



# Component Structures & the Value Proposition

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In 2004, there were 86,054 trade and professional associations, and 1,010,365 philanthropic or charitable organizations. Based on ASAE & The Center's benchmarking data, we can predict that slightly less than half of the associations have some sort of component: that is a sub-entity which offers members a place to "gather" that relates to their location, discipline or interest within the overall organization.

The why behind this support for small groups within larger associations is not as clearly defined or objectively measured, but anecdotal evidence consistently suggests that components enhance membership acquisition, retention and participation.

### **The Association of Today – And Tomorrow**

The traditional association's original focus has been on information, advocacy and community. Associations were – and still are – in the information business, but they don't own it any more. There is competition on many fronts: the internet, for-profit consultancies, and more. They can, however, maintain a competitive edge when they focus on community and knowledge management.

**Community.** Seth Kahan, a noted organizational community specialist, suggests in his article *Encouraging Community* [[www.sethkahan.com/Resources\\_0Doyle.html](http://www.sethkahan.com/Resources_0Doyle.html)] community is collective intelligence that brings people together in productive ways to share while creating a place of belonging where connections, contributions, and the cutting edge of learning come together to profit members.

**Knowledge Management.** Jerry Ash, founder of the Association of Knowledgework described the environment in which associations now work saying in his white paper *A Short Course on Knowledge Management* [[www.kwork.org/White\\_Papers/short.html](http://www.kwork.org/White_Papers/short.html)] "members may discover renewed and increased value in an association that becomes an effective partner in the knowledge chase." Consider these points:

An association's components can be a key element in this new world. It is within these sub-entities that members can gather to create this collective intelligence and then share and use it. The association that will be relevant tomorrow is the one that leverages its components to this end today.

This is amplified in the ASAE Foundation report *Exploring the Future: Seven Strategic Conversations That Could Transform Your Association* [[www.asaecenter.org](http://www.asaecenter.org)]. Two key conversations that tie directly to geographic components are those centering on "Meaning" and a concept called "Glocal". Meaning has to do with creating meaningful relationships, a sense of community, social purpose, and contribution. Glocal is the connection of Global + Local: Be prepared to deal with international operations and tailor products and services for local markets.

So what are today's Components? They represent any segment of members identified by location, discipline or interest. It includes chapters, sections, committees, federations, allied, councils, cyber chapters, member segments, e-groups, special interest groups, districts and even your volunteer leadership group. Some are volunteer-led while others have staff or administrative support. Some are linked to their lead organization by the governance and legal status while others are completely independent.

What is true across all types, is that an effective partnership between a headquarters (or lead organization) and its component produces tangible and intangible benefits that drive membership – and thus the sales, revenue and success in achieving the mission.

## **Operating Model: A Look At Geographic Components**

### *Governance Models*

Generally there are three types of affiliations: those linked to the lead association legally & financially (most often called Chapters or Sections); those allied with no legal or financial obligations to the lead association (most often called Allied or Affiliates); and a federation which is a collection of autonomous and equally independent associations that share a common objective and are formed largely for political or standards setting purposes rather than for direct services.

Chapter or Sections are the most common and widely know type of component. They are set up largely as support system to the lead organization. According to ASAE's 2006 Policies & Procedures Benchmarking Guide, 64% of associations with components are in this category. These groups stay in the control of the lead organization which provides direction, policies and shared resources.

Pro – provides key local connection which leads to growth & development; provides for stronger control over brand, logo and value statement for members

Con – requires high degree of management & oversight

Allied or Affiliate organizations are independent organizations that work with the lead organization to support the profession or industry. They have their own bylaws, policies, programs and procedures. While not obligated to the lead organization, they often collaborate on issues, programs, legislative agendas and the like. They may also sign an agreement that allows for them to use the lead organization's logo and/or brand.

Pro – minimizes management & oversight; provides for opportunity to share costs & resources for programs

Con – limited control (except where licensing is in force)

According to ASAE, 54% have components that are separately incorporated but and 66% require the components bylaws be approved by the lead organizations as a condition of affiliation. About 41% provide an IRS Group Exemption. Additionally, 75% of lead associations have established policies regarding the use of its name, logo and other

trademarks and copyrights for components. Less than half require some sort of financial reporting.

*Membership Issues*

There are three general types of member arrangements: contingent (where membership in either the local or lead is required to join the other); combined (where membership is bundled into one fee e.g., chapter membership a benefit without additional cost); and independent (where membership at each level is independent of the other). For 55% of the associations represented in ASAE’s benchmarking study, local membership is contingent on membership in the lead organization. 19% of associations reported independent memberships; 14% reported lead association membership contingent on local membership and the balance reported some variation thereof. Note, that ASAE does not distinguish between bundled and a contingent membership where there is a fee for both.

ASAE does not report in the study any association having a two tier arrangement where there is the option of national-local or local-only. Despite this, we know anecdotally that some associations offer chapters the option of additional categories of membership which would permit some local-only memberships in special categories such as student, retired, allied (vendor) or supporting member. We have seen, for example, where a national association was phasing in a combined membership and they permitted local members who didn’t want to join national to retain a local-only membership. This may be an advisable strategy when converting arrangements from independent to combined.

	<b>Contingent</b>	<b>Combined</b>	<b>Independent</b>
<b>Pro</b>	Can simplify the join & renewal process if handled by one org.	Simplifies the join & renewal process	Simplifies the sales message & process for both org
	Can relieve local from dues processing if handled by national	Can relieve local from dues processing if handled by national	Provides choice to member
	Provides dues revenue for both	If dues shared, provides revenue to both	
	Encourages involvement in both	Promotes involvement in both	
		Perceived increased value of membership when package includes both for one fee	
<b>Con</b>	Increases cost to member	If there isn’t a local group, can set up perception that member is short-changed	Increases cost to member
	Makes membership sales process more complicated which may hinder the sale	No statistical validation that this encourages local participation;	Adds layer of decision & action for member
			If local section is weak, then hampers its ability to sell memberships

**Why Have Components?**

There is a move in the association world to answer this question more precisely in terms of the ROI (return on investment) of components. While we as a profession work through this equation, we can look at anecdotal and intuitive cause-and-effect scenarios to answer

the question. There is compelling evidence to suggest that components, specifically geographically components, have a strong ROI for many associations.

An initial survey, conducted by ASAE & The Center's Component Relations Section Council, found that associations first feel there is a compelling ROI and secondly indicate components contributed to the national organizations in three areas:

1. Components as a service provider to members
2. Components as a contributor to larger organization
3. Components as a revenue driver

For more information, consult ASAE & The Center's report "2006 Components ROI Survey Summary of Major Findings."

Consider the Credit Union Executives Society (CUES) findings when they addressed this question. In 2002, they found that member retention in areas served by a local council to be four percent higher than in those areas without a local council. Annually, this amounted to an additional 120 members kept on the roles. With an average annual revenue per member (both dues and non-dues) of \$1,377, this value goes right to the bottom line for CUES.

Other associations have charted results in categories including:

- Membership acquisition & retention in areas served by local sections – many chart greater numbers and stronger retention in strong local sections; Golf Course Superintendents Association of America for example reported that a large number of their chapters had a higher retention rate than national
- Product sales through local sections – Urban Land Institute increased sales of books – had their first year of profit on book sales when they engaged local districts in the sales process
- Lobbying/regulatory front – the American Road & Transportation Builders Association's main focus is lobbying and they count their chapters as being pivotal in their success. They say successful coordination of lobbying at the state and federal levels fosters successful results in both forums, benefiting the member twice (i.e., more federal money goes to the states overall, and states with chapters get a bigger piece of the funding pie for local construction.)
- Certification/accreditation – CPCU sites that several of its chapters are key in mentoring insurance agents through the credentialing process that in turn makes them eligible for membership.
- Public awareness – CFA Institute credits its chapters as key in moving the public awareness of the CFA credential forward.
- Farm team/incubation for future leaders – Medical Group Management Association noted that most of its leaders come through the state affiliates and they even developed a leadership training program that is already improving their skill set for those leaders.

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3517 Forest Haven Drive • Laurel, Maryland 20724 • 301.725.2508 (Phone) • 301.725.5323 (Fax)  
info@MarinerManagement.com • www.MarinerManagement.com

- Added Value – this results in greater participation, strong retention and higher sales. CoreNet Global tracked that in one 4 week period, there were 1,748 members and prospects meeting somewhere at a chapter meeting far more than the collective number of attendees at their recent national summit.

Bottom line, the definition of a successful local components program is one that has measurable success in helping achieve the mission of the larger organization. We should expect local sections to contribute strongly to membership acquisition, retention, satisfaction and involvement. It's not whether they have their bylaws in order or if they send in reports on time. It's whether they are contributing positively to the organization's mission.

### **The Value Proposition**

The *WHY* question is tightly tied to the *VALUE* question. One needs to ask what the value is to the member first and foremost and then what the value is to the national organization. While there are a number of common variables to the value question, each association must verify these and get very specific as to the connection for them.

Commonly, associations report that the value of local sections to members includes:

- Access to programming locally (e.g., educational events, social events)
- Local networking for job connections, business connections and mentoring
- Social network
- Professional and personal development (that occurs in volunteering and through relationships)
- Connection to the community

The challenge is in clearly defining what success looks like in each of these cases. For the National Realtors Association members, having a positive impact in their community is critical. Therefore, their state and local chapters must offer an opportunity for members to participate in community projects to create a lasting value.

Most associations report that the benefits of having local sections are:

- Local delivery channel for events, credentialing, product – particularly pertinent for those members who don't travel outside their area
- A Face-to-face connection for the association
- A channel for membership acquisition
- A catalyst for membership retention
- An incubator for national volunteers & leaders (the lead association's "farm team")
- An incubator for ideas and solutions to the profession or trade's issues and concerns
- An R&D environment for new association programs and services
- Consensus building on legal and regulatory issues, industry policies and standards
- Local, state and regional lobbying and assistance as regulatory watchdog
- Trends and issues tracking

Many of these benefits can be tracked and monitored. Many also have a financial impact which can be measured. This will only happen though if goals are meaningful, measurable and time-constrained.





### **A Healthy Local Component**

Not all local sections deliver on the value and produce a positive ROI. Those that do, however, share four common characteristics:

- Vibrant leadership with a clearly defined and operational succession plan
- Supportive administrative infrastructure
- High member involvement
- Short menu of services that met the members' priority needs

Mariner Management identified these characteristics in an industry survey in 2003 [<http://www.marinermanagement.com/dashboard.html>] and has since validated these results in our work with a dozen associations and the ASAE & The Center's Component Relations Section Council. We had originally set out to find the successful chapters and discover what "makes or breaks" chapters. The items then became the Dashboard Indicators for components: their gauges for success.

It is important to note that while these four elements were consistent across associations – trade, professional; large, small; section, affiliate; contingent, combined or independent membership – the values varied. For example, under member services, legislative/public affairs could be critical for a number of associations, yet of no consequence to others. Successful chapters effectively differentiated between what they could do and what they should do. These descriptions illustrate strong green lights in each area.

GAUGE	INDICATOR OF A GOOD POTENTIAL FOR SUCCESS
 <b>Leadership</b>	<ul style="list-style-type: none"> <li>▪ Key volunteer leadership positions are filled and there are qualified volunteers waiting in the wings.</li> <li>▪ Succession plan defined and operational.</li> </ul>
 <b>Administrative Structure</b>	<ul style="list-style-type: none"> <li>▪ Key administrative tasks fulfilled.</li> <li>▪ Operational policies and procedures clearly defined.</li> <li>▪ Accurate and up-to-date member and financial records.</li> <li>▪ Fiscally sound.</li> </ul>
 <b>Member Involvement</b>	<p>Majority of members are active in that:</p> <p>(1) they connect with the section in more than one way: attend one or more educational or networking events; support community outreach programs; are involved with student section; present or facilitate programs; and</p> <p>(2) committees and board positions are filled, elections are contested, and there are new faces among the volunteers base.</p>
 <b>Member Services</b>	<ul style="list-style-type: none"> <li>▪ Educational/technical programming which includes some partnering with ASSE or other related organizations</li> <li>▪ Provides structured networking that helps members advance professionally</li> <li>▪ Sponsors a community outreach program</li> <li>▪ Connects professional &amp; students</li> </ul>

*A note about the Leadership and Administrative structure for local components.* There is a trend towards simplifying the governing structure in response to a tightening volunteer market and a time-constrained society. The traditional model of a local component that looks like a mini version of the lead organization is often far more structure than a small to medium-size organization needs or can sustain. The ideal focus is on identifying what has to happen at the local level and then developing the structure that will get the job done. It's form following function.

Two associations that have tested this fairly successfully are CPCU and the Association of Women in Communication. They offer a similar model which is headed by a leadership team, has fewer administrative and reporting requirements, and use task forces rather than standing committees. Other associations are simply reducing the tight requirements such as CUES who permits the chapter greater latitude in determining what committees and directors to have in the leadership.

*A note about geographic proximity as an indicator.* While not specifically addressed in the research, another critical element of a vibrant local section is geographic proximity. Clearly the value proposition is based on the ability of members to get face-to-face – to meet and get to know one another. This requires convenient access to each other. With



few exceptions, association members are not motivated to travel great distances to attend events, participate in activities or volunteer.

In the survey and through reports from ASAE listservs and meetings, associations repeatedly report that components with large geographic spread (i.e. low member density) are generally not successful. Most report that sections located in metropolitan areas are their best performers. Some do report success where several chapters are supported by one hub, however, their success is largely related to the ability to support events, activities, and members in various locations.

*A note about membership arrangement as an indicator.* Generally speaking, associations that have a strong overlap in membership or a contingent membership have stronger sections. Our research suggested a correlation. A case can be made equally for non-contingent memberships though as long as there is a strong commitment to cross-selling.

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info@MarinerManagement.com • www.MarinerManagement.com