

Financial Growth, Member Value & the Synergy Zone



by Seth Kahan

This short piece focuses on the relationship between *member value* and *financial growth*. It makes visible the nine gradients of correlation these two have with each other, and highlights the sweet spot I call the *Synergy Zone*.

Every membership organization puts member value front and center. Of course, it also has to do well financially. But, financial growth always supports and never counteracts member value. Therefore, financial growth is forever secondary and subordinate.

This does not mean it should be ignored or even receive less attention when it comes to leadership and strategy. Healthy financial growth makes the difference between an organization that survives and one that thrives.

Effective leaders make it a point to grow aggressively beyond what is required to operate. They are set on increasing capacity and building reserves. The best have a knack for strong financial growth that reinforces, supports, and generates member value. This kind of synergy can't be beat.

This is not a trivial accomplishment. It requires making the commitment to go for the best your organization can be. There is no middle ground between being the best and getting by. You are either excelling or not.

Many executives try hard to balance the multitude of forces that pull on

them, seeking a place of refuge in the balancing act itself. But, this is not a viable haven, because there is no *there* there. Instead there is a perpetual compromise which ultimately fails at your mission: providing members with incomparable and unequalled value in the marketplace.

Developing strategy that positions your organization as the gold standard includes all the actions prerequisite to excellence, such as:

- Providing thought leadership on the toughest and hottest issues your members face
- Delivering solutions that satisfactorily address deeply felt needs
- Building internal organizational capacity.
- Cultivating the best possible relationship with your board.
- Pursuing continuous improvement.
- Constantly sharpening your execution skills.
- Cultivating financial growth that reinforces and strengthens your capacity to deliver member value.

The Synergy Zone I illustrate makes this possible. Visionary leaders are expert at locating their products and services in this zone.

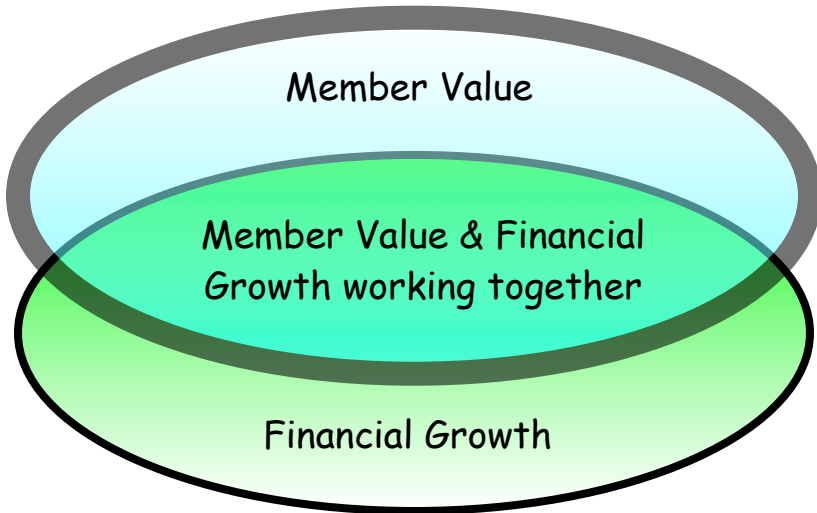
The graphic on the next page shows where member value and financial growth overlap and illustrates gradients helpful to categorize your products and services. With these it quickly becomes clear which of your activities are in the organization's best interest and which are not. This has real impact on strategy and subsequently on resource allocation.

Definitions

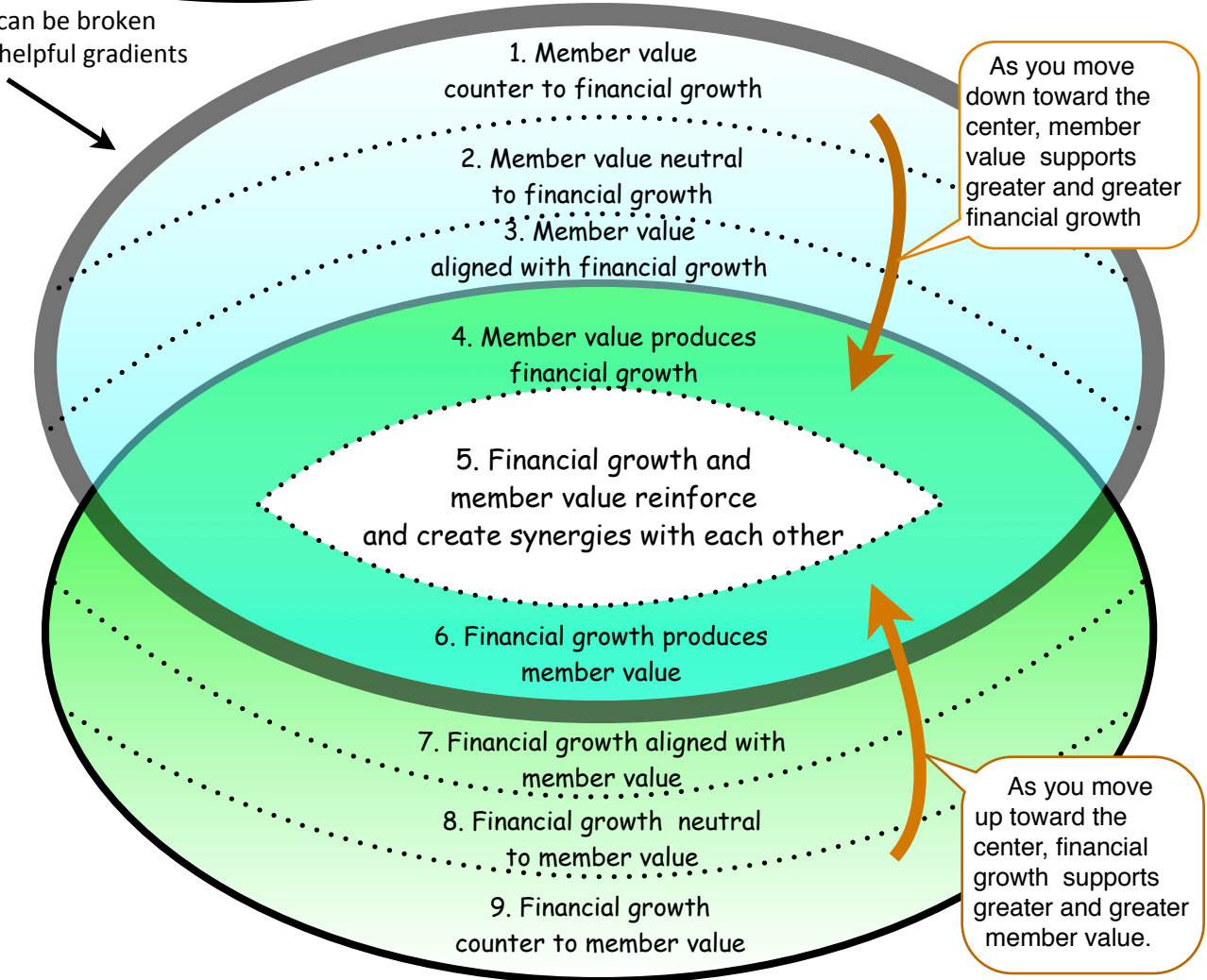
Member value - products, services, or intangibles that members appreciate and are willing to pay for with the time, money, or effort at their disposal.

Financial growth - for the sake of this article, financial growth simply means increasing profit.





this relationship can be broken down into these helpful gradients



gradient	description
1. Member value counter to financial growth.	<i>Products and services that prevent or counteract corresponding increases in profits.</i>
2. Member value neutral to financial growth.	<i>Products and services that generate a loss but make possible corresponding profits that are equal to the loss.</i>
3. Member value is aligned with financial growth.	<i>Products and services that are cost justified and reinforce or are consistent with other activity that generates profitable growth.</i>
4. Member value produces financial growth.	<i>Products and services that consistently generate increasing profits.</i>
5. Member value and financial growth reinforce and produce synergies with each other.	<i>Products and services that enhance and develop profitable growth, which in turn makes it possible to deliver greater member value.</i>
6. Financial growth produces member value.	<i>Financial growth that results in products and services members appreciate and pay for with their money, time, and energy.</i>
7. Financial growth is aligned with member value.	<i>Financial growth that reinforces and supports products and services.</i>
8. Financial growth is neutral to member value.	<i>Financial growth that does not detract from member value.</i>
9. Financial growth is counter to member value.	<i>Financial growth that decreases member value.</i>

Synergy Zone

Bullseye

Two Mistakes

Here are two mistakes leaders of member organizations make when it comes to member value and financial growth:

1. Considering financial growth a necessary evil, subordinating its strategy, tactics and leadership to the background while focusing almost exclusively on member value.
2. Thinking of the organization as a business that happens to be about membership, and relegating member value to an ancillary role behind profit.

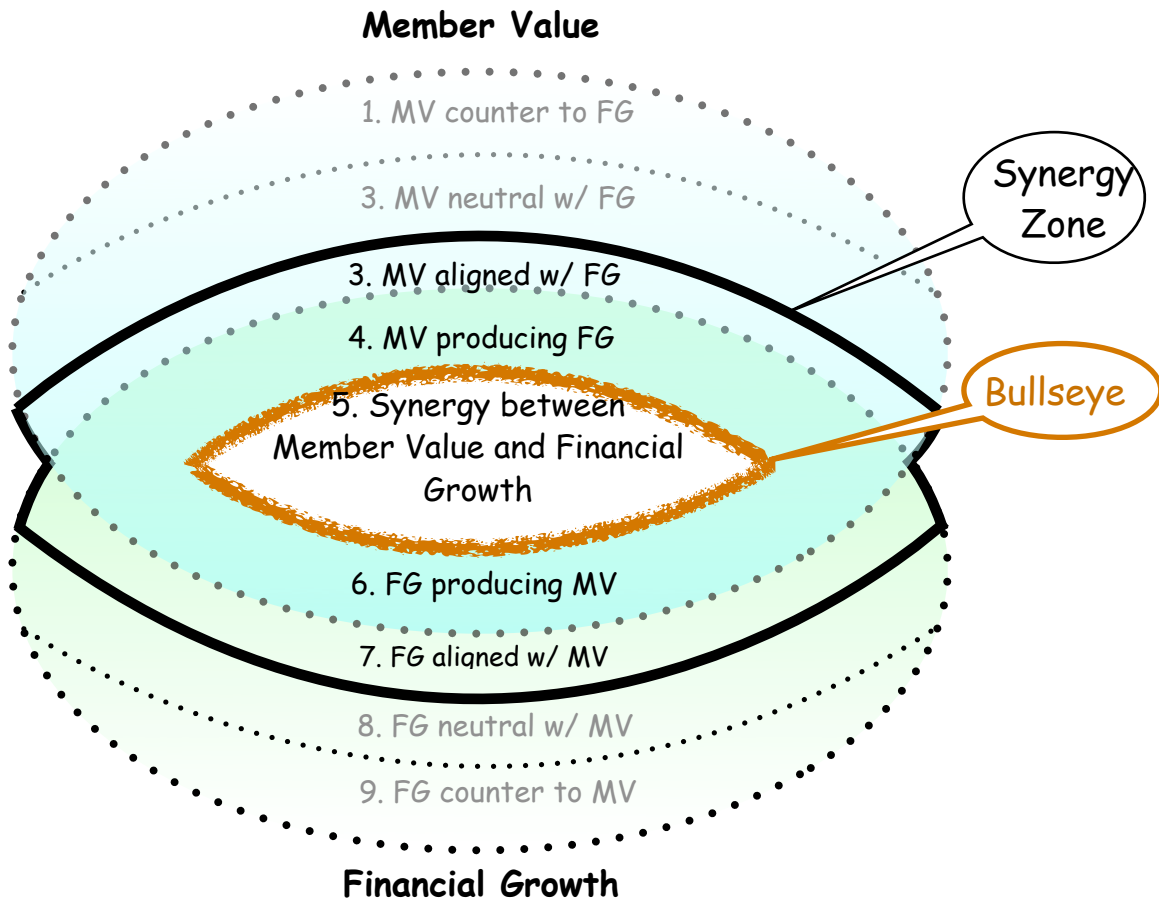
The best leaders recognize financial growth for what it is: the ultimate measure of the health of the organization making possible the generation of member value.

Vibrant, high performing organizations generate the resources they need to carry out day-to-day operations, survive bumps, invest opportunistically, and provide what staff members need to be at their best. Hence, they systematically grow.

When a program succeeds, wherever it falls in the gradients, successful leaders drive it into the Synergy Zone (gradients 3-7).

The ultimate target is the bullseye (circled in orange). Visionaries corral activity here into the magic space where financial growth and member value reinforce each other.

The goal is to create a virtuous cycle of economic development and member satisfaction, cultivating a growing market.



Q: Is it realistic for leaders to re-examine their products and services in light of the Synergy Zone & bullseye, even making adjustments to long standing offerings members appreciate?

A: My framework is a tool, not an ultimatum. Every good leader keeps tools in the toolbox until they need them. This should be brought out only when it can make a real contribution.

That said, many organizations ignore the Synergy Zone to their detriment. It is a much stronger place to be. The profit it generates affords greater service to members, and vice versa.

David Gammel, Executive Director of the Entomological Society of America, teaches how important it is to kill **sacred zombie cows**; i.e., activities no longer valuable yet persisting to drain resources. Use my framework to make it clear to your board and members why it is time for these sacred zombie cows to go!



Driving Products & Services toward the Bullseye of the Synergy Zone

The trick to building and sustaining greater and greater member value is to drive your offerings one or two gradients at a time toward the bullseye of the Synergy Zone. This brings member value and financial vitality into a direct, generative relationship.

The only exception is when a product or service is clearly stuck in the first or last gradient; i.e., directly in conflict with member value or financial growth. Then it is time to withdraw organizational resources. *This is the time to discontinue a program.*

How do you drive an offering one or two gradients toward the Synergy Zone? You do it by identifying key factors and making the necessary changes.

For example, let's say your magazine is in gradient 2, neutral to financial growth. This means it is not supporting or generating a profit.

Ask, 'What can we do to either align it with financial growth (gradient 3) or use it to generate increasing profit (gradient 4)?'

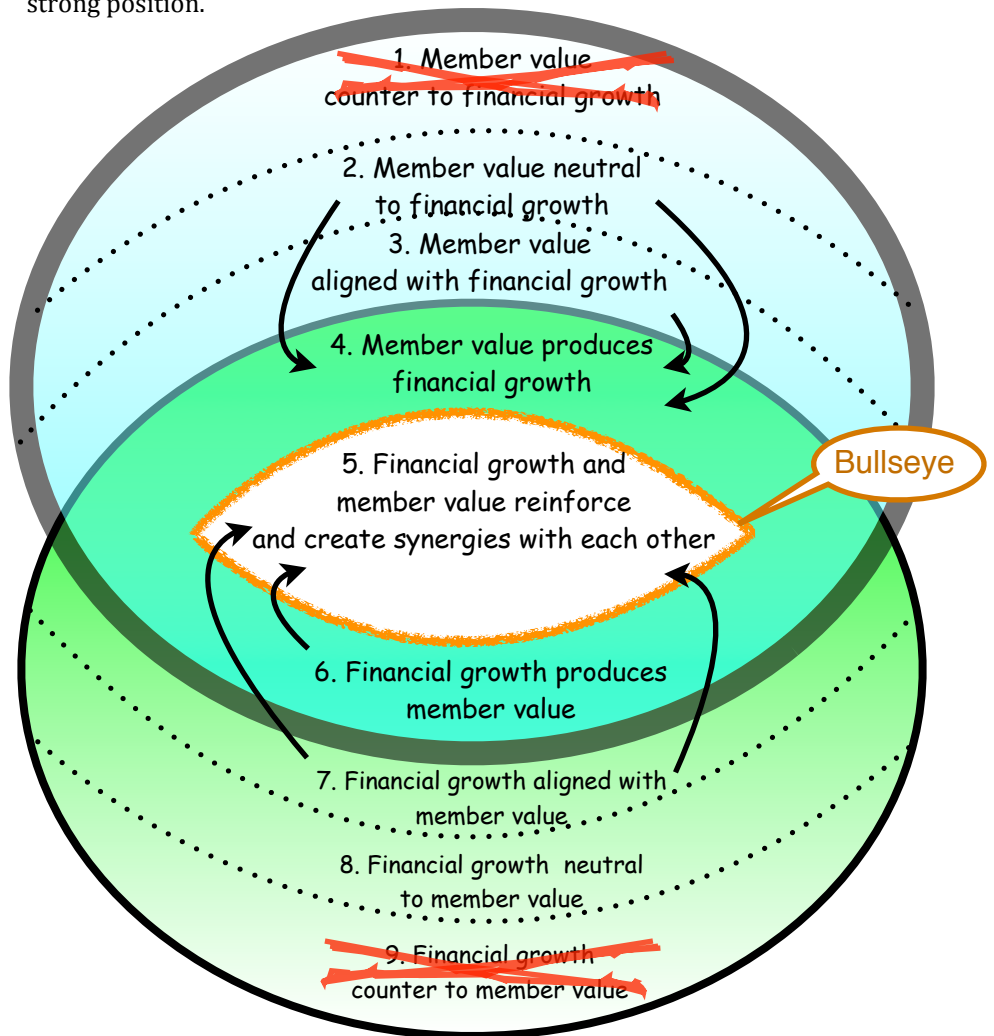
Options might include (a) a new form of advertising or sponsorship to generate income, (b) bold coverage of a new service that has significant growth potential, or (c) moving

the entire magazine to an online environment to drastically reduce cost.

The point is to intentionally drive products and services toward the bullseye of the Synergy Zone.

This will not only lift performance across the board, it will fuel the organization so it can flourish and succeed beyond the status quo.

Eventually you will reach a state where the majority of your offerings are mutually reinforcing value and profits. That's a strong position.



21 Ways to Improve Value Generation

Creating Prolific Synergy between Member Value and Financial Growth

- 1) Always be prepared to close down activity in favor of more lucrative, member-beneficial programs.
- 2) Create a comprehensive framework to evaluate all activities, including both financial and member value components. Assess every program you fund.
- 3) Interview leaders of other organizations to determine what practices they run which are worth transposing and replicating in your group.
- 4) Conduct a communication campaign for your board and key volunteers that explains the bulls eye of the Synergy Zone and how it can aid your mission.
- 5) For every existing program brainstorm five ways you can improve it to make it more valuable to your members and another five ways to increase the profit it generates. Pick those that satisfy both and implement.
- 6) Transfer practices from your most successful program to the others. Make this a habit.
- 7) Practice stating and explaining how you operate to achieve the best possible results. in both member value and financial growth.
- 8) Embark on an organization-wide program of continuous improvement.
- 9) When forced to take on a program that is less than optimal on the gradient system, find a way to drive it one step closer to the bullseye.
- 10) Convene a group of thought leaders to dream up and design the best possible set of offerings to place your organization at the forefront of its field in both value provision and financial growth.
- 11) Provide proactive ideas, benchmarking, and best practices to your staff and key volunteers.
- 12) Take your most important volunteers on a field trip to see another organization that has mastered financial growth and member value.
- 13) Establish and build a special relationship with a sister organization to support each other as you transform yourselves into a greater state of operational excellence.
- 14) Base fees for your best offerings on value, nothing else.
- 15) Don't stop with what your members want - find out what they need.
- 16) Seek to become the gold standard in your field: rock solid + innovation that leads the way.
- 17) At least every two years do a thorough review and can the bottom 10% of your offerings.
- 18) Seek out new markets that support your members' improvement.
- 19) Connect your current offerings, identifying and promoting synergies while providing discounts to those who take advantage of bundles.
- 20) Convene key volunteers, thought leaders, business leaders, and senior staff to identify win-wins that benefit members and generate profits.
- 21) Become an expert at execution: increasing speed, quality, efficiency, and impact.

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Getting Change Right

Seth is a change leadership expert. He works with executives to raise the bar on personal and professional performance, helping them succeed and making the world a better place.



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