Virtual

The "4 Ps" of Starting a New Association

Starting a new association from scratch is not for the faint of heart. Or, generally, for newcomers with no prior experience. But there are common elements for success, whether you are starting a new trade association focused on policy or standards initiatives or a new professional association, dedicated to advancing your field.

E. Jerome McCarthy, a marketing professor at Michigan State University, first used the term "the 4 Ps" in 1960 to describe the four broad elements of the marketing mix – product, place, price and promotion. The concept helped simplify understanding of what had become an exceedingly complex business function.

If you are considering starting a new association for the first time, it is hard to know where to begin. So it helps to distill the complexities of formation and launch into four simple categories or "Ps" to focus on the elements most critical for launch success.

They are: **purpose**, **people**, **promotion** and **principal**. Each category is important to the success of a new initiative. And like the elements of the marketing mix, all are interrelated.

1 Purpose

Once you have identified a real need that is not being met by any other organization, you'll need to express your new association's reason for being. Before reaching out to other potential founders, you must clearly articulate the purpose of the new organization. At a base level, your statement of purpose should include concise mission and vision statements, high-level goals for the organization and a clear outline of first-year activities.

And, of course, a compelling and descriptive name for the new entity. Many or most association names are literal and broadly descriptive of mission: for example, the American Cancer Society, the American Automobile Association, the Mortgage Bankers Association. Other well-known associations and non-profit names require significant brand reinforcement to put a mission with a name, such as The March of Dimes, which has changed focus and mission and whose brand has been eroded by inflation since the group was launched by President Franklin Roosevelt to eradicate polio. The organization today is dedicated to improving the overall survival rate and health of infants, and dimes don't go as far to support broad-ranging research efforts.

Whatever name you choose, bear in mind that the name, especially in technology industries, will likely reduce to an acronym. "National Organization for Women" clearly states the interest group the organization represents and rolls into the compelling acronym, NOW, which suggests an advocacy mission with urgency.

Once name, vision, mission, goals, a first-year activity plan and a membership structure are defined, it's time to package those details to recruit founders. At Virtual, Inc., a technology-focused association management company, we have worked with association visionaries who moved forward to recruit founders with little more than a well-thought-out PowerPoint deck.

Others have been uncomfortable reaching out to potential founding members without adding more finish work – brand marks, collateral materials, a full-fledged website, and so on. In our opinion, less is more to get the ball rolling because finish work is expensive and capital preservation key. If possible, sell your vision and save your financial resources at the earliest stage for the public launch and other first-year activities.

2 People

Is your initial board and list of founding organizations or people a who's who of your industry segment or business ecosystem? If not, you may lack the credibility to generate viral expansion following launch. And if this is the case, you may quickly fall short of the momentum you need to achieve launch escape velocity; that is, the industry buy-in and financial resources to accomplish what you are setting out to do.

We have seen this dynamic play out time and again – the right companies and people on board pre-launch can get a good idea off the ground in as little as 30 days. And their leadership can keep it going for years as the organization reaches key milestones and evolves to take on new challenges. The wrong association founders can spin their wheels forever.

The March of Dimes, mentioned previously, had the backing of President Franklin Roosevelt. The Bill and Melinda Gates Foundation hasn't lacked for star power at the top. And Virtual client the Cyber Security Industry Alliance had no trouble getting off the mark with former Symantec Chairman John Thompson (now Chairman of the Board of Microsoft) at the helm. Unfortunately, this kind of clout to get new associations launched is rare.

Having the right people also means having board members and volunteers who are willing and able to devote time, provide leadership and often to tap the resources of their organizations to help support the new venture. Staff can only take a new association so far. Industry leaders need to do their share of the heavy lifting.

3 Promotion

Orson Welles may be as well known as a 1980s pitchman for Paul Masson wines as for his trailblazing filmography. His famous line for Paul Masson – "We will sell no wine before its time." Association founders should not move to launch until certain conditions are met and critical elements are in place:

- **A list of founders** (companies and/or **people**) who represent leadership of the ecosystem in a way that will generate interest and viral growth following launch. When Virtual's client the NFC Forum, formed to advance Near Field Communication short-range connectivity technology, announced its initial board members back in 2005, the board had the kind of lineup that made continued expansion a foregone conclusion. The initial board consisted of leading brands from key segments of the NFC ecosystem, including semiconductors, consumer electronics, software, mobile communications, payment and computing. The rest was history. NFC has become the standard enabling technology for mobile payment worldwide and countless other NFC-enabled applications are deployed or on the way;
- **Finalized governance documents** adopted by your board of directors, including bylaws, a membership application, an anti-trust policy, and for technical associations, an intellectual property rights policy. Without having these in place, you cannot accept members, and without members, generally you'll have no **principal** to fund operations or credibility to do much of anything. Be sure to work with an experienced attorney who has been down this road before. It isn't difficult to get governance documents right, but it's easy to get them wrong without the right counsel;
- **A completed website and public relations launch plan**. You don't need an elaborate website with e-commerce capabilities and libraries of white papers in order to launch your initiative, but you do need a place where prospective members – and the media – can go to learn about your mission, and to obtain membership materials. A simple site will do. As more members join and your group's activities ramp up, you will have the resources to build out the site as well as more content to include.

  The PR plan can be as simple as issuing a news release announcing **purpose** and **people**, or it may include other elements such as a live or web news conference. How you leverage PR in your launch depends on your mission and ambition, geographic reach and financial resources. If these key elements are not in place, you may be launching the association before its time, and doing so prematurely can make for a short lifespan. Virtual's launch toolkit has included news conferences at industry events pulling as many as 300 journalists and industry analysts, and web-based news conferences attended by dozens of participants from several continents. Tactics should be dictated by the scope and significance of the initiative and by opportunism around timing.

4 Principal

Ideally, your new association should have enough capital in the bank at launch to cover all launch-related expenses (recruitment, legal and other formation services, marketing and PR) and have enough left over to fund months of operations and viral growth. Early in the formation cycle, you should have a first-year budget plan that as accurately as possible forecasts revenue from all sources (dues, sponsorships, registration fees, training income, etc.).

If your financial resources only take you a short way down the road past launch, you probably should redouble your efforts to add members and funding commitments before going public or reevaluate whether the new organization is truly viable. Our ideal scenario is for initial capital – often membership dues from founding members – to cover all formation and launch activity, while leaving as much as 80% of those initial monies in the bank to cover future activity.

As for how much principal your organization will need for the long term, Virtual counsels its association clients to maintain a cash balance in reserve sufficient to cover at least six months of average operating expenses. There is no absolute benchmark for an adequate cash reserve in the association community, but experience and Virtual's association operations survey have shown that a cash reserve of six months' average expenses is a solid target.

Conclusion

As with most things, the proof of a successful association launch is in the pudding. Consider bringing on an experienced partner – typically an association management company with solid start-up credentials – who has "been there and done that" more than once before. Don't make your first association launch a personal journey of discovery.

As you taxi down the runway toward takeoff to get your new initiative airborne, keep in mind the "4 Ps" of starting a new association. There are many more nuances to starting new associations than this short paper addresses. But this simple checklist is a good starting point. Keep the 4 Ps in focus, and you will maximize your chances of taking your new initiative from vision to reality while establishing a foundation for long-term growth and success.

To learn more, contact our team. Ask about our practice areas, our solutions, and our proven track record of success.

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