

Strategies for Changing Your Organization’s Culture

Transforming a nonprofit organization—for example, changing a service model or delivery area, or adding a new set of beneficiaries—is not just an exercise in creating new strategies and processes to accomplish the organization’s mission. It also means evaluating how the existing organization’s culture might positively or negatively influence the change that needs to take place—and then working to adjust the culture, as needed, so that it supports the change.

Culture is in essence an organization’s operating environment: the implicit patterns of behavior, activities, and attitudes—shaped by a shared set of values and beliefs—that characterize the way people work together. In order for any strategic change to be implemented successfully, the organization’s culture needs to be aligned. Unfortunately, if it isn’t, the challenge is significant; changing culture is not an easy task.

“Changing culture isn’t as simple as identifying the new behaviors you want to see and articulating a new set of beliefs and values associated with these,” explained Bridgespan Group Partner Kirk Kramer. “Most people won’t change their behaviors until they observe the role models in their organization acting differently, and when they see this new behavior positively recognized and rewarded—a clear promotion, a plum assignment, a change in authority or responsibility, or simply praise from the top of the organization.”

Bridgespan has found that the key levers leaders have to change culture are the ones that motivate and support different behaviors: who is on the leadership team, what they are doing, who makes key decisions, which people are in key jobs, who gets positive feedback through performance assessments, and even the right processes and systems that affect how people work together. These, along with culture, are what Bridgespan refers to in its organization wheel (see sidebar) as the core elements of an effective organization.



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In this article, we hear from two nonprofit leaders who needed to change their organizations fundamentally in order to make them more effective—and how they were able to do so through addressing key levers for culture change. The first is Liberty Resources CEO Carl Coyle, who merged his human services organization with a nonprofit mental health clinic. The second is The Children's Village President and CEO Jeremy Kohomban, who changed his organization's service model from residential to community-based care.

Liberty Resources: Merging Two Organizations



Liberty Resources, Inc., founded in 1979 and headquartered in Syracuse, NY, is one of central New York's most diversified human service agencies, helping children and families, as well as people with developmental disabilities and mental health needs. Operating primarily in New York (with adjunct service delivery in Florida and Texas), Liberty Resources had long sought to add licensed mental health services to its portfolio, to provide access to specialty care for its clients. However, a moratorium on new licenses had prevented it from doing so until December 2007, when the opportunity arose to acquire an existing license through the purchase of a Syracuse-based mental health clinic in danger of closing due to financial distress.

Coyle envisioned that acquiring the clinic would allow Liberty Resources to provide the populations it served access to mental health care and treatment, and also maintain a much-needed service capacity that would otherwise be lost to the community. There already was a significant waiting list for mental health services in Syracuse, particularly for children, and only two other private clinics existed in the county.

But although the acquisition kept the much-needed clinic open, it also presented a hurdle, namely, the challenge of bringing together two organizations with very different business practices. Coyle had spent 20 years at Liberty Resources building an accountability culture, with strong reporting systems and a focus on measurable clinical outcomes. The newly acquired clinic did not have accurate accounting, finance, or data reporting systems; it did not measure outcomes or the efficacy of its clinical services. "They couldn't tell if they made a difference," Coyle said. For example, the clinic's patient census listed 1,252 patients, many of whom had been getting the same services for 20 years. That data alone told Coyle that the clinic was not operating as effectively as it could. "That is far too long a time for the approach they were using," Coyle said. "Many of these patients needed a different service than they were receiving."

Believing strongly in the value of measuring results to learn and improve, Coyle began to apply his outcomes-based approach to the clinic but quickly encountered friction. For instance, when he discovered that some of the clinic's programs, including its faith-based counseling model, were not covering their costs, he moved to eliminate those services. Clinic staff argued that faith-based counseling was an embedded part of the organization and it should continue despite the losses. But Coyle felt strongly that the clinic would not survive if it did not focus its resources on the core mental health services the community badly needed and drop the programs that were not economically viable.

As Coyle put it, his guiding approach to transforming the operating culture of the clinic was “an unrelenting pursuit of excellence.” One of his first moves was to set clear performance expectations and encourage accountability among the staff by introducing data tracking and analysis to the clinic. The organization took productivity measurements, translated them into financial measurements to illustrate what was needed to sustain the operation, and created productivity standards for clinicians. It made it clear that the new expectations should be taken seriously.

Early on Coyle realized that some employees could adapt but others could not. Ultimately, in fact, nearly half the staff of the acquired clinic left, most by their own choice. He gave incentives to those who remained. For example, the clinic's staff had gone without raises for three years; Coyle quickly brought them up to Liberty Resources' higher pay standard. The clinic also hadn't provided health insurance, so he added its employees to Liberty's plan. But importantly, Coyle said that setting clear expectations and offering financial incentives alone were not enough to bring about the necessary culture change, even for those employees who stayed. “We assumed that with the right incentives and clear performance standards, this would lead to change,” he said. “But I don't think these alone had as much impact as we expected.”

Instead, Coyle believes it was a combination of providing the following three elements that finally got employees on board and helped align the clinic's culture with his strategic objectives:

1. **Regular data tracking.** Liberty provided the functional technology that allowed clinic employees to see where they were meeting the new performance expectations and where they fell short. The organization also provided clinic leaders with “dashboards” so that they could aggregate data, conduct meaningful analytics, and thus feed meaningful performance data back to employees.
2. **Basic necessities.** Liberty made sure clinic employees had clean chairs, private offices, computers, and even mundane items like tissues.

3. **Resources to do their jobs more effectively.** Liberty moved the clinicians out of their badly dilapidated space into a space that was explicitly designed to support their work—a building with specially designed therapy rooms and electronic access to medical records.

Coyle said the culture change manifested itself in a new sense of pride by both staff and clients—and even in clinical breakthroughs: One clinician reported that a patient who had been in therapy for a year said he felt safe in the new environment, and subsequently he made substantial progress for the first time. “We saw that environment and milieu had a profound effect on the clients and staff,” Coyle said. “This was a turning point for the culture shift that needed to occur. In following through with doing what we said, trust began to emerge.”

Another key manifestation of the change was a significant shift away from a “command and control” mentality that had been prevalent in the clinic’s old culture, to a more collaborative culture where staff embraced data-driven decision making and information sharing. The organization’s new approach to data tracking was an important driver of that shift. New technology, including instant messaging, new phone codes for clinician safety, and the introduction of a centralized electronic medical record system also facilitated increased information sharing while enhancing efficiency.

Coyle said one of the biggest challenges in changing the culture was building trust with the clinic employees, particularly after the clinic’s executive director left the organization. Executive team members built trust with employees over time by communicating frequently, being visible, and following through on promises. They also were careful to demonstrate their unified support of the new approach and to be clear about the consequences of failing to embrace it. “We literally handed out bonus checks as a leadership team,” Coyle said. “Those who weren’t carrying the team were very aware that there would be consequences if changes weren’t made.”

Interestingly, Coyle said Liberty Resources had to undergo a culture change of its own as a result of the merger. In the early days of the acquisition, Liberty’s leadership was so focused on the clinic that Liberty’s existing employees started to feel they were not getting the attention and recognition they were used to. They had to learn to share the management team’s time, and the management team, for its part, had to explicitly take time to support and validate Liberty employees. “One lesson we learned is to make sure to pay attention to the part of the organization that is performing,” Coyle confirmed.

In addition, while Coyle could clearly see many ways that the new clinic could benefit existing programs and clients, many Liberty Resources’ staff members were reluctant to leverage the new asset. Coyle

moved slowly and carefully to introduce new disciplines to its mental health services, including contracting with a graduate medical school program to have nurse practitioners work in the clinic to help them meet degree program experiential requirements. He also partnered with Syracuse University's graduate program for Marriage and Family Counseling; the entire faculty and student population moved off the Syracuse University campus and are now housed in the same new building where the clinic resides. This proximity has encouraged opportunities to share knowledge and has introduced a culture of learning to the clinic staff. For example, video feeds allow for clinical instruction with Syracuse University and in-service clinical seminars are routinely provided.

Today, the clinic is on firm financial footing, its operations are vastly improved, and it is even tapping new potential. At its zenith, the former clinic had 24,000 patient visits. Last year, Liberty had more than 42,000, serving 2,500 individuals and ensuring that each patient was connected with all of the services he or she needed. Previously, only one adult psychiatrist treated all patients. Now there are psychiatrists for both children and adults, psychiatric physician assistants, psychiatric nurse practitioners, nursing, case management, and group therapy for children and adults. The clinic also was the first in the state to be licensed for Suboxone Therapy (used to treat opioid dependence).

What's more, the clinic and the original Liberty organization are now beginning to leverage each other's individual strengths. Coyle says with confidence that the first wave of culture change is complete, and he is now working to deepen the combined organization's core values: relentless pursuit of excellence, reaching for the gold ring in clinical practice, and developing the satisfaction that goes along with excellent service. "I want our staff to see that they and other employees want to work at our clinic because of its excellence," he said.

Interestingly, Coyle is not done acquiring other services in need of "rescue." Recently, Liberty assumed operational responsibility and New York state licensure for brain injury services and early intervention/early education programming. Expanding its geography across New York state, the cultural lessons learned from the clinic acquisition will be applied as Liberty has added over 200 staff in recent months. On executing this strategy, Coyle noted, "If you stand still organizationally speaking, you wither and become less relevant. A culture of change assures we remain relevant for our communities and the people we serve. Culturally, change is what we are all about."

The Children's Village: Changing the Service Model



The Children's Village, based in Harlem, NY, provides residential and community-based programs in the greater New York area for society's most vulnerable children and their families. When Jeremy Kohomban became president and CEO in 2004, the organization's 400-bed residential main campus in Dobbs Ferry accounted for 93 percent of its total budget. But New York state had several years earlier embraced an effort to phase out institutions and group homes to divert financial resources into community-based programs and services. Reimbursements had fallen so sharply that The Children's Village, while still highly regarded as a residential program, had suffered multi-year deficits and was using its endowment funds to stay alive. One consultant had recommended the organization sell its 270-acre campus and become a foundation. Instead, the board of trustees hired Kohomban and asked him to turn the organization around without giving up its core mission.

Kohomban's predecessor, who had been CEO for 24 years and was widely loved, was an advocate of institutional care. But Kohomban felt that, even if it were a viable financial model, long-term institutionalizations hurt most children by separating them from their families and community. His strategy was to reposition The Children's Village as a residential institution whose ultimate goal was to stabilize children emotionally and behaviorally, and return them to their families and community, or if a family was unable or unwilling, place children into loving foster homes. His challenge was to get the trustees, staff, and the community at large behind the plan.

Kohomban was upfront with the trustees and staff about his view that residential care as it was being practiced at the organization did not work, and about his hopes to reframe the organization. Then, with his executive team, he set out to articulate a comprehensive plan to change the residential model so it was both effective and cost-effective.

"I had a vision that there is a place for residential, and I was convinced that it could be done, but in a different way," he explained. His plan included expanding programs that provided therapy services such as counseling and drug treatment to families, finding homes for older residents by matching them with foster and adoptive parents who would receive special training, and assigning specialized aftercare teams to help older children stay in school, find jobs, and stay out of trouble after they leave a Children's Village program.

In a nontraditional move, Kohomban also went public with his strategy, seeking out newspaper coverage about the organization's shift toward getting kids home. He also began talking inside and outside the organization about the importance of "servant leadership," the idea that the organization's leaders should be stewards to the staff people who do the work, ensuring they are supported, paid fairly, and recognized for their often sacrificial efforts.

The trustees got behind the strategy and supported the investment it would require, but initially, many staff members were severely demoralized and pessimistic. They felt residential care was no longer valued by society and feared that The Children's Village was going to just focus on community prevention programs at the expense of residential care.

"Good residential care is very difficult work, and feeling unappreciated led to a sense of frustration, anger, and disillusionment," Kohomban noted. "When people feel victimized, it's hard to feel and act optimistic, but optimism amongst the staff is what our teens need most when they come to us."

Kohomban understood that the organization had to shift its culture. To do so, he went before all 600 staff members and laid out his plans. He explained that the new demands placed on them would not be made without an investment in the staff. The base salary of the lowest-paid front-line employees was raised from \$18,000 to \$23,000, money freed up by laying off some vice presidents. The organization also raised money to renovate staff apartments. "When doing residential, most important is the front-line staff who are working with kids and who are there 24/7," Kohomban said. "Their attitudes would make the transformation."

Other key levers Kohomban pulled to affect a positive change in the organization's culture included:

1. **Facilities improvements.** The Children's Village spent \$30 million upgrading the residential facilities, including renovations to the children's cottages, playing fields, staff housing, gym, and basketball courts. To further show the teens who lived there that they were valued, he put a renewed focus on keeping the facility clean and getting repairs done quickly.
2. **A new focus on professionalism.** The Children's Village convinced the employee unions to implement a dress code that banned jeans and required button-down-collar shirts, in part by providing employees with two free shirts and subsidizing the cost of others.
3. **New hiring criteria.** Kohomban felt the organization was too focused on pathology and that such a "treatment culture" was an impediment to the new strategy, so The Children's Village began emphasizing the ability to engage well with people as a hiring criterion. In addition, to bring in the

voice of the consumer and help the organization be more sensitive and responsive, The Children's Village invested in hiring parents who had successfully navigated the child welfare system to work alongside the professional treatment teams.

Critically, measurement became integral to the strategy's success, affecting the culture in a positive way in the process. The trustees asked Kohomban to begin tracking the new model's success: The organization began to measure recidivism by providing aftercare services and tracking teens for one year after they left The Children's Village. The new measures were telling and helped Kohomban improve the program. In the first quarter, for example, the organization was disappointed in the school entry outcomes rate for teens who had left the Village. It turned out that teens who left the program in between school years were not being enrolled in public schools in a timely manner. The system provided interim tutoring, but without the structure of regular school, teens often got right back into trouble. The Children's Village applied for grant money and hired a specialist to work with the public schools to ensure their teens were enrolled quickly. "When the schools knew we were serious, they started to take them and our success rate went up," Kohomban said. What's more, the organization's staff got a lift because they realized that they could improve their own outcomes by learning more about the program's strengths and weaknesses.

The organization's transformation continued to gain momentum with large gifts from several donors who liked what it was doing and wanted to see more. And as The Children's Village showed increasing success rates, it received funding from the state to do more work in the community, allowing it to increase its community-based initiatives by over 500 percent. "To me, that was validation that we were doing something right," Kohomban said.

In the first year of the transformation, The Children's Village completely eliminated its multi-year deficit; in the first four years of the transformation, the organization added over \$20 million in additional services and increased the number of children served annually from 5,000 to 10,000. The organization has expanded beyond its central campus, opening locations in Long Island and statewide. And as of this writing, residential care—which had accounted for 93 percent of The Children's Village's revenue—now accounts for less than half of its revenue. Kohomban said the greatest challenge going forward, as the organization continues to grow, is building and maintaining a common culture of servant leadership in all of the organization's locations.

Kohomban offers this advice to others facing a need to change their culture to effect organizational change: "Taking a public position about aspirations is important. There was a real temptation to talk the talk but not really change—I give the chairman of our board of trustees a lot of credit. He told me, 'If you

want to change, make sure you can't go back.' I had to say things in public that got into the press and that made us who we are today.”

Culture Is a Result

It is important to remember that culture is a result, not a lever. Nonprofit leaders cannot simply define new values and goals and share them in the hope that everyone will get on board with a new strategy. Instead, leadership must commit to a new vision for the organization's culture, decision-making must support that desired culture, managers must give staff incentives that align with the desired goals, and processes and systems must be engineered to drive the desired behavior. As the stories from The Children's Village and Liberty Resources illustrate, nonprofit leaders who pull the right levers for cultural change can positively and profoundly transform their organizations.

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