

National Organization for Competency Assurance

Industry Survey - Impact of the Economy on the Certification Industry

June 2, 2009

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Background

One of the industry leadership roles the National Organization for Competency Assurance (NOCA) serves is to routinely bring together leaders from credentialing organizations to discuss current conditions and future trends that may have significant impact on the ability of those organizations to continue to provide successful high quality credentialing programs.

In early 2009, NOCA leadership determined the uncertain global economic conditions would be the theme for the 2009 Credentialing Leadership Forum. In preparation for the Forum, credentialing organizations were surveyed in order to gain a better understanding of what, if any impacts, the industry was dealing with due to the economic conditions and to also obtain information on what industry leaders believe to be the top issues they are facing.

Established in 1977, the National Organization for Competency Assurance (NOCA) is the leader in setting quality standards for credentialing organizations. Through its annual conference, webinars, and publications, NOCA serves its membership as a clearinghouse for information on the latest trends and issues of concern to practitioners and organizations focused on certification, licensure, and human resource development.

NOCA's MISSION

NOCA promotes excellence in credentialing worldwide. We accomplish our mission through services such as:

- Education
- Research
- Advocacy
- Accreditation
- Standards

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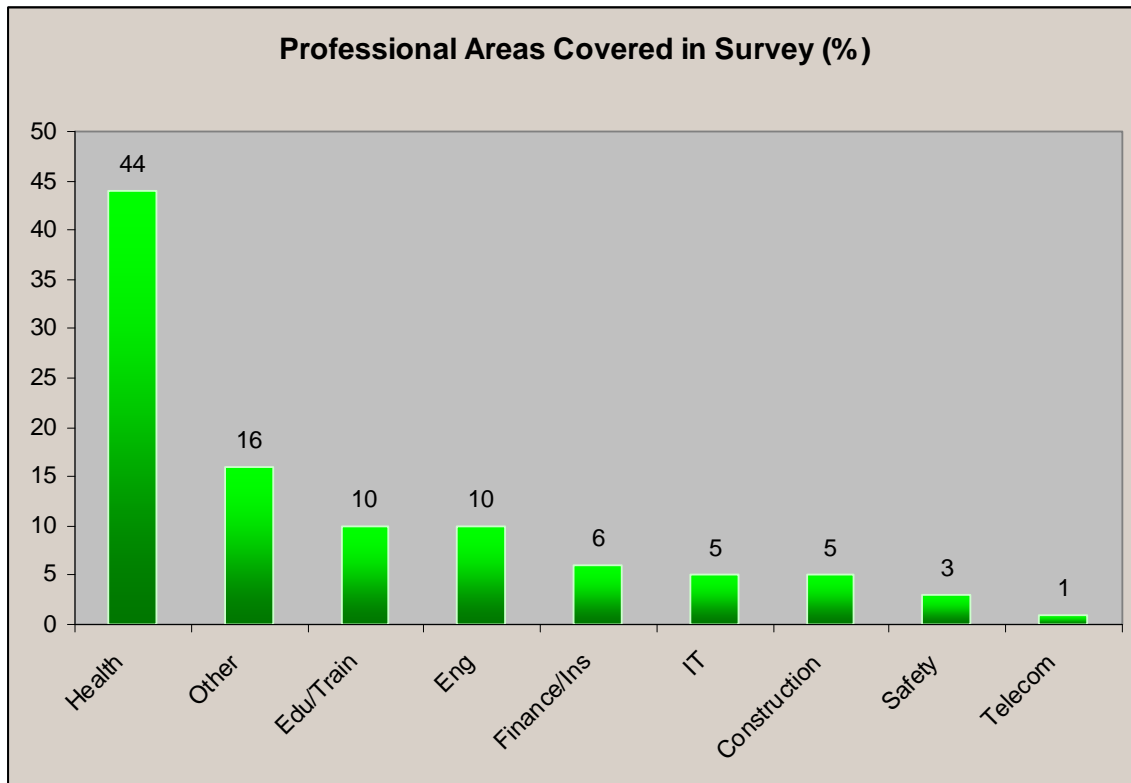
I. Survey Demographics

On May 5, 2009 a survey was electronically sent to approximately 2,000 certification organizations. The e-mail distribution list was derived from the NOCA data base of Organizational Members and Prospect Organizations. The survey response was 4% based on the following:

204 visits to the survey site

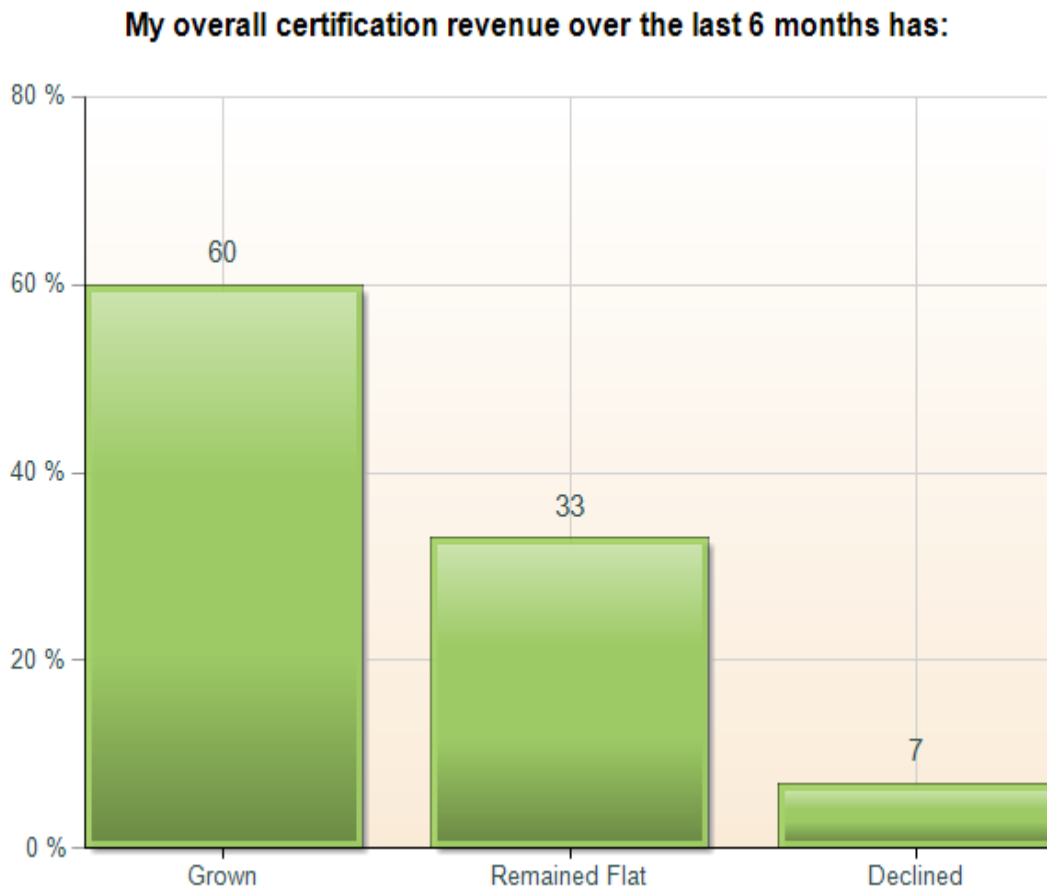
76 fully completed surveys

The respondents to the survey represented the following industry sectors:



II. Impact on Revenue

Survey respondents were asked to indicate the status of certification revenue over the last six months. The following table provides a summary of the responses:



The data indicates a majority of respondents are experiencing growth in certification revenues even with poor economic conditions. However, when compared to a NOCA survey conducted in 2008, 82% of the respondents noted they were projecting growth in certification revenues over the next 3 years and only 5% projected no growth or a decline in revenue. Actual growth over the last 6 months does not appear to be keeping pace with industry long-term growth projections.

Further breakdown of the data by industry sector is provided in Table 1:

Table 1. Revenue Impact by Industry Sector

Industry Sector (# Response)	% Growing	% Flat	% Declining
Health Care (36)	50	36	14
Information Technology/Telecommunication (5)	60	40	0
Construction/Engineering/Safety (16)	75	25	0
Education / Training (9)	67	33	0
Finance / Insurance (5)	40	60	0
Other (14)	64	36	0

Table 1 reveals the impact on revenue is different depending on the industry sector. Also of interest is that although 50% of health care organizations indicated a growth in revenue, it is the only industry sector that shows a decline in revenue by some of the respondents in that sector.

III. Planning Processes

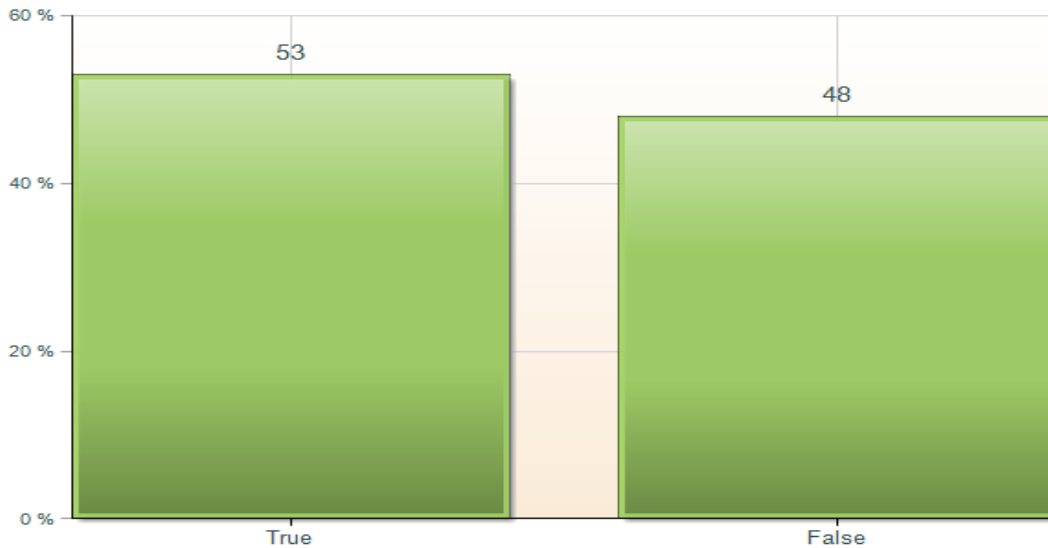
Planning and the ability to proactively respond to changing environments are critical to the long-term success of any organization. One objective of the survey was to gain a very high level understanding of the approaches certification organizations are utilizing in their planning processes and the type of scenarios they are considering when developing proactive plans.

The first question asked related to the time frame that organizations use to set their budgets:

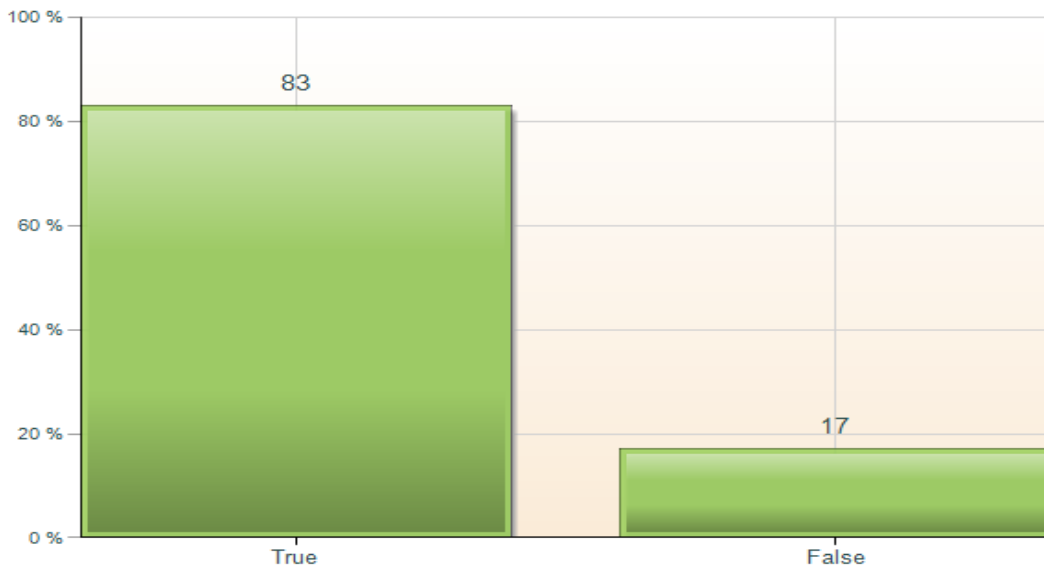


This was followed up by questions designed to gain a better understanding of what scenarios organizations are considering related to potential revenue loss and potential use of cost reduction processes to address potential losses:

Our organization has a process to project losses of revenue during the current fiscal year.



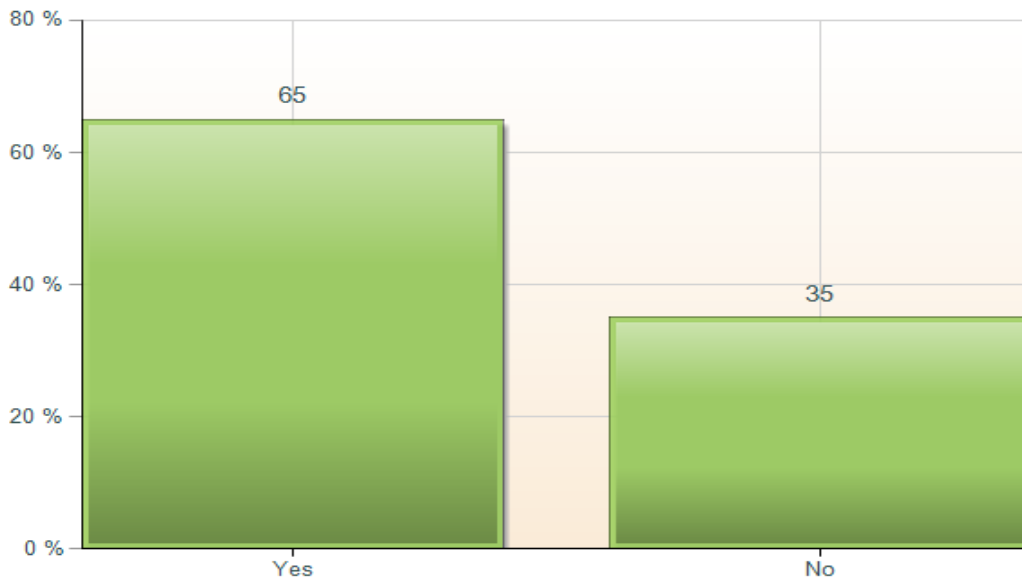
Our organization has a process to identify potential cost savings during the current fiscal year.



Of interest is that almost 50% of the respondents indicated they do not currently have systems or plans in place to consider potential revenue losses for the year. Although a majority of organizations have indicated a growth in certification revenue is it wise for an organization to not prepare for potential revenue loss based on the current economy?

Finally, the survey asked respondents to provide information related to using specific scenarios for their proactive planning processes:

Has your organization developed plans to address possible scenarios that might occur in these uncertain times?



The good news is that over 65% of organizations have considered possible scenarios that might occur. The following summarizes the types of scenarios that organizations have considered:

Cost

- Staff
- Process efficiencies
- Marketing
- Change in Vendors
- Discretionary spending

Revenue

- Decline/Increase in exam candidates
- Conference attendance
- Move training to on-line
- Lack of ability for applicants/certificants to pay fees 5
- Identify alternate sources of revenue
- Search out grants and alternate sources of funding
- Loss of sponsorship

Applicants / Candidates

- Cost – holding testing at more convenient locations
- Employer(s) stop covering cost of certification
- Loss of employment
- Increased communication

Budgets

- Alternate budgets for various programs
- “Stop Doing” list
- Use of “trigger points” to take action

Disaster

- Terrorist
- Pandemic

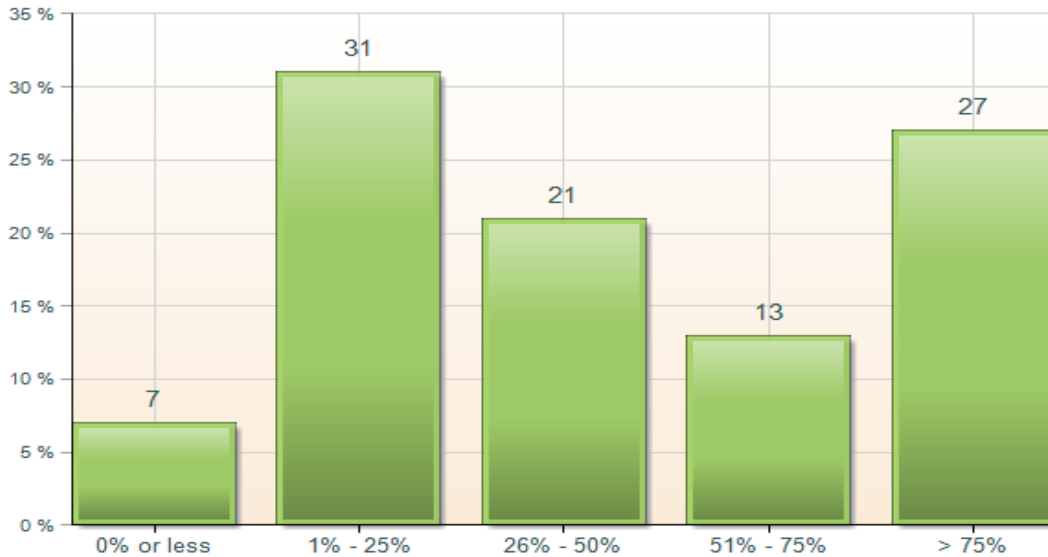
Other

- Overall impact on reserves
- Using “slow time” to focus on process improvements
- Anticipating responses from competitors
- Pressure to make exceptions to policies

IV. Reserves and Investments

In uncertain times organizations are often faced with having to decide if it is the right time to access a reserve fund, if there is one available. In addition, an organization might be faced with a decision related to stopping or beginning an investment into new products or services. The following data provides information as to how respondent organizations are addressing these questions:

As a % of my organization's annual operating costs, we have the following amount of financial reserves available in case of an emergency or drop in incoming revenue:



A standard “good practice” for the amount of reserves in place is typically considered being around 50% of an organization’s annual operating expenses. The majority of respondents (59%) are at or below this standard of practice.

A potential flaw in the survey results may exist related to the lack of a consistent definition of “reserves”. Since a definition was not provided in the survey, respondents may be responding based on different definitions. The definition intended for “reserves” is the total unrestricted net assets of the organization.

Table 2 provides further analysis of the % of each industry sector and the % of reserves of data associated with the amount of reserves by industry sector:

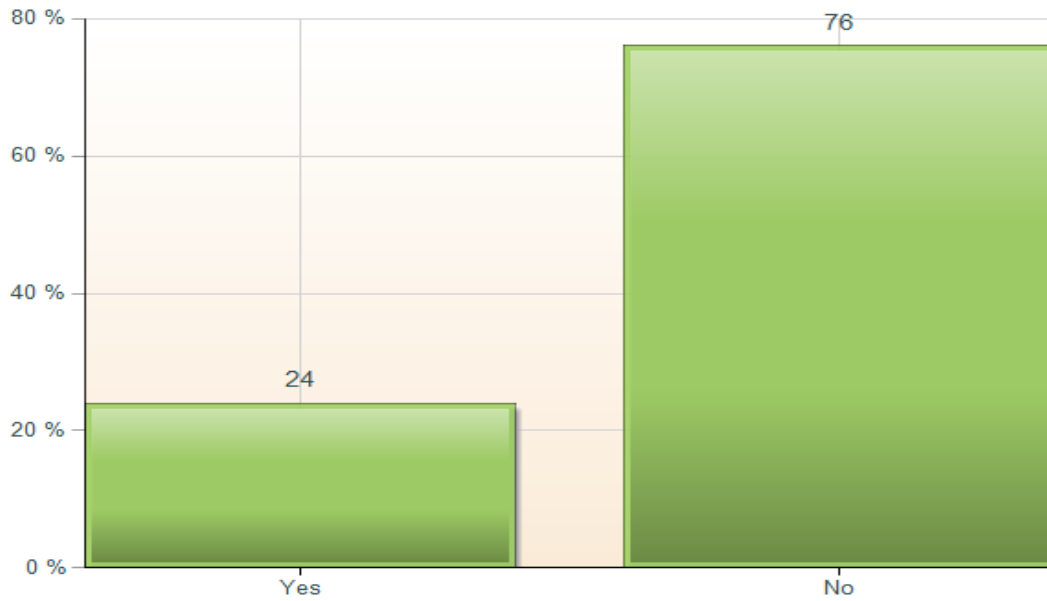
Table 2. % of Industry Sector Related to Amount of Reserves

Industry Sector (# Responding)	% of Respondents Falling Within Each of the Ranges of Annual Operating Expenses				
	0% or <	1% - 25%	26% - 50%	51% - 75%	> 75%
Health Care (36)	3	28	25	16	28
Information Technology /Telecommunication (3)	33	0	33	33	0
Construction/ Engineering/ Safety (14)	7	43	28	7	15
Education / Training (8)	12	12	25	25	25
Finance / Insurance (5)	0	60	20	0	20
Other (13)	8	31	8	8	46

The yellow highlighted area in Table 2 represents a range around the suggested 50% mark. Of significance are the relatively high percentages falling below 26% of annual operating expenses for all industry sectors.

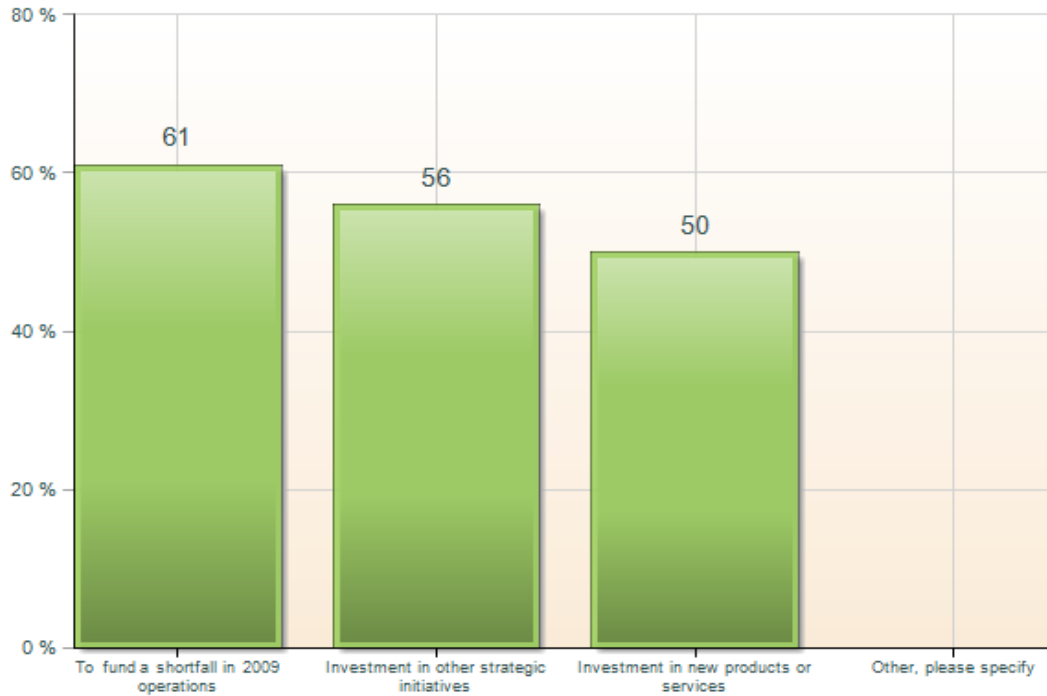
The ASAE & the Center for Association Leadership has published the *7 Measures of Success: What Remarkable Associations Do That Others Don't (2006)* in which the authors look at several “myths” within the association world. One of the areas they looked at was the amount of reserves remarkable organizations had in place. Of interest is that those organizations defined as remarkable showed reserve levels well above the 50% level.

Are you planning on spending reserves in 2009?



Another term often used for reserves is a “rainy day fund”. As noted earlier, 60% of the respondents indicated that their revenues are growing and 40% indicated no growth or decline in revenues. Organizations struggling with whether to dip into reserves need to focus on ensuring the “core” of the organization remains viable in the short-term while also allowing for sufficient investment in the future. In other words, some of the organizations responding to this survey may in fact be experiencing a “rainy day.”

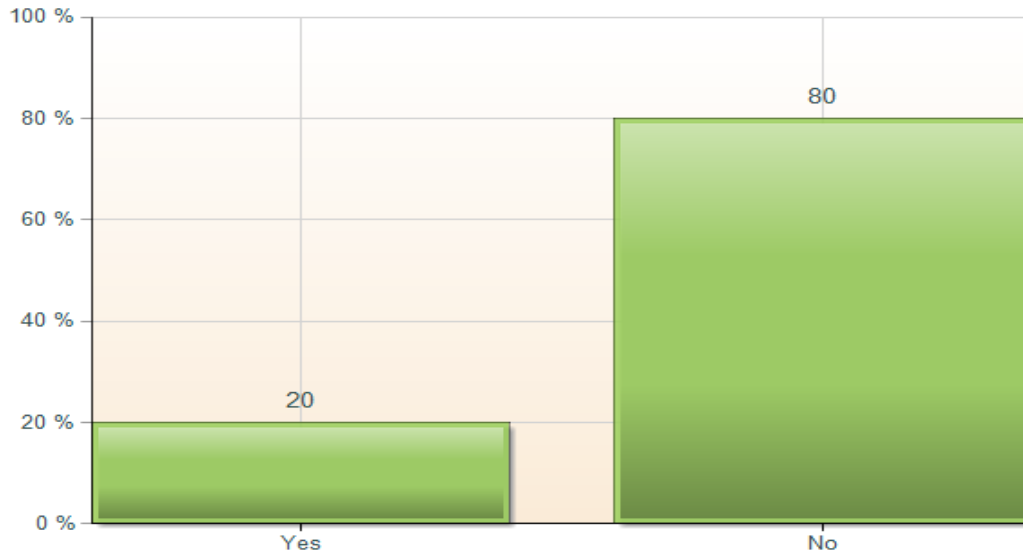
For what purposes are you using reserves? (check all that apply)



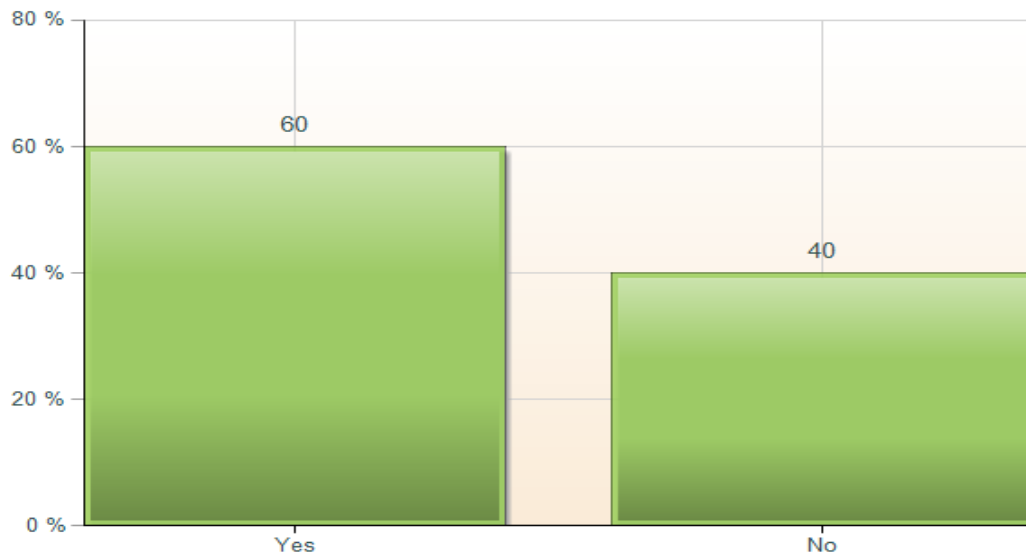
Organizations that are accessing their reserve funds appear to be utilizing sound principles in deciding for what purposes they are using the funds. There is a relatively balanced spending approach that is addressing both short-term issues and long term strategic initiatives.

The next two questions relate to the potential impact of the economy on the status of new products and or services. Of interest is that a significant amount of respondents (80%) have not delayed implementation while 60% of respondents are creating new products and services due to opportunities in their markets.

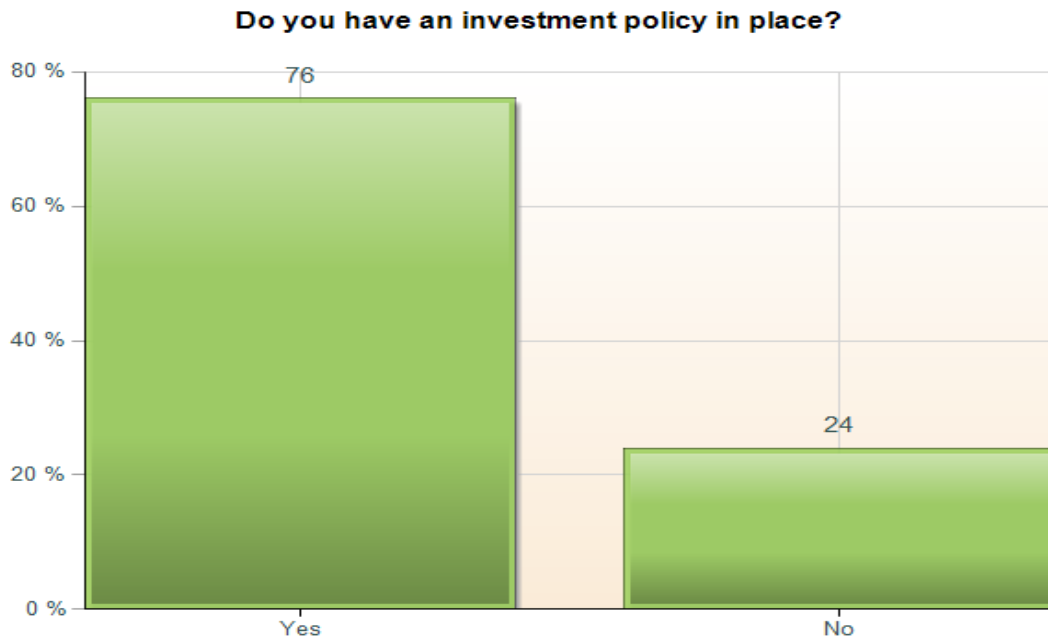
Have you delayed implementations of new products or services due to the current economic conditio ...



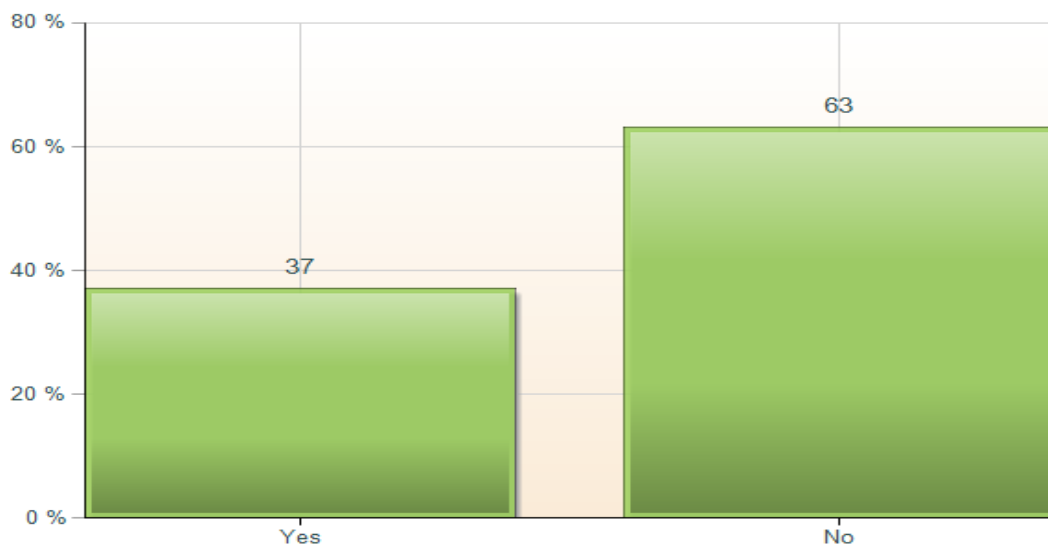
Are you in the process of creating new products or services due to opportunities created from the current economic conditions?



Finally, another financial component that organizations must be vigilant of during uncertain economic times is protection of the organization's long-term investments. The following provides data related to respondents' approach to investment policies and if they have changed their investment strategies in the recent past:



Have you in any way changed your organization's investment strategy over the last 12 months?



Respondents were asked to provide a description of the changes that were made to their investment strategy and the following summarizes the responses provided:

- Increased monitoring (quarterly)
- Change management company
- Now allow equity investments in reserves
- More conservative
- Higher level of “cash liquidity”

V. Challenges / Opportunities

The final questions asked were related to what respondents believed to be the top 3 challenges and opportunities their organization is facing due to the current economy. The following summarizes responses based on the frequency of a given category the first category listed having the highest frequency:

Challenges

- Obtaining high level of applicants and ensuring satisfactory renewal rates
- Resources
 - Staffing (decreasing or having sufficient staff for new opportunities)
 - Reserves
 - Adequate cash flow
 - Infrastructure (IT, data bases)
 - Marketing expenses
- Keeping focus on mission and growth
- Maintaining non-certification revenue sources (conference, publications, sponsorships)
- Legislative / Regulatory initiatives

Opportunities

- New products / services
 - CEUs
 - Certificate programs
 - E-learning / E-books
 - Update web site
 - Specialty credentials
 - Practice exams
- Increased need for credentials
 - Tough employment markets; helps differentiate
 - Convince employers to use as recruitment/retention tool
 - New technologies leading to new programs