

# ‘5-E Test’ for associations

While the purpose of an association is “community,” its “business” is providing service. The challenge for associations in these “nondues-revenue” times is how to generate income from sources other than membership dues.

A route that my association—the Association of Development Financing Institutions in Asia and the Pacific—took was to set up an advisory and consulting business unit. We realized that there is an opportunity here because of our cumulative years of experience and expertise in the industry and a natural market for this service within our midst, i.e., our members.

To determine the feasibility and sustainability of this business venture for the association, we devised a “5-E Test,” which asked the following questions:

**Expertise:** Is the business within the association’s capability to undertake? This is an important question to answer as this will determine the best business strategy to pursue, knowing: (a) who the customer is (other than our members); (b) what difference can the business make; and (c) which direction can the business track as it goes forward. If the answer is “yes” to all three, then it should trigger a green light to proceed with the business plan.

**Eligibility:** Does the business fit the association’s mission and advocacy? While the association may have the expertise to undertake the business, it is also equally important to determine whether the business will enhance the association’s mission and advocacy. In the end, it may not be all about financial improvement for the association, but more fundamentally about maintaining its credibility and prestige. Again, if the answer to this question is “yes,” then it has a reason to go ahead with the business.

**Exclusivity:** Does the potential customer know the association? The idea behind this question is to assume whether members of the association can be a

captive market for the business. With a large membership network, the opportunity for the business may certainly be enormous if properly managed. The target, however, is to go beyond your members, as this will expand the market potential for your service offerings.

Equal opportunity: Does the business have a fair and equal chance to be considered by the market? Referring to No. 3, you cannot also simply assume there is a market within the membership and, in addition, rely entirely on the association membership for business opportunities. There should be a “Plan B” when the first option does not work as planned.

Economics: Would the business be sustainable in the long run? This definitely is the hardest question to answer. Like any business endeavor, the challenge of sustainability is always difficult to predict. But if you do your homework properly and you get the support of all stakeholders, including your members, then the probability of success is going to be high.