

Strategic

Initiatives

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Discover.

Analyze.

Strategize.

Implement.

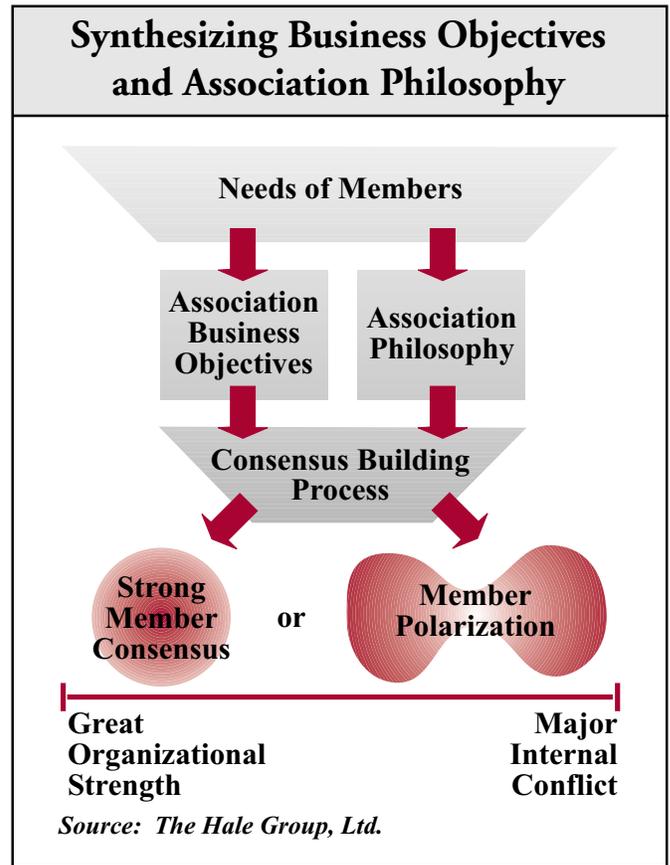
Measure.

Managing Discord in Associations Addressing Management's Toughest Issues

- **as-so-ci-a-tion** *n.* An organized body of people who have an interest, activity, or purpose in common
- **dis-cord** *n.* Lack of agreement among persons, groups, or things; tension or strife resulting from a lack of agreement

“Association discord” would appear to be an oxymoron of sorts, but in reality many associations are facing pressures from both external and internal sources. **Leading an association can be much more challenging than leading an investor owned corporation.** Association executives face all the challenges of running a successful business, plus the added burden of maintaining good member relations and coping with the internal issues that often arise. In fact, managing internal conflict can be the biggest challenge some associations have to face.

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This article addresses three key questions:

1. What are some of the common issues driving discord in associations today?
2. What principles should CEOs use to manage discord?
3. When should a CEO utilize outside assistance to resolve discord?

Common Issues Causing Discord

The Hale Group believes that associations face two unique, but related, areas of pressure that drive discord and conflict both internally and externally. The first has to do with the business environment facing the membership and the other has to do with the association environment created by the membership.

There are many factors that contribute to conflicts, some having to do with the evolution and maturation of an industry, and others simply having to do with dissatisfaction with how the association reacts to the industry (or to individual member's needs). The Hale Group has recently witnessed the following factors.

Industry Issues

Consolidation

For many associations, the membership is facing market conditions that are driving rapid consolidation. Associations, therefore, face the loss of board members as executives retire, are forced out, or accept new responsibilities within a merged company. Consolidation also creates budget issues due to a reduction in the number of dues-paying members.

Evolving Competitive Landscape

Competition is evolving for many industries, in some cases driven by new entrants into an industry, the globalization of an industry, or advancing technologies. As the competitive landscape of an industry changes, associations must also evolve so they can represent member interests in this new environment.

The grocery industry, for instance, had to face the reality of new competitors such as Wal-Mart and club stores. Industry associations were forced to learn new ways of responding to the changing needs of their members to help them react to new competition.

Membership Issues

Stratification of Membership

Consolidation ultimately leads to a stratification of the membership, where the biggest members grow even larger and the gap between them and the others increases rapidly. Two problems arise from this issue: first, the largest members begin to feel that due to their greater financial contribution, they deserve more influence. Second, the smaller members begin to question their role in an association that might appear to cater more to the needs of their larger peers and grow wary if the "one member-one vote" balance is upset and their influence is diluted.

Perception of Lessening Value

Some members believe their association no longer offers the value it once did, or that the association is no longer pertinent for their operations. Perhaps the association has not evolved over time to address new issues brought by changes in the industry, causing members to question the value of the association. In some cases, the association simply has not communicated a compelling value proposition to its members.

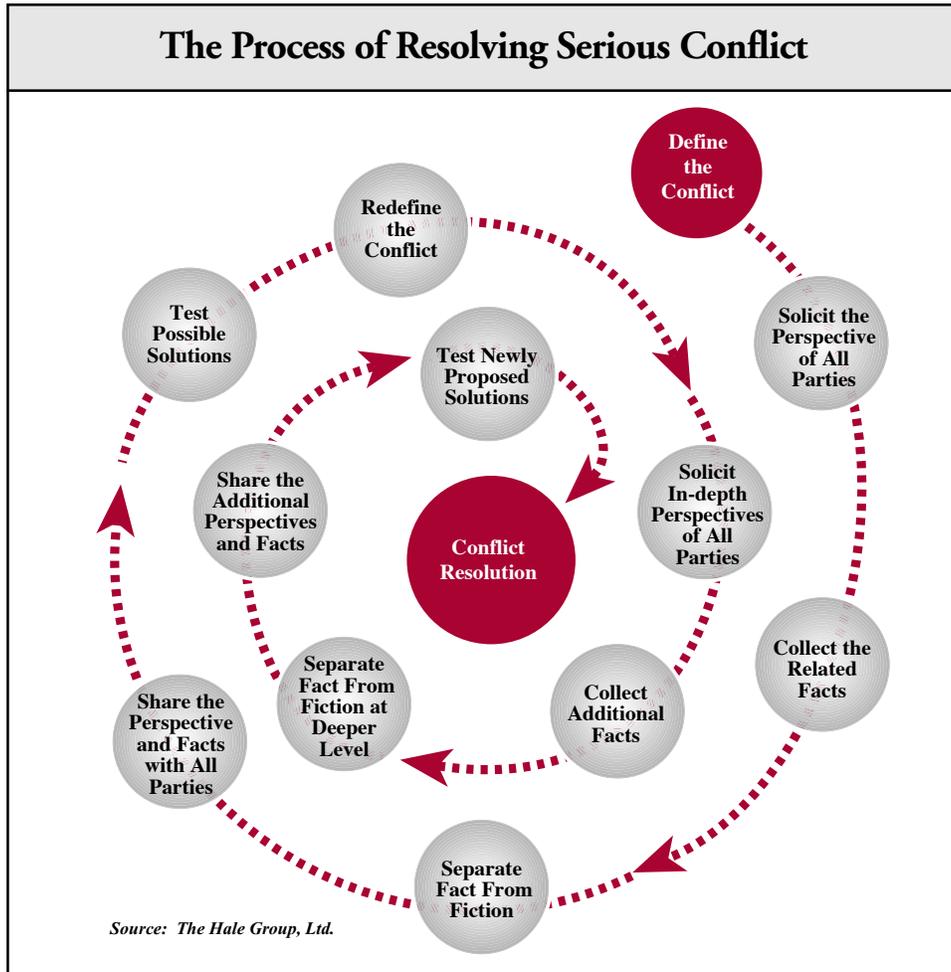
Misunderstanding of Industry Conditions

This can work both ways. Association executives may believe that their "top-of-the-mountain" view allows them to see the evolution of industry conditions more clearly than the members who are in the trenches. Conversely, members sometimes grow leery of association executives who have limited experience in the industry and are unfamiliar with the day-to-day issues they face. Either way, a mis-read of industry issues can cause turmoil in the association.

Inherent Conflicts of Interest on the Board

Unlike Directors of most public corporations, the Directors of an association frequently face conflicts of interest in making sound decisions *continued on page 3*

in the board room. Given the wide disparity of operations among members, Directors are often forced to choose between their own business interests and the best interests of the membership as a whole. In many cases, they vote for the best interests of their individual business.



- **Listen Carefully** – Associations need to develop a good mechanism for listening to members. Virtually all CEOs *believe* they listen to members. Some do; many do not. Having small groups of members meet with the CEO in an informal setting is invaluable. Focus groups of members are another method of listening. The annual meeting of most associations is usually not an effective listening tool because two-way communication is limited.

- **Disentangle the Issues** – Most long-standing conflicts involve multiple issues, which need to be separated, defined and prioritized carefully. Then a plan, complete with timetable, needs to be communicated for how the management is seeking to resolve the conflict.

- **Get the Facts** – Many conflicts include honest misunderstandings about facts. Listen to each side’s argument, listen for the underlying assumptions, determine the facts, and separate fact from fiction.

- **Defuse the Emotion** – Sometimes emotions run so high they distort the facts. A good facilitator acknowledges the emotion, listens to each side, and addresses the issue in an unemotional way.

Principles for Managing Discord

To state the obvious, conflict is inevitable. The goal of an association should not be to eliminate conflict, but to create a “healthy culture” that handles disagreement positively and effectively (see chart above). The following are principles of conflict resolution that are crucial to creating a “healthy” organization.

- **Be Proactive** – Many CEOs want conflict to go away by itself. It rarely does. Leaders are hired to lead. CEOs must be proactive to identify and resolve the major conflicts facing their association.

- **Be Fair** – Association members have a strong sense of ownership and view “fairness” among members as a big issue. Members need to perceive leadership as being fair when a conflict arises.

- **Provide Enough Time** – Problems that have been developing for several years will not be solved in a weekend. Leaders need to set realistic time frames for resolution. *continued on page 4*

- **Give Perspective** – Most participants involved in a conflict can see only their own viewpoint. A competent facilitator will push each side to look at the problem from the perspective of the other side.
- **Communicate Clearly** – Give all members (regardless of their viewpoints) the same message. Telling each constituent group what they want to hear quickly creates lack of trust, which is hard to regain.
- **Accept Diverse Opinions** – Resolving conflicts rarely leads to a unanimous opinion. Expect members to respect decisions of management and the Board, but do not expect that all members will agree with them.

Consider Using an Outside Facilitator

An outside facilitator, such as The Hale Group, can prove valuable when:

- An issue is highly emotional;
- An issue has persisted over a long period of time;
- There is a perceived lack of objectivity within the association;
- Resolution of discord is not an area of strength for the CEO; and / or
- The CEO cannot be diverted from other critical tasks to resolve discord.

A good facilitator will not “consult;” in other words, the facilitator should not give you the answer. Rather, the effort to reach resolution should be a process guided by an experienced facilitator who can draw out the underlying issues, help the participants address the hard topics, and create an open but safe environment where all voices can be heard and consensus reached.

For the past decade, Mr. Fri has served in several executive positions in the food industry. He served as Vice President of Instill Corporation, an innovative data and supply chain services provider, and worked in various capacities at several trade associations, including Grocery Manufacturers of America and Food Distributors International, where he led the Efficient Foodservice Response (EFR) Project. Mr. Fri’s unique expertise includes the development of supply chain management strategies, the assessment of e-business opportunities, and the management of association-led projects and initiatives.

Mr. Ludwig’s twenty-eight year consulting career has focused on a variety of subjects, all within the food and agribusiness industries. His consulting experience includes the total supply chain: from agricultural inputs to consumer trends. He is well known for his work in strategic planning and decision frameworks, as well as developing innovative approaches to governance issues with commodity processors and cooperatives.

About The Hale Group

The Hale Group is a consulting and advisory partner assisting companies develop fact-based strategies to contend with an evolving landscape. The underlying philosophy of the firm’s efforts on behalf of its clients, and in collaboration with them, is to formulate strategies that enable clients to break through the market clutter and identify platforms for growth.

The Hale Group has developed proven processes and tools to help organizations gain perspective on the opportunities and challenges within an industry. The level of The Hale Group’s participation can take many forms from addressing the overall process or an individual part of the process. However, in whatever capacity we participate, the desired outcome is for our clients to be successful.

Our products and services include:

- Strategy
- Organizational Effectiveness
- Market Research
- Operating Efficiencies
- Opportunity Analysis
- Mergers & Acquisitions

For more information about The Hale Group or to view other Strategic Initiative articles, visit our website at www.halegroup.com or call us at 978.777.9077 (Boston) or 415.285.3616 (San Francisco).