

INFORMATION IS POWER  
EFFECTIVE DATA COLLECTION AND MANAGEMENT  
REPORTING





*helps organizations to deliver more, in a better way, to the people that they serve.*

## Information is Power

### *Introduction to Erin Roberts*

Erin Roberts is a Partner at Zzeem. A management consultant and expert in business process re-engineering, Erin enjoys working alongside not-for-profit executives as they lead their organizations to new levels of success.

With a knack for reducing complexity and streamlining operations, Erin is an expert in the *business* of not-for-profits.

Erin holds a master's degree in Econometrics and is a former Chartered Financial Analyst. Prior to co-founding Zzeem, Erin was a director in the securities industry working with senior executives at large corporate and government clients. She believes that numbers tell the story.

Erin's passion is food – eating it, cooking it, looking at it, talking about it and, like Jiro, dreaming about it.

If you grasp the concept of numbers (for example, 325; 350; 425; 15 minutes; 7lbs), you can understand why a sound understanding of numbers can make or break your association metrics...or cooking.

### *Introduction to Zzeem*

Short on in-house resources? We can build you a full administrative and professional services back office, and provide the team to staff it.

For expert professional development, ask us about custom training programs, workshops and revenue-generating continuing education programs.

Searching for the professional edge that is known to drive winning service organizations? We can support and develop your board members and leadership team to reach the next level. Ask us about the Leadership Support Program.

*LET US HELP YOU TO DO MORE, IN A BETTER WAY, FOR THE PEOPLE YOU SERVE*

□ 416.410.5867 x.101      □ Erin.Roberts@zzeem.com      □ www.zzeem.com

## Workshop Agenda

### The Business Model for Membership Organizations

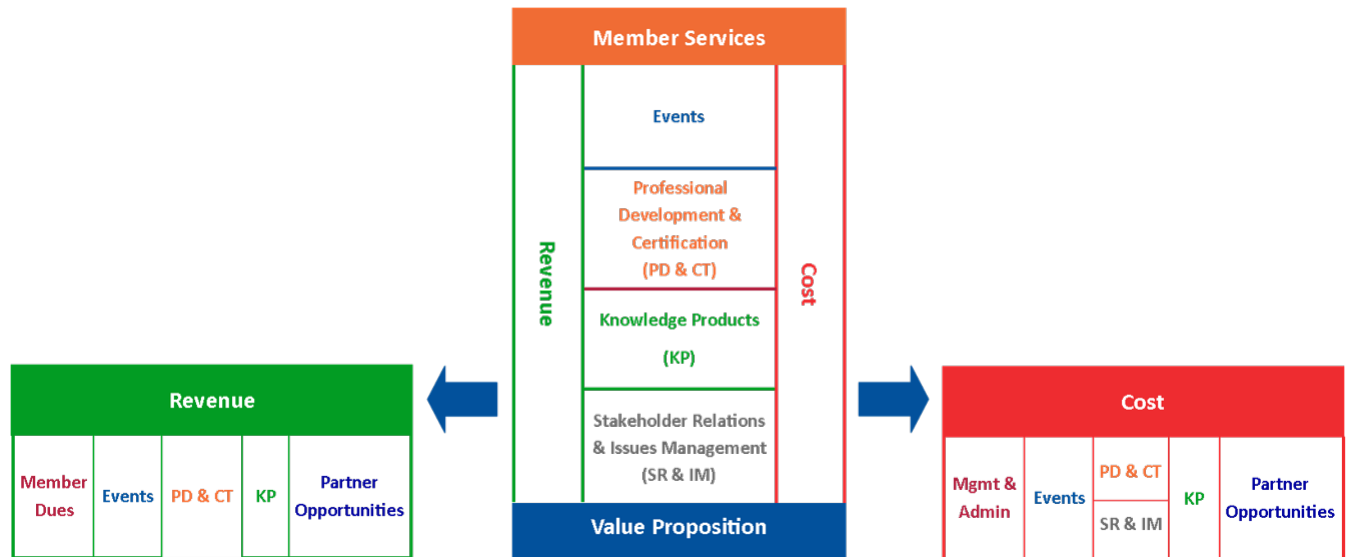
- ☐ What is the Business Model for Membership Organizations?
- ☐ What is the High Performance Membership Organization?
- ☐ How does the HPO Relate to Informing Your Board?

### Meaningful Management Reporting

- ☐ The Right Information
- ☐ The Right Comparatives and Metrics
- ☐ The Right Format

## The Business Model for Membership Organizations

### Revenue-Cost Model for Membership Organizations <sup>TM1</sup>



$$\text{Profit} = \text{Revenue} - \text{Cost}$$

### Not-for-Profit Corporation

- ☐ "Not-for-profit" is a tax structure. It is not a philosophy. It does not mean no profit.
- ☐ Revenue must exceed cost because you need some surplus for a rainy day and to invest in your future.

### For Profit vs. Not-for-Profit

- ☐ For Profit: Profit is either reinvested or distributed to shareholders.
- ☐ Not-for-Profit: Profit is reinvested. i.e. more member services, "rainy day" fund.

<sup>1</sup> The Revenue-Cost Model for membership Organizations is a trademark of Zzeem, Inc. All content regarding this model is the property of Zzeem, Inc.

## *Sustainability Model<sup>TM 2</sup> for Membership Organizations*

### *The 5 Pillars of the Sustainability Model*

#### 1. REGIONAL NETWORKS

These networks support the organization and provide grass roots level connectivity.

#### 2. STAKEHOLDER RELATIONS & ISSUES MANAGEMENT

These activities are formidable member services. They support the visibility of the organization and the production of relevant knowledge products.

#### 3. KNOWLEDGE PRODUCTS & COMMUNICATION

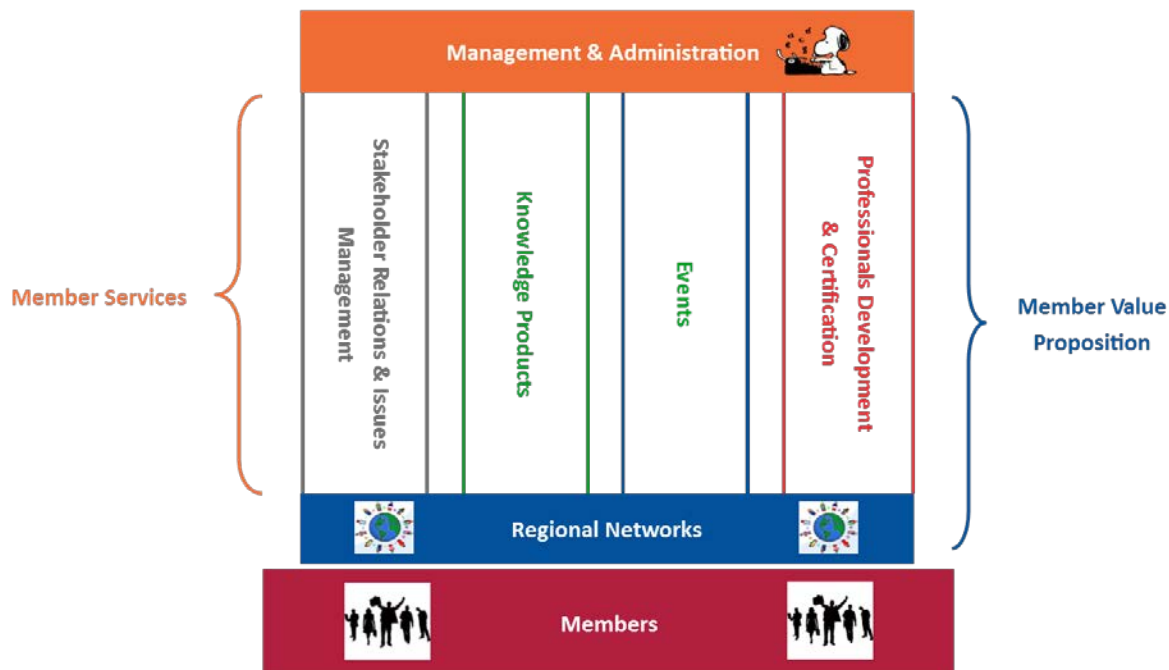
Relevant information is a valuable member service and a revenue opportunity.

#### 4. EVENTS

Events include professional development seminars and workshops. Events keep members engaged and they are a source of revenue.

#### 5. PROFESSIONAL DEVELOPMENT & CERTIFICATION

Professional development opportunities and certification/licensing/accreditation increase credibility and member value. This is also a key revenue-generation area.



<sup>2</sup> The Sustainability Model is a trademark of Zzeem, Inc. All content regarding this model is the property of Zzeem, Inc.

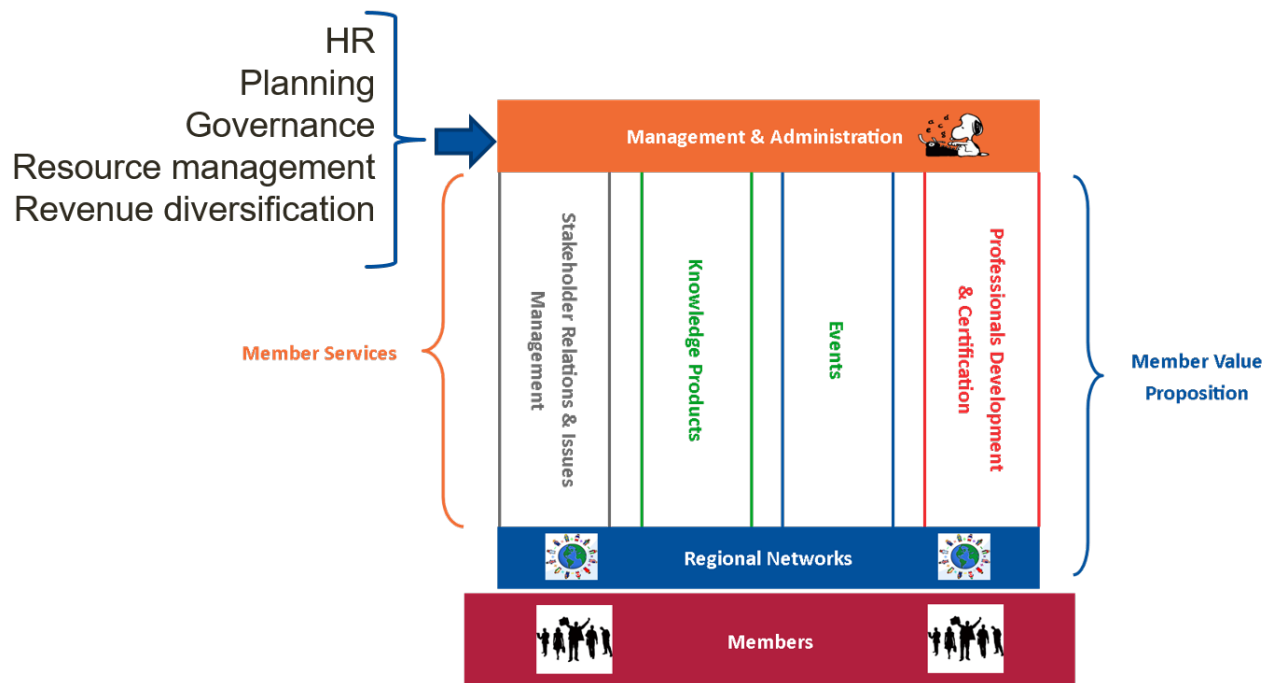
## The High Performance Membership Organization<sup>TM3</sup>

There are 8 elements to the High Performance Membership Organization:

1. Human Resource Management
2. Planning
3. Governance
4. Resource management
5. Revenue diversification
6. Member value proposition
7. Sponsor value proposition
8. Stakeholder relations and issues management

These consist of “front stage” and “back stage” elements that tie back to the Sustainability Model for membership organizations.

### *The Sustainable HPO<sup>TM</sup> - Back Stage*

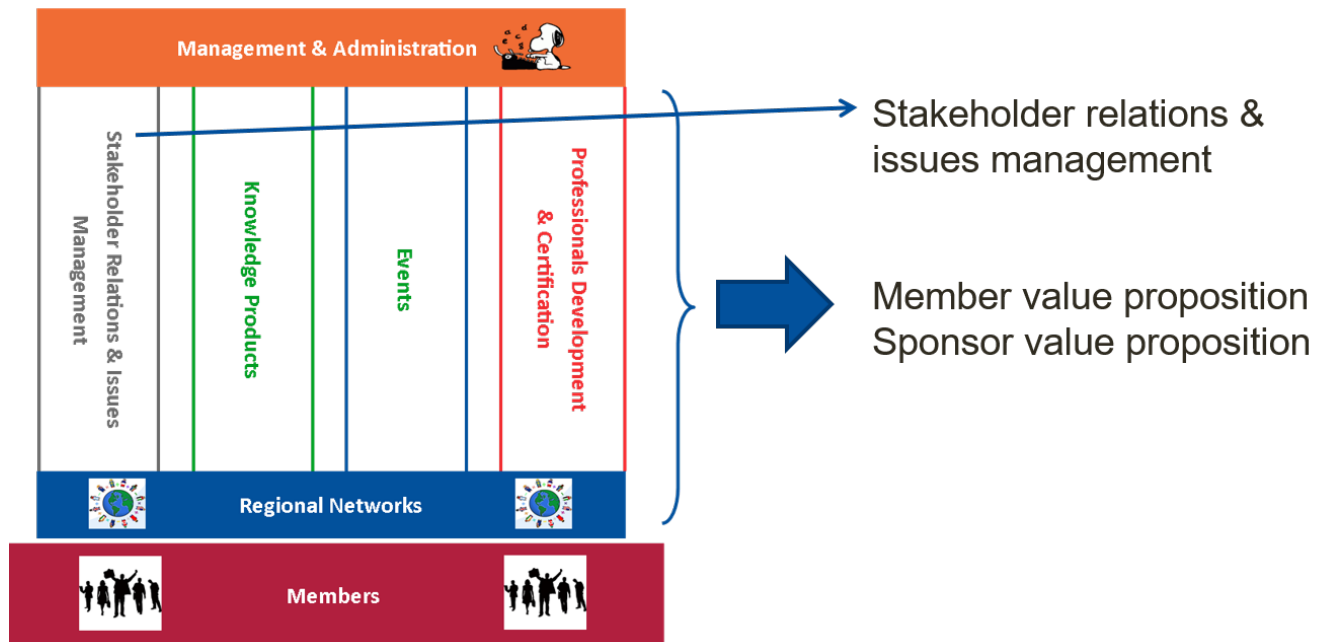


<sup>3</sup> The High Performance Membership Organization and the HPO are trademarks of Zzeem, Inc. All content regarding this model is the property of Zzeem, Inc.

These are the internal systems and activities that support the outward-facing activities of the organization. The back stage of the High Performance Organization (“HPO”) is invisible when it is working well and painfully visible when it is not.

### *The Sustainable HPO - Front Stage*

These are the elements of the HPO that stakeholders see and interact with. They are highly visible and they have a direct impact on the credibility and profile of the organization.



### *How does the HPO model relate to informing your board?*

Planning and Governance are two of the back stage elements of the HPO. In order for your board to be effective in either area, it needs the right information, the right comparatives and metrics, in the right format, at each board meeting, or more frequently. These elements are all critical for effective oversight and decision-making.

## Meaningful Management Reporting

There are three elements in the board communication platform.

1. The Right Information
2. The Right Comparatives and Metrics
3. The Right Format

The right format is the management report that allows you to inform your board in 5 minutes or less. The right information, comparatives and metrics feed into the management report.

In all cases, use visuals such as bar charts, pie charts and images to provide a visual representation of your message. Some directors love numbers, some directors loathe numbers. Ensure that you meet the needs of both.

### *The Right Information*

The starting point is the planning. Effective communication with the board starts with a strategic plan that covers at least 3-5 years and includes a business plan and budget for the next 12 months.

The strategic plan provides high level objectives and describes how you will move closer to your vision. It includes milestones and dates so you can track your progress. The business plan provides operational detail and a budget to support the plan.

The strategic plan and the business plan are critical.

Reporting to the board must provide answers to at least three questions:

1. How are we progressing against our plan?
2. Where are our risks?
3. What directions, decisions or actions are needed?

We answer these questions by providing information in four key areas.

1. Sustainability
2. Strategic objectives
3. Member value
4. Financial status



## *The Right Comparatives, Metrics*

Each of these four areas can be tracked effectively using relevant comparatives and metrics.

### *Sustainability Metrics*

The three most basic metrics used to track sustainability are:

1. Member attraction rate
2. Member retention rate
3. Member satisfaction rate

The attraction and retention rates track our ability to recruit members and to keep them. These are simple mathematical calculations.

The satisfaction rate is typically determined via a member survey and may be articulated in different ways. The simplest format is a numerical scale (e.g. score satisfaction between 1 and 5).

In all cases, we need to have a target for these metrics. We track our actual metrics against the target rate and on a year over year basis.

### **MEMBER ATTRACTION RATE FORMULA**

As a general rule, your target for this metric should be a minimum of 10%. This level is necessary simply to replace normal attrition.

FORMULA:  $\text{New Members Joined in Current Year} / \# \text{ Members at Previous Year End}$

EXAMPLE:

- New members joined in 2016: 20
- # of Members at 2015 Year End: 100
- Member Attraction Rate =  $20/100$  (20%)

### **MEMBER RETENTION RATE FORMULA**

Typically, sustainable membership organizations have a retention rate of 90% or higher.

FORMULA:  $(\# \text{ of Members at Current Year End} - \text{New Members Joined in Current Year}) / \# \text{ of Members at Previous Year End}$

EXAMPLE:





- # of Members at 2016 Year End: 110
- New members joined in 2016: 20
- # of Members at 2015 Year End: 100
- Member Retention Rate =  $(110-20)/100 = 90/100$  (90%)

## MEMBER SATISFACTION RATE CALCULATION

1. Start with a member survey question such as, "On a scale of 1 to 5, where 5 means very satisfied and 1 means very dissatisfied, how satisfied are you with your membership?"
2. Calculate the percentage of respondents who answered 3, 4 or 5. This is your member satisfaction rate. Also calculate the percentage of respondents who answered 4 or 5. This is your core group of satisfied members.
3. NOTE: Those members who responded with a "3" may not be dissatisfied but that doesn't mean they're happy. This group needs to be monitored.

## Strategic Objectives Metrics

Your strategic plan should include milestones and target dates for each milestone. Tracking your progress against each milestone target date keeps you on track. You can use a simple visual coding system to indicate the status. For example:

- ☐ Completed: 
- ☐ In process, on time: 
- ☐ In process, delayed: 
- ☐ Stalled: 

## Member Value Performance Metrics

These metrics track the performance of your member programs and government/stakeholder relations efforts. There are two key elements of performance; member engagement and impact.

## MEMBER PROGRAMS

### ENGAGEMENT METRIC: "\$ SPENT PER MEMBER"

This measures the relative willingness of members to pay for access to member services such as professional development events and knowledge products. These include only expenditures above and beyond the annual fees.

FORMULA: Total revenue from fees paid by members for additional services / # of members

EXAMPLE:

- ☐ Member services fee revenue during 2016: \$100,000
- ☐ Number of members year end 2016: 1,000
- ☐ \$ spent per member = \$100,000 / 1,000 = \$100 per member

## *ENGAGEMENT METRIC: "% OF MEMBERS ATTENDING"*

This measures the percentage of the membership that attends at least one event each year. In order to track this metric, we need our database to link event registration data by year, to member records. Then we run a report showing the number of members that meet this criterion. NOTE: We need to know the names of attendees so we can eliminate duplicates.

FORMULA: # of members attending one or more events / Total # of members

EXAMPLE:

- ☐ # of members attending during 2016: 1,000
- ☐ Total # of members at 2016 year end: 3,000
- ☐ % of members attending: 1,000 / 3,000 (33%)

## *ENGAGEMENT METRIC: "% OF MEMBERS VOLUNTEERING"*

This measures the percentage of the membership that volunteers for the organization. In order to track this metric, we need our database to link volunteer service by year, to member records. Then we run a report showing the number of members that meet this criterion. NOTE: As above, we need to know the names of attendees so we can eliminate duplicates.

FORMULA: # of members volunteering / Total # of members

EXAMPLE:

- ☐ # of members volunteering during 2016: 30
- ☐ Total # of members at 2016 year end: 3,000
- ☐ % of members volunteering: 30 / 3,000 (1%)

## GOVERNMENT/STAKEHOLDER RELATIONS

### *IMPACT METRIC: % OF MEMBERS ON COMMITTEES*

This measures the percentage of the membership that sits on unpaid task forces and committees that focus on this area.

FORMULA: # of members on GR/SR committees / Total # of members

EXAMPLE:

- ☐ # of members on GR/SR committees during 2016: 10
- ☐ Total # of members at 2016 year end: 3,000
- ☐ % of members volunteering: 10 / 3,000 (0.33%)



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#### *IMPACT METRIC: OPEN RATE ON INFORMATION BULLETINS*

This is a standard metric delivered by most bulk email software. It provides data on the number and/or percentage of recipients who open the email communication. Focus specifically on the communications that deliver information about your GR/SR activities.

#### *IMPACT METRIC: MEETING REQUESTS AND CALL-INS*

This measures the level of demand that your government and stakeholder contacts have for your knowledge, data and input. Measure the average number of calls per month that you receive from non-member stakeholders requesting a meeting or information.

#### *IMPACT METRICS: INFLUENCE/PROGRESS AGAINST BASE CASE*

This metric must be customized specifically for your organization's government/stakeholder objectives. The goal is to provide some idea of the difference between the current situation and the situation that would likely have existed in the absence of your activity.

### *Financial Performance Metrics*

These metrics do not replace your financial statements. This is supplementary information that allows your directors to quickly zero in on the areas that require direction, decisions or action.

### **BALANCE SHEET**

Track your accessible net assets. If you need money to make an investment or to cover an unexpected shortfall, how much is available and how quickly can you access it? Liquid assets can be accessed in 90 days or less. Illiquid assets take longer to access. In all cases measure the assets in terms of the number of months of operating expenses that they can cover.

#### *NET ASSETS (ASSETS - LIABILITIES)*

##### **Liquid Assets**

- ☐ Cash
- ☐ Accounts receivable < 90 days

##### **Illiquid Assets**

- ☐ Investments (e.g. GICs)
- ☐ Capital assets (e.g. real estate)
- ☐ Restricted funds (assets earmarked by the board for an explicit purpose)
- ☐ Accounts receivable > 90days

## INCOME STATEMENT

### VARIANCE INFORMATION

Track your progress against your current year budget and against your previous year's numbers. Your report should include all of the major line items in your income statement (revenue and expenditures) and should include 5 columns:

1. Actual year to date (current year)
2. Budget for current year
3. Variance between 1 and 2, above (1 - 2)
4. Actual year to date (previous year)
5. Variance between 1 and 4, above (1 - 4)

### INCOME STATEMENT EXAMPLE:

October 31, 2016

	Revenue	Budget	Variance	Oct-15	Variance
Member Fees	750,000	1,000,000	(250,000)	674,500	75,500
Professional Development	600,000	800,000	(200,000)	539,600	60,400
Other	150,000	200,000	(50,000)	134,900	15,100
<b>Total</b>	<b>1,500,000</b>	<b>2,000,000</b>	<b>(500,000)</b>	<b>1,349,000</b>	<b>151,000</b>
	<b>Expense</b>				
Member Services	350,000	525,000	175,000	262,500	(87,500)
SR & IM	200,000	300,000	100,000	150,000	(50,000)
Professional Development	250,000	375,000	125,000	187,500	(62,500)
Admin	100,000	150,000	50,000	75,000	(25,000)
Other	100,000	150,000	50,000	75,000	(25,000)
<b>Total</b>	<b>1,000,000</b>	<b>1,500,000</b>	<b>500,000</b>	<b>750,000</b>	<b>(250,000)</b>
	<b>Net</b>				
	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>599,000</b>	<b>(99,000)</b>

### REVENUE DIVERSIFICATION AND EXPENSE INFORMATION

Track your sources of revenue to identify your relative reliance on each source. Track your program and administrative expenses to identify the relative financial resources devoted to each area.

#### Revenue

- ☐ For each major revenue item, note the percentage of total revenue that it represents (e.g. Membership =  $750,000/1,500,000 = 50\%$ )



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## Expenses

- ☐ For each member program, note the percentage of total expenditures the program utilizes. (e.g. Conference =  $250,000/1,000,000 = 25\%$  )
- ☐ Note the percentage of total expenditures spent on administration.

## *The Right Format*

### *Management Report*

The management report is a short, 1-2 page document that can be verbally presented to the board in 5 minutes or less. The management report is not a list of activities. It is simply the highlights that require direction, action or decisions from the board.

### HIGHLIGHTS BY CATEGORY

Focus on the 4 areas described earlier and identify only those elements that require direction/action/decision.

1. Sustainability
2. Strategic objectives
3. Member value performance
4. Financial performance

Include the relevant comparatives and metrics for each highlighted area and note any of the following elements that are relevant.

- ☐ Risks
- ☐ Wins and progress
- ☐ Decision/direction required (from whom? Board? Committee? External provider?)
- ☐ Vote required

## MANAGEMENT REPORT EXAMPLE:

### Management Report Q3-2016

#### **Sustainability, Financial Performance**

Our member retention rate has declined for the second year in a row (90% in 2015, 85% in 2016). Member satisfaction has also declined from 85% to 80%.

Our membership revenue is higher than this time last year but it is well short of budget and we rarely have any meaningful number of new members join in November and December. Therefore, we are not likely to reach our budget numbers for this revenue item.

#### Risks:

- Anything below 90% on retention and 85% on satisfaction is a red flag and we are now demonstrating a downward trend in both areas.
- We may end up \$250,000 below our budgeted revenue for membership and this will have a direct impact on the bottom line. At present we are in no danger of a deficit but our surplus will be well below budget.

Decision: It is recommended that we organize a focus group of current members to collect feedback. This will have a budget impact of \$30,000 in the current fiscal year. As this expenditure was not anticipated this requires input from the Finance Committee and notification to the board.

Vote Required: None. Under our bylaws and board policies, as long as the expenditure would not result in a deficit, a board vote is not required.

#### **Strategic Objectives**

On track.

#### **Member Value Performance**

##### Member Programs

Our engagement metric for the percentage of members attending professional development events has dropped slightly from 37% in 2015 to 33% in 2016.

Risks: Although the drop isn't huge, this combined with a declining member satisfaction rate and member retention rate makes it more of a concern than this metric on its own.

Decision: It is recommended that we deploy additional resources to member engagement. Our events may be getting stale and perhaps it is time to make some changes in our professional development line-up and/or delivery. This could include adding webinars, and/or replacing 1/2 day sessions with one hour "quick hits". We need direction from the Professional Development Committee and if there is a budget impact, from the Finance Committee.

##### Government/Stakeholder Relations

Our open rate on information bulletins is steadily increasing. Last year the rate climbed from 10% at the beginning of the year to 28% at present.



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Meeting requests and call-ins are also up. In 2015 we averaged 0.5 calls per month. In 2016 this climbed to 5 calls per month. Our relationship building efforts with our key stakeholders are paying off.

Progress: We are tracking well above targets.

Direction: It is recommended that we create two additional stakeholder relations committees to focus on two key niche areas. This will increase our reach and influence and if successful will increase member engagement in this area. Direction is required from the Stakeholder Relations Committee.



## What does Zzeem do?

### *Leadership Support for Directors and CEO*

- ❑ Shorten the Learning Curve
- ❑ Build Confidence
- ❑ Deliver on your Strategic Plan
- ❑ Accelerate Leadership Growth

### *High Performance Assessment*

- ❑ Qualitative assessment of performance. Provides a score for each element and an action plan.
- ❑ Quantitative assessment using metrics. Measures current KPIs and sets targets.

### *Higher Non-Dues Revenue*

- ❑ Expand Your Sources of Revenue with New Strategies and Programs
- ❑ Create a Compelling Sponsor Value Proposition
- ❑ Attract and Retain Sponsors with a Turnkey System

### *Operational Support*

#### *MANAGED SERVICES – FOR ORGANIZATIONS WITH A SMALL STAFF*

- ❑ Customized administrative and professional service packages that support your team, close the gaps in your staffing—delivered by a team of experts

#### *ASSOCIATION MANAGEMENT - FOR ORGANIZATIONS WITH NO STAFF*

- ❑ Highly professional and utterly reliable back office support that allows your volunteer board to focus on governance

### *Sustainability*

- ❑ Develop a Sustainability Strategy and Action Plan



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## What? You would rather do it yourself?

### Of course you can do it yourself...

But why? We've got the system and you've got the specialized knowledge of your organization. We put your knowledge into our system and you get results - Quickly.



### What about costs?

We are so efficient and reasonably priced, you're better off giving the tedious work to us and catching up on that strategic work that you've been meaning to do but never seem to have time for.

All of our work is done on a fixed price basis so you know what it will cost before you start.

Whatever your size or budget, Zzeem has a custom, modular solution that is a perfect fit for your organization.

### Here's what our clients say:

#### ...about our consultants:

*"We totally restructured our association in the past 24 months. Early in that process, I brought on Zzeem as a partner – that's how I see Zzeem, as a partner, not a service provider... Now, we could comfortably double our membership size and not add any staff or infrastructure and still be fully functional. Zzeem has the right skill set, strong organizational skills, and the background in non-profits that we need. I can honestly say there is nothing I'd ask Zzeem to do differently."*

*"Zzeem's quality of service is off the charts. Zzeem is a group of expert consultants dedicated to making not-for-profits thrive. The intellectual caliber of the partners enables them to give strategic advice usually not available to volunteer boards, at least not at a reasonable rate. I recommend Zzeem to any organization looking for sophisticated advice above and beyond routine service..."*

#### ...about our association management:

*"Unlike most other association management providers, Zzeem has an outstanding back office with a team that's large enough to ensure nothing falls through the cracks when someone is busy or away from the office. They anticipate our needs and address them before we even have to ask...I'd recommend Zzeem to any organization looking for utterly reliable back-office support"*

*"Zzeem ensures that we're running our business properly in every sense of the word. They play a vital role in our strategic efforts, going far beyond what we ask of them. Zzeem is the perfect association management firm for a not-for-profit with an all-volunteer board that needs a provider truly dedicated to their success."*

**LET US HELP YOU TO DO MORE, IN A BETTER WAY, FOR THE PEOPLE YOU SERVE**




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