



The Muttart Fellowships

Transitions

the Art of Implementing
Positive Change

Karen Bruce, MBA



Each item in The Muttart Fellowship Products Series carries “the look” designed for the program. The concept incorporating pebbles and water fits with the Zen-like qualities of the visual identity of the Fellowship Program.

Each front-cover pebble is different—representing the uniqueness of each fellow and what s/he has to offer. Applicants are like pebbles among pebbles. After each is refreshed and renewed through the Fellowship year, s/he has an impact on the nonprofit charitable sector like the rings the pebble creates on a pond of water.

The varied use of this design recognizes the individuality of the Fellows while also creating a unified look to the Muttart Fellowship Products Series.

The Muttart Fellowship Program—unique in Canada—was created in 1996. A project of The Muttart Foundation, a private foundation based in Edmonton, Alberta, the program is designed to:

- develop research and other materials that will benefit the charitable sector in Canada.
- provide senior managers within the social-services sector with an opportunity for a sabbatical year—a chance to recharge and renew themselves.

Up to five fellowships are awarded each year to people working in senior-management positions in social-service charities within the Foundation's funding of Alberta and Saskatchewan.

During the Fellowship year, the Fellow leaves his or her agency to work on the chosen project. The Foundation makes a grant equal to the salary and benefit costs for the Fellow's position, and provides a budget for expenses related to the project. At the end of the Fellowship year, the Fellow returns to his or her agency for at least a year.

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Dedication

This book is dedicated to my two sons, Kyle and Michael: you taught me about love, imparted wisdom known only to children, and joyfully joined me on the journey of my own change process.

It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.

- Charles Darwin¹

¹ Charles Darwin, "Changing the Face of Science and Engineering: It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change." *American Scientist* (September 1, 2002). <http://www.findarticles.com/> (accessed February 3, 2006).

Acknowledgements

I have been blessed throughout this journey of my life with many great teachers. Some who graced the classroom, some who passed through my life, albeit briefly, and many others who stayed and have become close friends. These teachers taught me what they could, learned what they needed, and enriched us both through this very powerful exchange.

If life is a journey through the process of learning, then these teachers are really the key to living. I would like to take this opportunity to acknowledge those teachers who have unlocked so many doors.

The Muttart Foundation Board of Directors and Bob Wyatt, its executive director, for providing me the opportunity to undertake this sabbatical and the encouragement and support to finish what I started.

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Marg and Roy Brown, my parents. Though neither one still resides on this earth, I hope that in some small way this work by their daughter will be a very small recompense for the loss many years ago of their son, David.

Katherine, for always being willing to ride off in the sunset with me on our motorcycles when the stress of finishing this book was too much.

Nancy, who taught me that it takes a concerted effort to maintain a long-term friendship. That effort was worth it.

Amanda, Jennifer, and Katie for sharing their dad with me and shaping him to be the wonderful man he is today.

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Rob, who encouraged me through the last 20 years to become the best I could be. This book would not have been possible without that support.

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Lana, Linda, Jackie, and Vaun. Businesswomen whom I admire and count as my friends. They have taught me that business has a purpose beyond profit and life has a purpose beyond business.

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Cindy and Gary. Friends who still provide wisdom and guidance through weekly contact.

Dave and Neal. You were both the inspiration for the swimming metaphor to illustrate a change process. Without both your support and encouragement I wouldn't have had the courage to enter my first national swim competition.

George, a man after my own heart when it comes to traveling the world.

And in memory of Gerry, a dear friend who died before his time. A true teacher and ally that refused to let me take any shortcuts through my journey. I still miss your wise counsel.

Preface

Come to the edge," he said. They said, "We are afraid." "Come to the edge," he said. They came. He pushed them... and they flew.

- Guillaume Appollinaire²

This is a story about transition and change. On a professional note, nearly four years ago the Alberta and Edmonton safety councils began discussing the possibility of merger. Today, the two organizations are one and the merger is complete. The process the two organizations went through was not easy, and the issues they faced through this change were the catalyst for this book.

When I first approached The Muttart Foundation with the idea of a project on change, it was because of my experience, or lack thereof, in initiating a major change process within my own organization. In hindsight, I was totally unprepared for the major shift the organization needed in order to make the merger work. I did not face the difficult issues inherent in implementing a major organizational change alone. The literature in fact abounds with books on change theory and implementing change within business organizations. My own experiences, and the examination of the mergers of six nonprofit organizations into three new agencies, clearly indicate that change processes, including mergers, must consider the needs, wants, and fears of one of its most important resources—its people.

As part of The Muttart Foundation project, I engaged a research partner named Mark Biddle, a University of Alberta doctoral candidate. His expertise proved invaluable in setting up the interviews and developing the case studies. As well, he helped to ensure that the comments made in this book accurately reflect the study results.

The research conducted involved six organizations. Each had worked through a change initiative—a merger. In reflection, each key “player” involved in the merger unanimously said, “If only I had known more, it could have gone better.” This project attempts to answer the question: What knowledge or skills did they lack?

One personal point of interest is that my organization’s merger began on precisely the day that I began my MBA. As I worked through the MBA, I worked through the merger. Ironically, the last course in my program was a course on understanding change. If only it had been first, what a difference it could have made. I might not have lost some good staff and would have had a much better understanding of why “they weren’t getting it.”

A merger can be one of the most complicated and difficult change initiatives to undertake, because it involves a process that goes right to the heart of the organization. Beyond the myriad of details relating to an organizational merger, combining two organizations requires change in long-imbedded cultures, human values, and organizational procedures. At an individual level, a merger threatens the

² Kevin Cashman, *Leadership from the Inside Out* (Provo, UT: Executive Excellence Publishing, 1999), p. 202.

basic needs and wants of the individuals who work within the nonprofit. It threatens their sense of belonging, freedom, autonomy, and even their perceptions of the workplace “fun.”

A lack of knowledge and communication, compounded with constriction of time and economics, often downplay the need to care for individuals. In the process, the emerging organization creates a false culture. As real as this culture may seem at the time, it cannot sustain itself. To believe in the culture produced at this time of change is to be deluded with a false sense of security.

True understanding of the change processes must go beyond the myriad of books, theories, and experts who have written and spoken about change. The case studies coupled with my personal experience clearly show that it is not the organizational structures and systems—albeit legal, financial, or policy issues—which are the most difficult issues with which to grapple. Rather, what took the initiators of the mergers by surprise were the relationships between people and their fear of change. An organization without its people does not serve its community. Understanding change is another way to improve what we already are doing to make our community a better place to live and to ensure that clients are well-served.

Change does not occur easily even for those in managerial or leadership roles. Throughout my research, I looked for the magic key, the one guru who could provide a set of blueprints guaranteeing success. However, no magical panacea emerged. No step-by-step process guarantees that it all will work out. But the more knowledge leaders have about change, the easier it is for them to understand the difficulties inherent in undergoing a major change.

As leaders face organizational change, they may be filled with fear at times. They must be sensitive to those who make an organization function—its people—and then prepare to jump into the void. In the face of this, I leave you with a paraphrased version of the beautifully crafted “Parable of the Trapeze” from Danaan Parry’s book, *Warriors of the Heart*. In reading both, I hope to give you the confidence to turn fear of transformation into transformation of fear.

In his “Parable of the Trapeze,” Parry describes life as “a series of trapeze swings.” For short times, a person hangs on dearly to the current trapeze bar, feeling that it is reliable, and that life is under control. But then comes an empty trapeze bar, the bar one must grab to grow and move forward. And, in order to grab it, one must let go of the familiar and certain. Although transition from one bar to the next happens over and again, it always terrifies. In those transitions, in that void between letting go of one trapeze bar and grabbing the next, says Parry, “are the most alive, most growth-filled, passionate, and expansive moments of our lives.”³

Taking a leap of faith into a change initiative requires leaders to cast off the old and reach for a new bar. What if the bar is not there? In Parry’s words, “If the trapeze isn’t there—then you just might have the amazing privilege of experiencing the power of flight.”⁴

³ Danaan Parry, *Warriors of the Heart: A Handbook for Conflict Resolution* (Washington: Earthstewards Network Publishing, 1997), p. 84.

⁴ Ibid.

Chapter 1

Window of Opportunity

John Bancroft stared out the window of his high-rise office. His office was located in the most prestigious area of downtown and had a commanding view of the river valley. His thoughts though were not on the riot of colours spread out before him on this beautiful fall evening but on the organization he served as chairman of the board—the Metropolitan Boys Club. Early next week the board would meet to discuss the organization’s future. The Boys Club faced an impending financial crisis. Bancroft believed that it was a great little organization with heart but that it was burdened with too much overhead for the size of its programs and the number of children it supported. The choice was simple: grow bigger, get smaller, or—as in the case of a similar organization with similar issues, the Boys Friendship society—collapse.

John did not want to see the organization disappear. The Boys Club had served the community well for nearly 15 years by providing a mentor-matching service for over 200 children. The need for mentors was growing annually, not shrinking. Three years ago, the Boys Club had taken over all the clients from another organization, the Boys Friendship Society, following its collapse due to lack of funding. A commitment had been made to take on the extra clients without increasing fees—a decision that was proving costly. Compounding this concern was the fact that the club’s executive director recently resigned to move his family to British Columbia to assume a similar position with its provincial organization. While this was a good career move for the former executive director, it left John’s organization without a leader. John also knew that his major funding source was made up of several of the community’s top businessmen, and they wanted to see quantifiable results from the money they were donating to the organization. His own board was made up of some of the funding organization’s members, and he knew they were being pressured to provide answers about the Boys Club’s high overhead. Threatening to pull their financial support, the funding organization wanted a concrete business plan in the next three months. This was no idle threat; they had pulled funding from another organization nearly a year ago over similar issues. In an effort to partially address the issue, the board of directors had decided not to rehire immediately, allowing time for the club to consider its options. The club’s program manager had agreed to take on the role of acting executive director as well as continuing in her current position. It was a short-lived solution, as she was finding it difficult to keep up with the extra workload despite John’s nearly daily assistance for the last two months. The decision not to rehire an executive director immediately was taking a toll on both his professional and personal life.

Pausing to sip his coffee, John glanced at his recently framed MBA hung proudly on the wall beside his desk. How eagerly, he mused, he had assumed the chairmanship role in an attempt to put some of his newly-acquired knowledge into practice. The challenge was proving more difficult than expected. His board of directors, made up of many retired but highly skilled people, was entrenched in old ways of doing things. They were reluctant to embrace change even though the organization faced a potential funding crisis.

Again, John glanced at the embossed certificate. His last course had been on managing change. He had recently e-mailed his former professor to see if she could provide some ideas that would help move his board and his organization forward.

John sat back in his chair and flipped on the radio to turn to his favorite program, “In the Community.” He always enjoyed listening to the interviews, which focused on nonprofit organizations and their work. It was always a positive, upbeat show. Maybe hearing some of the positive things happening in the community would take his mind off the troubles in his own organization. After 15 minutes of listening to the first interview, John’s excitement rose. He reached for the phone and dialed the radio station’s phone number.

The Radio Show

Kathy James, recently hired as the executive director of the Metropolitan Girls Club, was preparing for her first appearance on a local radio show. She told herself that she had nothing to worry about. She had talked to the producer about the questions that would be asked and, from listening to the show in the past, she knew the host was very good at making his guests feel at home. As a former social worker, Kathy recognized she had little experience with the media. She hoped this interview would give her more confidence to cope with recent media calls over the organization’s current funding situation. Rumours had been flying that the organization was near collapse because of a major funder’s decision a year ago to pull its support. She did not want to come across on the radio as just another charity whining for more money, but she knew the situation was grave. She had worked with some of the young women that the organization had helped and knew personally how important the services were to the clients. Though they had lost a major funder, she recently had been able to acquire a \$250,000 grant. It had restrictions, however, on how the money could be spent. She hoped that the show might provide an opportunity for her to deny the rumours of imminent collapse, thereby reassuring both the clients of the Girls Club and her board of directors.

Kathy smiled at the thought of her female board of directors. What a crew they were: strong women from the community who believed wholeheartedly in the

program. Beyond providing direction for the organization, they were willing volunteers who shared their services regularly. Following the withdrawal of funding last year, and the executive director's subsequent departure, they had, in an attempt to reduce overhead, filled the position with board volunteers. Kathy had barely unpacked her moving boxes when the board had given her the mandate to set a new direction for the organization. Their exhaustion was evident.

She had carefully examined the previous executive director's notes. He had attempted to initiate collaborative projects with similar organizations. But once these projects were completed, each organization had gone its own way. At some point discussions about the possibility of a merger had been toyed with, but they had failed early in the process when neither board could agree on which executive director would lead the new organization. Flipping through the notes, Kathy had wondered if egos had played a role in the collapse of the talks. Perhaps a more collaborative approach would have worked.

With anticipation and trepidation, Kathy parked her car outside the radio station. A social worker by training, she had never run an organization before, although she had experience on several boards. Her first decision to take an introduction to nonprofit management course to better understand the nonprofit sector had been a good one. She had hoped her professor would be able to provide her with some relevant material. Time was of the essence; even though they had a small funding cushion, it was being eroded by increasing costs. As Kathy entered the radio station, she wondered what opportunities lay ahead.

Carol Bremner looked at the large stack of case files in front of her. It was 7 p.m. on a beautiful fall Friday evening and once again she was working late at the Metropolitan Boys Club. No one was in the office, as all the staff had left to get an early start on the long weekend. It seemed there was never enough time to meet all her new responsibilities as acting executive director and still keep up with her case file workload. The extra money the board offered to take over the duties as interim executive director was certainly welcome, as she was living alone. Even with John Bancroft's extra help, the pace was exhausting. They were both in a burnout situation. She could not help feeling slightly resentful that she was doing two jobs for less money than the former executive director got for just doing his. She had discussed with John the possibility of taking over the executive director's position when the board decided to fill it, but he had been vague and non-committal. She loved working for the Metropolitan Boys Club. The organization had become a passion since she had begun as a receptionist nearly eight years ago. She had worked hard to become a manager responsible for 10 other caseworkers. An office manager handled the day-to-day details of running the office; an accountant and information technology coordinator rounded out the team. It had saddened her to see Frank, her former boss, leave to take on a new challenge in British Columbia. She had wished at the time she could have followed him.

Today's tasks left no time for reminiscence or regret. Rumours were circulating that a major funder was considering pulling funding because of high overhead cost, and John had asked her to work on a business plan reflecting the consequences to the organization if that occurred. It was to be presented to the board early next week. Carol sighed and grabbed the top case file. She had been hoping to get to the pool to swim off some of her stress, but it looked as if she would not make it once again. She enjoyed the camaraderie of her masters swim club, and it was nice to be able to discuss issues when everyone stretched in the hot tub after the workout. She remembered that one of the swim club members really helped her out with a problem she had with one of her caseworkers. Jean had made some excellent suggestions on how to handle a difficult situation. Maybe next swim practice she would pull Jean aside and ask if she might be willing to go out for coffee and help with some of the issues she was facing. With all her expertise working at the local college, she might be able to at least point her in the right direction.

Window of Opportunity

The producer of the radio talk show "In the Community" was overwhelmed with the number of calls being fielded with the current guest, the executive director of the Metropolitan Girls Club, Kathy James. Kathy was good. She was articulate, bright, and, most importantly, able to handle all the questions being thrown at her from people worried about the possible demise of her organization. Obviously people were concerned and wanted the organization to continue. The latest call though had him in a bit of a quandary. The man on hold wanted to talk to Kathy off-air. It was against station policy because it tied up phone lines and on air callers could not get through. But the man sounded legitimate and maybe this one time he could allow it.

"Kathy, I'm John Bancroft, the chairman of the board of the Metropolitan Boys Club. It sounds like we have several issues in common...we should talk."

Through the glass separating him from the host and the guest, the producer noticed that Kathy's face lit up with the off-air caller. Maybe, he mused, he had done something right, and the host would not call him on the carpet for allowing the caller. Five more minutes of the show and then he was off for the weekend. He already was planning the great time he and his son would have riding their dirt bikes in the mountains.

The Meeting

Kathy James and John Bancroft met early Monday morning in John's office. They had scheduled the meeting early, before his assistant would be in. He had picked up pastries and coffee for the meeting. John was excited; he had never really considered the possibility of merging with another organization as a solution to his organization's issues. He had not even known the other organization existed. Old board minutes showed that they had collaborated some time ago on several programs—old history perhaps the former chairman thought he need not know. Holding up his right hand, he ticked off the positives of a merger: the executive director position with his organization was unfilled; the two programs provided similar services; both met similar community needs; recent changes in government funding structures were forcing change; and the merger might allow for additional team-building. Frowning, he raised his left hand and ticked off the downside: both boards might resist this major change; potentially different organizational cultures were possible; potential job losses; the need for a strong leader to make it work. Finally, did he have the energy to see it through?

Kathy James drummed her fingertips on the top of her steering wheel. She was caught in a traffic jam, once again. How could it be so busy so early? The Metropolitan Boys Club is the very organization her club had approached several years ago to look at merger, but, because there were two executive directors, discussions fell apart. What had changed? Her excitement rose as she switched lanes and the traffic seemed to ease a little. A collaborative partner was ideal, but a merger? It might be possible. The programs of the two organizations were similar and really only differentiated by gender. Did they not both face reduced government funding, increasing overhead costs, private sector competition, funders looking for tangible results, and the need to serve more clients with less money, the need to better understand the business side of running a nonprofit organization?

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She had reached the parking lot at John's building. Getting out of the car, Kathy propped the parking ticket on the dash and grabbed her briefcase. If this works out, she laughed, John and I will have the producer of that radio show to thank.

John Bancroft looked at his watch with surprise. Two-and-a-half hours had passed, and the meeting with Kathy James finally ended. He really had enjoyed their discussion, and both had seen distinct possibilities with the idea of merger. The discussion had raised other issues that he had not considered. His organization was much larger, and, if he initiated discussions with her board, it might look like a takeover situation rather than a merger of equals. Both organizations were in a state of flux. One was overloaded and the other unable to grow because of financial restrictions. While the Boys Club was larger financially, the Girls Club had a large volunteer base and an executive director with some new ideas. Initial discussions showed the internal cultures of both

organizations to be similar. The cultural differences between the boards were quite obvious. His board would see the women's group as "touchy feely and just a bunch of do-gooders." The women's group would certainly see his board as an "old boys club," with no interest in anything that would change the status quo. Lines drawn on narrow views. Looking at it from another angle, the experience he and his board have in the business world could help design a plan that would utilize both business theory and the actual experience of running a nonprofit organization.

Kathy had agreed that convincing their respective boards that a merger might work could be a difficult sell. She had arranged to talk to a local foundation that provided financial support to organizations looking at mergers. Kathy felt that, if a professional was hired to do a preliminary feasibility study, her board might be willing to take the merger issue more seriously. Either organization could back out of the talks after the preliminary report was finished, as they had made no commitment beyond agreeing to discuss the issue. She felt this might alleviate some of her board's concerns about a takeover and allow people to get their thoughts and feelings on the table safely. John agreed that his board would look favorably on a professional approach to merger discussions and would prefer to see everything presented like a business case.

After talking to Kathy about some concerns of initiating such a large change project, John had suggested discussing ways of initiating change in the two organizations with his professor. He had agreed to share by e-mail any material he received. Both John and Kathy had decided it would be prudent to float the concept of starting merger discussions with some key people on their respective boards of directors. Both knew that, without additional support, the idea would die quickly at the board level. They both left the meeting with an upbeat feeling but also with the knowledge that they had a huge task ahead of them.

The Response

Kathy James was pleasantly surprised with the initial response from three key players on her board of directors. Two out of the three recalled previous discussions regarding the possible merger with the Boys Club. The foundation Kathy had approached to assist with the discussions readily agreed to host the initial meeting. After an hour-long discussion, the three directors gave Kathy the go-ahead to talk further with both John and his board. They also had set out underlying principles that they would not waver on: the partnership or merger must improve the chances of sustaining services for the clients; continuity of the programs currently offered was required; no staff would lose jobs; and board values must be maintained. One director was concerned that the Boys Club may be interested only in acquiring the restricted grant the Girls Club had just received and that the whole idea sounded like a takeover in her mind. But Kathy

had talked her into keeping an open mind about the proposal and said that she would have the opportunity to address all issues appropriately at the appropriate time. Kathy looked up John's number to talk to him about her positive response.


John was looking out the window bleakly. His board's initial response was anything but positive. The three directors with whom he discussed the idea were concerned that they would be taking on a poorly funded organization that had been run into the ground financially. John knew funding would be an issue with his directors, but he thought his board could look beyond it and see the positive aspects of merger: the potential synergies, the reduced overhead, and—most importantly—improved services to the clients served by both the girls and boys clubs. Not just reluctant, his directors were entrenched. The only good news was that his treasurer supported the idea, and he knew his treasurer carried a lot of weight on the board. But even he had been concerned about funders not being included in the discussion. He worried that, since the funders had cut funding to the Girls Club, they may take the opportunity to cut funding to the Boys Club if the two clubs merged. John had agreed to contact key people in the major funding group to get an initial understanding of their views about the proposal.

John's discussion with funders had lifted his spirits. They expressed enthusiasm about the synergies possible between the two organizations. One funder had even stated that a merger might reduce the confusion in the community about two organizations providing similar services. John had never considered that angle. John felt that, if he could get his major funders on board or at least agree on the merits of the proposal, perhaps his board members might be more willing to continue discussions. Funders even might be open to reinstating funding to the Girls Club, if they saw the move as proactive and were allowed input in crafting the end results. Even an initial scan of the financial documents showed that combining the programs could cut overhead costs by reducing the number of facilities from three to one and eliminating costs associated with duplicate reception, information technology, accounting, and program management. But that move could mean layoffs in both organizations. The Girls Club's rich bank of volunteers could be utilized to run the matching service for the children, freeing staff to ensure that program quality was maintained and funding development pursued.

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The phone rang, and, as John picked it up, his mood improved. "There will be people with negative views on the proposal and I will just have to accept that," he thought. "I will have to sell them on the merits of the proposal. It will be the only way of winning them over."

The E-mail

From: JBancroft@tgid.com
To: KJames@tgid.com
CC:
Subject: Theories on Managing Change
 Theories of Change.doc

Kathy, it was so good to hear your voice yesterday. You were in such a positive mood about the great response you got from your board that I felt much better about the negative ones I received. Oh well, onward and upward.... By the way, my professor was quite interested in what we were proposing as her area of study is nonprofit management. She responded to my request for help by sending me material on change models. She couldn't find any models of change specifically aimed at mission-based organizations like ours. She suggested we read over the attached material, use what works and throw out what does not.

She asked that, as we work through this process, we keep notes on what happened, what worked, and what did not. She thought it would be a wonderful research project for some time in the future. Great! She is going to use us as guinea pigs.

Well, Kathy, a window of opportunity has opened; I guess what we do with it will be up to us.

Regards,
John



*Change is the timeless
interplay of the forces of
creation and destruction.*

- Janet Feldman⁵

Theories of Change

The many change management models available include such well-known ones as Tushman and Romanelli's "Metamorphosis Model" and Bartunek and Moch's "The Three Orders of Change." While these change management models have excellent suggestions and interesting ideas, they share one thing: the belief that no right or wrong way to initiate change and no perfect model exist. Some common strategies, however, can be used to help make the change initiative successful. Change can be understood, in some ways maybe even directed, but never truly controlled, as people would like it to be. Mintzberg said, "(The) best way to "manage" change is to allow for it to happen."⁶

The following theories of change provide an excellent starting point for a clearer understanding of the process that can be utilized to help support a successful change initiative.

The first of the models is John Kotter's eight-step model for transforming organizations. Kotter developed this strategic model after studying more than 100 organizations that varied in size and industry type. He developed it in an attempt to show how to avoid major errors in the change process. Kotter's study of the organizations revealed two key lessons learned: a change initiative goes through a series of independent phases and mistakes made in any of these phases can have an impact on the momentum of the process.

The second theory is Beer and Hoshida's "Theory E and Theory O." This model is important because it incorporates another concept of change not discussed by the other models. This second model starts the change process by first exploring change based on economic value (Theory E) or change based on organizational capacity (Theory O). The last model encourages organizations to decide the form the change initiative will take before embarking on the process.

A third theory of change (Jick's theory of change) deviates from both of the models above in one important way: it allows time for reflective thinking throughout the process. People are encouraged to adapt to the new learning so that the change initiative itself becomes a study in change. While this theory is important, it will not be described in further detail because of the minor deviation from the other two.

⁵ Cashman, *Leadership from the Inside Out*, p. 88.

⁶ H. Mintzberg, *The Structuring of Organizations*, (Englewood Cliffs, NJ: Prentice-Hall, 1979), p. 125.

Descriptions of the Two Major Change Models (Kotter's and Beer and Horia's)

Kotter's Eight-Step Process for Creating Major Change

1. Establishing a sense of urgency
 - Examine the market and competitive realities.
 - Identify and discuss crises, potential crises, or major opportunities.
2. Creating the guiding coalition
 - Put together a group with enough power to lead the change.
 - Get the group to work together like a team.
3. Developing a vision and strategy
 - Create a vision to help direct the change effort.
 - Develop strategies for achieving that vision.
4. Communicating the change vision
 - Use every vehicle possible to constantly communicate the new vision and strategies.
 - Have the guiding coalition role model the behaviour expected of employees.
5. Empowering broad-based action
 - Get rid of obstacles.
 - Change systems or structures that undermine the change vision.
 - Encourage risk-taking and nontraditional ideas, activities, and actions.
6. Generating Short-Term Wins
 - Plan for visible improvements in performance, or "wins."
 - Create those wins.
 - Visibly recognize and reward people who made the wins possible.
7. Consolidating gains and producing more change
 - Use increased credibility to change all systems, structures, and policies that do not fit together and do not fit the transformation vision.
 - Hire, promote, and develop people who can implement the change vision.
 - Reinvigorate the process with new projects, themes, and change agents.
8. Anchoring New Approaches in the Culture
 - Create better performance through customer- and productivity-oriented behaviour, more and better leadership, and more effective management.
 - Articulate the connections between new behaviors and organizational success.
 - Develop means to ensure leadership development and succession.⁷

⁷ John P. Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996), p. 21.

Theory E and Theory O

Theory E is change based on economic value. The concept is that shareholder value (in a for-profit company) is considered the only legitimate value of corporate success. Organizations could use this model if they are in financial distress. This model is guided from the top down and usually involves drastic layoffs, downsizing, and restructuring, and, in for-profit companies, the heavy use of economic incentives to save the company from collapse. Theory O, on the other hand, is considered the “soft” approach to change; the goal is to develop corporate culture and human capability through individual and organizational learning. This theory encourages feedback, reflection, and further changes.

In an article entitled “Cracking the Code of Change,” authors Michael Beer and Nitin Nohria provide a comparative analysis of the two theories.⁸

Dimensions of Change	Theory E	Theory O
Goals	Maximize shareholder value.	Develop organizational capabilities.
Leadership	Manage change from the top down.	Encourage participation from the bottom up.
Focus	Emphasize structure and systems.	Build up corporate culture: employees' behaviour and attitude.
Process	Plan and establish programs.	Experiment and evolve.
Reward System	Motivate through financial incentives.	Motivate through commitment—use pay as fair exchange.
Use of Consultants	Use consultants to analyze problems and shape solutions.	Use consultants to support management in shaping its own solutions.

⁸ Michael Beer and Nitin Nohria, “Cracking the Code of Change,” *Harvard Business Review* (June 2000), p. 137.

One of the most interesting discussions about this model is the understanding that, in most cases, a major organizational change initiative usually does not attempt to mix the two models unless this is chosen as a deliberate strategy. Sometimes melding E and O theories can bring the worst of both and the best of neither. If an organization is facing financial crisis, it is not usually the time to try to implement a new corporate culture based on organizational and human learning. The long-term “soft” approach may be inappropriate in a time of financial crisis. Many companies have tried to utilize the Theory E approach to extricate themselves quickly from a financial crisis but try to disguise it by selling it as Theory O. While the two can be combined, it takes a very clear understanding of how the two theories can be combative in nature. The third column in the following chart details the dimensions of change when both theories are combined.⁹

Dimensions of Change	Theory E	Theory O	Theories of E and O Combined
Goals	Maximize shareholder value.	Develop organizational capabilities.	Explicitly embrace the paradox between economic value and organizational capability.
Leadership	Manage change from the top down.	Encourage participation from the bottom up.	Set direction from the top, and engage the people below.
Focus	Emphasize structure and systems.	Build up corporate culture: employees' behaviour and attitude.	Focus simultaneously on the hard (structures and systems) and the soft (corporate culture).
Process	Plan and establish programs.	Experiment and evolve.	Plan for spontaneity.
Reward System	Motivate through financial incentives.	Motivate through commitment—use pay as fair exchange.	Use incentives to reinforce change but not to drive it.
Use of Consultants	Use consultants to analyze problems and shape solutions.	Use consultants to support management in shaping its own solutions.	Use consultants as expert resources who empower employees.

⁹ Ibid.



The Plan

John Bancroft was enjoying his first cup of coffee of the day. It was early Saturday morning, and he was at home in his den with the material the professor had sent him spread out on his desk. John had wanted to get at least a couple of hours of work done on the merger proposal before his daughters got up and he spent the rest of the day carpooling each one of them to whatever sport they were playing today. Swimming, soccer, baseball—it seemed to be a never-ending round of trying to be in three places at once.

He had thought carefully about the material sent to him the other day and wondered if the change initiative could be worked through step by step. Both major change models were useful but did not really seem to fit the situation facing his organization. That was the trouble with models; they rarely fit the need perfectly. He agreed with his professor that Theory O and Theory E models were really interesting but knew from his business experience that all change initiative in a for-profit company really was aimed at improving shareholder value. Maybe, he thought, changing Theory E to short-term financial crisis and Theory O to long-term organizational capability might be a better fit. He also knew that it was imperative in any change process to establish a sense of urgency; if not, organizational inertia would develop and the whole process would come to halt. John wondered if he could design a new change model chart that would combine the two theories with some thoughts of his own into something that would work for his organization. After a few hours of cutting, pasting, and revising, he had the semblance of a chart. He liked his theme for the first phase of the change initiative—window of opportunity—it seemed to fit. John looked at the chart and felt it was a good place to start.

He heard his daughters starting to stir and knew it was time to get breakfast under way. With a quick e-mail to Kathy, he attached the chart and sent it on its way. Looking at his empty coffee cup, he decided it was time for a refill.

The E-mail

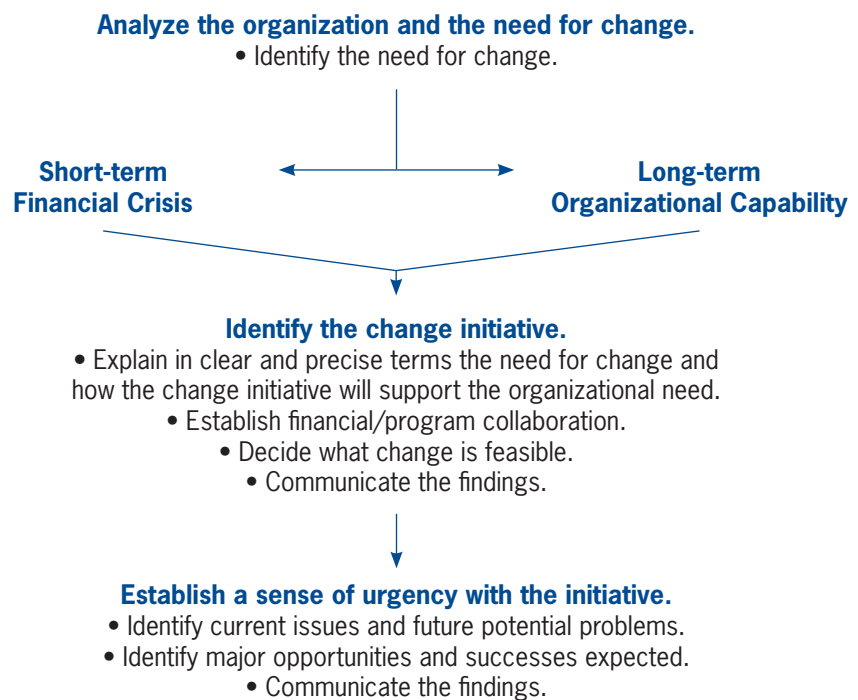
From: JBancroft@tgid.com
To: KJames@tgid.com
CC:
Subject: Window of Opportunity
 Window of Opportunity.doc

Kathy, I am e-mailing you a chart that I have entitled Window of Opportunity. I believed it puts down on paper some of the discussions we have had on this process. Read it over and see what you think.

John



Window of Opportunity



The Discussion

The characters are fictional and the situation is a compendium of discussions with 10 people from six nonprofit organizations interviewed as a research project for this book. I have also included some of my own experiences with the change initiative undertaken by the Alberta Safety Council.

Our study results showed that, for a significant change initiative to occur, a window of opportunity must exist. Like our fictional characters, John and Kathy, many of the executive directors and board chairs that my research assistant, Mark Biddle, and I talked to stated that, in their own case, the most common driver for the change initiative was financial—either or both of the organizations were in financial crisis. As highlighted in the above fictional story, other reasons also were cited: future financial issues, change in sponsorship, past program collaboration, exhausted boards, change in leadership, exploration of current synergies, funders, founders, searching for a “values”-based partner, identity crisis, organization readiness, and good timing.

Although, for some, the financial crisis seemed disastrous, in all cases this strong need to initiate change was the key driver behind the success of the mergers. As shown in our fictional character, John’s model, without the presenting “crisis” or urgency, no impetus for change exists. This supports an interesting theory of change currently being studied by Meg Wheatley called the “Chaos Theory.” She believes that people in the past have seen organizations as machines and human beings as parts of those machines. Instead, she believes that we must begin to look at organizations as complex living systems and utilize the management metaphor not from machines but from the way living systems organize, re-organize, and manage themselves. Wheatley believes that chaos is a critical part of the process by which living systems constantly re-create themselves. Leaders often consider chaos as a loss of control, and, when chaos erupts, they rush into trying to save the group from confusion. This would be an accurate response if organizations were machines rather than complex living organisms with extraordinary flexibility, resiliency, and adaptability to change. Our mistake is not letting organizations stay in the chaos zone, allowing time for self-re-organization. Wheatley states, “You can’t self-organize, you can’t transform, you can’t get to bold new answers unless you are willing to move into that place of confusion and not-knowing which I call chaos.”¹⁰ This is the place, she believes, where real transformation takes place.

Like the fictional characters, several people studied had tried to initiate a merger previously. However, the impetus or crisis was not strong enough to make it a driving force for immediate implementation. It took the right people, the right timing, and, in some cases, impending financial pressure to force the organization to overcome initial inertia and plan for a change process. The radio interview in the fictional story was a real-life situation in our research. It struck me at the time how in most cases timing and luck seemed to have played a major part in the process.

¹⁰ Joe Flower, “The Power of Chaos,” *The Healthcare Forum Journal* 36 (1993), p. 10.

People need to know why they need to change, be very clear about why and what you are doing, and call the change what it is.

- Change Consultant

The second theory of change, “Theory E and Theory O,” talks about making sure that the reason for change is clearly understood. This is true whether the change is for financial reasons (Theory E)—where a change process aimed at short-term change would be employed—or if change is needed to improve organizational capability (Theory O) where a strategy for long-term change is required.

We know that a window of opportunity must present itself before a change initiative can be undertaken. That opportunity must be clearly identified, understood, and communicated. Nevertheless, recognizing a window as an opportunity and not a crisis is not always easy.

Assessing Opportunities

For many organizations, the lack of opportunities is not the issue, but rather the myriad of opportunities from which to choose. A decision must be based on sound research to ensure that the proper choice for the organization is made. Assessing opportunities can be a study in itself, and many large organizations have an entire team of people doing just that. These research and development departments usually have a budget line and considerable funds to study the organization’s future. But few nonprofit organizations have this type of budget, much less the experience, to tackle the task of assessing opportunities.

Financial Concerns

One concern raised in our fictional story was the potential loss of funding from a major support group. The characters’ decision to approach the funders proactively rather than reactively was seen as necessary to ensure that concerns about the potential merger could be addressed early on in the process.

The use of fundraising to enhance market position is a business practice unique to nonprofit organizations, particularly charities. Due to beneficial tax deductions, Canadians are encouraged to donate to their favorite charity. A 2002 Decima Research Inc. survey shows that Albertans are Canada’s most generous donors. While Canadians as a whole claimed an average of \$472 in charitable donations on their tax returns, the average Alberta tax claim was \$779—followed by \$542 for Ontario, \$532 for Saskatchewan and Manitoba, and \$494 for British Columbia. Quebec residents had the lowest average claim of \$240. Of the Albertans surveyed, 51 per cent said they claimed charitable donations on their taxes.¹¹ Yet, while Canadians are increasing their donations annually, those donations are nearly 70 per cent less than the donations made by their American counterparts. A study done in 1995 by The Centre for Voluntary Sector Study reveals that individuals give only 10 per cent of the funds raised by charities; the rest is divided between government, business, foundations, other charities, and

¹¹ “Albertans dig deepest for charitable causes,” *Edmonton Journal*, April 9, 2003, p. A10.

fees for service. The following chart shows that, despite the widespread belief that most of money raised by charities is through individual giving, in reality the large majority of charities still depend on government funding.

Where Do Charities Get their Revenues?¹²

	Where charities actually get their revenue		Where the public <i>thinks</i> charities get their revenue	Where the public <i>thinks</i> charities should get their revenues
	Dollars	Percent		
Government	48.9 billion	56%	15%	21%
Individuals	8.2 billion	10%	33%	24%
Business	1.2 billion	1%	10%	20%
Other Charities	2.1 billion	2%	0%	0%
Foundation	0.4 billion	1%	29%	18%
Other (fees, etc.)	25.7 billion	30%	13%	17%

Which Level of Government Provides the most Funding?

	Amount (millions)	Portions of all revenues	Portion of government only
Federal	\$5,331	6.20%	10.90%
Provincial	\$41,205	47.60%	84.30%
Local	\$2,325	2.70%	4.80%
Total	\$48,861	56.50%	100%

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Considering that social service charities make up the largest portion of charities in Canada, it is not surprising that the provincial government is the single largest source of funds. In 1995, more than \$86 billion funded the operation of Canadian charities. This represents 12 per cent of Canada's Gross Domestic Product (GDP), 3.5 times the value of the farm sector, and 13 times the size of the railway sector. (The total amount of individual giving to charities represents only those donors who were issued tax receipts and does not account for donors who gave to nonprofit organizations that are not charities or their hundreds of thousands of volunteer hours.)

¹² Katherine Goldfarb, *Nonprofit Facts and Figures* (Toronto: The Centre for Voluntary Sector Studies), 1995, p. 15.

Ethical Fundraising

Questions have been raised in the past about ethical fundraising and the use of paid fundraisers by nonprofit organizations and charities. To help organizations come to grips with the myriad of issues surrounding fundraising, the Canadian Centre for Philanthropy adopted the “Code of Ethical Fundraising and Financial Accountability” in 1997. Some foundations and government grantors require that this code be adopted by charities before they can receive grants. The code focuses on three critical areas of fundraising to ensure compliance with the laws and ethical conduct: Donors’ Rights, Fundraising Practices, and Financial Accountability. The ethical code of fundraising can be downloaded from the Canadian Centre for Philanthropy’s website, www.ccp.ca.

Competition and Cooperation

*Don't confuse urgency
with anxiety which forces
more people back into
their foxholes.*

- John Kotter¹³

While government remains the largest source of funds for most social service nonprofit organizations, the sector is realizing that self-sufficiency and an organizational “entrepreneurial” spirit must be nurtured. While entrepreneurship in a nonprofit organization is seen as a strength, it must be tempered with the view that one of the key success factors in the nonprofit sector is its ability to handle competition and cooperation simultaneously.

The fictional organizations both compete and cooperate with each other. They competed for funds from the same funding source, and they cooperated in the past by program collaboration. This is not completely unique to nonprofit organizations, as many competing for-profit organizations will join together to work on such common issues as work-site safety.

The final process in the window of opportunity chart designed by the fictional character, John, was the need to develop a sense of urgency about the change initiative. Urgency, not anxiety, is the key concept. Since John and Kathy will follow the window of opportunity chart to develop their initial presentation plan, they also will need to try to identify what potential problems with the plan must be addressed. As well, additional opportunities in the community may need to be considered.

¹³ Kotter, *Leading Change*, p. 5.

Chapter 2

Leadership

Kathy James was poring over the new change model chart that John had e-mailed her several weeks ago. With the other information that he had sent on change theories, she felt comfortable that she better understood what they faced in trying to undertake a major change initiative such as merger. She and John had worked through the first phase of the chart and had found the process he designed fit their organizations. They both had agreed that they would work the combined theories of both E and O, recognizing the short-term financial crisis and also developing long-term organizational capability. They both knew that attempting change from the top down and the bottom up would be more time- consuming and difficult but felt the new organization would be stronger in the long run with that approach.

After re-reading the material on change, Kathy concluded that the next stage in the change initiative was the emergence or development of a strong leader. Without someone to lead this initiative, it would never succeed. Both she and John had worked through the first process together, but he could not be expected to continue with the pace as he was a volunteer and had a career and family to manage. It seemed that both her board of directors and John were looking at her to take on this new role now. Kathy felt as if she were on a roller-coaster ride. At times she was elated and other times, downright scared. She felt as if she were in over her head and that she lacked the necessary leadership or management skills needed to take this project forward. If only she had the opportunity to hone her skills on something a little less daunting and important. She had approached her course instructor last night with her dilemma and had received an e-mail from her early this morning. Her first night at her nonprofit management course, and she was already asking her instructor to turn her into an expert. Kathy turned to her computer and brought up the e-mail. She thought her instructor had answered her request in a rather unusual manner.

The E-mail

From: npcollege@tgid.com
To: KJames@tgid.com
CC:
Subject: Introduction to Nonprofit Management
 Nonprofit Management.doc

Kathy, I spent considerable time last night after class thinking about your dilemma and trying to decide what material might be useful to you as you pursue this major undertaking. I struggled with what material I could send you that would give you a better understanding of the nonprofit world when you only recently began working in one. I finally concluded that the best place to start might be at the beginning with a brief overview of the history of nonprofits in Canada and then provide some practical business theory concepts and how they relate to nonprofit organizations. I think this might give you at least grounding in the nonprofit world.

We will be covering this material in the next three weeks but I don't see any harm in giving it to you in advance for some "easy reading"....

Good Luck
JP



Attachment: Nonprofit Management

Nonprofit managers often comment on their struggle to implement business theory with the practical reality of managing a mission-based organization. Managers are constantly challenged as they attempt to apply for-profit business principles to a sector which values “service” over profit. To understand how the nonprofit sector developed it is necessary to be aware of its history.

A Historical Look at the Voluntary Sector

A Canadian Perspective

Nonprofit organizations comprise the newest and fastest growing category of organizations in North America: the concept of charitable tax-exempt organizations as a unified and coherent “sector” dates back little more than 20 years. More than 90 per cent of nonprofit organizations currently in existence have been established since the Second World War.

The British influenced the growth of Canada’s voluntary sector. As explorers and traders settled in Canada, the need to develop a sense of community became apparent. The church and other religious organizations initiated most of the public services relied upon today such as schools, hospitals, assistance to the poor, and caring for children in need.¹⁴ Currently Canada’s voluntary sector (also known as the not-for-profit, nonprofit, or charitable sector) consists of approximately 175,000 organizations, 80,000 of which are registered charities. This sector plays a central role in building vibrant communities from coast to coast, providing services to Canadians ranging from little league to home care, offering developmental support to people worldwide, and engaging citizens in the country’s democratic life. As well as contributing to the country’s strong social fabric, the voluntary sector contributes enormously to the country’s economic health. The sector, which represents 9 per cent of Canada’s labour force, employs more than 1.3 million Canadians, pays out over \$40 billion in salaries and benefits, and accounts for approximately one-eighth of Canada’s Gross Domestic Product. The annual revenue of registered charities alone is \$90 billion, making it comparable in size to the entire economy of British Columbia.¹⁵ In addition, more than four million Canadians, or approximately 15 per cent of the population, perform some type of volunteer work each year, resulting in more than one billion hours of service ranging from door-to-door canvassing to caring for the terminally ill.¹⁶

In a paper written by Michael Hall and Keith G. Banting entitled *The Nonprofit Sector in Canada: an Introduction*, the authors claim that the Canadian voluntary sector has been largely ignored (until recently) during public policy debates.¹⁷ Both Banting and Hall believe that the nonprofit sector is emerging as the vehicle of

¹⁴ Ed Broadbent, *Building on Strength: Improving Governance and Accountability in Canada’s Voluntary Sector* (Ottawa: Voluntary Sector Roundtable, 1999), p. 4.

¹⁵ Broadbent, *Building on Strength: Improving Governance and Accountability in Canada’s Voluntary Sector*, p. 6.

¹⁶ Warren Dow, *The Voluntary Sector: Trends, Challenges and Opportunities for the New Millennium* (Vancouver: Volunteer Vancouver, 1997), p. 6.

¹⁷ Michael Hall and Keith Banting, *The Nonprofit Sector in Canada: An Introduction* (Montreal: McGill-Queen’s Press, 2000), p. 15.

choice for collective and voluntary action by the Canadian public. Furthermore, they suggest that there has been a dramatic rise of activism and formation of nonprofit organizations globally, and that this rise constitutes a global “associational revolution.”¹⁸ The authors introduce the concept that social capital, as reflected in the nonprofits’ role of collective action, is as important as financial or human capital. Beyond providing a starting point for discussing appropriate terminology to describe the sector, Hall and Banting also provide a comprehensive breakdown of Canadian nonprofit organizations based on their primary area of activity. The authors believe that transition and change is inevitable:

Many nonprofit organizations are undergoing dramatic restructuring, and their relationships with the centers of political and economic power in contemporary society are being re-defined. How nonprofits will manage that restructuring when many for profits with larger resources are struggling is the challenge facing everyone involved in the sector.¹⁹

The Broadbent Report

In 1997 the Voluntary Sector Roundtable, an unincorporated group of national voluntary organizations, appointed a group of individuals to lead a review of the Canadian Voluntary Sector. The formation of the Panel on Accountability and Governance in the Voluntary Sector had a threefold mandate:

- Conduct research and present draft discussion papers that provide strategies to promote accountability and governance in the voluntary sector.
- Solicit feedback from the sector through broad consultation.
- Present specific recommendations within the final report.

The chair of the panel was former NDP Leader Ed Broadbent. The report, subsequently known as *The Broadbent Report*, was presented in 1999 and contained two key recommendations:

- Improve the sector’s accountability and capacity by focusing on the areas of organizational governance and stewardship, program outcomes, and fundraising.
- Review government intervention in the sector in four key areas:
 - federal tax system
 - a new Voluntary Sector Commission
 - financial management regulations
 - legal framework.

¹⁸ Ibid., p. 14.

¹⁹ Ibid.

The Broadbent Report identified four top priorities for implementation:

- Establish a good practice guide for voluntary organizations.
- Create a new Voluntary Sector Commission.
- Create a government lead task force to re-define “charitable.”
- Form a new partnership between the federal and provincial governments and the voluntary sector in an attempt to improve communications and open ongoing dialogue for change.²⁰

Common Connections

The term “voluntary sector” (which is used consistently throughout the Broadbent Report) can be misleading, as the sector also is comprised of many organizations that utilize paid staff. Whatever the term used—not-for-profit, nonprofit, voluntary, or charitable—these organizations have several things in common:

- Agency work focuses on providing a public benefit.
- Individuals usually provide financial support.
- Agencies utilize volunteers, at a minimum on a governance (board) level.
- Federal, provincial, or local governments have limited direct influence.

Besides needing to understand the complexities of managing a mission-based organization, which can be unique in itself, nonprofit managers now are being challenged to apply business concepts to societal issues. Traditionally three distinct and quite different sectors existed: the public sector or government, the private sector or for-profit companies of all sizes, and the nonprofit sector; their boundaries are blurring. The imaginary boundaries which once kept the three sectors distinct are merging; for example:

- Nonprofits are adopting entrepreneurial strategies and starting businesses.
- For-profits are invading territory previously occupied only by private nonprofits and government.
- Public sector agencies are forming partnerships with other sectors and developing entrepreneurial strategies of their own.

A new fourth sector called the “social entrepreneurship” or “social purpose” business sector appears to be forming. According to the Institute for Social Entrepreneurs, the distinguishing characteristics of this new sector are:

- a direct or indirect impact on one or more social needs
- an emphasis on earned income rather than philanthropy or government subsidy.

The concept of social entrepreneurship appears to be gaining interest in the nonprofit sector.

²⁰ Broadbent, *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, p. 14.

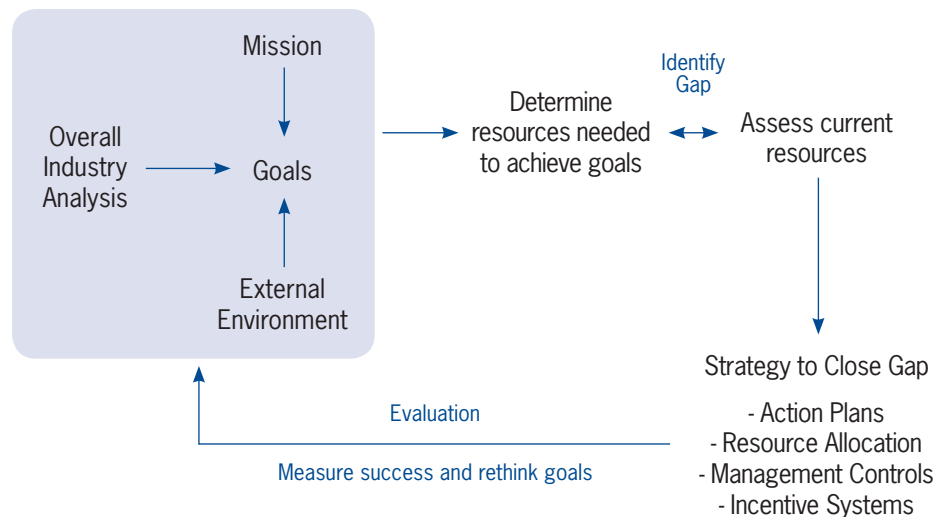
Facing the Challenge

Unique differences exist between the private and nonprofit sectors. Utilizing business theory as its foundation, discussing these differences begins with a simplified model of a private sector firm and compares it to a conceptual model of a nonprofit sector organization.

The figure below shows a common model for a private sector organization. This model demonstrates how resources (inputs) are converted by the organization's business (processes) into tangible goods and services (outputs) that produce the desired outcomes (profits). Although this model is simplified, it nonetheless demonstrates how, in private sector firms, the "effectiveness," or outcomes, is clear, and performance may be measured in terms of concrete financial indicators. Likewise, efficiency (using resources wisely) and achievement of financial outcomes are closely related.



In contrast, a conceptual model of a nonprofit organization provided by Sharon Oster in her book *Strategic Management of Non-Profit Organizations* starts with the concept that the first task of management and the board of directors is to set organizational goals and decide what "business" it is in.²¹



The question "What business are we in?" usually is answered in the organizational mission statement. The most fundamental difference between these models can be understood more clearly when looking at the model from a for-profit versus a nonprofit perspective. The for-profit company starts its planning with financial returns, the nonprofit with the performance of its mission. The need for nonprofit services

²¹ Sharon Oster, *Strategic Management for Nonprofit Organizations* (New York: Oxford University Press, 1995), p. 12.

arises from identifying a gap between a desired condition (e.g., no injuries or deaths because of traffic accidents) and a current situation (e.g., high levels of traffic-related injuries in males between the ages of 18 and 25), together with a determination that those needs affect the public interest and are best met by a public response. Many of the needs addressed by the nonprofit sector and even the public sector (government) could be considered “essential” rather than merely “desirable,” a factor that often differentiates the nonprofit and private sectors. This identified need drives the organizational mission and strongly influences the nonprofit organization’s goals and programs. In turn, a nonprofit program produces outcomes that are more results-based than profit-based. Weighing profits (needed to maintain the organization’s viability) against results (outcomes), which are defined in terms of benefits (changes, improvements) to the program’s customers or clients, can be one of the major challenges facing nonprofit sector managers. Unlike outcomes in the private sector, many of these outcomes are complex and cannot be measured by financial outcomes alone.

In short, a nonprofit organization should define its effectiveness in terms of its ability to reduce or eliminate the need that prompted its creation in the first place. Rarely, however, does a direct relationship exist between the efficient use of resources (inputs) and effectiveness (measuring the success of the mission). One of the more common ways of evaluating outcomes is using a program evaluation process such as that developed by the United Way of America and used by social service agencies as a way of measuring outcomes.

Managing the Mission, Vision, Values, and Culture

Author Sharon Oster believes that while for-profits must manage with some mission in mind, the role of the mission and how it is articulated is typically much larger for nonprofits.

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Oster believes that the centrality of the mission statement flows directly from the kind of markets nonprofits serve, thus determining which force initiates the organization’s development. The mission statement must be broad enough to draw the support of the organization’s constituents, but narrow enough to provide motivation and support evaluation. Oster states that the mission statement serves three functions: boundary, motivation, and evaluation. The mission statement must set boundaries for the organization, motivate staff and donors, and help in the process of evaluating the organization. Many people confuse the idea of vision and mission statement. The vision statement sets a high and lofty goal, and the mission statement supports how that goal will be obtained. Setting both the mission and vision statement for an organization can be one of the most difficult tasks undertaken by the board, staff, and volunteers.

Structural Analysis

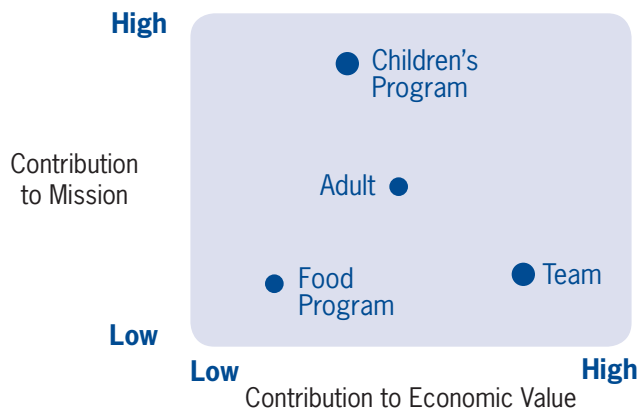
Nonprofit organizations begin with a mission or vision, but to survive, they must understand the type of markets in which they operate. Key concepts used in the

for-profit sector—such as supply and demand, key success factors, new entrants, and barriers to entry—are useful analytical tools for nonprofit organizations. According to Michael Porter’s corporate model, the nature of competitiveness in any given industry can be viewed as a composite of forces. Sharon Oster took Porter’s corporate model and designed a six-force chart for Nonprofit Industry Analysis:

- relations among existing organizations
- threat of new entrants
- new substitutes
- user group
- funding group
- supplier-industry.²²

Oster’s addition to Porter’s model is that of funders. Funders can create a supply-and-demand model that is unique to nonprofit organizations; customers or “clients” can be both users and funders of the service. Oster believes that the first task in analyzing nonprofit industry is to create an inventory of competitors.²³ Unlike the for-profit sector, which usually competes for the client, many nonprofit organizations cooperate to provide a better service to both clients and community. Barriers to entry, substitute products, supply-and-demand theories all play a part in the structural analysis of the nonprofit industry. It is important to realize that the unique components in each directly influence how nonprofit organizations function in the market place.

A useful tool for a nonprofit organization to analyze its program mix is Sharon Oster’s “Product Portfolio Map.”²⁴ The concept of rating programs by contribution to mission or to the organization’s economic viability provides a way for nonprofit managers to tell at a glance whether they are successfully balancing mission and economic value. For-profit organizations rarely would utilize this type of analysis, as they would normally be concerned how the product or program contributes to the organization’s economic value.



²² Oster, *Strategic Management for Nonprofit Organizations*, p. 30.

²³ Ibid., p. 31.

²⁴ Ibid., p. 93.



A Shock

John Bancroft put the phone down with dismay. How did this happen? Carol Bremner was threatening to quit her job unless she was guaranteed the executive director position with the newly-merged organization. Sure he and Kathy and been working overtime just to get the board of directors and funders on side, but John never had considered that Carol was feeling left out of the discussions. He wanted a firm plan in place before holding staff discussions, so that they would have solid answers to their many questions. Carol felt she should have been included in the discussions. In his heart, he knew she was right. As much as he wanted to pretend that she was being unreasonable, she had clearly cut to the core issue: two potential executive directors would vie for just one position. From the beginning, John realized he had assumed Kathy would become executive director. Now he would have to tell her that Carol would contest his assumption. John sighed and reached for the phone. This was one call he did not want to make.

The Results

Carol Bremner was fuming. How could they do this to her? The organization always had said staff input was essential to operational well-being. Here was a prime example where their words seem to hold little meaning. She was still at work at 6 p.m. All those hours of commitment, and this was how she was rewarded: being pushed out of any chance of obtaining the executive director's position. Worse still, she had been blind-sided by the discussions between the two organizations. In fact, it was only by accident that she was told of their discussions when a member of the board unwittingly telephoned her to ask her opinion. Now what? She regretted her hasty call to John, because she had reacted emotionally and had not considered her options more carefully. He was either a good actor or he had been honestly baffled by her response. His apologies, though, held little comfort. To make matters worse, staff members were asking about the merger and how it would affect them; she was embarrassed when she had been unable to answer their questions. The former laughing and joking in the staff room was gone, replaced by fear and tension. What a mess! Yes, she currently was the acting executive director, and yet she could not bring herself to address the issue straight on. She felt the same as her staff; she was just as concerned over her job and the unknown. "I was much happier as program manager," she mused. If only she could go back. How could she back down and still save face, given all she had said to John?

Carol looked at the clock and grabbed her coat and purse. It was time to swim off some of this anger. The swim club was preparing for the nationals next month, and Carol knew the coach would be practicing dives and tumble turns tonight. Good, she thought, she needed a hard workout to take her mind off her dilemma at least for a few hours. After the swim practice, she hoped to have time to talk about her situation with Jean.

The E-mail

From: JPearce@tgid.com
To: CBremner@tgid.com
CC:
Subject: Management versus Leadership
 Management versus Leadership.doc

Carol. I enjoyed our coffee last night. I definitely needed it after the coach's workout—2500-metre practices just about do me in every time.

You have an interesting dilemma. I hope I haven't simplified it too much.

I believe from the conversation we had last night that you feel you should pursue the executive director's position, even though your interests lie in the program manager's job.

You feel that to be a leader you need to be the executive director, but leadership comes in many forms and in many styles.

One of my favorite quotes is from Nelson Mandella, probably one of the greatest leaders of our times.

As a leader, I have always followed the principles I first saw demonstrated by the regent at the Great Place. I have always endeavored to listen to what each and every person in a discussion had to say before venturing my own opinion. Oftentimes, my own opinion will simply represent a consensus of what I heard in the discussion. I always remember the regent's axiom: a leader, he said, is like a shepherd. He stays behind the flock, letting the most nimble go out ahead, whereupon the others follow, not realizing that all along they are being directed from behind.²⁵

Perhaps program manager is an opportunity to lead from behind? I think Mandella clearly explains how to do this in his book *The Long Walk to Freedom*. You know he wrote it while imprisoned on Robben Island for over 27 years. The quote that I think also fits your situation follows:

In some ways, I saw the garden as a metaphor for certain aspects of my life. A leader must also tend his garden; he, too, plants seeds, and then watches, cultivates, and harvests the result. Like the gardener, a leader must take responsibility for what he cultivates; he must mind his work, try to repel the enemies, preserve what can be preserved, and eliminate what cannot succeed.²⁶

Before you take further action, Carol, I think you must clarify the difference between serving as a leader and serving as a manager. I have attached a short piece from a course I teach on nonprofit management about the difference between the two. Neither can exist successfully without the other. Good leaders have great managers, and great managers allow leaders to do what they do best—concentrate on the future and the vision for the organization. Perhaps both you and Kathy have a valuable place within the new organization.

Good luck,
Jean

²⁵ Nelson Mandella, *Long Walk to Freedom* (Boston: Little Brown, 1994), p. 22.

²⁶ Ibid., p. 490.



Leadership deals with the long term and management with the immediate future.

- John Kotter²⁷

Management versus Leadership

In *Leading Change*, John Kotter describes management as a “set of processes that can keep a complicated system of people and technology running smoothly.”²⁸ The most important aspects of management include planning, budgeting, organizing, staffing, controlling, and problem-solving.

“Leadership is a set of processes that creates organizations in the first place or adapts them to significantly changing circumstances. Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite the obstacles.”²⁹

In another book, Kotter describes the differences in more detail.³⁰

Management Versus Leadership

Management	Leadership
<p>Planning and budgeting: establishing detailed steps and timetables for achieving needed results, thus allocating the resources necessary to make it happen.</p> <p>Organizing and staffing: establishing some structure for accomplishing plan requirements, staffing that structure with individuals, delegating responsibility and authority for carrying out the plan, providing policies and procedures to help guide people and creating methods or systems to monitor implementation.</p> <p>Controlling and problem-solving: monitoring results, identifying deviations from plan, then planning and organizing to solve these problems.</p> <p>Overview: produces a degree of predictability and order and has the potential to consistently produce the short-term results expected by various stakeholders (e.g., for customers, always being on time; for the board, being on budget).</p>	<p>Establishing direction: developing a vision of the future—often the distant future—and strategies for producing the changes needed to achieve that vision.</p> <p>Aligning people: communicating direction in words and deeds to all those whose cooperation may be needed so as to influence the creation of teams and coalitions that understand the vision and strategies and that accept their validity.</p> <p>Motivating and inspiring: energizing people to overcome major political, bureaucratic, and resource barriers to change by satisfying basic, but often unfulfilled, human needs</p> <p>Overview: produces change, often to a dramatic degree, and has the potential to produce extremely useful change (e.g., new products that customers want, new approaches to old problems).</p>

²⁷ John Kotter, *Leading Change* (Boston: Harvard Business School Press, 1996), p. 27.

²⁸ Ibid., p. 25.

²⁹ Ibid.

³⁰ John Kotter, *A Force for Change: How Leadership differs from Management* (New York: The Free Press, 1990), p. 26.



The Meeting

Seven o'clock Thursday evening and Kathy James still is thinking about the meeting she had earlier with Carol Bremner. She had not looked forward to it, especially after the call last week from John Bancroft about Carol's ultimatum. Kathy had prepared herself for a confrontation, but Carol's attitude had been one of support rather than confrontation. Kathy says, "I wonder if it was my opening comment that had changed the tone of the meeting." Stating that to be true to the original concept of the two organizations, neither of them should assume that they would automatically take over the executive director role had caused Carol to relax a little. The decision as to who should become executive director would rest with the two boards unless they presented a joint proposal. Carol had surprised her by saying that they should first consider who was better qualified for the key leadership positions by examining their strengths and defining the roles of each position based on those strengths. The title of the position was not what was important; what mattered most was making the new organization as functional as possible. Carol had then expressed her apologies for her initial assumption that Kathy would demand the executive director's position. She then suggested that they begin taking stock and openly discussing how they could work together best to meet the organization's needs.

Together they listed their skills and areas of interest; their individual talents appeared to match the organizational needs both internally and externally. One would focus on management, the other on leadership.

In short order they had worked out the details. During the merger, Carol would coordinate staff and act as a communications link, while Kathy would work with the boards and the funders. As they worked, a sense emerged that they would be co-directors. Ironically, Carol had suggested that, for pragmatic purposes, Kathy would be called executive director. She seemed elated that she could go back to her first love—program management. With obvious relief, she confessed that she felt she did not have the experience to run the merged organization. She really wanted to expand her own personal horizons and those of the organization by focusing on programs.

To circumvent problems in the change process, both from the human side of change and from the business side, they would hire an expert in merger processes. Much like a coach, this consultant would help analyze problems and guide stakeholders to shape solutions, while Kathy and Carol remained responsible for implementing the change. An outsider would provide an organizational learning opportunity for all involved. Kathy had left the meeting feeling rejuvenated.

Kathy turned back to her computer and opened her e-mail inbox. She began reading an e-mail from her instructor on the many forms of leadership when her phone rang. Her husband was reminding her about the play they were to attend in less than hour. She had to admit she had completely forgotten. With a quick click on forward message, Kathy shared the material with John and Carol. Her instructor had been right; communication was a key to a successful change initiative. Well, she thought wryly, if the number of messages in her in-and-out boxes were an indicator for success, then the merger would get a gold star for effort.

The E-mail

From: KJames@tgid.com
To: JBancroft@tgid.com
CC: CBremner@tgid.com
Subject: Leadership
 Introduction to Leadership.doc



Introduction to Leadership

Persona copes with circumstances, character transforms.

- Kevin Cashman³¹

When defining yourself as a leader, you may need to re-think how you define your organization. Do you define it through its competency and values or its programs and results? What are your organization's core competencies (what does it do best)? What are its values (what does it hold as important)?

Did you know that, if an organization defines itself by its programs and results instead of its underlying competencies and values, it would disappear eventually? Community needs change, and an organization that defines itself by its programs will find those programs eventually becoming obsolete. In contrast, an organization that defines itself by its core values and capabilities will thrive, because it will adapt continually to the community's changing needs. As you plan any change initiative, ask yourself what type of organization you are and what type of leader you want to be.

Authentic Leadership

Authenticity is the single most important quality of leadership. You cannot "get authentic" by delivering a great speech. It is demonstrated day-to-day through thousands of micro-behaviours.

- Bob Kidder³³

In *Leadership from the Inside Out*, Kevin Cashman says that the essence of true leadership is "authentic self-expression." True leaders create value in an organization by unleashing their whole capabilities, mind, body, and spirit and by defining their purpose in life. Cashman describes the essential themes of leading from the inside out as follows:

- As the person grows, the leader grows. The missing element in most leadership development programs is growing the person to grow the leader.
- Most definitions of leadership must be turned inside out, moving from viewing leadership only in terms of its external manifestations to seeing it from its internal source.
- Leaders need help to connect with their essence; their character is central to effective executive development.
- Leaders who learn to bring their purpose to conscious awareness experience dramatic, quantum increases in energy, effectiveness, and fulfillment.
- Leaders who integrate personal power and results power with synergy power accelerate their leadership effectiveness.
- Leaders who work on achieving career life balance are not only healthier, but also more effective.³²

³¹ Cashman, *Leadership from the Inside Out*, p. 42.

³² Ibid., pp. 21-22.

³³ Ibid., pp. 182.

Purpose is the most essential core of leadership. Without purpose there is no mission, vision, or reason for being.

- Tom Votel³⁵

People with a high level of personal mastery are acutely aware of their ignorance, their incompetence, their growth areas, and they are deeply self-confident. Paradoxical? Only for those who do not see the journey is the reward.

- Peter Senge³⁶

People use persona or “mask” to protect themselves from external stressors as well as internal fears, limitations, and inadequacies. Their personas cannot be eliminated completely, as they protect us. They help us cope with specific circumstances. Cashman believes that truly successful leaders use character rather than persona to transform organizations. The purpose of character is to transform and open up possibilities and potential rather than limiting them. Listed below are just a few of the qualities Cashman believes defines character versus persona.³⁴

Qualities of Character:	Qualities of Persona:
<ul style="list-style-type: none"> • Authenticity • Purpose • Openness • Trust • Congruence • Compassion and creating value 	<ul style="list-style-type: none"> • Image • Security • Comfort • Safety • Control and winning at all costs

Leading from character is not easy. Understanding when to lead from character and when from persona requires people to question their motives and re-think their leadership skills.

At one time or another, everyone has engaged children with the question. “So what do you want to be when you grow up?” Maybe the real question is: “How are you going to be when you grow up?” The question directs to purpose in life rather than career.

The Paradox

The most successful leaders are those who can sustain a sharp, localized focus in the present moment, while also maintaining a broad, purposeful context. Cashman considers this one of the most important qualities in a leader.

Cashman supports Kidder’s quote by encouraging good leaders to solicit feedback from their staff at all times rather than only during performance reviews. They must watch for clues from their staff of discomfort, misunderstanding, or inappropriate silence. At such times leaders should ask for honest staff feedback on their views and how they are coming across. Leaders must ask staff members what they think and listen to their answers. Most importantly, they must encourage people to challenge them and ask about other ways of viewing the initiative. They must ensure that intentions are well-clarified and return again and again if necessary to ensure that these intentions have been received and understood. Though this sounds easy, it is very difficult in practice because of

³⁴ Ibid., p. 44.

³⁵ Ibid., p. 68.

³⁶ Ibid., p. 34.

A truly effective leader creates an environment that sustains the mission of the organization while increasing the happiness quotient of shareholders, employees, customers, suppliers and the community.

- Bob Kidder³⁷

Trust is our trail guide through the wilderness of life.

- Bill McCarthy³⁸

communication barriers. The two questions leaders must ask are: how does my behaviour, through my communication practice, open up possibilities and how does it eliminate possibilities?

To enable change Cashman has identified Five Change Mastery Shifts.

- From problem focus to opportunity focus. Effective teams/leaders tend to perceive and focus on the opportunities inherent in change.
- From short-term focus to long-term focus. Effective leaders/teams do not lose sight of their long-term vision in the midst of the change process.
- From circumstance focus to purpose focus. Effective leaders/teams maintain a clear purpose regardless of immediate circumstances.
- From control focus to adaptability focus. Effective leaders/teams understand constant control is not possible. They strive for adaptability that allows them and others to flow with change.
- From doubt focus to trust focus. Effective leaders/teams are more secure in themselves; they possess a sense that they can handle whatever may come their way.³⁹

Transitional Leaders

In "Leading Transition: A New Model for Change," Williams Bridges and Susan Mitchell talk about the kind of leader needed during transitional times. They talk about the transitional leader as one who coaches others through the process of change. They also say that these transitional leaders usually need coaching themselves before they can effectively coach others. Consultants can be used effectively at this stage as a sounding board for either the transitional leader or the change committee.⁴⁰

Change and transition can be differentiated clearly. Transition occurs in the course of every attempt we make to initiate change. "Change is external; that is, it involves policy, practice or structure that is being altered. Transition is internal; it is a psychological reorientation that people have to go through before the change can work."⁴¹ Many people falsely believe that, because people initiate change, they also initiate transition.

Dealing with Conflict

The transitional leader is one who feels secure and safe in the transition zone of change. Bridges and Mitchell recognize, in a simplified form, three stages of change: saying good-bye (letting go stage), neutral zone (transition stage), and moving forward (moving on stage).⁴² A transitional leader constantly deals with conflict as people keep moving in and out of the three stages of change. Good transitional leaders understand and know how to deal effectively and positively with this conflict. These leaders also believe that the neutral zone or transition stage is where real change occurs. Transitional leaders view conflict as a sign of transition.

³⁷ Cashman, *Leadership from the Inside Out*, p. 124.

³⁸ Ibid., p. 92.

³⁹ Ibid., p. 99.

⁴⁰ William Bridges and Susan Mitchell, "Leading Transition: A New Model for Change," *Leader to Leader* 16 (Spring 2000), p. 1.

⁴¹ Ibid., p. 1.

⁴² Ibid., pp. 2-3.

Leaders must have the courage of self-expression to reveal their doubts and weaknesses in order to build strong, trusting, effective relationships.

- Rob Hawthorne⁴³

The neutral zone is the most uncomfortable stage for most people, and the need to move either forward or backward quickly is entirely understandable. In this stage more conflict develops than in any of the other two stages.

As people move into the neutral zone or transition stage, they feel uneasy. Conflicts inevitably arise. Since this is the period when positive, lasting change really occurs, people must embrace conflict as a positive part of the transition and change process. Such a perspective does not view conflict as something to “get over” but considers it a way of allowing concerns to be expressed and dealt with positively and proactively.

The term “win/win” is used extensively within business literature. A win/win solution meets the needs, but not necessarily the desires, of all concerned. It is an outcome that allows all those involved to feel that they were heard, respected, and included as equal partners in the decision. Win/win is an outcome of approaching a conflict as an interdependent challenge requiring teamwork.

The opportunity to create win/win situations abounds within the workplace. Rather than “shooting down” the teams whose ideas do not work, leaders must celebrate what others may perceive as a failure. They are wise to remember that the highly successful Post-it notes came about only because a chemist “failed” to develop a particular type of glue. Transitional leaders must ask themselves: do we have enough courage in this day and age to nurture an environment where it is okay to fail?



⁴³ Cashman, *Leadership from the Inside Out*, p. 184.

The Model

Kathy was putting the final touches on the next stage of a new model for change. From her experience with the merger process, she knew that, without excellent leadership, the change initiative would have crumbled. Her definition of leadership also had evolved through her experience. Several forms of leadership came to mind: Carol stepping aside and then taking on the program manager's position; John providing support and constantly re-focusing on vision; and even how she had assumed the executive director's role.

Kathy looked at the plan and ticked off what had been accomplished to date. The strong leader role had developed into a partnership; John remained the visionary, pointing everyone in the right direction. Together, she and Carol were attempting to lead the change effort from both the top down and the grassroots up. Carol continued to encourage staff, clients, and other stakeholders to embrace the change process. Working in cooperation with various stakeholders, they had developed strategies for supporting the vision and the desired outcome, and they had developed one-year, three-year, and five-year plans. Communication by e-mail and newsletter, educational sessions, and town hall meetings really had worked to get the message about the merger across to as many people as possible. But many issues still required action.

The most pressing issue was staff. She and Carol were to meet about that topic soon. Glancing at the clock, Kathy realized she had just enough time to send the second stage of the new change model to John and Carol for comments. Hitting the send key, Kathy wondered what the next stage would be. She smiled to herself and thought that, while they were all learning on the job and it had not been smooth sailing exactly, the model had proven useful. Time will tell, she thought, closing her office door. Time will tell whether they would be able to anticipate the issues before them and take a proactive rather than reactive position.

The E-mail

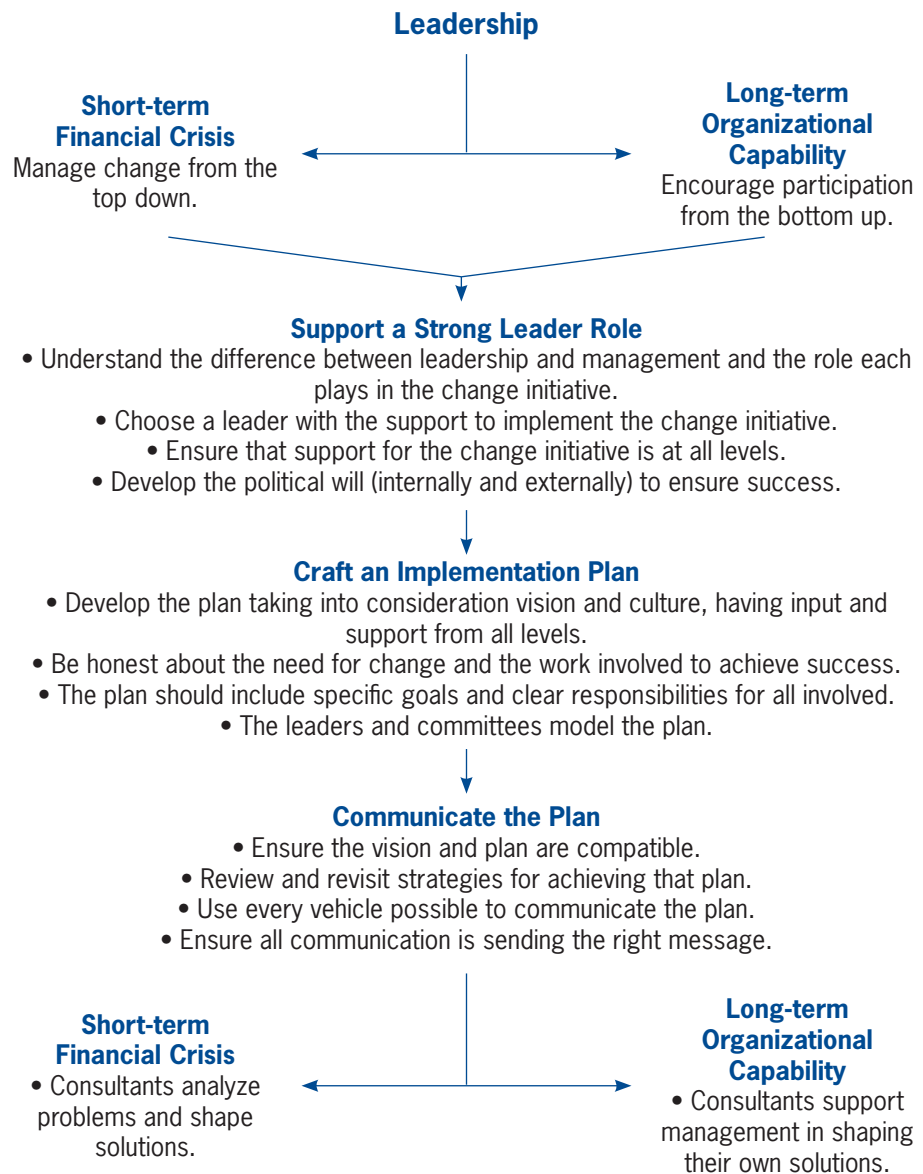
From: Kjames@tgid.com
To: JBancroft@tgid.com
CC: CBremner@tgid.com
Subject: Nonprofit Model for Change: Second Stage
 Second Stage—Nonprofit Model

Hi, John and Carol. I thought since John had designed the first stage of the model that I would take a stab at the second stage. With all my newly-acquired experience on leadership, it should prove to be a breeze.... I have entitled the second stage “leadership” and, by combining several theories, have constructed this sequence. John, I liked your idea of utilizing the ideas of short-term financial crisis and long-term organizational capability. Even though we have chosen to combine the two in theory, I thought I would also keep them separate for continuity.

Kathy



Second Stage—Nonprofit Model



The Discussion

*We are reluctant to let go
of the belief that “if I am to
care for something, I must
control it.”*

- Peter Block⁴⁴

*Did you know that in the
course of one year nearly
98 per cent of all our
atoms are exchanged for
new ones; we are literally
new people each year?
Our lives are an endless
flow of change.*

- Kevin Cashman⁴⁵

So far in our story, a window of opportunity coupled with dynamic leadership, a strong vision, and a forceful communication plan were the key drivers for moving the proposed merger forward. Our research showed that leadership and the direction for the change initiative came from the organizations' executive directors, who set aside egos and turf issues to make the vision work. The second level of leadership came from the board, which supported senior management and staff by embracing and vocalizing a strong vision. Similar to the characters in the story, most of the change initiatives were undertaken by leaders who had just joined the organization. This appears to support the theory that, in many cases, major change can occur only when leadership changes. Leadership, however, can appear in many forms—from an executive director stepping aside for the good of the organization to take on a different role to the board chair keeping the organization focused on a clear vision.

One of the primary issues raised consistently through the interviews was both board and senior management's concern about staff. Interviewees ranked concern about staff more highly than concerns about financial issues or the bottom line being in the black. This differs than my own experience where, because of naïveté, the change initiative focused on structural reorganization and processes such as legal and financial issues rather than developing a clearer understanding of how the change initiative would affect staff.

Looking back on their experience, people interviewed in our research were unanimous in their conclusion that addressing the people issues—not focusing just on the process of change—was the key driver for success. As most merger initiatives in the for-profit sector are driven by a need to show a profit or improve shareholder price by reducing staff, the emphasis on people appeared at first to be unique to nonprofit organizations. It is interesting to note that just recently more and more change management experts are recommending the only way to improve the bottom line in the long run is to take care of people first. Short-term solutions such as staff layoffs that have been handled improperly have been well-documented to cause long-term problems. Our research concluded that good leaders must make people the priority in the change process while simultaneously dealing with the organization's structural change.

⁴⁴ Ibid., p. 111.

⁴⁵ Ibid., p. 85.

Management versus Leadership

Leadership is the authentic self-expression that creates value.

- Kevin Cashman⁴⁶

The fictional story focused on a very important issue about management versus leadership and the fact that both are needed to ensure success in any change initiative. In some cases, successful change initiatives are 70 to 90 per cent leadership and only 10 to 30 per cent management. Many people still consider the problem to be one of “managing” change rather than encouraging and supporting strong leadership.

Our own case studies reveal that, when the organizations began to consider a major change initiative such as the merger, they looked at all the processes and systems first (management issues), but later—when they were nearly finished with the change process—they realized that leadership, vision, and people were of paramount importance. In all our interviews, strong, visionary-focused leadership was cited as the major driver of success. Ironically, very little discussion centered on the process and system changes that needed to be implemented. Certainly, we heard that management recognized the need for changes in organizational processes and structure to ensure the initiative would be successful, but respondents reiterated that the need for a skilled leader who could recognize the organizational inertia blocking the change from happening was more important. As in the fictional story, both management and leadership must work in tandem to see the initiative through to its successful conclusion.

Authentic Leadership

Our research showed that a change in organizational systems and processes usually could be completed within a specified time frame. The transitional process for stakeholders—most importantly staff and board—took the most time, was the least controllable, and was the most difficult for which to prepare. For change to be successful, leaders must engage all stakeholders whether external or internal. One former board chairman interviewed stated a view similar to Nelson Mandella’s. He said, “Good leaders know when it is time to be a general and a time to be a shepherd.”

As the fictional story shows, not all leaders need to be the executive director. A good example from our research was an executive director’s decision to step down and assume a different role because she recognized her own limitations and knew the organization would be better served by someone else. It also is important to realize that leaders cannot anticipate all the staff needs throughout the transition process. Buying into the process, creating a high level of trust, opening lines of communication, and understanding that transition takes time cannot occur without planning and strong leadership. Lastly, respondents indicated that they found the process both a difficult and rewarding personal and professional growth experience. They embraced the uncertainty.

⁴⁶ Ibid., p. 20.

Board Governance

While good leadership at the top is imperative to success in the change initiatives, the board's role also is extremely important. Very few for-profit boards appear to become as involved in the change process as nonprofit boards do. In fact it appears that it is important from the beginning that the board chair or president be involved in any change initiative as quickly as possible. S/he can smooth the way for the executive director to gain support from the rest of the board and key stakeholders.

Board governance in the voluntary sector has been generally defined as the process and structures that an organization uses to direct and manage its general operations and program activities.

In a report entitled *Governance Do's and Don'ts*, Mel Gill states that a board governance model usually is divided into four categories: board structure (the framework within which the board operates), board responsibilities (what is done), board process or practices (how responsibilities are carried out), and board culture (board dynamics and organizational context). The challenge that appears to face many nonprofit managers is the extent to which boards take full responsibility for their governance role. For example, it is the board's responsibility to review board policies each year. In practice, however, the executive director often must provide reminders, collection of information, and follow-up to ensure that this governance work—which is essential to a well-run organization—is done.

As mentioned, a nonprofit organization's board of directors normally is a key stakeholder and plays a much larger role in any change initiative than in a for-profit company.

Vision

Culture and vision tend to be more the province of leadership, just as structure and systems is more of a management tool.

– John Kotter⁴⁷

A strong vision also is extremely important in ensuring the viability and long-term success of the change initiative.

In his book, *Leading Change*, John Kotter describes the characteristics of an effective vision statement as:

- imaginable
- desirable
- feasible
- focused
- flexible
- communicable.⁴⁷

⁴⁷ Kotter, *Leading Change*, p. 72.

⁴⁸ Ibid., p. 27.

Improved client service and better community programming were the underlying themes behind respondents' discussions about organizational vision. In many cases, this "vision" was what saw people through the rough spots. When the transitional process became difficult, returning to the vision was the only way to move forward. Passion about and belief in the vision was supported in some cases through very personal experiences at the board, management, and staff levels. In some cases, the change process forced the organization to review and re-make its vision to imbed the change initiative into the organization's future. Discussion around vision also included discussions around organizational mission and values. Values and vision had to be in harmony to ensure successful change.

Consultant

The successful change initiatives in our research utilized some form of a change coach. The most common form used by nonprofit organizations was a consultant. The consultant presented ideas and initiated the discussion process. In some cases, the consultant was used to bring sensitivity and understanding to the discussion and help to mediate or consolidate divergent views and ideas. One staff member involved in the merger talked about how the consultant allowed feelings to be expressed and fears to be put on the table. Some of those interviewed described the consultant or "third party" as someone without personal ties to the organization who was an impartial observer and able to handle conflict safely and reliably. In some cases, consultants helped people understand the change process, focused the group on the important aspects of culture and vision, and got negotiations back on track when they became derailed. At the senior level, consultants helped to clarify the organization's roles, vision, values, and culture.

47

A consultant involved in two of the merger initiatives said, "The consultant is able to stand back as a third party. Their role is to give the organizations every opportunity to make good decisions." Consistently, the executive directors in our study agreed that consultants were extremely helpful in moving the merger process forward and were useful particularly when negotiations became derailed. Because of their experience with change, consultants were seen as being able to bring understanding and sensitivity to the issues facing people as they moved through the change process. Consultants also helped to build trust. A respondent expanded on this idea by stating, "Getting people to trust each other is different than getting them to know each other. People are slow to trust, not distrustful."

One consultant described the process this way: "The first goal is just to get a sense of who the people are. What is the style of language? How do they talk about things? This provides a better understanding of how people think, how they work. Also, it is important in merger discussions to try to get people to ask themselves questions. I wasn't there to provide answers, but sometimes people

Never underestimate the magnitude of the forces that reinforce complacency and that help maintain the status quo.

- John Kotter⁴⁹

won't ask the very obvious questions, like there's only going to be one CEO, right? It is important to bring up all those kind of things that people are unwilling to talk about." This consultant said the process had a softer side—one involving how people feel, how their emotions are involved, and all the machinations about making the thing happen: How will the board be comprised? Who will form the first board? How will by-laws be formed? What services will continue? What services will be dropped?

Our case studies show that many people underestimated the amount of time it would take to complete the change initiative. They may have estimated correctly the time it would take to change the organization's systems and processes but not the time it would take to imbed that change in the organization's culture or move people through the transition stage.

Change management theorists believe that organizational inertia and human resistance to change are two of the most overlooked change issues facing organizations.

The fictional story continues with Kathy, John, and Carol having to address these issues head on.

⁴⁹ Ibid., p. 42.

Chapter 3

The Human Side of Change

The Advisory Committee


John Bancroft finished his third cup of coffee of the morning and stretched. “The Children’s Community Society”—he liked that name. After considerable heated debate, the two organizations had finally agreed. He was amazed about how much personal ownership people had in the two organizations. It took months just to agree on the new name. Walking over to the window, he glanced out at the snow-covered view and reflected on the progress made so far in the merger. The decision on a name had been an important one, and Kathy’s suggestion that an advisory committee be formed to oversee the merger was a good one as well. In her readings on change management theories, Kathy had seen the need to build support for the change initiative by ensuring alliances with key people. Carol had been given the task of developing a list of potential working groups and had come up with several good ones: board members, clients, funders, legal people, human resources, volunteers, programs, communications professionals, and financial management officials. That was quite a list. The people chosen to be involved in the working groups were ones who supported the idea of the merger and were key players in either the organization or in the community. They also were willing to ask the tough questions. The board had set a very clear vision for the merger and had communicated it to all involved. As well, the common values between both organizations had been articulated and the differences in culture identified. Things had gone quite smoothly, he thought, until they had hit a snag. The first report to the respective boards had been rejected totally. Both boards had thought the advisory committee’s recommendations went too far, and they thought it appeared that a deal already had been struck. Looking back, John recognized the fact that the advisory committees and working groups had an opportunity to work together over the last several months and form a very strong bond. The two boards had not had that opportunity. He could see where the problems lay. It would be his responsibility to give the two boards an opportunity to build trust in the process and allow them to feel comfortable with the change. The committees would have to return to the table and discuss the boards’ concerns. He knew the boards’ rejection of the proposals was just a minor set-back and that the next presentation would be much stronger.

He turned back to his desk and looked at the stacks of correspondence that his assistant had processed yesterday and he had to get off his desk before leaving. He had promised to take his family to a movie tonight, and he knew that if he did not go, he would be late once again. There never seems to be enough hours in the day, he sighed. At least, though, he did not need to deal with the day-to-day staffing issues that Carol and Kathy currently faced. He knew those issues were going to be difficult to resolve.

Hitting the Wall

Carol Bremner was struggling. She just did not understand why staff members were being so difficult about the merger. They had been involved in the process from the beginning; several of them had re-designed their roles, and many would receive a pay increase because increased responsibilities. Everything had been proceeding fairly smoothly until some staff started talking about stopping the process and re-visiting whether the merger really was needed. It seems as if they took three steps back for every two steps forward. Carol shook her head. Go back? After all this time spent trying to move forward? It was getting a bit old, responding to the comment, “Why can’t we just do it the way we’ve always done it?” During the last swim practice, she had talked to Jean about her frustrations. Jean had promised to send some information about the change process and how it affected people so that Carol could understand better what people were thinking and feeling. Turning back to her desk, Carol clicked her send/receive button to see if the e-mail had arrived.

The E-mail

From: JPearce@tgid.com
To: CBremner@tgid.com
Subject: The Human Side of Change
 The Human Side of Change.doc

Hi, Carol. I trust the attached document helps answer some of your questions about why people are reluctant to engage in the change process. I hope you have had an opportunity to read the "Parable of the Trapeze" by Danaan Parry that I recommended. I feel that it might help you put the process into perspective. There are several books and articles about change that you might want to read. Two I would recommend are Williams Bridges' *Transitions and Who Moved My Cheese?* An amazing way to deal with change in your work and your life by Spencer Johnson. Several corporations have given this book to their staff when starting on a major change initiative as a way to open up a dialogue about the process. You might find it a useful tool for your own organization. Let me know which mouse you found yourself relating to.

Jean



Experience is not what happens to a man; it is what a man does with what happens to him!

- Aldous Huxley⁵⁰

The Human Side of Change

In the “Parable of the Trapeze,” Parry talks about the familiar trapeze bar, transition between the familiar and the new bar for the three stages of change. Elisabeth Kubler-Ross uses a similar analogy in her book, *On Death and Dying*, where she talks about the three stages of grief: holding on, letting go, and moving on. Williams Bridges and Susan Mitchell use: saying good-bye, neutral zone, and moving forward. Regardless of the terminology, three clearly identifiable stages occur in the change process. These stages may be summarized as: moving from the familiar to the unknown, moving from the unknown to the new, and ultimately adopting the “new” as the familiar. Eventually the cycle repeats itself.

Here William Bridges and Susan Mitchell describe the three stages of change more fully in their article, “Leading Transition: A New Model for Change”:

- **Saying good-bye.** The first requirement is that people have to let go of the way that things and they themselves used to be.... It is not just a personal preference you are asking them to give up. You are asking them to let go of the way of engaging or accomplishing tasks that made them successful in the past. You are asking them to let go of what feels to them like their whole world of experience, their identity, even “reality” itself.
- **Shifting into neutral.** Even after people have let go of their old ways, they find themselves unable to start anew. They are entering the second difficult phase of transition called the Neutral Zone. That in-between state which is so full of uncertainty and confusion that simply coping with it takes most of people’s energy. The neutral zone is particularly difficult during mergers or acquisitions, when careers and policy decisions and the very “rules of the game” are left in limbo while two leadership groups work out questions of power and decision-making.

This neutral zone is so uncomfortable that people are driven to get out of it. Some try to rush ahead into some (often any) new situation, while others try to back-pedal and retreat into the past. Bridges argues that, although successful transition requires that people spend some time in this neutral zone, this time is not wasted, as it is where the creativity and energy of transition are found and real transformation takes place.... The change can continue forward on something close to its schedule while the transition is being attended to, but if the transition is not dealt with, the change may collapse.

- **Moving forward.** Some people fail to get through transition because they fail to let go of the old ways and make an ending; others fail because they become frightened and confused by the neutral zone and do not stay in long enough for it to do its work on them. Some, however, do get through the first two phases of transition and then freeze when faced with the third phase, the

⁵⁰ Cashman, *Leadership from the Inside Out*, p. 98.

new beginning. This third phase requires people to behave in new ways and that can be disconcerting because it puts one's sense of self-competence and value at risk. Especially in organizations with a history of punishing mistakes, people hang back during the final phase of transition, waiting to see how others will handle the new beginning.⁵¹

The change initiator has usually moved through the various stages already. This phenomenon is called the "Marathon Effect," which Bridges and Mitchell describe in more detail in the same article:

The higher a leader sits in an organization, the more quickly he or she tends to move through the change process. Because they can see the intended destination before others even know the race has begun, senior managers can forget that others will take longer to make the transition; letting go of old ways, moving through the neutral zone, and, finally, making a new beginning.⁵²

In the initial stages of a change project, most people will be in the "holding on" stage, and—as they work through the process—they can move back and forth between the stages. The speed of progress depends on their comfort level and their past positive or negative personal experience with change. It appears though that, for most people, the most difficult part of the process is the void, or the transition stage. It is believed that helping people through this transition stage is tied to their leaders' vision and strength. Successful initiators of change are strong leaders cognizant of the human side of the changes they have initiated. Bridges and Mitchell provide seven essential steps that a leader must initiate to help through the transition stage:

- Learn to describe the change and why it must happen in one minute or less. Surprisingly, many leaders cannot do this.
- Ensure that the details of the change are planned carefully and that someone is responsible for each detail. Establish timelines for the changes and implement a communication plan explaining the change.
- Understand (with help of others closer to the change) who must relinquish what—what is and is not ending in people's work lives and careers—and what people (including the transitional leader) must relinquish.
- Make sure that steps are taken to help people let go of the past. These may include some "boundary" actions (celebrations or events that show change has come). Understand and accept the grieving process some people need, as well as making efforts to protect people's interests while they are letting go.
- Help people through the neutral zone with communication (rather than simple information). Keep reiterating, communicating, and supporting the four P's of transitional communication:

⁵¹ Bridges and Mitchell, "Leading Transition: A New Model for Change," pp. 2-3.

⁵² Ibid., p. 4.

- purpose: why we must do this
- picture: what it will look and feel like when we reach our goal
- plan: how we will get there step by step
- part: what you can (and must) do to help us move forward.
- Create temporary solutions to the temporary problems and the high levels of uncertainty found in the neutral zone.
- Help people launch the new beginning by articulating the new attitudes and behaviours needed to make the change work—and then modeling, providing practice in, and rewarding those behaviors and attitudes.⁵³

Resistance to Change

Cashman believes that, when people resist change, good leaders must ask themselves: What is the hidden dynamic? In his view, people usually are attempting to defend themselves from the fear of loss. They fear that the organization will not survive the change without something familiar being lost. Certainly, in all change process there will be loss; however, a more accurate perception is that, beyond the initial loss, something will be gained.⁵⁵



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To choose doubt as a philosophy of life is akin to choosing immobility as a means of transportation.

- Yann Martel⁵⁴

⁵³ Ibid., p. 5.

⁵⁴ Yann Martel, *Life of Pi* (Toronto: Vintage Canada, 2001), p. 3.

⁵⁵ Cashman, *Leadership from the Inside Out*, p. 88.

Loss

Carol Bremner sat at her desk, lost in thought. It has been almost four weeks since Jean sent the e-mail on understanding change. Carol was still struggling with the concepts, because reality was a lot more difficult to deal with than the theories she had just re-read. It was not so simple. Yesterday she met with the most reluctant members of staff and, even though she had brought someone in to do a presentation on understanding change, they did not seem to have shifted in attitude; they were still unhappy and very vocal about it. Carol knew she had tried her best to get to the bottom of the problems, but every time she solved one, they presented her with another. It was similar to the Kleenex principle: every time one is pulled out, another one pops up. It was almost as if they were trying to sabotage the process deliberately. She knew from speaking to them individually that this was not the case but that many were struggling because they did not seem to have a strong sense of stability or security as the process proceeded. Some were taking the change process in stride; others just needed much more patience and help to get through it.

Flipping through some additional material she had picked up about change, Carol looked for the case study that said the one question people need answered was: “What’s in it for me?” If she could answer how the change process would benefit each of them personally, they would feel a stronger sense of stability and be able to move forward. Too much uncertainty equals paralysis!

So her challenge for the next few weeks was to become able to honestly tell all staff members what was in it for them. The challenge would be to provide a truthful, honest, and personalized assessment rather than typical organizational response to that question: more pride in their work, more stability in funding, and so on. She also knew from past experience that some would need to accept the reality that they would not gain personally from this change and therefore must move on to other opportunities if they were truly unhappy.

Carol looked at the time and knew that, if she did not get going soon, she would be late for swim practice. Nationals were just around the corner, and her goal was to shave at least two seconds off her best 50-metre freestyle time. Carol stopped mid-stride when she realized that competitive swimming could be used as a metaphor for change as well. Carol visualized the individual medley: the swimmer dives in and completes the butterfly stroke, which could be considered the old trapeze bar or a familiar pattern, then performs either an open or tumble turn which would be considered the transition stage between strokes. From there, the swimmer goes into the backstroke (or a new trapeze bar) that eventually becomes the familiar pattern. From the familiar pattern to another turn or transition to the breaststroke, a new then familiar pattern, another turn or transition, and then finally to the front crawl and the completion of the race. That was a perfect visual example of a complex change process that could be seen and

experienced in less than three minutes. Carol felt rather proud of herself for taking a fairly complex theory on change and applying it to the swimming she did every day. Thinking about it, Carol knew that she must spend hours practising her turns to make them more effective. Maybe she could stretch that analogy a bit, and use similar personal metaphors for her staff that might prove just as effective for them as it was for her. It seemed to make understanding the change process less theoretical and more practical

Heading out the door of her office, Carol could hardly wait until after practice to discuss her thoughts about change with Jean.

A New Beginning

Kathy, Carol, and John had just completed a two-hour meeting on staffing issues facing the new organization. All agreed that the extra time spent with the staff to help them understand the change process was well worth the effort. They also agreed that the second consultant brought in to discuss the Bridges “transition” model helped the staff understand the change process better, as his presentation manner was unique and the staff seemed to be more receptive to the message. It had been almost a year since they had begun discussions on the change initiative, and they were well under way to resolving major issues. After a year of sharing e-mails back and forth from their information gathering, they had realized slowly that Professor Jean Pearce had been helping all three of them through the process. Jean had been one of John’s MBA professors, was currently Kathy’s nonprofit management course instructor, and Carol’s swim team member. They had laughed at the coincidence that all three had known her and used her as an information source. John had contacted her recently to see if she had realized that the three were working together. She had replied that she had known from the beginning that she was working with all three and had wondered how long it would take before they realized it. She had enjoyed hearing about the change initiative from three different perspectives and hoped the group would be willing to talk about the experience once the merger was completed. John, Kathy, and Carol decided that, once the major details of the merger were in place, they would take Jean out for dinner. They all had agreed that a warm fall evening on a patio overlooking the city’s river valley would be a fitting place to celebrate their accomplishment.

Before ending the meeting, Carol brought up one of the last major issues facing the organization: which programs to keep and which to discard. During the hectic time of getting the organizations to agree to the merger and working with the staff and stakeholders, this hotly contested issue had been ignored. Carol felt that it was time to address it. Kathy and John knew that this issue would be very touchy and had actually agreed to leave it until everyone felt comfortable with the process. They both knew that, if they had raised this issue too early in the discussions, it could have derailed the entire process. Many programs had a long

history with the organizations and were viewed as “sacred cows”—programs that must not be touched for any reason, even though they may have exhausted their usefulness.

Despite much difficulty, Carol was determined to rationalize any decisions to cut programs based on sound business principles. Carol had used Sharon Oster’s “Product Portfolio Map” and had charted each program’s contribution to the organization’s mission or economic value. She saw quickly that the organization was over-weighted with programs that supported the mission but had no economic value. After looking at the chart, John and Kathy agreed that, while the programs were excellent, they were draining the organization financially. They also realized, though, that some were essential to their mission and important to the community. This raised the dilemma of how to decide what to keep and what to discard. They needed to be able to justify the decision to board, staff, and stakeholders. John agreed to e-mail Jean to see if she had any recommendations on how to solve their quandary.

Wrapping up the meeting, John, Kathy, and Carol reviewed committee reports and recommendations. Legal, financial, and human resource issues were being addressed. By-laws had been re-written and submitted for approval, and a new organization formed with equal representation from the two original groups on its new board of directors. The two original organizations would be disbanded only after all the legal work had been completed.

Overall, most parties were happy with what they had accomplished and were looking forward to getting over what they considered the last major hurdle for the organization. Carol had agreed to keep up the work that had been done on designing a new model for change for the group. The meeting broke up, and all three went their separate ways.

The E-mail

From: npcollege@tgid.com
To: JBancroft@tgid.com
CC: KJames@tgid.com; CBremner@tgid.com
Subject: Program Evaluation
 Program Evaluation.doc

Hi, John. I believe this document on program evaluation might help you with the dilemma you are facing. Let me warn you, though, that program evaluation can be difficult, frustrating, and time-consuming; it is no job to undertake lightly. I don't know if you would be able to evaluate each of your programs in the tight time frame you have. You might want to consider evaluating the top three (mission- or economic-based). The United Way uses an excellent reference manual called *Measuring Program Outcomes: A practical approach*. You may find it very helpful in implementing a process of program evaluation within your new organization.

The information I am sending comes from my nonprofit management course. Although Kathy is taking this course, we have not covered this section on program evaluation yet. Good luck!

Professor Jean Pearce



Program Evaluation

Sharon Oster, author of *Strategic Management for NonProfit Organizations*, considers program evaluation a very important step in an effective management system.

Program evaluation tries to determine quantifiably if the organization is delivering programs or services effectively and in a manner that reflects its overall mission.

Nonprofit organizations recognize that, in an environment of fundraising and more knowledgeable and sometimes skeptical donor public, their success in building support often depends on their ability to demonstrate the value of their work, not just their intentions.⁵⁶

While the implementation of evaluation plans is becoming more common in nonprofits because of increased funder expectations of a perceived ROI (Return on Investment), they are no panacea. One of the most pressing issues facing organizations appears to be a misunderstanding about what program evaluation can and cannot do for them.

In an article called “Outcome Measurement: Showing Results in the Nonprofit Sector,” the authors state that outcome measurement responds to the gap that exists in more management-focused performance measurement indicators. These management performance indicators include: financial performance, program outputs, quality of service, key performance indicators, and client satisfaction. Outcome measurement shifts the focus from activities to the results of those activities, or in other words, from how a program operates to the good it accomplishes.

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Market Forces

Because of the ease of gathering the data, Oster says that many organizations make the mistake of doing an operational analysis (measuring outputs) instead of measuring outcomes. She also argues that the various stakeholders in the organization can influence performance standard measurements. Clients appear to favor outcome measures; management favors operational analysis or operations measures; and donors traditionally favour financial measures, though more are leaning towards both financial and outcome measures as indicators of success.⁵⁷

Despite inherent contradictions and seemingly disparate stakeholder preferences, nonprofit organizations benefit from undertaking program evaluation. Because of the lack of consumer focus and in some cases unclassifiable product quality, normal market forces may not control the nonprofit sector. In the for-profit world,

⁵⁶ Oster, *Strategic Management for Nonprofit Organizations*, p. 141.

⁵⁷ Ibid, p. 142.

the companies that operate inefficient or “valueless” programs eventually are driven out of business because they are unable to compete in the marketplace.

Oster contends that an organization needs outside assistance in order to evaluate programs. Professional program evaluators now recommend that nonprofit organizations implement a developmental model of implementation, which builds internal expertise in program evaluation with external, expert assistance.

One of the more useful program evaluation models is called the “Program Logic Model,” and many nonprofit organizations use it to evaluate the effectiveness of their programs. The following definitions of program evaluation terminology will facilitate an understanding of the concepts of the program logic model.

Program Logic Model Terminology

Evaluation is determining the worth or merit of an evaluation object.

Program is an organized set of resource activities directed at one or more goals and designed to change program participants or their environment, usually under the direction of a single manager or management team.

Program evaluation is a systematic assessment of a program’s results and, to the extent feasible, a systematic analysis of the extent to which the program caused those results.

“Program Logic Model” is a diagram of the logical relationship among several program components including: inputs; activities; outputs; and short-, intermediate-, and long-term outcomes. This model is used when clients have limited access to resources or personnel for tracking the exact long-term program outcomes and determining how other external forces affect them. Organizations with ready access to resources and research experience may track the program participants’ behaviour changes over a long period through a program impact research model, which is different from the “Program Logic Model.” The former model also examines the degree to which external forces support or inhibit the proposed behaviour change.

A program logic model uses the following definitions:

- **Inputs** are materials and resources that the program uses in its activities or processes to serve clients (e.g., equipment, staff, volunteers, facilities, money).
- **Activities** are processes that the program undertakes with, or provides to, clients in order to meet their needs (e.g., teaching, consulting, sheltering, feeding, clothing).

- **Outputs** are units of service for the program (e.g., the number of people taught, the number of clients served).
- **Outcomes** are the actual impacts/benefits/changes participants experience during or after the program (e.g., in a smoking cessation program an outcome would be “participants quit smoking”). Outcomes or changes usually are measured in knowledge, skills, behaviours, values, conditions, and status.
- **Outcome indicators** are observable and measurable “milestones” toward an outcome target (e.g., the number and percentage of teen participants who quit smoking immediately following a program [short-term indicator for short-term outcome] and six months after the program [intermediate indicator for intermediate outcome]).

The Outside Evaluator Role

In the early years of evaluation, outside evaluators commonly used a goal-based system. In recent years considerable discussion has centered on what role outside evaluators should play in an organization’s evaluation process. As a result of discussions delineating the role of outside evaluations, four external evaluator models have evolved:

- **Goal-based Model:** Evaluator directs evaluation model.
- **Participatory Model:** Evaluator guides evaluation by involving key decision-makers. Evaluator is a facilitator and resource.
- **Developmental Model:** Evaluator supports teamwork. All participants share ownership. Evaluator counsels the development team.
- **Empowerment Model:** Team has total authority and resources to evaluate and improve performance. Evaluator is an empowerment facilitator.

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The participatory and developmental models can be considered most beneficial to any organization looking at implementing program evaluation. Both models provide a way for in-house staff to learn about program evaluation while at the same time implementing the process with the aid of an external expert. The empowerment model is used more commonly by organizations with experience in program evaluation.

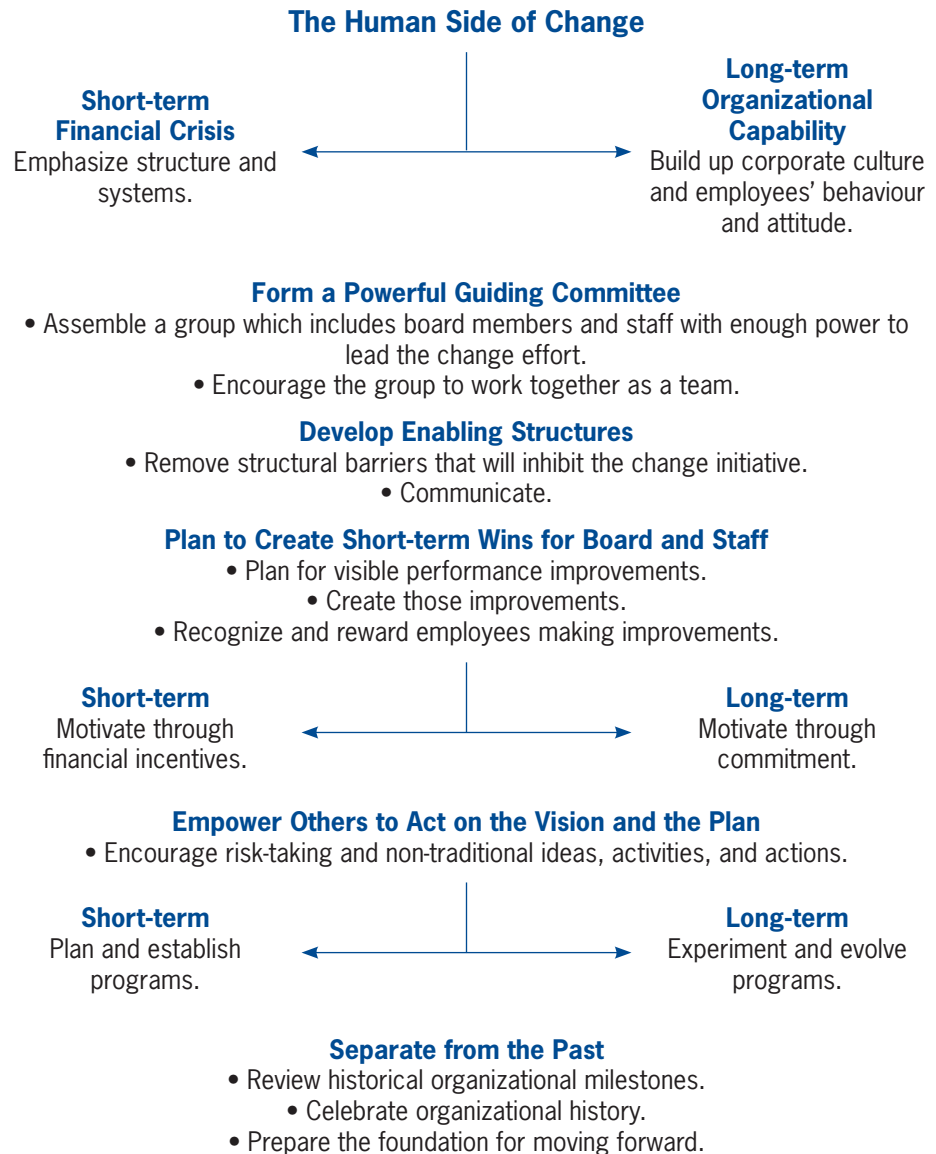
Implementation

Carol looked over the recommendation she was making to the board on implementing the program evaluation process using the logic-based model described by the United Way. She knew it would be impossible to evaluate all programs and, therefore, had chosen three. One program was quite contentious, and two were the organization's main focus for providing services to the community. She and Kathy had reviewed all the programs with the board using the product portfolio map, and everyone had been surprised by how many programs supported the mission but not the organization's economic well-being.

She put aside the file she was working on and brought up the third piece of the model for change that she was constructing for John and Kathy. This piece would emphasize the human side of change. From her readings, it appeared that this piece—while the most important—usually was left to the very last, sometimes with disastrous results.

Reviewing the third stage of the nonprofit model on her computer, Carol liked the initial layout as it followed a pattern similar to John and Kathy's idea that focused on choosing which process to use based on whether economic or organizational change was being implemented.

Third Stage—Nonprofit Model



Carol looked over the model and decided it flowed logically from the two previous models. As well, Carol noticed that several common processes followed each step regardless of whether the change being implemented was organizational or economic.

Having just tried to implement change with staff, she knew that understanding the human side of change probably was more complicated than the other two. Although it would be impossible to capture all the complex issues, this model at least addressed the most pressing ones. Carol decided to send her design off to John and Kathy.

Carol wondered if any use would come out of their model for change. It seemed a pity that other organizations would have no opportunity to learn from their experience of the merger process.

While not all the loose threads were wrapped up, she, Kathy, and John had agreed that most of the tough work was behind them. She looked forward to some holidays now that most of the staff and board meetings were over for the summer and the Canadian Nationals swim competition was over. She was quite pleased by her results. Though she did not break her time in the 50-metre freestyle, she placed a respectable 12th and her relay team had placed a third and a fourth. She had been particularly proud of Jean, who had placed first in the nationals in her 200-metre butterfly. Getting up from her desk to leave for the day, Carol laughed, remembering the look on her coach's face when she had told him she wanted to compete in the 200-metre individual medley next year at the World's Masters Games. She did not even know how to do the butterfly stroke. Oh well, she had survived other major challenges in her life. Why not take on just one more? As she closed the door behind her, the vision of another trapeze bar swinging her way came into her mind. She looked forward to having some stability in both her personal and professional life, but knew that in some ways, stability—like that trapeze bar—was just an illusion and that change was the actual reality. The trapeze bar really was the safety net, a space to allow someone the time to re-group and prepare to jump into the void of change. She liked that image; it gave her courage for the future.

The Discussion

The Human Side of Change

In thinking, keep to the simple. In conflict, be fair and generous. In leading, try not to control. In work, do what you enjoy. In family life, be completely present.

- Lao Tzu⁵⁸

People, not the implementation of processes in organizational systems, are the foundation of any change initiative. Our research showed that senior management and the board of directors tended to focus, at first, on organizational systems and processes in the change initiative, probably because they were the most easy to quantify. Change in policies and procedures, programs, systems, processes and structure, and strategic direction could be charted into a timetable and in most cases completed on schedule. It was only in the middle or latter part of the change initiative that the realization dawned that people were the most overlooked part of the equation. It was not that they were considered unimportant; rather, it was the time required to move people through the transition process that was so surprising to so many people interviewed.

In our interviews, words used to try to describe being in the transition zone included: trust, hidden agendas, values, loss of identity, security, shake-up, secretive, openness, egos, collaborative, turf issues, culture, communication,

⁵⁸ Cashman, *Leadership from the Inside Out*, p. 200.

compromise, resistance, participatory, autocratic, leadership, and sparring. These words show the sense of confusion around the transitional process. The diction employed by those within the organization showed that people were at different places within the transition stage. Their word choice indicates neutrality, negativity, and, in some cases, hopefulness about the change process.

Our research indicated that another major driver of the merger process for all organizations was program collaboration. Many people interviewed felt that proper program evaluation, as a pre-merger project, might have made the merger process move more smoothly. It would have allowed an opportunity for all stakeholders, funders, board members, and staff to work on a project with short-term success and measurable goals. This program evaluation process also would have given the organizations a basis of support upon which to move forward with a merger or, in some cases, support for the decision not to proceed.

Culture

Culture can be defined as the expression of an organization's beliefs and values through behaviour and external and internal relationships. Culture can be simultaneously formal and informal. The organization's culture can be expressed explicitly in mission, vision, and value statements, or it can be expressed implicitly by how people actually work within it. If the organization's explicit and implicit cultures are contradictory, long-term positive change is unlikely. Many people interviewed cited this difference in "culture" as one of the major reasons for misunderstanding, mistrust, and communication breakdown.

In two organizations interviewed, one of the initial concerns expressed was the diametrically opposite culture of the two boards. One board member immediately recognized the difference in the two cultures. "One had volunteers, people answering phones. The other organization's staff saw them as West End people with money, who were do-gooders. They didn't understand the education programs and that we were not just running a few courses."

From a management perspective, an executive director saw the differences in the different cultures of the two organizations and in how decisions were made and shared. "Our climate was very cooperative and supportive. Our staff was involved with me talking with them about the importance of merger and how it would help them survive financially. Their staff was contracted. They didn't do any of that. Their climate was very autocratic. There was no process. When the merger occurred, their administrative staff (but no other staff) was told the merger was going to happen."

The consultant interviewed also recognized the cultural differences in the boards with whom he worked when he said, "The two organizations were totally

different, one was dynamic, engaged in the community, and volunteer driven. The other was more of a laid back kind of organization.”

For any merger initiative, finding the common ground for organizations with such diverse cultures can be extremely difficult. Nevertheless, the consultant in our case studies was able to help people successfully work through the process of identifying organizations’ unique cultures and brought forward unique ideas to find common ground for moving forward.

Communications

Consistent and constant communication was essential to initiating a successful change initiative. Various forms of communicating the message other than verbally were very important. Besides written communication, visual presentations, informal verbal exchanges, formal meetings, the Internet, and water-cooler discussions were used as means of communication. Communication must build trust and present the same message at all times, whether to the government, board of directors, clients, or staff. Consistent communication was seen as a key driver of success.

Committees

In both the fictional story and in our case studies, various committees assisted the boards and senior management with the change process. The initial committee usually was comprised of both board members and senior management. That committee usually was charged with bringing back a plan for the change initiative and encouraged to include the views of various stakeholders. Ensuring that constant and consistent communication occurred at this level was imperative if the committee was to be used to establish trust between the organizations.

It is important to note, though, that the bonds of trust and commitment to change can occur at the committee level without transferring back to the board and lower staff levels immediately. For one organization, this assumption—that the trust built by its committees would automatically flow to the board—almost caused disastrous results when the board rejected the committee’s initial recommendations. The committees had an opportunity to build trust and rapport with each other by working together on issues, but most of the board members (other than those sitting on the committee) had not had this opportunity. It took several months of additional work to bring the other board members on side.

Our research shows that establishing committees to allow the inclusion of various stakeholders, most importantly staff, is important to the success of the change initiative. The committees provided a way for stakeholders to express their views positively and constructively.

Staff and Boards

Without people there would be no change. People, not processes, are the most important component in any change initiative. Understanding the stages of change helps break down the barriers. Despite a myriad of different theories, concepts, and ideas broken down into complex diagrams and flow charts, the reality is that the most simple seems to hold the most truth. One of the major struggles many people face is what to do with people who cannot seem to move on, those who often ask the leader to save them from their current situation and solve their problem. What I found most surprising in our interviews was the staff member who commented “that in some ways not letting people go was counter-productive to the entire merger process.” Further to this, “The statement by the board and the E.D. that ‘no one would lose their job’ actually might have hindered rather than helped the merger.” When I re-read the interviews with the board members and executive director, it became apparent that they really did not want anyone to suffer because of the change process that they initiated. But, by declaring, “no one would lose their job,” they gave people no real impetus for change. So, while their motives were honourable, the dichotomy of the message—“change but no change”—actually may have hindered the process. It appeared from some interviews that boards and the executive directors really struggled to make the change process as easy as possible for some people when the best decision for the organization would have been to let those people go.

I struggled with this in my own organization as some staff members tried to avoid accepting any change and divert the responsibility to someone else by attempting to “throw them the rope” in the hope that another person would take on the responsibility for their problem. In an attempt to use a very visual aid, similar to the parable of the trapeze, I began talking to my staff about a fable entitled “The Bridge,” written by Edwin Friedman and contained in his book *Friedman’s Fables*.⁵⁹ The metaphor is an excellent tool for helping people understand that sometimes all you can provide is support, but the real change must come from within.

After great experimentation and much thought, fair degrees of success and failure, a man felt he knew clearly where he wanted to go to seek the opportunity that awaited him. Hurrying across a high bridge, he meets someone coming from the opposite direction. This stranger had a 30-foot rope wrapped around his waist, which he unwrapped and handed to the man, asking him to hold it. The stranger says, “hold tight,” and then jumps off the bridge. The stranger continues to tell the man that the man is responsible for his life; he refuses any suggestions about how to prevent himself from falling into the water. Finally, the man tells the stranger; “I will not accept the position of choice for your life, only for my own....” The stranger still refuses to help pull himself back up and save his own life and thus the man lets him go.⁶⁰

⁵⁹ Edwin H. Friedman, *Friedman’s Fables* (New York: Guildford Press, 1990), pp. 5-7.

⁶⁰ Ibid.

Chapter 4

Reflections

Professor Jean Pearce looked at the approval letter for the grant she had received to undertake a research project on change. The concept of studying change by using organizations that had lived through the process came to her nearly three years ago when she helped the Children's Community Society merge its two predecessor organizations. It had been an excellent opportunity to study different perspectives of the change process by helping each participant without any of them knowing she was following the merger development. The different perspectives coming from a board member, an executive director, and a program manager could be used as a starting point with all the volunteers and staff she planned to interview.

In addition, she had been very impressed with the new model of change that each person had contributed: "Window of Opportunity," "Leadership," and the "Human Side of Change." Her piece, "Reflections," would be the final section and would give participants an opportunity to reflect on their experience and add to the body of knowledge on change.

The grant would give her enough time to take a six-month leave of absence from her teaching commitments to work on the study full time. She needed to e-mail John, Kathy, and Carol to let them know the outcome of the grant request. Six months ago, she had approached them individually to see if they were willing to participate in the final piece of the new model of change. They all had agreed readily and had been excited about closing the loop of their new model. They hoped their experiences could be shared with others.

The Meeting

John, Kathy, and Carol sat on the deck of a fashionable hotel overlooking the city's beautiful river valley. It was a warm fall day and the riot of colours spread out before them provided the perfect backdrop for their discussion. It was hard to believe that nearly three years had passed since the merger began. They were waiting for Jean, who had agreed to this supper at their expense, as a thank you for all the help she had given them. She also had asked them to think about the process they had experienced and be ready to talk about their experiences. She said that the relaxed setting would be conducive to the last theme of the model, "Reflections."

John was more relaxed than he had been in the last several years. He had just accepted a position with a new company, and he and his family would be moving to a new city as soon as the paperwork was completed. He had decided to take at least a month off and travel with his wife and children before starting the new job. With both anticipation and sadness, he was resigning his position as chairman of the board of the Children's Community Society.

Looking back, he realized how much they all had accomplished. He never would have considered in the past how much an organization's culture could play a role in impeding or assisting change. His ignorance about the cultural differences of the two organizations had almost derailed the process. He knew now an organization's real culture is not written or stated in any policy or manuals. It is what really exists and is practised by the people involved.

John looked at Kathy and Carol who were in the midst of discussions about some restructuring changes they planned for the new budgeting season. He thought how lucky he had been that the two had worked out their differences and decided to stay with the organization. Their actions showed two great examples of leadership.

Throughout the merger process, leadership had been tested—not only with Kathy and Carol, but also with the board. He had been surprised when the board initially had rejected the first recommendations but had been pleased that, instead of backing away from the challenge, the initiators of change had accepted it as a just another step in the process to move forward.

He also realized that despite their best-laid plans not everything could be done at once nor in the order they had predicted. Despite their best efforts to speed up the process with the staff, they needed time to adjust. The change process just could not be rushed; it evolves and takes time.

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Pulling a paper out of his coat pocket, John looked at the ideas he had jotted down for Jean:

- Provide as much stability for clients, staff, and volunteers as possible.
- Remember the importance of shared values.
- Hold partnerships together with strong vision when the going gets tough.
- Remember that communication is key, especially as it relates to the personal implications for individuals within the organization. Most importantly, make sure the same message is communicated to everyone at the same time. Never tell one group of people without expecting it to be relayed across the company quickly.
- Allow no hidden agendas—even if they are well meaning. If the hidden agenda surfaces at the wrong time, it can be devastating. Get all the “skeletons” out of the closet.

- Use an outside consultant as part of the process because s/he can bring sensitivity to the discussions. (John looked at the last point that he had emphasized and underlined. Boy, if that wasn't the truth!)
- Allow more time than anticipated to implement change.

Folding up the paper, he put it back in his jacket pocket and waited for a break in the conversation between Kathy and Carol. He wanted to talk to Kathy about his replacement and how she was handling the board's choice. It was a controversial decision, and he wondered if it had made her uncomfortable. Naming a very vocal advocate for continuing reform was not exactly the choice Kathy had hoped for, as she wanted some time for the staff to become comfortable in their new roles before introducing more change. John smiled as he picked up his menu to look over the appetizers. She'll do just fine, he thought. She'll do just fine.

Carol was only half listening to the conversation between Kathy and John about the newly-appointed board chair. Carol knew Kathy would have her hands full, as the new woman was very vocal about wanting the organization to expand further through mergers with like-minded organizations. At times like this, Carol knew her decision to become program manager rather than executive director had been right.

Carol thought long and hard last night about what she wanted to emphasize about her experience throughout the change process. She knew her initial feelings were negative, because she felt she had been kept "in the dark" about the changes. But, after becoming comfortable with the new roles they had taken on, she had decided to talk to Kathy about her feelings in an attempt to get rid of the lingering discontent. Kathy had pointed out several ways, both written and verbal, that she had passed on information to Carol. Carol finally had realized that the information always had been there, but she had not been ready to listen because she was so worried about her own position. Once her position had been secured and the answer to the question "what's in it for me" dealt with, she had been more open to the change process. She also had been more willing to take on a leadership role in the merger and was thankful that she had taken the initiative to provide meaningful input to the process. Not only were her recommendations well-received, some were even implemented.

Carol had noticed John looking over a list awhile earlier and presumed that he too had jotted down some ideas for Jean. Pulling out a small notebook, she reviewed her own points:

- Potential loss of identity must be addressed early on. This was a real concern to staff. How could they transfer the "good things" to the new organization?
- People need the opportunity to talk about their grief and their loss with the change, but they also must be reminded gently to look through the windows for new opportunities. Never generalize or draw assumptions about how individuals feel.

- The merger created anxiety, which drained the staff.
- Discussing change models can help staff members understand how change affects them.
- At some point, no matter what leaders do, some people will never accept the changes being implemented. They and the organization must accept that the time will come to part ways.
- Some sacred cows must be put out to pasture.

She looked at the last point she had written and smiled. One of her staff had thought this one up earlier on in the year, and she thought the visual presented by the statement was appealing.

Carol decided to leave her list out, as she knew that Jean would arrive any moment. She looked over at Kathy and John who were still deep into the discussion about the newly-appointed chair. Picking up her glass of wine, she looked at the beautiful scene spread out below her in the river valley. She wanted to talk to John about his new job and was curious how his children were handling the fact they would be changing schools half way through the year. It would be tough leaving friends and having to make new ones, she thought, but somehow children appear to be more resilient to change than adults.

Kathy glanced over at John and Carol who had begun discussing John's career change. She knew this change was unsettling for John, but he had just talked about how his experience with the merger would help him put it all into perspective. She had laughed out loud when he said, "There was a light at the end of the tunnel...hopefully, it wasn't a train barreling my way." How true.

Kathy had seen both John and Carol pull out their notes for today's meeting with Jean. She felt rather bad that she had not jotted anything down because had been too busy in the last few weeks with the change in board chairs. She was mentally drained after her 50-hour workweek. This evening would be a chance to wind down. She mentally ticked off the issues that she wanted to bring to Jean's attention.

- Staffing issues cannot be avoided. Leaders must deal with them immediately and directly, or they will come back to haunt them.
- The staff must be involved in the process right from the beginning and kept apprised of the need for change.
- The critical moment of success came when the will to see the merger through overcame the inertia that had set in one year after the project began.
- The consultant really helped to introduce the theoretical concepts of change and allowed people a safe setting in which to ask questions.
- The merger worked because the people at the table were passionate about the cause. Having an influential group of people truly committed to the desired core values is essential.

- She had learned about how to make her leadership conversational rather than confrontational. She and Carol had worked hard on asking the right questions and more importantly listening to the answers.

Kathy had just finished her mental list of points to raise when she saw Jean walk through the doors of the restaurant and out on to the patio. She waved Jean over and motioned her to sit in the chair with the best view of the river valley reserved for their “behind the scenes” mentor.

Jean arrived at the table and glanced at the group. She saw two of them with lists already out on the table, ready to go. Sitting down she waved over the waiter to bring her some water and a glass of house red wine. From the amount of writing she had glimpsed on the lists, this could be a longer evening than she first considered. Turning to all three she said, “The evening is young, the view is beautiful, and the weather is cooperating quite nicely. It seems like we have a lot to discuss...shall we begin?”

The Book

Jean reviewed the manuscript that was almost ready to go to her editor for review. Nearly two months ago, she had met with Kathy, Carol, and John. They had ended their session well after midnight, much to the chagrin of the waiters who had been hovering around the table hoping the group would finish so they could shut down for the evening. All three of them had provided her with some great insight for the fourth stage of the nonprofit model. Looking over at her computer, Jean brought up the final section that was ready to be inserted into her manuscript.

Fourth Stage—Nonprofit Model

Reflections

Long-term Organizational Capability

Review success and failures after the change.

- Allow time for reflection and review of the lessons learned.
 - Utilize change model.
- Document successful learning processes.

Consolidate Improvements, producing still more change.

- Use increased credibility to change systems, structures, and policies that do not fit the new vision.
- Clarify connections between the new behaviours and corporate success.
 - Hire, promote, and develop employees who can implement the vision.
 - Develop the means to ensure leadership development and succession.

Jean had thought carefully about the final piece, because her research showed that few, if any, authors on change allowed time for review and reflection to be included in the change process. She had carefully pondered its weighting within her model until she heard the comments over supper. John, Carol, and Kathy had said adamantly that reflection was an equally important part of the change process and that, sadly, they rarely had the opportunity to reflect on what they had learned.

The idea to include long-term organizational capability only seemed to fit the last piece in the model as it aimed to improve organizational processes. Ironically, if an organization had weathered a short-term financial crisis, by the time it was ready to reflect on the process, it was probably well on the way to implementing long-term organizational capability. The entire idea of reflection and review was a prerequisite to long-term development.

The final chapter of the book, with its condensed version of the model was finished now. She hoped the readers of her book would find the information useful and relevant. The new four-step model focused the issues of change on people, probably the most important and most overlooked part of the change process.

She had learned a lot about change through the process: one by working with the people involved in their own change process; a second by researching change itself; and the third by actually writing the book. She was looking forward to making some changes in her own life and knew that, while they would be difficult, they would really be just the first chapter in a new book. She looked forward to writing that one, too. “On second thought, maybe this time,” she said out loud, “I’ll just read it!”

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The Discussion

After the Change

Without appropriate vision a transformation effort can easily dissolve into a list of confusing, incompatible, and time-consuming projects that go in the wrong direction or nowhere at all.

-John Kotter⁶¹

The idea of including reflection into a model of change came from the people interviewed for this book. They thanked us for the opportunity to reflect on their own organization’s merger and provide us with answers to the question, “What lessons did you learn?”

Their comments allowed us to focus on what was really important, those things remembered even as time passes. While the charts break down the lessons learned, the collective consensus was that the change initiative, though painful at the time, was worth the effort. A second, important point was that people—not organizational processes and systems—are the most important part of any major change initiative.

⁶¹ Kotter, *Leading Change*, p. 7.

Collaborative leadership, though not easily defined, also was essential for success. This leadership came in many forms from both a “general” and a “shepherd” perspective. Leaders can lead from behind or in front. Supporters of the change initiatives came from some surprising sources, such as board members initially reluctant to support the change and clients who saw the need for change. The opportunity to initiate a change was just as important as effective leadership. It appears that, without the window of opportunity, the impetus for change would not have been strong enough to overcome the initial inertia of maintaining the status quo. It takes leadership in some form to recognize opportunity, and, in a way, it takes an opportunity to allow or encourage leadership to emerge. Both require proper timing or being in the “right place at the right time” to make it work. An opportunity may be available with strong leadership to implement it, but if the timing is wrong for the organization, the change initiative is destined to fail or languish on the backburner until all three come together at another opportune moment. A clear understanding of the organization’s vision, culture, and values is a key driver of success in any major change initiative. Outside support, in the form of consultants and committees, provided an opportunity for key stakeholders to have ownership in the change process, thus encouraging a successful outcome. Since people, not processes, are the key to a successful change initiative, understanding the barriers that people erect to maintain the status quo, defer, delay, or even sabotage the change process is important for success.

In very few models of change other than Jick’s was there an opportunity to step back and reflect on what worked and what did not work in the change initiative. Those interviewed saw the opportunity to reflect on the process as an important aspect that was overlooked when they went through the change initiative.

Lessons Learned

In our case studies, several lessons learned were highlighted. These were issues that were recalled even 10 years after the change initiative.

Culture Shock

Many people interviewed described the differences in culture, or not understanding the cultural differences between the two organizations, as a barrier to the change initiative. They were surprised at the differences in culture even though, on the surface, the organizations looked similar. Values were important in the merger initiative as well. An executive director said, “It is of absolute importance that two organizations share values. We were lucky that two organizations were so closely matched. If they had not [been] then we would have faced the situation of asking can we work this out or are they walk-away issues?” Even with an internal change initiative, values and culture can inhibit change.

Board Boundaries

One interesting lesson learned was the issue of boundaries, especially for the board. In one case study, the committees established to bring the merger ideas to the table had opportunities to build trust around issues that could be considered sensitive (such as chief executive officer replacement, salary changes, staff loss, and program loss). When the committees brought the merger proposal to the table, the board rejected it initially. Without the same opportunity to build trust around the issues, the boards of both organizations felt the merger committee was going too far, too fast. According to one of the board members interviewed, “The rejection came as a surprise. However, it was a key test of the leadership.” He concluded that the process just needed more time.

Staff Preparation

Our case studies revealed that the time needed to engage staff in the process was seriously underestimated. While the board and committees were already in the transition stage, the staff was still back at stage one. The question, “how will it affect me,” was not properly addressed. The staff was experiencing fear, but the people involved in the merger were so preoccupied with other “more pressing issues” that they found it overwhelming to deal with staff issues as well. In one case study, an entry-level staff member said, “Staff often felt left out in the merger process.” She reported that, in communicating with a staff member of the other organization, the woman had said that one of her feelings at the time was that “we (staff) were kept woefully in the dark.”

Engaging staff in the process, either through a committee or special merger project may help alleviate some of the issues. Being open and honest with staff, even if the answer is “we don’t know,” probably would have helped address at least some staff issues. At least one nonprofit organization in the study told all staff that no one would lose a job or have reduced pay or benefits during the merger, though the job position itself may be changed. This announcement helped alleviate staff stress at the time, although it may not have been the best decision in the long run for the organization. In a situation where a change initiative is initiated purely for economic reasons, the staff must be told up front why it is happening. Another executive director said, “Dealing directly with staffing issues is definitely a lesson I learned. You can’t avoid the staffing issues. They come back and they come back worse.” In an attempt to deal directly with the issue, another executive director stated, “The leadership style was conversational rather than confrontational. What we did was to say was, okay let’s talk about that. What are you worried about? How does that feel? What can we do that will put some of that to rest for you? What will be reassuring to you?” A third executive director of one of the nonprofit organizations said, “Participation at every level of people being served was important including front-line staff.” She went on to say, “Staff need to be able to not have just input, but meaningful input.” She tried to achieve this by giving people an opportunity to assume leadership. Even

volunteer coordinators were asked to make recommendations as to how the merged organization should look. She believed that this practice was very effective.

The Will to Succeed

It takes an enormous amount of effort to make a change initiative like a merger succeed. If the vision of the end product is too weak to carry the process through the difficult times, inertia will set in and the organization will fall back to its previous ways of doing things. Strong leadership with supportive management is the key to success. In one case study, an executive director said, "... at the critical moment when the merger proposal was rejected, the 'will to see the merger through' was 'incredibly important.' The personalities were strong in wanting the merger to take place. My only regret is that we didn't spend more time in bringing on board the others." The importance of this commitment to the vision was echoed by a senior manager who said, "Another lesson learned is the importance of commitment. [You] really have to have [an] influential group of people who are truly committed to the core values that you want to achieve." An executive director recalled a personal awareness that she had: "Personally no matter how clear the vision is for me, because I can see it— doesn't mean that others can see it [and] buy into it. I have to be really thoughtful about what I do with my vision and about how I communicate it."

Communicating the same messages was equally important in order to reduce anything that "gets people's back[s] up." A board member echoed this idea when he said, "We agreed that the board interactions needed to be absolutely honest, totally honest. Hidden agendas, even if they are well meaning, if they surface at the wrong time, they can be devastating. It is important to be able to get all the cards on the table."

Pace the Process

It is imperative that the merger plan have milestones and timelines to encourage everyone to keep moving forward. It can take up to seven years for the change initiative (especially if it is a large one) to become embedded within organizational culture. "Embedded" is when the "new" way of doing things has become the "familiar" way of doing things. A member of one board of directors stated, "Don't expect to do everything at once. It will be an evolutionary plan. You may look for an ideal state but (must) realize that you can't get there on day one."

The Role of Consultants

A key lesson learned was the need to engage outside support. The consultant can play a key role in ensuring that the momentum of the change initiative is maintained. One board chair said, "The role of consultants was a useful one,

particularly ‘early in the game,’ because the consultant could be the straw man and take the flak.”

This “taking the flak,” or even presenting uncomfortable issues for discussion, can be an important role for the consultant as people can more freely accept and reject what they dislike.

Another executive director commented on the use of a change model: “Having the (Bridges) change model gave me a language that I could communicate effectively to others so that we were all talking about it in the same way. A model has a visual representation as well as verbal one and meets the needs of people who have different learning styles. It also mattered that it was a model that was credible and not just a personal opinion about change.”

Encouraging those engaged in a change initiative to understand the process appears to alleviate many fears of the unknown. Discussions of personal concerns are encouraged because of a recognition that, when people face change, they fear the unknown.

Conclusions

Findings of the personal experiences of change suggest that the impetus for the merger occurred during a window of opportunity in which flexible executive staff members had leadership capabilities to focus the vision on how community needs would be enhanced by a merger. They led discussions with both the board and the community about differences in order to achieve unity. The consensus of the participants was that a better understanding of the human side of change would have made the process less emotionally charged and that an opportunity for reflection would have provided an opportunity for organizational learning.

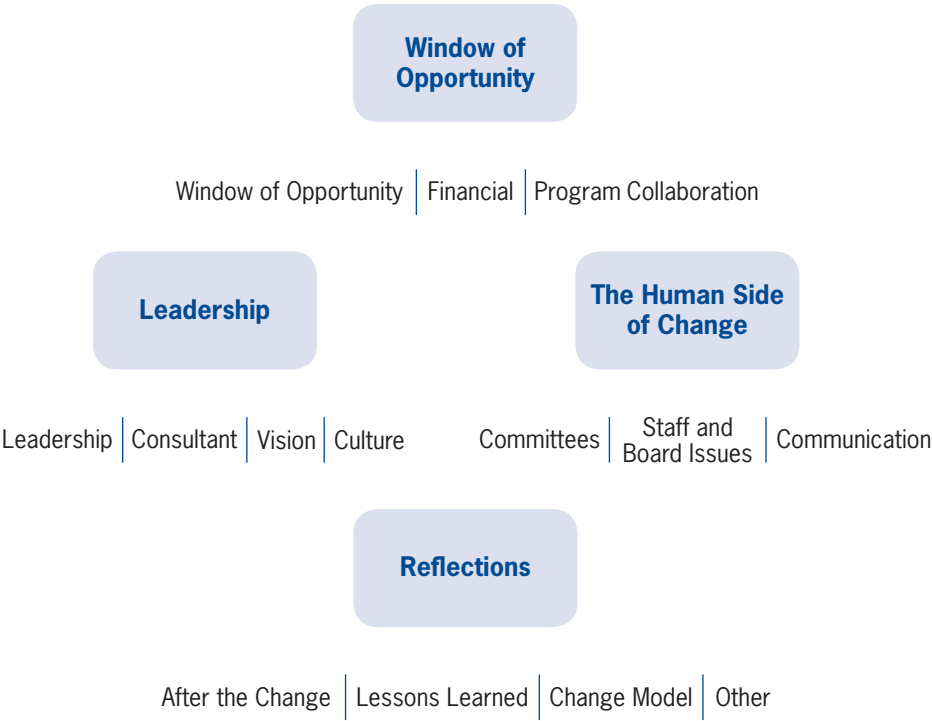
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We have combined the organizations studied into one fictional organization that allowed us to present the research results in an interesting and readable manner. Rather than focus the case studies on the organization, we focused them on the interview results and compiled them into four major themes: Window of Opportunity, Leadership, The Human Side of Change, and Reflections. “Appendix A–Detailed Themes Chart” breaks the interview highlights down into four major themes.

The four major themes from the research study form the basis for a new model of change. Incorporating the best concepts of the three corporate models of change with research outcomes, this model focuses more on the people side of the change process. While this model shows the importance of systems, processes, and structures to the success of any change initiative, it highlights the “people” part of the process.

We created a fictional organization and changed the names of the people quoted in an attempt to encourage open and honest dialogue about what really occurred during the process. We believe that the research results came from people who truly wanted to share their experiences of the process they had experienced in an attempt to help someone else to do it better. Both my research assistant and I want to thank all participants who gave so willingly of their time to share their change experience with us. For some it was a difficult journey; for others it provided an opportunity to reflect on what worked and what did not. For all, it was an opportunity to share their experience with others in the belief that it will make a difference.

The New Model



Appendix A

Detailed Themes Chart

Both researchers interviewed 10 people from six different nonprofit organizations that eventually merged into the three nonprofits featured in the case studies. We interviewed them at the same time, tape-recorded the interviews, and then reviewed the material independently and collaboratively to ensure an accurate interpretation of the material. We attempted to get a cross representation from the organization, including board executive, senior management (or executive director), and staff. As well, we included comments from a consultant who had worked with two of the organizations merging.

The chart below contains interviewees' comments about the change process. The numbers after each statement is the number of times a similar statement was made, though the same person may have made it but in a different way.

As the analysis began, we found we were able to group the comments into 14 distinct topics. We then attempted to group the topics into major themes, four of which emerged from our study: Window of Opportunity, Leadership, The Human Side of Change, and Reflections. The major themes, with the 14 common topics, follow:

Window of Opportunity

- Window of Opportunity
- Financial
- Past Program Collaboration

Leadership

- Leadership
- Vision
- Consultant

The Human Side of Change

- Culture
- Committees
- Staff and Board Issues
- Communication

Reflections

- After the change
- Lessons Learned
- Other
- Change Model

The following chart combines the topics under the four major themes.

Window of Opportunity

(Includes the topics: window of opportunity, financial, and past program collaboration)

Board

Window of Opportunity

- Boards and major funders encouraged merger. (2)
- One organization was going to fail; organizations seemed like a good fit. (2)
- Government changes forced organizations to readdress issues (environmental scan). (2)
- Successful because no fixed time frame, did not have to merge. (1)

Financial

- Funding crisis initiated change. (3)
- Competition for funding and costly overhead were two major reasons for merger. (5)

Past Program Collaboration

- Synergies were explored in the past. (1)
- Merger seemed to be a result of a convergence of circumstances. (1)

Executive Director

Window of Opportunity

- Organizations in a state of flux and weakened. Board overloaded for one organization, the other unable to grow. (6)
- Boards not keen on merger until realization they had all same clients. (1)
- Merger opened up opportunities to work as teams. (1)
- Environmental scan showed there was a “change in the wind.” (1)
- Community skeptical of merger, saw it as a takeover (1)

Financial

- Reason for merger was funding and program expansion. (4)
- New merger was needed to sustain organization into future. (1)
- Funders encouraged merger. (1)

Past Program Collaboration

- Actively searching for collaborative projects; previous attempts had failed. (2)
- Had been looking for a suitable partner for three years. (1)
- Looking for an organization with similar values. (2)

Staff

Window of Opportunity

- Confusion in the community about the two organizations. (2)
- Timing was crucial. They were ready for it. (2)
- Board exhausted needed change. (2)

Financial

- Outside sources proposed merger for funding reasons. (2)

Leadership

(Includes the topics: leadership, vision, consultant)

Consultant

Leadership

- The soft stuff is in between. How do people feel about their emotions? (1)
- People must understand that there will be some shifting of perspectives. (1)
- Getting people to trust each other is different than getting them to know each other. People are slow to trust, not distrustful. (1)
- Build trust through consistency of relationships. (1)
- Must uncover hidden issues now; if not now, it is too late. (1)
- Approach to change must be on the human side, if you can get that in order the rest falls into place. (1)
- Everything in an organization is about people and relationships. Change in structure cannot be supported without the people. (1)

Vision

- Vision is very personal. To have buy in you need to allow people to take part in the creation of that vision. (1)

Consultant

- Consultant is able to stand back as a third party. His/her role is to give the organizations every opportunity to make good decisions. (1)
- Consultant can also be a thorn if no one wants to initiate change. (1)
- Organizations need help understanding the change process. (1)

Board

Leadership

- It took unique personalities to make it work. (4)
- Active board was necessary. (1)
- Talked around word “merger.” State the obvious, if it is a merger, state it as such. (1)
- Board must be involved in “big picture.” (2)
- Some board members wanted to do more, felt they were not contributing enough. (1)
- Personalities played a big part in some roadblocks. (1)
- Role of chair is to focus on the vision. (1)
- The executive director must understand the vision and have integrity to make it work. (1)
- As chairperson sometimes you have to know when to be the “general” and when to be the “shepherd.” (1)
- Sometimes a leader has to move on to let the organization move on after a major change initiative. (1)

Vision

- Vision to reduce overhead, improve service delivery to community/clients. (2)
- Vision wasn't clear at time; merger forced them to prepare a plan for the future. (2)
- Personal experience led to getting involved in the organization. (2)

Consultant

- Consultant useful to present ideas and take flak, get ball rolling and the people more relaxed. Brought sensitivity to discussion and helped formulate what they were talking about. (4)

Executive Director

Leadership

- Directors and executive director able to overcome personal and turf issues because of higher need (vision). (1)
- Leadership unique. One withdrew; two became co-directors. (1)
- Previous merger negotiations had failed because of turf and ego issues. (1)
- The two executive directors sat down and discussed their future. (1)
- Could it have worked if it had not been all women? (1)
- Some protection around programs had sprung up it was difficult to get people to work in teams. (1)
- Recognized own level of skill not able to handle new executive director duties but could be in a supportive role. (2)
- Co-leading worked because of different skills. (2)
- Board supported her move and made sure she was okay. (1)
- Different leadership styles was an issue but staff saw how we worked together. (1)
- Worked together on issues. (1)
- Lead the process rather than make decision for them. (1)
- No way to anticipate the needs of all the staff. Some bought in, others did not. (2)
- I always measure my decisions about whether I will regret this tomorrow. (1)
- I learned some things about myself. The loss was real but there was also gain. (3)
- I knew when it was time to move on. (2)
- I was too inexperienced, which was probably a good thing. (1)
- Huge obstacle when there are two leaders. (1)
- I did not feel stable. I had to constantly reassure board. (1)
- Had to learn to accept other people's way of doing things. (1)
- The will to see the merger through was very important. (1)
- Because I was new, there was not a lot of investment in the old. (1)

Vision

- The vision was to serve the clients better and provide better programming for the community. (3)
- Environmental scan contributed to need for merger. (2)
- Discussion centered on values, vision, and other commonalities. (1)
- Mostly everyone had clear vision of where they wanted to go. (2)
- Decision to merge owned by a lot of people. (1)
- Openness to idea of change and a will to change was important. (2)
- Went through values and sacred cows. (1)
- Several years after merger still have unity around vision. (1)

Consultant

- Consultant very good was used when negotiations got derailed; also used to facilitate meetings, helped with merger committee. (4)

Staff

Leadership

- Board kept her involved. (1)
- Successful because two new people were involved (no egos?). (1)
- Power struggle ended when she said she did not want executive director's position. (1)
- Since she was new, she was not threatened by the change. (1)

Vision

- People worried that vision would be lost but everyone felt that change would benefit the community. People were passionate and were allowed to express views, disagreement okay. There was a commitment to values and a high trust level. (6)

Consultant

- Consultant very helpful, allowed feelings to be expressed, helped to get fears out on table. (1)
- Doesn't remember dealing with consultant. (1)

The Human Side of Change

(Includes the topics: staff and board issues, culture, committee, communication)

Consultant

Staff and Board Issues

- Need to get a sense of who the people are and get them to ask questions and put issues on the table. (2)
- People must trust the process. (1)
- Be prepared for range of staff reactions. (1)

Culture

- Culture is about behaviour and the way we do things in organizations. It can be formal or informal. (1)

Committee

- Forming joint committee good idea as it allows people to get to know each other in a small group. (1)

Communication

- Important to get things written down on paper. (1)
- Work with both groups in the same room, so they hear the same thing. (1)
- Must use different methods for communication. People do not always read material. (2)

Board

Staff and Board Issues

- Board concerned about staff loss. (2)
- Board structure a concern. (1)
- Concern for smaller organization (that they would not feel swallowed up.) (1)
- Hidden agendas can derail change. (1)
- Some tentative sparring, but really just apprehension. (1)
- Executive director good with people and had no turf issues. (1)
- Senior staff must be involved in the discussions. (1)
- Seemed to be a lot of turf protection with staff. (1)
- If two executive directors, one is going to be working themselves out of a job. (1)
- Board interactions need to be honest. (1)
- Everyone wanted a win/win situation. (1)
- Compromises had to be made. (1)
- Some people very resistant to change. (1)

Culture

- Must recognize past history and be sensitive to different cultures. (2)
- Underestimated the force of culture, did not recognize it at the time. (3)

Committee

- Task force formed. (1)
- Focus group started discussion. (1).
- Special committee of board established. (1)

Communication

- Stakeholders must be kept informed. (1)
- Communications through meetings. (2)
- Committed people kept dialogue open. (2)
- Lots of communication needed. (1)

Executive Director

Staff and Board Issues

- No one would lose job. (1)
- Non-negotiables discussed early, no hidden agenda, key players involved early, collaborative, collegial. (4)
- Organization could change mind about the merger and leave, but with some penalty. (1)
- Some staff excited; others concerned about loss of identity. (1)
- Some still disagree with merger, but has proven successful. (1)
- Ten years later four staff of 25 (involved in merger) remain. (1)
- Staff immediately assumed it was a merger. (1)
- First proposal turned down, surprised. People needed more time to understand. (1)
- Sometimes board micro-managed because of a lack of trust. (1)
- Staff needed to know how they were going to be affected. (1)
- Sometimes board failed to recognize the daily work needed to keep going while merger taking place. (1)

Culture

- Main difference in both organizations was culture— participatory versus autocratic. (3)
- Culture very important. Some of it had to do with leadership style. (1)

Committee

- Some focus work group done by one group before merger. (1)
- Unique move to involve stakeholders and clients early in the process. (1)
- Role of executive director was to provide model for subcommittees to work with. (1)

- Committee established. Worked well. (1)
- Plans produced through subcommittees. (1)

Communication

- Consistent communication was very important. (3)
- Strong commitment at beginning to find solutions to issues. (1)

Staff

Staff and Board Issues

- Issues: trust, name change, uncertainty about job. (4)
- National organization tie, would be new. (1)
- Beginning of discussions, merger idea “kind of scary.” (1)
- If she had had more answers before the change, she might have stuck around. After she left they were answered. (2)
- Had no relation with other staff, saw benefits to merger but really did not buy in, did not feel like she knew all the facts (3)
- A lot of consideration was given to the clients, which was good. (1)
- She had personal issues about the change, but did not really want to share them with the executive director. (2)
- Some ways no one leaving was negative. Needed shake up. (1)
- Keeping staff out of loyalty is not always best for organization. (1)
- Some avoidance by organization to deal with staff issues. (1)
- Still top heavy with management at time of merger. (1)
- It seemed like management kept everything up in the air. (1)
- Staff had general idea of the reason for the merger. Did not sense it was for the betterment of employees. (1)
- Did not remember being consulted much in the process. (1)
- She was not resistant to change but was scared what it would mean for her. (1)

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Committee

- Separated into small groups for discussion. (1)

Communication

- Meetings to clarify assumptions are very important. (1)
- Lots of networking was done. (1)
- Communication shared through staff meetings. (1)

Reflections

(Includes the topics: lessons learned, after the change, change model, other)

Consultant

Lessons Learned

- People must know why they must change; be clear about why and what you are doing and call the change what it is. (3)
- Having illusions leads to further problems. (1)
- Funders should stay out of the decision of mergers. They can ask questions but should not force a change. (1)
- You need to decide at the beginning how stakeholders are going to be involved. (1)

Other

- Have to understand in a merger you have to make big changes right away. (1)
- Need tools to facilitate open discussion, such as time for reflection, writing, sharing, and disagreeing. (1)
- You know the change is being implemented when people become engaged in the process. (2).
- Sometimes it is just the best you can do at the time and you cannot fault anyone for not being able to do it all. (1)
- Celebrations show the organization cares. (1)
- Not everyone grieves with change; never assume that they do. (1)
- Not many mergers of equals. Maybe in corporate sector. (1)
- Be sensitive about how language is used. Most mergers are driven by economic reasons and that needs to be recognized. (1)

Board

Lessons Learned

- Cannot do everything at once. Change is evolutionary. (1)
- Focus on outcomes, but be realistic about what it takes to get there. (1)
- Provide stability for staff, volunteers, and clients and financial stability for the organization. (2)
- Influential people needed to lead the change. (1)
- Not a project with a simple start or finish. (1)
- Live with compromises and be aware that something that appears to be common to both might not be. (2)
- Never be discouraged by setbacks. (1)
- Learned it was important to listen to the organization's grass roots. (1)
- It was a positive experience on how to start a new business. New skills learned. (1)

After the Change

- Merger was evolutionary, took more time than expected. (1).
- Loss of name very emotional. (1)
- First business got worse then better, five years to rebuild reserves, needed to reallocate money one year after change, was surprised. (4)
- Difficult to choose which programs to keep and which to go, had to refer back to vision. (2)
- Though change was difficult took a lot of pride in the end product. (1)

Change Model

- Unusual model of co-directors chosen for leadership. (1)
- New models looked at, decided to focus internal and external, instead of specific model for leadership. (1)

Other

- Informal and formal actions were needed. (1)
- Needed to get fundamentals in place before merger. Some surprises. (1)
- Did not really need to grieve because it was like a freshly painted house. (1)
- This project helpful as people need to study change. (1)
- Some policies contradictory. Lucky not a disaster. (1)

Executive Director

Lessons Learned

- Staff issues should have been dealt with more quickly. (1)
- Closely matched values important for success. (2)
- Having a model of change helped to understand the process. (1)
- People handle change differently. (1)
- Just because vision is clear to me it might not be clear to everyone. Be careful how you communicate that vision. The vision must be the same but not the vehicle for communication. (3)
- Give people an opportunity to assume leadership, to provide input and talk about grief and loss. Allow time for people to adjust to the change. (3)
- Some sacred cows had to be let go to focus on programs and the community. (1)

After the Change

- Implementation more time consuming than first thought. (2)
- Difficult to run day to day and deal with merger. Adopted business plan but had to change it six months after merger. (2)
- Things are not the same 10 years later as we had envisioned them. (1)
- Merger made us stronger to face future. (1)
- Change appears sustainable. (1)

Change Model

- Chose the Williams Bridges model because had been trained in it. Likes it because it gives language to beginnings and endings and gives perspective to change. Has visual and verbal representation, deals with different learning styles, and also is credible. (6)
- Co-leadership allowed executive directors to model leadership support. (1)
- More work with staff on both sides was needed. (2)
- Should have involved key stakeholders earlier. (2)

Other

- Some celebrations held. (1)
- Surprising so congruent at the beginning. (1)
- Timing was important. Some people needed more time to accept the change. (1)
- Each person experienced loss but also gain. (1)
- Thought it would take two years, took five for change to be imbedded. (2)
- Felt it could have gone better. (1)

Staff

Lessons Learned

- Staffing issues must be dealt with at the time. Staff retained a lot of anger because major issues were dealt with. Involve staff more. (2)
- More comments to staff about job security would have alleviated some concerns. (2)
- Clients' needs have to be met during merger. (1)
- If it is a financial issue let staff know, don't hide it. (2)
- Would have helped to meet staff from other organization informally. (1)
- Communication was handled at the top level not at relational level. (1)
- The merger created anxiety, which was draining for staff. (2)

After the Change

- Concerns had to be written into by-laws. (1)
- People feel proud of the merger now. It is done, just a little reminiscing about old times. (2)
- A lot more bureaucracy since change initiated. More rules and policies not as intimate and as informal. (1)
- One on one work with clients has not changed. (1)

Other

- Organizational structure could have been improved. (1)
- Celebrations were done but sometimes people just too tired. (1)
- She did not feel the merger talks impacted her ability to serve clients. (1)
- Did not appear to be much "water cooler" talk. (1)

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The Muttart Fellowships



Karen Bruce

2002 Muttart Fellow

Karen Bruce spent her last year of high school in Yorkton, Saskatchewan doing the “best part-time job in the world,” as one of the province’s first weekend female disc jockeys at the local station CJGX Radio.

A year later, enrolled in Edmonton’s Northern Alberta Institute of Technology’s Radio and Television Arts Program, she began her stint in the nonprofit sector by volunteering to train students in motorcycle safety with the Edmonton Safety Council. Her volunteerism would ignite her passion for the sector and would result in Karen becoming the Edmonton Safety Council Executive Director in 1986 and subsequently the executive director of the Alberta Safety Council in 1999.

Karen became a Muttart Fellow in 2002, the same year she completed her MBA with Athabasca University. She spent four months of her sabbatical in southern France with her two children, Kyle and Michael, and her husband, John Brogly. Traveling throughout France, Italy, and Africa fueled an ongoing passion for travel.

Karen currently resides in Calgary, Alberta and enjoys playing with her two miniature schnauzers, Eve and Betty, and riding her motorcycle through Alberta’s beautiful Rocky Mountains.