

Rebuilding After the Storm

A good friend has asked you to join the Board of Directors of a well known nonprofit. After the first meeting you realize this once flourishing organization is trapped in a blizzard of financial mismanagement. Or perhaps you were the successful candidate for an executive director's position. The job appeared to be the opportunity of a lifetime, but after one week you are horrified to discover that you are now captain of a ship caught in a hurricane of personal conflicts.

It is a rare organization that has never gone through a period of turmoil, which may have even threatened its continued existence. Crisis can have a disheartening impact on all concerned. It can be the death knell for an organization or a time for renewal and revitalization. Many organizations have gone through this rite of passage and have become stronger, more resilient and more attuned to community needs.

For more than fifty years the Red Cross operated blood donation services in Canada. The well-reported tainted blood issue shook the organization to its roots. After a soul-searching examination the Red Cross has restructured its programs and is "on the rise again," says Janet Lalonde, Red Cross national director of public affairs. The refugee crisis in Kosovo and assistance during domestic disasters such as the Winnipeg flood are just a few of the challenges the re-focussed Red Cross is meeting successfully.

Organizational ice storms are not limited to the nonprofit world. The most catastrophic example was the 1980's collapse of savings and loans institutions in the United States at a cost of \$500 billion. The vast majority of these institutions had clean financial audit reports; most of the failures were attributed to poor practices and weak leadership. The CoCo model (Criteria of Control) was developed by the Criteria of Control Board of the Canadian Institute of Chartered Accountants following a number of such high profile corporate collapses.

It was a revelation to the accounting profession that a positive financial audit report was not a sufficient measure of a corporation's well-being. Their studies found that leadership, ethics, culture, communication and risk awareness are far more important predictors of success or catastrophe.

The CoCo model examines key elements of an organization: Purpose, Commitment, Capability and Learning. Inquiry into the

status of these four elements creates a picture of the health of the organization.

This model also provides a four stage process to rebuild an organization after a life threatening crisis. The time and effort expended on each stage depends in large measure on the type of crisis. Often, the first step is to define the nature of the crisis. As with personal crises, what at first appears to be the issue may only be a symptom of a deeper malaise.

If the understanding of the crisis remains superficial, it becomes all too easy to jump to solutions that may prove inappropriate. A lack of funding may say more about the value of a cause than the skill of its fund development staff. A thorough stage-by-stage analysis using the CoCo model will ensure that the revitalized organization is on a solid foundation.

Stage I: Defining the purpose

"The aims of life are the best defense against death." - Primo Levi, Italian Scientist and Author

The first stage in the revitalization of an organization is to examine the organization's purpose. Do key stakeholders disagree about the organization's purpose? Has the organization been diverted from its purpose? It may even be that the organization's purpose is no longer relevant. Ken Dryden, hockey hero and now president of the Toronto Maple Leafs, recently questioned the need for a National Men's Hockey Team. It takes a brave soul to question the value of a national icon.

Defining the organization's purpose can be a simple exercise or an agonizing process, but it is the essential first step. The purpose should be broad enough to allow for future unthought-of possibilities, but narrow enough to provide a clear understanding of the nature of the organization to those directly involved and to the general public.

The purpose provides a central organizing principle for the staff, Board of Directors and other stakeholders. Like a radar beacon guiding an aircraft it provides a steady sense of direction. Whenever a potential barrier arose to the planned merger of three Calgary-based non-profits - Aunts at Large, Uncles at Large and Big Sisters of Calgary and District - those involved asked themselves, "Why are we here?" The answer always led back to the common purpose: "To provide a service to

disadvantaged children." This common purpose kept discussions on track and defused many minor disagreements.

All the stakeholders must agree on the common purpose before the next step is taken in the revitalization process. Unless this agreement is endorsed by all key stakeholders, the issue will inevitably re-surface and lead to a debate that will consume time, energy and good will.

What can easily be missed in this process is identifying and then including all the stakeholders in the discussion. In a democratic world there is no greater mistake than to exclude important stakeholders. It can be an illuminating exercise to identify all the organization's stakeholders. A partial, generic list could include board members, other volunteers, staff, clients, major donors, funders such as the United Way or government, even representatives of other non-profits. Inclusion of "outside" representatives at this stage is an excellent opportunity to begin building collaborations and partnerships for the future. The outsiders will feel they have an investment in the organization's success as a result of their involvement.

Janet Lalonde outlined how outside consultants reviewed the many services provided by the Red Cross, including water safety, first aid training, home support, abuse prevention, international and domestic disaster services. These services needed to align with the Red Cross's mission -- "To serve the most vulnerable." Consultation with local chapters contributed to restructuring the organization to make it more inclusive and more responsive to community needs.

In *Beyond the Bottom Line*, a study of outstanding non-profits, Martin Sandler and Deborah Hudson describe the revitalization of several organizations that went from awful to excellent under the guidance of skilled leadership. One leader asked three simple questions to define her organization's purpose: What do we want to keep doing? What do we want to start doing? What do we want to stop doing?

These questions defined the organization's purpose, activities and direction. By asking them on an ongoing basis, the organization was not only revitalized, it stayed on the edge of innovation and creativity.

One possibility to consider at this stage is what opportunities may exist to merge with other non-profits. Another possibility

may be to become part of a larger organization. These ideas should be given serious consideration. There are more than 75,000 charitable organizations in Canada, many with very similar mandates, not to mention very similar names. Consolidation with another nonprofit has many potential advantages for enhancing an organization's service to the community. There are also some pitfalls. In considering this option, you should address two questions: Can we maintain our organization's purpose within a larger entity? Will a merger or acquisition maintain a focus on service delivery or will the new organization be so cumbersome that more time is spent managing it than delivering the service?

Once the purpose of the organization has been clearly stated, has received the endorsement of the key stakeholders and its relevance to the community has been confirmed, it is time to move to the second stage of revitalization.

Stage II: "Who Will Bell the Cat?" - Assessing commitment

No matter how noble the purpose, nothing will be accomplished unless it is backed by a strong commitment. Commitment consists of time and passion for the cause. One without the other is meaningless. A survey of board members, other volunteers and agency staff will establish the extent and intensity of their commitment to the agency's purpose. If some board members can only attend monthly meetings, it is time to look for replacements. If the executive director is planning to retire soon, he or she should depart gracefully so the agency can get on with its new reality.

People should not feel compelled to make commitments they cannot keep. A modest commitment accomplished is far more valuable than a substantial commitment never met. It is reasonable to ask for a written statement of a volunteer's commitment when they join the organization and on an annual basis thereafter. This provides clarity and minimizes misunderstandings. An intriguing way to measure commitment is to ask for a financial contribution in addition to time. The most committed supporters are those who give both time and money.

In 1995 Dianne Austin became executive director of Big Brothers and Sisters of Victoria-Haliburton in Ontario. The previous executive director had walked out the week before, there were only five Board members, the agency was only serving five matches and there was no financial reserve. Austin job-shadowed colleagues at other agencies, joined the Big Brothers and Sisters Ontario Executive Directors' Association and was

unrelenting in calling on her extensive contacts in the community. Her single minded commitment paid off. Four years later, the agency provides a valuable service to the community through a variety of programs. It has a strong board, a dedicated staff team and an outstanding fundraising program. Far from being "burnt out" after this revitalizing effort, Austin exudes enthusiasm and creativity. She believes the agency has only begun to achieve its full potential.

Commitment from outside the agency is also critical. In 1992 the Calgary Sexual Assault Centre closed its doors amid a flurry of difficulties. The need for the service did not disappear with the agency. With commitments from the City of Calgary and the United Way to support a new agency, a proposal was accepted and Calgary Communities Against Sexual Abuse (CCASA) began operation in November, 1994. Danielle Aubry, founding executive director, believes that the prior commitment of these two major funders was essential to the reintroduction of this service.

Every commitment needs to be maintained and nurtured. This is a challenge at the heart of all healthy organizations. It is no simple task, but it is far easier and more productive to keep the commitment alive than to start again from scratch. The CoCo model includes elements that are essential to creating and sustaining commitment, including: a clear statement of values and ethics, leaders who set an inspirational example, clear roles and responsibilities, empowerment of individuals to carry out their responsibilities, effective communication throughout the organization, recognition of volunteer and staff contributions, opportunities for skill development and adequate financial compensation for staff. This is a daunting list of expectations; however, there is more positive energy in addressing this list than there is in addressing the issues that will arise if it is not given due attention.

Stage III: Capability -- establishing the resources

Once purpose and commitment are clearly established, the organization can turn to the most difficult challenge -- ensuring it has the resources to fulfill its purpose. The last few years have not been kind to the nonprofit world. Diminished government support has led to increased competition for financial and human resources. At the same time, demands on services have remained stable or, as with health care, are rapidly increasing.

Generations of Canadians have shopped for and dropped off items at Salvation Army Thrift Stores. These stores provided a

valuable service to the community and gave jobs to people who had few other employment opportunities. But competition from for-profit thrift stores and increasing numbers of people living under economic pressure compelled the Salvation Army to revitalize this key element that supports many of their other services.

Captain Roy Langer, executive director of the Alberta Region of the Salvation Army Recycling, described how the Salvation Army created a four-year plan that overhauled the Army's thrift store system across Canada. The goal was to create a thrift store that anyone can feel comfortable in, whatever their social status. They have succeeded admirably. Salvation Army Thrift Stores are now as bright and open as many department stores.

"An organization is only as good as its people" -- a valid cliché. No matter what systems and structures are in place, until the right people are present the organization will never function effectively. A Board of Directors must be composed of people who have passion for the cause, have made a commitment of time, and have the capacity to grasp the issues of the nonprofit world. Their primary task is to hire the best senior staff possible. The combination of a strong board and outstanding senior staff is a strong predictor of success.

Danielle Aubry credits the Board and staff of CCASA for a large part of the achievements of the last five years. This outstanding team serves the community with counseling services and last year provided education programs to thousands of school children. Aubry was also recently recognized by the Globe & Mail for her own remarkable leadership skills.

The key resources beyond the human element are information, skills and funding. Maintaining accessible and accurate information is a major feat, even in our "information age." Yet it is essential to give people the confidence and capability to do their jobs. Skill development has to be an integral part of an organization's overall plan. Technological innovations have created a parallel stream of required skills in addition to the professional skills that are needed for the job. How non-profits acquire their financial resources is a major source of contention that will continue to provoke debate throughout Canada.

There are limits to human achievement. Unless you are a miracle worker you can not feed the 5,000 with seven loaves and seven fishes. The Calgary Regional Health Authority recently

appointed its third board chair in the past two years. It remains to be seen if the resolution of the problems besetting the health authority has more to do with human resources or insufficient financial resources. At times like these, a re-appraisal of the purpose of the organization may be required to determine if expectations need to be scaled to the resources available, no matter how wrenching a task that may be.

Stage IV: Learning from the experience

Once the repairs are complete, it is time to assess and consolidate the learning that has taken place. The elements of learning include regular reviews in which an organization measures its services against previously established standards and measures itself against its own historical performance and against the performance of other organizations. What agency has nothing to learn from another? Learning also includes being alert to new and changing external conditions that may be either opportunities or threats. The overall goal is continuous learning. The status quo is not an option.

The storms of crisis may be predictable or may arrive without warning. If the lessons have been well learned, the organization will be well prepared for the next storm and it will pass with hardly a ripple of impact. A regular review of purpose, commitment, and resources and a focus on continual learning is the best means to weather-proof an organization. Is it time for your organization to check for leaks and loose shingles?

Reaching Out

The passion people feel for their nonprofit organization can lead to breaches of moral and legal standards if the organization's existence is threatened. This may be reflected in dubious fund raising schemes, inflated statements of services provided or excessive demands on employees' time and energy.

Affiliation with professional bodies such as the Canadian Centre for Philanthropy, the National Society of Fund Raising Executives, or a national body such as the Boys and Girls Clubs of Canada helps to maintain perspective and reduce the temptation to stray from the high ground. If you or your organization do not have any such affiliations, it should be a priority to consider joining an appropriate professional body. The affiliation will ensure that you are up to date on issues of importance to your organization and will give you many invaluable opportunities for networking.

Control - The CoCo definition

Control is defined as those elements of an organization including its resources, systems, processes, culture, structure and tasks that taken together support people in the achievement of the organization's objectives.

For more information on the CoCo (Criteria of Control) model contact Director, Criteria of Control, The Canadian Institute of Chartered Accountants, 277 Wellington St., Toronto, ON M5V 3H2.

This article is one in a series being written by Jim Campbell and Sherry Ferronato, Co-Directors of a successfully merged organization, Big Sisters and Big Brothers of Calgary and Area, as part of the Muttart Foundation Fellowships. The articles explore current issues in the management of not-for-profit organizations. Special thanks to Paul Makosz of PDK Control Consulting and former chair of the Criteria of Control Board of the Canadian Institute of Chartered Accountants for his assistance in the writing of this article.