Engaging All Your Stakeholders to Ensure Success

Associations are not just about members. Members are only one of four core constituencies that associations need to engage to ensure their very survival. The other three, **Customers, Allies, and Partners**, are often overlooked but of equal importance to the success of an association. Yet too many associations ignore and often deliberately exclude these three key stakeholders on the perception that associations exist solely to serve their members. Yet by being overly dependent on members, associations deny themselves of significant revenue opportunities needed to finance advocacy and other "quasi-public" activities. Worse, it creates market vacuums for competitors to fill. Understanding how to successfully engaging all four constituencies is crucial. No association, particularly for smaller ones can financial depend on members alone especially developing markets where members, used to donor agency subsidies, do not expect to pay for the services they use.

What is the difference between a member and a customer? Membership is about ***governance*** – not ***revenue***. The difference between a member and a customer is <u>a vote</u>. This makes membership a serious responsibility, not to be granted lightly and certainly not to be given away. Only those who should have a voice in determining how the organization is managed should be members. And certainly those lacking the commitment to pay their dues should not be given a say in how the organization is governed,

What dues <u>really</u> are: Many association executives view dues as a fixed price for a member-exclusive bundle of products and services. No, that is a Continuous Service Model (CSM) and, as such, a taxable business. Members ***join***, not buy. Dues are ***investments*** in the future, not *purchases* of products and services. Members ***invest*** not only money, but also time, and talent to advance association's *social objective* because they will directly benefit from improved economic or social environments. Just like corporate investors, only association members have the right to vote on how the organization is managed. Those who do not pay dues are allowed to pay to access the association's products and services but are not allowed to participate in its governance.

Customers – Financial Capital: An association should not limit access to its products and services just to members. To do so presents both potential members and the association with an all-or-nothing relationship. An association that withholds its products and services from non-members risks alienating potential new members and limits its long-term growth. Limiting access also:

1. Opens the door for free-riders, the greatest risk to any nonprofit's long-term sustainability and
2. Excludes valuable stakeholders who, given the opportunity to experience benefits from the association's success, would be more likely to support its *social objectives* and advocacy efforts.

But "giving access" is not the same as "giving away." Non-member stakeholders should expect to pay to play. But, <u>never create a product solely for revenues</u>. All commercial activities should relate directly to the association's *social objective*. For new products and services, see ***Partner***s below.

Allowing for a customer classification, which would include all those who do not meet membership criteria and eligible members who choose not to join, provides opportunities for potential members to "sample" an association's offerings before committing to full membership. Some suspect that non-members who participate in an organization's activities for less than annual dues are not paying their fair share. In fact, by covering variable and fixed program costs, non-member fees actually lower the required dues payment, and thus, make membership more affordable for smaller firms and poorer individuals who, otherwise could not afford to have a voice in the organization's governance. The higher margins that customers pay also finance new products, program innovations, and member support services.

Even members should be treated as customers for some nonprofit programs and services. Very few program activities should be member-exclusive. A "discounted" members fee (an amount less than the customer rate) allows members to "vote with their wallets," to signal which activities are no longer valued and should be discontinued.

Allies – Political/Social Capital: Allies are stakeholders who benefit from the association's or its members' success and thus have a vested interest in the organization achieving its advocacy goals. Allies include other associations and advocacy organizations, businesses in related sectors, government agencies, trade unions, and consumer groups, among many others. Allies' larger numbers and independent voices bring greater credibility to public relations efforts and public policy agenda. Officials would more readily believe a bankers' association's demand to reduce credit restrictions the same request from a group of potential borrowers. A call for independent standards and self-regulation made by a consumers' group is more credible than one from suppliers.

The best allies lie well beyond the organization's and its members' immediate supply chains and markets. Successful advocacy leaders understand how their success benefits those who never directly use the members' services. Will the public be healthier? Will workers be more productive? Will tax revenues increase? Will consumers enjoy more choice or lower prices?

By focusing on the value of a *social objective* that speaks to the benefits enjoyed by all of society and not just the members' or constituents' immediate interests, an organization can engage new allies and build diverse collaborative relationships that result in far more successful and more cost-effective advocacy than those who choose to confront the government alone. Stakeholders with no immediate or direct commercial interests in the outcome are always the most effective advocates.

Members – Human Capital: Members should only include those who agree with the long-term *social objective* of the association and, by paying dues, are allowed to participate in the organization's governance through volunteer activities and voting. (For those who only want to take advantage of the association's products and services see **Customers** above.) These committed individuals are the real voice of the profession or industry in both the marketplace and public arena. These are the *investors* in the future and not just *consumers* of current association services. Still, the member value proposition must speak to specific economic gains that directly accrue to member firms/individuals in order to foster their long-term commitment, participation, and loyalty.

Public education might be needed to help potential members to understand the *social investment* approach, the importance of dues and the necessity for paying additional fees for the association's products and services, especially in developing markets where CSOs are often conduits for donors' largesse or tools of host governments. The short-term thinking of those who resist usually reflects their inherent fatal weakness. Those unwilling to invest in their futures rarely survive. You don't need to attract all potential members – just the survivors.

Partners – Operating Capital: Partners are those who, because they immediately benefit from the association's activities, will share the costs and risks of delivering them. They fall into two groups: Direct and Indirect. ***Direct*** partners are most often suppliers to your members. As trade show exhibitors and event sponsors, they are ***customers*** who pay for access to your members. However, when they provide the speakers and educational content for which your members attend in the first place, they are acting as partners. Direct partners also include suppliers of *complementary* products (goods that people buy because they have purchased your members' goods). A bank, for example, would sponsor business plan writing workshop as a way of fostering more knowledgeable and less risky borrowers and be seen as the lender of first choice by these now preferred customers.

Indirect partners often have as much or even more to gain than direct suppliers. They are important yet often overlooked contributors to a CSO's financial success. Indirect partners are organizations benefit from the organization's or its members' success even though they might never directly interact with either. Healthcare providers and local employers have more to gain from a successful well-drillers association than the members' immediate customers and suppliers. Government agencies looking to grow their tax bases, unions and employers hoping to increase local employment, and associations unrelated to the members' markets yet still benefit when the association realizes its *social objective*, If it is in their interests to see that you and your member succeed, do not ignore them. Allow them the opportunity to contribute to your mutual success!

Bringing the Pieces Together

To help association executives understand the differences and relationships among these four stakeholders and their relationships with the association, Change Management Solutions developed the **CAMP Matrices**©, a *Stakeholder Matrix* .and a *Product Matrix*. Together, these graphic tools, present the attributes of each stakeholder and how it contributes to the association's success.

THE STAKEHOLDER MATRIX

The purpose of the ***Stakeholder Matrix*** is to define an association's relationship with each stakeholder group. While the Matrix presents stakeholders as discrete entities, the reality is not that neat. Members are sometimes Customers. Partners can be effective Allies in advocacy efforts. A Customer for one product or service might serve as a Partner for another. By predetermining the policies and conditions that should be applied to new stakeholders as they emerge, the association can respond quickly to changes in the economic, political, and social environments.

Customers: Fee payers	**Allies: Public Policy Partners**
By covering some fixed costs, customer fees reduce dues and encourage broader membership. Those who have vested interests in your members' welfare but <u>should not have a say in governance</u>: • Potential members who have chosen not to become members … yet, • Those in complementary industries/professions and their associations, members' suppliers or customers, and government agencies, especially regulators, • Customers from other industries/ professions, help build wider advocacy support network. **NB:** For-fee activities must be consistent with core mission. Never chase sales just for revenues' sake	*Through cross-sectorial coalitions, allies provide an independent voice supporting the organization.* Other nonprofit organizations (NPOs) who bring greater credibility to advocacy: • Other associations in related industries/fields, • Universities, R&D organizations, development banks, and consumer groups • The more different allies are, the more each brings to an advocacy effort. **NB:** Often overlooked are government agencies. Governments are a collection of competing agencies, not monoliths.
Members: Dues Payers	**Partners: Beneficiaries of Members' Success**
Real voice and face of the association in the marketplace and public arena and determine the governance and direction of the organization • Members must share the organization's social objective have an interest growing the organization, • Contribute through volunteering, joining committees, and creating intellectual property • Most committed and lucrative constituency, **N.B.** The value of membership is in creating more transparent markets and growing demand- not limiting competition.	*Organizations that share the commercial risks of association activities* • Third-party service providers with capacities to offer product and service the association does not possess • Include other associations, schools, and government agencies, not just businesses, • Co-opts potential competitors in partering activities, **NB:** The more different partners are from the members more lucrative the relationships.

THE PRODUCT/SERVICE MATRIX

The ***Product/Service Matrix*** is a product lifecycle management tool. Because early adopters of the new service require more direct assistance and training, the earlier a product is in its lifecycle the more expensive and more risky it is to deliver, manage, and service. In the *Infancy* lifecycle stage, complementary products that increase the value of the association's offerings might not be widely accessible or need to be developed. By sharing the costs, risks, and revenues during this ***high risk/high value*** stage with partners, an association lowers potential revenues in exchange for insulating itself from market risks, threats from potential competitors, and internal conflicts of interests between the association's and the members' success.

As products enter the *Growth* stage, risks and costs decline while value remains high. These are excellent candidates for association-owned fee-for-service activities. By requiring fees for ***high value/low risk*** products, even from members, the association limits over-use. While customers are important to their success, associations should not pursue fee-for-service activities just for revenues, no matter how lucrative. Regardless of financing, all activities must intuitively link to the organization's mission and *social objectives*. Sales opportunities that draw resources away from core goals create conflicts of interests between the association and its members, obscure the association's identity in the marketplace and the public arena, and compromise its advocacy.

Customers: High value/Low Risk *Products that benefit the association when nonmembers have access:* • Industry/profession specific standards, education, certification, and testing, • Pass-through programs for other member stakeholders (clients, employees, customers, suppliers, etc.), • Train-the-trainer programs, • Member benefits as "subscriptions services" to nonmembers **NB:** To price differentiate products cannot be resold.	**Allies: Shared Costs** • Advocacy campaigns and joint public relations efforts, • Access to each other's constituents, • Third-party champions and spokespersons for each other's causes, • Not just about direct government action, these include public-private partnerships, private-nonprofit partnerships, and other shared "public goods" programs.
Members: Low value/Low Risk • Governance: Voting rights, volunteering, leadership, • Standardized, mature products/services and products with little or no competition, • Products that are mature or have high barriers of entry for competition, • Internal capacities already exist. • A well-defined "market basket" of specific, nontransferable products/services, • Markets must allow for preferred pricing.	**Partners: High value/High risk** • New products and products for which innovation is desired, • Innovations best done through partnerships, • Third-party provider when internal conflicts of interest exist, • Customized or differentiated products for specific market segments (e.g. training) • Create competition to lower members' costs or increase choice.

Any items specifically mentioned are meant to be illustrative, not specific recommendations.

In the third life-cycle stage, **Maturity**, demand remains strong among members but less for other stakeholders. Low value/Low risk dues-supported products have margins too thin and/or barriers of entry too high to encourage much competition. Customers still play a role in limiting overuse. Resist the impulse to restrict access to these products to members only. Exclusivity promotes pirating and invites competition. Allow nonmembers to access these products through fees or subscriptions. Restricted access or preferred pricing, however, only works when the products they cannot be resold by members to others. Unless you can segment members and non-members in the marketplace for a product or service, you should offer the product to all potential customers. In the final stage, *Decline*, new Growth stage products have emerged to undermine their value. The association should be looking for new products to better meet its members' changing needs.

About Change Management Solutions: Since 2006, Change Management Solutions has been dedicated to helping civil society organizations around the world to identify, understand, and harness the forces of change transforming their stakeholders' markets and environments. For more information contact Richard O'Sullivan at +1 410-793-5685 or rosullivan@harnesschange.net or visit our website: www.harnesschange.net.