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Looking Forward 2013

An Environmental Scanning Whitepaper for the Association Industry

"It's the end of the world as we know it (and I feel fine)."

song lyric by the band R.E.M.

Contents

Introduction

Overview of Association Environmental Scanning Project

The annual Association Laboratory association environmental scanning project series identifies critical factors affecting associations and potential implications for association strategy.

Looking Forward 2013, incorporates commentary from 28 association chief staff officers and 26 senior association executives representing 55 different industries and professions.

Association Laboratory recommends that association executives use *Looking Forward 2013* as a discussion guide to identify specific issues with significant impact on the environment within which their members operate and the implications for association strategy.

For additional information on the specific methodology by which *Looking Forward 2013* is produced, see Appendix 1.

For information on how Association Laboratory conducts environmental scanning, see Appendix 2.

Association Laboratory conducts a wide range of strategic research for associations encompassing a national client base of leading associations served through staff in Washington, DC, and Chicago, IL. For more information on the company's research capabilities, proprietary research products, and strategic planning models, visit the company's website at www.associationlaboratory.com.

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Strategic Influences on the Association Business Environment

Associations Operate in a Global System

Organizations and individuals now operate in a dynamic global system.

In 2012, participants in *Looking Forward* believed that associations would need to consider the implications of global activity more seriously. This year, participants clearly believed that associations of all sizes now operate in a global system and that association professionals need to take this global system into account.

The global system includes the movement of capital, labor, and information. Even small organizations are participants in a global supply chain. Consider the following:

> *Economic Globalization* – Individuals and businesses now access a global market place and the barriers to providing services and products worldwide are rapidly decreasing.
>
> *Government Globalization* – From regulatory action to trade agreements, actions by governments in one part of the world routinely impact organizations across the globe. The actions of governments and relevant non-governmental organizations (NGO) are now seldom restricted by borders.
>
> *Supply Chain Globalization* – Modern supply chains access raw materials and production capacity from all over the world to serve widely dispersed markets.
>
> *Financial Globalization* – Capital markets operate across country borders allowing investors access to companies worldwide.
>
> *Workforce Globalization* – Individuals have routinely traveled across borders in search of opportunities. Now, workers are connected virtually and communication technology has made it possible for businesses of all sizes to access labor on the other side of the globe through services such as Odesk. [Odesk is an online professional services portal where individuals from all over the world post their expertise, accept business, and provide contract-based services.]
>
> *Cultural Globalization* – Cultural influences now routinely affect people worldwide. For example, in Chicago, IL, USA, people gather each Sunday morning at an Irish pub to watch English premier cup football, then eat lunch at a local Ethiopian restaurant before dancing the night away "gangnam style" to a Korean pop song. Communication technology virtually eliminates the barriers to cross-fertilization or transmission of ideas, meanings, and values across national borders. However, despite the enjoyment individuals receive from global influences in entertainment and leisure options, this creates pressure on cultural identities. Creeping nationalism is a growing influence as humans seek their place in a world with no borders.

While these cultural influences have existed for some time, communication technology now allows aspects of globalization to be integrated at speeds unprecedented in human history. Today, even the smallest rural markets can participate in the global economy in a way that only larger urban areas could in the past.

Improving But Uneven Economic Conditions

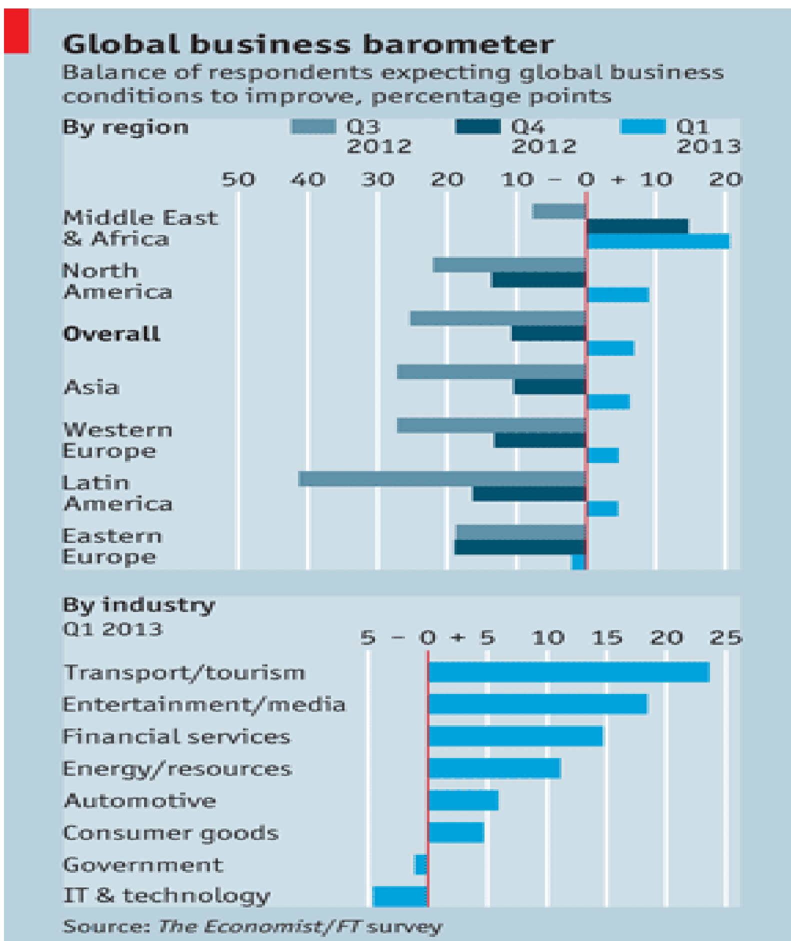
Slow Economic Growth

Organizations and individuals will operate in a climate of cautious economic optimism.

In 2012, participants in *Looking Forward* identified the state of the economy as central to association strategy. The economy affects individual professionals' work and the customers of the organizations for which they work. In 2013, the economy will continue to be central to association strategy and participants are cautiously optimistic on growth.

"Economic challenges abound at all levels from the town hall all the way to the UN." Steve Turkiewicz, President & CEO, Montana Bankers Association

Their sentiment mirrors other external sources. The following chart from *The Economist* published on February 21st, 2013 highlights the relative growth in positive economic sentiment and the substantial variation in growth by region.



The economy is a complex organism affecting individual industries or markets differently; these may fare better or worse depending on their unique circumstances.

Cautious Consumer

Consumers will continue to be cautious, limiting market demand for many products and services**.**

"Consumer confidence posted another sharp decline in January [2013], erasing all of the gains made through 2012. Consumers are more pessimistic about the economic outlook and, in particular, their financial situation. " Lynn Franco, Director of Economic Indicators, The Conference Board

Consumer sentiment in the United States and European Union (EU) zone, combined with a growing middle class in China, set the stage for increased consumer spending.

However, challenges with consumer debt and economic uncertainty within the United States and the EU Zone will temper this sentiment. The result will be increased but cautious consumer spending.

Cautious Business Investment

Business investment will grow slowly due to the cautious consumer, concerns about government regulatory costs, and economic uncertainty which will continue to limit private capital investment and job creation.

Corporations continue to sit on historically significant reserves of cash as they are hesitant to invest due to concerns over consumer demand, regulatory barriers, and economic uncertainty. This caution will continue in 2013, despite the recent agreement within the United States on the "fiscal cliff" and continued efforts by the European Parliament and European Central Bank to address the debt crisis within the EU Zone.

These recent fiscal crises demonstrated the interconnectedness of the global economy as steps taken in both regions impacted financial markets.

Restrictive Government Funding

Discretionary government spending will be restricted as a greater percentage of tax revenues are allocated to existing and expanded entitlement programs; this will limit resources to industries reliant on government funding**.**

National governments are large customers in the economy. From teacher salaries to healthcare outlays and infrastructure investment, national governments are a substantive source of economic activity. As a larger portion of government expenditures become devoted to existing entitlements and debt payments, fewer funds are naturally available for investment in other initiatives.

Many local, state/provincial, and national governments continue to face challenging economic situations. The negative environment for substantive increases in income tax revenue, particularly within the United States and the EU Zone, will make it difficult to substantively increase government revenue through tax increases.

Finally, economic conditions will be uneven across states or provinces. The result will be uneven expenditures by geographic market.

Disrupted and Diverse Buying Patterns

Traditional consumer buying patterns will continue to be disrupted because of advances in technology.

The modern consumer lives in an environment of 24/7 access to many products and services; this changes their expectations of service from *all* providers. This is disrupting traditional buying patterns, causing serious repercussions on the retail environment.

The rapid adoption of smart phones and tablets gave consumers unprecedented ability to research and buy products 24 hours a day from any place with Internet access. Younger generations, in particular, may look to online portals rather than to retail "brick and mortar" establishments as their first choice for product selection. In addition, younger buyers have tended towards buying experiences and subscriptions vs. tangible products or assets.

The routine retail experience is shifting from store visits <u>or</u> online purchases to an integrated experience <u>combining</u> online and face-to-face merchandising.

In a recent study of retail florists conducted by Association Laboratory on behalf of the Society of American Florists, 48% of survey respondents identified <u>growing use of online services rather than retailers as the most significant issue facing their businesses over the next three years.</u>

In response to market changes, small business is now able to access very sophisticated online retail and business services capabilities through software as service (SAS) tools, allowing them to create more robust business strategies beyond the retail store front.

Purchase/Participation Patterns – Although individuals throughout the world often have equal access to information, they have differing motivations to buy and differing abilities to pay. This creates a buying environment requiring specific information, segmented by audience and region, on purchase patterns and the ability to pay for products and services.

Continuing Government Policy Uncertainty, Scrutiny, and Costs

Continued Government Policy Uncertainty

Organizations and individuals will continue to operate in an environment characterized by substantive government policy uncertainty.

Within a global system, regulatory or leadership changes in one geographic area have an impact on other, geographically distant areas. The following briefly outlines key anticipated actions within the three largest market areas.

United States (U.S.) – In the aftermath of the 2012 U.S. elections, substantive uncertainty remains over the direction of U.S. economic policy and concern over regulatory costs remains. While two high profile changes result from the Dodd–Frank Reform Act and the Patient Protection and Affordable Care Act, there are also substantive changes in regulations affecting manufacturers through agencies such as the Environmental Protection Agency (EPA). Implementation of substantive policy changes is anticipated to increase regulatory and operational costs for U.S. businesses, and it is anticipated it will affect job growth and creation.

European Union (EU) – The European Commission and European Central Bank continue to struggle with the EU debt crisis. There are reasonable concerns regarding the future make-up of the European Common Market and specific concerns about continued membership by Greece, Portugal, Ireland, and Spain. Adding to this climate, United Kingdom (U.K.) Prime Minister David Cameron recently announced a 2014 referendum in the U.K. regarding continued participation in the Common Market. The level of U.K. participation, coupled with the continued strength of the British pound compared to the euro, will significantly impact the economic stability of Europe and Common Market members.

China – the Central Committee of the Chinese Communist Party, the governing body of China, has recently undergone significant change in its membership. Like government change in any country, new members of the Committee can be expected to place their own supporters in positions of influence. The result may be substantive changes in policy by the Chinese government but the future direction remains unclear.

Increased Government Scrutiny

Organizations will operate in a business environment characterized by higher levels of government scrutiny. Local, state/provincial, and national governments are under public pressure to increase scrutiny of corporate activity. In addition, as noted earlier, as government initiated expenses rise, efforts targeting organizations for revenue will increase.

Studies conducted by Association Laboratory indicate that, while there may be debate on whether or not the regulatory and legislative environment is different than in previous years, **members perceive that it is different and these perceptions are driving their behavior.**

Government Focus on Revenue

Governments will initiate more aggressive efforts to collect revenue.

As noted earlier, local, state/provincial, and national governments, particularly in the United States and Europe, face substantive revenue and debt challenges. This creates incentives for these governments to implement policy changes designed to increase tax and fee revenue.

While the public is resistant to increased taxes, governments have been willing to increase taxes, particularly on the middle and upper classes, as evidenced by the recent reinstatement of the full Social Security tax on the middle class. The necessity of financing increasing entitlement costs and paying large public debt in the United States and the EU Zone will increase the focus of government on expanding revenue sources and collection.

The result will be renewed focus on user fees and eliminating traditional tax breaks (for example for nonprofit activity) to generate additional revenue.

Increased Regulatory and Compliance Costs

Organizations will face increased costs because of new regulatory and compliance requirements and more aggressive efforts by state/provincial and national governments to regulate industries and professions in order to collect more revenue.

Disrupted Information Value Chain

The information value chain is the path between producers of information and users of information. As information proceeds down this path, each personal or organizational "link" in this chain adds value through evaluating or disseminating the information. For example, an association would develop proprietary information for its members related to their profession or industry. This information would be delivered from the association directly to "members only" via their access through the organization. However, the historical information value chain has been disrupted by advances in communication technology, the emergence of mobile devices, and increasing access points for information.

Continuous Connectivity

Association members now operate in an environment characterized by continuous, interconnected, and dynamic exchange of information. Today's consumers and professionals expect continuous access to information unrestricted by time or geography.

Information access technology (tablets, smart phones) has become widespread and increasingly reliable. Users expect it to work, all the time, to the point where these devices are considered a common tool that is noticed for its absence or failure, not for its existence or successful use.

This has created an expectation of 24/7 access to information and to the organizations that act as sources of information.

Distributed Information Creation, Volume, and Differentiation

Association members now operate in an environment characterized by the constant creation of information.

Content is now created by a widely dispersed network of individuals and organizations dedicated to communicating a particular personal or professional viewpoint, using self-perceived content expertise as a marketing strategy.

> "The challenge of finding and utilizing relevant content will only increase in importance."
> Lisa Mullings, President & CEO, NATSO

The Internet is populated with individuals articulating a level of expertise through "content strategies" outside the traditional mechanisms used to objectively validate this expertise.

The result is an increasingly large volume of information lacking in substantial independent review or evaluation.

Organizations and individuals now operate in an environment characterized by overwhelming data volume and with limited guidance on evaluating or managing this information flow.

Traditionally, associations were the principal creators of relevant content or information within an industry or profession, the judges of content relevance and validity, and the leaders in disseminating and teaching the use of this content.

These traditional roles are now being bypassed. The Internet now allows users to connect with producers of information without an intermediary. Google algorithms provide, for many people, a commonly accepted and sufficient means of sorting through the volume of information to identify what is most relevant to their needs. Wikipedia and other shared knowledge sources offer another option for knowledge curation.

Associations are going to struggle to maintain relevance if they do not identify where they are positioned in the information value chain; Options in the chain include linking information producers to users, or sorting through the huge volume of information to identify the nuggets of greatest importance and value.

Distributed Information Access by Users

Association members now operate in an environment characterized by a decentralized web of access points for information and content that is no longer specific to an organization or a location.

Organizations have had to modify their content to adapt to a more demanding and educated information consumer. This means information must now be readily accessible to people with higher expectations of access and usability, employing widely divergent platforms from smart phones to tablets to traditional desktop computers.

The convergence of technology from distinct information channels such as YouTube, Facebook, Twitter, and interest-specific websites, to a single all encompassing, multi-media experience accessed via multiple entry points and devices, will continue. In developing countries, the lack of physical technical infrastructure has created more incentives than in developed countries for wireless communication and less centralized communication infrastructure.

In addition, some content platforms such as Facebook are heavily oriented towards American audiences, but platforms in other parts of the world, for example Renren (www.renren.com) in China, represent substantial alternatives that will need to be considered for future content strategy.

Information Security and Access

With so much content being created by so many people, accessed from so many different locations, through such a multitude of devices, information security and access management will become a priority.

The ability to reach out to, communicate with, and connect individuals and organizations is an essential activity. To properly manage this activity will require the association to have credibility regarding the receipt and distribution of confidential personal or organizational data.

This credibility will be demonstrated through technical competence and policies and procedures effectively providing for a secure network, database and communications (cloud and mobile) environment. In addition, associations will need strategies for disaster recovery, preventing and responding to fraud, and risk management and compliance.

This will require executives to identify and understand the relevance, type, and frequency of communication acceptable to targeted stakeholder groups so that the expectations of these groups can be met and managed.

Changing Demographics and Workforce Expectations

Changing Demographics Influence Markets

According to the Rand Institute[1], there are four (4) major changes in global demographics anticipated by 2050:

1. The world's working-age population (ages 20-59) will grow more than 25 percent between 2010 and 2050, but it will grow rapidly in some places while shrinking in others.
2. From 2010 to 2050, the world's oldest-old population (those at least 85 years of age) will grow more than 350 percent. By contrast, the total global population will grow just 39 percent. By 2050, East Asia will have more oldest-old people (56 million) than there are in the world today (42 million as of 2010).
3. In 2050, the number of people at least 60 years old in Western Europe will outnumber those of working age (with 101 people at least 60 years old per 100 people of working age). East Asia will not be far behind, with at least nine East Asians in the older group for every ten of working age.
4. In Central Africa, the number of youths under 20 years of age will continue to outnumber the people of working age through 2035 (the last year with at least 100 youths per 100 people of working age). Even in 2050, there will still be more than five youths for every six people of working age in Central Africa.

"I have been struck by how consistently (across a wide, wide diversity of professions and industries, organization sizes and levels of sophistication) this issue of aging membership (more members and more of our profession retiring/exiting than entering) comes up as a number one issue of concern." Mark Golden, Executive Director, National Society of Professional Engineers

Global demographic changes are uneven, and as people move more freely about the globe, associations targeting individuals or companies characterized by global mobility need to consider how these changes affect their own strategy.

In addition, the United States is becoming more diverse[2]. While there is little doubt that the demographic makeup of the United States is changing over time, what remains to be seen are the implications of this change on the association business environment. While demographic changes occur on a national level, they occur very slowly. Only in very specific markets at the neighborhood level or within specific industries do demographic changes occur so quickly as to necessitate specific strategies such as translation or industry/professional outreach or orientation programs.

Critical to this discussion for associations is to identify the point at which the ethnic/racial background of an individual becomes the dominant factor in their decision making vs. other factors such as age, income, education, or cultural assimilation.

In summary, the impact of demographic changes will vary considerable by industry, profession, and geographic location. Each association will need to monitor the effect of these changes and incorporate this knowledge into strategy.

[1] http://www.rand.org/publications/randreview/issues/2011/winter/world.html
[2] The Changing Demographic Profile of the United States, Congressional Research Service, March 31, 2011

Shifting Workforce Means Shifting Markets

As global demographics change, the nature of the workforce also changes. In some countries, older workers will outnumber their younger colleagues, creating a situation where the number of people required to replace retiring workers is insufficient.

The result will be a gap between necessary skills and the available talent[3].

Organizations will address this challenge via some of the following strategies:

- Extending the career arc of current senior level staff
- Recruiting staff with alternative backgrounds
- Investing in training to improve the skill set of workers
- Improving the efficiency of operations to reduce necessary head count

Associations will need to focus on understanding shifts in industry or professional labor markets and the gaps between required and available skill sets in order to develop effective long-term sustainable strategy.

Diverse Workplace Expectations and Organizational Structure

During the last decade, the nature of the workplace and professionals' expectations of the workplace have changed dramatically.

Technology allows the creation of virtual offices and real-time connectivity between people in different locations. Organizations have taken advantage of this communication capability to extend operations across larger geographic markets and to promote remote staff. The result of this change is a growing body of professionals for whom working at home or other locations, and in real time with individuals in different parts of the world, is routine.

The future workforce will be more geographically distributed, and less likely to be attracted to organizations that create restrictive work environments or provide insufficient technology and communications support infrastructure.

This changes professionals' expectations of workplace policies, their perception of the value of physical office space, and expectations of technical and communication infrastructure support.

> *Mobility* - Professionals globally now often expect to work in a virtual mobile environment. Even individuals commuting to an office expect to be able to make calls, check emails, and maintain a work presence while commuting or on business travel.
>
> *Workplace attitudes* - Professionals within developed countries will have less patience for restrictive work rules dictating the times they work and the manner in which they complete their work. Workers in developing countries, while perhaps still operating in more conservative business cultures, will be exposed to this workplace freedom and more likely to adopt it as a common practice than older workers in their organizations.

[3] Six Global Trends Shaping the Business World, Ernst & Young, ©2013

Communications competence - Professionals expect their workplace to provide sufficiently integrated and reliable access to information and communications necessary for work. Organizations which cannot do this will be less attractive as employers.

Debt – Many younger university graduates, particularly in developed countries, are facing substantive educational debt. The need to pay off this debt will influence their career choices and employer selection.

Implications on Association Strategy and Structure

Mission

As associations face a more diverse, competitive, and global environment, they will also face more pressure to clearly define their Mission.

Lost Mission Focus

Without a clear vision of how society, their industry and profession, and the individuals within the association's scope are to be served, the more difficult it will be to produce a clear, focused course of strategic action.

In a global system where information, workers, and capital are mobile, associations with a geographic limit may face competition from organizations with broader Missions.

A vague Mission or the inability to demonstrate a specific Mission focus may open the association to scrutiny of its tax status by government entities and to competitive action by related associations or for-profit entities.

Mission Conflict and Dilution

As stakeholder groups become more global and diverse, the understanding of the Mission by different groups may create Mission Conflict.

For example, a Mission devoted to advancing U.S.-based companies' interests may not be accepted in other countries in which the association is trying to advance the profession or industry. In another example, the Mission of a national association may conflict with those of its components, such as state/provincial chapters.

As an association attempts to serve a larger, more complex audience, fragmentation of interests occurs naturally as a single homogeneous body of individuals or companies becomes more diverse.

It will be essential for associations to understand whom they exist to serve and clearly articulate this, not only in their marketing and communication activities, but in the policies, procedures, and operations of the association.

Markets and Stakeholders

Markets are changing as businesses consolidate and technology and consumer preferences disrupt traditional buying and engagement patterns. These changes have an impact on the individual professions working in organizations.

Uneven Market Needs, Demands, and Expectations

Economic conditions and a particular market's ability to pay may vary considerably by geographic region.

The wide range of economic conditions means that different people or organizations in different locations may have widely different abilities to pay for programs, services, and initiatives of the association. As the scope of the association expands beyond state/provincial or national boundaries the potential for variation will increase.

Diverse expectations that vary by stakeholder segment

As the size and diversity of an association's audience increases, so does the likelihood that different audiences will have very different expectations of the association. For example, a member in China may not have the same expectations as a member in Brazil. A 45 year old member may not have the same expectations as a 25 year old member.

Younger members have different expectations of the workplace, professional advancement, and the role of the association.

Individuals now operate in, and associations now serve, a multigenerational audience. Individuals of different ages were raised in environments with different economic, cultural, and other influences (such as differing levels of technology) and this affects their perceptions of the world.

Reduced volunteer and personal engagement

Individuals active with associations may have less time available for this activity. This means that they will only participate in activities that are professionally meaningful and relevant. In addition, they will expect association staff to lead more aggressively so that they do not have to invest their own time in pursuing the desired outcomes.

High expectations of association competence and performance

Individuals and organizations have been under substantive pressure in recent years to decrease costs and improve objective business performance. A growing body of members and volunteer leaders will bring the same expectations to professional societies and trade associations.

Younger members will have expectations of technological competence and connectivity that will need to be addressed by modern associations. In addition, their comfort level with alternative work models and organizational participation will not only affect their opinions as members and volunteers but also as association employees.

More Complex and Value-Centric Association Buying Decisions

Consolidation may result in fewer, larger, and more sophisticated organizations.

Consolidation means the number of organizational participants in the market may be smaller but the remaining participants will be larger, better financed, and with more specialized, sophisticated staff.

While numbers for membership programs might decrease as a result, larger organizations may represent opportunities as well, since they will be less price sensitive and more willing to invest in feature-rich membership relations that successfully match their needs with association policy, programs, and initiatives.

*Pricing and membership studies conducted by Association Laboratory using membership market simulations consistently show the support by a substantive percentage of members and prospects for feature-rich, premium membership options. For more information on membership pricing trends visit the [Association Laboratory Strategy Blog](). *

Larger organizations often have greater access to specialized support staff (marketing, finance, etc.) eliminating their need for some potential services from a professional or trade association.

Conversely, Association Laboratory's research demonstrates that larger organizations do need support in areas such as regulatory affairs that are critical to the overall strategic direction of the organization, but do not receive the necessary internal funding. Very large organizations also require independent forums for discussion with like organizations.

Team-Based Membership Decisions for Trade Associations

Association Laboratory's research consistently reveals that the membership decision for trade associations is team-based with several people involved. Research into professional associations, though, has also identified the impact of the employing organization.

Individual membership decisions will be made more frequently with the employing organizations restrictions and interests in mind. For professional societies, the average member may have a less influential role within a larger company and less control over their ability to financially support association participation.

This means that the membership decision will not be made without considering the needs of the employing organization, the parameters or limits the organization might place on membership activity and, for trade associations, the relevant interests of different business domains within the organization.

Another important consideration is the reality of the "overseas boss." Individuals in many organizations now report to a person located in a different location or country who may have different expectations of the association or perceptions of the association's value.

Relevance-Based Prioritization of Associations and Association Initiatives

Members will place a greater priority on associations that can serve their specific and most relevant needs effectively in a cost-conscious environment.

Organizations and individuals operating in efficient, cost-conscious organizations will be more supportive of associations that specifically identify and address their most relevant professional and organizational needs. The result will be less interest in supporting associations that offer secondary or tertiary support.

In an environment in which individual and organizational members are much more selective of association memberships, they will look for a stronger relationship between professional relevance and organizational return on investment. Members will resist initiatives requiring substantive out-of-pocket expenditures, such as face-to-face events, unless a clear return on investment can be identified.

Organizational Strategy

Strategic Audience Identification, Selection, and Understanding

Identifying and prioritizing the primary, secondary, and tertiary audiences of the association will be essential to creating focused, relevant information and services.

Improving the association's in-depth understanding of audience needs is essential to identifying how to link their needs with association content and services at a superior level to alternative resources.

The less knowledge the association has regarding its audience, the more likely that some other entity will serve them more effectively. Only by prioritizing audiences can the association create sufficient focus to determine audience needs and information relevancy.

Matching Information to Communities through Context

More information is being produced, collected, and stored now than in anytime in human history. This creates two substantive challenges:

1. How do people and organizations sort through this volume of information to identify what is most valuable?
2. How do we use this information to make better decisions?

Historically, associations have acted as entities which evaluated the quality and relevance of information and matched this information to distinct audiences. Today, though, Google is an example of a commercial entity that is overtaking many associations as the initial source of relevant content.

While resources such as Google provide quick access to a wide variety of information considered relevant based on their search algorithm, only associations have the contextual knowledge to provide for a further and more useful refinement of this information.

The more high level content that is required, for example information for senior executives, the less applicable Google becomes and the more useful curated contextual information from the association becomes.

To combat this, associations will need to establish a strategic focus on matching relevant content to relevant communities by linking information to the context within which the information is used. It is the discussion and use of information that increases its value.

Currently, associations allocate substantive, if not a majority, of resources to the delivery of content and information. The necessity for providing focused, relevant information in context to the needs of members will require a substantial expansion of resources assigned to the identification and evaluation of relevant content for specific audiences.

Action from Government Change

Regulatory change and uncertainty presents a wide range of opportunities for associations. Collective industry or professional action is often an essential role for associations. In addition, members will need to be informed about regulatory impact and educated on how to adapt to or adopt new regulations.

- Education opportunities

  Change in government regulations represent an opportunity for associations since individuals will need to be informed on the implications of new government policy, and supported in their efforts to comply with changes.

- Government budget cuts limit audience participation

  Sequestration within the United States and budget difficulties within particularly large states with very large association audiences (CA, IL, and NY) may limit travel budgets and require a shift for associations reliant on government markets from onsite events to online education.

- Alliance creation and management

  Communications technology has made it much easier for organizations to organize and communicate their views. Yet while advocacy groups have proliferated, there are still a fixed number of elected officials. This means that the volume of information and viewpoints that must be navigated by policy makers has never been higher.

  The result is that it will become much more difficult for any individual association to differentiate its policy viewpoint.

Market Service and Access Strategies May Represent Opportunities

Associations with substantial markets will be seen as portals to these markets by government and private interests. This may create expanded roles for associations to directly fulfill government or other responsibilities not traditionally associated with the association's role, as funders seek less expensive ways to educate professionals or industries on important topics.

Associations may also see more opportunities to act as access points to the market-place by commercial interests interested in using the association as a channel to communicate to a specific audience or as an objective, independent forum to build strategic industry relationships.

Online Strategies Will Grow in Importance

Sequestration within the United States and budget difficulties within particularly large states (CA, IL, and NY) and Europe may limit travel budgets and create incentives to invest in online information and education resources.

Online strategies will gain in importance as associations seek to serve more geographically-distributed audiences through customized content strategies or integrated content delivery strategies.

Strategic Event Strategy Will Grow in Importance

Individuals continue to see events as very important activities but they are prioritizing their attendance more aggressively. The result will be increased competition between associations serving similar industries or professions, and increased organizational pressure to reduce attendance at events without a clear audience and content focus.

Travel restrictions may create incentives to attend meetings closer to home and support efforts by national associations to work more closely with their local or regional components to serve audiences who still have educational or informational needs but may not be able to travel to events.

Reallocation of Resources to Content Identification

When associations review their budget, some of the most significant expense line items relate to content delivery, such as conferences or publications. The line items related to content identification, evaluation, and assimilation, though, tend to be very small.

If content curation is essential to success, then associations will need to allocate substantially more resources to identifying relevant audiences and the information considered most essential to addressing their needs.

Experimentation with New Business, Governance, and Volunteer Models

The association environment is undergoing substantial change emanating from a variety of sources including the economy, government action, technology, and stakeholder expectations. This creates a very dynamic environment without a clear path to success. The result is increased experimentation with different business models, governance processes, and volunteer leadership strategies.

Operations

Local to Global Orientation

Operating within a global system has a variety of implications for association operations.

- Global Monitoring

Since associations of all sizes now operate to some extent within a global system, they will need to improve their abilities to understand a global business and professional environment and, in some instances, work effectively with global government and non-governmental organizations to serve the needs of global stakeholder groups.

It will be important for associations to identify the principal aspects of globalization on their members, the extent of the impact, and then to create mechanisms to review this information and apply it to association strategy. The more significant the impact of global activity, the more important developing a specific business process to accomplish this monitoring will become.

- Global Competencies

Association professionals will need to understand how to engage with a globally-diverse membership and manage the correspondingly complex business model in order to be successful. Associations will need to consider appropriate partnerships and cultural sensitivities in expanding globally; those that do will see their professional or industry leadership strengthened.

Association resources will need to be allocated to do adequate research, develop global business planning, and plan for expenses such as international travel, translations (publications, speakers at meetings), and increased assistance to members travelling internationally, such as securing visas.

Associations will need to educate volunteers about the laws of the country where the association is domiciled. With the variety of laws and regulations throughout the world, volunteers may not fully realize some actions taken may negatively impact the association if compliance with applicable laws is not followed.

- Global Competition

Global competition may impact U.S.-based associations as mature associations based in other countries successfully offer opportunities to member markets in other countries and, potentially, within the United States.

Data-Driven and Rational Decision Making

Associations will continue to be expected to experiment to improve Mission-based outcomes and membership service but a more rational, data-driven approach will be essential given the challenges in the marketplace.

Otherwise, competitors for the time, money, and energy of members will gradually siphon off the most valuable components of the association's market, leaving the organization without a critical mass necessary for long-term sustainable growth.

Association executives will invest more time and resources making data-driven decisions designed to inform more narrowly-focused strategy. The primary focus of these efforts will be to identify the primary market for service; no longer will successful associations try to serve "everyone."

Process-Oriented to Outcome-Oriented Leadership

As volunteer leaders have less time to spend on association activities, they will expect their staff to take a more active and visible leadership role in the association.

Historically, many association executives focused on managing the processes of the association and relied on members, particularly volunteer leaders, for content knowledge and final decisions on key strategic decisions.

Future Board members, faced with less time and higher expectations of association performance, are going to demand accountability for results that will require association executives to improve their strategic entrepreneurial decision making and leadership skills.

Executives with a process-oriented approach may face challenges when working with volunteer leaders who have an outcomes-based expectation.

Leadership Knowledge Gap and Succession

Older executives may face a situation where their tactical knowledge and expertise are becoming so substantively different than that required by the new workplace environment that they may struggle to lead and manage organizations effectively.

Older executives are going to continue working in an environment that is less consistent with their historical experience and they will need to recognize this and adapt their management style to be successful. Younger executives will need to recognize the pros and cons of technological solutions to leadership challenges vs. knowledge gained through experience.

The workplace is becoming more decentralized, more collaborative, and a place where technological competence is an assumption. Skills that may have been important in a centralized, traditional corporate hierarchy may not be as essential in this new work environment.

The skills and experience gap has substantive repercussions. Facing a faster-moving, more dynamic work environment requiring substantial new skills development, many senior executives may opt instead for retirement. As a greater percentage of the "Baby Boom" generation reaches traditional retirement age, this becomes more likely.

Association Workforce Skills Gap

Association executives will have to improve their entrepreneurial and cross-business domain competence.

Traditionally, association executives climbed a career ladder within a particular business domain, for example, finance, membership, or meetings. In addition, the management of the process was as important as the delivery of business outcomes. This has resulted in an industry that places a high value on outcomes (budget, number of staff) that are not measurements of success, but of work.

Future association CEOs will need a more robust education and experience across business domains and will need to demonstrate how they have successfully advanced the Mission and strategic outcomes of the association. They can no longer act as programmatic caretakers of the association's resources.

Burden of Legacy Programs and Stakeholders

Associations are burdened by legacy programs, legacy stakeholder groups, and group expectations which interfere with the strategic prioritization essential to effective use of volunteer, staff, and financial resources.

Association Laboratory research clearly shows that many associations offer a portfolio of programs, services, and initiatives that is too broad to be meaningful to substantial audiences of members or customers.

As organizations and individuals prioritize their time and money for association participation, associations that do not focus on the benefits essential to members and other key stakeholders will face challenges keeping up with a rapidly changing business and professional environment.

Increased Allocation of Resources to Technology Infrastructure and Competence

Technology competence and capabilities are essential strategic tools but, as they grow more important for success, the ability to identify, learn, and successfully use technology becomes more difficult and the speed with which the association must adapt increases.

To meet member expectations and to positively differentiate the association in the marketplace, associations will need to allocate substantial resources to upgrading their technical infrastructure and to increasing the competence of association staff in their use of technology.

Information Security and Information Policy as Core Competency

Identifying, tracking, and using data is essential to good decisions in a complex and dynamic environment. In addition, the association is often the center of information exchanges by outside groups through social media. The impact of social media means the association may become a target of negative communications by opposing advocacy groups or individuals seeking to harm the association's efforts.

Association data security will be essential to retaining credibility with stakeholders.

Associations will need to have a clear information security plan designed to protect the association and its members from data security threats including data theft, privacy, identity theft, or corporate espionage.

Associations need clear strategy and corresponding policies to guide management of information exchange and social media.

The dynamic exchange of information between individuals and groups is a very powerful tool for associations but without a clear strategy and policies to guide these activities, the association reduces the overall effectiveness of its communication efforts.

The Opportunity Cost of Physical Office Infrastructure

Association resources invested in physical office structure will provide less return on investment.

Why would a member in Beijing care how large or well-appointed the association's office is if they never visit or see this office? Why would a 30 year old remote worker two states away be concerned about the quality of the cubicles or staff offices?

Associations will need to understand that capital investments in office and physical infrastructure may be seen as poor financial stewardship as more Boards discuss how this money could have been spent improving services.

Appendix 1: Methodology and Principal Authors

Methodology

To develop *Looking Forward 2013,* Association Laboratory conducted the following research activities and analysis:

1. Review of association qualitative and quantitative research conducted by Association Laboratory during 2012, specifically activities related to environmental scanning, strategic planning, and membership value.

2. Development and facilitation of two online bulletin boards of association chief staff officers.

   Association Laboratory facilitated an online bulletin board of 15 professional association chief staff officers and a bulletin board of 13 trade association chief staff officers in December 2012.

   Participants were provided with Association Laboratory's Looking Forward 2012 Environmental Scanning Report as well as background information on environmental trends in a variety of industries and professions produced by several sources.

3. Modified Delphi review process of draft *Looking Forward 2013.*

   The comments, ideas, and suggestions of the chief staff officers were consolidated and used to develop the initial first draft of environmental factors.

   A first draft of the environmental factors was distributed to the chief staff officers for review in January 2013 and their comments were incorporated into a second draft.

   The second draft was distributed in February 2013 to the chief staff officers as well as senior executives with expertise in a variety of association domains for additional feedback. Twenty-six senior executives provided input and all comments were incorporated into a third draft.

   Association Laboratory developed a draft analysis of potential implications for associations. These were distributed to the chief staff officers and senior association executives. Received comments were incorporated into the final version of *Looking Forward 2013*.

4. Association Laboratory inserted supporting commentary, quotes, secondary research sources, and primary research from relevant studies to support specific points.

About the Principal Authors

The following identifies the principal authors of Looking Forward 2013.

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Dean West is one of the nation's most recognized experts on association strategy. He is a former association CEO and has served as Chairman of the ASAE Professional Development Council and as a member of the ASAE Membership Council. He is also a former member of the Board of Directors of the Association Forum of Chicagoland.	Cecilia Sepp is a nationally recognized expert in association management. Ms. Sepp is a former member of the professional faculty of ASAE University and has served as Chair of the ASAE Communication Section Council and is currently serving on the ASAE Components Council. She is also a member of the Content Creation Committee of Association Media & Publishing.	Carol Wolinsky is an award-winning senior executive researcher with more than 25 years' experience leading integrated research projects for corporations and trade and professional associations.

Association Laboratory Inc. is a strategic think tank and consulting firm specializing in the research and development of business strategy for trade, professional, and credentialing associations. The award-winning company serves a national client base of leading associations through strategic qualitative and quantitative research, management consulting, and strategic planning through staff in Chicago, IL, and Washington, DC. More information can be found at www.associationlaboratory.com.

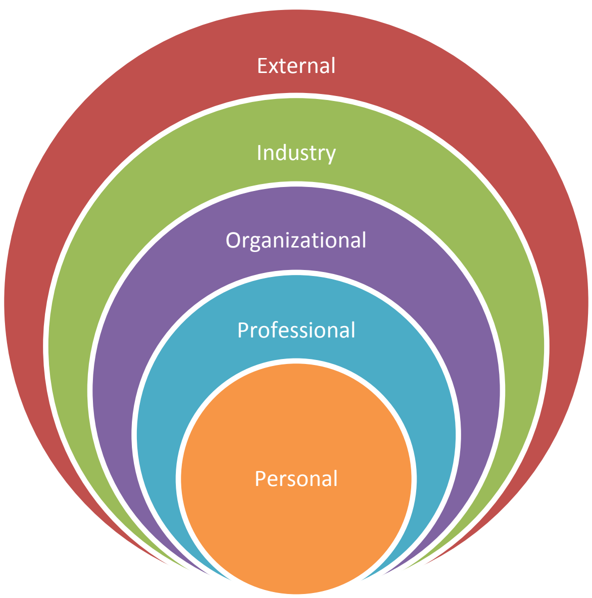
Appendix 2: Association Laboratory Environmental Scanning Model

The Association Laboratory environmental scanning model postulates that there are five distinct areas of the environment to be monitored:

1. *External* factors – changes in the environment beyond the control of the association or its industry or members. These are factors substantively external to the profession or industry and its participants.
2. *Industry* factors – changes within the industry in which the association's members are predominantly active. These are factors affecting groups of companies or organizations in the same business domains, commonly referred to as industries.
3. *Organizational* factors – changes within the organizations that represent the predominant employing entity within the industry. These are factors affecting individual companies or organizations.
4. *Professional* factors – changes within the profession that is predominant within the organization represented or served by the association. These are factors affecting groups of individuals commonly organized by profession. They impact groups of individuals.
5. *Personal* factors – changes in the personal lives of individual members or the people who work at member organizations. These are factors affecting the individual.

Environmental factors can exist within a single level or across multiple levels. The more areas crossed by an environmental influence, the greater the strategic implications.

<u>Other important considerations include the following:</u>



What is the likelihood of an environmental factor occurring?

What is the severity of the environmental factor? How big is it?

What is the variability of the environmental factor? How much does it change over time?

What is the speed of change? How quickly does it change over time?

By understanding the environment within which the association and its members operate, one can more accurately predict future challenges, opportunities, or needs.