

FSAE Foundation Think Tank

“Leading Innovation in the 21st Century Association”

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Introduction

On September 9-10, 2003, association leaders from across Florida assembled at the FSAE Foundation Think Tank in Tampa, Florida to explore the future of associations and the powerful role that innovation will play in shaping that future. The conversation was certainly provocative, at times controversial and difficult, and frequently generative. This white paper is an attempt to share some of the most salient points and provide additional guidance to association CEO's and professionals seeking a new sense of how their organizations can keep pace with an accelerating rate of change in a time of great turbulence and uncertainty.

To enhance the value of this document to those who were not present for the actual face-to-face gathering, it is structured as a series of critical questions with discussion from various sources, including my own thinking, the insights of key association community and other leaders and the ideas and observations of Think Tank participants. On behalf of the FSAE Foundation, I hope that this paper will advance the on-going discussion of innovation in our community in the months ahead.

Critical Question #1: What do we mean by innovation?

Dee Hock, the founder of VISA International, argues “language is only secondarily the means by which we communicate. It is primarily the means by which we think.” In the context of this discussion, Hock’s insight could not be more significant because so many members of the association community maintain a flawed understanding of what innovation actually is and what it requires. Changing this understanding must be viewed as central to cause of making innovation more possible in associations today and going forward.

The most common mistake we make to confuse “creativity” and “innovation.” On one level, it is understandable that we tend to use these two words interchangeably, as they are intimately related. And it certainly is an error that is made well beyond the boundaries the association world. But it is not an oversight that we can casually dismiss because it shapes the broader mindset about innovation that prevails in the association community.

When we conflate innovation and creativity, each idea loses some of its distinctiveness. So let us define our terms:

Creativity is the art of thinking differently that leads to the emergence of new ideas.

Innovation is a systemic discipline for consistently acting on ideas to create new value.

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Without question, innovation begins with a creative spark, but that spark is truly only the beginning. Ideas are the currency of innovation, but at least as important as having or finding ideas is building an attitude and an infrastructure across the association that enables people, networks and communities to act on those ideas. It is the presence of these highly focused ways of thinking and acting that combine to create the systemic discipline of innovation that is essential to consistent and successful value creation.

To advance our understanding of innovation, however, we must also understand what we mean by “value.” During the Think Tank, I offered the following definition of value:

A perception of meaning or worth **beyond** the consumer's actual cost that **stimulates** the **need** to acquire or participate.

Think Tank participants pushed back on this definition, suggesting some possible revisions of the words in bold above. For example, there was some discussion that the consumer's perception of meaning or worth should be “equal to or greater” than cost. Also, some participants argued in favor of “satisfying” the need rather than stimulating, while still others questioned whether we were actually talking about needs or about “desires.”

These are all interesting possible revisions and I will not attempt to choose from among them here. Instead, let me simply make an explicit link between the goal of creating new value for members and the need for innovation. As this definition suggests, it is the member or customer who determines what constitutes value. This determination very much depends on context and exists along multiple dimensions. These intangible characteristics make value difficult to quantify. What we do know is that creating value involves some trade-offs, i.e., your association will not be able to create all kinds of value at once, and that value creation must be an organizational mindset.

The key takeaway from this discussion is straightforward: **innovation and creativity are not the same thing**. We must remind ourselves how important this differentiation is to our work. There may be ample creativity in the association community, but there is far less innovation. In face of extraordinary change, the goals of every association leader must include making innovation more possible everyday.

KEY REFLECTION QUESTIONS

- What is your personal definition of innovation? How is your association defining innovation?
- What does “value” mean to you? How do you determine what creates value for you?

Critical Question #2: What are some other “myths” of innovation?

Beyond a broad misunderstanding of how innovation is defined, we explored some other myths of

■ **Innovation is an individual effort**—Invention gives us new ideas, but the ideas of the lone inventor are not sufficient. And, in truth, no “lone” inventor truly works alone. Even if a single individual receives credit and public recognition for inventing something, there is without question an unseen network of colleagues, employees, financial supporters and others who contributed to making a great idea into a reality. Associations cannot afford to rely on the creative talents of a handful of staff or members, because those talents are highly mobile and may not always be available. Instead, associations must leverage the knowledge, experience and capacity found throughout their organizations. In short, associations must look upon innovation as a networked process in which all stakeholders can and must be involved.

■ **Innovation is primarily about products**—Again, associations limit themselves unnecessarily by conceiving of innovation as being mostly about developing new products. In today’s business environment, products can be duplicated with ease and quickly become commodities, thus diminishing an association’s return on investments in innovation. Instead of focusing on products, associations must pursue innovation in services, experiences, processes, whole business concepts and strategies. Whatever form it takes, the ultimate goal of innovation is to create value for their members, and associations should not constraint their thinking about the ways in which it can be delivered.

■ **Innovation is too costly**—In too many associations, new initiatives or projects are launched on a whim. Perhaps the association CEO attends a conference and sees an interesting new idea and returns to the organization and announces, “We’re going to start working on X!” Investments are made and when no immediate returns are achieved, those investments are abandoned. But at what cost? When innovation is an occasional event or a crash program, important resources are wasted. But if an association can put an innovation system in place, there can be greater fiscal certainty that leads to “economies of discovery.” Instead of investing in new ideas in a scattershot manner, the discipline of innovation creates a transparent structure for investing in the association’s best ideas in an intelligent and effective way.

■ **Innovation is too risky**—I disagree with the conventional wisdom that says risk aversion is embedded in the DNA of associations and cannot be overcome. Every association with which I am familiar began with a conscious choice on the part of some pioneers who wanted to create and deliver value to a particular group of people or organizations. In each of these highly entrepreneurial acts, there were varying degrees of risk, sometimes more and sometimes less. Nevertheless, the risk was present and real. And in the operating environment that associations face today, risk is still very much a given, an element of the context in which our organizations operate. The challenge, then, is for association leaders to develop their own interactive orientation to risk, and build their understanding that success and failure are intimately related, not polar opposites. In today’s highly competitive markets, associations can either risk taking action to serve their customers in new ways or risk not taking action while someone else does.

KEY REFLECTION QUESTIONS

- **Which, if any, of these myths did you believe before you began to read this paper?**

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Critical Question #3: What makes innovation so important to associations today?

During the Think Tank, we spent a great deal of time talking about the future of society in general and the future of associations in particular. Environmental scanning conducted over the last few years by the ASAE Foundation reveals some very powerful trends that will exert their influence over how our organizations can and will evolve over the next 25 years and more. They make a compelling case for the need for innovation in associations, not only in the products, services and experiences we deliver to our stakeholders, but also in our business models, strategies and structures.

In August 2001, the ASAE Foundation issued *Exploring the Future: Seven Strategic Conversations That Could Transform Your Association*. Professional futurists, working with a broad-based community of association leaders, prepared the *Exploring the Future* report. It outlined the seven key strategic questions that the association world needs to consider within the next decade, including the growing importance of all forms of inclusion in a more proximate and interdependent world, as well as the need for new, more transparent and adaptive forms of organization.

Earlier this year, the ASAE Foundation released another environmental scan titled *From Scan to Plan: Integrating Trends into the Strategy Making Process*. This report identifies six key operating conditions—including an expected increase in specialization in the various knowledge-intensive fields that associations serve, more differentiation both within the association community and beyond its boundaries and continued concern around the relevance of associations going forward—with association leaders will need to contend. *(For more information on either of these environmental scan reports, please visit the ASAE Foundation's page on the World Wide Web at www.asaenet.org/foundation.)*

These invaluable discussions of the future point to one inescapable conclusion:

association leaders cannot prepare for the future by assuming that it will look like the present.

Indeed, the least likely scenario for the future is that we will experience more of the same. It is far more likely that much of our personal and professional lives will be entirely novel. Developing an organizational capacity to pursue innovation must be a priority for associations that wish to take advantage of whatever comes next instead of being rendered powerless by it.

KEY REFLECTION QUESTIONS

- **How much time are you and other leaders in your association investing in thinking about the future?**
- **As you think about the future, what are the most significant challenges and opportunities in front of your association?**

Critical Question #4: What does it take to make innovation happen in associations?

In my view there are four fundamental elements of the systemic discipline of innovation within an association. First, the association’s staff and volunteer leaders must develop a shared perspective on the importance of innovation to the organization’s future. It simply will not be possible for associations to undertake the hard work of building an organizational discipline if the leaders fail to grasp the need. With any luck, the preceding discussion of the future provides ample justification for innovation and can become the platform from which a CEO, senior staff team and board of directors will develop a shared perspective.

The second element is the presence of a clear framework for understanding the dynamics and demands of innovation. Given the complex combination and interplay of questions that innovation raises, association leaders need a framework for thinking through the issues and identifying the key principles of the innovation-friendly organization they want and need to create. *(See below for a discussion of the Principled Innovation Framework.)*

The third element is a flexible system for putting innovation into practice that engages the whole organization. In an association context, it does not make sense to compartmentalize the work of innovation into a cloistered research and development function as if innovation is something to be hidden from view. Instead, associations should design innovation systems that bring innovation out into the open, integrate into work through processes and practices and invite all stakeholders to contribute to creating the organization’s future.

The final and perhaps most important element for building innovation as a systemic discipline is, quite simply, the leadership will to make it happen everyday. In most associations, this also may be the most difficult obstacle to overcome. Put simply, the current boundaries of association leadership do not appear to provide much room for a focus on innovation on either the staff or volunteer side. This is a major problem, as our organizations and our community as a whole will demand significant innovation in the years ahead.

About the Principled Innovation Framework

The Principled Innovation Framework (see figure below) captures what my research has revealed as the prerequisites of any useful discussion of innovation at the organizational level.

The Principled Innovation Framework



The entire framework is premised on the belief that associations can and must create “transformative value” for their members and customers. Going a step beyond the earlier discussion in this paper of value creation, transformative value fundamentally or radically alters the shape of the system of organizations and other actors in which the organization resides. The challenge of creating transformative value takes the association beyond mere incremental gains in the quest to identify entirely new trajectories of value and growth. A simple example from the corporate sector is Southwest Airlines. By innovating the airline business model over the last thirty years, Southwest has created truly transformative value for its customers and extraordinary growth for its shareholders. It has also been profoundly disruptive to the airline industry as a whole and changed the rules of that game forever. I firmly believe that many associations can and should play the same kind of role in their industries or professions going forward. It’s important to keep in mind, however that transformative value is a goal to be reached over time, and not in the first days, months or even years of an innovation initiative.

The four critical forces that influence the success of organizational innovation are

- 1) finding an appropriate pace
- 2) developing people
- 3) extending reach
- 4) allocating resources.

By pace, I do not mean raw speed, but a consistent and sustainable organizational tempo for strategic decision-making, financial investment, execution and learning. When an association identifies its unique pace, it can gain a greater measure of control over how its strategies unfold. Moreover, it can capitalize on opportunities to innovate by more intelligently allocating financial and other resources.

In the final analysis, innovation is primarily about people interacting with ideas and with each other to create new value. The discipline of innovation, then, is grounded in the social practices and processes that an organization creates to support the activity. Since everything an organization does is, at its core, either a social practice or process, innovation touches on every aspect of the association’s work. Even an onerous activity such as budgeting, which, on the surface, feels like it mostly about numbers, is a social process. When we are able to see our work through fresh eyes, we open our cultures to possibility and we liberate our latent intellectual resources.

Reach is about creating both depth and breadth in our innovation work. The depth of innovation comes from reaching into the organization’s culture and creating an environment that is favorable to risk-taking, experimentation and sharing. The breadth of innovation comes from strategy, as associations reach out to members, customers, partners and even competitors for interesting ideas, opportunities to test them and new ways of bringing them to the marketplace.

Finally, resources are the raw materials of innovation. We already know that most of the resources that our organizations need for innovation are not inside their boundaries. And, of course, we’re not simply referring to financial resources or even people to engage with the work. Most of the best ideas we need to take our associations to the next level come from far beyond the boundaries of our organizations. Indeed, most of those ideas are likely to come from professions and industries other than the one a given association represents.

The Principled Innovation Framework also presents the four interrelated contexts of association innovation: strategic, cultural, intellectual and financial. The most important thing to say about these four contexts is that they are very much overlapping and dynamic. Alignment is not the goal here, but rather careful orchestration of their relationships with one another. It is for this reason that leadership rests atop all of them at once. Let's briefly look inside each of these contexts to build our understanding of them:

■ **Strategic context** - Although careful stewardship of each of the four contexts is essential to success in association innovation, the strategic context is clearly paramount among them. This is true because it is a robust strategic context that sets the organization's direction and places innovation front and center as a genuine priority. And this context isn't just about the association's actual strategy or the particular innovation opportunities the strategy creates, but also the way it thinks about and makes strategy and the necessary mindfulness about innovation that contributes to success in other areas.

■ **Cultural context** - The leverage from a strategic commitment to innovation is gained by creating an organizational culture that can support that commitment. A culture of innovation is open to ideas of all kinds from all sources, is always seeking new ways to look at its challenges, embraces and effectively manages risk, is accepting of failure and respects and listens to variety of voices. The culture of innovation experiments, learns and tries it again within a broader understanding of what the organization is attempting to accomplish on the strategic level.

■ **Intellectual context** - We already know that innovation is about much more than ideas. The entire intellectual environment of an organization must also be open to innovation. Organizations that are gripped by the "not invented here" mentality will find it difficult to make innovation a priority, since most of the knowledge they need to pursue innovation lives beyond their established boundaries. Moreover, innovation-oriented organizations are fundamentally curious about ideas and encourage their people to be curious as well.

■ **Financial context** - Perhaps the greatest resistance to innovation in association setting comes from those stakeholders who believe it is too expensive. Of course, we've already looked at this myth elsewhere in this paper. What's important to note here is innovation in associations must be grounded in a particular financial model that will provide it with appropriate support. There are many options on financial models, including R&D, internal venture capital, sponsorship and so on. The most important thing for associations is that they have a model and that it be consistent with their overall innovation strategy.

The balanced orchestration of these four contexts requires a leadership approach that is more sensitive to the environment, more comfortable with ambiguity, more open to collaboration and more committed to creating new value for members and customers. It is the new principled association leadership of the 21st Century.

KEY REFLECTION QUESTIONS

- **What are the implications of the four forces and the four contexts for your associations?**
- **How must your leadership adapt and change to embrace the challenges and opportunities of innovation going forward?**

Critical Question #5: What are some of the obstacles and opportunities of innovation?

Think Tank participants identified several key obstacles and opportunities of innovation, which are summarized in the chart below:

INNOVATION OBSTACLES	INNOVATION OPORTUNITIES
<ul style="list-style-type: none"> •Communicating a unique value proposition •Communicating the need for innovation to stakeholders •Fear of change •Limited knowledge of innovation •Governing issues •Age of associations current constituency •Fear of technology •Government interference/regulation •Limited resources •Commitment of younger generations •Competition •Impact of unpredictable events •Lack dedicated R&D function •Need for instant satisfactions 	<ul style="list-style-type: none"> •Collaboration/partnership •Increased specialization •Reduced cost of technology •Stakes are higher •Efficiency •Lack of resources •Challenge manage resource vs. to use leverage •Diversification of products and services •Change •Trend Analysis •Tradition •Consolidation/focus on core competency

The key observation to emerge from our discussions in this area is clear: **every opportunity is also a challenge, and every challenge is also an opportunity.** While associations have limited resources to invest in innovation, for example, it is through a commitment to innovation that associations are most likely to succeed in creating the new value that will create new resources. At the same time, a focus on collaboration can help produce a more favorable environment for innovation, but it may also create substantial competitive challenges from partners going forward.

KEY REFLECTION QUESTIONS

- **How does this list of obstacles and opportunities fit with your thinking about innovation?**

- **How would you turn around some of the obstacles listed above into real opportunities for your association?**

Critical Question #6: What were some of the key observations of Think Tank participants regarding innovation?

Think Tank participants made many powerful and prescient observations about innovation during the September gathering. Here are several key “headlines” that emerged from these conversations:

“Innovation is not as easy as it sounds.” (That’s very true. It’s easy to think about innovation as nothing more than a festival of new ideas. But that only scratches the surface.)

“Innovation is worthless unless it creates value.” (No question about it. Innovation only occurs if members and customers embrace new ideas, and they will only embrace those ideas if they create value for them.)

“Value is defined by the member/customer, involves multiple dimensions and includes expressed, unexpressed and inexpressible needs.” (No doubt. Value is difficult to create because it is so context dependent, but essential to the work of innovation.)

“Innovation must RUN DEEP.” (An excellent point. Innovation touches every aspect of the organization’s work.)

“Don’t confuse creativity and innovation.” (This is incredibly important. The more we confuse these two ideas and use them interchangeably, the more difficult it will be for association leaders to have a meaningful discussion with boards and staff about the necessity of innovation today and in the years ahead.)

“The perception of risk affects decision-making.” (A key issue. It isn’t just about understanding risk in absolute terms, but about recognizing that the perception of risk can either interfere with or support the decision to pursue innovation.)

KEY REFLECTION QUESTIONS

- **As you come to the end of this white paper, what is your “headline” idea?**
- **Of all the ideas presented in this white paper, which among them disquites you the most? Why?**

Critical Question #7: What do association leaders need to do to create a context for innovation in their organizations?

·Take a look at your strategy—In times such as these when complexity is high, associations need simple, clear and focused strategies. But those straightforward strategies must also create ample space for genuine innovation. So look at your association’s strategic plan, and if doesn’t surface clear opportunities for innovation, then it’s probably time for a new strategy. You should look carefully at the gaps between what you’re already doing and what your members need. And don’t limit your thinking to just your members’ stated needs. You must work to discern their unarticulated needs as well. You can then develop an “innovation agenda” for your association that identifies those priority areas and engages both staff and members in the work.

·Take a hard look at your culture—Do you believe that the entrepreneurial spirit that inspired the founding of your organization is alive, and simply covered over by years of tradition and layers of bureaucracy? If so and you’re willing to nurture that spirit, to cultivate it and give it a place in which it can flourish, then your association will be able to advance its innovation effort. You can begin by observing how your people interact with each other. Does collaboration come naturally to them? Do they have room to experiment? Are they worried about the consequences of failing? It is essential that you design structures and practices that fully embrace entrepreneurial action, while maintaining a careful focus on crisp and effective execution.

·Take a hard look at what you know—Your association needs a constant yet manageable flow of new knowledge and ideas to facilitate innovation, and that flow will include valuable resources from beyond the accepted boundaries of your organization. So as you tap into your association’s distributed network of intelligence in search of new knowledge, you and your team must remain open to ideas that are “not invented here” and be sure that they receive a fair hearing along with those from within the organization. More generally, association leaders should become voracious consumers of ideas. Ideas are everywhere, ready for the taking, and you never know the direction from which your association’s next big success will come.

·Take a hard look at your budget—We know that innovation is a discipline for consistently acting on new ideas to create value. One key element of this consistency is the ability to make regular strategic investments in a portfolio of innovation projects in various states of development. But these strategic investments will not be possible unless you can reduce your association’s non-strategic spending. A less-than robust economy and the clear need to prepare for an uncertain future provide ample justification for “sunsetting” products and services that have outlived their usefulness so those resources can be re-directed. The careful management of an association’s limited resources should not be in conflict with the larger strategic opportunity of innovation as an instrument of long-term organizational sustainability.

KEY REFLECTION QUESTIONS

- **What will you do today to begin making innovation a priority in your association?**
- **Who are the most important players in your association that you will seek to engage in this effort?**

A final word

For the participants in the 2003 FSAE Foundation Think Tank, the question of whether and how innovation can happen in associations certainly remains open. But our joint exploration of this critical issue raises at least one further inquiry that all association leaders must ask themselves immediately: **is your organization designed to meet the future challenges of your industry, profession or field?** With rare exception, I suspect that we already know the answer.

There is no doubt that the pursuit of innovation is an enormous challenge for organizations of all kinds, and for associations it will be harder than most. But with the future of associations in play, it is only through innovation that our organizations will maintain their relevance, focus on mission and create value for members, customers, stakeholders and society. It is no longer sufficient to look upon innovation as something “nice to do.” The ability to innovate is quickly emerging as the primary core competence for associations and their leaders in the 21st Century. And from my perspective, it is the responsibility of association leaders to challenge themselves and their organizations to begin developing it today.



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