*BY BILL CONERLY*

# Establishing a Contingency Plan

While no association executive is able to control the economy, a good leader can and should prepare for a possible recession at all times. It might seem unlikely that a recession could harm an association as a whole, but because recessions affect individuals—and individuals are often your members—it's wise to realize that when members are in trouble, so is your association.

What kind of foresight is required to ease the pain of a recession? Association executives should take four key steps before the worst hits:

• Assess your association's vulnerability to an economic downturn;

• Develop an early warning system that alerts you to the first signs of an economic downturn;

• Sketch out a contingency plan for recession that will get you thinking about what options your association may have in such an event; and

• Manage your association in a flexible way that allows for the implementation of your contingency plan.

## HOW RECESSIONS CAN AFFECT ASSOCIATIONS

Even though your association may be providing valuable services to its members, when the economy puts on the squeeze, members will look for ways to scale back financially. They may cancel memberships deemed unnecessary to their main business, and they may send fewer people to conventions or to training events. As a result, when spending declines, vendors cut back on trade-show expenses. In no time at all, your association may be revolving in a very different world.

The sensitivity of a company's profits to the changing economy varies from industry to industry and region to region; thus, associations also vary in their sensitivity to the economy. Consumer services, for example, are typically fairly stable, while construction and manufacturing tend to be volatile sectors. Smart association executives will research the historic data of their industries to see just how they have fared in past business cycles.

Different states respond to recessions differently. This is most evident to associations that serve retailers, local businesses and other sectors dependent on local spending. As a general rule, states with large manufacturing bases tend to have bigger economic swings than states with greater service income. Historic data is also available to help executives gauge their state or region's vulnerability.

## THE BENEFITS OF INSTALLING AN EARLY WARNING SYSTEM

After making a vulnerability assessment, association managers should develop an early warning system to monitor the economy. Unfortunately, an association's revenue may lag behind changes in the economy, which can result in late, nasty surprises. For example, the association may not notice a company that is cutting back on association memberships until renewal time. Without early warning, an association might miss other economic indicators—perhaps that same company will decide to tighten its belt further by cutting back on training and marketing expenses in the next budget cycle. Successful associations need to know what key decisions are being made as soon as they're made.

Association leaders are often told, "Know your members." Economic contingency planning is another good reason to heed that advice. The better you know your members, the better you'll be able to anticipate how they'll react in a recession. Set up a process to monitor your members' sales and profits, so you'll notice the first signs of change.

## PUTTING YOUR CONTINGENCY PLANS TO PAPER

The actual contingency planning can be one of the most difficult tasks for executives, but it needs to be sketched out before a recession strikes. Work with a single sheet of paper and identify what can be done when revenues start to fall. Expenses may need to be cut, capital spending limited and new revenue sources developed. If your board members decide that a recession is no time to be cutting services to members, your association needs to build up its reserves before a slowdown.

A downturn isn't all negative; in fact, it may offer potential for many associations. For example, associations that discover member companies are laying off in-house training staff due to the recession may decide to offer training programs to that company's employees.

Finally, contingency planning should include some thought about volunteers. After corporate layoffs, surviving executives may not have as much time to remain on association boards and committees, so develope a deeper bench of talent that can be ready to serve the association when current members cannot.

## STAY FLEXIBLE

The contingency plan will identify difficult areas your association may be faced with in tough times. Keep these issues in mind when going about your day-to-day management. For example, when deciding whether to add staff or use outside contractors, consider how the decision could impact the association's flexibility during a recession.

And now for some good news: Recessions occur less frequently than they used to and tend to be less severe every go-round. However, recessions are like automobile accidents—though unexpected, we know they happen, sometimes with horrible consequences. Think of the four steps of economic contingency planning as the seat belts that can save your association. ■

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