

4 global structures to build on

Global associations need structures that can support global operations. The author of the forthcoming book The Association Guide to Going Global offers a look at four models that have proven successful.

By Steven M. Worth

Globalization represents both an opportunity and a challenge for every U.S.-based organization.

It is an opportunity due to the many markets around the world that can and do benefit from the types of products and services developed by U.S. associations. It is a challenge in that markets, like nature in general, abhor a vacuum. Where there are unfulfilled opportunities, organizations (both new and existing) naturally grow to take advantage of them. Opportunities do not just stand there waiting for very long. In that regard, we have seen U.S.-based organizations that declined to participate in global opportunities later put on the defensive in their own markets by organizations that did take up the challenge.

In other words, organizations in the global arena either grow or they wither; maintaining the status quo is not an option. More significantly perhaps, the giant U.S. market no longer gives protection to those organizations that choose to ignore the rest of the world.

The key questions for most associations in developing a structure designed to address global challenges and opportunities are: How do you control your liability while encouraging local sustainability and growth? How does your international operational structure back at headquarters add value and benefit from this relationship? And how can the whole be interwoven into operational and governance structures that not only address current needs but meet needs in future markets as well?

These are important questions, and it pays to examine them thoroughly and dispassionately, because they can have major ramifications for your organization.

Here are four techniques that offer different sets of strengths and weaknesses depending on the types of products and services offered and according to the type and level of development of the targeted overseas market. All of the case studies below date from the time when these organizations first addressed these issues in a global manner. Each organization has subsequently grown to dominate their respective fields globally, so in retrospect it can be seen that these early decisions were sound ones—but at the time, no one felt 100 percent certain of anything.

Model 1: Networked International Subsidiaries and Chapters

One of the best ways to provide a seamless global service delivery system for members, stakeholders, or customers with global needs is to create a subsidiary or chapter network that serves the local market but also is closely integrated into a global operation. One successful example that association leaders should look to for insights is in the corporate world: Deloitte Touche Tohmatsu, a global accounting and management consulting partnership.

In the early 1990s, Deloitte evaluated the economic globalization trends of its corporate market and determined that the best way to attract new customers and avoid losing others to competitors was to create a seamless global structure.

Transforming a loosely affiliated network of partnerships with different names, cultures, languages, laws, and traditions into a cohesive entity that could offer global products and services seamlessly to local markets was no easy matter. But what drove the process was the belief that each aspect of the firm would, in the end, stand to benefit financially. With local clients already in place, the promise of more business through the growing need of multinational clients for integrated global services made it easier to bear the five years of costs and compromises required to create the global firm that Deloitte is today.

In this structure each local element is a legal and financial entity unto itself, thus ensuring limited financial and legal exposure for the other parts of the global firm should anything go wrong. Each entity became part of the global organization through the laws of a Swiss “verein,” which is the equivalent of a loosely affiliated trade association or guild through which the members agree to work together in certain ways. A verein can accommodate a variety of structures, from the affiliates that the various Deloitte operations had to the more tightly controlled subsidiaries operating in the newly opened markets of Eastern Europe and mainland China. Any disputes among these elements were to be sorted out through regional coordinating bodies and, if necessary, the world governing body. The verein gave broad legal cohesion to Deloitte’s global organization while also allowing

Development (USAID), which needed accounting, auditing, and managing services in developing markets worldwide. As Deloitte won such contracts, it used the new revenue streams to establish national operations in each new market where it had gained a foothold.

New Deloitte offices in Moscow, Beijing, and elsewhere were 100 percent funded in the first few years of their existence through the programs they were running for the World Bank and USAID. The bigger goal, though, was to use these contracts as opportunities to find on-the-ground customers who would permit the offices to continue once the international lending agency funding gave out. In every instance, they were successful in doing so.

Model 2: A Global Federation

Throughout its long existence as a professional society, the Institute of

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for legal firewalls that would protect one part of the global organization from liabilities incurred in another part.

Deloitte established teams to develop and deliver global services to customers wherever they might be. This introduced an important new profit-center concept based on global customer service, rather than one rooted in any given national market. The national entities welcomed this, because the global service teams drew on the resources of each respective national operation and thus produced revenue for everyone.

To further fuel the creation of this global entity, Deloitte bid on service contracts offered by the World Bank and U.S. Agency for International

Internal Auditors had helped foster the creation and growth of multiple national sister organizations around the world. As it did so, many members of these sister organizations also joined the U.S.-based IIA.

These developments were mostly positive but created challenges as well. Because non-American members paid less for membership than U.S. members, U.S. members of IIA complained that they were bearing an unfair proportion of the costs for running programs and activities outside the United States. The non-American members, on the other hand, were aware of their own numbers and questioned why the IIA governance structure was so heavily biased toward Americans. *(Continues on page 54)*

FOUR MODELS IN FOUR OVERSEAS MARKET CATEGORIES

There are a number of international markets that have presented or may present strong opportunities for growth for associations. Below, we have analyzed the costs, risks, benefits, and funding sources of each market for the four models presented in this article.

	MODEL 1: International Subsidiaries and Chapters	MODEL 2: Global Federation	MODEL 3: Global Strategic Alliances	MODEL 4: Technology-Reliant Global Network
Developed Economies (e.g., Canada, Western Europe, and Japan)	<p>Costs: Some initial subsidization may be required.</p> <p>Risks: High level of indigenous competing interests.</p> <p>Benefits: Could be used to serve workforce training needs of U.S. corporations/sponsors heavily invested in these markets.</p>	<p>Costs: Mostly time and travel.</p> <p>Risks: Harmonizing differences between standards and programs of various organizations may prove insurmountable.</p> <p>Benefits: Great benefits if the association uses Model 1 as a strategy to build toward Model 2.</p>	<p>Costs: Time and travel.</p> <p>Risks: Failure to create alliances would result in losing time and money invested.</p> <p>Benefits: The key to success in these markets is to integrate as a recognized national player and not an American interloper. This model, along with Models 1 and/or 2, will help achieve this end.</p>	<p>Costs: May be some upfront costs for developing showcase concepts.</p> <p>Risks: Cannibalizing participation in the association's own programs or compromising its intellectual property rights. Contractual language can be developed to protect the association.</p> <p>Benefits: Creating communications channels and service exchanges with sister societies, and through this, a virtual global network of users of the association's services.</p>
Big Emerging Markets (e.g., China, Russia, India, and Brazil)	<p>Costs: Sister societies in these countries may be less sophisticated than in developed economies, making it easier to establish a presence.</p> <p>Risks: Risk that these operations could prove to be a financial drain is considerably higher.</p> <p>Funding Sources: These markets are of interest to many corporations; programs could be designed around corporate needs with corporate funds fueling efforts to transfer the association's know-how into these markets. International government-sponsored programs might also help build on-the-ground operations.</p>	<p>Costs: Relationships between U.S. societies and societies in these markets can be unbalanced and costs for this structure disproportionately great for the U.S. association.</p> <p>Instead, relationships can be structured with the association as a service provider to local societies.</p> <p>Funding Sources: Government grants might be available; insufficient self-interest for corporations to be interested in funding this approach.</p> <p>Benefits: Model can lock the U.S. association into a supplier relationship and position it as a mentor for sister societies.</p>	Model would carry the same costs, risks, and benefits as Model 2.	<p>Costs: These markets are large users of the association's website, but revenue generation would be limited. These markets likely have a greater need for translated materials.</p> <p>Risks: Care needs to be taken to protect the association's intellectual property rights.</p> <p>Benefits: Long-term potential could be great, but quick return on investment is unlikely.</p>

(Table continues on page 54)

	MODEL 1: International Subsidiaries and Chapters	MODEL 2: Global Federation	MODEL 3: Global Strategic Alliances	MODEL 4: Technology-Reliant Global Network
Developing Markets (e.g., Mexico, Singapore, South Korea, Taiwan, South Africa, Argentina)	<p>Costs: May need to invest in startup costs.</p> <p>Risks: Care should be taken to protect intellectual property rights and brand. A separate legal entity majority-owned by local nationals may be required in some countries. In this case, the association should use a fail-safe legal mechanism to guarantee governance integrity and protect the association's mission and values.</p> <p>Funding Sources: These markets attract corporate trade and investment but would not qualify for major government-funded projects.</p> <p>Benefits: Market category is likely to be receptive to the association's approach and could offer both short- and long-term benefits in growing international membership.</p>	<p>Costs: Approach could entail upfront investment in time and legal costs.</p> <p>Risks: Benefits would be mostly long term, so it is important to closely control upfront costs.</p> <p>Benefits: Working with societies in these national markets, association could create a federated structure to channel and sell its products and services. Nationalistic considerations may cause societies to prefer to deal with American organizations through the veil of a global structure.</p>	<p>This model would probably not be appropriate for developing markets.</p>	<p>Costs/Risks: These markets may represent a good alliance partner for Model 4 by itself or in conjunction with Model 2. Neither costs nor risks would be great, provided translation costs are the responsibility of national markets.</p> <p>Funding Sources: May be some corporate funding interest from multinationals that have targeted these markets.</p> <p>Benefits: Benefits would be modest, but approach could offer a good foothold for the association and valued service for the association's corporate customers or sponsors.</p>
Least Developed Markets (e.g., Republic of Georgia, Peru)	<p>Market is open to approaches represented by all four models, insofar as they fit the requirements of the government-funded program(s) that would finance them.</p> <p>Corporate interests in this market category are minimal, so bilateral and multilateral government-funded projects are the only driving forces that could carry association activities into these countries.</p>			

After engaging all parties in an extensive strategic planning exercise, IIA developed a federated global structure. National entities remained the primary service providers to their respective national markets; a global IIA provided services in the areas of networking, certification and training, and standards development, areas that everyone agreed served widespread need and demand.

Each local element retained its local programming and budget while

participating in the global organization in a proportionately weighted manner according to its relative size and contributions to the global entity.

The revenues derived from networking, training, certification, and standards development constitute most of the funding required to run the global operations. However, to complement these revenues, IIA also adopted the same strategy deployed by Deloitte Touche Tohmatsu: bidding on international market-development

projects funded by the World Bank and USAID. As IIA wins these international lending-agency projects, it generates revenues for the global operation and the national entities that contribute project resources. It also has succeeded in recruiting new IIA members in these developing markets, some of whom have developed their own national IIA organizations.

The issue of membership proved to be sensitive for some of the IIA affiliate groups, insofar as they did not want

the U.S.-based part of IIA siphoning off their own members. IIA addressed this by establishing that all membership would be at the local or national level. Membership in any IIA organization anywhere in the world allows an individual to access IIA products and services globally at a member price.

Such a federated structure has many of the advantages of a chapter or subsidiary structure but with fewer direct costs and less central control.

Model 3: Global Strategic Alliances

The American Oil Chemists' Society and National Osteoporosis Foundation are nonprofit organizations that pride themselves on their American roots, but both also have widespread interests beyond U.S. boundaries.

To accommodate the diverse interests and origins of their international participants, both organizations have developed extensive networks of strategic partnerships overseas. These partnerships consist of cooperation and joint-venture agreements with a variety of other types of organizations to host international conferences and other information exchanges. Revenue-sharing arrangements are worked out on a project-by-project basis for jointly sponsored conferences.

Such alliances offer maximum flexibility to partner with organizations that share some common interests but which otherwise are very different. In such arrangements, it is not uncommon to partner with organizations representing governmental and academic entities, as well as for-profit and other nonprofit organizations.

Global alliances are easier to put together and even less expensive to operate than a global federation, but they also afford less control or shared sense of purpose than either of the other two organizational types noted previously. Such structures are ideal for nationally rooted organizations that want to remain tied to international trends and developments but lack the

resources or driving incentive to develop permanent operations beyond their own borders.

Model 4: A Technology-Reliant Global Network

Like most professional societies and even trade associations, the members and board of the Society for Human Resource Management defined their interests in terms of the domestic national market. Consequently, it was difficult initially for SHRM staff to justify spending more than a nominal amount of time and money on products or services outside of the United States. Nevertheless, this did not prevent SHRM from developing a model global organization based primarily on use of the internet.

SHRM found that its sister organizations abroad had a high level of interest in its programs and activities. Accordingly, it developed memoranda of understanding that allowed each sister organization to offer its members access to SHRM's products and services via the internet as an additional benefit to their membership at the local or national level. (This did not preclude individuals from joining SHRM directly if they had a direct interest in the U.S. market. Otherwise, they knew they could obtain the most relevant of SHRM's benefits via membership in their own local organizations.) In return for offering password-protected access to the members of sister societies abroad, SHRM also offered to host or link with websites offered by those sister societies in their own languages.

Such an arrangement has constituted a "virtual" global organization for SHRM and its members while keeping costs to a minimum. In fact, the revenue-sharing arrangements SHRM negotiated with sister organizations produced a modest but positive net contribution to the society's bottom line and proved encouragement enough for SHRM's leadership subsequently to adopt international growth as a strategic focus.

Making the Choice

These four structural examples are not exclusive: Choosing one does not mean you cannot employ variations of other models at the same time. Indeed, it may be possible for one organization to simultaneously use all four models for international expansion at the same time, depending on the opportunities and challenges you encounter. In effect, these models represent some of the tools available to creative association leaders who recognize the need to grapple with the reality of a global economy.

It is a mistake to think that because an organization is nonprofit, it is not or should not be concerned about making money. While money may not be the end objective of a nonprofit organization, it can be a useful measuring stick for determining the popularity and usefulness of any given activity. In the case of these four models, the revenue drivers come from one or more of three sources: clients, members, or sponsors who have a commercial interest in the success of your undertaking; government funds (as in the case of international lending agency programs); and joint commercial ventures in which costs and revenues are split with other organizations.

Not every organization has equal access to each of these possible revenue streams, but everyone has potential access to at least one. Your only limit to international growth is one imposed by your own imagination. **an**

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