

*When a sponsor is responsible for a significant part of your association's bottom line, who's really in charge?*

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**With commentary by Scott Oser and Oliver Yandle**

# Power Struggle

Aisha smiled as she walked up to the couches by the reception desk. Her 9 a.m. appointment was already there, tapping on his BlackBerry. "Trey, hi," she said, holding out her hand. Trey, his suit ruffled as always, shook her hand and stood, pocketing his PDA as he did so.

"It's great to see you," he said.

"It's always great to see you," Aisha agreed, walking with him out of reception and down the hall toward her office. "How are Katy and the boys?"

"They really liked our fishing trip," Trey said. "Katy thinks we should make it an official grandpa-and-grandson event every year."

Trey represented Avocom, one of the largest suppliers in AAGP's space. It had also been a faithful sponsor of AAGP over the entire 15

1. Why did he have time to work on his BlackBerry while he was waiting for her? If he was that important she should have been prepared for him the moment he walked in the door.—Scott Oser

2. Good move to have him stop by and sign the agreement face to face. It's harder to say no to someone's face if you have a relationship with him.—Scott Oser

3. Why did he have to come to her? If he is that important, she should have made the effort to get to his office.—Scott Oser

4. It seems that Aisha and Trey have a cordial relationship. But it is apparent they have not had much dialogue about Avocom's sponsorship and engagement with AAGP. The parties have taken the relationship for granted.—Oliver Yandle

5. Such a significant change in Avocom's sponsorship should not come as a surprise to Aisha. Regular, ongoing, candid conversations are important in building relationships between supplier partners and associations, especially when those sponsorships make up such a significant part of the association's annual revenue.—Oliver Yandle

6. Again, this should not have been a surprise to her. As the association's major supporter she should have been in contact with him multiple times throughout the year to see what their situation was.—Scott Oser

7. Wrong thing to address. This is not about the association and what they need. This is about him not getting the exposure to the audience that he needs to succeed in his business if he cuts his spending. She should be armed with studies that show that organizations that cut back on promotion during challenging times are the ones that are the last to recover.—Scott Oser

8. She is giving him too much power. She should have said that by decreasing the amount spent naturally the benefits would be reduced accordingly and waited for his reaction.—Scott Oser

9. Trey's hard line is unfortunate. Flexibility and cooperation are important for both parties.—Oliver Yandle

10. He is able to say this because she allowed him to. She needs to take the position of strength and authority, not of weakness.—Scott Oser

11. Aisha's comments strike the right tone, but her prior actions don't demonstrate those sentiments.—Oliver Yandle

12. Not strong enough. She needed to tell him that she values their long-standing relationship, but that the benefits they offer to sponsors have a value, and therefore she cannot give them away for free. She needs to let him know that she has to talk to other people before giving him an answer. This buys her some time to figure out a strategy and come back with a counter offer.—Scott Oser

13. Maintaining the fairness and integrity of the sponsorship program is important. However, given Avocom's long-term support and its contributions to the association's bottom line, cooperation here is important.—Oliver Yandle

14. Go Nathan! Someone has to take a stand!—Scott Oser

years Aisha had been CEO there. The exact nature of its sponsorship had changed and grown over time, but Avocom's leadership repeatedly affirmed its commitment to the relationship between company and association. In fact, Aisha had asked Trey to stop by today to sign their sponsorship agreement for the upcoming fiscal year.

### An Unexpected Change

They walked into her office, still making small talk. Aisha gestured toward her conference table. Trey sat and opened the portfolio he was carrying with him.

"Would you like anything to drink?" Aisha asked. "Coffee, water?"

"No, thank you," said Trey. "Appreciate it, though."

Aisha joined him at the table. "I'm glad you were able to come by while you're in town. It always feels so impersonal to just email agreements to you."<sup>3</sup>

Trey shifted in his chair. "Actually, I need to talk with you about the agreement, Aisha."<sup>4</sup>

Reading his body language, Aisha felt her eyebrows go up. "Of course," she said, pulling a document off of the stack next to her. "Here's a copy if you need to take another look at it. I don't think we changed anything significant from last year."

"I know," said Trey. He pulled a copy of a similar document out of his portfolio. "That's not it. We have changes we're making."

Aisha took the document from him and started reading. Almost immediately, she was brought up short. "That's a fairly significant change."<sup>5, 6</sup>

Trey spread his hands, his expression apologetic. "I know. We're making cuts everywhere, Aisha. You know that. It's the economy."

"You'd be reducing your sponsorship by two thirds," Aisha said. "That's a huge change in your level of commitment to the association."<sup>7</sup>

"It's a financially driven decision," Trey said. "Please know that we're still as committed to the industry as we've ever been. But it's been a tough year for the bottom line."

Continuing to read, Aisha noticed that large parts of the agreement didn't seem to have changed—specifically, the amount and kind of recognition Avocom would receive in exchange for its sponsorship. Raising her eyebrows again, she looked across the table at Trey. "Did you update the second part of the agreement as well, or did you want me to do that?"<sup>8</sup>

Trey shook his head. "We left it as is," he said. "I will say that we would expect to receive very

similar recognition to what we have in the past. Our sponsorship—our relationship—with AAGP is unique, and we certainly will continue to be your strongest supporters."<sup>9, 10</sup>

Aisha looked back at the document for a moment, thinking. Finally, she looked up. "You know how much we value our relationship with Avocom," she said. "I know we can come to a solution that will work for both of us."<sup>11, 12</sup>

### Breaking the News

"So what you're saying is that they want basically the same benefits for one third the cost?" said Nathan, AAGP's board chair. "Remind me to try that with my mortgage broker, see what she thinks."

"I doubt it will work," said Aisha, smiling in spite of herself. She appreciated that Nathan was keeping his sense of humor, despite the fact that he was three time zones ahead of her and certainly tired after a long day.

"Well, it shouldn't work here either," said Nathan.<sup>13, 14</sup>

"It shouldn't," agreed Aisha. "But it's my job to make sure we consider all the angles, Nathan."

"Spell them out for me," he said.

"One of the complications is that next year's budget is already done, of course," said Aisha.<sup>15</sup> "That's both a plus and a minus. It's a minus in that we'll have to redo a lot of budget work, and we'll have to reassemble the finance committee in the next few weeks to get its input before the board meeting next month."<sup>16</sup>

Nathan hummed into the phone to indicate that he was with her. Aisha continued. "The plus side is that we can see pretty clearly what the impact would be if we lost Avocom's support altogether, or if we accept this reduced sponsorship level. Those are really our two options. Avocom has presented this as a take-it-or-leave-it offer. There may be some room to negotiate on how much recognition we give for sponsorship, but the amount of money involved is firm."<sup>17</sup>

"And you're sure about that," Nathan said.

"Absolutely sure," Aisha said. "I've known Trey for 15 years, and I know he was being straight with me. I also believe that if our relationship remains strong, Avocom will come back with increased sponsorship once the economy improves. I think we should take its offer—push to negotiate on the recognition side, but accept the amount of sponsorship it's able to give us for next year."<sup>18, 19</sup>

"I don't know," said Nathan. "If Avocom gets close to the same recognition for a third of the

price, why would it want to pay full price again? Are we diluting our value?"<sup>20</sup>

"That is the risk," said Aisha. "Which is why I think it will be important for us to use the upcoming year to develop an overall strategy for sponsorship and roll it out the year after that—assuming the economy is where we need it to be. A new strategy would let us completely rework the levels of sponsorship we have in place, which would benefit us on many levels, not just with regard to this situation. And if we convince Avocom to sponsor a flagship project or program of some kind—something really new and exciting—I think we could potentially bring the company back at a level that's even higher than present."<sup>21, 22</sup>

"But what about this coming fiscal year?" asked Nathan.

Aisha moved the telephone to her other ear before responding. "It's going to be tough," she said. "I've reviewed the budget top to bottom. I think we can move more aggressively with our webinar series than I originally intended; if we have 12 instead of six, it won't double our revenue,

but it will increase that stream a bit. I found a couple of other options as well—I'm going to email a breakdown to you."<sup>23</sup>

"On the expense side," she continued, "I don't see much. We were already planning on a lean and mean budget for the year; cutting expenses equivalent to two thirds of Avocom's sponsorship would definitely mean scaling back significantly on services or cutting a program completely."

"So," Nathan said, "it sounds like the revenue you think you can increase and the expenses you think you can cut won't cover the loss."

"No," said Aisha, "you're right, it won't. I'd like to go to the board with a recommendation that we plan for a deficit budget this year."

### The Final Showdown

"In the 20 years I've been a member, AAGP has never had a deficit budget, and I think it's inappropriate to start now," said Gordon, perhaps a little more loudly than was necessary to be heard by everyone in the board meeting. "We don't know how long this recession is going to last. If we dip

15. Clearly, AAGP made assumptions about the level of support it would receive from sponsors. This further demonstrates a lack of communication.—Oliver Yandle

16. If a lot of budget work has to be redone, it suggests that the association is far too reliant on the contributions of one major supplier partner. It is critical to have not only diversified revenue streams, but also diversified revenue sources within those streams.—Oliver Yandle

17. This should have been thought about when they did the budget. It is important to always look at worst-case scenarios, and losing your biggest financial sponsor would be something you would need to consider.—Scott Oser

18. Aisha's strategy here makes sense. Working with Trey on a mutually acceptable package will establish good will in negotiations for future years.—Oliver Yandle

19. For once I agree with Aisha. She seems to know Trey, so I believe her when she says he won't go any higher. That said, I would try at least one more time and present him with two scenarios. One higher than what he presented with some great benefits that will really help him meet his goals, and one at the level he presented with revised benefits that were strategically selected.—Scott Oser

20. Reducing the costs by two thirds for the same level of exposure is probably too steep. While it is important to maintain good relationships with Avocom, relationships with other sponsors should not be sacrificed.—Oliver Yandle

21. Aisha has outlined a good strategy—one that should have been in place earlier. The strategy should also include a process for engaging sponsors in regular dialogue about what works and what doesn't.—Oliver Yandle

22. Why can't this be done now? Based on this interaction, if I was a board member, I am not sure I would want Aisha around next year.—Scott Oser

23. Providing more member value and benefit is better than offering less. But it is important that AAGP be conservative on revenue estimates, particularly if this is a new program.—Oliver Yandle

24. Deficit budgets are sometimes necessary. However, better communication between the parties earlier in the process could have perhaps mitigated the impact the reduced sponsorship will have on AAGP's programs and services.—Oliver Yandle

25. Good point but a risk that I think you have to take. But I would only dip into reserves to do what will give you the best return on your efforts.—Scott Oser

26. The visit to Avocom's headquarters may be a little too late, but it is the right approach. It demonstrates the value of an important sponsor and allows AAGP to get a firsthand perspective on Avocom's needs.—Oliver Yandle

27. This is really taking a leap of faith. I think that you will get some additional money out of current sponsors but the real money would be in expanding your support pool so that you are not so reliant on a few large organizations.—Scott Oser

28. Given the economic climate, this is probably not the best time for a dues increase, particularly if there is evidence that an increase will negatively affect membership.—Oliver Yandle

29. AAGP should be conducting regular reviews of all programs and services to ensure they are delivering real value to members. That said, achieving a breakeven budget at the expense of member services is shortsighted.—Oliver Yandle

30. Aisha's approach regarding the magazine makes sense. For many associations, the publication is the most visible means of communication. It is important that AAGP carefully study any changes to the magazine.—Oliver Yandle

31. Unbudgeted but important. No reason to save money by going electronic if members don't stick around to read the online publication.—Scott Oser

32. Probably the best strategy. The other options the board considered could have had long-term negative consequences.—Oliver Yandle

33. It appears Aisha and Nathan dodged a bullet, but it should serve as a cautionary tale for the future.—Oliver Yandle

34. Aisha got lucky. This could have been a disaster. She should be grateful she ended up somewhat unharmed. At least for now.—Scott Oser

into reserves now—reserves which are already depleted from the stock market losses—where will we be if we run into more trouble next year?"<sup>24,25</sup>

Karen, another board member, jumped in when Gordon took a breath. "Are we absolutely certain that we can't negotiate further with Avocom?" she asked.

Nathan and Aisha stood together at the front of the room. In response to Karen's question, Nathan nodded. "Aisha and I are sure," he said. "When we flew out to Avocom's headquarters last week, we didn't have great hopes that negotiation was possible. But I actually left that meeting feeling very positive about our future relationship with Avocom, especially given the plan Aisha and the staff are working on to realign our sponsorship program in 2011. I think once the economy starts to come out of this slump, we're going to offer some great new ideas to Avocom and some of our other higher-level sponsors, and bring them back strong."<sup>26, 27</sup>

Elias, one of the newer board members, spoke up: "Does the loss of income have to mean a deficit budget? I'm just not certain that we've considered every option."

Nathan nodded. "We prepared a few additional scenarios for the board to consider," he said. "As you can see, this first scenario allows us to project a budget \$30,000 in the black. The main ingredient making this possible is a five percent dues increase ..."

Several board members spoke at once. Gordon ended up winning out: "We can't increase dues with the pressures on our members right now!" he exclaimed. "Does this scenario take into account membership attrition because of the increase?"

"Yes," said Nathan. "We project an eight percent loss of membership on top of what we'd already projected for this fiscal year, which, to be honest, is why we recommend against this scenario—the negative reactions from members, as well as the possibility that many of those members would be gone for good."<sup>28</sup>

Aisha advanced to the next slide as Nathan described it. "In this scenario, we're able to project a breakeven budget, primarily through significant cuts in our membership budget, including dropping the young professional grant program ..."<sup>29</sup>

"What about the magazine?" asked Elias. "Could we cut back on the size, or go electronic?"

Nathan looked at Aisha. "Not in this fiscal year," she explained. "We already have advertising contracts in place for most of our prime positions. We are looking at cutting back on color pages as much as we can, and at our paper stock, although we

don't think we can save too significantly on paper compared to where we already are. We can consider going all electronic for 2011, although we'll want to study that carefully to be sure it's the best move for the association. We don't have a readership study scheduled this year, so any research to determine member interest in an all-electronic publication would be unbudgeted."<sup>30, 31</sup>

Nathan took the floor again. "We do have several other scenarios we can discuss with you, but I want to make sure that all of you know that the budget as you have it before you is, to my mind and Aisha's, our best option. It does dip into reserves, but it allows us to maintain our current level of member service, it allows us to maintain dues at a flat level, and it allows us to maintain our relationship with Avocom through a difficult time for the company. I think that Aisha and her team have presented us with the best way to move toward our strategic objectives in the upcoming year."<sup>32</sup>

After a few more questions, the discussion was tabled for the midmorning break, with some board members heading for the coffee service and others checking email. Nathan turned to Aisha and smiled. "Great job with the scenarios, by the way. I think we're in good shape. I'm not worried about the vote."

Aisha nodded. "I agree," she said. "I think we're going to get there."<sup>33, 34</sup> **an**

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