

$$S \times (E \times A) = V$$

STRATEGY x (ENGAGEMENT x ALIGNMENT)

.....  
= VALUE CREATION  
.....

*(Heidrick & Struggles)*

## Culture Shock: Freighters or speed boats?

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**Canada's nonprofit E.D.s are under pressure to increase earned revenue and demonstrate impact. Many mature social service charities are experiencing tension as cultures clash.**

Have you stopped to consider what your current use of language and policies says about your organisation's values and culture? Consider Netflix, where the trusting words 'Act in the best of interest of Netflix' make up the entire travel policy. Similarly, 'Do the right thing' was the value statement created to guide and inspire the high performance culture created by the organising committee for the Vancouver 2010 Olympic Games. Netflix is very intentional about building a strategy-supportive culture that values concise and articulate communication.

*"Sandra, we're a large freighter; I am worried that if we turn too quickly we might tip over and sink"* said the Executive Director. "But you're not a freighter. You are in fact a little red speed boat behaving as if you are a freighter," I replied.

### Ten steps to assist E.D.s in the quest to manage culture change:

1. Sharpen the focus & develop a powerful shared vision
2. Secure board support for the new strategic direction
3. Engage senior leadership team in building a strategy-supportive culture
4. Document the defining elements of the existing culture
5. Identify & focus action only on the parts of the present culture that are holding the organisation back
6. Identify desirable new language, actions, behaviours and work practices
7. Design and align compensation awards to reward individuals and teams embracing the new culture
8. Communicate a compelling, consistent and urgent case for the change
9. Talk openly about problems of the present culture and how new behaviours are needed to improve the organisations impact and performance
10. Reinforce with visible, intentional actions – both substantive and symbolic – to ingrain a new set of behaviours, attitudes, work practices and cultural norms.

*Adapted from : Crafting and Executing Strategy: (Thompson Jr., Peteraf, Gamble, Stickland III, & Jain, 2015)*

In Canada, only 4% of social service charities employ more than 100 paid staff; 10% employ 25 to 99 staff; 23% have one to four paid staff and the balance have no paid staff at all. Hardly freighter size. Yet despite their small size, many social service charities still emulate the bureaucratic, risk averse culture of big government, behaving more like freighters than speed boats.

E.D.s are being pulled in too many directions. Boards can help by sharpening the organisations' focus and setting measurable objectives. In the absence of a clearly defined strategic objective, too much organisational energy is being squandered, adding little or no value to beneficiary groups. Organisations with a clear strategic focus, that can develop more agile high-performance cultures will be better positioned to demonstrate impact and respond to the rapid pace of change facing the sector.

With donations representing only 11% of social sector revenues (Imagine Canada 2003) nonprofit leaders can benefit from understanding the importance of culture when seeking to transform from a more traditional charity to a more focused self-sustaining, impact driven social enterprise.

### **Transforming from a traditional nonprofit into a more impactful, entrepreneurial & high-performance organisational culture**

Schein (1996) defined leadership as the creation and management of culture. In the private sector culture has long been identified as the single most powerful influence, both on how people behave within organisations and on organisational performance. Is there any reason to think that culture would have any less influence in the nonprofit sector?

*The rise of social innovation, social enterprise, social procurement, social finance and social impact investing represents a significant change to the social service landscape in Canada. Businesses are becoming more social, while nonprofits are becoming more entrepreneurial.*

*Foundations and Governments are moving to Pay for Performance funding models. This change is not without tension. E.D.s are under pressure to increase earned revenue and demonstrate impact. Many mature social service charities are experiencing a culture clash.*

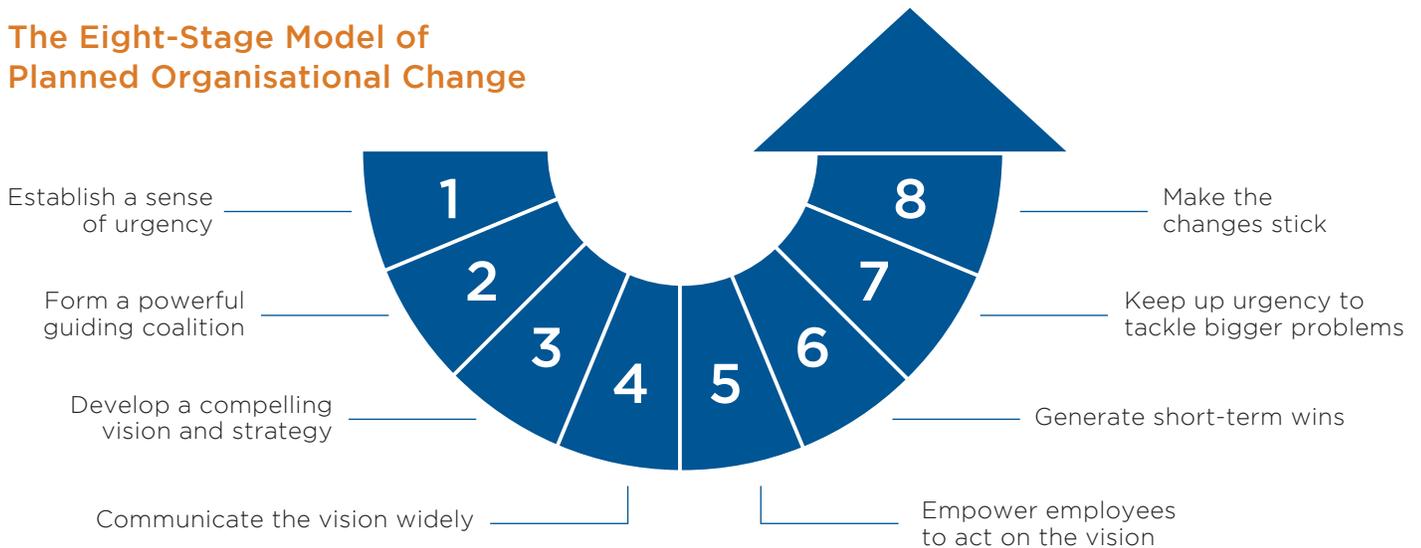
### **Leadership burnout in the nonprofit sector**

Gone are the days when social service charities could be all things to all people. Lack of clarity and strategic direction from nonprofit boards only serves to further stress organisational systems and contributes to culture clash. Neither foundations nor governments are seeking martyrdom or employee burnout as targeted social outcomes.

More focus on targeted outcomes, will be needed to succeed in this new environment. To avoid burnout and to develop more impactful organisations, Executive Directors will need much more clarity of purpose from governing boards, than has been typical of the sector to date.



## The Eight-Stage Model of Planned Organisational Change



(Kotter, 2007)

### Change is hard - One in four nonprofit CEOs plan to leave their roles in the next two years

*Lack of support from volunteer boards stated as a key reason for leaving.* A lack of strategic clarity, results in E.D.s being stretched too thinly across the organisation. US research from the Bridgespan Group (2015) points to a sector wide leadership deficit, with one in four nonprofit CEOs planning to leave their roles in the next two years.

*A strategy without staff engagement and organisational alignment achieves little. Engagement and alignment, in the absence of a well developed strategy is equally ineffective. As the equation demonstrates, high performance organisations combine all three.*

*E.D.s that are able to engage staff and align the organisation with a meaningful shared vision, will significantly amplify organisational impact and performance. This is the kind of entrepreneurial, agile and creative culture needed to achieve innovative solutions that foster lasting social change.*

Compounding this problem, is a most disruptive turnover treadmill, caused by the fact that the nonprofit sector is half as likely as the for-profit sector to recruit the next CEO internally and most likely to recruit from another nonprofit.

### Can the situation be improved?

When boards establish clarity of purpose organisations can really start to narrow their focus and increase impact. To support a new strategy mature organisations may need to re-align the existing organisational structure. Only when the organisational structure aligns with the strategy, can the hard work of building a unified organisational culture truly begin.

**Sandra Hamilton, EMBA** is the first Canadian to earn an Executive MBA, with a specialty in Social Enterprise Leadership. More at: [SocialMBA.ca](http://SocialMBA.ca)

Hamilton is a speaker and consultant; the former Business Manager to clients such as John Furlong & Olympian Silken Laumann. Today, her work is focused on advancing social innovation and social procurement in the public sector and working to inspire & support organisations seeking transformative change, revenue generation & increased impact.

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