



> SETTING IDEAS IN MOTION

A blurred, blue-tinted photograph of a train platform with people waiting. The image is used as a background for the title and subtitle.

## The Soft Side of Armour

*Beneath the tough exterior of a  
competitive association lies the  
secret of its success – value creation*

WHITEPAPER SERIES

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## ABSTRACT

The most significant battleground for associations is to win the mind share, attention and affiliation of members.

Associations are fighting against a formidable combination of unprecedented factors: never-before seen rates of competition (from associations and non-traditional providers of community and service, such as Web 2.0 platforms) and relentlessly rising expectations from members who year over year are demanding more for less.

How can associations accurately assess, as well as plan for a sustained ability to maintain significance and relevance in the marketplace? How can they increase – or at least hold on to – their life-sustaining membership in an increasingly merciless landscape; a competitive environment that continuously challenges the viability of an organization's privilege to represent their constituent-members?

Through extensive international research and consultation undertaken in support of creating, testing and measuring value propositions for clients, Ingenium Communications has uncovered the soft side that supports an association's competitive armour – value creation.<sup>1</sup>

***A Value  
Creation Model  
is a strategic  
planning asset  
that highlights  
initiatives to meet  
members' wants  
and needs.***

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<sup>1</sup> Ingenium Communications wishes to thank its value creation model project clients for contributing their expertise and experience to the development of this White Paper.

Those insights and lessons learned from the trenches have fuelled the development of groundbreaking work in designing powerful value creation models for association-sector clients.

A value creation model is a strategic planning asset which highlights relevant initiatives to meet members' wants and needs, and then assists decision makers to balance internal priorities (and their associated resource requirements) against the needs of external clients. These models are extremely effective tools to help associations clarify benefits and their cost of acquisition.

The findings enable sound, evidence-based strategic planning decisions related to product development, positioning, marketing/communications and customer relationship management.

The insights provided by value creation modelling are paramount to organizations facing a costly gap between what an association *thinks* is valued and what is *actually* valued by members – that abyss of irrelevance leads directly to lost opportunity, member attrition and brand erosion. This chasm is one of the most significant and most insidious business challenges facing associations today.

There is a significant and growing body of literature supporting the business case for associations to have a purposeful focus on the member through all service delivery channels. Michael Gallery, author of the American Society of Association Executives' *7 Measures of Success* advocates that a primary measure of performance for associations is a "Customer Service Culture" which speaks to "... going well beyond individual encounters with members. Remarkable associations build their structures, processes and interactions – their entire culture – around assessing and fulfilling members' needs and expectations. This unity of focus permeates the entire organization."<sup>2</sup>

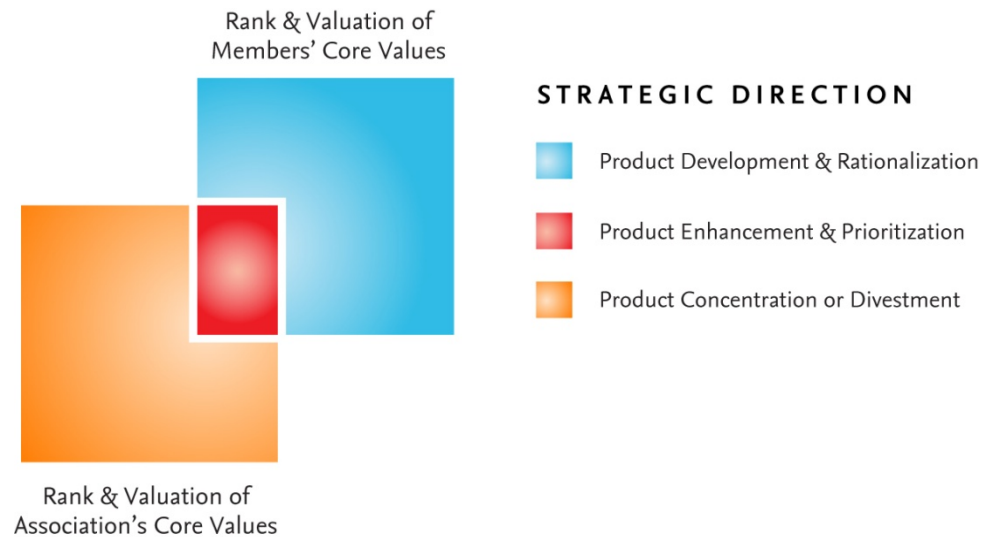
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<sup>2</sup> Gallery, *7 Measures of Success*, p.25-26

Gaining objective evidence on what members value, and mapping that data against the association’s priorities and investment of finite resources of staff time, governance oversight, money and focus is paramount. A functional value creation model provides unique insights into this space, showcasing the evidence of hierarchies of value perceptions (from both the perspective of the membership and of the association) as a foundation for informed strategic decision making and planning. Figure 1 illustrates this point.

Figure 1

Value Creation Model of Hierarchies Lead to Strategic Product Directions



## THE TUG-OF-WAR BETWEEN ASSOCIATIONS AND THEIR MEMBERS

*Associations and private-sector companies follow the same rules of marketplace engagement. Both sell benefits in exchange for money. Survival depends on satisfied customers.*

Beyond the theory and generic findings, the research found meaningful comparisons of associations within Canada and abroad that share fundamental characteristics and behaviours. National and affiliate member-driven associations that lobby on behalf of their healthcare constituents were studied. Comparisons were made with voluntary and requisite-membership organizations representing a diversity of medical professionals and specialists.

For the most part, they are member-dependent, non-profit, fee-based advocates and most offer a bundle of value propositions for their respective cadre of qualified applicants – whether that bundle represents a vast array of benefits or only a few exclusive offerings. That being said, some sources argued that membership exclusivity was the true measure of ultimate value. However, it will be seen in the subsequent analysis that exclusive value propositions did not necessarily translate into higher perceived value and that common, easily obtained value propositions were not always perceived as value-added unless such offerings were deeply discounted or free. Exclusivity or high entry barriers did not necessarily correlate to high perceived value.

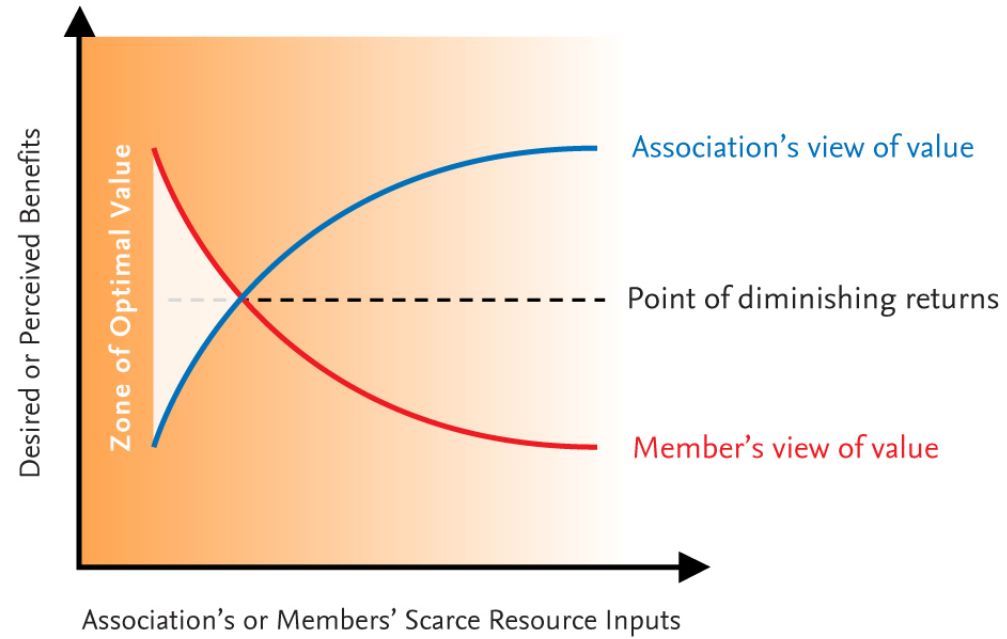
Associations follow the same rules of marketplace engagement as do private-sector companies. Both business types sell benefits in exchange for money. Their survival depends on satisfied customers.

That truism begs the question – what is the key to a satisfied client or member? It's the smooth delivery of promised value propositions (at a reasonable cost to the organization) that meet or exceed their customers' expectations at a reasonable price. In the context of associations, price is defined as a mix of scarce resources paid in time, money and effort to keep connected to the association.

Figure 2 shows one view of this observation.

Figure 2

Value Creation Map – Increased Members' Inputs Result in Lowered Value Expectations



Our research found that some non-profit associations try to measure the value of their outputs through business tools like balanced score cards and customer satisfaction indexes – using them as performance indicators and pseudo value creation models. The fuel that powers the best models is composed of corporate factors that drive the benefits most sought by their members.

Functional value creation models are able to sort through and highlight products and services preferred by membership but at the same time stay within the boundaries of the association's core products. This is a boon for decision-making managers. If an association's product has little or no worth for members, then the offending product should be divested from the line-up or resources spent to improve it. If it's highly valued then it should be retained or replicated to maintain and grow customer satisfaction.

### **THE WEAPON OF CHOICE**

So how does a value creation model work?

In its most basic application it's a management simulator that utilizes ingredients contributing to member satisfaction and measures the cost of them. A more sophisticated model takes it further. As a strategic planning asset, it showcases relevant initiatives that meet stakeholder needs and assists decision makers to balance internal priorities and resource requirements against the demands of members. It also mitigates risk because it marshals scarce resources and sheds light on aspects of the core business that are most highly valued by all stakeholders – in the long-run resulting in more satisfied and loyal members.

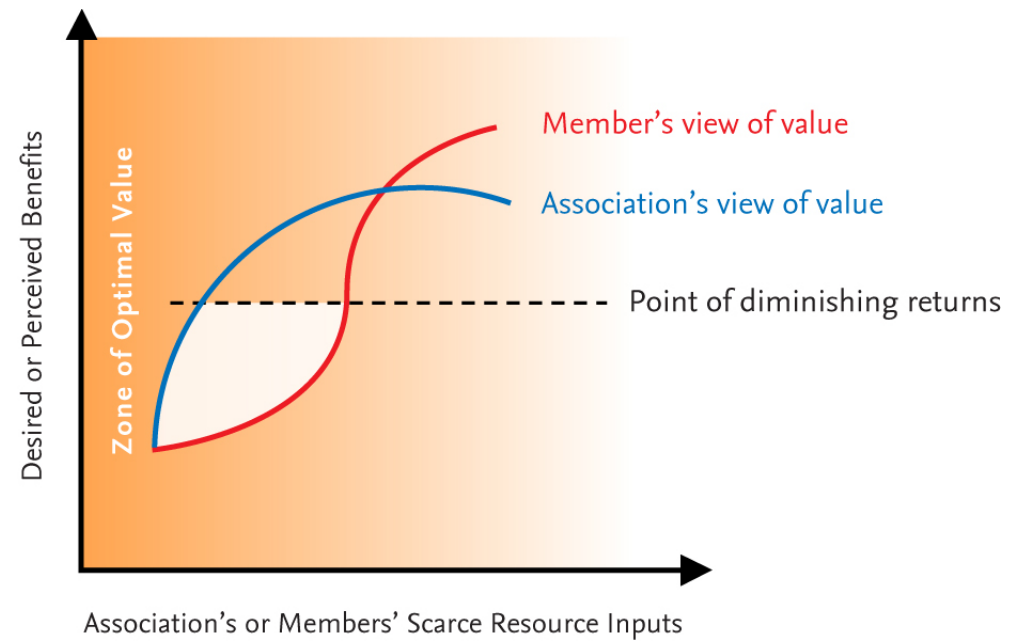
Good models take both the views of the value generator and the value receiver into account. When the two perspectives of similar value propositions are analyzed they aren't necessarily opposing points of view but neither are they in lockstep-agreement. When the association looks at the products and services that their constituent-members prefer, the offerings' characteristic utilities and benefits tend to overlap before diminishing returns dampen positive opinions of what's being offered. The area of common ground or zone of optimal value points to the ideal value propositions that the association should retain, develop or enhance and the benefit-generating products most coveted by members. Beyond this zone, the association recognizes the point of diminishing incremental gains in developing value with increased investment and the member recognizes diminishing incremental gains in purchasing value with increased cost.

Value creation maps demonstrate harmonized areas where the optimal benefit-to-cost correlations are similar between both parties – the association and its members. One view point (see Figure 2) depicts membership behaviour that perceives diminishing value with increased cost. The second hypothesis depicts membership perceiving increasing value with increased expense but eventually reaching the point of diminishing returns.

This is illustrated in Figure 3.

Figure 3

Value Creation Map – Increased Members' Inputs Result in Increased Value Expectations



## WHAT THE PRACTITIONERS SAY

The following highlights are the most influential findings from our research affecting value creation practitioners and present a set of opportunities for supporting value creation and its development. The elements of balanced scorecards and dashboard performance indicators are foundational inclusions as they provide building blocks of metrics and measurement tools.

- Tangible direct member benefits are the easiest to quantify and measure and should be the starting points in modeling a value creation prototype.
- Perceived value should be benchmarked, ranked and quantified if at all possible from all stakeholders' perspectives including employees and staff.
- Exclusive value propositions do not necessarily translate into highly perceived value. As well, common, easily obtained value propositions may not be perceived as value-added unless the offering is deeply discounted, free or paid for through low membership fees.
- Altruism or social advocacy is not always perceived as directly beneficial for paying members. A suite of value propositions offering direct member benefits might be valued more highly.
- National advocacy is perceived to be valuable if:
  - ❖ The association has local presence.
  - ❖ It communicates lobbying-wins that directly affect members.

- A suite of discounted products or services is a mandatory value-added membership inclusion.
- Communicating or marketing benefits are keys to affecting perceptions of value.
- Online products and services that assist in management are seen as value-added.
  - ❖ The model should be predicated on clear objectives for its application.
  - ❖ The model should offer tangible and measurable benefits correlated directly to cost.
  - ❖ The cost of creating value may not be recoverable or passed on as a fee since the value proposition may be perceived as the association-cost of doing business and an expectation that the cost of the service or product is already captured in the paid dues.

It's evident from the research that there is no such thing as a best practice in value creation. And there is no such thing as an absolute value creation model. The definition itself has as many interpretations as the so-called model has uses. Theoreticians cite that something similar to a balanced scorecard is often seen as a substitute for value creation.

Different organizational models, processes and purposes for value creation are relative, subjective and not easily compared because of proprietary and unique business objectives, uses and structures. As well, no model or practice was absolutely streamlined in its business applications or necessarily transferable to another association's business model. Some value creation frameworks are more quantifiable and others more holistic in their output and some are in between. Yet wherever the emphasis is, it seems to work to some extent for their users.

*This being said, there are common threads that could assist in formulating the basic tenets of value creation.*

## RULES OF ENGAGEMENT

**Start with what members value.** One observation was consistently evident; value is perceived differently by everyone and the closer an association gets to an acute degree of separation from its constituents, the better its value propositions will be perceived. *The impact on value creation modeling: Start by creating value first for your members by recognizing the hierarchy of the individual's perceived needs. Membership segmentation based on practice/career/member life-cycle could be a key success factor.*

**Quantify a shopping basket of value propositions.** Immediate benefits are perceived to be more tangible than downstream ones even though intellectually, constituents recognize that sometimes it takes time and investment of resources to create value-added outcomes. *The impact on value creation modeling: Determine the core of tangible value propositions with quantifiable measurements of success including holistic satisfaction scores or indexes. Bundling key indicators similar to the Government of Canada's Consumer Price Index (CPI) or the Canadian Federation of Independent Business's Quarterly Barometer helps create a consistent baseline of indicators that could be measured over time. Not everyone is shopping for the same benefits. Relevancy is a key ingredient of perceived value.*

### Rules of Engagement

- ❖ *Start with what members value*
- ❖ *Quantify a shopping basket of value propositions*
- ❖ *Position value from the member's perspective, not exclusively from the association's business model*
- ❖ *Delineate between metrics used internally and one marketed to members*
- ❖ *Evaluate the imbalance between income generating products and holistic benefits*

**Position value from the members' perspectives, not exclusively from the association's business model.**

Common denominators – amongst most not-for-profit associations – such as advocacy, free services or discounted value propositions are not always perceived as value added since they're seen as expected and non-exclusive business offerings that could be attained elsewhere or benefits accrued whether they're members or not. Sometimes these products may represent the costs of doing business and may not be in the association's best interest to promote as highly valued unique selling propositions. *The impact on value creation modeling: Develop correlations between perceived value from members and free or discounted offerings. Consider positioning free offerings as opportunities rather than emphasizing the low or deep discounted price.*

**Delineate between metrics used internally and ones marketed to members.** Intangible value propositions – like advocacy – can be stretched to show some kind of quantifiable gain. Nevertheless, the shorter the demonstrable value chain and the more quantifiable the results, the more tangible the value proposition. Not all organizations, however, base their value creation models on easily quantifiable measurements. Some base their success on holistic outcomes measured by qualitative customer/client/member satisfaction and key performance indicators like service usage rates or media impressions. *The impact on value creation modeling: Delineate the differences between value creation metrics used internally and those marketed to members.*

**Evaluate the imbalance between income generating-products and holistic benefits.** Certain products and services can be measured through cost-volume-profit (CVP) relationships and with others, the downstream benefits or spin-off paybacks are too obtuse or costly to capture. *The impact on value creation modeling: List, prioritize and index both categories and use this critical exercise as the foundation for selecting a simple list of products and services to value. The easiest part of a value creation model is to apply CVP disciplines to help prioritize tangible products or service from a purely financial perspective. This will provide a window on internal value that may or may not be seen in the same light by members. Some of these products may be rejected for marketing purposes but retained as essential contributors to margin. More holistic benefits accrued by members may have a partial CVP analysis applied but their perceived value may need to be valuated through more intense primary research and regression analysis like a modified membership survey.*

## CONCLUSION

In light of increasing demands placed on associations by their members, the challenge to stay relevant, the gnawing paradigm to have complete affinity with members, the fight to curtail attrition and the battle against complacency, the importance of value creation modeling cannot be overemphasized.

The true test of an association's ability to be credible and useful is not whether it has a value creation model but whether the organization can effectively use its raw materials to create value that is readily available, relevant and trustworthy. The crux of the challenge is that this ability must be honed, and then continuously maintained in order to secure positive individual member decisions year over year.

Deployed effectively, the application of a disciplined value creation methodology can provide interpretive outputs for quality, evidence-based strategic decision making. This rigorous approach also holds promise in significantly contributing to an association's positioning to perform optimally in achieving corporate objectives.

*Those who win are those who secure relevance through a disciplined approach to value creation.*

*Contact us today for more information about  
**Value Creation Models**, and to learn how we can  
help your organization develop more robust value  
propositions for your members.*

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