

Once Upon a Time

by Ruth McCambridge

The saboteurs of predictability may lurk in our blind spots, or they may be relatively unpredictable even when we apply a reasonable degree of rigor, or we may simply have misinterpreted an important indicator.

Editors' note: *Recently a Nonprofit Quarterly reader wrote that even the smallest nonprofits regularly face large practical and philosophical questions—and these questions can come at the most inopportune times. This issue of NPQ presents several case studies of real nonprofits that have confronted a combination of practical and conceptual challenges. Most of the cases walk you through to partial resolution but there remains some ambiguity in most of them. Remember that every solution creates new problems. In a few of these cases, we have also provided commentary, and the following discussion offers some general observations to guide you. Use these cases as you might in a business school class. Let them spark your own reflections and insights, and share your thoughts with us at feedback@npqmag.org.*

The things we fear most in organizations—fluctuations, disturbances, imbalances—are the primary sources of creativity.

—Margaret Wheatley

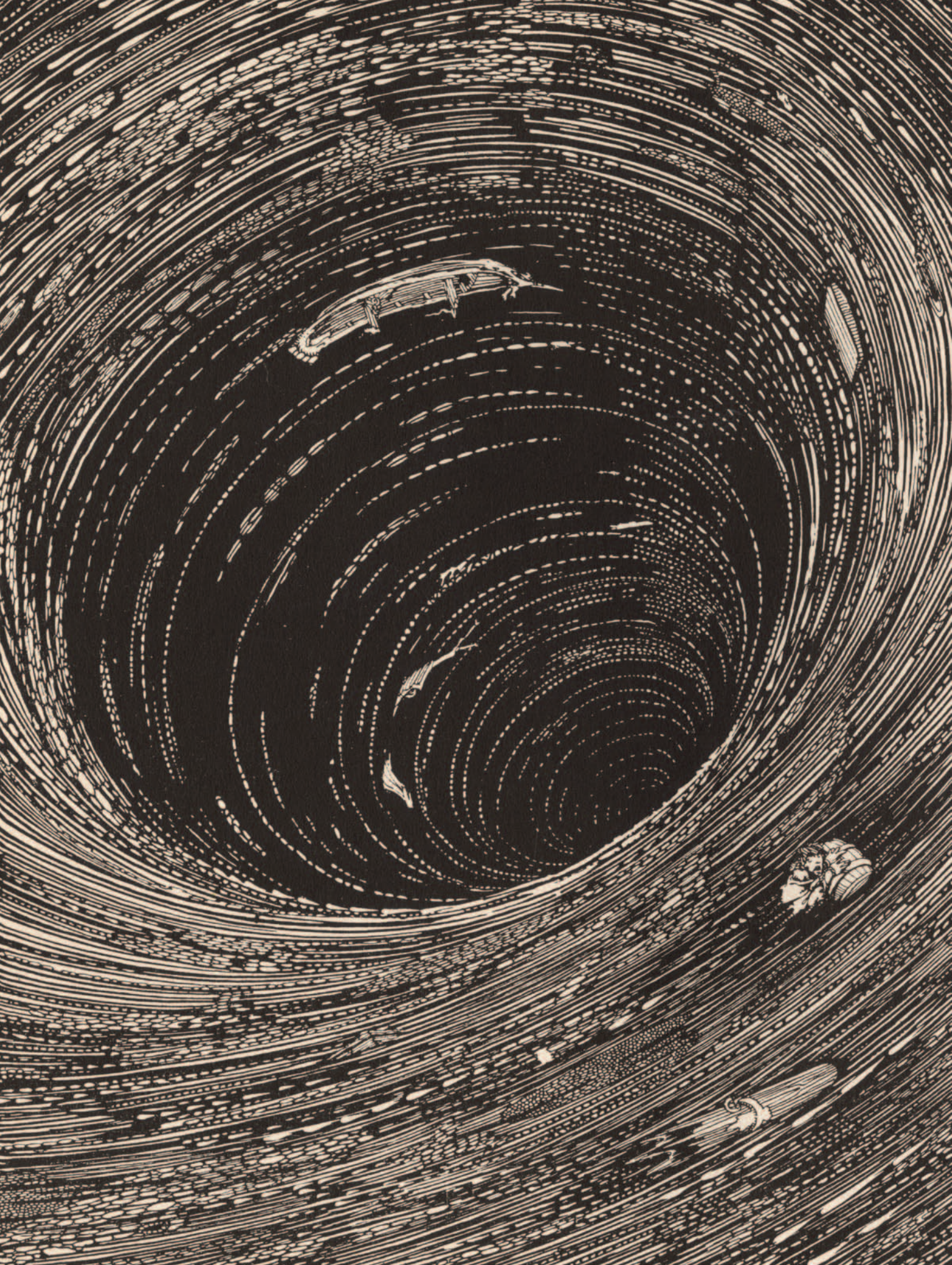
IF THE YIDDISH SAYING “MAN PLANS, GOD LAUGHS” is true, God better really enjoy a good laugh, because organizations of all kinds still persist in their efforts to draft rational plans for the future. Long-range planning in nonprofits is laudable, of course, but for most organizations the environment increasingly conspires to waylay or completely scuttle long-range plans. The saboteurs of predictability may lurk in our blind spots, or they may be relatively unpredictable even when we apply a reasonable degree of rigor, or we may simply have misinterpreted an important indicator. Sometimes intervening factors come over us quickly, like the death of a

key leader or the unexpected loss of funding; and sometimes it creeps up quietly, as in the case of a slow-growing disconnect between the nonprofit and its constituents. It is not uncommon for several disruptive forces to converge at once. Being a resilient nonprofit requires more than foresight; it takes agility.

This issue of the *Nonprofit Quarterly* provides a window into the worlds of nonprofit leaders who face significant, urgent challenges. In most cases the challenges are in a combination of internal dynamics and externally imposed pressure. For the most part, we have told the stories in the words of the directors of these organizations. In some of the articles, we have also provided an “expert” discussion of some aspects of the situation, but the richness of these organizations’ journeys lies in the narrative.

What distinguishes each of these nonprofits’ situations is each organization’s complexity: the

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personalities and belief systems of the key players, funding shifts, demographic issues, programmatic questions, the state and culture of the field or community each works in, the state of administrative systems, and even natural forces like the weather. We encourage you to consider all these factors as you read, looking particularly for what may not be explicitly stated. These case studies are purposely ambiguous to allow you, the reader, to consider what is in play and draw your own conclusions.

There are as many ways to view sources of organizational change as there are organizations, but some cross-cutting factors emerge as critical variables, including shifts in individual leadership or collective will, internal dynamics, money, authorizing environments, and changes in the macro-environment. Shifts in combination or even one at a time can create extraordinary opportunities, major crises—or simply the need to adjust.

Individual and Collective Will

The individual and collective will of those involved with a nonprofit is its life force. The clarity of purpose and the commitment with which an organization approaches its work is not quantifiable, but when we review the stories in this edition of *NPQ*, this factor is at the heart of what was possible for each of these nonprofits. Nearly destroyed by Hurricane Katrina, Coastal Family Health Center (CFHC) never wavered in its determination to recover (see page 32). In contrast, Mark Hager's case study catalogs an arts organization's difficult demise (see page 40). The collective will at CFHC to persevere—and in others to cease operations or change course or organizational form—was guided to some extent by constituent demand for what the organization could uniquely offer, but the outcome was determined by the presence or lack of will.

In each of these case studies, there is a need to be crystal clear about the why and how of filling a specific role in a larger field of work. Is this organization critical? In the context of other factors, can it provide the best value for constituents? In the case of United Housing, Executive Director Tim Bolding was surprised to discover that all the housing development corporation's financial support came from outside its home region of Memphis (see page 10). Of course, Memphis should have been where its organizational support was strongest. This was Bolding's wake-up call.

Bolding was a smart, strong leader with a desire to build a program to the scale of the problem—and who suddenly realized that no one at the local level wanted to go in the direction in which United Housing was heading. United Housing had to reconsider its position and fit with the field so that other organizations could become an integral part of its supply chain.

Internal Dynamics

Organizations are expressions of human desire; they are sensitive to the influence of personality and, over time, develop collective personality dynamics of their own. Sometimes these are peculiar to the organization or emblematic of a field. And sometimes internal dynamics are the painful, predictable symptoms of the organization's stage of development, but they are rarely recognized for what they are.

At Tenderloin Health, the intense, intimate, and casual culture of the organization that was critical to its founding years later hobbled it. Tenderloin Health presents a compelling story about the difficulties in shifting from this first, informal organizational stage to a second, systems-focused phase. This transition can be a bloodbath—often taking on epic emotional proportions. Problems are personalized, sides are chosen. And then, even once an organization makes the transition, the solution has a way of creating new and equally damaging problems. Second-stage organizations that fail to rein in an overly directive management style can lose staff and undercut morale for those employees who stay.

Funding

Financial incentives can encourage or discourage growth or a particular programmatic response to a problem. They can keep organizations poised on the brink of starvation or engorge them to the point of stupor. Markets can also make the transaction costs so high that an organization is more responsive to funding sources than to its constituents. Obviously, market forces for nonprofits frequently fail to align with constituents' interests because nonprofits are often paid by a third-party buyer that is not the direct beneficiary of the service. This can erode an organization's natural base of support and create a weaker negotiating position, mission drift, and other problems.

While a nonprofit's financial environment is

influential, the third sector features numerous examples of groups using their work to develop social awareness and thereby create their own financing markets. There are also many examples of groups working powerfully in financial ambiguity, such as Coastal Family Health Center, which dispensed services for free during its early recovery period. This is to be expected when the external market is not aligned with an organization's needs, but an organization that cannot access financing where it is available creates questions of competence. That was the case at Tenderloin Health before its new executive director joined the organization.

Authorizing Environment

In many areas of our work, "permissible" activities are established through legal, administrative, or elected mandates. While the legal requirements of nonprofits are many, they are not generally onerous and are often invisible to constituents. The authorizing requirements of a specific field, however, can profoundly affect an organization's day-to-day priorities. These requirements might be established by the state, a sector, the funding source, or, as in the case of the Girl Scouts, by the national core of a federated organization. The Girl Scouts' reorganization of chapters forced mergers to effect equity between chapters and gain efficiencies. Members' experience will change, but as each solution creates new problems, there will no doubt be losses.

States of Art and Large Scale Change

Advances in science, technology, management practice, and changes in social mores can force or spark change in organizations. Sometimes this change is simply incremental, but sometimes it truly transforms the practice of organizations. This has been true for AIDS organizations whose program models and funding streams have changed with medical advances. It is also true for the Girl Scouts, where a growing array of enrichment opportunities for girls has presented the organization with serious competition. When the form of an organization and its practices are an expression of organizational values, it takes courage to ask, "Is there another way to do this?"

Mystery and Certainty as Constants

Answering the "Is there another, better way?" question means unraveling what is core to an

organization's work and what isn't. Jim Collins talks about this idea in *Built to Last*. He says that enduring organizations understand the difference; they are clear about what must never change and what is negotiable. By being clear about what should remain constant, organizations can better accept and manage volatile change and stimulate progress.

There is no question that as organizations' operating environment becomes more dynamic and fluid, nonprofits need to respond to change in shorter time frames. But better response time and greater agility require a constant feed of information and grounded processes for developing and using intelligence. Organizations must continuously scan their boundaries, and the environment inside and outside the organization, while taking stock and benchmarking. But keeping a highly intelligent system focused requires a strong core of vision, values, and principle. These comprise the heart that pumps the blood.

In Togo there is a proverb: "Where the heart goes, the feet will follow." It does not assume the path will always be visible but that people with a lofty and, as Collins says, "a big, hairy, audacious goal" will be driven to make it a reality—come hell or high water.

Consultant Meg Wheatley, who is quoted at the beginning of this article, believes that organizations become wiser when they develop the curiosity of all their members and that they should welcome disruptions. "Every mystical spiritual tradition guides us to an encounter with Mystery, the Unknowable, the Numinous. If spirit lives in the realm of the mysterious, then certainty is what seals us off from the Divine. If we believe that there is nothing new to know about God, then we cut ourselves off from the very breath of life, the great rhythms of spirit that give rise to newness all the time."²

ENDNOTES

1. Margaret J. Wheatley Web site (www.margaretwheatley.com/articles/love.html).
2. Margaret J. Wheatley Web site (www.margaretwheatley.com/articles/pleasedisturb.html).

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