The Future of

Component Relations

A Whitepaper for the Association Industry

March 2014

"Most deadly errors arise from obsolete assumptions."

Frank Herbert

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Overview

Association Laboratory, in partnership with the 2013-2014 ASAE Component Relations Council, conducted a qualitative study of association environmental factors, principal challenges, and key success factors related to the future of component relations. This white paper identifies critical factors affecting associations and their components, and potential implications for association strategy.

The Future of Component Relations incorporates commentary from 13 senior component relations professionals representing both trade associations and professional societies.

Association Laboratory recommends that association executives use *The Future of Component Relations* as a discussion guide to identify specific issues with significant impact on the environment within which their members operate and the implications for association and component strategy.

For additional information on the specific methodology by which *The Future of Component Relations* was produced, see Appendix 1.

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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Introduction

Component relations is a vital and necessary subspecialty of association management, yet awareness of the scope and experience required to successfully manage a component relations program is still very low within the profession.

Awareness of the value to associations of component relations programs is also very low, and this could be related to the lack of understanding of this complex and demanding subspecialty. For example, there is still no comprehensive definition of components, their role, and how they support overall association goals. Within associations, there is sometimes confusion about the role of components and the staff that support them.

This fractured understanding creates a challenge in communicating internally an important message: *for many associations, a foundational part of their value proposition is their component structure.* This is where members are finding community throughout the year; this is where they can engage at a lower cost; this is where there are (sometimes) more volunteers than at the top levels.

From strategy inclusion, to budget considerations, to staffing, to the importance of in-person relationship building, without awareness by top-level staff and global/national leaders of the existence and priority of components, they will not be accounted for as a central piece of association strategy the way they need to be.

Environmental factors from the economy to technology to globalization are affecting every aspect of society. The move to mobile devices to access information on demand and to communicate almost instantaneously has forever changed the way individuals interact.

These changes in interaction, access, and communication are a dichotomy: they represent an unprecedented interconnectedness, yet demonstrate the increasing splintering of people into a kaleidoscope of market segments.

Interaction is not necessarily on a grand scale any longer. Rather, it is within narrowly defined groups who communicate with very specific people on very specific subjects. One individual may belong to multiple groups depending on their areas of interests, so, they do not necessarily feel the need to join "an association" with dues payments, obligations, and requests for time commitments.

The world is now about specific networks. It is not necessarily about belonging to large groups (although that is still a motivation for some individuals from older generations). Recognition comes from instantly posting to a Twitter feed, sharing a photo on Instagram, or posting a funny story on Facebook or Tumblr. For in-person interaction, just organize a "tweet up" with your followers or text your friends to meet you at the local coffee house. The power of specific networks locally (geographically) or by specialty will continue to grow, creating an ongoing evolution in the models associations use for engagement.

In response to a fracturing, splintering market, it is time for associations to re-evaluate the role and contributions of components and how they can support overall association goals in providing membership value, engagement, and identification of market segments.

Environmental Factors

Globalization

As associations look to branch out to include professionals in their industry from around the world, components will play a key role. Globalization needs a balance of virtual (being able to connect with the global community of professionals) and local (forming the local community of professionals – where local could be city, county, province, state, or country). This global outreach has a number of different possible structures – local chapters, alliances with existing organizations, federations – yet all of them fall under the heading of component relations. As an organization looks to expand globally, its component expertise is going to have to grow in kind to balance various cultures, laws, leadership structures, and connection platforms.

As reported in Association Laboratory's paper, "Looking Forward 2013":

> **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.

Including members outside of the U.S. presents continuing challenges, as noted by one white paper contributor, "Globalization continues to be a strong factor in component relations strategy. Even for those of us that have had global components for years, the challenges and opportunities are endless. From finance, to structure, to policy enforcement, to the concept of volunteerism, the list of items from which one must develop a management and growth plan is limitless. Not believing that we can develop and manage components the same way around the world, balancing fairness and equity is a concern."

Economy

Economic factors – local, national, and global – always influence decisions of members and potential members; decisions related to participation are most directly linked to the availability of financial resources, and whether or not investing in an association membership or participating in a conference is considered "a good use of money."

However, since 2008, the economy has gone from a near world-wide depression (narrowly avoided) to a level of stagnation that created hesitancy among businesses and individuals to spend. While the economy is slowly and cautiously improving, a trend noted since 2011-2012, hesitancy to spend is still a major driver in financial decisions.

"As individuals and corporations recover from the economic recession, they are seeking value-added ways to best invest in professional development, staying current in industry related news and being perceived as value-added themselves. Local Forums, SIGs and Chapters provide this opportunity as well as virtual groups. They help to keep members engaged and connected while limiting travel expenses," noted a contributor to this white paper.

As the economy is now global and interconnected, world markets impact each other more quickly and with more force than in previous decades. Add to this the impact of climate change on natural occurrences (such as storms and heat waves), and strategy for any organization becomes increasingly difficult to create in a world where the ground is always shifting.

Component strategy on the world stage during a time of economic uncertainty and social upheaval will require a commitment to adapt to multiple external factors and to change current structures of components to be responsive to a rapidly changing environment. Components must be willing to

become nimble organizations, recognize trends, and be early adopters of new technology to stay relevant in this environment.

The current climate affects how members decide to join, what they want from membership, and how they will engage and interact. Components can serve an important role in recruiting and retaining members through programs that are tailored to individuals in unique settings, whether it is geographic or specialty related.

Associations are still dealing with financial challenges, and this could result in staff and leadership pushing components to become revenue sources for a national or parent organization rather than a member service that is supported by association funds.

Economic difficulties have been a serious and constant aspect at all levels of associations, but there is some positive movement in the global economy at this time. Looking to the future, improving economic situations will lead to increased funds for participation. Additionally, economic improvement could lead to increased membership and thus, increased component activity and opportunities for recruitment at the local and specialty levels.

A caveat for the future of components is the move by government at the federal and state level to increase their revenue streams by increasing scrutiny of associations and their components with the goal of revoking tax exempt status. Associations could lose their local or state components if they are not compliant, and this could directly impact their viability as a national association with tax exempt status.

Federal and State Legislation & Regulation

For both trade associations and professional societies, legislation and regulation at all levels of government impacts how members do business, and thus, influences the resource allocation by members to association activities. The most obvious example of this is the impact on the decision to join because paying dues is a financial commitment (an allocation of funds), but it also impacts the decision to allocate time to association activities.

While income is just as important to an association as any other business, the resource associations require from its members, which a business does not necessarily require from its customers, is time. It is not just a matter of time to volunteer, but time to travel to attend conferences, time out of the office to participate in local events, and time to contribute knowledge and expertise to the creation of educational resources (such as conference sessions, webinars, and magazine articles).

Sweeping legislation, such as the Affordable Healthcare Act and pending immigration reform, bring additional costs related to compliance, implementation, and administration. These increased financial and time investments, simply to do business, directly impacts workloads; specifically, more time spent at

the workplace decreases time available to participate as a volunteer or active member in a trade association or professional society.

This directly impacts the viability and success of components geographically (such as state and local chapters), and non-geographic components (such as special interest groups or SIGs). Whether or not it is clear to a national or parent association, individual members interact with their association in a "small way," meaning not all engagement is via a national conference or association-wide activities. The individual member engages through the chapter in his or her area, or by connecting with others in their area of specialty on a regular basis. To many members, their interaction locally or through a specialty group *is* their association experience.

Those who do not wish to engage with the association, but rather use it as a source of information (also known as "mailbox members") will likely not be impacted by changing federal and state requirements as they are not currently interacting in an active way. Thus, the time and cash invested by mailbox members will likely not change, other than if they decide to discontinue membership to save money.

State and federal regulation changes for non-profit and tax exempt organizations are a serious threat to the financial viability of associations, especially as scrutiny increases at all levels of government in a search for increased revenue.

A contributor to this white paper summarized it well: "I believe the individuals (paid and volunteer) that manage the business of our components do not understand many of the nuances between non-profit and tax exemption in the current environment and that possible regulatory changes in future will introduce more complexity into the relationship we will have with our components. Parent organizations may find a need to really step up the education aspect in terms of managing the business of the component."

In addition to concern related to maintaining tax exempt status and remaining compliant at a time of stricter rules and monitoring, associations will need to decide if allocating additional resources for the education of both volunteers and paid component staff is a viable option. Another consideration will be whether the global, national, or parent association should step in and manage all the components, a move that would require significant resources in time and money. The use of association management companies (AMCs) for components is an area associations may wish to explore as a way to better focus time and financial resources in support of the association's network.

However, it is possible that the increasing impact of legislation and regulation, and its accompanying political impact, will demonstrate an increased value of participation via grassroots organizations and associations. A contributor to this white paper noted: "Individuals and groups will see a greater value in grassroots connections and the power of numbers to impact positive change and influence. Associations will be instrumental in supporting and connecting these groups and providing applicable knowledge, guidance, and resources."

Changing Demographics

Demographics have always been a strong influence and factor in societies. However, the United States is currently seeing the other end of the impact of the Baby Boom Generation.

The Baby Boom Generation, which is the generational result of the end of the U.S. involvement in World War II, significantly increased the population and led to changes such as increased building of schools, a focus on women staying in the home rather than pursuing careers, and the beginning of a focus on children as a separate demographic with unique needs.

This attitude was a far cry from previous generations' attitudes toward children, best summed up in the old saying, "Children should be seen and not heard." It was completely opposite of the Victorian attitude of treating children like little adults.

The Baby Boom Generation was not only seen, but heard, as it went on to become active in politics and social change, from the Civil Rights Movement to the local PTA. From the workplace to the polling place, the "Baby Boomers," as they became known, made their presence felt and led the way with their attitude of participation and their belief they could make things happen.

However, all good things must come to an end, and thus, the time of the Baby Boomers is nearing its close. This demographic tidal wave is ebbing, and the number one cited demographic issue – economic, social, and political – seems to be "the retirement of the Baby Boomers."

Not only are they leaving the workplace, taking with them valuable skills and knowledge, they are taking with them a driving force of associations: the commitment to participate through volunteering.

Engagement of the generations following the Baby Boomers – Generation X, Generation Y, and the Millenials – is a much more challenging endeavor as they have different motivations, interests, and attitudes. How do you convince these generations that participating via a formal organization is important when they can tweet their friends and meet up anywhere to share information, make connections, or collaborate, with minimal time and financial investment?

Additionally, these younger generations function in a completely different type of economic environment than the Baby Boomers. While once a college degree was almost a guarantee of employment, today's college graduate may be under-employed and living with their parents or roommates for years post-graduation. Economic security is a concept that has little or no meaning at this time; obviously, participating in a professional society or trade association is difficult if you do not have a job.

While these generations do participate and value contributing to causes they believe in, conformity and formality are not necessarily drivers for them. Identifying what will create commitment from these

generations will be vital to the ongoing viability of associations, but it is critical for the continued existence of local chapters and non-geographic components.

This will likely require an evolution in the structure of components, how volunteers lead, and a re-evaluation of what is perceived as "value." If associations do not work with components to address the needs and wants of future generations, long-term viability of both components and associations will be threatened.

A contributor to this white paper summarized it like this: "The way people volunteer and [the] amount of time they are willing to spend volunteering is changing and components are not keeping up with evolving with these changes. As Baby Boomers retire and make the decision to step back from involvement in professional associations, the generations to follow do not appear to be as willing to step into just 'filling' the volunteer roles as currently developed. Components need to rethink their volunteer models and restructure these opportunities in a way that is attractive to volunteers but still provides benefit to the component."

Integrated approaches across all components and areas of the association to identify and serve the needs of future members and volunteers are necessary to continue offering avenues of participation to a myriad and changing member market. Responsiveness to demographics over time will be the test of organizational flexibility and adaptability.

Impact of Technology on Relationships, Communication, and Education

As noted in Association Laboratory's white paper, "Looking Forward 2013":

> Continuous Connectivity
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> 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.

In the next iteration of Association Laboratory's research, it was reported in "Looking Forward 2014":

> **Information management is the leading environmental concern identified by association members; association executives are struggling to manage members' expectations regarding information management issues.**

Members' challenges with information impact associations in a variety of areas ranging from their ability to manage members' expectations to developing and providing relevant information through multiple delivery channels. Associations play an important role in helping their members sift through massive amounts of data to identify the information that will be of most importance to their industry or career.

Association Laboratory concludes that associations will continue to be a critical resource for members but that the development of comprehensive strategies to help members deal with information management issues is a strategic priority for associations. Associations need to assimilate industry or professional data, transform it into information, and communicate it to their membership quickly and efficiently, as well as in a context pertinent to the decisions members are making.

The rapid and ongoing changes brought by technology and online communications seriously impacted associations and how they provide value to members. Mobile web and social media will continue to impact the ability to connect and share experiences locally and globally. This will present challenges and opportunities for components and the national or parent organization.

As components try to maintain their position in the marketplace, adoption of technology for delivery of information, presentation of education, and instant communication is not just an option – it is a requirement.

In today's environment, technology is not static in the way of online delivery, such as via websites on desktops – it is mobile. *Mobile means delivery via multiple devices, such as smart phones, tablets, and laptops. It also means preparing for devices that are yet to hit the market, like Google glasses.* How do you deliver content to a member that is reading it on a lens?

Mobile strategy impacts components and parent organizations equally because it is a competition to be "there," meaning wherever the member happens to be. This is a critical factor for the future; as one contributor to this white paper emphasized, "Finding a balance in a mobile strategy to serve member needs without overwhelming them with options is a challenge I have yet to see tackled by an association. This, unlike social media, is not something associations can take a 'wait and see' approach [in addressing]. If you aren't out in front of mobile, you can't catch up. Either we lead, or our components will."

Technology will always impact components and how they operate because it is always changing. Adaptability and fast responses to how members are using technology for communications and education are a necessity for a very simple reason: technology has the potential to create substitutes for local components.

"Building strong components that capitalize on and grow with technology can avoid being replaced by technology. In this manner, technology should become the means for bringing together and

strengthening component relations instead of a replacement for organized components," theorized a contributor to this white paper.

Education and professional development are a main focus of many components (both geographic and specialty-related), and changes in education delivery, such as online training and webinars, are already affecting components. Educational forces related to the use of technology to deliver training will have a greater impact over the next few decades as teachers increasingly educate students at remote locations using technology, students submit homework online, and online "real time" study groups replace many of the traditional educational activities that are familiar, yet increasingly less relevant.

Increased Competition for Members' Time, Money, and Participation

Competition is no longer just about competing with similar organizations; it is now a competition for time, money, and participation. Participation could also be viewed as a competition for members' energy.

Business evolution has led to a 24/7 environment. This pressure leads to a continuing decrease in the time available for volunteers to engage at the component level. The current business environment relates all time expenditures to productivity; travel time of 30 minutes to participate in a local event is seen as 30 minutes of lost productivity. Communicating value related to participation becomes more difficult and yet more essential.

When it comes to other associations or organizations, the competition has increased significantly due to the pressures of less time, less money, and constant connection via technology. In addition, competition from free sources of information and resources makes it difficult to develop strategies related to positioning against a competitor. How does an organization that sells access compete with free access?

The decision to volunteer is based on an opportunity tailored to individual interests and strengths, a variety of volunteer time commitments for those who want to serve for 20 minutes or a full year, recognition for their efforts, and the right "ask." With expanded reliance on components to be the association's local provider of community and value, there will be expanded volunteer needs. Associations must update their approach to volunteer management to meet those needs.

The volunteer pool that associations are pulling from will continue to evolve based on numerous factors, including generational views on volunteering, their perception of the value of the experience, and the tools and technology that allow volunteers to support the desired results. The trend of creating more micro-volunteering opportunities within the organization will continue as a way to increase the volunteer pool through these opportunities.

An evolution in traditional volunteer roles is required, as well as an evolution in avenues of participation. Non-geographic components are uniquely situated to meet member needs and create community because they do not depend on traditional models, like local and state chapters do. However, because

of increased competition, it is possible that associations will begin to eliminate components in an effort to focus resources in an effort to remain competitive.

Meeting Expectations of Value

With any investment, there is an expectation of value. If someone buys a $12.00 movie ticket, they expect a certain level of entertainment. If they do not like the movie, then they did not have their value expectation fulfilled.

The value expectation of membership can be viewed in a similar light, especially in associations where component membership requires an additional monetary investment. If an additional investment in the association is being made, then is there additional value received by the member? Is the local or state chapter presenting programming? Are there sufficient opportunities to meet and network with peers? Does the chapter provide useful information in their newsletter?

A specific challenge in this area can be seen in the area of non-geographic, or specialty, components where there may not be regular face to face participation or activities to engage members. Finding ways to build community in specialty components is essential to creating value.

Part of this creation of value is maintaining distinction in products, services, and experiences. "As information outlets continue to increase, emphasis must be put on developing high quality, tangible deliverables as a return on membership investment. This requires strategic analysis and planning from both volunteer leaders and staff," noted a contributor to this white paper.

Organizational Priorities and Component Relations Strategies

Organizational priorities will continue to play a huge role in component relations strategy. As many associations transition from viewing components as a business function that is "resource intensive," and shift to seeing them as a strategic element for organizational success, this will elevate the role of components and component relations professionals within the organization and their value to the growth strategy.

The national or parent association cannot provide the tailored value and benefits that a component can – whether the common thread is a geographically-centered community or one organized around a single industry area. The component does not have the full resources of the association to fund new products and services, create global connections, advocate on behalf of the profession, or organize large conferences and trade shows.

Creating a culture of cooperation starts with open dialogue, recognition of strengths on both sides, and strategy synergy between the component and association. While there may be areas where there is

overlap of paid-for services, there is a much greater potential for complementary offerings providing greater options and value to the member, which strengthens both the association and its components.

Though not a new problem, now more than ever associations have to look at their organizational strategy to align with the reality that they can either compete with their components to everyone's detriment, or find a way to cooperate for mutual benefit.

Principal Challenges

Culture

Association culture is the deciding factor in whether or not an association and its components work successfully together or waste resources in competition and in-fighting. The ongoing "us versus them" mentality from both sides becomes an obstacle to change and to utilizing every component of the organization to its fullest potential.

The ability to implement new strategies, programs, processes, and technology quickly and effectively will define the associations and components that succeed in the coming years. This will be best accomplished by collaboration and team work, which requires the building of strong relationships. Continued resistance from components to being "told by national" what to do and how to do it, and national's inclination to "tell" rather than work with, is a situation from a bygone era. The time for cultural change from hierarchy to partnerships is now.

This includes the continued balancing of components with the national organization; inclusion in strategic planning, building consensus on mission and methods, and channeling energy, ideas, and enthusiasm from all stakeholders is the way to create a culture of partnership and community. This approach provides balance between meeting the goals and expectations of a component (whether geographic or specialty) with the broader goals and needs of the association as a whole.

Demographics describe individuals within a community or society; as the demographic profile of a group of people changes, so does the culture. As post-Baby Boom generations increase their role in society, their role in associations will increase as well. Leadership opportunities that speak to "a new generation" will need to be developed and these positions may look nothing like the traditional leadership positions that associations are used to using.

Components will also need to look at leadership terms, commitment expectations, and the type of volunteer opportunities that will help to keep the components sustainable, without over-committing the volunteers and members. New generations of leaders are not as willing to make year-long or multi-year commitments as their predecessors, and this is affecting volunteer recruitment at all levels of the association, not just components. This contributes to the lack of new volunteers, and thus, the lack of new ideas.

Changing demographics also affects the way members want to come together and interact. While Baby Boomers and Generation X prefer to attend conferences, younger generations are just as happy with a Webinar or virtual gathering. The incorporation of texting, real-time chats, and online video connection using services such as Google+ hangout and Skype are the way of now, not the way of the future.

The Need for New Business Models

In the section outlining Environmental Factors, the common theme is the need to adapt to an environment that is completely different from the one in which the Baby Boom Generation grew and became leaders. However, Boomer members are still the "old guard" association leaders in many organizations, and their mindset is not changing as quickly as the environment.

"This is the way we've always done it" is a common saying in associations – it is also a sign of stagnation, a situation that associations can no longer afford to tolerate. Thinking like a "60 year old white man," as students of ASAE's CAE program coach each other to do, may be a way to pass a test, but it is no longer the way to run an association.

Associations with components need to find ways to more actively engage with them and create partnership opportunities; those without "official" components will need to find ways to engage members on a "micro level" through specialty connections and additional face to face meeting opportunities.

Support from senior management and the board of directors in adopting strategies that fully engage and utilize components is a challenge that impacts performance, but is also a reflection of association culture. Associations say they want components to be successful, but then fight them when they exercise autonomy, and at times hold them back using policies and restrictions that were originally set up to help. Finding the right balance and partnership with components is vital to long-term success but is often interrupted by the previously mentioned mentality of "us versus them" between national organizations and their local or specialty components.

Success in addressing this challenge is essential in an era of globalization and world-wide connection via technology. With a growing global audience, associations and their components must find the right organizational and governance structure that sustains its global strategy and mission.

As one contributor to this white paper asked, "Who is more in-touch with our members, staff at international [level, national level,] or our component leaders? Who has the ability to make a bigger impact on a greater number of members, international or local? There has to be some give and take on both sides; unfortunately, only one side is reviewing and approving the strategy and plan."

In comparison to global, national, or parent associations, component business models are also no longer relevant. Unfortunately, this is just as tough to communicate to components because, like boards of directors and senior management, they do not want to hear that they are going to have to reinvent their business models.

Individuals no longer join an association because it is expected as a professional; they want to know that they are spending their money on something that will be of value to them. Components have to develop

a model that shows value for the membership dollar just as urgently as a national or international association.

Associations that have relied on face to face educational meetings for financial stability are finding it more difficult to sustain these meetings with so much education available online and so few employers willing to pay for people to attend meetings. This directly and significantly impacts components because much of their business model has depended on presenting onsite, in-person education opportunities.

While pointing out that the requirement for new business models is necessary, there are additional challenges that need to be faced before this challenge can be addressed.

The most important challenge to meet is the one that keeps associations in a position of stagnation: resistance to change. Educating and convincing boards of directors and senior management that associations can no longer continue on with the same business model is a daunting task. Crafting an argument that brings an organization to consensus takes time and commitment from those stakeholders who realize the situation: they see the change coming but know that no adjustments are being made to adapt to the new situation. It is a similar situation to the decline of physical newspapers and the rise of news and information delivery online. This leads to serious strategic questions:

1. Will associations create consensus for new business models before associations disappear?

2. Will associations be prepared financially to attempt various business models to find the right one?

3. Will associations have the resources to invest in expanded use of technology?

4. How will the new model include components? Will components be partners? Will they share resources?

5. Will there be continued competition in an environment where components and associations cannot afford to compete with each other?

Components have long been "mini" national associations, offering access locally to networking and education. However, this role is changing as the environment changes. Association strategists have to be realistic in the purpose and platforms for component relations. Geography is no longer the sole driver for bringing members together through components; technology has made it possible and easy to connect with people anywhere in the world.

The key question for the future of any component is: what is the commonality among member segments and how can the association best bring members together in a sustainable way? There are many areas that bring members together: issues, advocacy, topical areas, and professional challenges. Establishing a clear purpose for the group is imperative to long-term success in delivering content that addresses the purpose of the component. This approach is integral to the longevity and effectiveness of the group.

Resources for Component Support

Resources for ongoing association activities are tight, and historically, this has been the case. Now, in the wake of the 2008 economic fallout, budgets are smaller, staffs are smaller, and association choices are being influenced by the need to distribute fewer resources in a more demanding environment.

In line with other pressures on components and associations, including lack of time and financial resources, those leading components are requesting additional support in the area of content development for local delivery. The content needs to be current, relevant, engaging and, most importantly, must meet the needs of the local components. While the components increasingly rely on the national or parent organization to create this timely content, the association itself is facing increased money, time, and staffing issues that hinder these efforts.

Technology will continue to play a pivotal role in the future of associations and their components. Whether it is training or building a virtual community, components are seeking more and more online solutions. Part of the challenge will be determining solutions that create stronger communities, components, and associations.

Components may need assistance with content development and better use of technology, while also requesting support for new programs and services. However, the association may be hard pressed to provide resources for "the basics," such as making sure that all components are meeting federal and state requirements for maintaining their legal status. Additionally, association staff needs to continue to support training and education for component leaders and component staff (where applicable), depending on the same dwindling resources.

Volunteer Leadership Development

For many associations, whether they realize it or not, the components system is their funnel for leaders at the national level. Often, association volunteers are first groomed for their national/global service at the component level. This is where they first learn of the association, where they get their first taste of participating and leading. Their rise to contributing at a broader association level often comes with a great deal of effort on the part of the volunteer to stay involved, and by building a strong internal network to identify future leadership opportunities.

Making this experience for the volunteers more attractive and less burdensome is critical if associations are going to get the right people stepping into leadership roles. Teaching components how to cultivate leaders should be part of every leadership development plan. Providing opportunities for local leaders to develop leadership skills and attend leadership training should be part of the benefit of serving.

Limited time plus the anticipation of new volunteers means an increased need in volunteer training and easy resources that can help them accomplish the mission of the components. The goal is to set the component up for success and have the volunteers focus on the mission of the organization.

As associations look to develop a more detailed component relations strategy, the need for there to be clear leadership and professional growth pathways throughout the entire organization – from the local to the national or global – is essential to keep those who have the most to give involved, and retain their knowledge, expertise, and passion to share with the next generation of members and leaders.

Demonstrating Value and Return on Investment

Component relations is the pulse on whether or not an organization has a healthy relationship with its members. If the association's value proposition does not provide a clear and strong role for components, it will be difficult to develop a component relations strategy that will have the support and investment of leadership. The current competitive environment makes it a necessity for associations to re-visit their value proposition, assess what the members need and come to the organization for, and to predict emerging industry trends. The component members are the perfect place to gain this kind of insight and to redefine the value proposition for a changing environment.

Often, however, components are not direct-revenue generating. While components may provide some dues revenue, that is not the true power of components. The benefit to the association of components from a fiscal perspective comes in the form of a larger customer base, greater awareness of products and services among the membership, and non-dues revenue that is not attributed to the component.

This unique financial situation requires that component relations staff show return on investment for programs and services to the rest of the organization; this may require justification of increases in component relations budget line-items when income overall may be stagnant. The entire organization must understand that programs and services that do not generate direct revenue are still valuable to its members whom participate through components.

These programs that may appear to be "give aways" to some are actually quite valuable to the overall association for the simple reason that, by working with a local/targeted population, components have a much easier job of recruiting new professionals to get involved. These are professionals that may have never heard of the association previously or may have a misunderstanding about what membership includes. Components can recruit brand new customers for the association, who also may become fully engaged members.

Through their meetings, education opportunities – even networking events – the component is functioning as a microcosm of the larger association. As such, if their leaders understand how the association's products and services supplement the available value of the component efforts, they will distribute that knowledge and encourage engagement and purchases.

Metrics in this situation are challenging. If the component successfully upsells more of the association's non-dues revenue opportunities, those sales will usually be reflected on an individual purchaser basis and not attributed to the work of the component. Instead of being viewed as a local marketplace and community the component is then too often viewed as a drag on staff time and association resources when the opposite is likely true. Finding ways to measure broader component contributions will support the demonstration of value of the components, and better quantify the return on investment by the association in supporting components.

Success in this area will also support the demonstration of value and investment to the members who participate either locally, nationally, or both.

Key Success Factors

The qualitative research conducted as part of the preparation of this white paper led to the identification of seven (7) key factors for successful component relations programs and strategies.

Engagement

In its 2014 white paper, "Implications of Economic, Market, and Societal Change on Association Engagement," Association Laboratory defined engagement:

> In order to use engagement in decision making, we must measure it; in order to measure it, we must define it. Forrester Research developed a definition of engagement as early as 2007. This definition posited that engagement consisted of four important components:
>
> **Involvement** – the "touches" between a person and the organization
> This component of engagement is the basic approach of a person to the association. Common measurements would be web page views or requests for information. At this point there is no "back and forth" or purchase transaction.
>
> **Interaction** – the contributions or back and forth between the person and the organization
> Interactions represent the common "transactions" between a member and the association. Interactions would include becoming a member, purchasing a book, or registering for a conference. Interactions go both ways though, so this area also includes volunteering or writing an article for the newsletter. Interaction is not only when the person requests and receives something from the association but also begins to contribute to the association.
>
> **Intimacy** – the sentiment (likes or dislikes) of the person regarding the organization
> Intimacy represents how the person "feels" about the association. Potential measures might include satisfaction or net promoter scores or "likes" on the association's Facebook page. Intimacy is indicative of a person's emotional commitment to the association.
>
> **Influence** – the likelihood and strength of a person's promotion or advocacy for the organization
> The influence stage is when the member (or other stakeholder) begins to actively promote the association, for example, through a member-get-a-member campaign.
> When taken together, these four components represent a model of engagement that can be measured, tracked and used to guide business strategy.
> Engagement is a new way of looking at the relationship between a person or business and the association. It offers associations an important tool to improve this relationship and use it to influence outcomes.
>
> It is important to note that our understanding of the concept of engagement is still in flux, without a clear right or wrong way of using it to inform decisions. The association community will need to continue experimenting with engagement and discover what works and does not work regarding association strategy.

Also included in the "Implications" white paper, Association Laboratory outlined the following aspects and attributes of engagement metrics:

6 Essential Aspects of an Engagement Metric

Defining engagement metrics enables association executives to make better decisions about membership commitment, loyalty, marketing, attrition, volunteer activity, and other contemplated business goals.

Engagement is a consolidating metric that identifies the link between desired member behaviors and desired association outcomes over time. Without a link between behavior and outcome, measuring engagement is just an interesting intellectual exercise.

Engagement is difficult to measure because it tracks the relationship between two moving points: the *member's relationship as defined through behaviors* and the *association's business goals*.

Member behaviors and association goals are both dynamic over time.

Transactions do not equal engagement. Engagement is a personal relationship not a transactional relationship. If you limit the definition of a person's engagement to purchases or meeting attendance, you create an artificially limiting definition of engagement that ignores the individual's feelings of commitment to the organization and the emotional connection to the Mission and people of the association.

6 Essential Attributes of an Engagement Metric

To develop a successful and useful engagement metric, it is necessary to determine the most important association objectives and the member behaviors the association seeks to influence that are most closely linked to these objectives.

A good measure of engagement will have the following six characteristics:

- **Objective** – the metric should allow for objective comparisons between members and member audiences.
- **Durable** – the metric should be survivable across time to provide for longitudinal analysis.
- **Valid** – the metric must link relevant member behaviors to desired business outcomes.
- **Comparable** –the metric must identify the increase or decrease in the individual member's engagement relative to previous behavior over time.
- **Relative** - the metric must identify the improvement or decrease in the individual member's engagement relative to other members.
- **Robust** – the metric must act as an index allowing for the identification of changes, not only in overall engagement, but in particular subsets of engagement that are linked to a particular business goal.

Modern associations develop assumptions regarding what behaviors correlate most closely with desired behaviors then develop a model to test these assumptions. Using data mining techniques, you can validate your model using the historical behaviors of your members.

Engagement is an important metric for all associations and their components. At the macro level, this is measured as participation at all levels of the organization, such as prospects becoming members, members becoming volunteers, and volunteers becoming leaders.

At various levels of the association, this metric could be measured as developing a value proposition for the current generation of members and leaders, but also looking ahead to the value proposition of the future that will be compelling to post-Baby Boom generations.

A specialized metric would be measuring the engagement of member leaders; this keeps the association in touch with what is most important to each specialized component and supports the association's efforts to continue meeting their needs. Additionally, engagement in the success of the component tends to promote ongoing commitment to the component and the association.

However, engagement cannot just be measured, and cannot just be for the benefit of the component or association. There must also be a return on engagement for the members, the volunteer leaders, and for the businesses or employers who support individual involvement and engagement in associations.

Communication

As in any relationship, communication is a key to success. Improved communications between national and components will build stronger relationships, minimize the "us versus them" mentality, and support development of a joint strategy to serve the members' needs.

Part of a strong communications program is having collaborative conversations with stakeholders and confirming a shared understanding of roles and responsibilities. Collaborative conversations also support the setting of realistic goals and ensures the clear communication of goals to stakeholders.

Associations should have a communication plan for their components that includes regular, ongoing sharing of information and ideas from the association to the components. A communication plan is required if an association wants to have the support and partnership of components in any area of association strategy. The more people communicate, the more understanding is created, and the more support is created for shared goals. This communication plan should include component feedback so that the communication flows in two directions, not just one way.

If the association and its components can form a good working group of staff and members, this group can begin new strategy building for member recruitment/retention programs and raise the morale of the organization leaders overall. Maintaining good working relationships with component staff and key leaders assists with building trust between the association and its components.

Meaningful Programs, Resources, and Education for Components

Providing programs and resources to the members and to the component leaders contributes to success, but only if the resources are meaningful to the audience. Associations must confirm that what is being delivered is what is needed. Data driven decisions need to be made so that valuable resources are applied to the correct areas.

Not only must there be an understanding of what components need to be successful, associations should assist components in aligning what they do with the overall organization strategy. By doing so, there will be greater organizational commitment, and by working towards alignment, components can identify and eliminate unnecessary programs and activities that do not contribute to success. This effort supports components with developing new or updating current business models.

Components rely on volunteers just as much as the national association does. Providing resources to help components build processes that are viable in terms of soliciting, onboarding, communicating and working with volunteers will help them further connect and interact with members and volunteers. This will contribute to the ongoing leadership development funnel for the entire association since many leaders begin engagement in a component.

Legislation and regulation are strong environmental drivers for associations. Providing training for components on state and national regulatory changes will help components stay on top of changing requirements and communicate these to their members. Providing components with timely information, resources and/or training about these changes and what the components will need to do to comply provides a service to the component leaders and to their members.

In addition to supporting the local mission, components need to do basic administrative tasks (board meetings, financial filings, etc.). The national association should provide resources and support for the components to complete these tasks, or provide assistance in finding sustainable professional management at the component level. A metric of success is when all chapters can meet these administrative objectives each year, thus demonstrating a well-organized, well-managed component. While administration may seem tedious, it is necessary to support the programs and goals of the component.

Recognizing When To Sunset a Component

Like legacy programs, sometimes components stay around past a time for meaningful contribution. Associations need to ask questions, such as: Why was it formed? What is the main purpose? What is the promised value or delivery? Is it still relevant?

Even the most active component could be irrelevant based on its mission. The group may enjoy getting together and the affluence of leadership titles, but is the component making a difference to the society it represents? Are the mission and value proposition still feasible? Is it supporting the profession or industry it represents?

When evaluating the activity and interest within the component, ask questions such as: Are the members active in the group or just the leaders? Is the group expanding? Is the group committed to the overall mission of the organization? Is the governing organization supportive and connected to the component? Is there an atmosphere of shared mission? Does the component feel supported and

represented on a national level? If there is no interest in a particular component, do not let an underperforming component linger for the sake of existing.

Accepting that not all Components are Long-Term Entities

When managing or strategizing for components in today's environment, associations need to be flexible. In the days when components consisted of just regional and local chapters, things pretty much remained the same. Today, components are not always formed to last forever. Today's components may be based on issues and legislation that comes and goes. What is a hot topic today may be big enough to form a group around it, but next year the whole focus can change. Flexibility and a willingness to change and grow or "let go" is healthy for the organization in that resources can be reallocated as needed, and group members are not pressured to form and manage "forever" legacies.

Creating Consensus and Shared Understanding

Components cannot be considered an afterthought or add-on; rather they are an essential element of long-term planning and membership value. There needs to be agreement from national leadership and staff that component relations is a professional unity effort that can result in success for both the national and the components, and ultimately, the industry or profession they represent. This leads to a clear, shared vision—an overarching, well-defined goal for the future.

Components and their leaders do amazing things to drive the organization. The multitude of platforms they use to create value for their participants is ever evolving, and each serves as a learning piece to their fellow components. Associations need to do a better job at recognizing the good work that these components and their volunteer leaders accomplish. Greater recognition will inherently meet the need to share best practices, will demonstrate publicly the important work a volunteer does for the organization and how it in turn helps them, and will create a more robust historical association knowledge of accomplishments and the path that has been taken to greater success. This is not necessarily more awards in the annual awards ceremony – these are ongoing recognition opportunities that are personal to the component and/or the volunteer.

Without staff and leadership understanding and support of the value and benefit of components to the association, a component relations strategy will be a challenge. Support must come from the top down or the risk of failure increases.

Strategic Planning in Partnership with Components

Integrated strategic planning is not just about the association factoring in components when it creates or updates its strategic plan. It is not just about each component having a strategic plan. It is about having a system in place where the strategy of the organization and the strategy of the component flow into one another simply and on an ongoing basis. It is about having a system where new volunteer

leaders – on the global and local levels – understand the strategic planning process easily, have a transfer of knowledge of what has been done in the past and why, can vision for both their time and goals beyond their service period, and finally, see how all of that includes integration from all association entities into creating strategy.

As outlined in the *Component Relations Handbook* (ASAE, 2012) chapter, "Components and the Strategic Planning Process":

> A benefit of including components in the association's strategic planning process is that their strategic plan can flow from the overall association plan, thus creating a network of "micro" strategic plans that support the "macro" strategic plan (macro being the overall association strategic plan.) This also becomes a resource for the components by providing a process that supports the development of their own plans.

> **Integrating Components into the Strategic Planning Process**
> Creating a culture of collaboration and inclusion is vital to the successful integration of components into the strategic planning process. Too often in associations, components (specifically local or state chapters) are seen as "them" or the enemy, and often this attitude is found at the component level where they may see the parent association as the enemy. This "us v. them" attitude develops because most staff at the headquarters office is not aware of what components bring to the organization and how they support its efforts. This is where a component relations professional (CRP) can provide their expertise and knowledge to educate and build understanding among their colleagues and the components.

> To create this culture of inclusion, internal education efforts must be developed for the headquarters staff outlining why there are components, what they do, and how they add value to the organization. Each component of the organization should be covered in this educational program, from the board of directors to committees, SIGs, and chapters.

> As leadership heavily relies on staff to provide input and information, staff must be educated about the roles of components so they will be better positioned to offer advice, guidance, and suggestions on how to integrate each area of the organization into the plan.

> Including components of all types in the strategic planning process is an excellent way to begin, reinforce, or expand your culture of inclusion and collaboration. This process can educate all the components, staff, and volunteer leadership at all levels about the crucial role that components play in delivering information, services, and most importantly, a strong personal connection to the organization. Inclusion of components also educates other stakeholders (like the parent board of directors) about what they can and cannot do in serving the association's mission.

> **The Strategic Planning Process**
> Over the last ten years, strategic planning has unjustly received a bad reputation. As the speed of business caught up to high-speed technology, there were those who declared the process dead and ridiculed those who continued to do it.

While the age-old process of creating huge documents outlining five-year plans has fallen by the wayside, strategic planning is alive and well and essential to success. Today, modern strategic planning focuses on the discussion of strategic goals and strategies and less on exhaustive documentation of specific tactics and objectives. The planning documents are designed to improve communication and don't function as end points.

In answering the questions involved in strategic planning, components bring a vital and robust view of the environment in which associations operate. By bringing everyone to the table, a clearer view of where the association is, where it is going, and how it will get there can be developed and roles of participants can be established.

The strategic planning process of the future will be collaborative, innovative, and include a broad range of stakeholders. By developing this type of process at both the parent and component level, associations of the future can access the collective knowledge and experience of all their components, from chapters to special interest groups (SIGs) to committees. The integration of components into the process of the future will strengthen the organization and better support the mission.

Appendix 1: Methodology and Principal Author

Methodology

To develop *The Future of Component Relations,* Association Laboratory conducted the following research activities and analysis:

1. Review of association qualitative and quantitative research conducted by Association Laboratory during 2012-2014, specifically activities related to environmental scanning, strategic planning, component relations, and membership value.

2. Modified Delphi review process of draft version of The Future of Component Relations*.* The comments, ideas, and suggestions of the contributing authors were consolidated and used to develop the initial first draft of the white paper; these contributions were collected via a leadership worksheet.

   A draft of the white paper was distributed to the contributing authors for review and their comments were incorporated into a second draft.

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

4. The final version of the paper was distributed in March 2014 as part of a presentation at the ASAE 2014 Great Ideas Conference. Post-conference, Association Laboratory released the paper for distribution to the association community.

About the Principal Author

The Principal Author of *The Future of Component Relations* is Cecilia Sepp, Vice President & Client Operations Officer, Association Laboratory Inc.

Cecilia Sepp is a nationally recognized expert in association management. Ms. Sepp is a current faculty member of the ASAE Association Management Week certificate program, and a former faculty member of the online program ASAE University. She has served as Chair of the ASAE Communication Section Council, and is currently serving on the ASAE Component Relations Council. Ms. Sepp is a member of the Content Creation Committee of Association Media & Publishing. She contributes to the association management profession through writing and speaking on a variety of association-related topics.

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