year, only a third of respondents were highly confident that their board members could clearly articulate their member value proposition to a prospective member. This year, the percentage rose to 47%.

This is still very low. Board members are typically amongst the most well-informed members. If they don’t know the value proposition well enough to convince a prospective member, then who does?

### **Sponsors**

#### ***We’re less optimistic...***

Last year, about 70% of respondents expected their sponsorship revenue to increase. This year only 60% expect to see an increase.

### **Value Proposition to Sponsors**

#### ***We’re not selling it well...***

Fewer than 20% of organizations surveyed were highly confident that their board members could clearly state their value proposition to a prospective sponsor and only 30% have a documented strategy to accomplish their sponsorship goals.

## **Staffing and Costs**

### ***But we're planning to increase staff and costs...***

Despite the fact that fewer respondents are expecting membership to increase, more of them are planning to increase staff and other costs over last year. In many cases, organizations have made temporary cut-backs but they are now at a point where they cannot delay expenditures any longer.

## **Board Efficiency and Engagement**

### ***This needs work...***

This year respondents had a more negative view of the level of engagement and efficiency of their board members. Most respondents have a handful of board members who do the majority of the board's work, with the remainder contributing little. Off record responses indicated that more board members are recruited because they know someone on the nominating committee than because they have the skills to make a meaningful contribution.

## **Planning for the Future**

### ***We're getting better...***

Like last year, most of the organizations surveyed have a current strategic plan. But last year a third of respondents had no implementation plan. This year, 80% of respondents have an implementation plan.

## **Financial Reserves**

### ***This is a danger zone...***

80% of respondents have financial reserves but most have only enough reserves to cover a few months of operating expenses. A single deficit year could force a shut-down of the organization.

There has been little improvement from last year in the level of financial reserves held by respondents. However, respondents seem more aware that this is a danger than they did last year. This may be because more organizations used their reserves last year and about 15% of these plan to use their reserves again this year.

## **Looking forward**

The 2012 Survey tells us that membership organizations are looking to improve business processes and retain and attract members. Respondents are doing a lot of things right. The focus for this year is to increase members and revenue.

The really good news is that membership organizations are paying a lot more attention to their member value proposition and trying to articulate in a way that resonates with their members. They are for the most part, aware of the necessity of revenue diversification and of the necessity of reserves.

The challenge for membership organizations this year is to build the systems they need to retain and attract members, find and allocate the resources to execute them, and at the same time, build up their reserves to weather a protracted economic storm.

Now more than ever we need strong, engaged leadership. We cannot afford to have seat warmers in the board room.