

Small Association Turnarounds A Step by Step Approach

By Belinda Moore, Strategic Membership Solutions

In April 2015 SMS completed a 30-month project to successfully turnaround the Australasian Society of Association Executives. Over that time, Belinda took the organisation from just over 100 members to 876 financial members and built a community of over 10,000 subscribers. When Belinda started at AuSAE their turnover was just over \$40,000 per annum, and there was no staff support. When Belinda left the association in April 2015, it was on track for a turnover of around 1 million dollars and had 6 full time staff working in the organisation. In the following article Belinda Moore, Director of SMS, shares the step by step process they apply when undertaking an emergency turnaround.

The landscape associations operate within is undergoing a massive period of transformation. A number of powerful generational, cultural, and economic forces have collided to create a perfect storm that is forcing associations to change dramatically to ensure their survival.

Associations that utilise this opportunity to reinvent themselves in ways that maximize their ability to deliver tangible outcomes to members are emerging more powerful than ever before.

Associations who cannot successfully undergo this process will silently disappear as they are replaced by nimbler, future-focused alternatives.

Symptoms of a struggling association

An association in decline can be identified by a combination of the following factors:

- Trouble recruiting or retaining members and/or sponsors
- Financial issues

- Declining participant numbers at events – particularly lack of return participants
- Trouble creating an effective Board
- High staff turnover
- Difficulty recruiting quality staff
- High level of internal and/or stakeholder dissatisfaction
- Loss of advocacy relevance
- Board made up predominately of old white men (except where the association's membership reflects a similar lack of diversity).
- Poor leadership and/or oversight by the Board
- Management team lacking necessary skills
- Association goals not clear, not achieved, or non-existent
- Lack of clarity on the association's purpose
- Lack of effective analysis of market & strategy development
- Poor financial management or fraud
- Uncontrolled or mismanaged growth
- Inefficient processes
- Lack of effective employee remuneration
- Ineffective or non-existent communications
- Loss of relevance to members and other stakeholders

It is typical for an association to experience at least one of these factors at any one time. If an association is experiencing more than one of these over an extended period of time, then closer attention is warranted.

Causes of decline

There is rarely a single reason for an association to enter a period of decline. Generally, it will be as a result of some of the following factors:

You will note that the above consists entirely of internal factors. Occasionally, the cause of an association decline may be attributable to an external factor (eg: natural disaster, a completely unpredictable change in government policy) but this is rare.

Some would argue they have been negatively affected by trends such as mergers and consolidations within an industry/profession or competitor activity. If those associations had been operating in an optimal manner, they should have been on top of these trends and come up with strategies to adapt effectively to the changing operational environment.

An association in distress should avoid the tendency to blame outside forces for failures and focus on the internal changes necessary to achieve a successful turnaround.

Four Stages of an association turnaround

There are four main stages to an association turnaround.

- Stage 1: Get your bearings (first 1-3 weeks)
- Stage 2: Emergency action (first 1-2 years)
- Stage 3: Turnaround in progress
- Stage 4: Situation normal

Stage 1: Get your bearings

At the beginning of a turnaround you need to quickly assess the position of the association so immediate corrective action can be taken. Depending on the urgency of the situation, this process takes between 1-3 weeks. In Stage 1 you need:

A strong, skilled leader

Effective leadership is the crux of turnaround success. In an emergency turnaround situation, a single person needs to be responsible for the turnaround. That leader must possess strong influencing skills, be able to develop an effective turnaround strategy, and have the ability to effectively operationalise that strategy.

A good leader can determine a clear pathway forward, then re-prioritises on a daily basis to ensure the target is achieved in the most effective manner possible.

A critical skill is the ability to say “no” to those who believe their issue is an exception to the requirement to stay focussed.

Board and Chair Support

The leader must have the support of the Board and a close working relationship with the Chair. Without this the turnaround will be much more difficult – or potentially impossible.

The Board must understand that, while still effectively undertaking their oversight role, they need to provide the leader with the authority and space to do what needs to be done.

It is easy for even the most well-meaning Board member to completely derail a turnaround by pushing a personal agenda, pushing the association to operate beyond its capacity, creating distracting projects outside of the turnaround priorities, or demanding overly onerous or frequent written reporting.

Identify a short-term purpose that will emotionally engage prospective and existing members

A powerful advantage to any turnaround process is having a tangible purpose that engages with prospective and existing members on an emotional level. This is not your mission or vision. Instead it is a short term objective that provides a direct and significant impact on your members.

Ideally the project would take less than a year to successfully complete. It needs to be compelling enough to mobilise even non-members from your target segment.

For example, the association may choose to advocate against a legislative change that will affect the viability of member businesses or careers.

Once the purpose is decided, determine the key goals that need to be met to achieve this and the tasks that must be completed in the next 30 days to advance it effectively.

Assess your financial and operational position

Gather all the data you can. Look at your membership statistics, member research, and market penetration by segment. Talk to a variety of stakeholders. Take stock of your immediate strengths and threats.

Ask members what their biggest concern for the future is and what they are most worried about (rather than “what products or services should be provide”). Find ways to provide solutions to those issues.

Then come up with a range of options for action and prioritise them by their ability to produce the most significant results in the shortest period of time.

Any ideas that aren’t immediately useful should be noted for inclusion in longer term planning in Stage 3.

Develop a one-year strategy and implementation plan

You need to develop a one-year strategy that provides a clear payment to achieving success against your purpose (which may be unrelated to financial performance) AND to achieving a financially sustainable organisation.

It is recommended that your strategy address each of the items outlined in “Stage 2. Emergency Action” with clear tasks allocated to specific individuals with set timeframes and measurable goals.

EG: To grow our overall membership numbers to 4,000 members by June 30, 2017. To achieve a \$100,000 budget surplus by June 30, 2017. To ensure XYZ legislation passes by June 30, 2017.

Calibrate your cashflow

Create a detailed cashflow (week by week for the next two months, then month by month) that documents the timing that payments will be received and expenses will be paid.

This is not a budget. Instead it is a living document that enables you to map the flow of money in and out of the organisation. Once this is complete you can identify when cash flow is going to be tight.

This cashflow should be updated at least weekly.

Take the opportunity to immediately get your creditors and debtors under control. Follow up debtors and ask "when can I expect payment". Contact creditors to negotiate payment terms (even the tax office will allow terms on you BAS).

Establish your stakeholder communication plan

A successful turnaround requires the support of all stakeholders. Make a list of all stakeholders who need to be kept in the loop such as the Board, Staff, Volunteers, Members, Creditors, Sponsors, and other important stakeholders. Then create a schedule for communication with each that must be followed religiously.

Stage 2: Emergency Action

Stage 2 of the turnaround process takes around a year, possibly longer depending on the implementation of the plan. In this stage it is important to focus on undertaking those actions that will have the most significant impact on the success of the turnaround. In Stage 2 you need to:

Remove obstructions

A person working against the turnaround process from within the organisation can be devastating. This person may be a member, Board member, employee, or volunteer.

If you identify such an individual in your group of stakeholders so whatever possible to remove them quickly, fairly and decisively. Even a Board member can be legally removed under the right circumstances.

Avoid the tendency to skip this step to avoid an unpleasant confrontation.

Focus on cash flow

Short term cash flow is critical, and during Stage 2 you need to be brutal about resource allocation to ensure you are in a cash flow positive situation as quickly as possible.

Don't be afraid to negotiate with creditors on payment terms. Itemise all your assets and look to sell those that are underperforming or unused.

Review your expenses and cut costs where possible and practicable.

When cutting costs, lead from the top. That means reducing Board and management perks before or at the same time as removing those available to the staff.

Schedule a regular time to follow up debtors and update creditors.

Prioritise business development

Ensure adequate funds are available for considered business development expenses. Avoid the pitfall of cutting business development costs as these are essential to generate income.

If skills and resources aren't available to undertake proactive business development, then consider investing into outsourced services such as using outbound call centres.

Optimise your staffing

No matter how effective your strategy is, if your organisational culture is poor then you will most likely fail.

A focus on building a strong internal culture is a critical success factor for association turnarounds.

Seek to build a motivated, engaged, and skilled team of people to support the turnaround.

Ensure they all have a strong understanding of the need to be sustainable and how they can bring a business development focus to their role.

Convince (not tell) them of the need for a turnaround and why the pathway you have chosen is the right one. Actively seek their input on the pathway, incorporate their good ideas and create ways for the staff to get involved in creating solutions. Reward staff who actively create positive change.

Most importantly, get to know your staff and genuinely care about them and their wellbeing.

Make sure your internal communication is regular and useful. This includes giving your team advance notice of campaigns, updates on important meetings, and celebrating "wins" whenever possible.

Build solid foundations for growth

You cannot grow effectively if you don't have the key operational supports in place such as an effective integrated database and website incorporating process automation.

There is no excuse for not having technology solution in place as excellent systems are available at very low cost (eg: Wild Apricot). Even the cheapest systems now enable you to automate member processing, renewals, events and donations.

It is also important to ensure the quality of member and non-member data is high as possible. Implement process to ensure your data is as up-to-date as possible.

Utilising the services of an outbound call centre to update existing and prospective member data (and in the process invite non-members to join or promote key events) is often a worthwhile investment.

Review products and services

If your organisation closed today what services would your stakeholder miss? Make a list of those and then review the others. Now is the time to eliminate poor performing or no longer relevant services.

Get rid of the "NICE to have" products and services – but don't mistake the "Nice to have" with the "nice to be rid of."

For example, it is common to move to soft copy publications as a cost saving measure. But this could have a massive impact on retention and engagement with members and is often a false economy. Such moves should be taken with extreme care.

Review your pricing to ensure you aren't under-pricing and ensure appropriate member vs non-member pricing is in place.

Review your events

For many associations their events program is the central element of their member engagement process. Indeed, the symbiotic nature of membership and events makes the development of a compelling event program an essential part of most turnaround strategies.

Review your events to ensure they are compelling to members, financially successful, and leveraged where appropriate – using events to boost membership numbers and sponsorship income. Some of the elements you can review include:

- Purpose - Why are we running them? Why would someone attend?
- Venues and Locations - Are they interesting? Convenient?
- Formats – Are the formats (eg: breakfast) still relevant? Should we run different types of events?
- Frequency, Duration and Timing
- Content and Engagement mechanisms
- Money Can't Buy Experiences – What makes your event "special".
- Marketing -Do you segment to different types of delegates?
- Feedback and Evaluation tools

Assess potential funding streams.

There are a massive range of funding options available including:

- Advertising
- Low value sponsorship (one-off arrangements)
- High value sponsorship (one-off arrangements)
- Low value partnerships
- High value partnerships
- Grants – Federal, State, Local, Company, Foundation.
- Event registrations
- Event sponsorship/exhibition
- Donations
- Third Party Programs (eg: insurance programs)

Not all of these are relevant to an organisation in an emergency turnaround situation.

For example, advertising works on volume and being able to deliver a successful outcome after one hit. It is often a complete waste of time and will only alienate organisations that could potential spend more.

Alternatively, high value annual partnerships take a significant amount of time and effort to convert. If cashflow is a significant issue then, unless you have a very compelling offer, it will not be your best first option. So an association may instead look at a lower value annual partnership program combined with a couple of one-off sponsorship opportunities (such as a annual conference exhibition booths) that start to build a pipeline to a high value partnership program.

Annual partner programs are attractive as they provide an opportunity to generate a lump sum of cash. If you are considering an annual partner program, then ensure you:

- develop an offer that has a very tangible return for the partner,
- incorporate some level of exclusivity,
- focus on a smaller number of partners at a higher investment.
- price it appropriately,
- are measured on things you can influence (eg: the number of introductions, not sales)
- have excellent terms and conditions in place.
- ongoing reporting, measuring and partner engagement.

When considering what funding streams are right for you consider:

- Skill set – Do we have the skills (either internally or outsourced) to effectively realise this funding stream?

- Financial investment – What is the investment required?
- Time – How much time will it take?
- Difficulty – How difficult, realistically, is it likely to be?
- Outcome – What is the potential financial outcome?
- Probability of success – How likely are we achieving it?

It is important to remember that different funding streams will be right for your organisation at different point in time.

For example, you wouldn't pursue a higher value annual partnership program (eg: \$100K per annum per partner) with no prior experience in this area. You may start on a mix of sponsorship opportunities (eg: booths at an exhibition) mixed with a lower-value annual partner program (eg: \$25,000 per annum) with a target of 5-10 partners over the year.

Choose the funding stream that matches your current capabilities – or those you can reliably outsource (eg: you may find a great grant writing service)

Build your membership strategy

You can't be all things to all people especially not in a turnaround. Focus on fix issues that have the most impact on membership first. Then capitalise on the biggest opportunities by ...

- Removing roadblocks that detract from the member experience
- Ensuring your sales process is fully functional (you must have some outbound sales function)
- Implement passive member recruitment via your website
- Implement proactive member recruitment campaigns targeted at specific segments and backed up with outbound follow up calls
- Ensuring your renewal process is optimised

- Reactivating past members through simple campaigns (eg: a "cheeky renewal" campaign where you send a renewal invoice to people who haven't renewed in the past 3-5 years)

Ensure proactive communications

Good communication is where a message is sent, received, and acted upon. Each message sent should be designed to reinforce a sense of community amongst your members and stakeholders. Focus on sending information that is tangible and useful to members. Every time someone interacts with your organisation they form an opinion (either consciously or subconsciously). You cannot stop this from happening, but you can influence the perceptions they form.

Maintain close operational oversight

Ensure processes are in place to enable active oversight of the implementation of the strategy and provide support without micro-managing staff and volunteers. Progress against strategy goals should be tracked without producing overly time consuming reporting frameworks. Patience is important. Avoiding the temptation to change course too quickly. Maintaining confidence in the chosen pathway, while remaining flexible to adaptation is important.

Stage 3: Turnaround in progress

Move to longer term planning

Once the immediate pressure of the turnaround eases, you are able to review your strategy and start to shift to a longer term perspective (while also maintaining your short term focus on sustainability). With more certainty around cash-flow, budgets can start to be set more confidently.

At this point you can start to get more in-depth stakeholder engagement into the planning process.

Review governance

A well-governed organisation is essential for future growth. Review governance documentation, processes, and procedure to ensure oversight without undue operational focus (unless it is a completely voluntary association)

Build a powerful staff team

Picture your ideal organisational structure in 5 years. Create the organisational chart that fits that vision. Start filling the positions to create that vision. Review your current staffing to ensure the right people are in the right positions.

At this point it is common for some organisations undertake a secondary round of layoffs. Arrange for staff training, upskilling, and education as appropriate. Ensure rewards systems are commensurate with organisational growth.

Broaden your membership focus

Take stock of your membership marketing opportunities to move beyond the low hanging fruit. Evaluate your performance against the key success criteria. Identify the issues, prioritise them, and move forward. Do you have:

- An excellent understanding of members' challenges and how to solve them,
- Products and services that provide extremely tangible value to members,
- A sustainable revenue generation strategy,
- Effective member engagement strategies,
- The right membership fee structure,
- Motivated staff and volunteers,

- The right technology in place,
- A powerful and engaging event program,
- A strong, recognisable trusted brand,
- An effective, integrated communications strategy in place, and
- All 6 steps of the membership machine operating effectively?

Refine funding programs

Review the effectiveness of the funding programs implemented during the previous year. Successful programs should be assessed to see if they can be leveraged further. Unsuccessful programs should be discontinued or refined. Also review programs who were categorised as lower priority to see if implementation would be appropriate.

Refine your communication strategy

Communications from the past year should be reviewed against the metrics available and against their core purpose (what “action” should each communication piece inspire and how effectively have they achieved that purpose).

Implement robust reporting systems

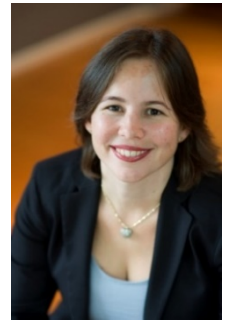
During the emergency phase, reporting is limited by time and resources with a focus on reporting against turnaround objectives. Now is the time to implement robust reporting systems that provide useful information to the Board, management, staff, volunteers, and partners. This should avoid the traditional snapshot reporting and instead focus on identifying trends that will enable more effective decision making. Reporting should be tailored to the recipient to ensure they are being provided with useful feedback they can apply to improve future performance.

Stage 4: Situation Normal

As the turnaround process is completed, the association moves into “situation normal”. At this stage the changes necessary to effect the successful turnaround will be institutionalised within the corporate culture and the focus will move to long-term, sustainable profitability.

About the Author

Belinda Moore has assisted thousands of not-for-profit organisations with their membership challenges. She specialises in training, motivating and up-skilling boards, staff and volunteers to improve membership performance.



Known for her enthusiastic style, Belinda is a frequent presenter for not-for-profit organisations around the world and arrives on the platform armed with an array of topics relating to membership. Revealing insights from her personal and professional experiences, she ensures that participants walk away with practical ideas and information that can immediately be applied. Belinda is the author of *The Membership Machine* and *Membership Fundamentals*. She is also the author of the popular paper “Membership is Dead?”. For more information, please contact Belinda directly on +61 413 190 197 or belinda@smsonline.net.au.