



## **Leading Change in Nonprofit Organizations**

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## **Introduction**

Seldom in the history of humanity has either the pace or variety of change been greater than that witnessed in the past three decades (Homer-Dixon, 2000). The revolution in communication and technology has made the world a smaller and vastly more interconnected place. The ripple effects of this revolution extend to the very structure of our society:

- Increases in life-expectancy through medical advances, and vast migrations of people, have contributed to significant demographic shifts in Western societies. These shifts pose new challenges to governments and nonprofit organizations in particular.
- One of these challenges is a growing clash of values between upholding individual rights and civil liberties on the one hand and a demand for greater adherence to more ‘traditional’ religious and cultural values on the other. Nonprofit organizations often find themselves caught in the middle.
- With more rapid communication and transportation capabilities, global competition and trade agreements are shifting production around the world, thus affecting millions of lives.
- Advances in technology have made many jobs obsolete, creating major employment, welfare, and educational challenges. The gap between rich and poor continues to grow, even in Western countries (Dunn, 2003).
- Paradoxically, despite these strides in technology, famine, drought and disease are still endemic in much of the world, often made worse by the displacement of people from rural to urban settings and the destruction of environmental eco-systems.

These changes have implications not only for businesses and corporations, but also for nonprofit organizations many of which serve the poor, the displaced and the diseased. In addition, accompanying these major societal transformations is a general philosophical shift that leans towards adopting the “corporate model” as the gold standard for efficiency in both public and nonprofit sector organizations, irrespective of its degree of applicability and relevance (Meinhard, Foster & Berger, 2004; Rice & Prince, 2000). This has led to demands on nonprofit organizations to adopt more efficient businesslike practices, even as they are coping with all the other changes.

It is not surprising then, that the challenge of navigating an organization in times of rapid and

multi-faceted change may seem staggering to the people within. With so many things happening simultaneously, it is difficult to know where to focus, to understand what is critical, and to be aware of the opportunities and resources that may be available. Much like first-time parents, leaders can be overwhelmed by the barrage of new information and the struggle to determine what is most important. However, their sense of being consumed by these details can be significantly reduced, if given a lens through which to see what is critical, and tools with which to confront the new challenges. In this chapter, various lenses are offered to help leaders navigate change: a wide-angle one to understand the broader context of the challenges they face; and a telescopic one to focus on those aspects of the external and internal environments that are critical to their organizations. While there is no “magic bullet” to make organizational transformations easy and painless, the research and theories presented here will enhance understanding of the complexities involved and help leaders move forward in the context of their organizations’ missions.

Many societal observers have noted that change is endemic, and that the human species is quite adept at accommodating to the demands of a changing environment (Wheatley, 1992). Our very presence on this planet today attests to our adaptability as a species. And yet, as individuals, we have all experienced reluctance, and even failure, to change. How many times have we balked at work directives that require us to change? How often do we cringe at the thought of learning yet another new task or software system? How many well-intentioned resolutions to change certain personal habits have we made that we have failed to keep? So although at a species level, we display admirable adaptability, at an individual level we portray a degree of reluctance to, and difficulty with, change. This is especially true today, with the ceaseless bombardment of new technologies. The pace of technological change is relentless, yet our human capacity to absorb new technology is limited (Homer-Dixon, 2000:194). This individual reluctance toward change and our limited absorption capabilities have implications in organizational settings. Recent studies serve to illustrate how difficult it is to guide an organization through a successful transformation; an estimated 60-80% fail to achieve their goals (Champey, 1995; Kotter, 1995). And yet, on a species level, organizations, just as humans, have adapted to changing environments mostly through a process of replacement; organizations no longer serving the needs of their environment die, only to be replaced by new, better fitting organizations (Hannan & Freeman, 1989).

Some organizations do however engage in substantial change processes that are successful and result in significant restructuring to the benefit of the organization. These transformations may have resulted from small, incremental steps taken over a number of years or they may have been the result of planned, radical strategies (Kotter, 1995). The following sections present theories and empirical observations that elucidate why change is so difficult, and provide guidelines for consideration before embarking on organizational transformations.

## Conceptual model

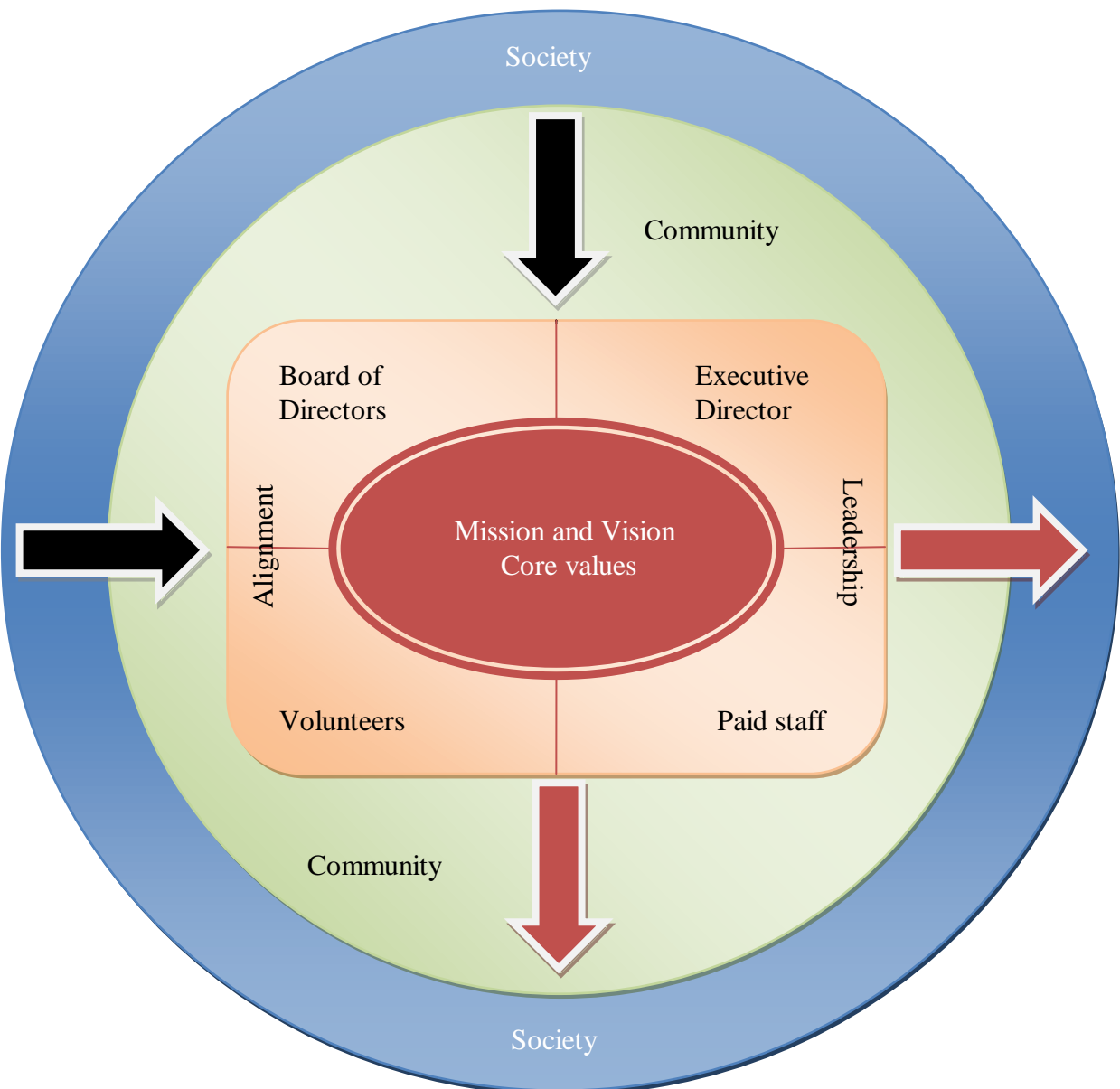
The conceptual model presented in Figure 1 visually illustrates the complex and integrative dimensions of leadership and organizational change, positioning it within the fundamental context of the relationship of nonprofit organizations to their immediate community and society at large.

The blue outer ring represents society-at-large -- those social, economic, political, legal and technological forces that influence trade agreements, domestic and foreign policies, the degree of inequality and poverty in society and the technological changes that so often drive productivity expectations. This macro-societal ecosystem, interacts in a dynamic fashion with the communities in which nonprofit organizations function, represented in the diagram by the green ring. Community, in this case, is not limited to a geographically contained neighbourhood, rather it is used in its broadest sense, as a community of people and organizations that are in immediate contact with the focus organization, regardless of their geographic location. For example, large organizations operate within a provincial/state, national or international community, others serve virtual communities over the Internet, but still, most nonprofit organizations are small to medium in size and operate at a local level. This green ring represents the external stakeholders, including funders, clients, collaborators and the interests of the general public. Otherwise known as the domain environment (Daft, 2001), it defines the dynamics that influence access to scarce resources (competition or collaboration with other organizations) and the political, social, economic and technological context of the organization.

The orange inner rectangle with the broken lines represents the open system character of the nonprofit organization and its own dynamic relationship with society and community. The premise is that, as open systems, nonprofit organizations are both affected by, and in turn influence their community and society. This interaction between the organization and its environment is depicted by two sets of arrows. The black arrows indicate community and societal inputs affecting the organization; the red arrows represent outputs from the organization to the community and society.

At the very centre of the organization, depicted by red oval, is the core of the organization (Thompson, 1967), expressed through its vision and mission. It is a manifestation of both the internal soul of the organization and the public good it provides to community and society. Surrounding this core are the four major internal stakeholder groups - the Board of Directors, the Executive Director, paid staff members and volunteers – each with their own roles in the fulfilment of the organization's mission. In larger organizations, staff and volunteers are distributed in different organizational departments or sub-units that have to be aligned in order to efficiently fulfil the organization's mission. The organization as a whole has to be in tune with its environment, positioning its vision and mission in relationship to the needs (present or future) of its stakeholders, the community and the society it serves. Organizational change is basically a realignment of the

organization's structure –technical, political, and cultural (Tichy, 1983) - to meet the changing demands of its environment. Leadership is a fundamental prerequisite to the creation of a supportive climate for change. In a nonprofit organization, formal leadership manifests itself both at the Board of Directors and the Executive Director, but leadership also permeates the whole organization through paid staff and volunteers. The extent to which an organization is adaptable and flexible, undertakes on-going planning, asset-based development, training and organizational learning, will



**Figure 1. Open Systems Concept of Organization – Environment Relations**

determine its success. Leadership, alignment and adaptation capacities all interact with each other and play key roles in the dynamics of organizational change.

## **Organizations and their relationship to the environment**

As open systems, nonprofit organizations are dependent on their environments for survival. They import human, financial, technical and natural resources, such as volunteers, skilled labour, knowledge, and donations/grants, from the environment in order to produce a product or provide a service of value to the community and/or society (Katz & Kahn, 1966). Therefore, the organization is dependent on its environment both for its resources and for the consumption of its services and/or products (Pfeffer & Salancik, 1978). If resources are not available or if the organization's outputs are not valued, the organization will be unable to sustain itself. Together, the resource suppliers and the service consumers constitute the organization's niche (Hannan & Freeman, 1989).

The first challenge a newly formed organization faces when trying to gain a foothold in a particular niche is to establish its legitimacy, in other words, to convince both internal and external stakeholders that it can reliably carry out its mission (Stinchcombe, 1965). It does this by reinforcing behaviours that are successful and dropping those that do not work. Thus, during its formative years, a nonprofit organization, whether it is a hospice, an artists' co-operative or an environmental watchdog, establishes a pattern of operations and a nexus of relationships that is best suited for its niche. This process of institutionalizing organizational beliefs, culture, structure, patterns of behaviour and networks of relationships predisposes organizations to powerful forces of inertia that over time, make it difficult for them to change (DiMaggio & Powell, 1983; Hannan & Freeman, 1989).

This is borne out by statistics recording the survival rates of organizations. Whether they are for-profit or nonprofit, five year survival rates hover around the 20% range (Aldrich, 1979). Referring to this phenomenon as the "liability of newness", organizational researchers have hypothesized both internal/organizational and external/environmental causes to account for this. According to Stinchcombe (1965) internal causes stem from a lack of organizational knowledge and inadequate core competencies on the one hand, and problems of coordination and poor socialization on the other. External reasons include a lack of or tightly controlled resources, financial or other, and competition from other organizations. Although these pressures are particularly strong during the founding process, they can occur at any time in an organization's life cycle.

Greiner (1972) identified various stages of organizational growth each culminating in a crisis that has to be resolved through some kind of organizational change. The *first stage of growth, a time of creativity*, culminates in a *crisis of leadership*. The entrepreneurial, creative leader is not

generally a competent manager, and management becomes more important as an organization grows. This crisis of leadership is resolved by finding a competent manager/leader to provide clear direction to the organization. The *second stage of growth, a time of direction* under the new management, culminates in a *crisis of autonomy*. As an organization grows, it is impossible for one person to control all aspects of operation and too much centralized control leads to dissatisfaction. More autonomy is needed in the organization. The crisis is resolved through delegation of power to individual units. However, this *third stage of growth, the delegation* stage precipitates its own problems and leads to a *crisis of control*. Although decisions can now be made autonomously, organizational actions must be coordinated. This *fourth stage of growth, coordination*, requires more rules and regulations and reporting protocols to assure that all the units of an organization are working together towards a common goal. The proliferation of rules and regulations and reporting requirements leads to the well-known *crisis of too much red tape*. This crisis can be addressed by increasing collaboration among organizational units through multi-functional teams and a matrix structure. Greiner did not identify a crisis for the *last growth stage, collaboration*, but Daft (2001) added the crisis of revitalization which occurs when an organization has elaborated a final stable structure. Each of the crises identified above, defines a specific aspect of one or more of the four broader reasons for failure hypothesized by Stinchcombe (1965): lack of knowledge, inadequate competencies, problems of coordination and poor socialization. Failure to negotiate any one of these crises can lead to an organization's demise.

Recent longitudinal research in several Western countries suggests that most for-profit organizations do not exhibit significant growth over their lifetimes (Aldrich & Ruef, 2006). In the United States, only about 15% of firms added significant numbers to their work force. Although there have been no similar investigations of nonprofit organizations, it is safe to assume that the rate of growth would be even lower in the nonprofit sector. Thus, while there may be some internal pressures for change even in small nonprofit organizations – many nonprofits do undergo a crisis of leadership - most of the pressure for change would come from the external environment.

The external pressures identified by Stinchcombe (1965) relate to inaccessibility or scarcity of resources and high levels of competition in the niche. Each of these conditions leads to environmental uncertainty. Uncertainty about acquiring resources and making a dent in a competitive market is greatest in the early stages of an organization's existence, but whenever there are changes in the niche, even an established organization faces renewed uncertainty. The frequency, predictability and size of environmental changes and the number of concurrent environmental changes, determine the extent of environmental uncertainty; whether the changes occur slowly or rapidly, at regular or irregular intervals, and whether many aspects of an organization's environment are changing as opposed to only one or two, all have an impact on the extent of uncertainty faced by an organization.

Researchers have found that certain organizational structures and strategies are more conducive in helping an organization navigate rapidly changing, uncertain environments. Organizations with flatter structures, decentralized decision-making and horizontal as well as vertical communications are more successful than the more rule-bound, centralized tall bureaucratic structures. They are more nimble and can undertake the rapid changes necessary to remain relevant in their changing niches. (Burns & Stalker, 1966; Lawrence & Lorsch, 1967).

Other researchers have noted that organizations adopt various strategies to neutralize the effects of environmental uncertainty such as: stockpiling, creating new markets, boundary spanning, resource diversification, lobbying government, vertical and horizontal integration, mergers, and even illegal activities (Pfeffer & Salancik, 1978; Thompson, 1967). Overall, a generalist strategy, i.e. providing diversified services or products, that serve several different niches simultaneously, is more likely to afford an organization protection in times of environmental uncertainty. While one niche may be rapidly changing, stability in the organization's other niches can give the organization the necessary time and organizational slack to undertake the changes needed to re-engage in the niche. On the other hand, organizations with specialist strategies, providing only one product or service to a single niche, are less likely to survive changes in their niche. Before they can complete the changes, they will be replaced by new organizations that better serve the changed niche (Hannan & Freeman, 1989).

For the past three decades, the environment of the nonprofit sector has become quite volatile, subject to critical ideological and technological changes that have had a pronounced impact on the social, political and economic climate of the nonprofit sector. Changes in social policies, funding patterns and accountability demands have thrown many nonprofit organizations into turmoil, threatening their viability and exerting pressure on them to change<sup>i</sup>.

### **Barriers to change: The role of organizational paradigms**

How nonprofit organizations respond to internal and external pressures to change may affect the course of their development and even their survival. It is generally acknowledged that major organizational change is very difficult. Statistics indicate that the majority of organizations fail to achieve change, and many of them actually do not survive the change process. For example, several studies evaluating the impact of Total Quality Management (TQM) programs found that in at least two thirds of the organizations studied, the hoped for improvements were not achieved. This was not because TQM is ineffective, but rather because the program was poorly implemented (Beer, 2003). Another study noted that about 70% of organizational re-engineering attempts fail (Champy, 1995). And Kotter (1995) found that very few efforts at organizational change of any kind were successful. He goes on to say that a major reason for these failures is that change is a multi-phase project that requires a considerable amount of time.



Whether or not an organization has sufficient time to implement the changes successfully also depends on the timing of the change. Tushman and Romanelli (1994) found that timing was the strongest predictor of successful change. Organizations undertaking change during relatively stable times are more likely to be successful because: change takes time to implement, and when there is no external pressure driving the change there is time to experiment and evaluate; in stable times there are usually slack resources available to cushion the disruptive effects of change; and even large scale changes are implemented as a series of small steps which need time. On the other hand, in times of crises, change has to be rapid, which is very disruptive to the organization. With no time to experiment and evaluate, and with little access to slack resources, many organizations do not survive the change process.

Even in stable times organizational change is strewn with difficulties, so why is it that most nonprofit organizations seem to wait until crisis is upon them before undertaking change (Meinhard & Foster, 1996)? The simple answer is that most nonprofit organizations do not engage in systematic environmental scanning, therefore they remain unaware of subtle changes occurring in the environment. By the time they realize that they have to do something in response to the changing environment, it is often too late. But this answer does not explain why organizations do not do a better job of environmental scanning, and why even those organizations that are alert to environmental trends often do not respond in timely or appropriate ways.

Part of the explanation lies in the concept of organizational paradigms. Paradigm refers to the shared understanding and shared exemplars that emerge in any kind of a social entity to guide behaviour (Kuhn, 1993). In organizations, it is a way of doing things, a way of looking at the world that includes beliefs about cause-effect relations and both explicit and tacit standards of practice and behaviour (Brown, 1989: 134-135). As the culmination of an institutionalization process that every nonprofit organization goes through in order to gain legitimacy, the organization's paradigm is the glue that binds its members together, providing a sense of collective identity. It also affords the organization distinctiveness, differentiating it from other organizational actors in its environment (DiMaggio & Powell, 1983). As such, the paradigm serves the organization well; as long as its environment remains stable, the organization will have no difficulty surviving, expanding and thriving, and in the process, becoming more securely ensconced in its niche. But, the very paradigm that garnered the nonprofit organization its legitimacy, is often so strong that it inhibits members from perceiving the necessity for change. Much like the Titanic, organizations speed ahead in the dark, confident in their course and complacent in their successes. Even though they realize there may be obstacles out there, few organizations engage in systematic environmental scanning. This leaves them unaware of subtle environmental changes that are often the precursors of dramatic environmental shifts. Thus they are unprepared when the necessity for change becomes unavoidable.

Paradigms not only place blinders on organizations, inhibiting them from seeing the necessity for change and limiting their solution alternatives, they are also the source of powerful inertial forces that resist change. Defining, as they do, both the power structure and social networks of organizations, the vested interests of individuals may be threatened by change, invoking resistance, which can slow the change process down, render it inadequate or stop it altogether.

As long as changes do not involve transforming their essential paradigm, organizations have no problem engaging in fine-tuning, which involves small adjustments to structure or operations, or instituting small, incremental changes, where new units or activities are added. Often, these strategies tend to mask or delay the inevitable necessity for substantial transformations and ultimately place the organization at a disadvantage. Even in times of crises, organizations may rely on “quick fixes” rather than sustainable restructuring. An example of a quick fix is the tendency to downsize across the board in response to funding cuts, rather than to engage in strategic restructuring.

In summary, change is difficult because: 1) the paradigm provides the frame and the concepts with which to perceive the world, therefore it is difficult to recognize new opportunities and to find solutions to new problems; 2) the paradigm defines the power structure in the organization, thus it is very difficult to make any changes that will upset those with vested interests in the perpetuation of the paradigm; and 3) the paradigm contains the myths of the culture, thus to change the paradigm implies giving up the myths which define the group, and this may presage the dissolution of the group.

### **Leadership and the human dimension of change**

Whereas in the previous section, barriers to change were examined from a macro-organizational and theoretical perspective, the focus in this section is the role of the individual in hindering or advancing change. Humans are the essential elements in all organizations and although their collective, interactive behaviour in the organization is more than just the sum of each individual's activity, an understanding of the complexity of the individual and his power to facilitate, delay or subvert change, is essential for understanding the challenges of change in the organization. There are four stages at which human nature is most likely to affect the change process: 1) during environmental scanning and information gathering; 2) at the initial stage of the change process; 3) during the heart of implementation; and 4) at the closing stages of change. These individual factors are often exacerbated in group settings where the dynamics of group interaction can either increase the resistance to change or provide support for it. The role of the leader is never more telling than during times of transformation, when all members of an organization have to be channeled towards its new goals. Each of these four stages presents its own challenges.

During the *environmental scanning stage*, various impediments to perception may prevent individuals from correctly interpreting what is happening in the environment. Pfeffer and Salancik (1978) point out that there are two types of environmental forces acting on the organization: objective forces and perceived forces. Objective forces refer to all the environmental forces that impinge on the organization, both general and specific, whether or not they are perceived by organizational actors. No-one can really know the objective environment because everything is experienced and interpreted through human senses. Nevertheless, it is there and it is changing; and although unknowable, organizational actors must remain open to different perspectives and interpretations of what are considered to be “the facts”. Misreading the environment can lead to dire consequences, as the Canadian Red Cross Blood Services learned when it continued to ignore and misinterpret signals about the safety of its blood supply. Charged for distributing tainted blood, the Red Cross paid heavy fines and eventually lost its role as Canada’s blood supplier (CBC News In Depth: Tainted Blood, 2006). The role of the leader is to encourage open expression of opinions in order to attain the fullest understanding of the complexities of both the internal situation and the external environment of the organization. However, as Hinings and Greenwood (1989) point out, there is a danger that disagreements among individuals’ interpretations may paralyze the organization and prevent it from pursuing any course of action. Here again, leadership is crucial for assimilating the information, setting a course of action and defusing disagreements. This can be doubly challenging in nonprofit organizations because of the inherent duality of leadership; the paid executive director leads daily operations but the volunteer board chair/president is ultimately responsible for the organization’s behaviour and for providing strategic direction. This duality can create difficulties and conflict, thus a harmonious relationship between the chief-executive and the board of directors is critical to effective leadership in nonprofits (Hermann & Heimovitz, 1991).

Resistance is almost reflexive during the *initial stage of the change process*. It is largely driven by individual feelings of insecurity and a fear of the unknown, including: fear of changes to the social network, fear of the loss of power, status or even one’s job, fear of being unable to learn technologies and adapt to new work systems. Resentment caused by these fears is amplified when the necessity for change is not clearly understood by those to be affected. As researchers of organizational change remark, communication at all stages of the change process is a key to success (e.g. Kotter, 1995; Tichy, 1983). This is particularly true of the early stages, which set the tone for the entire process. Therefore all scholars agree that communicating a clear vision of where the organization must head is essential. But as Lewin (1951:172-174) suggested in his famous Force-Field Theory of Change, before embarking on the transformation process, the old understandings and patterns of behaviour must be “unfrozen”. This means that the vision communicated to organizational members must include valid and relevant information that the old way of doing things is no longer effective and that not changing may jeopardize the organization or even endanger its survival.

Resistance may grow during the *implementation stage* as the impending change becomes more concrete and therefore possibly more threatening. Specific details of the change are questioned. Interaction increases as more people become involved in the change process. What was at first unorganized opposition may become mobilized into coalitions against change. Leaders throughout the organization need to: spend time explaining the change; listen to member concerns and involve them in the process; recruit respected colleagues as emissaries for change; create conditions that motivate members to participate in the change process; and insure an equitable reward structure following the change ( Gilley, Dixon & Gilley, 2008; Kotter, 1995).

Change may also fail in the *closing stages* of the process, what Lewin calls the “refreezing” stage. Even when organizational members have dropped their resistance and have begun the process, they may not follow through. Before the new patterns are entrenched, organizational members may slip back to doing things the old way. This may occur at a conscious level, or may not even be realized, as the institutionalized patterns and old habits take over again. The probability of backsliding is compounded in a group setting, where group behaviour patterns can reinforce the individual ones. Thus sustaining the momentum in the latter stages of change is important. The leader must keep the project going through ongoing communications, continued team building, continued removal of barriers and distribution of fair rewards. The transformation is not complete until the new patterns of behaviour are embedded in the organization’s culture (Kotter, 1995; Tichy, 1983).

The research of Hinings and Greenwood (1989) is instructive in revealing the various ways in which organizational transformations can be delayed or derailed. Basing their model of change on Lewin’s Force Field Theory they demonstrate that organizational change is seldom the simple linear process of “unfreezing – transforming – refreezing”. In fact, some organizations are unable to contemplate major change as they suffer from *Inertia*; others may end up with what the authors call *Aborted* or *Unresolved Excursions*. Only a few will experience successful *Reorientations* (*Transformations*). *Inertia*, describes organizations whose original paradigm remains coherent throughout, major transformations are not contemplated and the changes accomplished are only minor adjustments in the organization. *Aborted Excursions*, refer to situations in which there has never been a full unfreezing of the original paradigm. Organizational performance declines as uncertainty about the change prevails. Ultimately the change experiment is aborted and the original paradigm is reinstated. In the case of *Unresolved Excursions*, the organization is “locked between the gravitational pulls of competing” paradigms. The old paradigm is no longer coherent, but the new paradigm has not yet been accepted reflecting the tension between the two contradictory sets of ideas. The organization continues operating in conditions of high uncertainty. Even *Reorientations* indicating successful transformations are not always smooth and linear. They occur in one of three ways: a) by linear progression as depicted by Lewin, where the old paradigm is dismantled, followed by a transformation period which culminates in the full adoption of the new

paradigm; b) by delayed acceptance, where the dismantling of the old paradigm takes a long time, only to be suddenly replaced by the new one; and c) by oscillations between the old and new paradigms, expressed in a series of temporary reversals caused by resistance to the dismantling of the old paradigm and incomplete acceptance of the new paradigm. Unlike unresolved excursions, in this scenario, the new paradigm is finally adopted.

In summary, organizational transformation is a multi-stage process subject to individual shortcomings and resistance that can delay or derail the desired outcome. Leaders must recognize both internal and external indicators that suggest a need for change; envision the new direction the organization has to take; articulate and communicate the vision; and inspire members to accept and follow it. Each of these tasks requires specific and different skills. Often, these skills are not lodged in a single individual, therefore another important characteristic of an effective leader is the ability to recognize his or her strengths and weaknesses and delegate appropriately. In addition, an effective leader has to be familiar with all aspects of the organization, know and understand the needs and concerns of its members, match the various organizational tasks with the interests and the abilities of its members, and coordinate the effort.

### **Organizational transformation as a holistic process**

One of the most important and most overlooked aspects of managing organizational transformations is remembering that an organization is a complex system in which the various formal and informal subsystems are intricately interrelated. A change in one part of the organization can have ripple effects throughout the enterprise; thus a holistic perspective on change is important. For example, in one nonprofit organization, changes in human resources policies at the head office put a severe strain on the branch offices, which were now required to submit more information without a commensurate increase in staffing. The change was introduced without sufficient consideration of the organization-wide implications, and frustrated members in branch offices, many with only volunteer staff, scuttled the project simply through non-compliance. Subsequently, a different system was put in place after broad consultation with all branches. However, valuable time, energy and goodwill were lost in the abortive first attempt.

Tichy (1983) uses a rope metaphor to underscore the tight interrelationship among the political, cultural and technical systems of the organization. Thus, even a small change in one system, can affect the others. For example, the simple introduction of e-mail as its primary form of communication ended up changing the composition, the power structure and the culture of a national fundraising organization supporting children's educational needs overseas. Many older members, without computer skills or internet access, gracefully bowed out, making room on the board for younger individuals. Their outlook changed the culture and the strategic direction of the organization. Although in this example the initial technological change was not a major one, its

widespread and unexpected repercussions serve as a good illustration of the way in which the various subsystems of an organization are interrelated.

The above examples illustrate the ripple effects a change in one subsystem can produce throughout the organization. However, Tichy (1983) goes further, suggesting that synchronizing the political, cultural and technological subsystems of an organization is essential to the transformation process; "ultimately, transforming organizations is a reweaving of the three strands" (Tichy 1983:52) enhances the process of transformation. Activating the organization's political subsystem helps find the necessary resources (funds, materials, space, staff, volunteers and time) and support (endorsement, backing, approval and legitimacy) for the transformation. Implementation requires the activation of the technical system which includes fostering the exchange of information and organizing into planning and task groups to forward the transformation. It can also involve the realignment of the organization's structure to accommodate other changes. Situating the change in the context of the organization's norms, values and mission, is important to reassure members that its culture will not be weakened. Recognizing and working with the various subcultures and informal friendship networks in the organization helps defuse resistance.

As illustrated in the conceptual model presented in Figure 1 at the beginning of the chapter, the organization is totally embedded in its environment. More recent theories of organizational change take a holistic perspective that includes the environment. Based on complexity theory and the application of chaos theory to organizations, this approach eschews the fortress metaphor of organization defending itself against "destructive" forces from the outside, changing only when absolutely necessary. Instead, it offers an alternative view, one that likens an organization to a stream. The stream represents process structures "that maintain form over time, yet have no rigidity of structure" (Wheatley, 1992:15). Water has a need to flow, but the form of the stream changes, at times curving to by-pass rocks, at times broadening, at times narrowing. "Structures emerge but only as temporary solutions that facilitate rather than interfere. There is none of the rigid reliance on single forms, on true answers, on past practices" characteristic of organizations (Wheatley, 1992:16).

The organization is part of a complex ecosystem that is in constant, at times chaotic, flux. Leaders should recognize that chaos and complexity are "not problems to be solved but... aspects of a process by which living systems adapt, renew, maintain and transcend themselves through self-organization" (Dennard, 1996:495). Indeed, the basic lesson of Chaos Theory for organizations is that change is constant, and that from the chaos of change comes order, which then reverts to chaos again in continuing pattern. Therefore, organizations should not fear change, rather, they should be open places where people and ideas can mix freely to recreate the organization in synchronization with the environment. The more open an organization is to the outside world, the

more easily it will be able to absorb the ideas that are necessary for innovation and renewal. But as evidenced in this chapter, mature organizations cling to their old ways; they are loath to relinquish the very paradigms that were the keys to their past successes. According to Complexity Theory, in order for mature organizations to transcend and reach this open state, they may need to enter a phase of “creative destruction”, dismantling systems and structures that have become too rigid, have too little variety and are not responsive to the current needs of their environment (Zimmerman, 1998). Although the old is destroyed, in this process, the emphasis is on the word “creative”; creating the potential for innovation and new insights as the organization struggles to renew itself in harmony with its environment.

The role of the leader is to facilitate the road towards the fulfilment of the mission by nurturing individual capacity in an atmosphere of free exchange of ideas. One way in which to do this is to increase the organization’s capacity for “double-loop learning”, thus organizational members are constantly questioning the premises of their organizational paradigms, testing them in the context of their changing realities (e.g. Argyris, 1993). By providing courses and seminars, by recruiting people from the outside to create the new core competencies, by involving clients and other stakeholders in planning, leaders can expose organizational members to the new ideas necessary for continual innovation and change.

## **Conclusions**

If present trends persist, the future of nonprofit organizations will continue to be fraught with uncertainty and change, driven by forces from within and without. These forces will need to be aligned with the organization’s mission and reconciled with institutional views of the voluntary sector. This chapter has attempted to provide the reader various lenses with which to understand the complexities of organizational change. The lenses focused on internal and external forces that organizations need to be aware of, barriers to successful transformations, and prevailing knowledge about managing transformations. Finally, this chapter highlighted the holistic nature of change not only within the organization, but as part of an ever-changing social and organizational ecosystem. Although recognizing that leadership is important, the emphasis in this chapter was more on what leaders have to be aware of, than how they need to act.

Some of the issues that nonprofit organizations will be confronting in the coming years are: 1) The continuing redefinition of the relationship among the three sectors, especially the governmental one; 2) the proliferation of commercial ventures and the subsequent blurring of boundaries between nonprofit and for-profit sectors; 3) the restructuring of the nonprofit form and the exploration of new roles for voluntary organizations; 4) the increasing “capacity divide” between very large nonprofit organizations and smaller ones; 5) the exploding population diversity in large urban centres and how it affects volunteering; 6) the rate of technological innovation and its implications

for volunteering, advocacy and service delivery; 7) the impact of heightened security measures on the ability of nonprofit organizations to act in an advocacy capacity.

Building a successful future in the context of nonprofit leadership and change will have a number of common elements: 1) building a diverse portfolio of services and revenue sources; 2) creating community sector networks to identify common issues and build a support system; 3) effectively and efficiently increasing transparency and accountability to internal and external stakeholders, 4) integrating program delivery with support to participate in civil society; 5) harnessing technology to learn from the world and develop staff and volunteers; and 6) increasing access to professional leadership skills through research and development, as well as educational programs.

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