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## **Bar associations in transition: Part 1**

By Stephen P. Gallagher

*{Editor's note: In Part 1 of this article, Gallagher discusses challenges faced by organizations that are using a business model he believes is outdated. Part 2 of this piece, in a future issue, will explain a strategy called client relationship management, which Gallagher believes can help organizations overcome these challenges.}*

*"Customers come first. If you focus on what customers want and build a relationship, they will allow you to make money"* (Jeff Bezos, president of Amazon<sup>1</sup>).

In recent years, voluntary bar associations throughout the country have been struggling to attract and retain members—young attorneys are of particular concern. Member priorities—the issues that are most important to them, including and going beyond the product or service offered—have changed faster than the service providers upon which they depend.

In the case of bar associations, the business design—the range of services—has tended to stay fixed. It appears that whatever brought success in the past—the structures, strategies, and systems—no longer work as well. To restart growth, bar associations need to rethink past patterns of success, embrace new behaviors, and reconfigure old patterns. Every organization reaches critical transitional points that require fundamental changes.<sup>2</sup> Today, bar associations may be at such a crossroads.

It is widely acknowledged that products and services go through life cycles. It is not as well recognized that business designs must also go through cycles before the organization will be able to begin and maintain a new period of growth. The business design of an organization consists of the totality of how the organization selects its customers or members, defines and differentiates its offerings, determines what it will do in-house and what it will outsource, configures its resources, goes to market, and captures "profit."

Establishing a voluntary bar association's business design's ability to create value requires a detailed understanding of how well that design meets members' most important priorities--both today and in the future. Bar associations are not the only organizations having trouble with their business design and their membership numbers. Recently, two of the nation's largest labor unions withdrew from the AFL-CIO during the labor federation's national convention in Chicago. The unions that left, the 1.7 million-member Service Employees International Union and the 1.35 million-member Teamsters,

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<sup>1</sup> Alsop, Stewart, "I'm Betting on Amazon" Fortune Magazine, April 30, 2001; as reported in Peppers, Don and Rogers, Martha, Managing Customer Relationships (New York: John Wiley & Son, 2004) page 97.

<sup>2</sup> James B. Wood The Next Level: Essential Strategies for Achieving Breakthrough Growth. (Cambridge, MA.: Perseus Books: 1999), p. 3.

said they were responding to changing workforce conditions by pushing harder to organize workers.

No one knows how this will work out, but it seems clear that labor's current organizing angle hasn't been working. The political angle isn't working either, so union leadership will continue to struggle in attracting new members to its current business model.

### **Celebrating the new individuals**

Shoshana Zuboff, a renowned scholar who wrote the landmark book *In the Age of the Smart Machine*, and James Maxmin, a world-class business leader, have written about how people have changed more than the organizations upon which they depend. "Over the past fifty years, we have been seeing the rise of a new breed of individuals, yet organizations continue to operate according to a logic invented at the time of their origin, a century ago,"<sup>3</sup> they write. In their book, *The Support Economy*, they write about a chasm that separates the old organizations from the new individuals who bring new needs, new desires, and new dreams into the world.

"Old organizations have become sufficiently insulated and self-congratulatory to ignore the chasm that has formed between their practices, invented for a mass society, and the new people it has spawned,"<sup>4</sup> they write. This insularity has afflicted political and civic organizations—and, I might add, unions and bar associations--and may be an important explanation for the loss in membership and declining levels of active participation. According to Zuboff and Maxmin, the new individuals seek true voice, direct participation, unmediated influence, and identity-based community, because they are comfortable using their own experience as the basis for making judgments.

Political scientist Robert Putnam tracked declining rates of group association and political engagement in his best selling book *Bowling Alone*. According to Putnam, "During the last third of the twentieth century formal membership in organizations in general has edged downward by perhaps 10-20 percent. More important, active involvement in clubs and other voluntary associations has collapsed at an astonishing rate, more than halving most indexes of participation within barely a few decades."<sup>5</sup> Putnam regarded the decline in civic engagement as largely a consequence of generational replacement, as the new individuals born at mid-century and later have gradually taken over from their more group-oriented parents and grandparents.<sup>6</sup>

Another landmark study of particular note to bar executives is *The Inner American*, an in-depth study that compared the subjective experiences of mid-century and late-century adults, sponsored by the University of Michigan's Survey Research Center and the National Institute of Mental Health, comparing national samples of "normal" adults in 1957 and 1976. One of its prominent findings concerned a "shift from integration through social organizations to integration through interpersonal intimacy." In other words, people moved away from relying on formal participation in large

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<sup>3</sup> Shoshana Zuboff, S. & James Maxim, J. *The Support Economy: Why Corporations Are Failing Individuals and the Next Episode of Capitalism* (New York, NY: Viking Press, 2002) p. 3.

<sup>4</sup> Zuboff, *The Support Economy*, p. 116.

<sup>5</sup> Robert Putnam *Bowling Alone: The Collapse and Revival of American Community*, Simon & Schuster, New York: 2000, p. 63

<sup>6</sup> Putnam, *Bowling Alone*, pp. 250-255.

organizations as their way of connecting with society toward more intimate, one-on-one relationships.<sup>7</sup>

## **Value migration**

Today's individuals seek something modern organizations are slow to provide. Young people want tangible support in leading the lives they choose. "Individuals can no longer be written off as anonymous 'consumers' who sit at the far end of the value chain, devouring the value created by managers and underwritten by shareholders,"<sup>8</sup> Zuboff writes. As members' priorities change, they make new choices. They reallocate value. These changing priorities, and the way in which they interact with new competitors' offerings, are what trigger the value migration process.

Value migration can be described as the flow of profit and shareholders' wealth across the business chessboard. Value leaves economically obsolete business designs and flows to new business designs that more effectively create utility for the customer--your members.

As bar associations grow in size, member focus can begin to blur. Powerful norms, values, and behavior become established in the association's mindset and culture. This is how institutional memory is built. Unfortunately, as organizations mature, institutional memory may not always serve them, or you, well. Incumbents frequently ignore or overlook new opportunities, presenting significant openings for newcomers. Warning signals from the marketplace rarely penetrate the organization's protective layers.

## **Turning the ship around**

During growth periods, bar associations, like other organizations, commit large revenue streams to build infrastructure that members may see as "cost-added," not "value-added"--especially when dues are raised. When member needs begin to compete for management's time and attention, organizations must make sharp transitions to a new, more effective business design, or risk losing the value they have built.

In the world of bar associations, members slip away as individuals begin seeking services elsewhere. It is frequently new forms of competition, rather than other bar associations that set off new waves of value migration. Discovering these new competitors becomes even more important than keeping an eye on old ones.

Unencumbered by institutional memory, new entrants and nontraditional players are often most sensitive to emerging customer priorities and most able to craft service offerings to meet unanticipated needs. Could today's "blogging community"<sup>9</sup> be

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<sup>7</sup> Zuboff, *The Support Economy*, p. 114.

<sup>8</sup> Zuboff, *The Support Economy*, p. 14.

<sup>9</sup> "While few blogs generate much revenue, they introduce a new, promising, micro media model. Blogs are cheap, easily updated, and can focus on a niche market with passionate followers -- an advertiser's dream." See Baker, Stephen. "Big Media, Little Blogosphere," *Business Week*, October 24, 2005: 45.

attracting passionate followers away from more traditional bar association communication channels?

### **What are your members telling you?**

Are your members telling you anything that indicates value is shifting elsewhere? What should you do now to stay ahead of the tide once value begins to migrate? In many organizations, instead of looking to create entirely new lines of service that better match changing customer priorities and expectations, leaders often believe they can reverse the flow of red ink by cutting costs or improving efficiencies, even when they have no new utility or new services to offer.

It is during these periods of transition that leadership tends to focus too much of its energies on eliminating cost and reducing head counts, rather than concentrating its resources on adding customer value. Morale declines and the best performers in the organization leap to competitors with innovative business designs that offer the promise of significant value growth. Members move. Talent moves. Value migrates away.

The AFL-CIO recently cut its staff by about 25 percent, but the federation has been unable to change the political climate it faces. It has not solved its membership problem. Once an organization is caught in this powerful downward spiral, market value shrinks, talent departs, cash flow diminishes, and competitors are able to build strong footholds in new areas of value growth.

James B. Wood, author of *The Next Level*, identifies several management behaviors that frequently occur when an organization attempts to transition from one level of growth to the next. Wood, who worked with hundreds of CEOs while he was with *Inc.* magazine, writes that during periods of transition, the following behaviors can become an organization's biggest barrier to new growth. You may recognize one or more of them:

- **Treadmill Mentality.** People are working harder than ever, but the organization does not move forward. Everyone works so hard to “get the work out,” no one can step back to analyze the situation and plan for the future. Treadmill Mentality organizations try to cope by pushing harder—working longer hours—and doing more of the same.
- **Managing by Insanity.** A popular saying is that *insanity* means doing the same thing again and again but expecting different results. Organizations that rely on Management by Insanity enthusiastically identify new markets, strategies, or opportunities for growth and improvement, and they may spend a lot of time talking about them. But nothing changes.
- **Rearview Mirror Management.** This behavior means that an organization knows where it's been, but does not look at where it's going. There is nothing wrong with celebrating an achievement, but Rearview Mirror Management executives always do the same thing: They pull out last year's budget, ask department heads how much they need for the next year, adjust for overhead--and there you have next year's strategic plan.

- **Midas Touch Management.** Arrogance is a dangerous business attitude. When an organization or company becomes too enamored with its own technology, products, or services, it can easily lose touch with the outside world. This lack of institutional humility causes an organization to become internally focused, oblivious to both threats and opportunities in the marketplace.

### **Avoiding groupthink**

The first step toward mastering patterns of value migration is to understand the interactions between member priorities and your current business design.”<sup>10</sup> When you try to analyze your own organization, your vision is often distorted by past patterns of success and the industry norms that have previously defined the competitive field. It is frequently helpful to involve an outsider who can dispassionately observe your organization, to help identify nontraditional players that may dominate the industry in the next decade.

In 1972, Professor Irving L. Janis, a Yale psychologist and a pioneer in the study of social dynamics, coined the term *groupthink*. Janis called groupthink “a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members’ striving for unanimity overrides their motivation to realistically appraise alternative courses of action.” Groupthink is the triumph of concurrence over good sense. When you belong to the same professional groups, seeing the same people every year at professional meetings, you may begin to think the same way.

If you agree that members’ priorities have changed more rapidly than the services bar associations are providing, you must begin to find ways to bridge the chasm that separates your organization from the new individuals who bring new needs, new desires, and new dreams into your world. Earlier, we mentioned the book *Bowling Alone*. Its author writes about how young people are moving away from relying on formal participation in large organizations as their way of connecting with society toward more intimate, one-on-one relationships. This will continue to impact on professional, civic, political, and membership organizations. You will need to find new service offerings that address members’ need for one-on-one relationships if you hope to survive these turbulent times.

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<sup>10</sup> See Adrian J. Slywotzky *Value Migration: How to Think Several Moves Ahead of the Competition* (Boston, MA: Harvard Business School Press, 1996).

## sidebar

### **Case study: San Diego bar successfully fights value migration**

By Sheree Swetin

The San Diego County Bar Association recognized several years ago that its membership was aging rapidly, and we were not replacing retiring baby boomers with young and new lawyers. We saw that if this continued, we would soon begin a declining trend in membership, one that might result in such a significant loss of members that the association might not survive. We urgently needed to attract young lawyers and law students who could become the sustaining leadership and membership for the next 20 years.

We talked about the groups and categories that were under-represented as members, and prioritized the groups we wanted to focus our membership efforts on over a three-year period. When we determined that young lawyers were our highest priority, we realized that we really didn't know what they wanted from a bar association, and how we could meet their needs.

We used data from a membership survey and a series of focus groups to determine why young lawyers weren't joining the bar. What we found out forced us to change the benefits we offer, and the media we use to offer.

We also realized that young lawyers perceived the bar as old, traditional, formal, slow, and this was not the image we wanted to present. So as a component of our membership efforts, we also developed a new logo and brand for the bar.

As we went through this process, we learned several things that turned out to be critical to the success of our membership drive.

It's not enough to get new members; you have to offer them services and benefits that will convince them to continue to write that dues check year after year. We did not add any new program or target any membership group until we were sure we could offer value for their dues dollar. We reallocated both staff and monetary resources to support the new services and benefits.

Value to the member is a very individual thing. We try to meet the needs of each member as an individual. We don't always succeed, but we strive to offer them what THEY want from their bar. We talk to our staff about offering service to each member, about finding creative solutions, and being responsive.

We asked our target group where they were getting the benefits and services they need. We found that there were many different commercial businesses competing with us to provide value. We then decided where we wanted to compete.

We identified and stuck to our niche of values, professionalism, and camaraderie--the intangibles that no other business can offer. We gave our target group, in this case young lawyers, a formal role in governance by creating a new board seat specifically for them. We asked for outside experts to review our operation and give us advice. We wanted objectivity, creativity, and a fresh perspective. We looked at what other bars were doing well, and shamelessly stole their good ideas.

Our efforts this year resulted in an overall membership increase to date of 7 percent. We have added 1,319 new members, most of them young lawyers. We have doubled our law student membership, and expect to double it again next year as new programs geared to law students are implemented. We expect to add another 100 members by the end of December, bringing our membership increase for the year up to 9 percent.

Our hope next year is to continue the programs implemented for young lawyers and add large law firm lawyers as the next targeted group. We need to sustain our current activities as we introduce new programs.

We have spent a lot of time and money to build a strong membership foundation that will help the organization grow. We consider it an investment in the bar's future and know that we will not realize the benefits of our investments immediately. Both the board and the staff feel that the association is in a much stronger position this year than it was a year ago today, and that we've started to recognize that creative thinking will make us stronger and more responsive to our members.

*Sheree Swetin is executive director of the San Diego County Bar Association.*