

# The Case for Change

April 8<sup>th</sup>, 2021

First, thank you for taking the time out of your busy schedules to participate in helping shape the future of the Metropolitan Builders Association. What the association has gone through in the last 20 years is nothing short of remarkable. I think on some level we all understand the challenges the industry has experienced. I would ask that you all reflect on what you have gone through personally and professionally over the last 20 years and consider the changes you have made to your own businesses or personal affairs. I believe you will find the answers will reflect a high degree of change in both arenas.

I point this out because I have heard from many people that their opinion is that the MBA has been resistant to real change and has suffered from that. In my experience, organizations will not take on the task of making real change unless the leaders and influencers support that change. To assure the leaders and influencers are supporters of the change, they must first agree on why that change is necessary and then be able to effectively communicate why the change is needed.

When dealing with organizational change there are two types of change:

- “Operational Improvement” involves performing similar activities better. This type of change tends to be the easiest and is the safe place for most organizations.
- “Organizational Transformation” is performing different and new activities. This often requires behavioral based change at an organization and, as you might guess, is the most difficult type of change.

As stated earlier, the stakeholders must have clarity of why the change is necessary. Generally, once an organization has a crisis it is easy to point to why that change is needed. For example, General Motors filed for bankruptcy following the financial crisis of 2008. Restructuring and making change to GM at that point was easier because it was clear to all those involved that without substantial change GM would not survive.

What we have at the MBA is more difficult because while we did have some tough times in 2007 – 2009 we never reached a breaking point like GM. In some ways that is good and in others it is a death by a thousand cuts. The trend at the MBA over the last 14 years has been consistent; meaning consistently down. We have hung on to yesterday with unmatched passion and now, we are in real need of a transformation.

There has never been a better time to redesign what the organization looks like. With the recent sale of our building, and a large cash reserve paired with reduced operating expenses, the time to work hard at reinventing what we look like and what we do is now.

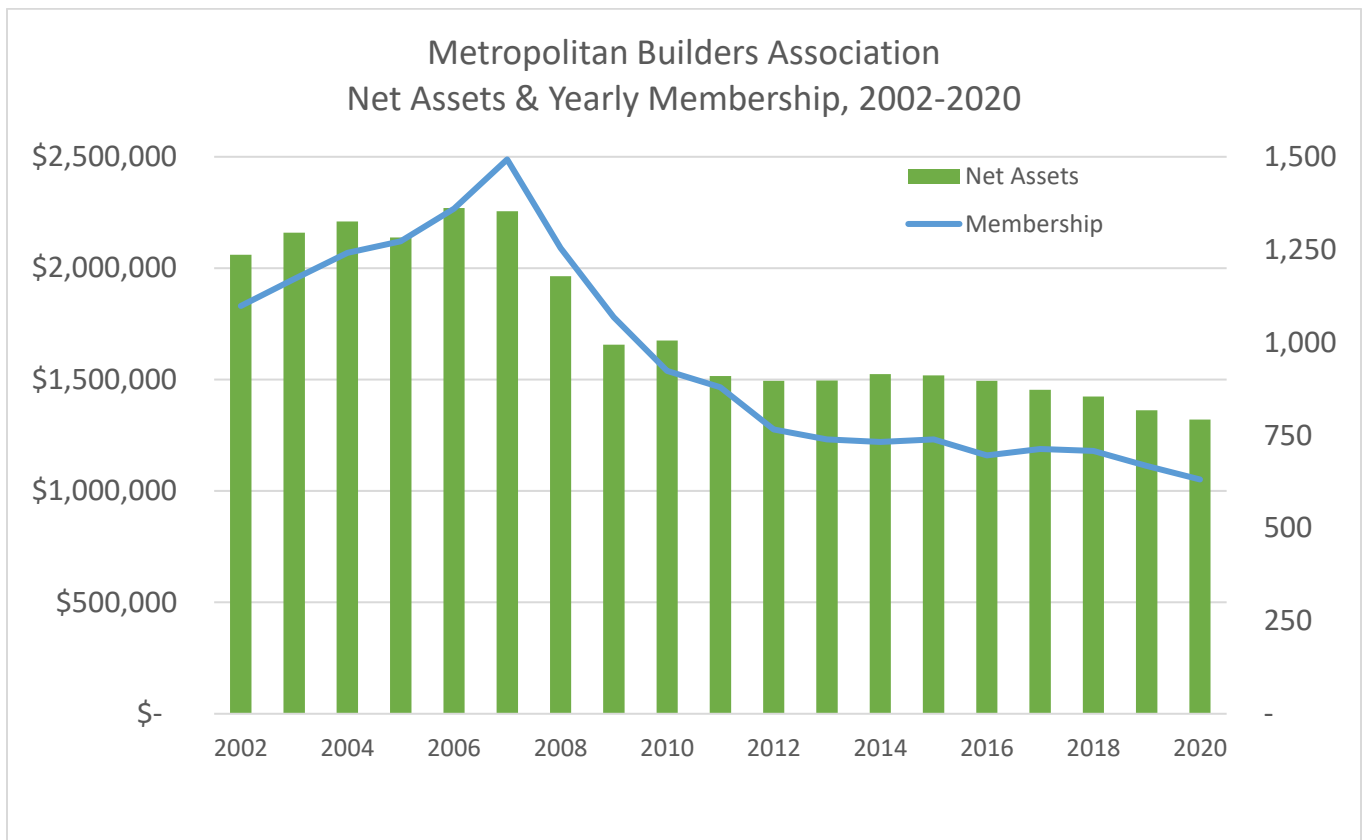
I will attempt to make the case that the MBA is in desperate need of “Organizational Transformation” to survive and more importantly be relevant in the future. I ask that you examine this with an open mind and forget personal interest or positions you may occupy currently at the MBA. The most powerful way to give the MBA what it desperately needs is to have its influencers (you) leave their personal stake on the shelf.

### “WHY”

Below you will find a graphic depiction indicating two disturbing trends. First, Net Assets (or the enterprise value of the MBA) has decreased from a peak of \$2,270,000 to its current value of \$1,320,000. This is a 42% decline in net assets or a decrease of approximately \$68,000 per year on average.

The second trend, Yearly Membership, has dropped from its peak of 1,493 to its current level of 631. This is a 58% decline in membership and represents an average loss of 62 members per year.

Both trends have shown no change as of recent.



If these trends do not scare you, they should. The reasons for the decreases are less important than the plan moving forward. I would ask that we do not spend time thinking about yesterday and focus the time we have on tomorrow.

While the membership numbers and net assets are important leading indicators, I would contend they are a by-product of our present-day situation. Currently the MBA's board and executive committee does not function in its optimal state. Meaning the work done at both bodies sometimes can be counterproductive.

In the ideal state, the board of directors should be involved in the important conversations and decisions that impact the MBA. That can only happen when the board of directors is a party to the deliberations and conversations before coming to a decision.

While these are my personal observations, I have had discussions with other members that have expressed the same feeling.

We must guard against our volunteers at all levels feeling frustrated over the time they spent on an MBA project. This is a recipe for disengagement and lack of participation.

The case that many have made for a smaller more focused board is directly related to the organization's ability to affect any type of change and must be addressed before attempting to answer some of the more pressing questions such as what does the Metropolitan Builders Association want to be in 5, 10, and 20 years.

### **The Board of Directors**

Several authors have made the case that, "A board should be large enough to get the board's work done, yet small enough to work as a single team to communicate, deliberate, and function as a single body." The literature on board size for non-profit and for-profit boards are remarkably uniform. Based on research, typical non-profit boards should be not less than 8-9 members and not more than 11-14 members. If you wish to take the time to research this before April 8<sup>th</sup>, I encourage you to do so.

Let's examine the pitfalls of a board that is too large. In groups larger than 11-14, it is difficult at best to conduct business as a single group. What happens at organizations that have large boards is that the executive committee is often used as the deliberative and decision-making body and the board of directors becomes a passive – rubber stamping body that is rarely asked for input prior to important decision making.

Members of large boards often feel their participation is limited as their opportunity to influence, contribute, and use their leadership skills to have a meaningful impact on the organization is difficult. Studies have shown that as board members feel their contributions are not impactful, absence from meetings and lack of effective preparation tends to increase. Boards that are too large lead to member disengagement; a trend we have struggled with for years. We must change this trend and reinvent how we manage and plan at the MBA.

Other "Pros" of a smaller board size include the following:

- Discussions are generally shorter and more focused
- Decision making can be faster and better
- Close bonds are typical among the members
- Each member has time to express his or her opinion
- Members tend to be more engaged and prepared
- Smaller boards often invite more scrutiny of the organization
- Boards meets more often because it is easier to accommodate fewer busy schedules

Bain Capital released a study in 2011 that stated the optimal number of people for decision making is seven (7) and every person added after that decreases decision making ability by 10%. So according to that math, a board that has over 17 members has a decision making ability of zero.

We must start with addressing the issue of the board size before moving onto any discussions on governance or strategic planning. Our ability and success to follow through on any changes to governance and or a strategic plan are directly related to a proper functioning board of directors.

There are no practical boundaries to the future design of the board of directors and the executive committee. I ask that you invest some time in the MBA and give some thought to this before April 8<sup>th</sup>. Please come prepared to passionately debate the merits of all ideas.

At the meeting on April 8<sup>th</sup>, I will ask that we stay on task and avoid discussions on things like committee chairs, past presidents, associates vs builders, and the like. These are distractions at this point and while important, they do not rise to the level of importance at this time.

### **Conclusion**

Over the last six months we have had many discussions about by-laws, board size, types of membership, dues for each type of membership, strategic planning, and other topics without progress. I would ask that you consider the ideas presented here and come to the meeting on April 8<sup>th</sup> ready to discuss the following:

1. Board of Directors purpose
2. Executive Committee purpose
3. Optimal board size
4. Make up of board members

If we can come to conclusions on the four items above, we can then start to unpack the physical by-laws, however, my opinion is that we leave that to staff.

Look forward to seeing everyone on the 8<sup>th</sup>!

Thanks again for your time.