

A COMPREHENSIVE STRATEGIC PLAN

Strategies for the Future

**National Academy of Arbitrators
Organization Planning Committee**

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INTRODUCTION

As an outgrowth of the Board of Governors' two retreats in 2002 and 2003, the Organization Planning Committee (OPC) was formed in 2003. The OPC was charged by the Board and Presidents Bloch, Gershenfeld and Fleischli with developing a "strategic plan" for the future of the National Academy of Arbitrators.

This report outlines the strategic planning analysis and recommendations of the OPC. The OPC strongly urges the Board and Officers to adopt these recommendations, which we believe are vital to the continuing viability of the Academy. Consideration of this report will require in-depth study by the Board and Officers. The OPC welcomes the opportunity to engage in the discussion and formulation of strategies that we trust will be engendered by this report and its recommended strategies.

We begin with an explanation of the strategic planning process that the OPC applied. Using that process, the OPC presents its analysis of external and internal threats to and opportunities for the NAA, identify the strengths and weaknesses of the NAA, and then suggest strategies to address the strengths, weaknesses, opportunities and threats (SWOT) that the OPC has identified

The OPC would first like to acknowledge the contributions of previous committees and others who have made recommendations to the OPC:

- Report and Recommendation of the Committee on Academy Governance – Ben Aaron, Chair (1992)
- Report on Annual Meeting Costs and Attendance – Nicholas Zumas, Chair (1999)
- Report of the Special Committee on the Academy's Future – George Fleischli, Chair (2001)
- Facilitators' Reports to the Board of Governors – Retreats in Chicago (2002) and Dallas (2003). Susan Brown, 2002 Facilitator, and Sara Adler, Chris Knowlton, and Bob Harris, 2003 Facilitators.
- Suggestions from Academy members (2003-04)

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I. Overview of the Strategic Planning Process

Strategic Management is concerned with the process used by the management of an organization in making decisions about the future direction of an organization and implementing those decisions.

The process used in strategic management is as applicable to the National Academy of Arbitrators as it is to any large organizations such as Coca-Cola, IBM, AAA or the AFL-CIO. Basically, the process of strategic management can be broken down into two phases: Strategy formulation and strategy implementation.

Strategy formulation (or strategic planning as it is frequently called) is concerned with making decisions with regard to:

1. Defining the organization's vision and mission,
2. Establishing long-range and short-range objectives to achieve the organization's vision and mission,
3. Selecting the strategy or strategies that are to be used in achieving the organization's objectives.

Strategy implementation is concerned with aligning the organizational structure and processes with the chosen strategy. It involves making decisions with regard to:

1. Matching strategy and organizational structure and providing organizational leadership pertinent to the strategy,
2. Developing budgets and motivational systems for the achievement of organizational objectives,
3. Monitoring the effectiveness of the strategy in achieving the organization's objectives.

Basically, strategic planning is concerned with answering three questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get from where we are now to where we want to be?

The answer to the first two questions is established through the development of an organizational mission and vision statement. An organizational mission statement focuses on the following issues:

1. Defines who we presently are and what we do;
2. Identifies services that we presently provide;
3. Specifies the markets we presently serve and those we would like to serve within a time frame of three to five years.

An organizational vision statement is broader and just as important as a mission statement. A vision statement focuses on the following issues:

1. Provides a panoramic view of “Where are we going?”
2. Answers the question of “What kind of organization do we want to become?”
3. Establishes the values, beliefs, and guidelines for the manner in which the organization is going to conduct its business.

After completing the mission and vision statement, the organization is ready to establish a set of objectives that, if successfully achieved, will enable the organization to accomplish its vision. In order to establish a set of objectives, it is necessary to analyze and forecast environmental forces that can provide opportunities for and threats to an organization. Environmental forces are not under the direct control of the organization, but can significantly influence the strategy of an organization. The major environmental forces that influence most organizations are: economic, technological, political and regulatory, and social. Competitive forces are concerned with actions and reactions of major competitors. Competitive forces also provide opportunities for and threats to an organization. Finally, an internal organizational analysis must be performed. An internal organizational analysis is concerned with examining all facets of the organization to identify the strengths and weaknesses of the organization.

In summary, environmental scanning and forecasting, competitive analysis, and internal organizational analysis should enable an organization to identify its strengths, weaknesses,

opportunities, and threats (SWOT). After performing an in-depth SWOT analysis, the management of an organization is ready to establish objectives that: (1) take advantage of opportunities that build on organizational strengths; (2) eliminate weaknesses; and (3) minimize threats. Furthermore, effective objectives must have the following characteristics: (1) measurable when possible; (2) time frame for accomplishment; (3) written; (4) challenging, but obtainable; and (5) dynamic (must be re-evaluated as the environment and opportunities change).

Finally, strategy is the determination and evaluation of alternatives available to an organization for achieving its objectives and vision and the selection of the alternative(s) to be pursued. Strategy outlines the fundamental steps an organization intends to take in order to achieve its set of objectives and vision. Management develops a strategy by evaluating options available to the organization and choosing one or more of the options.

Strategic planning is a continuous process. Strategies must be implemented and evaluated on the basis of objective attainment. The evaluation of our objective attainment enables an organization to change or modify the strategy, as is necessary.

Evaluation of a strategic plan should be based on how well the chosen strategies help meet the organizational objectives. Evaluation of the chosen strategies enables the organization to make changes as necessary as conditions change. Effective organizations continually assess their strengths, weaknesses, opportunities, and threats and make changes accordingly. Organizational strategy is continuous, not a one-time process.

II. Strategy Implementation

Strategies are carried out through organizations. An organization is a group of people working together in a coordinated effort to attain a set of objectives that could not be achieved by individuals working separately. Organizing is the grouping of activities and the assignment of each grouping to a

person (or committee) who has the authority necessary to attempt to attain a set of objectives. The framework that defines the boundaries of the organization and within which the organization operates is the organizational structure.

A major part of an organization's strategy for attaining its objectives concerns how the organization is structured. The structure of an organization is reflected in how information is transmitted, how decisions are made, and how the objectives are attained. The structure of an organization can either facilitate or inhibit strategy implementation.

It is important to remember that organizational structure follows the development of a strategy. In other words, strategy should determine the organizational structure. Organizations that allow the structure to determine the strategy will find it necessary to re-organize every two or three years. The process of matching structure to strategy is complex and should be undertaken with a thorough understanding of the historical development of the current structure, the requirements of the organization's environment, and the political relationships that might be affected.

III. NAA's Mission

The first step in strategy formulation is to define NAA's vision and mission. NAA has a mission statement, last revised in 1993, which appears in Article II of our Constitution:

To establish and foster the highest standards of integrity, competence, honor, and character among those engaged in the arbitration of labor-management disputes on a professional basis; to secure the acceptance of and adherence to the Code of Professional Responsibility for Arbitrators of Labor-Management Disputes prepared by the National Academy of Arbitrators, the American Arbitration Association and the Federal Mediation and Conciliation Service, or of any amendment or changes which may be hereafter made thereto; to promote the study and understanding of the arbitration of labor-management and employment disputes; to encourage friendly association among the members of the profession; to cooperate with other organizations, institutions and learned societies interested in labor-management and employment relations, and to do any and all things which shall be appropriate in the furtherance of these purposes. (As amended April 29, 1975 and June 1, 1993).

The OPC recognizes that it may be desirable to modify the present mission statement to reflect the changing nature of the arbitration practices of Academy members, as more members are increasingly involved in arbitration of employment disputes and in other than the traditional labor-management arena. The OPC also recognizes that a change in Article II would require a constitutional amendment and would lead to a lengthy debate that would distract from the need to adopt a strategic plan addressing more immediate concerns. The OPC has concluded that Article II sufficiently reflects the Academy's current purpose and mission, with express recognition of employment arbitration and employment relations, so as to satisfy the need for a mission statement for the time being; however, the OPC recommends that the statement be reviewed again in the near future.

IV. Environmental Forces

The next step in strategic planning is to establish a set of objectives for the organization. First, the OPC identified and analyzed environmental forces that provide opportunities for and threats to the Academy. We began by identifying factors external to the Academy, with an analysis of how those factors constitute threats to the Academy and present opportunities for change.

A. Analysis of External Threats

1. The Central Threat: Membership Loss and a Decreasing Pool of Applicants

The NAA's biggest challenge is our aging membership. Following is a summary of the more detailed analysis and discussion of this threat, which can be found in Appendix A, below.

a. Membership Projections

Our membership now stands at 634 mortal members. Based on an optimistic and liberal actuarial assumption (explained in Appendix A), the Academy will lose 21% (132 members) of its membership in the next four years. In 10 short years, or by 2013, we will lose 40% (250

members). Without membership additions, we will stand at the beginning of 2014 at only 384 members. Our annual average membership loss for this period will be 25 members per year.

With less liberal and probably more realistic assumptions, it could be worse.

This loss in membership will not be offset by new members for several reasons. Primarily, labor-management arbitration is a shrinking field. Fewer people are practicing labor-management arbitration; for those who are, labor-management arbitration is less of a focus in broadening practices.

In 1987, FMCS had 3,477 arbitrators on its panel. Our membership stood at 592, so Academy members constituted 17% of the roster. The NAA had room to grow because the pool of potential members was significantly larger than our membership. However, in 2003 FMCS reported 1,826 arbitrators on its roster. The good news is that our “market share” of this field has nearly doubled, to 31.6%, but that bad news is that this percentage growth ignores the fact that the pool of potential members is shrinking.

How many new members can we expect? Based on past trends, the projection is just 10 members per year. In the next 10 years (by 2014), we will replace only 100 of 250 lost members and will be an Academy of less than 500 members (494 to be exact). (See Appendix A for the basis of our projections).

b. Our Three Options

Membership targets are a common component of the strategic objectives for non-profit organizations. The Academy’s three membership options are:

- (1) Grow at a conservative rate, perhaps 3% to 5% per year
- (2) Make affirmative efforts to maintain membership at or near the 634 level, or
- (3) Shrink as nature demands.

To achieve the growth option (3% to 5%), we would need to add 462 to 583 members over the next 10 years (46 to 58 new members per year). To achieve the maintenance option, we would need 27 new members every year. Option three involves the loss of 25 members *and* the addition of 10 new members every year.

c. Budget Impact

These three membership options, particularly the last one, have obvious budget implications. Should our membership continue to fall (the third option), so too will revenues, unless dues are dramatically raised or expenditures slashed. Furthermore, while we had 634 members in 2003, not all paid full dues, owing to our dues structure that forgives or discounts dues for certain categories of members. The simplest way to account for various levels of dues is to create a Full Membership Equivalency (FME) by dividing total dues income by the amount of dues (see Appendix B). For 2004, we had the equivalent of only 530 full dues paying members (roughly 5 of 6 members or 83.59% of our 634 members paid full dues). As our membership ages, it will be no surprise that our FME will decline, exacerbating budgetary pressures, with our projected income well below our current budget. This poses a significant threat.

2. Other External Threats

a. Decline in the Unionized Work Force:

Comparative and absolute decline in unionized work force means fewer labor arbitration cases, making it harder for new arbitrators to develop a viable practice and more difficult to attract people to the profession, so that fewer arbitrators are able to qualify for NAA membership. With fewer arbitrators able to qualify, a group of non-NAA arbitrators will be created, who may well resent and “bad mouth” the NAA as being elitist and irrelevant.

b. Decline in Practitioners:

That decline also means there will be fewer labor-management practitioners to attend NAA programs that are devoted to labor-management arbitration. NAA meetings will have fewer and fewer guest registrations. Lower attendance at meetings by guests will lead to more “red ink”.

c. Lack of Understanding of the NAA:

There is a lack of understanding of the NAA among practitioners. Fewer and fewer of our “clients” know about the NAA, its membership standards, its promulgation of the Code and its members adherence thereto. The fact that the NAA has established the ethical and professional basis for arbitrator standards and conduct over the past 50 years is not recognized by the general ADR community.

d. Other Organizations:

Other organizations are offering educational programs, once the exclusive domain of the NAA. As a result, the Academy’s annual meeting attracts fewer guests. Other organizations are considering certification of labor-management neutrals, threatening the status of NAA membership as the pre-eminent professional association of arbitrators.

Presently, there is an evolving culture that promotes being a more broad-based ADR professional, not limited to arbitration or to labor-management disputes. There is a demand for a professional organization that meets those needs, a demand that is being met by other organizations.

e. Decline in Professional Schools:

The decline in business and law school courses in labor-management relations and labor

law means that the NAA, with its focus solely on labor-management arbitration, will attract a

smaller and smaller number of employment relations professionals to our annual meeting or neutrals to our membership ranks.

f. Declining Interest in Meetings:

Our clients have less interest in NAA programs, as judged by the decline over recent years in attendance at our Annual Meetings. As a result, the NAA is losing its traditional stature in the labor-management arena.

B. Analysis of Internal Threats:

In addition to identifying these external threats, the strategic planning model calls for identifying factors internal to the organization that constitute threats and provide opportunities. The OPC has identified the following threats within the Academy.

1. Membership decline means fewer younger members who will be experienced to replace persons in Academy leadership positions.
2. Lack of broad-based member involvement, with too few people attending the Annual and Fall meetings and too few members involved with the work of the Academy on committees or as program participants or planners.
3. Meetings that are too far and/or too expensive for many members to justify attending.
4. Meetings that are scheduled at a time of year that conflicts with many members' family and/or professional obligations.
5. Too many members, due to apathy or disaffection, do not participate in NAA after gaining admission, considering Academy membership only as a "plus" on their resumes.
6. Some members perceive (perhaps a false or exaggerated impression that is nonetheless often voiced) that a clique runs the Academy and speaks at the conferences and that the leadership is elitist and exclusionary.
7. Uncontested elections create the appearance that the Academy is not democratic.

8. Resistance to change, which some members attribute to a fear among the leadership that change will threaten established power relationships.
9. Members perceive that the membership is not involved in decision-making and that the Board of Governors merely “rubber stamps” the decisions of the Executive Committee.
10. Members lack understanding of the relationships between the Board of Governors and the various committees and the membership.
11. NAA’s governance structure thwarts timely and effective innovations when change is important.
12. NAA has failed to actively pursue changes which the BOG and other committees have already recommended for BOG actions.
13. The debate over the NAA’s role in employment dispute resolution, beyond the traditional labor-management model, that causes organizational fractionalization.
14. The NAA is becoming increasingly irrelevant to the practices of those members and prospective members who are more involved in employment arbitration and other ADR, as field of employment arbitration grows.

V. NAA’s Strengths and Weaknesses

The next step in the SWOT analysis is to identify the Academy’s strengths and weaknesses. The OPC, also drawing on the results of a similar exercise by the BOG in recent retreats, has identified the following strengths and weaknesses. (Neither of the following lists is ranked in order of importance.)

A. NAA’s Strengths

1. Contributions to Arbitration: The NAA has a vital role in shaping arbitration standards and the practice of labor arbitration through the *Proceedings of Annual Meetings*, as well as influential amicus briefs in landmark U.S. Supreme Court cases involving labor and employment arbitration.
2. Reputation: The NAA has an acknowledged reputation for scholarship and integrity in the labor relation’s community, as well as in the wider ADR world.

3. The Code: The NAA is the principal creator and enforcer of the ethical standards for arbitrators through the Code of Professional Conduct.
4. Membership standards: With the NAA membership standards and with only the leading arbitrators in the U.S. and Canada with proven acceptability able to claim membership, NAA membership provides the parties with an objective measure of an arbitrator's status and reputation.
5. Cooperation with agencies: The NAA has cooperation and ongoing dialogue with AAA and FMCS on matters of mutual concern, plus includes agency spokespersons at NAA meetings.
6. Publications: The NAA publishes (with BNA) the *Annual Meeting Proceedings* and the *Common Law of the Workplace*, publications that provide significant educational and reference materials for neutrals and advocates and students of arbitration.
7. Educational role: The NAA provides the highest caliber educational information to practitioners of labor-management and employment arbitration through national conferences and regional meetings and advocates' training. Focus on arbitration issues and practice makes NAA programs unique.
8. Neutral ground: NAA offers conferences that provide a "neutral ground" for labor and management advocates and neutrals (members and non-members) to come together to consider issues and procedures through formal meetings and informal discussions and socializing.
9. Intra-membership forums: A forum for the exchange of ideas and information is provided through *The Chronicle* and through an unofficial and optional electronic Mail List that is open only to NAA members. Both venues provide members the opportunity to pose problems and share experiences and expertise on practice-related issues, in addition to discussion of Academy governance and policy questions.
10. Collegiality: The NAA promotes collegiality and provides members the opportunity to develop personal relationships with fellow arbitrators, fostered at national and regional meetings, as well as through the Mail List and *The Chronicle*. "Where good friends like to meet . . ."

B. NAA's Weaknesses

1. Reputation:

- a. The NAA is perceived as not responding to the changing marketplace (the decline in union membership and related shrinkage of traditional labor arbitration cases with the concomitant increase in employment arbitration and mediation). NAA is missing opportunities to accommodate the other stakeholders in the arbitration community.
- b. The NAA's failure to address workplace ADR (non-labor arbitration and mediation) is allowing other organizations to capture the prominence that was once NAA's birthright.
- c. The NAA's limited involvement in developing standards and ethics and addressing practical issues for employment arbitration leads to a perception that NAA is anachronistic and irrelevant to workplace ADR.
- d. The NAA's leadership and membership are perceived as staid and out of touch, which turns off potential new members, contributing to our shrinking membership.
- e. The NAA has not responded to the significant need for regional (local) programs to showcase the NAA as "the source" of arbitration education for advocates and newer arbitrators and to introduce them to the purpose and significance of NAA membership.

2. Public Relations

- a. The NAA appears reluctant to raise its profile in order to highlight the Academy's significant contributions to the development of arbitration and ADR in the United States, Canada, and abroad.
- b. A significant proportion of labor-management and employment practitioners have limited or no awareness of NAA or of the significance of an arbitrator being an Academy member.
- c. The NAA has failed to seek out means (e.g., press releases describing conference highlights, press releases on NAA's amicus briefs in leading cases, leadership interviews, a speakers bureau of NAA members) of informing the labor and employment or broader ADR communities of NAA's activities and contributions to arbitration and ADR.

- d. The NAA has failed to publicize adequately our Annual Meeting's public conference through publications of other ADR organizations and bar associations, press releases, and email broadcasts.
- e. The NAA has failed to publicize adequately the existence of our website as a source of information and to fully utilize the website's potential for raising the NAA's profile.
- f. The NAA has failed to utilize the regional structure to bring NAA to the local labor-management community through local programming.

3. The Code

- a. The NAA has failed to publicize the existence and importance of the Code and NAA's role as enforcer of arbitral ethics.
- b. Many practitioners either have never heard of the Code or are unaware of its contents or how it governs arbitrators' conduct.
- c. Copies of the Code are not included in conference materials; little mention is made of it in NAA conferences.

4. Technology

- a. The NAA is slow to utilize technology for timely and cost-effective internal and external communications.
- b. Now that NAA's website is operational, staff and volunteer member resources must to be allocated to enhance it, keep it updated, and broadcast its existence to assure it serves the purpose of publicizing NAA's activities and public conferences and improving member communications.
- c. Operations Center staff needs training opportunities and necessary soft- and hardware for operational efficiency, maintenance of the website, and enhanced internal communications.
- d. Leadership has not utilized email as means of communicating directly and regularly with membership.
- e. The NAA has not developed the potential for publicizing conferences to non-members by email broadcast.

5. Membership Demographics, Standards and Recruitment:

- a. The number of new members is not keeping pace with the attrition of older members for a variety of reasons. (See analysis in “External Threats, § III.A.1, above.)
- b. The NAA has not reassessed and/or revised membership requirements to reflect the growing reality of newer but established arbitrators’ practices, which now include non-labor employment arbitration, mediation, and other neutral workplace work. Because of the fall-off of traditional labor arbitration cases, it is difficult for newer (younger) arbitrators to meet the NAA’s minimum qualifications, thus allowing our membership base to age and membership totals to weaken.
- c. At the regional levels, there is an unmet need for NAA members to identify newer arbitrators, acquaint them with the NAA and invite them to NAA meetings, and encourage them to apply for membership when they are “ready.” Regions have not been directed to minimize or eliminate “members-only” activities in order to interest developing arbitrators in becoming involved in NAA.
- d. The relatively high “average age” of members (30 % is over 70 years old) affects the organization’s outlook, as well as the perception of our “clients” about the Academy as being older and less interested in new directions.
- e. Since membership requirements have some subjective elements, there is a lack of clear understanding of membership requirements so that members as well as potential members perceive them as changing with the composition of the Membership Committee.

6. Member Participation and Involvement:

- a. Consistently low rate of members attending national Annual and Fall meetings.
- b. Lack of incentives for members to become involved in Academy activities at the national level.

- c. Failure to interest members who are active locally in becoming active nationally.
- d. Unmet need for broader involvement of members in leadership roles and in program planning and presentation.
- e. Failure to overcome the fact or perception of “elitism” and “cronyism” among active members by encouraging a broader range of members to participate in program planning and on committees.
- f. Lack of any requirements, as a condition of continuing active membership, for members to become active in the Academy, such as attending national meetings or involvement in programs or on committees.
- g. Failure to promote regional programs as a means of involving more NAA members in Academy activities.

7. Leadership:

- a. Leaders are perceived as slow to implement changes in policy and practice and as unable to respond quickly to challenges.
- b. The NAA is perceived as “genuflecting” to the past, which inhibits moving ahead and introducing constructive change.
- c. Leaders are perceived as too sensitive to internal politics, thereby stifling change.
- d. The NAA has failed to address the issue of how to prepare future leaders.

8. Governance:

- a. The NAA has failed to articulate organizational objectives.
- b. The structure of the NAA does not contribute to accomplishing organizational objectives.
- c. Objectives/recommendations identified by various special committees, appointed in the past several years, have not been implemented; reports are shelved; no structure exists for assuring or evaluating implementation of plans or recommendations.
- d. The NAA suffers from chronic “reinventing the wheel” syndrome.

- e. The BOG's two meetings a year contributes to a loss of momentum, failure to follow through, leaving governance in the hands of the various committees or the Executive Committee.
- f. The BOG has failed to utilize email communications and email meetings, in order to achieve quicker turnaround on policy changes and to maintain momentum in decision-making on important issues.
- g. The BOG has not resolved how to be effectively proactive and still work within the committee structure, to review committee actions without re-deciding committee decisions. This has led to jurisdictional confusion.
- h. Communication between the BOG and committees is limited. This leads to inertia and fractured policy making.
- i. There is a perception that the NAA has too many committees.

9. Annual Meeting Program:

- a. Program content does not encourage all "stakeholders" (members, advocates and non-member neutrals) to attend.
- b. Efforts to enliven subject matter and enhance presentation techniques have been inadequate and/or have failed to attract new attendees and encourage return attendance.
- c. The NAA has failed to involve "stakeholders" in program planning to assure relevance to practitioners' and members' needs, which would encourage greater attendance.

10. Meeting Attendance and Promotion:

- a. The NAA has low registration at annual meetings.
- b. The costs of meetings (including hotel and travel costs) discourage attendance.
- c. Promotional methods for annual meetings are inadequate and/or unsophisticated, with inadequate use of technology, failure to saturate "local market" or to access publications of sister organizations.
- d. The NAA has not considered holding the Annual Meeting at the same, central location every year, to lower travel expenses for more members, to reduce planning costs and time

for the staff and host committee, and to make the meetings predictable for public attendees.

- e. There is a lack of continuity in “host” committees. Good promotional ideas get lost or are forgotten, and each year’s committee tends to reinvent the wheel.
- f. The NAA has failed to obtain, or develop a method for obtaining, continuing legal education credit approval from every state for national as well as local programs.

11. Meeting Scheduling and Frequency:

- a. The NAA has not addressed the conflict of dates between the Annual Meeting and the FMCS biennial conference. The conflict reduces advocate attendance at our meeting.
- b. Two national meetings a year makes it too costly for many members to attend both, requiring them to choose, and cutting attendance at both, even by the most active members.
- c. The perennial problem of Annual Meeting conflicting with June graduations, weddings, and final exams, makes it difficult, even for the most active members, to attend as often as they would like.

VI. Objectives

Based on this in-depth SWOT analysis, by which we identified strengths, weaknesses, opportunities, and threats, the OPC now proposes objectives that will further our mission, take advantage of opportunities that build on organizational strengths, eliminate weaknesses and minimize threats. The OPC recommends that the NAA adopt objectives that include:

1. Adhere to the high principles contained in the NAA’s constitution and our mission statement.
2. Gain universal recognition as the leading labor-management and employment arbitration organization in the U.S. and Canada.
3. Gain universal recognition of NAA as the unquestioned leader in all employment-related arbitration (union and non-union) and as a key player in ADR in other fields.
4. Promote due process and fairness in the ADR process.

5. Adopt a proactive strategy to influence ADR, not limited to traditional labor-management arbitration.
6. Increase cooperation with academic institutions and “sister” ADR organizations for the purpose of promoting the highest ethical standards in arbitration practice.
7. Promote and provide educational opportunities for all stakeholders in the labor-management and employment community.
8. Design, schedule and locate programs that work better and attract new and return attendance by members as well as guests at national meetings.
9. Maintain membership at current level (the second of the three membership options discussed in Section III.A.1.b, above).
10. Develop broader membership participation at national and Regional (local) meetings and in Academy activities and committees.
11. Encourage and develop new leadership.
12. Attract highly regarded neutrals as members by making NAA membership more desirable.
13. Include all leading neutral labor-management and employment arbitrators among its members.
14. Make the NAA a diverse, friendly and meaningful organization for all.
15. Develop methods of reestablishing the value of participation and membership at the Regional (local) level and strengthen the Regional structure.
16. Create an organizational structure to better meet membership needs.
17. Use technology to improve communications and enhance organizational efficiency.
18. Improve the governance structure to function more effectively, to be responsive to positive change, and to implement and then evaluate adopted changes in a timely manner.
19. Provide an efficient, technologically proficient and cost-effective administration.
20. Adopt better budgeting and cost controls.

VII. Strategies to Address Strengths, Weaknesses, Opportunities, and Threats (SWOT)

The OPC has formulated various strategies to help the NAA realize the above objectives. As noted above, the key threat which the NAA now faces is declining membership. The strategies outlined below have primarily been designed to address that threat, while at the same time realizing other objectives.

A. Strategies to Address a Declining Membership

The OPC has identified three options for how the Academy can address the threats recognized in this SWOT analysis, the key threat being the projected membership loss. (See § III.A.1, above, and also Appendix A)

One option is merely to “let it ride,” that is, accept that the demographic forces will prevail and that we will experience a decline in membership. The second option is to undertake strategies to maintain membership at the current level of 600-650 members. That will require changes in how the Academy does business just to avoid a serious decline in membership. The third option is to embrace a growth model, undertaking some significant changes in the Academy in order to increase membership above current levels.

1. Natural Equilibrium Model

Adopting the so-call “natural equilibrium” option would involve accepting membership levels at the projected net reduction and would mean a marked decline in membership over the next few years. If the NAA takes no action in the face of net membership losses, dues and expenses would have to be adjusted to account for income/expense shortfalls.

At current dues levels and current expenses (adjusted for inflation), based on our projected (naturally decreasing) membership levels, potentially NAA will experience a budgetary shortfall in the very near future. The potential shortfall could be approximately \$38,000 by 2006 and would

increase each year thereafter. Our cumulative loss over ten years (through 2014) could reach nearly one million dollars. (See Appendix B.)

The impact of making up this budget shortfall with dues only can be seen by comparing projected FME and projected expenses and then calculating how much dues per member would have to be in order to cover the whole shortfall. (See Appendix B for detail.)

Both dues and expenses would have to be adjusted, as the membership would likely find it unacceptable to balance income and expenses (exclusive of meeting costs) only by adjusting dues. However, expenditure reduction does not yield much relief. The Academy is not extravagant now, since discretionary expenditures already have been identified and significantly reduced or outright eliminated in recent years. A review of the budget shows that very little could be cut without seriously jeopardizing the Academy's ability to function. Not enough acceptable expenditure cuts can be identified to avoid the need to increase dues substantially to offset the projected deficit.

2. Growth Model

Another option is to grow the membership of the NAA beyond the current level of 600-650. One way to achieve growth is to change membership criteria to reflect the changing nature of the practices of many neutral arbitrators, both current and potential members. Many current members now have practices that include a significant and growing proportion of arbitration cases in the non-traditional "employment" arbitration field or in other types of dispute resolution in the labor-management field, such as fact-finding in bargaining impasses or card-checks in certification elections.

To attract more established, neutral arbitrators, the Academy could revise membership criteria to allow neutral work in such cases to be "countable" for purposes of admitting new members into the Academy.

3. Maintenance of Membership Model

An alternative to becoming the “National Academy of Employment Arbitrators” (the growth model) or simply letting nature take its course (the natural equilibrium model) is to retain our focus on labor-management arbitration, but with strategies designed to maintain membership at or near the current level of 634.

The OPC recommends adoption of this maintenance option. Adopting it will enable the NAA to maintain our traditional, primary labor-management focus while safeguarding the future of the organization. In comparison, the growth option would change the orientation of the NAA irrevocably away from labor-management or greatly dilute the quality of the membership. Or the “shrinkage” option would see us lose influence as the Academy becomes substantially smaller and would increase the likelihood that a broader dispute resolution organization with an arbitrators’ division would replace the NAA as the logical home for many arbitrators.

Adopting the maintenance option would not mean lowering membership standards, but steps must be taken to ensure sufficient new membership to keep up with the projected mortality rates. Specifically, the Academy must develop and adopt a formal arbitrator recruitment and development program.

a. Regionally Based Arbitrator Recruitment and Development Program

The OPC recommends that the NAA develop and adopt a formal arbitrator recruitment and development program. We are suggesting something far more affirmative than merely stating our good intentions to develop and recruit new Academy members, as we have in the past. The road to oblivion is paved with good intentions.

This recruitment and development program should be administered on a Regional basis. It would be designed to capture neutral practitioners who may have a core labor-management

component to their practices, but who cannot meet our membership standard of general acceptability as an arbitrator of labor-management disputes, due to circumstances or choices they may have made. These potential members would include emerging and promising labor-management neutrals -- those who have a more “modern” mixed employment and labor practice and those who have local, regional or other “niche” practices.

Beyond some minimum across-the-board criteria for acceptance into the Program (such as one or two years on the FMCS and AAA rosters of labor arbitrators or relevant state panels, plus some evidence of basic labor-management acceptability), each Region would have authority to make its own decisions about who participates in the Program. Local Academy members are in the best position to judge what is promising acceptability in their Region. The criteria for participation should be flexible enough to give weight to neutral work in employment arbitration.

b. Program Description

Development Program activities could be done at the regional or national levels. All arbitrators on FMCS and AAA labor rosters who are not yet NAA members should be contacted, made aware of the Program and invited to apply to participate in their Region. All new admittees to FMCS and AAA rosters would receive invitations and relevant mailings.

Program participants would:

- (1) be encouraged to attend all Regional and national meetings;
- (2) receive *The Chronicle*, *NAA Annual Meeting Proceedings*, and other in-house communications;
- (3) be required to cover the annual cost of Program participation through an assessment;
- (4) not be considered NAA members and, therefore, not be allowed to vote at the Regional or national level and not be covered by NAA’s legal representational fund;

- (5) be prohibited from listing participation in the Program on bio sheets with FMCS, AAA, and other listing agencies, to avoid the appearance or implication of NAA membership;
- (6) be required to apply for NAA membership after five years in the Program; if not accepted, they must reapply to continue as a Program participant;
- (7) be allowed to list Program participation when applying for NAA membership; participation would be given weight by the Membership Committee but would not assure admission, as program participants would have to satisfy the full admission criteria, which would not be changed by this proposal.

c. Rationale For Adoption of the Recruitment and Development Program

The Program furthers our objectives and mission and addresses the identified threats by:

- (1) Tapping a pool of potential members to help achieve the maintenance of membership strategy;
- (2) Introducing newer arbitrators, who may be unfamiliar with the NAA, to Academy activities and to the benefits of membership;
- (3) Spreading awareness and understanding of The Code and promoting professionalism among arbitrators;
- (4) Expanding NAA's professional and financial base by giving more people more reason to come to national and regional meetings;
- (5) Addressing to some extent the internal fractionalization over employment arbitration, by allowing retention of our current labor-management focus, while acknowledging that the workplace arbitration field is broadening and demonstrating that the Academy is flexible enough to recognize it;
- (6) Combating potential formation of an alternative organization and/or a splinter organization by getting new practitioners into the NAA fold before they gravitate to other groups (make them stakeholders).

B. Strategies Independent of the Membership Model

The OPC recommends adoption of several strategies to realize the stated objectives that can and should be adopted regardless of which membership model the BOG adopts.

1. Restructure Fees and Dues

Article II of the By-Laws requires that the NAA hold an Annual Meeting. Under that clear mandate, expenses for holding the Annual Meeting must be considered organizational expenses for which all NAA members are responsible; therefore, these expenses should be included in member dues. The “fixed costs” of holding the Annual Meeting are estimated at \$51,700 in 2004 dollars.

These fixed costs include:

- Printing the program and announcements regarding the Annual Meeting
- Mailing the program and meeting materials
- Printing and mailing meeting agenda and materials to BOG and Executive Committee
- Extraordinary expenses of BOG, Executive committee , and designated committees relating to meeting attendance
- Speaker travel expenses
- “Walk-thru” expenses (travel and related expenses) at site hotel
- Future site arrangement expenses
- Staff travel and expenses devoted to the Annual Meeting
- Other expenses associated with the Annual Meeting.

These expenses exclude (1) the cost of the “event” (customarily a dinner-dance) of about \$3,000, (2) the cost of food and beverages consumed during the meeting, and (3) the 30 percent of staff (Kate, Suzanne, etc.) total annual hours that are devoted to planning and administering conference registrations and on-site activities for the Annual Meeting.

If dues dollars are used to cover the fixed costs of the Annual Meeting, the registration fee for NAA members and guests could be reduced by about \$150, to be offset by a \$100 dues increase, to spread the cost of holding the Annual Meeting more equitably among all members. Presently, the

members who attend (approximately 1/3 of the entire membership, on average) are subsidizing through their registration fees the cost of conducting the constitutionally-mandated membership meeting, plus absorbing their personal costs of attendance (travel, hotel and lost workdays).

Members who choose to attend the Annual Meeting should pay a registration fee which is related solely to the actual costs the Academy incurs because of their presence at the Annual Meeting, such as meals, receptions, program costs not related to Academy governance, and the “event.”

Instead of requiring some form of mandatory attendance to remain a member in good standing (perceived as unpopular and difficult to administer) or imposing some sort of penalty on members who do not attend Annual Meetings, a lower registration fee should provide an incentive for more members to attend.

Rationale: This strategy helps achieve the objectives of (1) increasing attendance of both members and guests by reducing the registration fee, (2) increasing member involvement in the Academy by making it more attractive for more members to attend meetings, and (3) adopting better budgeting and cost controls.

2. Restructure the Mid-Year Education Meetings: The Division Concept

As a strategy to address the frequently voiced concern about inadequate attendance at the two national meetings, the cost and burden on those members who attempt to attend both, the cost to the Academy of administering and presenting both, and the need to provide opportunities for Academy involvement to members who do not attend national meetings, the OPC recommends creation of geographic “Divisions” for the purpose of hosting the mid-year meeting (now the Fall Educational Conference). (See also Section 7, Annual Meeting, below.)

Each Division would be responsible for arranging and offering a mid-year educational conference in its own geographic area to be held “mid-year.” The OPC recommends creation of at

least four and up to eight Divisions, by joining together existing Regions for the purpose of organizing mid-year meetings.

While continuing the advantage and popularity of geographic diversity by moving the so-called Fall Meeting around the country, as has been the custom, this strategy would involve local members more directly in the Academy by making the meetings more accessible and less costly to attend, and by getting local members who rarely come to national meetings involved in program planning and presenting. Here is an example of an eight Division structure:

Canada

Northeast– New England, New York, No. NJ

Atlantic Coast (E. Penn, Washington, MD, Del, So. NJ, VA)

North – MI, KY, OH, W Penn, W. NY, W. VA

Midwest – IL, WI, MN, IO, ND, SD, MO, CO

Southeast – same area as Southeast Region

Southwest – same area as Southwest Region

West– WA, OR, No. Cal, So. Cal, NV, AZ, MT, AK

All Regions would retain their present status and purpose and continue all other local activities, such as monthly or quarterly dinner meetings or workshops.

Each Division would have a Chair, selected by members residing in that Division, to serve a two-year term (see Governance, below, for the recommendation for BOG membership of past-Division Chairs).

All Academy members would receive notice and be invited to attend any or all such Divisional meetings. It may be preferable to rotate Divisional meetings, with each Division required to sponsor one meeting every other year (perhaps less often if as many as eight Divisions are established). Rotation would reduce the planning burden on local members. Rotation would also increase the ability of members to attend meetings in other Divisions for those members who enjoy collegiality at the national level. Meetings that are held in the same year would be coordinated with staggered dates

(not all on the same weekend) to give members more flexibility in deciding which Divisional Education meeting to attend.

The Board of Governors would select one of the Divisional Meetings and hold its mid-year (fall) meeting in conjunction with that meeting.

Divisional meetings should be open to guests (non-member neutrals as well as advocates) for several reasons, including enhancing the NAA's role as a provider of arbitration education, bringing the Academy into the grass roots labor-management community, and providing a neutral forum at the local level for the interaction of all stakeholders.

Divisional meetings would be self-supporting based on registration fees. Costs and registration fees would be lower than for the current national Fall Education Conference because speakers will be local and there will be no NAA staff travel costs to administer the conference.

The introduction of Divisional Education Meetings will not displace the Advocacy Training Workshop, held in conjunction with the Annual Meeting (see below).

The potential for good attendance is demonstrated by (1) the success of the Southwest Region (one of our smaller regions), which had 20 of its 30 members attending but had 200 ticket-buying guests at its March 2004 meeting; and (2) regional meetings in Canada run by Lancaster House and the University of Calgary, which regularly attract over 350 attendees, plus (3) the experience of the Labor Arbitration Institute, which employs a "local" approach and regularly attracts 200 to 500 people to locally marketed seminars.

Rationale: More members and guests (non-member neutrals and advocates) will participate in Academy meetings that are easier to get to and less expensive, thereby addressing one of our principal objectives of increasing attendance. By presenting local programs, with local arbitrators and practitioners, this proposal meets the objective of re-establishing the Academy as the best source

of labor management arbitration education. By encouraging local involvement in planning and presenting, it meets the objective of reestablishing the value of NAA participation and membership at the local level. It strengthens the Academy's "grass roots" among those members who tend to be active locally, but who are not drawn to participating at the national level.

3. Governance

a. BOG Restructuring

To increase geographic representation and as recognition of the service rendered by Division Chairs in the new responsibility of putting on the alternative mid-year meeting, the OPC recommends that each Division Chair would serve a two-year term on the Board of Governors, after his or her term as Division Chair has ended. If a Past-Division Chair declines to serve on the BOG, the Division would select an alternative by the same means that they select their Chairs.

Of the 12 Governors, those who are not past-Division Chairs would be elected "At Large" by all Academy members. That is, if an eight-Division model is adopted, four governors would be "At Large" and eight "Divisional," whereas if a six-Division model is adopted, six governors would be "At Large" and six "Divisional." The term of office for Divisional Governors would be two years, whereas Governors-at-Large would serve for three years (the current term for Governors). Initial terms would be staggered to allow for continuity on the Board.

b. Contested Elections

The OPC recommends that elections for President, the four Vice-Presidents, and the At-Large Governors be by contested election.

Instead of the present practice of the Nominating Committee selecting just one candidate for each office, who is then customarily elected by acclamation, the Committee would nominate two candidates for the office of President, two for each of the two Vice-President positions that are open

each year, and two for each of the Governor-At-Large positions that is open each year. The Nominating Committee, when exercising its discretion in making nominations for President, Vice President and Governor-at-Large, should continue the established practice of considering recommendations received from members, service on key committees, service as a speaker at national meetings, and other evidence of leadership and service to the Academy, as well as diversity (such as nature of practice, gender, ethnicity, race). Geographic diversity is built into the Divisional Governor proposal. The Nominating Committee's deliberations should remain confidential.

Each candidate's Academy service record (from database maintained by the Operations Center) and an optional statement prepared by the candidate would be published in *The Chronicle* in advance of the Annual Meeting. Election would be by secret ballot by those members present at the Annual Meeting.

Rationale: This strategy speaks to the objective of creating an organizational structure that better meets the membership needs, particularly responding to the perceptions (noted above in the discussion of "internal threats" and "weaknesses") that the leadership is not responsive, that the Academy is run by a clique, that members active at the local level often decline to get involved at the national level, and finally that the lack of contested elections perpetuates these perceptions.

4. Program and Host Chairs

The OPC recommends addition of a "local" Program Vice-Chair, a person active in the location where the Annual Meeting is held, to help identify advocate-speakers from the vicinity of the meeting. Using more local talent reduces speaker costs, may increase interest among local advocates by having speakers and topics that are important in that area, and will get more practitioners involved in NAA programs.

Handbooks for Program Chair and for Host Chair, which list duties, clear identification of responsibilities, timetables, and promotional methods and contact information, should be developed and kept up-to-date by each Chair. Good ideas need to be continued and developed, bad ideas should not be repeated. The Chair-designate for both the Program and Host Committees should be actively involved to assure continuity.

Rationale: This strategy speaks to the objective of designing meetings that work well and attract greater attendance. The Handbook strategy speaks to the our chronic weakness, the “reinventing the wheel” syndrome, will increase organizational efficiency, and will improve our ability to reach potential attendees in a timely and effective promotional campaign.

5. Membership Strategies

First, the OPC recommends making the so-called “veterans procedure” for admitting established arbitrators into the Academy a permanent part of the membership application procedure. By streamlining the more onerous parts of the application process for established arbitrators, who have been identified by the Regions, but without lowering the entrance standards, this policy has been very successful in the past few years in attracting well-recognized arbitrators who had been previously discouraged from applying. The Academy needs to open its doors wide to all established labor arbitrators in order to offset the documented shrinkage of our application pool. The process also causes Regions to get involved in the Academy’s critical membership issue by encouraging members at the local level to identify their own “veterans” and actively promote their applications.

Second, the OPC recommends that the Membership Committee give weight to “selections” by the parties for cases that do not result in a written award, as an additional factor when evaluating applications. A selection would not be included as a “countable case” to meet the threshold number of cases; however, verified selections do tend to show the level of party acceptance of an arbitrator.

Verification would have to be strictly defined by the Membership Committee, such as only those appointments by written notice from the FMCS or AAA.

Finally, the OPC recommends that the Regions actively promote interest in the Academy membership by non-member neutrals by including them in Regional activities, and promoting their attendance at the Annual Meetings.

Rationale: These measures speak to the objective of encouraging all neutrals with established labor-management practices to seek admission to the Academy.

6. Annual Meeting

a. Meeting location and date

The Annual Meeting should be coordinated with the FMCS conference, traditionally held every other year in Chicago and at the same time as our Annual Meeting.

To turn to our advantage this long-standing competition for the limited pool of advocate-attendees, the OPC recommends that Chicago be the site for NAA meetings in the year that FMCS does not hold its conference. NAA's meeting would then be predictable as to time and place. Also, it would serve the audience of labor-management practitioners that is accustomed to a Chicago meeting at that time of year and would serve the sizeable Chicago-area market. The Academy's "off-year" meeting (in the year FMCS does hold its conference) would continue to roam around the country, continuing our popular custom of bringing the national meeting to varied locales and providing an attractive alternative to the FMCS meeting.

An additional advantage to the NAA of a semi-permanent site in Chicago is cost savings in making local arrangements (not reinventing the wheel every year) and gaining a continuing relationship with a hotel that would reduce planning costs and possibly gain a price break. Chicago

is not only a city with varied amenities, but it is arguably the most accessible locale for our membership as a whole (reducing lost time and travel expense).

The OPC recommends that a membership survey be conducted about whether to move the date of Annual Meeting to a time other than the end-of-May/first-of-June (such as earlier May or later in the summer). Members frequently complain that perennial conflicts with members' (and spouses') academic and family obligations prevent attendance at the traditional time of our meeting. If the survey shows that a change of dates would significantly improve attendance, that option should be adopted.

The OPC recognizes these strategies will take time to implement, because of future site contracts already in place.

Rationale. In addition to the above reasons, this strategy speaks to our objectives of making our programs more appealing to advocates thereby increasing attendance, and making Academy operations more cost effective.

b. Advocacy Training

The OPC recommends that the NAA continue vigorously to develop and promote the Advocacy Training Workshop, held in conjunction with the Annual Meeting. Greater promotional efforts to the labor-management community in the area of the Annual Meeting will increase enrollment, as was proven by the dramatically increased attendance in 2004, the third of these annual training programs. Enrollment in turn increases attendance at the regular conference by many who otherwise would not register for our Annual Meeting.

This program speaks to the objectives of raising the Academy's profile, serves our primary mission of providing education, and increases attendance at our Annual Meeting.

c. Promotion, Outreach, and Collegiality

(1) Promotion. Timely and effective promotion is essential to increasing attendance. The goal is to have the basic program in place for a preliminary announcement by the end of November, with as much information as possible about content and high profile speakers that will pique interest and cause guests and members to mark their calendars. A preliminary announcement (save-the-date, giving the locale, and “see our website”) should be mailed to our past guest and other promotional lists six months in advance of the program, with a second meeting announcement sent electronically three months before the meeting (with registration information and web-site address again), and a third meeting announcement sent electronically three weeks prior to the meeting. To do such email broadcasts, an email database must be developed (see Administration, § 7, below).

NAA should request organizations with similar or overlapping missions and educational interests, such as ACR, LERA (formerly IRRA), and labor-law sections of state or local bar associations, to provide an announcement of the NAA Annual Meeting on their web sites or publications, with links to the NAA’s website.

(2) Website. The NAA’s website is a major promotional tool. Already progressing very well, it must be further enhanced, with timely and appealing announcements and descriptions of the next Annual Meeting, advance dates and locations for future meeting (including Divisional Meetings, once they are implemented). The existence of our website should be made known, including links on websites from “sister organizations,” in promotional material and in materials distributed at the meetings.

(3) Outreach. The Academy should invite all non-member arbitrators on the FMCS, AAA, and state agencies lists to attend the Annual Meeting. Regional Chairs’ duties should include

promoting attendance at the national meetings by non-member neutrals as a way of encouraging new membership application.

(4) CLE. “Continuing legal education” credit for NAA programs should be obtained in every state and in Canada, wherever possible. CLE credit is a significant incentive for attorneys (members and guests) to attend our Annual Meeting, the proposed Divisional Meetings and Regional meetings. The National Coordinator of Regional Activities should work with Regional Chairs to assure that each Region obtains CLE approval for all states within each Region, for national as well as Regional and Divisional programs.

(5) Program Committee. To assure program content is relevant to the interests of our constituents, the OPC recommends that two union representatives and two management representatives be included on the Program Committee. The Program Committee should pursue innovative presentation techniques to enliven presentations.

(6) Interest Groups. The OPC recommends that the Academy proceed with developing the “interest group” concept, for sessions to be held in conjunction with the Annual Meeting. This concept is now being developed (see proposal by Don McPherson to Board dated May 15, 2004).

(7) Sister Organizations. The OPC recommends that the formal cooperation with the “sister organizations,” previously recommended by the OPC and approved by the BOG, be actively pursued and developed. The Annual Meeting should serve as a common meeting ground.

(8) Hospitality. The OPC recommends that labor-management organizations be permitted to host hospitality suites at the Annual Meetings, provided that all Academy members are invited.

Rationale. Our mission and all of our objectives are served by an effective and well-attended Annual Meeting.

7. Academy Administration

The OPC has identified several changes that would increase the efficiency of the Academy's administration, enhance communications between the governing body and the membership, and would create better budgeting and cost controls. These recommended changes are:

- a. Select the members of the Auditing Committee from among the Board of Governors. These individuals will be knowledgeable about the activities, priorities, and policies of the NAA.
- b. Create an electronic mailing list for non-member arbitrators and advocates for instantaneous messages (email broadcasts), such as program announcements and reminders of meetings.
- c. Create an e-mail system (commonly referred to as a Bulletin Board) whereby the President, Secretary-Treasurer, and Staff may communicate announcements, reminders, etc. to all members instantaneously. This is separate from the current Mail List, which is an optional "discussion group" among members and is not an official NAA function or mouthpiece.
- d. Create a mechanism on the NAA web site whereby individuals and organizations that wish to receive meeting announcements may add their names, addresses and email address. Also NAA members could add names and addresses of individuals and organizations to our mail list database for future meeting announcements.
- e. To achieve these goals, Operations Center staff must be provided with adequate training and software to maximum the benefits of technology.

VIII. Summary of Key Recommendations

1. Implement a membership strategy aimed at ensuring NAA membership remains at current levels (600-650 members).
2. Create an arbitrator participation program within the Regions to allow non-NAA arbitrators to participate in NAA programs as they advance toward full NAA membership.
3. Create geographic Divisions within the NAA with the mandate to organize mid-year educational meetings in their geographic area, to replace the national mid-year educational meeting. One of the Divisional meetings will be selected as the location for the mid-year meeting of the Executive Committee, Board of Governors and designated Committees. Past-Divisional Chairs would serve on Board of Governors with the balance of the governors being elected "at large."

4. Introduce contested elections for Board and Officer positions.
5. Annual meeting overhead costs are to be included in the annual dues and registration fees for the annual meeting reduced.
6. The Annual Meeting will be held in Chicago every second year and continue to move to different locations in alternative years.
7. Implement strategies to increase annual meeting attendance.
8. Upgrade NAA website and other methods of electronic communication.

IX. Selecting and Evaluating Strategies

These strategies are recommended by the OPC as the means for the NAA to achieve its objectives and vision. The BOG and officers must develop an overall strategy by evaluating these options and selecting the strategies it will implement.

The OPC strongly recommends that the BOG consider these recommendations in their entirety, and adopt a coordinated set of strategies after due consideration of this Report as a whole, in an environment that provides sufficient time and the undivided attention of the BOG and officers.

To achieve an effective strategic plan, each strategy and the objective the strategy is designed to achieve, must be clearly stated and understood by the BOG. Also, it is essential that a time-table for implementation of each strategy is set.

Essential to realizing a strategic plan is implementation and evaluation. A strategic control system must be created that evaluates how well we have accomplished our objectives and that provides feedback, which in turn will provide input into the ongoing strategic planning process. Each year, the strategy control system provides input to help answer the strategic question, "Where are we now?"

The OPC believes it is critical that a small implementation and evaluation committee be formed, with authority and accountability to carry out the strategic plan. This committee could include a Vice President as a representative of the Executive Committee, two or three BOG members, and two or three of the original OPC members.

APPENDICES

APPENDIX A

MORTALITY ANALYSIS

The best and most recent data on membership ages is from 1999 and was published in the 2000 Cornell Study. There were 451 responses from a total of 634 members. The age distribution of the respondents and an extrapolation to the full membership is as follows:

<u>Age</u>	<u># of Respondents</u>	<u>% of Respondents to Full Membership</u>	<u>#'s Extrapolated to Full Membership</u>
Under 50	47	10.6	67
50 to 59	155	34.4	218
60 to 69	118	26.2	166
70 to 79	100	22.2	140
80 to 89	30	6.7	42
90 or older	1	.02	1

Significantly, in 1999, 29.1% of our members were 70 years or older. The next group is not far behind. The same study showed 26% of our members were in the 60 to 69 category (now five years older). This is startling given that, according to standard life expectancy tables, the average life expectancy of males is 71.8 years and 78.79 years for females. The average is 75.29 years. Thus, nearly 55% of our members in 1999 (five years ago) are in the 60+-age bracket.

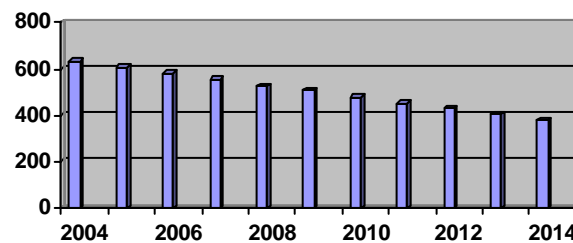
A more sophisticated actuarial analysis of the 1999 Cornell data by an actuary at Northwestern Mutual Life Insurance, making the liberal assumption that all respondents were at the first year age bracket; i.e., that all respondents in the 60 to 69 age bracket were 60, confirms this most significant challenge. In five years, by 2008, the NAA will lose 132, or 21% of its total membership. In ten short years, or by 2013, the NAA will have lost 250 members or 40% of its present membership. With a less liberal assumption, the loss in ten years could approach 55%.

The actuarial analysis, based on the assumption that all NAA members in 1999 had just entered the age brackets in the study, is as follows for the upcoming 20 years:

<u>Year</u>	<u>Number Alive at Beginning of Year</u>	<u>Number of Deaths During the Year</u>	<u>Cumulative Number of Deaths</u>
2004	634	27	27
2005	607	27	54
2006	580	26	80
2007	554	26	106
2008	528	26	132
2009	502	24	156
2010	478	25	181
2011	453	23	204
2012	430	23	227
2013	407	23	250
2014	384	22	272
2015	362	21	293
2016	341	21	314
2017	320	20	334
2018	300	19	353
2019	281	19	372
2020	262	18	390
2021	244	17	407
2022	227	17	424
2023	210	17	441
2024	193	15	456

Graphically, the next ten years look as follows:

Graph No. 1: Gross Number Lost Due to Mortality



The OPC found the Cornell Study to be a reliable source of data for purposes of this analysis, with no reason to assume it is not an accurate sample of Academy members or that the responses were more heavily weighted toward older members. A review of the study shows that, if anything, the sample was skewed in favor of younger members since 64 members (11%) were deemed ineligible to participate because they had not arbitrated or mediated in the previous three years. These were probably standing or inactive members, who usually are older

members. This makes the Cornell Study even more useful and reliable, because it means the response rate was a remarkable 86% of the eligible respondents.

To summarize, at the beginning of 2014, without membership additions, the NAA will stand at 384 members having lost 272 members. New members, with respect to numbers or age demographics, will not offset this loss in membership. Since 1999, the NAA has added 79 members. Of these, 22 were veteran arbitrators all of 50 years old (closer to 56 on the average). Thus, while there have been membership additions, the NAA is not replacing lost members.

Another reason the NAA anticipated membership loss in the next ten years will not likely be significantly offset by new members is that the pool of applicants is shrinking, and the NAA has already done an excellent job of increasing our “market share” of the overall pool of arbitrators.

This analysis is supported by the 1987 study, “Labor Arbitration in America” by Charles J. Coleman and Mario F. Bognanno, in Table 1.3, page 12, which estimated that the total number of arbitrators in the U.S. was 3,477. The NAA’s 592 represented 17% of the total population. The total population was determined by the number of arbitrators listed in the 1985 BNA publication Directory of Unified States Labor Arbitrators by Courtney D. Gifford. (See footnote no. 9, page 17 in Coleman/Bognanno). It is realized that the Directory was a collection of biographical sketches from the FMCS roster. Thus, it is assumed here for purposes of relative comparison, that the total number of arbitrators in the FMCS roster is inclusive of the total population of NAA members and potential members. In presenting the following table, it is recognized that some NAA members are not active on the FMCS roster. However, to the extent that it is true today, it is assumed to be true in 1987 and will not significantly undermine the estimate of the NAA “market share.”

NAA Membership as Compared to Total of U.S. Arbitrator Population

	<u>1987</u>	<u>2003</u>
NAA Members	592	633
Non-NAA FMCS Roster	2885	1400 ¹
Total Population	<u>3477</u>	<u>2003</u>
% of NAA of Total Population	17%	31.6%

This table shows that the total number of non-NAA arbitrators on the FMCS roster has declined over 50% (from a total of 2,885 to 1,400) in the past 16 years while the NAA's claim to the pool has nearly doubled (17% to 31.6%). Thus, the pool of potential members is shrinking. The NAA's ability to claim more members from this population is limited due to the stark disparity between the admission requirements to the FMCS roster and to the NAA.

The reduction in the FMCS roster is not a simple mortality or market adjustment due to shrinking demand for services and decline in union membership. The FMCS is simply cleaning the roster by eliminating advocate arbitrators or truly inactive arbitrators. The reality is that there are a finite number of potential members.

Based on the FMCS numbers, there are no more than 767 potential members. The number of these who might someday meet the current NAA standard of general acceptability is no doubt far less. The number of individuals seeking admission to the FMCS panel in the next ten years is even harder to predict, especially considering the challenges faced by organized labor and therefore by labor-management arbitration.

In an attempt to use the history of admissions to assist in predicting the future, the number of new members admitted since 1997 through 2003 is as follows:

1997	12
1998	13
1999	13
2000	11
2001	23
2002	18
2003	23
Seven Year Total	113
Average	16 per year

¹ Source 9/23/03 e-mail and data attachment from FMCS. The total roster was 1869, 26 of who were deceased but not yet officially off the roster. Making this adjustment, there were 1846 people on the roster. Although some were listed as unavailable, retired, unpaid, or suspended, for comparison purposes, this individual breakdown was proportionate in 1987. Of the 1846 FMCS report, as of 9/23/03, the number of NAA member arbitrators listed on the FMCS roster was 446. Thus, the nonmember portion was 1400 (1846-446).

The average is not likely to continue in the future due to the fact that the NAA has nearly “mined” all the “veterans.” This procedure, which did not change standards, but merely allowed the nomination (by members) of ten-year plus arbitrators. These applicants had to fill out the application, report their numbers, and provide their entire record to establish general acceptability. The only difference between a veteran and a regular applicant was that the veteran did not have to fill out the work sheet detailing each case decided in the last five years or file copies of the first and last page of their last 50 cases. Based on the nomination, the Membership Committee took an applicant’s word he/she had 100 cases.

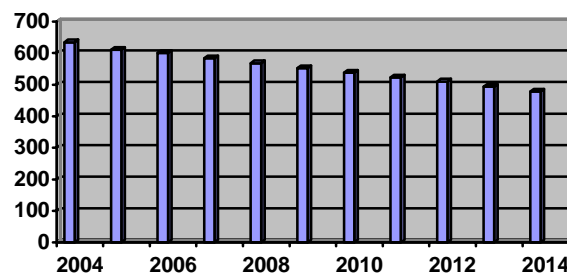
Between the fall of 2000 and the spring of 2003, 22 of the 61 new members were veterans. Assuming that they would not have applied without the veteran procedure--which is a good bet since they all had gone ten years or more with general acceptability and had not run the gauntlet of the work sheets—the NAA would have admitted approximately 91 members in the seven years from 1997-2003, or closer to 13 per year. This corresponds to the pre-veteran procedure experience in the years from 1997-2000 (12-13-13-11 new members respectively).

At best, the NAA will be lucky if it can maintain 13 new members per year over the next 10 years, or a total of 130. However, this does not factor in the actuarial mortality of the new members. A net of 10 new members per year, or a total of 100 additions, is more realistic and warranted, particularly given the NAA’s very optimistic actuarial assumption that in 1999 every member in each 10-year group was at year one. NAA’s gross mortality between 2004 and 2014 will be 272 members, and our membership will stand at 384 members. In the same time period, accounting for 100 new members (ten per year), the net loss will be 162 members.

The net membership was calculated by adding 10 members each on an accumulated basis to the number of members alive at the beginning of the year according to the actuarial analysis. Accounting for new members, the NAA membership will look like this:

2004	634	2010	530
2005	617	2011	523
2006	600	2012	510
2007	584	2013	497
2008	568	2014	494
2009	570		

The mortality graph on page 2 after accounting for new members looks like this:



Graph No. 2: Net Member Loss – Mortality Plus New Members

Some may be tempted to question the validity of these predictions of member mortality, in light of the actual member deaths in the past few years, which have been less than the annual membership losses projected in this study. Based on the deaths listed in the NAA directory plus resignation records, the average annual loss of members in the past five years has been about 16, not the 25 that is projected. We can, of course, hope that this recent history will continue without change. But using the Cornell Study to give us a snapshot in time of the age of our membership and then extending that out into the future, based on accepted actuarial principles, seemed a more realistic approach to the OPC. Using the directory and membership reports to calculate a future mortality trend is anecdotal and does not account for the fact we do have an aging membership that becomes more vulnerable to mortality in each passing year. Calculations based on such data would have to be performed each year and would be of little predictive value. Mortality rates accelerate as we age, and this cannot be accounted for in a year-to-year look back on recent experience. Using a simple average of past deaths to project future deaths

would assume NAA members are all the same age, and would operate much like simple life expectancy data. Thus, for a number of reasons, reliance on anecdotal data does not provide a solid foundation for effective long range planning.

Strategically, these numbers are only meaningful in the context of objectives for membership levels. The choices are (1) to accept membership levels at the projected net mortality, and, if possible, adjust our activities and budgets to match, (2) maintain membership at 634 or (3) to grow the membership beyond 634. To maintain at the current level of 634 in the year 2014, the NAA will have to add 272 members or 27 per year. To grow the membership at a modest level of 3-5% a year (a reasonable estimate of the likely range of inflation), the NAA will have to add 190 to 317 members, or a total of 462 to 583 new members. This would increase NAA membership to between 824 and 951 by 2014.

It must be kept in mind, of course, that an objective as to membership level is only one of many objectives. There are many other external and internal threats and strengths and weaknesses, which must be accounted for in a strategic plan.

APPENDIX B

BUDGETARY IMPACT OF NET MEMBERSHIP LOSS

To assess the budgetary impact of the net membership loss, it is necessary to isolate dues-paying members only. The gross and net membership loss data used earlier in this report did not distinguish dues-paying members from non-dues paying members because the 1999 Cornell age data did not make such a distinction. Therefore, some extrapolation must be done to consider only dues paying membership.

In 2004, the NAA had 634 total members; the dues paying status of the 634 was as follows:

482	Full Dues
54	Paying Canadian Discount
9	Paying 50% under A-1 Dues Waiver
48	Paying 0% under A-2 Dues Waiver
28	Paying 50% under B Dues Waiver
<u>13</u>	Paying 0% Honorary Life
634	

The simplest way to account for all the various dues levels is to create a full member equivalency (FME). The total income from all dues categories in 2004 was \$291,790. The total income divided by the amount of the 2004 dues (\$550) indicates the NAA had the equivalent of 530 full dues paying members. ($\$291,790 \div 550 = 530$). This is a ratio of roughly five full dues paying members for each six members. (530 to 634 or expressed as a percentage 83.59% of our total membership pay full dues).

The NAA's total net membership, accounting for member mortality and new members, for the next ten years will be:

Net Membership Next 10 Years

2004	634
2005	617
2006	600
2007	584
2008	568
2009	552
2010	530
2011	523
2012	510
2013	497
2014	494

Accounting for dues waivers and adjustments each year in the same proportion as existed in 2004 (634 ÷ 530 = 83.59%) our FME will be:

Full Member Equivalency Next 10 Years

2004	530
2005	515
2006	501
2007	488
2008	474
2009	460
2010	443
2011	437
2012	426
2013	415
2014	412

Dues and Other Income Next 10 Years

2004	\$299,690
2005	\$291,440
2006	\$283,740
2007	\$276,590
2008	\$268,890
2009	\$261,190
2010	\$251,840
2011	\$248,540
2012	\$242,490
2013	\$236,440
2014	\$234,790

Obviously, a declining membership and income are only meaningful in the context of expenses. The 2004 operating expenses (minus annual meeting and fall meeting costs) were budgeted at the following amounts:

Accounting/Auditing	\$8,200
Executive Committee	4,200
<u>Chronicle</u>	21,000
President's Expenses	12,000
Committees	7,000
Rent	17,900
Telephone, E-Mail, Web	15,000
Postage, Shipping	12,000
Printing, Copying	3,000
Office Equip, Supplies	20,000
Insurance	6,000

Directories	4,000
<u>Proceedings</u>	17,180
Payroll/Taxes/Benefits (W-2)	133,000
Temp Secretarial/Students	3,000
Extraordinary Exp Policy	12,000
<u>Midyear Extraordinary Exp Policy</u>	<u>7,500</u>
 TOTAL EXPENSE:	 \$302,980

Beginning in 2006, NAA's projected income will fall significantly below its current budget if it remains constant.

This is a significant threat.²

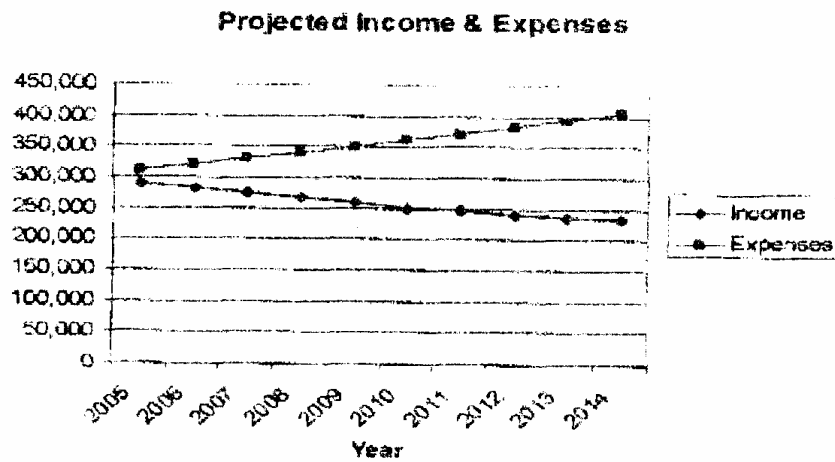
² Assumes no increase from \$550 and assume \$8,190 miscellaneous in 2004 remains constant. Meeting income not included because it is designed to break even. The miscellaneous income is categorized as follows:

Interest	\$2,100
Application Fees	\$3,000
Royalties	\$1,990
Miscellaneous	<u>\$1,100</u>
	\$8,190

So projected income is FME x 550 + 8,190 per year.

Assuming no adjustment in dues (\$550 per year) and a 3% annual inflation rate in expenses (the 2005 expenses are the 2004 expenses plus 3%). NAA's loss in membership will create budgetary shortfalls as follows (expenses in dollars and in full dues units which also corresponds to FME units times dues at the 2004 level):

Year	B Projected FME	C Projected Income	D Projected Expenses	E Shortfall \$/Annual FME Units
2006	501	283,740	321,431	-37,691
2007	488	276,550	331,073	-54,483
2008	474	268,890	341,005	-72,115
2009	460	261,190	351,235	-90,045
2010	443	251,840	361,772	-109,932
2011	437	248,540	372,625	-124,085
2012	426	242,490	383,803	-141,313
2013	415	236,440	395,317	-158,877
2014	412	234,790	407,176	-172,386
Ten Year Totals		2,304,470	3,265,437	960,927



To cover the shortfall with dues only, dues would have to be raised as follows:

2005	\$606
2006	\$641
2007	\$678
2008	\$719
2009	\$763
2010	\$816
2011	\$852
2012	\$900
2013	\$952
2014	\$988

This is calculated by dividing projected expenses by projected FME.