

New CEO. Dysfunctional Organization. Now What?

By **Nicki Roth, Saroga.org**

(Author's Note: Names have been changed for reasons of confidentiality.)

Like most new CEOs, Justin was eager to get started when he took over the reins of Leg Up Learning Centers, a group of 25 nonprofit preschools. He had done due diligence during the recruiting process and felt that he understood the strengths and challenges of the organization. He was aware of some people issues, financial uncertainty, family and employee concerns, and inadequate rigor around accountability. Eyes wide open, he thought.

But within six weeks Justin had buyer's remorse. Once on site, the staff, executive team, and board all shared grievances. The frustration about longstanding and unaddressed problems bubbled over and everyone hoped that Justin would swoop in to save the day.

"I'm in shock over the awful behavior, lax adherence to standard procedures, safety violations, incompetent leadership, and uneven financial performance," he told me. "But what's worse is that the last two CEOs knew all about these problems and chose to ignore them. I've inherited deeply ingrained habits and a disgruntled staff."

Confronting deeply rooted and unproductive habits and systems is not for the faint of heart, and most leaders avoid it at all costs. But Justin was determined to face it head on. What he needed to do was to transform his organization's culture—something that takes time and patience. It is a slow and thoughtful course of action that can push leaders out of their comfort zones. But, in time, the process can be transformative.

This is where my journey working with Justin began. Justin's leadership imperative became, what we affectionately called, "Cleaning House." He needed to lift up the carpet and sweep up what was lurking there. Based on his new awareness of the challenges, we named the issues we found, from people to processes:

- *The Cabal* was a nasty clique of old timers who sabotaged leadership actions.
- *The Misfits* were executives who were woefully unqualified for their jobs.
- *The Do Nothings* did just that.
- *Liabilities-in-Wait* were horrifying safety violations and rampant harassment.
- *Not-So-Creative-Chaos* was an utter lack of regard for rules or policies.
- And *The Telephone Game* described the screwy and missed communications.

Together we focused on a broad, historical, systemic view of the culture as the context for setting goals and priorities to confront and resolve these dysfunctions. The priorities and goals we settled on attacking first were:

- building the executive team,
- defining and helping staff live into Leg Up's values,
- training staff, and
- tracking progress.

Building the Executive Team

As is true in most organizations, Leg Up Learning Centers had a storied past with lots of peaks and valleys. The leaders and staff either survived all the changes or not. The ones that remained were a mix of good soldiers and jaded hangers-on. For the most part, they viewed Justin as just another new CEO whom they would outlast. They didn't feel compelled to respect him or align with his goals. Except for a small handful of enthusiasts, Justin didn't find much support.

This reality helped identify Justin's first priority: build his executive team. Transforming a culture requires a strong CEO and leadership team who make it their everyday business to praise, cajole, correct, and redirect people to come into the fold. Justin's assessment was that he needed some different roles as well as different players. He couldn't just fire everyone, so he began the slow but steady process of removing, replacing, and reconfiguring the team. Over 16 months as new team members were added, it became apparent to existing staff that Justin wouldn't be content with the status quo. He was determined to make change.

Defining Values and Living into Them

On top of the task of rebuilding his team, Justin faced a daily slog of poor employee behavior. Just as he resolved one situation, another popped up. “This is like whack-a-mole!” he confided. “I’m spending more than 50 percent of my time on people issues; how can I run the organization like this?” What he didn’t realize was that managing people issues is running an organization. His predecessors didn’t realize this, and he was paying for it.

Not surprisingly, Justin’s first year was a battle of wills with disgruntled staff. While he put in a performance review process to help stem the poisonous behavior—feedback conversations, HR notes, legal advice, and professional improvement plans—the staff remained leery that it would improve anything and they were reluctant to participate. This was especially true among the members of the Cabal and Do Nothings who formed the true power base of the organization. In fact, they had been able to influence past leaders to leave them alone or do things “the way we’ve always done them.” Justin recognized this and methodically marched through all the required steps to assess and document employee performance.

Along with redefining the performance review process, Justin selected a small group of new leaders to craft a list of specific behaviors that better defined what Leg Up’s values looked like in action. He coached this team to make it clear to all how the culture needed to shift. They laid out all of the staff complaints and mapped new behaviors to the existing stated values. The leadership team was thrilled with the clarity and positive direction of its work. Justin called the whole staff together to unveil these new expectations. He framed them as “I’ve been listening to your concerns and I have heard you” rather than “I insist you all shape up.” Then, Justin had his new and very well respected vice president of continuous transformation make the presentation. Suddenly, he observed more smiles than scowls. His inbox filled up with “best meeting ever” emails and a palpable gloom lifted from across the organization’s preschool centers.

Training Staff

The heavy lifting was finally paying off. Justin was revived and ready to take on his next goal: training. The lack of adherence to or existence of standard operating procedures left Leg Up frighteningly open to any number of lawsuits. Hidden in this pile of dirt were countless transgressions with only slaps on the wrist. “Every time I turn around I uncover so many basic management responsibilities that have simply been ignored for years! I can’t believe we are still operating.”

One too many visits from inspectors gave him the platform to implement company-wide training on safety, sexual harassment, and emergency procedures. Zero tolerance was the new policy, and the consequences would be swift and negative for violators.

Tracking Progress

When Justin arrived, there was no data about employee satisfaction or retention, very little educational research, ignored family feedback, and a perfunctory performance management system that was lightly used. He wanted to build tools and habits that could demonstrate growth for the staff, the children, the families, and the organization.

Justin engaged his team and academic partners to develop a handful of meaningful measurements. He asked for the most critical success factors for preschoolers and more rigorous family feedback, and he conducted an employee satisfaction survey. He learned three crucial things: the children could be learning more, families liked the centers, and the staff was abysmally unhappy. Justin fully understood that if the staff were happy, the children would fare better. So he doubled his efforts to keep cleaning house so that the staff felt they worked in a sane, upbeat, and supportive environment.

Reinforcing Change

Justin worked closely with his reconfigured leadership team and especially the new vice presidents of HR and continuous transformation to sweep away more dirt. They identified the informal influencers. Those who were good influences became supervisors or managers and were coached on how to reinforce the expected new behaviors. Bad influences who survived the first round of departures were approached one by one over many months. They were carefully, respectfully, and legally removed from the organization. These changes resonated throughout the nonprofit and it became clear that Justin was focused on making the organization a more positive, productive, and effective place to work.

The Results

Fourteen months into the transformation agenda, the staff was behaving better and seemed to be more content. Feedback revealed that staff members were relieved that the destructive elements of the culture were being rooted out and fixed. Resistance to the new performance management system lessened, and newly installed Family Feedback read-out meetings began to ignite fresh staff momentum to exceed all family expectations.

Twenty months after Justin became CEO, the transformation was solidified. His proof: eight months without safety inspection violations; 19 percent improvement in family satisfaction; 21 percent improvement in children's standardized test scores. And financials had stabilized so well that there was a large surplus for generous bonuses. The numbers that drove it home, however, were from the employees themselves. The baseline survey taken 18 months prior showed that only 22 percent of staff members said they were happy working for Leg Up Learning Centers; 79 percent were now extremely satisfied.

In many ways, Justin's journey shares a cautionary tale. It shows how a small group of people can tank a culture and perpetuate behaviors that are not only bad for staff morale but can threaten an organization's very existence. With determination, however, and an honest assessment of what the core issues are, leaders can separate the wheat from the chaff and work toward rebuilding a productive, effective work environment. It doesn't happen overnight, but as in Justin's case, the positive outcomes are often very much worth the wait.



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