EBOOK

How the Mighty Fall

Associations at Risk

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Table of Contents

An Introduction

During times of economic crisis many questions haunt executives, boards, staff members and volunteers alike. How will we weather this storm? How long will it last? How are our members being affected? Will this signal a decline for our organization? How will we know for sure and what can we do about it? In his most recent work, How The Mighty Fall: And Why Some Companies Never Give In, Jim Collins posits five signs of an organization at risk of or beginning the descent into chaos, decline and - at the very worst - destruction. This five-part ebook will take a look at each of the main stages identified by Jim Collins and relate them to issues you may be facing as association professionals.

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Part 1: The 1st Stage of Decline
Hubris Born of Success

Any association is vulnerable to hubris. Arrogance is not a trait limited to the for-profit corporate sphere as so recently and publicly displayed during our recent dip into economic recession. Hubris stands in stark contrast to confidence. A confident organization exudes a certain sense of capability and attention to detail. Hubris goes a step further where capability becomes unassailable and attention to detail either all-consuming or irrelevant depending on the temperament of the board in question.

In associations, hubris tends to manifest in a couple of different dimensions and you can see clear signs in board actions and communications if you know what you are looking for. Hubris tends to permeate an organization in subtle fashion but if left unchecked can lead to disaster for all concerned. All of the following signs point to an association whose leadership is taking itself entirely too seriously and may be at risk.

Strategic Planning Mania

Show me an association with an 18 page strategic plan that reads like a space shuttle engineering manual and I will show you an association with an overdeveloped sense of organizational ego, and quite probably a very expensive consultant behind it all. It's not that I'm against strategic planning, believe associations aren't vital and meaningful, or consultants shouldn't be fairly compensated for the difficult work involved. It's simply my personal belief that there seems to be a correlation between how convoluted the final product is, how self-congratulatory the board is regarding its development, and how expensive the consultant was. If your board spends its time repeatedly patting itself on the back for creating some flowery, bloated behemoth of a strategic plan rather than executing specific actions designed to actually implement its ideals, you have some rough water ahead.

Sacred Cows Run Amok

Hubris creates a multitude of sacred cows that are prone to breeding. Pet projects, conflicts of interest, zombie programs that can't be killed, end runs, legacy building – you name it. Leaders in charge of an ego-driven governance system often believe they are vested with certain "special" rights giving them the green light to lasso as many sacred cows as they have rope. An association that feels itself above criticism will corral and defend entire herds over the questions and objections of their membership. They also run the risk of sharp decline once members decide steak is no longer on the menu.

Decision-making in a Vacuum

Association leaders who succumb to their own inflated self-image often behave in a didactic and perfunctory manner while sarcastically mocking or dismissing dissenting points of view. Hubris will lead them to believe themselves well within their rights to make decisions without seeking input, and stifling legitimate opinions to the contrary. It will also render them convinced they "couldn't explain it to the members anyway," while making whiny protestations that the members "should just trust us." If they can't explain decisions, they have members who don't understand them and decline is just around the corner.

Oh, Those Shiny Golden Handcuffs

Associations who corner a market on a particular industry or profession, usually by means of establishing a certification program or other similar benefit, can often fall victim to an over- dependence upon the mechanism that has individuals "trapped" into membership. Innovation becomes anathema to protection of the status quo and volunteer leaders can become enamored of the inherent power associated with the association's position as provider of a vital entry point into a job market. Members who feel "forced" to maintain a membership develop resentments that can eventually undermine the stability of the organization overall. Passive aggressive member behavior manifests in a myriad of ways from checkbook members depriving the association of energy and talent, all the way to rebellious factions splintering off into specialty groups leaving the association struggling and unable to cope.

Appearance for Appearance Sake

If your association suddenly starts yearning to buy a building “suitable” for its station, investing in massive redecorating efforts or shuttling board members to meetings in private cars, watch out. I’m not saying smart investments in real estate should be passed up in favor of working out of the local YMCA. I’m also not saying that occasionally refreshing the look of your premises so your headquarters appears warm and inviting to the members and stakeholders who visit is a bad thing or that some small, reasonable perks can’t be extended to key volunteer leaders. I am saying the minute you start considering dropping 10k for a statue to place near the entry way because the “members would want us to look as important as we are” you can pretty much be sure you aren’t in Kansas any more, Toto.

Success can be your own worst enemy and can lead to neglect of the members and programs that got you to where you are. A board that looks upon its success with smug satisfaction can develop a sense of entitlement. Too much good fortune can lead volunteer leaders to believe they can do no wrong and to disregard commonly held business principles, the opinions of the membership at large and simple common sense. Allowing a board to squander time and money on things that don’t directly advance your mission and vision puts them in the perfect position to push the organization into a long downhill slide.

Part 2: The 2nd Stage of Decline
The Undisciplined Pursuit of More

After the first stage of decline - hubris born of success, the second stage is the undisciplined pursuit of more. Think of it as akin to managing a group of race car drivers. Association volunteers and staff that feel invincible and overconfident will begin to lean into the accelerator pedals in the turns. The speed is fun, maybe just a little out of control and the adrenaline rush is addictive. Each time around, they lean into the pedal a little more. The trick is laying off the gas enough to maintain momentum without losing control. The Stage 1 and Stage 2 run-up in the race may be long or short, but the Stage 3 crash is the same.

Remember, the five stages of decline are just markers along the way. Organizations can conceivably rescue their enterprise at any point. The trick is honestly facing and evaluating what stage your association may be in. Both Stage 1 and Stage 2 behaviors gain traction while leaders are feeling powerful and the association seems to be thriving. Continued success often masks indicators of potential danger leaving the leadership less inclined to listen to warnings. Because of this, concerns expressed by other stakeholders can be viewed as negativism or worse, obstructionism.

Members, Members, Members
Beware of leadership which, absent direction from legitimate needs outlined in the missionand vision, begins to obsessively focus on new member acquisition. More members, more members! The leaders who focus on “more” often judge staff and volunteer performance on new member recruitment numbers rather than current member retention. Leadership obsessed with recruitment at all costs will champion such things as running reckless membership promotion campaigns, offering deep, unsustainable dues discounts, offering commissions for new member sign-ups, or offering lavish prizes in member-get-a-member contests. They can even recruit more members than the association staff can adequately serve leading to disappointment and low retention rates for new recruits. The zeal to attract new folks can lead to creation of a multitude of member categories that range far a-field from the organizations base creating tension in the ranks and core misunderstandings about the value of membership on the part of the newly recruited.

Rapid Chapter Expansion
Beware of excited yips around conference rooms that sound like, “Of COURSE we need a chapter in Yreka, population 7,368!” Leaders engaged in Stage 2 behavior often pursue membership increases and chapter expansion simultaneously. Chapter/section/region/component development is a process that should be thoughtfully engaged in and carefully negotiated. Governance concerns, financial reporting and accountability, division and billing of dues and all of the hundreds of other issues covered in a comprehensive affiliation agreement are often rushed through. Sometimes association leaders even forget to consider whether enough members even exist in a given geographic area to ensure a healthy and functioning group or whether there are political landmines involved with current chapters who may be angry about a new group starting up in their own backyard. Concerns on the part of the executive regarding appropriate staffing levels needed to develop, manage and maintain close relationships with the new chapters are frequently shoved aside in the zeal to hit that “X number of new chapters this year” goal.

Mergers and Acquisitions
If your association leadership has that “more” gleam in its eyes, keep a sharp ear out for talk that bubbles up about sister associations within your profession or industry. If leaders are feeling cocky they may suddenly and aggressively pursue potential mergers and acquisitions that may not serve the long-term interests of either organization. Due diligence is often the first casualty of any aggressive merger effort. Weaker, “pounc-ees” may be only too happy to capitulate, leaving the “pounc-er” in dire financial straits when they finally get a look at the detailed financial statements. Mergers may fly in the face of the actual mission and vision of the organization, offend members of both and can create bad blood in a profession or industry. The dark side of rebuffed advances can lead “more, more” associations to conduct “raids” on the others membership as a way to weaken or discredit the other organization and “force” the eventual outcome.

Non-dues Program Proliferation

If a little non-dues revenue is good, more is better right? Not necessarily. Beware of leaders who become obsessed with non-dues revenue programs as a way to generate additional income. Often in their zeal to pursue profitable business arrangements boards and committees will endorse any and every program that comes their way without doing enough due diligence and determining if the program will serve a strategic purpose, offer genuine value to the membership or if the proposed partner is willing to operate within the ethical guidelines and stated values of the association.

Again - in almost every instance whether based on a simple royalty basis or a more involved structure – any non-dues revenue program will have some staff impact and in some cases that impact can be significant. If you hear volunteers blithely saying, "No worries, we'll make enough money in the first year to hire another staff member to help absorb the hit," you can almost guarantee you are in for a rough ride.

Non-dues Program Proliferation

Association leadership on the "more" bandwagon will often waffle between two financial extremes. They either become obsessed with spending money or saving it. Boards can fall victim to reckless spending and borrowing in order to acquire more office space, more staff, more stuff, more lobster, more whatever. The flip side is becoming miserly and hoarding more and more in reserves and investments at the cost of member service. Instead of balancing fiscal responsibility with member needs and expectations, they spend freely on the things they feel will make them more important in the eyes of the members or on the other extreme, indiscriminately cut staff, programs and services to prevent any incursion into their savings accounts.

The bottom line is this - expansion is a good thing when done responsibly and when contingencies are thoughtfully planned for. Even rapid expansion can be just fine if the issues brought up are appropriately assessed, honestly debated and intelligently handled. Expansion at all costs including the abandonment of the strategic vision of the organization, recruitment for recruitments sake and other risky behaviors are a recipe for disaster. The undisciplined pursuit of more is a heady mixture of danger and daring and often includes stifling dissent, pie eyed optimism and coping strategies (i.e., the hiring of additional staff with the incoming profits) that are wholly contingent upon the launching of the venture in the first place.

If your association leadership is after more and you aren't feeling good about it, you may need to take steps to counter. Education will be a key part of your strategy and putting appropriate policy in place to attempt to address some of these concerns before they gain traction will be helpful. You have a responsibility to speak up and represent the best long-term interests of the members and the organization. However, be aware that executives and staff who express concerns during this stage often run the risk of being painted as negative and unsupportive. Executives who express too many concerns are sometimes replaced by executives who are perceived as "more innovative" and willing to take bigger risks. In that case, it's okay to be replaced. If you manage to keep your position, you will just end up being blamed when they hit the wall in Stage 3 anyway.

Part 3: The 3rd Stage of Decline
Denial of Risk and Peril

According to Jim Collins, the third stage for an organization on the brink is the denial of risk and peril. Stage 1 – hubris born of success and Stage 2 – the undisciplined pursuit of more set the conditions for Stage 3. Large successes are the backdrop against which danger and potential failure unfold which is why corporate boards are so reluctant, even when faced with evidence to the contrary, to admit their plans have gone awry. Although Stage 1 and 2 behaviors can build over time, Stage 3 has a limited shelf-life and if not dealt with the chaos and collapse of Stages 4 and 5 can move with frightening speed. It's almost as if Stage 1 and 2 might have labored to get your roller coaster car up to the top of the Stage 3 mountain but once the car stops teetering back and forth the slide to come can be terrifyingly fast.

Even if your organizational leadership drank the Kool-aid and invested a tremendous amount of time and money into ventures that appear to be going wrong, there may still be time to fix the situation if they can confront the facts and be honest about the situation. More often than not, association leadership will engage in Stage 3 behavior and spend most of their time justifying their first direction instead of taking the time to examine the underlying causes of the changing situation. Worse yet, is association leadership going into the bunker and continuing to insist they know better in spite of it all or volunteers who begin to set their executive up to take the fall instead.

Framing the Wrong Issues
In his book, Jim Collins talks about the lead-up to the space shuttle Challenger disaster. At the time, it was rumored NASA personnel had launched the Challenger in the face of unassailable data that said the shuttle should not have been launched. In fact, the lead-up was highly contentious with a deluge of conflicting data and opinion regarding the performance of some of the engine components. (Get the book to read the entire story, it's fascinating.) My point here is this - in the end, during all the arguments somehow the question changed from "Can you prove it's SAFE to launch?" to "Can you prove it's UNSAFE to launch?" Those are two very different questions and come from divergent risk management points of view. When discussing the future of your association, it is wise to make sure issues are framed correctly and all parties are conducting honest assessments of the potential risks involved.

Selective Gathering and Interpretation of Data
A corollary to framing the wrong issues is the tendency for association leaders in crisis to be selective about the data they gather and how they interpret, accept or dismiss the conclusions therein. Skilled pollsters know the difference between getting actual numbers and getting numbers that support a particular position - it all depends on which question you ask which population. Associations conducting research are subject to the same perils. Leaders can invest a significant amount of energy in finding data to support their own conclusions. Association leadership in crisis and already suffering from hubris and expansion hangovers may spend their time looking for data to support what they already think they know – not data that will effectively knock them upside the head.

Thinking Positively
Some would argue our culture has become obsessed with thinking positively to our detriment. At times this "believe in your dreams and you can be anything," cultural narrative infects our business environment to the point where we believe our programs will work, in the face of evidence to the contrary, if we just have enough faith. Should we always focus on the negative? Well, no. A person has to have some belief they are making a positive difference in order to get out of bed in the morning. However, positive cultures that have gone over the edge are the ones who chide, ostracize or actively punish those who bring a negative perspective to the table.

Intellectually Dishonest Debate

It is one thing to have an active debate and a vote where one side wins and the other loses. Legitimate debates have evidence, analysis and a cogent case to be made for or against a position. An intellectually rigorous debate produces clear choices that can be voted upon in democratic fashion and supported by both winners and losers alike. In fact, boards have a fiduciary duty to run that way. All board members and staff should support the actions of the board – even those they disagree with. However, it's quite another thing to have one side win the debate by yelling the loudest, ignoring evidence, pushing their fingers in their ears, singing, "La la la la la la," outvoting the other group and then claiming everyone should just fall in line. In that case, the winners didn't legitimately win and there is little to no reason to hope the opposition can move forward in support of actions they have no confidence in.

Playing the Blame Game

Associations in Stage 3 spend much of their time seeking scapegoats and playing the blame game. One way to deny risk and peril, while still appearing to be responsible actors, is to refuse to admit having played any part in it. Stern talk about "investigations" and "fact finding commissions" boils down to – "We blew it, we just don't want to admit it." An association board is ultimately responsible for everything that happens in the organization. Even if a board had an executive, staff, committee or other body run roughshod over them that board remains ultimately responsible for flying into the side of the mountain because they weren't paying attention. The only hope any association has is for leaders to quit playing the blame game and start fixing the problem.

Stage 3 is not the most contentious stage, but it is the most critical. At this point, there is still time to back away from the ledge, but not without competent leadership and a committed volunteer and staff base to work with. Your job as an association volunteer leader or staff leaders is to face the brutal facts. Teetering on the edge is not the place to engage in posturing, ostrich-like behavior and simply relying on the power of positive thinking.

Denying risk and peril is the fastest way to experience both. Confronting risk and peril, staying clear about your mission and vision and having the strength to make necessary adjustments before it is too late can often bring an association back from the edge. It takes courage and an unwavering sense of discipline to keep moving the pieces on the chess board. The game is not lost in Stage 3 but the stakes are high. You still have the opportunity, although it is fading fast, to set the stage for recovery or further decline.

Part 4: The 4th Stage of Decline
Grasping for Salvation

One of my favorite quotes from Jim Collins recent work, "How the Mighty Fall," is on the back jacket cover, "Whether you prevail or fail, endure or die, depends more on what you do to yourself than on what the world does to you." I find those words inspiring particularly in our current economic climate. Failure is not necessarily inevitable but is often the result of the inability to adapt to a rapidly changing environment or the encouragement of dysfunctional behaviors on the part of association staff or volunteer leaders.

We have already taken a look at the first three stages of decline – hubris born of success, the undisciplined pursuit of more and denial of risk and peril. All of those stages reflect the journey up the mountain and predict your association's proximity to the cliffs. At any point, your association can choose to face the reality and make positive, proactive changes to continue moving up the mountain and away from the drop off points. However, if you continue on the negative trajectory, Stage 4 can herald the rapid descent into devolution and chaos. The following are five important signs an association is flirting with disaster.

The Hunt for the Silver Bullet
Ah, if we could just find that one endorsed program, that one member benefit, that one social media solution then all of our problems would be over. A hallmark of Stage 4 thinking centers on a dramatic and desperate search for the key that will unlock the one door that holds all the answers inside of it. The trouble is - there is no such thing. Associations are complex organizations with many moving parts. A single-minded, laser focus on ginning up just one magical solution can often cause staff and volunteers to neglect everything else, allowing the entire enterprise to deteriorate just that much faster.

Churning and Burning CEOs
A corollary to the hunt for the one perfect solution often manifests itself in the hunt for the one perfect executive. Beware of associations who are lurching from one executive to the next. Many times a board will assume the current executive simply isn't up to the challenge and expect someone new to turn things around only to find out the new executive can't magically "fix" the problems either. What those boards fail to recognize is the board itself is at least as responsible for the current predicament as the executive. While they may have changed executives, they haven't changed themselves. Some groups even give the head position to someone within their own industry or profession assuming their "insights" into the membership will prove to be the magic answer. The learning curve associated with being a chief staff executive on top of an already combustible situation is likely to do that well-meaning, newly appointed member-executive in before they even have time to order their ergonomically correct desk chair.

The Vision Kaleidoscope
Association leaders can become obsessed with finding the one perfect vision for their organization. They believe the organization's vision just needs to be more powerful. Bigger. Grander. Then all of their execution issues will resolve themselves. The hunt will lead to multiple planning sessions and retreats galore. These association volunteers and staff leaders are hypnotized by the vision kaleidoscope. They put it up to their eyes and see so many pretty colors to fine tune, to watch change shape or to take on entirely different forms. They will vision themselves to death, and probably leave a number of third party consultants in their wake as they search for the one "right" vision that will transform their entire association/industry/profession in one fell swoop.

The Hyperbole Hustle
New, new, new! It's all new. It's what we've been waiting for! It will revolutionize the industry! Association leaders who find themselves in desperate times often resort to hyped up language and hyperbole. Words like re-invented, re-imagined and re-engineered abound among grand gestures and sweeping generalizations.

Much time is wasted on describing a utopian vision of the future but actual documented results are scarce. Smoke and mirrors is a time-tested tradition meant to distract key stakeholders while the leadership grapples with the fact there is no there, there.

Destroying Momentum

All of the above behaviors contribute mightily to disrupting any momentum that might actually exist. Grand pronouncements, changes in strategic direction, adoption of programs, churning through executives and leadership teams all lead to lost time and productivity at the very time it can be afforded the least. Every major lurch serves to confuse volunteer leaders, staff and members and begin to cause a certain nagging feeling that all is not right in Denmark. Repeated, aggressive moves in no particular direction can be interpreted as panicky and can undermine, disillusion and dishearten.

Stage 4 really is make it or break it time. All of the stages have a role to play, but once the association goes over the cliff it is a fast ride down. Staying with a single focus is just as dangerous as multiple grasps at a myriad of solutions.

Flailing for a silver bullet - be it program, person or product - is not an effective way to marshal your resources. Yes, strong action may be called for but repeated aggressive moves will be misinterpreted as panic, not leadership.

Implementing emergency measures in a rational and thoughtful way can often be the key to cushioning the impact of a stage 4 fall. A steady hand on the wheel with the focus on preserving the core competencies and assets of the organization, maintaining cash flow and keeping the doors open will be far more valuable in the long run than pie-in-the-sky thinking aimed at attaining unrealistic breakthroughs. This is not to discount the need for associations to continue to strive, grow and achieve. But when the cow-patties hit the fan the best strategy is to have a good garbage can lid at the ready as opposed to screaming, ducking or making wild swings that end up knocking the fan clean off the table.

Part 5: The 5th Stage of Decline
Capitulation to Irrelevance or Death

We have already taken a look at the first four stages of decline – hubris born of success, the undisciplined pursuit of more, denial of risk and peril and grasping for salvation. Assuming an association struggling with the prior stages was able to make adjustments and rational choices, then perhaps Stage 5 will have been avoided. However, associations that experience the prior stages without remedy are likely facing the final stages described below.

Jim Collins narrows it down to three common paths in the end. One path leads the organization to contract until it reaches a certain stasis point and then it limps along as a mere shadow of its former self. The second path involves proactive management of organizational demise, selling off assets and intentionally shutting down. The third path points to, as unlikely as it may seem, recovery as if hitting bottom was what it took to revive the leadership. I believe the culture within the association will be the deciding factor in which path the leadership will choose to take.

The following are five major factors, some of which are in your control and some of which that aren't, that may have a bearing on which direction the association is destined to go in. They are salient points that must be honestly assessed and coped with before any final determinations can be made about the association's future.

Can We Keep the Lights On?
Cash. We may not necessarily be out of sponsors, members or even hope - but we might be out of cash. In that case, the organization faces a potential death spiral - lurching from cycle to cycle, paying what bills they can and myopically focusing on meeting short term obligations. New programs may be necessary but out of reach because of staff layoffs or lack of investment capital on hand. As cash continues to tighten, choices become narrower and the ability to provide value becomes a practical impossibility. Recovery depends on the ability to stop the spiral and recapitalize without further jeopardizing the debt-to-equity ratio.

Is It Just Our Time?
Are we actually incapable of adapting? Have we buggy whipped ourselves into oblivion? Singular focus on mission and vision is admirable – unless we picked the wrong vision in the first place. Perhaps we have prudently managed ourselves into irrelevance and failed to notice innovations happening around us? Maybe our profession has run its course and we are no longer in a position to provide anything valuable to our members? Maybe the writing is on the wall. Recovery depends on the ability to confront and to be able to make a rational case to reject those lines of reasoning.

Do We Have Hope?
The rollercoaster emotional energy of dealing with the "high" of the overly successful, screaming fast ramp-up, only to confront the disappointment and disillusion of the fall and the devastation of the aftermath can drain even the most dedicated of volunteer and staff leaders. A key quote from Jim Collins is this, "It is one thing to suffer a staggering defeat...and entirely another to give up on the values and aspirations that make a protracted struggle worthwhile." Hope without enough cash in the bank is not enough, but enough cash in the bank without hope is deadly. Recovery depends on hope for the future – realistic or not.

What Do We Do Now?
Merger? Bankruptcy? Complete reformulation of structure and services? Selecting a new strategic vision? Consider all options. What will the world lose if we are not here? Will it lose something valuable and irreplaceable? Can the hole be filled? Is our reason for existing still powerful and compelling enough that even under excruciating circumstances the will to fight remains? Are we committed to existing, even if in a new form, with new leadership or new staff? Recovery depends on making a deep commitment to evolve and maintaining a stoic will in order to emerge from turbulence as a wiser, more resilient association.

How Do We Wrap It Up?

If all else fails, double-check the wind up and dissolve clauses in the bylaws. (Oh, and if the organization doesn't have strong affiliate agreements with their chapters that include clear directions on what happens upon dissolution of the main entity you could be in for BIG trouble). 501(c)(3)s will need to donate remaining assets to another 501(c)(3), 501(c)(6)s have additional options such as rebates to members, etc. Get legal counsel and do it right. Just ceasing operations may not be enough to get you off the hook with the Attorney General, Secretary of State, the IRS or to head off potential lawsuits from vendors or other stakeholder groups.

Thank you for joining us as we explored the concepts surrounding how even the mightiest of organizations can fall from prominence. Our sincere hope is that you were able to take some food for thought from the stories of others experiences and apply that knowledge as appropriate in your own associations. Best to you in the years to come!

About the Author

Shelly Alcorn, CAE, began her career in change management at the age of 5 when she was enrolled at what was to be the first of the eleven schools she would attend prior to graduating from high school. Being the perpetual "new kid" forced her to quickly and strategically assess new environments, orient herself to new curriculum, policy and rules and figure out the political nuance involved in navigating recess.

Shelly kept up the fast pace by working her way up from receptionist to executive director of two different non-profit associations, passionately pursuing developing her skills and is now a consultant. A revolutionary, self-proclaimed edupunk, she got her CAE (Certified Association Executive) just to prove she knows what she's doing.

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