

Board of Trustee Meeting – June 2008 – Paris, France

President & CEO's Report

By Lynn St. Amour

President's Report

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President's Report

Submitted by: Lynn St. Amour

June 28, 2008

Dear Trustees,

This mid-year report finds us fully immersed in our efforts transforming the organization from a small, highly concentrated staff to a global organization fully and appropriately engaged with all our members, chapters and partners. This transformation recognizes that many of our activities happen at the boundaries of our core functional areas: technology and policy, technology and education, policy and education and hence requires an adaptive and team based model.

Our financial position remains healthy and stable. Our outreach and our credibility are truly growing in leaps and bounds. The planned organizational transformation builds on the strong platform we've put in place over the last several years, and the additional hires and organization restructuring are both progressing well. Throughout this transformation, we are committed to making this an organization where contributions from all are maximized, recognized, and rewarded, and where employees, members and stakeholders feel valued. This is, and will always be, a work in progress.

ISOC's purpose is to support and promote the open development and evolution of a global and inclusive Internet. We do not build products, develop standards or set policy. Our work is to inform, and help ensure the right things happen with respect to the Internet's development while increasing it's accessibility to individuals across the world.

Much of our work focuses on "changing opinions or instigating actions". We do this through outreach, education, and working collaboratively with our members and chapters, with many and varied partners, as well as with stakeholders - internal and external to the "Internet Community". Our Members and Chapters are key to this success and we are only beginning to tap their full potential, and therefore ISOC's full potential.

ISOC has seen significant growth, and this growth continues today. Opportunities and expectations (internal and external) are increasing, and we need to function in a more strategic and yet focused way in order to meet the opportunities and to exceed expectations, all the while managing a significant level of growth and the related implications for the organization. To that end, last year we identified three Strategic Initiatives to focus our efforts on more strategic goals with a view to increasing our impact, and we continue to focus our efforts in these areas:

InterNetWorking - focuses on the continued operation of the global Internet to ensure it remains an open end-to-end entity with all the associated technological, policy, social and business benefits.

Trust & Identity - identifying and promoting activities that resolve some of the persistent issues in this critical area.

Enabling Access - Regional and Local Access programs addressing the fundamental impediments to Internet growth and usability, through education and policy related activities, to promote the expansion and reach of the Internet on a national and global basis.

To fulfill our purpose, ISOC must ensure the consistency of our messaging whether through our education, technology, or policy efforts and at all levels – local, national and international. Communication is at the very heart of everything we do, and significant efforts from across the organization, are being directed to this area.

ISOC recently embarked on an Organizational expansion to strengthen the organization, increase our “delivery capacity”, and provide a solid foundation for each staff member to thrive and grow. It will aid our operational stability and increase our ability to deliver consistently and reliably. This organizational transformation is critically important to ISOC’s continued success as the organization’s rapid growth means that we are outgrowing the current structure. This continues to be one of the most challenging areas facing ISOC this year.

Two of the more important structural underpinnings of this new organization have been communicated previously and are attached for ease:

Initiative And Program Model – Appendix I

ISOC’s Executive Team and their responsibilities – Appendix II

The Executive search is well underway for two new (upgraded) positions - the COO and the VP – Strategic Communications & Business Planning (with interviews already underway).

Mid-Year Review – Business Plan and Budget:

In December 2007, the Board approved a plan and a budget for ISOC that focused on the longer term more strategic Initiatives outlined above as well as critical increases in other key departmental activities, such as Membership, Standards & Technology, and Policy. We are actively engaged in delivering to and building out strategic and operating level plans in these critical areas. We expanded our commitments in all areas of operations while working to establish ISOC as a key partner in the collaborative standards and technology arena. And we are engaging policy decision makers at the highest levels. ISOC’s recent leadership role in the OECD Ministerial on the Future of the Internet Economy is but one example of our efforts in both these areas. All these activities will be accomplished through coordination and tight integration of the initiatives and core functional (departmental) programs.

The program commitments made in the budget are largely on track (various items are reviewed elsewhere in this Board package per the Board Work Plan) and we expect to deliver successfully to them. The budget is reviewed in more detail in another section and we are expecting to be very close to plan here as well. There will be some realignment across various budget lines and departments as the final organizational restructuring plan came after the budget and we filled some of the roles temporarily while defining others differently.

We will not exceed the budget on the expense side - although we may add 1 or 2 additional headcount - as further review has convinced us that the best way to make progress against our commitments is to have more resources dedicated to developing positions and associated messaging (this is a direct follow-on to specific requests from

the Board at the March 2008 Board meeting). These additional hires were expected in 2009 and hence will effectively be coming on board a few months early. For reference, to date we have filled 7 of the 10 budgeted new positions (with one outstanding offer), the others are on hold pending the COO and VP – Strategic Communications & Business Planning being hired.

As is mentioned in the three year rolling plan/budget (see the Financial materials elsewhere in this Board book), 2009 is likely to bring a leveling off of contributions from PIR to ISOC. This has been forecast for several years, and comes at a time when ISOC is entering new strategic growth areas. Several activities are underway related to this, they are:

Review of PIR's financial targets by the PIR Board, which may result in additional funds being available.

Additional revenue sources - activities are underway to identify additional revenue streams - some focused on the IETF, and others focused on ISOC activities and/or finding strategic partners or sponsors to further leverage our resources

Activities related to identifying opportunities for ISOC in the area of grants, legacy giving, and/or foundation funds has also been kicked off. This is a budgeted 2008 second half activity, and research is already underway.

In summary, our extended forecast shows continued growth in programmatic expenditures, as well as a small growth in staff, with a very minor surplus. This Board meeting, the discussions on the Strategic Initiatives, and the business planning process that will commence immediately after this Board meeting will help us to refine our plan and budget going forward.

President & CEO Imperatives:

At the last Board meeting, I indicated several strategically important areas for ISOC where I intended to focus more of my efforts. These are summarized here for reference, and I note that by definition these areas are strategic, broad in scope, and multi-year in nature. Success in all these activities depends largely upon the success of the organizational transformation.

Executive Team Transformation: The growth in ISOC and the opportunities we see requires a transformation at all levels of the organization. This is well underway and has very good support from the staff.

Additional and Diverse Sources of Revenue: This is covered briefly above. We need to meet our current (and additional) revenue targets, while at the same time building new revenue streams for the future. Various activities are underway and as this was largely budgeted to be a second half 2008 activity, a fuller report will be available at the next Board meeting.

Change Opinions and Instigate Action: This is one of the most critical areas for ISOC as it touches upon our ability to deliver, and, to be effective. Our significantly expanded technical and policy expertise provides us with a tremendous platform from which to grow the organization and better work with our members and chapters in the common support of ISOC's mission. Success here will involve all aspects of the organization, and will depend very significantly

on robust consultation and delivery processes, communications, appropriate messaging, and member and chapter development. We require significant new business and engagement processes internally, as well as improved delivery and outreach models, and all these are underway. Our goal is to change opinions and instigate action on key issues, and this goes beyond “education”.

Strategic Partnership Development: We have “partners” with whom we work today: IETF, PIR, ICANN, OECD, UNESCO, RIR’s, etc. And we have partners with whom we aspire to work such as key governments, International organizations, regional policy organizations, etc. Successful execution in this area will require relationship building at the highest levels. It will also require careful and strategic prioritization, to ensure we are focused on activities that are strategically important and have maximum impact, while working with our resources and partners to best advantage.

Board Development and Governance: in accordance with the Board’s decision late last year, and with the Board, work to further Board Development activities as appropriate in my position as CEO and President.

Success in these five imperatives is critical for ISOC’s future. As I stated previously, this growth requires a transformation at all levels of the organization. We are putting in place processes that ensure appropriate transfers of accountability and authority. This transfer is important as ISOC needs to rely on its entire team for future success and further growth.

Supporting Information:

Supporting Information on various Initiatives and Programs (and based on the Board Work Plan) is available elsewhere in the Board package.

Summary:

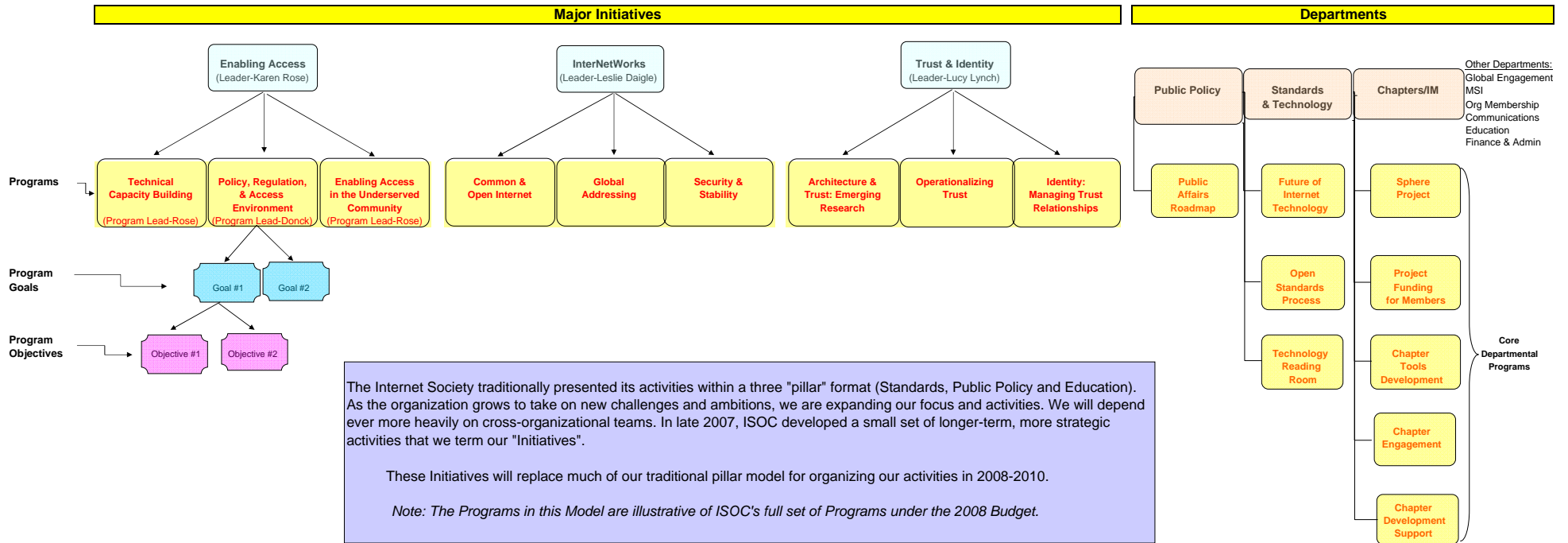
Our recent efforts, particularly those surrounding the OECD Ministerial meeting have clearly sent a signal re our capability, capacity and intent to be a major player in technical, policy and social matters affecting the growth and evolution of the Internet. The effect was immediate and is measurable in discussions with governments, organization members (current and prospective), members and chapters, and leaders in Civil Society. The commitment of management, staff, members and chapters, and Trustees is not in doubt, and when coupled with our sound financial base, places ISOC in its strongest position ever.

Respectfully submitted,

Lynn St.Amour
President & CEO
Internet Society

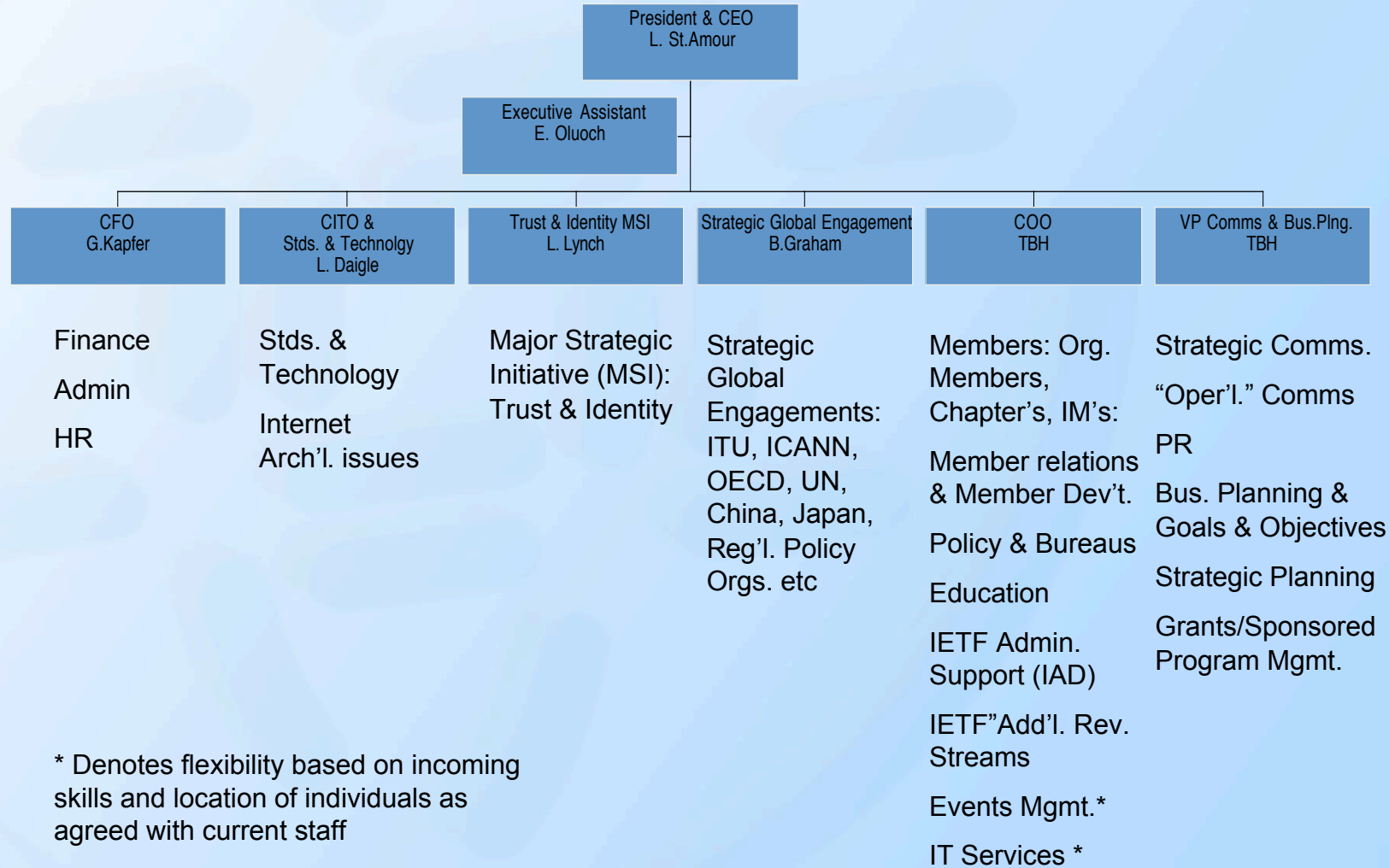
APPENDIX 1

Internet Society Initiative and Program Model





ISOC's Executive Team & responsibilities



Chapter Development Program: 2008-2010

Presented by: Anne Lord & Sabrina Wilmot

Strategic Vision

The 2008-2010 Chapter Development programme focuses on four key areas of strategic development: Chapter policies and procedures; stakeholder relationship management strategy; tools, communications and support and funding support.

The principles underlying those of the Sphere project are fundamental to the Chapter Development programme. The foundation of self-organisation is intended to become effortless over time providing a clear framework for accessing and utilising an enormous pool of talent. The vision is for Chapters functioning well and integrated into ISOC, which are then poised to make a significant contribution to the organization as it goes forward.

1. Chapter policies and procedures

Interest in and applications received, to form new Chapters continues at a steady rate. Four new Chapters have formed to date this year, and 8 Chapters are in formation. As a matter of priority we continue to identify Chapters that need complete rejuvenation, with 11 Chapters in a newly created category on the ISOC website. A major activity has commenced to ensure compliance with Chapter policies, focusing first on development of Chapter bylaws where necessary.

2. Stakeholder relationship management strategy

The Chapter community, together with ISOC staff have made some significant progress since the last Board meeting. Two major projects have been initiated: the 'Sphere' project and the Association Management System (AMS) both of which have resulted in substantial volunteer work undertaken by Chapter delegates for ISOC. This should be recognised as a significant step forward.

Chapter engagement

The Chapter Engagement programme commenced at the beginning of the year and comprises a series of planned events enabling Chapters to meet, collaborate and participate in ISOC's activities both at physical meetings and remotely through Marratech based 'e-meetings'. It also comprises one-on-one Chapter outreach.

ISOC Sphere (working with Tim Gartside)

The ISOC Sphere project is an important programmatic area within the Chapter Development Plan, designed to further strengthen collaboration and interaction between Chapters and between Chapters and ISOC staff. Specifically it seeks to encourage the development of individual responsibility, to strengthen the fabric of working relationships and to promote collaborative working in self-organising groups committed to the development of ISOC.

"An Invitation to Creative Participation" is the report produced by Tim Gartside after phase 1: <http://wiki.chapters.isoc.org/tikiindex.php?page=Invitation+to+creative+participation&bl>
The report observes that ISOC has enormous 'social capital', that the Chapter architecture needs improvement and that the fabric of working relationships needs to be developed.

Four project groups have been launched and early results indicate a significant update of responsible "cizenry" amongst participants, increased collaboration between Chapters and active self-organisation of groups engaged in projects that can substantially contribute to ISOC's work and mission. The intent is that the project groups have material and/or project proposals for consideration by the ISOC Executive Staff (and the ISOC Board where appropriate).

3. Tools, communications and support

Chapter Steering Committee (CSC) within the AMS

The AMS is reported separately. However, within the project a Chapter Steering Committee (CSC) has been established comprising 12 volunteers from the Chapters. The CSC has a leader: Hans Peter Dittler from ISOC Germany, who co-ordinates the work of the CSC and who sits on the AMS project committee to provide two-way information to each group. Sabrina Wilmot is providing support to the CSC and participating on the AMS project Committee.

Communications

The **Chapter wiki** was originally conceived as an initiative supported, managed and used by Chapters to share 'news'. The original concept has been highly successful (the platform is now used as a platform for collaborative working across a number of projects such as the Sphere Project, AMS and the Disability Nexus). The wiki concept will further be developed as mentioned below. Sincere thanks are extended to Franck Martin (PICISOC) and to Marcin Cieslak (ISOC Poland) for their invaluable support and work on the Chapter wiki.

The '**Chapter Management Handbook**' will be a collaborative living document offering guidance and 'how to' information on running a Chapter with valuable experience and input drawn from Chapter delegates. It is planned to make the document available in both Spanish and French (with help from Chapter Delegates). As a first step, an outline of a "Chapter Management Handbook" will be available on the wiki and input from the Chapter delegates sought on the content.

In conjunction with the Communications team, a review of the ISOC Chapter website area, the wiki and web based tools to improve communication will be commenced in the next quarter as part of the Sphere project. Work in the AMS project will also provide content into this activity.

4. Funding support

A two-fold approach to funding is taken: supporting and promoting financial self-sustainability combined with proposals for small scale funding support (Q3). As part of the series of e-meetings planned for 2008, ISOC HK, who established a 'digital solidarity fund' will present a case study of a successful Chapter financing model. Options for remote training in self-sustainability are still being examined. An FAQ style document describing approaches to sponsorship programmes for running events has been written and will be circulated for feedback.

Project Funding

The Project Funding program has been transitioned to full time management under Connie Kendig (Sponsored Programs and Grants Manager). In the short time since Connie's appointment in March, the program has undergone a significant number of developmental changes including:

- Revisions to the application form and website content;
- Criteria to include information and links to the ISOC Major Strategic Initiatives;
- Streamlined the evaluation method;
- Increase robustness and redundancy of the Project Funding Committee;
- Introduction of a one day trial face-to-face evaluation meeting to be held on June 25;
- More robust and uniform follow up from past (and future) Project Funding awardees;
- Introduction of "Reporting Guidelines" for written and financial reporting;
- Increased dissemination of results highlighting successes, lessons learned, and challenges of each grantee with the larger Internet Community.

The first round of Project Funding for 2008 was launched on May 1st and applications closed on June 2nd.

Organization Membership

Submitted by Drew Dvorshak

June 2008

Introduction

The principle elements of the 2008-2010 Organization Member Development Plan center around increasing revenue through (a) retention of existing members, (b) increased revenue from recruitment of new members, and (c) upgrades of existing memberships. Keys to our success will be raising ISOC's profile and driving membership value through increased and improved engagement of current and prospective members. The non-platinum revenue goal is comprised of \$675,000 in renewals and \$125,000 (earned income value not cash value in accordance with ISOC's accounting method) in new or upgraded memberships.

In addition to these direct membership revenue goals, the Organization Membership Department is also responsible for securing sponsorship revenues for the IETF meetings, the IETF Fellowship Program, the Postel Award, and other sponsorships.

Org Member Goals Updates

Member Retention - ISOC seeks to retain 100% of its existing members. As of this report we have had only one member announce that they would not renew and one other member reduced the level of their membership.

Analysis- This is an excellent retention rate by professional standards and losses did not result from a negative impression of ISOC. Both members cited economic circumstances as the reason for decisions. The lapsing member additionally reported a major internal reorganization that would likely divide the existing company into two or more separate entities.

Platinum Membership – ISOC's Platinum revenue goal is \$350,000, representing \$50,000 increase over 2007. At the time of this report we are still working to identify prospects that will qualify under Platinum guidelines.

Analysis- As this is a large annual commitment to ISOC by any standards of organizational giving, the best prospects for success are to find existing members currently contributing at one of the higher membership levels with the capacity to upgrade.

New/upgrade Members – As explained above, \$125,000 in "recognized" membership revenue (not cash receipts) would come from new members or upgrades of existing membership levels. As of this report, we have secured \$103,750 in such contributions (based on cash receipts) in new 2008 membership contributions from 13 new members (See Appendix A), representing 71% of the goal. However, since memberships are recognized over a twelve-month period after receipt, only \$88,646 of this amount counts towards the new membership goal. At this point in time, we anticipate that we will need to raise another \$100,000 (cash value) in new memberships to yield the additional \$36,354 required to reach the \$125,000 "earned income" goal for '08.

Analysis- Consistent with the '08-'10 membership plan's immediate priority of gaining broader representation among traditional constituencies, product providers and NIC's/Registrars accounted for 9 of those new contributions and 88% of the total value. Some chief motivators that members appear to be responding to include support of the IETF/open standards processes (particularly among product/service providers); and our

leadership/visibility within ICANN and the IGF process (NIC's, registrars). Our expanding global efforts to facilitate Internet access and the regional development of necessary technologists and the opportunity to interact with organizations doing similar work in other areas were among other noted reasons.

Informed Prospecting & Engagement Strategy

Membership is making use of ISOC's overall comprehensive engagement strategy to identify and focus on key prospect markets and profiles. In 2008, Membership is leveraging venues where ISOC has a leadership role and/or an established presence and the opportunity to capitalize on "one/few to many" events.

This strategy also takes advantage of immediate "proof points" and insights into ISOC's three emerging initiatives and other key work. Groups of prospects can be identified that were party to/involved in dialogues, meetings or other activities where staff members were collaborating with others in the community directly on that work or related issues.

OECD Ministerial on "The Future of the Internet Economy":

Building on its profile as the organizer of the Internet Technical Community Forum, Membership was part of ISOC's delegation to the meeting and effectively expanded its reach by representing ISOC in the BIAC forum. This afforded the opportunity to gain familiarity with concerns and perspectives of companies represented there on common issues, and forge new relationships through which to demonstrate the value of ISOC's activities as constructive solutions worth investment. Drew Dvorshak arranged several prospect meetings to maximize the value of ISOC's high-profile presence in Seoul. These two approaches combined to capitalize on both new potential contacts in a new market.

ICANN Paris:

Commensurate with the launch of ICANN's "business track" at its meetings, we leveraged contacts from other engagement activities to secure invitations for ISOC representatives to closed networking events and other "business track" functions. Membership will also attend open meetings on this track. ICANN is an important venue for expanding profile among public policy/GA professionals at both member and prospect organizations as articulated in the aforementioned membership plan.

Other Meetings:

As with the forums above, membership will seek to initiate an appropriate and productive presence around meetings like those of RIPE and NANOG. One goal is to see if ISOC can hold adjoining complimentary events that fill content/knowledge gaps in a way that accentuates ISOC's niche and value in the Internet community.

Continuing Additional Engagement:

We continue to enhance the engagement vehicles for members mentioned in the last report including AC meetings, specific work groups convened by program staff, communities of interest built around ISOC work and the speaker series which will continue in the summer. Of course these activities will continue to be opened on a case-by-case basis to representatives seriously evaluating ISOC membership for their organizations.

Appendix A

New and Upgraded ISOC Members

APNIC (upgrade to Gold)
Ken Stubbs IPC (Professional)
LINX (Professional)
Qualcomm (Executive)
Nominet (upgrade to Gold)
Limelight Networks (Executive)
BEA Systems (Professional)
ZenSar Technologies (Professional)
BestList.nl (Small Business)
Waterford Inst. Technology (Professional)
Thai Network Information Center (Small Business)
ARISPA (Small Business)
Juniper Networks (Silver)

Appendix B

New Revenue Breakdown by Sector

Industry Type	#	% New Revenue
Educational Institutions	1	2%
Product Providers	6	55%
NICs, Registrars, IP Registries	3	33%
Network Access Providers	1	4%
Organizations for Research, Professions, Industries, Standards	1	2%
Other	1	4%