

The Role of the Association CFO in the New Normal

CLA National Association Conference
September 17, 2014 Chicago, Illinois



The New Normal For Associations & NFPs

- 1. Time**
- 2. Expectations; R.O.I. scrutiny**
- 3. Member diversity**
- 4. Generational values**
- 5. Competition**
- 6. Technology**

The Mismatch

- Time intensive
- Slow, tradition-bound
- Designed for homogeneous member
- Face-to-face and print
- Package of services
- Time pressures
- Accelerating change
- Specialization and divergent interests
- World going digital
- “What/when/how I want it”

Relevance

Requires an awareness of trends and changes and their consequences.

Reality is often difficult to accept, particularly when it is not the reality that the association was designed for.

Relevance

Need the capability to think differently about how we manage and govern, often unconventionally and counterintuitively

Strategy

“The skillful, creative and disciplined use of resources to meet objectives or fulfill mission”

Resource Strategies

- 1. Build on Strength**
- 2. Concentrate Resources**
- 3. Fit/Integration**
- 4. Lean Thinking**
- 5. Purposeful Abandonment**

Build on Strength

- 1. Can't compete from a position of weakness**
- 2. Low member tolerance for mediocrity**
- 3. Resource constraints on product line scope**

Build on Strength

- 1. Better, more rigorous assessment**
- 2. Full exploitation**
- 3. Source of innovation**

Hedgehog Concept

- 1. Deep, passionate commitment**
- 2. Best at producing it**
- 3. Drives economic engine**

Concentrate Resources

“It sounds unbelievable, and yet it has happened a hundred times over, that troops have been divided and separated merely according to some vague sense of how things are conventionally done, without a clear understanding of why it is being done....*There is no higher or simpler law for strategy than keeping one’s forces concentrated.*”

Carl Philipp Gottlieb von Clausewitz
On War

Concentrate Resources

**“We don’t want all our eggs
in one basket.”**

The Downsides of Diversity

- 1. Results in organizational complexity**
- 2. Causes communications challenges**
- 3. Disperses resources**
- 4. Distracts resources from strength**

The Concentration Decision

“Wherever we find an enterprise that is outstandingly successful, we will find that it has thought through the concentration alternatives and made a concentration decision.”

Peter F. Drucker

Fit/Integration

“Fit is a far more central component of competitive advantage than most realize.”

Michael Porter

What is Strategy

Fit/Integration

- 1. Programs and activities by design or accumulated over time?**
- 2. Complement and reinforce**
- 3. Silo functioning**
- 4. Vulnerable to competition**
- 5. Fit to strength**

Lean Thinking

- 1. Response to competition**
- 2. Optimizes resources by eliminating waste**
- 3. Waste = anything that does not add value**
- 4. Value stream mapping**

Purposeful Abandonment

1. **“Volume equals value”**
2. **How many businesses can an association or NFP be in?**
3. **The power of a narrow product line**
4. **“Shrink to grow”**

Purposeful Abandonment

- 1. Purposely withdraws resources from low value activity to high value activity**
- 2. The key to change and innovation**
- 3. “Feed winners; starve losers”**

The Power of a Narrow Product Line

Ford

- ~~Volvo~~
- ~~Jaguar~~
- ~~Mercury~~
- ~~Land Rover~~
- ~~Aston Martin~~

GM

- ~~Saab~~
- ~~Oldsmobile~~
- ~~Pontiac~~
- ~~Saturn~~
- ~~Hummer~~

The Power of Abandonment

- 1. Steve Jobs returned to Apple 1997**
- 2. Apple had gone through a period of product proliferation: multiple versions of computers, servers, printers, etc.**
- 3. Jobs eliminated 70% of Apple's product line**
- 4. Apple went from a \$1 billion loss in 1997 to a \$309 million profit in 1998**

The Power of Abandonment

- 1. Procter & Gamble to abandon ½ of its product line**
- 2. “too bloated to navigate an increasingly competitive market”**
- 3. P&G will narrow focus to 70-80 brands, sell or shut down 100 (representing \$8 billion in sales)**
- 4. P&G profit last year: \$11.6 billion**

The Technology Imperative

1 billion Facebook members

1.2 million LinkedIn groups

4 billion YouTube downloads per day

4 million online Coursera students

10 million Khan Academy students/month

700,000 apps in 6 years

More digital advertising than print (\$37B)

**Plus: Crowdfunding, predictive search,
wearable technology**

The Technology Imperative

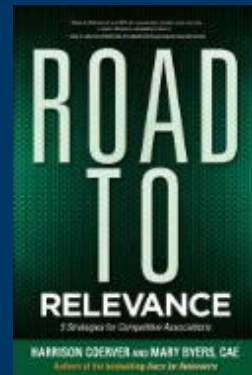
- 1. The technology mindset**
- 2. Take the association to the member**
- 3. The total technology “spend”**
- 4. Finding and allocating the resources required**

The Role of the CFO

- 1. Heighten awareness of resource optimization: “Chief Resource Officer”**
- 2. Actively participate in data-driven decision-making**
- 3. Ask good questions**
- 4. Champion the tech spend**



The Role of the Association CFO in the New Normal



CLA National Association Conference, September 17, 2014