



# Extreme Makeover: Nonprofit Edition

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*Presented by*

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# Task

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- At your table, brainstorm a list of organizational situations you would define as “EXTREME” – ie capable of driving an organization into decline and towards demise.
  
- We will share selected examples.

# Characteristics of An Extreme Makeover

- Depth of crisis is serious enough that agency closure is a real possibility
- Usually *at least two* of the following require fixing:
  - Executive management is ineffective at generating teamwork, achieving focused outcomes, or negotiating conflict;
  - Execution is poor and/or internal business systems are dysfunctional or inefficient
  - Mission is obsolete or lacks market demand
  - Business model not working (both revenue and expense/internal systems models)

# More Characteristics of An Extreme Makeover

- *Significant* staff changes are typical...
- Time is a MAJOR dimension
  - Time is ALWAYS of the Essence with at least one critical component
  - Faster is *usually (but not always)* better
  - Attention to the timing, pace and sequencing of each change initiative is critical
- *MULTIPLE* change initiatives often must be executed *simultaneously*



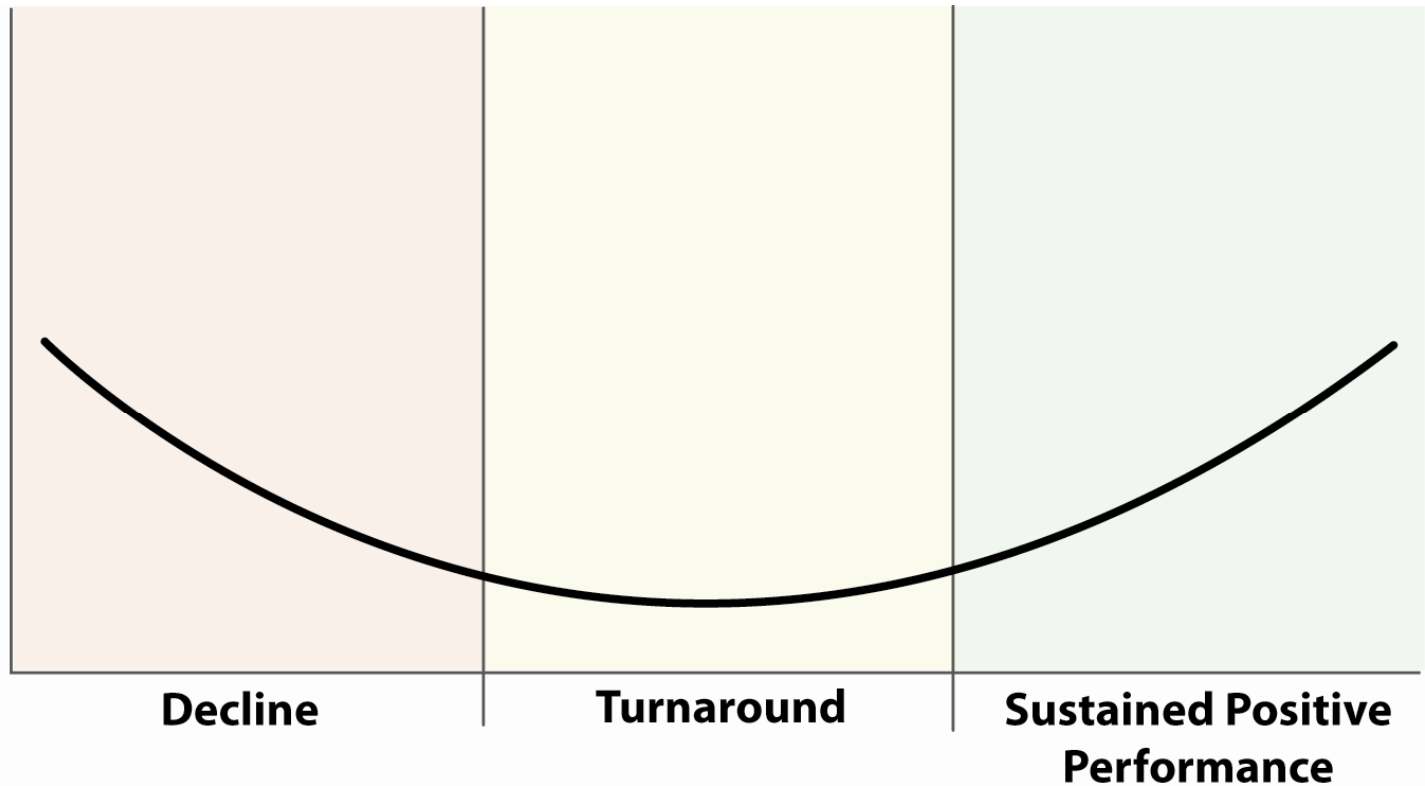
# The Phoenix Project

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- National Research Project – first of its kind to investigate nonprofit turnarounds across all NP sectors
- Interviews with 25 turnaround leaders: Interim EDs, Permanent EDs, funders, others
- Interviewee experience represents 102 turnarounds, from all-volunteer agencies up to several with budgets from \$10M to \$75M
- <http://www.zoomerang.com/survey.zgi?p=WEB227BFUJ78V5>  
The following slides represent the findings of the research

# What Is a Turnaround?

Organizational  
Effectiveness  
and Capacity





# Leadership Realities in EMs

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- It is likely that the Executive Director was a significant part of the problem that caused the agency's decline and crisis.
- It is likely that the Board was ALSO a significant part of the problem.
- 80% to 95% likelihood that management (E.D.) needs to change
- Ideally, someone with turnaround experience can be found to lead the change intervention



# Who Leads Turnarounds?

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- Interim Executive Directors are most widely available source of expertise;
- Some permanent Executive Directors may take a longer term approach to the change process, with a greater tendency toward consensus building than IEDs. May also be a better fit for organizations with complex business models;
- Consultants as “shadow” EDs & as coaches to executives and/or board



# Anatomy of a Turnaround Specialist

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Turnaround leaders differ from “custodial” leaders in degree and force in the following critical areas:

- **Strong at assessment and situation analysis**
- **Courage; fortitude to take on the turnaround ;**
- **Entrepreneurial skills**
- **Decisiveness**
- **Strong communication skills**
- **Manage high pressure and stress, separate work from one's life**
- **Model open & honest behavior**
- **Self-confidence**

# Emotional Toll of Decline & Crisis



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- What was your level of worry, fear or trepidation on a 1 to 10 scale?
  - ED: Between 7-10 for first turnaround, drops thereafter
  - Staff 9.5 (fear of changes, loss of job)
  - Board: 5.9 (“relatively” low worry reflects part of the reason the organization requires a turnaround)



# Changing Culture

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- Vast majority of cases studied had poor/dysfunctional culture as a critical root cause of decline.
  - High tolerance for mediocrity/low standards/ poor information – financial and otherwise;
  - Inappropriate or inadequate “role” definition board and staff/management;
  - Intentions valued over Impact - Do good vs. do well
- Most turnaround leaders modeled transparency, open communication **and appropriate management autonomy & decisionmaking**



# Staff Changes Required

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- Turnarounds are generally characterized by a high degree of staff turnover
  - After ED, most frequent position to turnover: CFO - has to be providing accurate and strategically useful data, or needs to be replaced
  - Program or “mission” staff next most likely to leave or be replaced
- Little room for mistakes or error often leads to less willingness to take chances on “marginal” staff.



# TASK

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- **Read Case Study**
- **Consider the questions on the handout**
- **How common do you think such extreme situations are in the nonprofit sector?**



# Decision Making – it depends..

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- 93% of survey respondents to date feel that consensus building is important on foundational strategic issues such as agreement on need for transformational change, the nature of the crisis and whether the organization is still relevant, etc.
- But only 33% felt stakeholder consensus should guide most decisions, and 54% of respondents disagreed with the statement that 'all stakeholders should be consulted and have input in all aspects of the turnaround.'
- 87% felt that the principal change agent should be authorized to make operational and tactical decisions quickly (based on the consensus need for radical change – this includes necessary staff changes).



# Decision Making – You can't be out there alone!

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- 86% of respondents felt that one of the most important skills for the principal change agent or leader to possess is the *ability* to make decisions quickly.
- When Time is 'of the essence' in turnaround situations
  - The turnaround agent typically must have the experience and courage to play a decisive leadership role, but ALWAYS be thoughtful and intentional about PROCESS, eliciting input from others;
  - You need to determine who NEEDS to be involved to Make CHANGE happen – there is usually no time to involve EVERYONE in EVERY decision;
  - It's a balancing act – Buy-in & Thoughtful Decision-making vs. Speed and Action.



# Business Model: Elements

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**Mission and Vision**

Line of Business

**A**

Line of Business

**B**

Line of Business

**C**

**Internal Systems + Execution**

**Net Revenue**

# Fixing a Broken Business Model

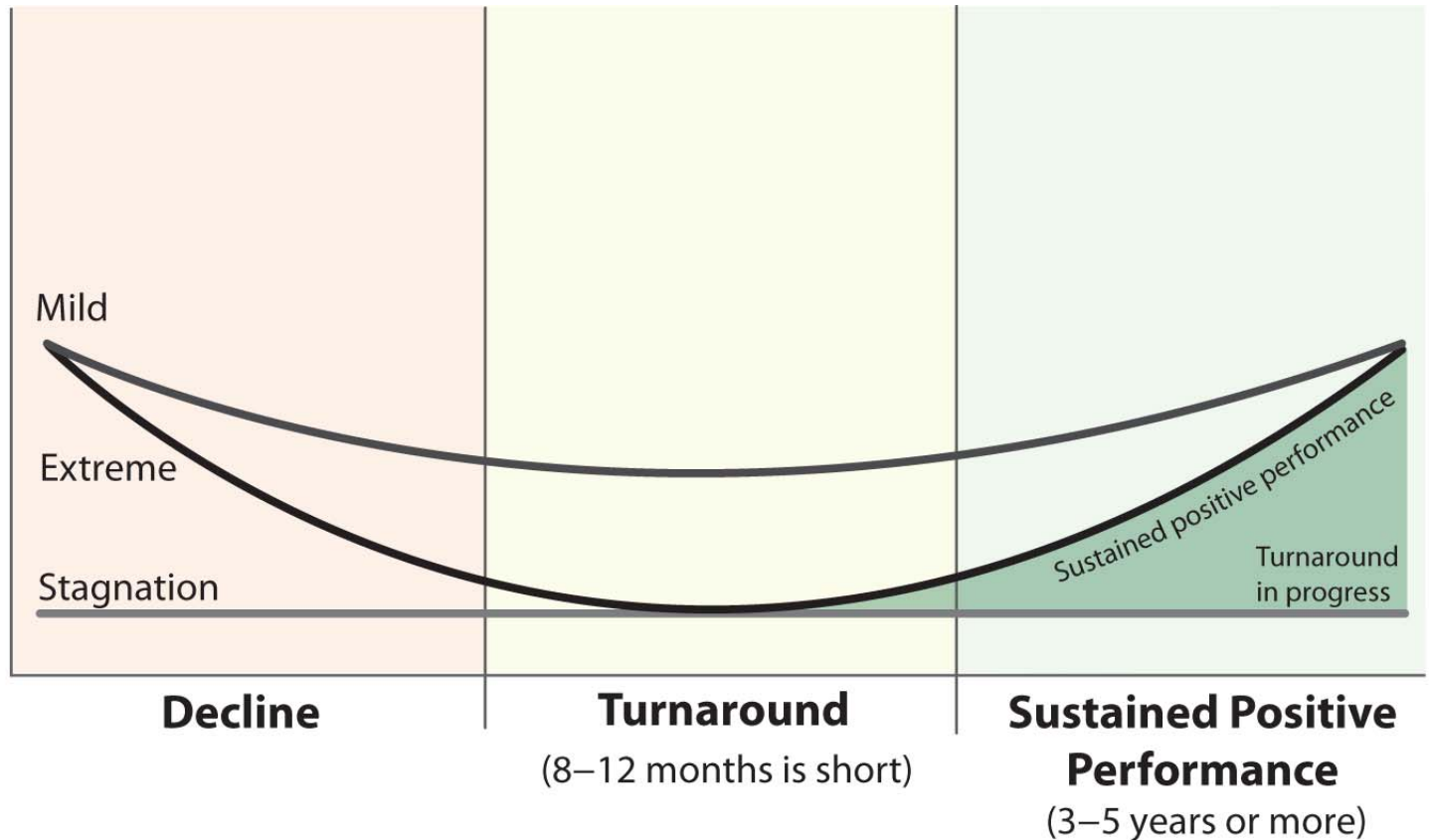


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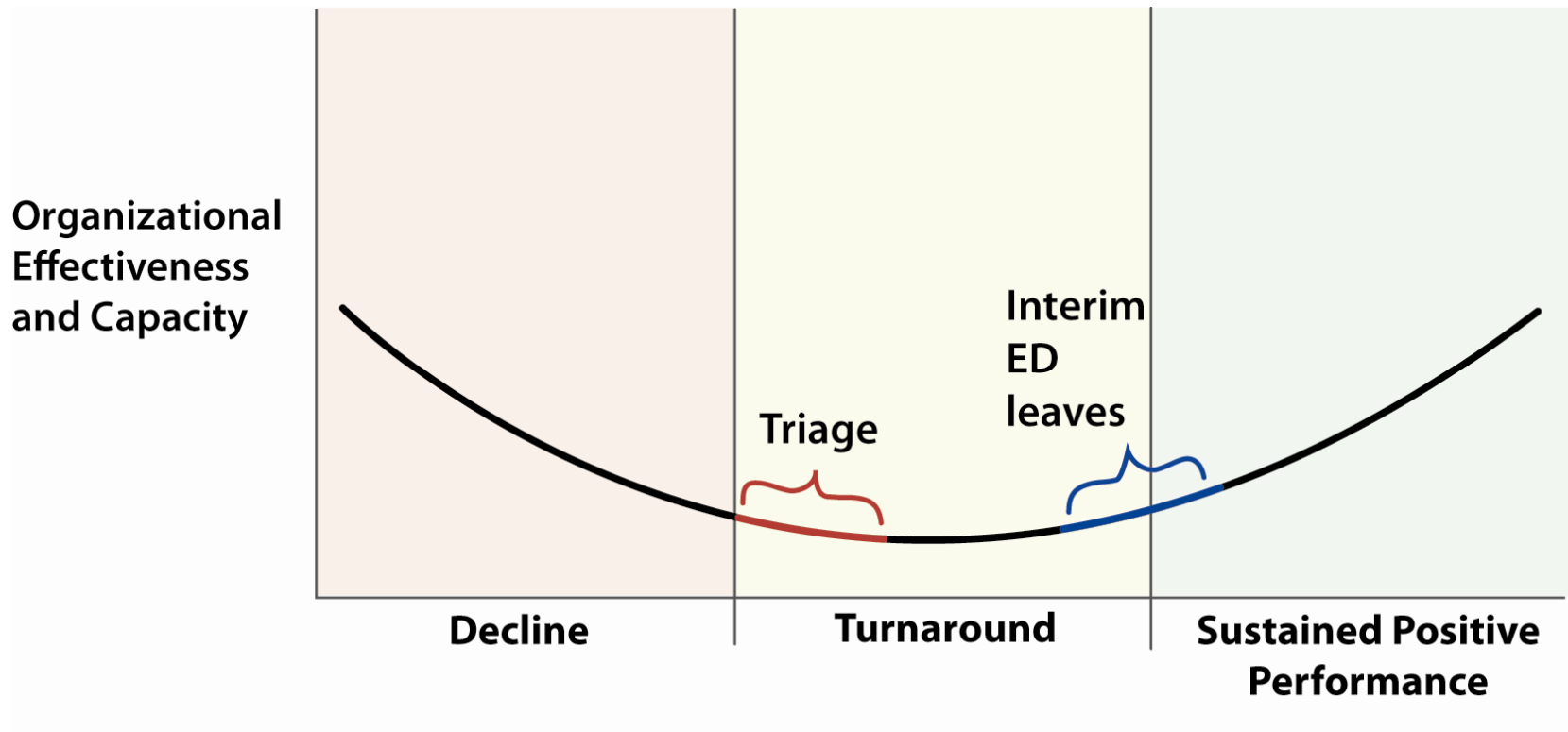
- Revenue generation model can be overly reliant upon philanthropy or earned income sources, and not adequately tap the other.
- Internal systems may be outdated, inefficient, or not aligned with current programs and market realities, and thereby overspend available revenues.
- These problems can mean the business model is broken if they apply to only a single line of business, and certainly if they apply to the entire organization.

# Turnaround Variations

Organizational  
Effectiveness  
and Capacity



# Timing of Turnaround





# The Board of Directors

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- Most significant difference in approach by permanent versus interim Executive Directors
- IEDs don't typically do too much to change the board because:
  - Staff & program issues are pressing and crucial to agency survival, little time for the IED to focus on board changes
  - Board renewal takes longer than IED tenure
  - Board hires IED to "fix" agency and defers board renewal to permanent ED
- Permanent EDs typically change board composition and governance roles and responsibilities
- Additional research required



# EXTREME Closing Thoughts

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- Bias to Action: Triage (Act) – Plan- Act  
“A little knowledge that acts is worth infinitely more than much knowledge that is idle.”      Kahil Gibran
- Bad decision-making can leave a long legacy of problems & messes that will not be cleaned up “overnight.”



# Look for Book

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- Expected Publication Date:
- Winter 2009 by Fieldstone Alliance
- [www.FieldstoneAlliance.org](http://www.FieldstoneAlliance.org)
- Don't know title yet – copyright issues around “Extreme Makeover”



**Jan Glick**

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