



Executive Leadership: Responding to Change

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Executive Summary

In turbulent economic, political, and social times executives of nonprofit organizations must take appropriate organizational measures to ensure the continued longevity of their organizations. This case study chronicles leadership and change in response to fluctuating external conditions of a community-based, nonprofit organization with a twenty-five year history. Executive leadership transformed the organization by implementing strategic organizational changes. Our case study suggests that leadership is important, drives the organization, and is an essential and vital component for organizational development and longevity in highly turbulent times. We also suggest that leadership begin to challenge followers to assume their own brand of organizational leadership.

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Introduction

Financial cutbacks by the last three U. S. presidential administrations, recessions of the early 1980s and 1990s, and profound change in funding priorities of philanthropic organizations and governmental agencies have created turbulent economic times for many nonprofit organizations (Bielefeld, 1994). The Statistical Abstract of the United States 1991 (U. S. Department of Commerce, 1991) suggests that the failure rate of nonprofit social services agencies reached unprecedented heights in recent years. Therefore, only those organizations which are particularly adept at responding to various forces of environmental change will endure in a highly volatile economic, political, and social climate.

In light of the changing imperatives, we explored the dimensions and activities taken by executive leadership to ensure organizational survival in a community-based, nonprofit organization located in the northeastern United States. Here, we chronicle leadership responses to external and internal environmental changes and conclude our paper by suggesting that executive leadership does matter for continued organizational longevity as well as for the development and empowerment of employees.

Methods and Data Collection

To collect data for our case study, we used a variety of research methods. Participant and non-participant observation enabled us to view the organization from several different perspectives; interviews with the leader and key informants allowed us to secure an accurate assessment of the organization and its actors; and access to internal and external organizational documents permitted us to gain a historical perspective of the organization. Thus, we were able to watch the organization respond to environmental change over time.

Leadership and Qualitative Research

The need to conduct qualitative research on leadership has been the subject of major concern for researchers and scholars. Most research has used quantitative methods to study leadership (Podsakoff, 1994), but such methods do not adequately lend themselves to understanding the nuances and the human condition of leadership. Moreover, such methods do not take into account leadership in action, nor do they provide insights on leadership from a personal perspective. Finally, quantitative methods cannot measure leadership as it evolves over time.

A number of researchers have called for an increase in the use of qualitative research when studying leadership (Boje & Ulrich, 1985; Bryman, 1992). Qualitative research enhances the understanding of leadership by making it "more accessible for practitioners" (Bryman, Bresnen, Beardworth, and Keil, 1988). Even *Leadership Quarterly*, the most quantitative journal in the field of leadership, has recently called for an increase in qualitative research by adding a section on qualitative leadership under the direction of Alan Bryman,

Loughborough University, (England), a leadership scholar and a vocal proponent of such research methods (Bryman, 1995).

Change and Leadership

Over the years we have all heard clichés such as "Change is the only constant in life" or "These times are a changin'." Such clichés about change serve as truisms especially for management and organizations.

Several management experts have pointed out that leaders must respond to changing environments if their organizations are to survive. Writing more than a quarter of a century ago, management guru Peter Drucker (1969) stated that "survival in the complex and turbulent environment of the 1990s means learning to manage discontinuous change described as fast, traumatic, and revolutionary." Drucker's comments have been echoed by a variety of management and organizational scholars and practitioners. Kanter, Stein, & Jick (1992) have presented future organizations as being flexible, speedy, and adaptable. Hammer and Champy (1993) and Champy (1995) have elaborated on this theme. They inform us that organizations unable to respond to fast-paced change face extinction. Most recently, implications of change on leadership have been presented in a series of essays by several prominent management and leadership researchers (Hesselbein, Goldsmith & Beckhard, 1996).

Competition, organizational survival, technological advancements, and growing expectations of organizational development by various system-wide stakeholders all account for the rapidity of change. In the business world, corporate changes are felt through mergers and acquisitions (e.g., R. J. Reynolds) where mega-deals run into the billions of dollars; name changes (e.g., U. S. Steel to USX); and major organizational structural changes (e.g., downsizing, telecommuting, and reengineering). Edstrom, (1986) has argued that

Many firms are pressed to develop new business strategies to capitalize on their unique competence, new organizational structures, and management systems that allow greater responsiveness to market demands, and leadership that can engage employees more fully in work and the development of the organization.

Change and leadership are inextricably linked. "Effective leadership is essential to deal with the changing environments (involving such factors as increased competition, privatization, and survival facing nonprofit organization)" (Nygren, Ukentis, McClelland, & Hickman, 1994: 387). Others, like Ramos (1994), believe that the most important factor in making a program of change work is clear vision. Noted leadership expert and Harvard professor John Kotter (1995: 61), writing in a recent issue of the *Harvard Business Review*, identified eight steps to transforming an organization: 1) establishing a sense of urgency, 2) forming a powerful guiding coalition, 3) creating a vision, 4) communicating a

vision, 5) empowering others to act on the vision, 6) planning for and creating short term wins, 7) consolidating improvements and producing still more change, and 8) institutionalizing new approaches. All these views strengthen the argument that leadership indeed plays a pivotal role in creating organizational change.

Organizational Background

The community-based non-profit 501 3(C) organization in our case study was founded in 1970 by an indigenous community leader in response to the social, political, and economic upheavals of the late 1960s. The organization's mission was twofold: to assist local constituents in acquiring goods and services, and to prevent constituents from becoming disenfranchised citizens in a city which was undergoing rapid demographic transformations.

Funded with a modest two-year award by a non-profit organization in Washington, D. C., the organization in our case study initially operated from a rented suite of offices in a two-story building, was administered by a small staff of three full-time and three part-time personnel, and offered constituents three educational/social service programs. During the past 25 years, it has expanded the dimensions of its operation considerably. It presently employs a large, ethnically diverse staff (n=66), operates a variety of government-supported programs (n=12), owns real-estate values at several million dollars, derives substantial income from a for-profit construction company, has a cash reserve of several million dollars, and operates from its refurbished historic 18th century mansion headquarters.

Organizational Leadership

The organization is led by its charismatic founder and CEO, a 63-year old male who drives the organization, designs strategy, and sets policy. His political skills in the larger community have enabled him to engineer the appointment and the election of key followers to powerful and influential city and county governmental positions and public offices. As member of the political elite, he has ensured organizational development and longevity through his sphere of political influence.

Although the organization has been funded generously by a variety of governmental agencies and philanthropic sources during the last 15 years, recent financial reductions in social funding awards and increased competition for funding awards have challenged the organization to assess and respond to very pronounced changes in the external environment.

Leadership's Responses to Change

In responding to the many changes occurring in the external environment, the leader in our study, as part of his strategic and visionary leadership, has undertaken and implemented some major organizational transformations. One significant change he implemented was to alter the name of the organization,

and to add a distinctive and memorable logo. The impact of a name change by an organizational leader to respond to environmental change has its roots in recent literature on leadership and organizations in general. For example, McQuade (1984: 250) has asserted that the leader is responsible for the organizational movement toward a name change. "Behind a name change always lies the passion of one person, usually the chief executive." A name change has other significant outcomes and direct benefits. This point has been highlighted by Horsky and Swyngedvow (1987) who found that corporate name change and improved organizational performance are synonymous. Glynn and Spelian (1990) found in their six-year study that about 2,000 large and small firms changed their names. More than 75 percent of these changes were a result of mergers and acquisitions, and business markets, products, services, and/or geographic changes. Finally, Holusha (1994: F5) revealed the recent change in corporate strategy at Xerox, "A new name 'The Document Company' and a new logo (a single X partly printed in digital-style square)."

In addition to changing the name of the organization, the leader in our study has reprioritized the strategic direction of the organization including the scope and delivery of services to constituents. He has also implemented a personnel policy that calls for diversifying the ethnicity and gender of staff to reflect the community it serves more closely. Moreover, as part of his overall strategy to combat funding reductions from external funding sources, the leader has charted a new programmatic thrust by capitalizing on areas such as training that have been identified as priority funding areas.

Implications for Research and Application

Organizational success or failure is often attributed to the leader of an organization. Sorenson, Scoggins, Larsen, and Head (1989) in their case study on Scandinavian Airlines System (SAS) pointed out that the airline was suffering some serious financial problems when Jan Carlson assumed the helm in the mid-1980s. By redesigning SAS's organizational structure and empowering employees, Carlson was able to turn SAS around and improve its fiscal health dramatically. It appears that a similar result has occurred in the organization we have studied. The leader in our case has responded to internal and external environmental challenges by seizing major opportunities to transform the organization. He has developed a three-pronged strategic approach: "1) reposition products/services to build a competitive advantage; 2) talented people to execute the new strategies; and 3) organizational resources that tightly focus on the new strategies (Belasco, 1990:60)." He has also served as a major actor within the larger political arena which has increased the organization's ability to survive in a highly turbulent economic and political environment.

Like some leadership theorists (Smith, Carson, & Alexander, 1984; Thomas, 1988), we believe that leadership does make a difference, or at least it has in this organization for nearly three decades. The leader in our study did not grow "stale in the saddle" as Miller (1991) suggests happens to long-term CEOs who fail to respond to changing environments. Moreover, we embrace the position taken by strategic leadership theorists who believe that "organizational leaders

scan the environment, anticipate needed change in organizational strategy and structure and then effectively implement the needed changes" (Agle and Sonnenfeld, 1993).

Leadership and Beyond

Although we hold the position that leadership, especially charismatic leadership, does matter, acting in a vacuum is not the solution to sustaining organizational growth and development. Nadler and Tushman (1990:84), in a discussion of leadership and organizational change, state that charismatic leaders have seven limitations: 1) unrealistic expectations, 2) create dependency and counterdependency, 3) have followers who are reluctant to disagree with the leader, 4) have a need for providing continuous magic, 5) have potential feelings of betrayal, 6) disenfranchise the next levels of management, and 7) limit the range of the individual leader. Instead they call for the adoption of *instrumental leadership*, i.e., leaders who can "build competent teams, clarify required behaviors, build in measurement, and administer rewards and punishment so that individuals perceive that behavior consistent with the change is central for them in achieving their own goals." We believe that the leader in our study must continue to respond to the changing environment. Although highly successful as an agent of change, the leader in our case has also been remiss in his obligation to develop and empower employees at various levels of the organization. He needs to empower (See Conger, 1989) staff or potentially suffer the consequences of losing some good employees. By constantly appearing on center stage, he may force staff to become overly dependent on him, thus he may impede the future development of the organization. He must display what Manz and Sims (1989) call SuperLeadership and empower employees to develop "self-leadership" for the future sake of the organization.

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