

Chapter 10

Internal Sources of Organizational Change

This chapter focuses on some of the internal situations that stimulate an organization to change. Examples include the departure of the chief executive officer, reorganization, downsizing or outsourcing of staff, budget shortfalls that affect the scope and breadth of programs, a changing client base, relocation of the agency's offices, and entering into arrangements with managed care companies. Change may also be initiated because of a purposeful process to improve agency programs and/or better respond to community needs. At the core of successful organizational adaptation is planning—anticipating change, having the procedures in place to implement change, and monitoring the change process in a way that provides ongoing feedback for further adaptations.

The organization's elected leadership (its board of directors) and management (the CEO and senior-level staff) are constantly looking for ways to make services more relevant to the needs of the community. Responsiveness to the community, operating efficiencies, and cost are among the internal concerns of an organization that motivate—and sometimes necessitate—organizational change.

Organizational change is both a process and an outcome. Process refers to the identification of the need for change and the actions taken to achieve it. Change, such as the decision to promote efficiency through the use of a voice-mail system, may span a relatively short period of time. Once the decision has been made, it can be acted on quickly; the appropriate equipment can be purchased, and staff can participate in one or two training sessions. Implementing other organizational changes may take a much longer period of time. For example, feedback from the community may indicate that the agency should consider instituting services for older adults. Consideration of a new program initiative, however, involves a thorough needs assessment, a cost analysis, exploration of potential funding sources, and a marketing plan, and agency priorities must be revisited. These activities may take a few months or even a few years.

Although a voicemail system may have some organizational impact, such as negative consumer feedback about there not being a real person to answer the phone and the depersonalization of this form of consumer-agency contact, it is

unlikely that severe long-term consequences will result. On the other hand, the initiation of a range of services oriented to a population that had not earlier been a target of the agency's services significantly alters the composition of the agency's constituency. These services, in fact, may affect the ability of the organization to carry out its primary mission, as a shift in program priorities and the reallocation of resources may be involved. Depending, in part, on the pace of change—how quickly the organization puts in place a new program and to what extent it replaces rather than augments existing programs—transformation may be evolutionary or radical. In either event, ultimately, the organization's leadership may need to amend its mission so that its programs of service and its purpose are in alignment.

Thus, change is a matter of degree and kind. Change may be small or broadly based, short term or long term (Perlmutter & Gummer, 1994), depending on the degree of structural change involved and the impact on mission. An organization may opt to change its name—for example, from Ravenwood Mental Health Center to Community Services of Ravenwood County. If the change is in name alone, and it is felt that the new name more accurately reflects the image and purpose of the agency, then it is a change of rather small scale. If, however, the name change comes about due to the merger of two agencies or the transformation of the agency from a nonprofit to a for-profit entity, then the transformation is of much larger significance. Change—both large and small—has become a constant in the lives of organizations.

Management Turnover

Change at the top management level ushers in a period of uncertainty for most organizations. The uncertainty is accentuated when the departure of the CEO is abrupt and/or unexpected. In other instances, turnover is the norm. For example, in the public sector, the election of a new mayor or governor means that the agency chiefs are out of a job.

Under any circumstance, the departure of the CEO creates a vacuum in the organization. The board of directors of the nonprofit organization diverts its energies from policy making, planning, and fund-raising to finding a new CEO. In public and for-profit organizations, the search process may be less visible but nevertheless involves the time and energy of key players, such as elected officials or shareholders.

Uncertainty at the top can have a ripple effect throughout the organization, cause employees to feel insecure about their jobs, and heighten normal stress levels (Ginsberg, 1997b; Hernandez & Leslie, 2001). Staff reactions may range from feelings of uneasiness about who the replacement will be or even feelings of anger and betrayal about the exit of the former CEO. The scenario in box 10.1 illustrates some of the reactions that may be anticipated when a CEO departs.

BOX 10.1**The Departure of the CEO**

When Mr. Phillips resigned from his position as CEO of a nonprofit nursing home, the agency was struggling. Mr. Phillips had been at the helm for only three years, and the board now sought a new leader who would be able to turn the agency around—and also one who would stick around.

The board was uncertain about the future direction and hired an outside firm to help conduct a thorough review of operations after Mr. Phillips left. Anxiety ran deep among employees. Underlying the anxiety was disappointment about Mr. Phillips's decision to leave (some staff even felt that they had been betrayed), concerns about who might take his place, and fear about what recommendations might be made by the outside firm that might affect their jobs.

The associate director, Ms. Greene, was appointed as interim CEO, and most staff were of the opinion that she should get the job. However, a search committee was appointed, and rumors about the board's desire to go outside the agency to find someone with stature in the nursing home industry abounded. It also became apparent that no decision would be made in the short term. The decision to appoint a search committee meant that the job would have to be advertised, resumes screened, and first and perhaps second or third interviews set up. Then, if someone other than Ms. Greene was selected; the new CEO would likely need to give notice at his or her current job. It looked like the period of uncertainty might last six or more months.

Sometimes there is an internal candidate who is recognized as the logical replacement. Ms. Greene had the backing of staff, but the search committee wanted to explore all options. Typically, human service organizations opt to open the search process to include external candidates; the search committee or those responsible for selection of the final candidate want to be sure that they are making the best possible choice for the organization.

Search processes vary in length. Often, the search process takes several months or even a year or more. Even if the time between the departure of one CEO and the start of a new CEO is relatively short, the interim period is one of uncertainty for all key stakeholders of the organization. The uncertainty itself may constitute a period of change for the organization. At a minimum, the interim period is one in which change is waiting to happen.

A New Boss

In the spring of 2000, the Child Welfare League of America (CWLA) hired a new executive director, Shay Bilchik, the eighth director in the eighty-year history of this national organization. In an interview, he was asked about his short-term and long-term goals for CWLA. He responded:

In the short term, I want to look at our organizational structure, staffing patterns, and how we operate as a team within the organization. Are we as efficient as we can be? Are we staffed as we need to be? We're also continuing work on a strategic plan—and the field will have input on that. Then, I want to take the informa-

tion I receive during this first one hundred days and look at the long-term vision of the organization. It could be that it remains much the same as what it has been, because obviously we've done pretty well over the past eighty years. But it might also evolve in a way that allows us to create an even stronger national presence on our issues and a stronger ability to effectuate change. ("Shay Bilchik," 2000)

Mr. Bilchik expressed his intent to examine the organization to assess what it does well and what it might do better. A reexamination of agency priorities and operating modes is to be expected when there is a new CEO. The hiring of a new executive means a fresh perspective is brought to bear on how the organization accomplishes its mission. The new CEO is likely to have conceptions and preferences about how the organization should run and is usually given wide latitude by the governing body to implement changes, even if the old way of doing business had been quite successful. The case of Carl in box 10.2 illustrates some of the changes a new CEO may seek to institute.

BOX 10.2
Taking the Helm

When Carl was hired as the new CEO of a child and family mental health agency, he made it clear to the board that the first order of business was to talk with key stakeholders—community representatives, board members, and staff—to learn about and evaluate how the agency runs and the strengths and weaknesses associated with current operations. In negotiations before he accepted this new position, he had shared with the search committee and board of directors his belief that some reorganizing of staff and operations would probably be in order; this assumption on his part was based on the information already provided to him about the status of the agency.

True to his word, Carl spent the first month on the job meeting and talking with staff, board members, committee chairs, representatives of other community agencies, and funders about their perceptions of the agency and what worked well and not so well. At his first meeting with the board as CEO, Carl presented a summary of his findings. He then detailed the first steps in a plan to address some of the issues that had been identified in his fact-finding efforts. He presented a plan in stages, the first steps of which were relatively minor: to move staff offices around so that people in the same departments would be near each other. The second stage was more complex: a revised organizational chart that reflected a restructuring plan.

The director of clinical services had been with the agency for twenty years. In the proposed restructuring plan, this position was downgraded and a new position, chief operating officer, was created to oversee the various program areas. Traditionally, therapeutic services had been the major focus of agency services. However, there had been a gradual but steady decrease in the client population requesting and utilizing these services. In the restructuring plan, such services were placed on equal footing, in terms of people and financial resources, with services to older adults, job training services, and foster care services. Thus, the restructuring plan had far-reaching implications in regard to the staffing needs and patterns of the agency and program priorities. Ultimately, the very mission of the agency was subject to re-examination.

Change in top management can mean small or large changes for the organization in the months and years ahead. Change is a given, even if only in the personality of the new CEO, which influences the climate of the organization. A new CEO can be the precipitating factor for major structural, financial, and technological change as well, depending on the status of the organization at the time the new person comes on board. The opportunity to institute such changes is typically greatest when the CEO is expected to invigorate the agency and set a more energetic, change-oriented agenda. Opposition to change may be less intense during the initial months after the new CEO takes the helm.

Facing a Financial Crunch

When an organization faces a budget deficit, the CEO, in consultation with the board of directors (if the organization is a nonprofit agency) will examine all possible options. Options may include streamlining operations, cutting back or curtailing unprofitable programs, and reducing operating expenses. Cost cutting tends to occur in conjunction with expanded efforts to identify new sources of revenue.

Because personnel is the single largest budget category for most human service organizations, it is not uncommon for budget cuts to be made in this area. This may mean downsizing of staff. Agencies often face serious dilemmas during lean times. For instance, should the agency invest in needed infrastructure or business services (such as accounting or development) or in maintaining or increasing the number of direct service providers? When agencies must make these difficult choices, it is helpful for administrators to seek feedback from various constituents. Direct service workers often have a difficult time appreciating how difficult these decisions are, since they are confronted every day by the pressing needs of their clients.

Downsizing

In the 1970s and 1980s many industries were forced to downsize as an economic strategy and/or because of changing workforce needs (Pearlstein, 1993). During the 1980s, for example, there were substantial budget cuts in the area of human services. In this same time frame, the medical establishment experienced the impact of cost containment strategies. Sometimes entire divisions of agencies or institutions were eliminated, such as the social work departments of hospitals. Outplacement services were often offered to help employees deal with their emotions and provide practical help in locating new jobs. Those not downsized experienced their own share of anger and frustration, which affected morale. The need for outplacement services decreased in the 1990s due to the booming economy. Still, some organizations may still offer outplacement services, and some firms have extended their services to include career management (Ginsberg, 1997a). Employers have no legal obligation to provide

downsized workers with a severance package, including outplacement services, unless the workers are covered by a bargaining agreement or another kind of contract, but they often do it voluntarily (Grimsley, 2000).

Contracting Out

Human service organizations have followed in the footsteps of corporate America in regard to a growing reliance on the use of part-time or temporary personnel. A variation on this theme concerns the selective contracting out or, as this phenomenon is also known, outsourcing of functions that the organization previously handled internally. Rather than hiring staff to perform certain tasks within the physical boundaries of the organization, the functions are instead performed off-site by people (or companies) contracted to provide a very specific service. Contracting out, then, is a variation of downsizing and serves to reduce direct personnel costs.

The types of organizational activities that may be contracted out are varied. For example, an organization that provides information to consumers about Medicare benefits may decide to contract out for the writing, production, and distribution of pamphlets rather than maintaining full- or part-time staff to fulfill this function. Payment is likely to be on a product basis rather than per hour. Similarly, public relations activities, such as preparing press releases about major organizational events (fund-raisers or initiation of new programs), may be outsourced. In fact, the entire fund-raising function of an agency may be contracted out.

In recent years, we have seen an increase in the number of for-profit and nonprofit concerns that provide contracted services to augment those provided by other human service organizations (O'Neill, 2000). For example, a family service agency that provides family counseling services may not have the capacity to conduct case assessments that determine an older adult's ability to live independently. Rather than increasing the agency's capacity to provide a case assessment service, the organization may elect to contract out this function.

The decision to outsource agency functions may have unintended consequences. When specific functions are contracted out, such as assessments of the ability of an individual to live independently, the service performed is extremely limited. There may be no provisions for follow-up, other than preparation of a report, and continuity of services may be affected. When the assessment function is handled as part of a continuum of services, practitioners have the opportunity to make immediate recommendations to families about the type of service and levels of care their elderly family members need. Agencies may also be able to assist in making the care arrangements or ensuring that they are made through other agencies.

From the agency's point of view, outsourcing has appeal because direct personnel costs are reduced, while the organization is still able to carry out its obligations to its clients through outside sources. A mediating factor, however,

is the possibility that the agency will lose in-house expertise. At some future time, the agency may need to redevelop its internal capabilities, which can involve significant expense.

Another potential consequence of either downsizing or contracting out is diminished employee loyalty to the organization, stemming from the perception that the agency no longer has a sense of loyalty to employees (Ginsberg, 1997a). Both scenarios—downsizing and contracting out—may create periods of disequilibrium within the organization with potential impact on practitioners and clients. On the other hand, these steps may help reduce the organization's costs in a way that protects its core programs.

Managed Care

The topic of managed care has emerged in several chapters of this book. It represents one of the more profound changes in the external environment of human service organizations in recent decades. The impact of managed care also affects the internal workings of the organization, as it influences who the organization serves, the methodologies employed in working with clients, the length of treatment, the level of expertise needed by practitioners employed by the agency, and the level and types of accountability demanded.

The decision of an organization to enter into arrangements with a managed care company to provide services to its enrolled consumers requires reorientation of staff to the new way of doing business. This reorientation goes beyond the client-worker relationship (length and type of service) and affects documentation and record-keeping requirements, billing and payment procedures, and methods for resolving disputes in regard to such matters as diagnosis and treatment needs and length and intensity of service (Gibelman & Whiting, 1999).

Managed care companies demand accurate accounts of the units of service provided, timely submission of paperwork, and compliance with reimbursement procedures. Staff members may not have the skills needed to fulfill these activities. To meet the requirements of managed care contracts, agencies may find it necessary to help staff retool through staff development and training to meet the new task demands.

Doing business with MCOs may also pose a new set of financial challenges to the human service organization. The MCO exercises the prerogative of negotiating payment terms with each provider and determining what, in its view, constitutes usual, customary, and reasonable payment for services. To obtain the managed care contract or get on the list of preferred providers, the organization must be willing to negotiate its fees. Most often, this means lowering fees in order to be competitive. By forcing providers to compete with each other for contracts, MCOs influence, if not control, the market. MCOs often offer capitation contracts, in which providers are paid a fixed and predetermined amount per client or caseload, no matter what the length of treatment. The agency is paid the same amount whether the social worker never sees the client, sees the

client only a few times, or sees the client over a longer period of time (Gibelman & Whiting, 1999). Financial necessity may push the organization to provide shorter-term services, even if client need suggests otherwise.

As MCOs become more significant players in mediating between clients and human service organizations, we are likely to see them gain a stronger voice in the internal professional and business practices of the agency. Beyond business operations and programs of service, there is an increasing array of ethical concerns that confront the human service organization engaged in contracting with MCOs, some of which are explored in this book.

A Changing Client Base

The majority of human service organizations are based in communities and seek to serve the needs of that community. The needs of communities are not constant. Demographics change. Economic conditions change. Accordingly, community-based agencies need to periodically reexamine their mission and programs to ensure responsiveness to the needs of those within the community. Planning and community collaboration are ongoing organizational processes to design, reshape, and redefine existing programs and services to better meet the needs of clients and potential consumers (Council on Accreditation, 1997).

One challenge to the community-based organization is when the client base served by the organization ceases to need the service.

The introduction of new programs meets a number of organizational mandates, including responsiveness to the community and generating new sources of revenue. As the case in box 10.3 suggests, demographic changes in a com-

BOX 10.3 **Changing Community Needs**

The Resettlement, Employment, and Guidance Center (REGC) has been serving its community for over ten years. When the Center was established, this community was largely composed of Orthodox Jews, and the agency's services were oriented to meet the needs of this population. However, over the last decade, there has been a significant change in the demographics of the community so that it is now composed primarily of African American and Hispanic residents. Because of these shifting demographics, the client census and financial base of the agency have been hit hard.

REGC utilized a variety of mechanisms to determine its current and future place in the community. First, the board established a committee to conduct a needs assessment of the community. Several staff members were asked to join this initiative and lend their expertise. Second, the president of the board and the executive director made appointments to talk with key community leaders, including church and elected officials. Other board members were asked to confer with nonprofit managers in neighborhoods that had undergone similar demographic changes to see how they had responded.

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These processes led to the identification of potential new programs to better serve the community, one of which was a forensic program for those who have been involved in the criminal justice system. The target population is multicultural and bilingual and includes those suffering from multiple social and psychological disorders, as well as those with a history of minor or major criminal offenses. This population is under the supervision of the criminal justice system—on parole, probation, or alternative sentencing. Many have a history of substance abuse and exhibit significant emotional, social, and cognitive problems.

At issue for the board of directors was how the proposed programs would be financed. Another concern was the impact of the proposed program direction on the mission of the agency. Also under consideration of the board was the impact of new program initiatives on the staffing needs of the agency. Existing staff would need to be retrained to carry out the new programs and/or new staff would need to be hired. Many of the existing staff were Orthodox Jews who were committed to carrying out the original purposes of the agency and serving the community as it had previously existed. Now, expertise would be needed in different areas, including hiring bilingual staff who had expertise in forensic services and in substance abuse treatment.

The funding problems were resolved more easily than personnel and mission concerns. The city and state public agencies were in short supply of agencies with which they could contract and were eager to enter into negotiations with REGC. Several board members were resistant to reorienting the agency services in this manner and threatened to resign from the board. Others felt that there was little choice; the agency either had to adapt and modify its program of services or cease operations altogether. Clearly, the changes proposed had major and long-term implications for REGC.

munity necessitate reexamination of the services traditionally offered and assessment of the needs of new community residents.

As this case also illustrates, reorientation of the agency's programs may meet with resistance from key players within the organization—management, board members, and staff. Some board members may feel that the mission of the organization has been compromised to the breaking point. Dissension within the board means the potential loss of some members. This does not mean that changes should not be initiated. However, consequences should be anticipated.

Staff may not be happy about these changes. Social workers, for example, who may have both a preference for and expertise in working within the Orthodox Jewish community may find themselves out of a job or needing to develop new skills to work with different populations who have different types of problems. Staff, understandably, fear that their jobs may be in jeopardy. At a minimum, as an organization revisits its programs, staff are likely to feel insecure and uncertain about their future.

Some organizations may assist their employees in coping with change through staff development and training to prepare staff to assume new roles. Several studies have shown that employees are more receptive to change when

they receive training in the new procedures, programs, and services (Kreitner & Kinicki, 1995). Unions may provide assistance to their members in dealing with change by negotiating for their interests with management. Staff, too, may take matters into their own hands by advocating on their own behalf or on behalf of their clients, forming alliances with staff of other organizations around areas of common concern, or providing informal emotional and practical support in coping with change.

Relocation

Relocation may be motivated by several factors. An agency may seek to purchase a building of its own rather than rent, or the agency may seek to find a cheaper rental. An agency may also want to relocate when it believes that a new location will better position it—physically—to serve its target population. In the scenario in box 10.4, the relocation was motivated by the opportunity to purchase a building.

BOX 10.4 **A Nonprofit Buys a Building**

Baywood Family Services, a multiservice agency serving a largely white, middle-class community, had been in operation for twenty years. It was located in the town center of a large county located adjacent to a major metropolitan area. Through the generosity of a benefactor, the agency received a bequest that was earmarked to assist in the purchase of a building.

The board of directors was thrilled about this opportunity and, in collaboration with the agency's CEO, began to investigate real estate options. After several months of visits to various properties by members of the committee assigned to look at real estate, the board voted to bid on a building located in a neighboring town. The building was located on a main street, was accessible to public transportation, and, because of its size, offered the possibility that unused space could be rented out, which would cover a portion of the monthly mortgage and overhead costs. All signs were "go," and the building was purchased.

After a year in the new building, the CEO brought to the attention of the board the fact that the client census was down—the agency was serving a significantly lower number of people than it had a year ago. Board members speculated about why this might be the case. Consideration was given to the impact of the move on the client population, and some assumptions were reexamined. For example, in discussing the relocation before the fact, the board had thought that clients from the town in which the agency was originally located would have no trouble getting to the new location. What they had not done, however, was ask clients whether they would be willing to travel to the next town or, more generally, how the move might affect them.

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With hindsight, the board also questioned some of its other assumptions. For example, although the building was located on a busy street, the neighborhood was considered to be less safe than the locale of the rental site, and clients were reluctant to come to the agency for evening appointments. Access of the new building to public transportation, initially seen as an advantage, was found to be, at best, a neutral point, because most clients in the suburban area had cars. Finally, and perhaps most important, the agency had not carefully explored the needs of the potential client population in its new neighborhood or assessed the competition the agency might experience from other service providers located in the new community. Thus, despite the time and effort expended in exploring the best possible real estate option, the agency neglected to consider all the implications of its relocation.

As this case illustrates, an agency's relocation can have a number of unanticipated consequences. The focus on finding the best facility was shortsighted. The move was motivated primarily by the opportunity to buy a building. Although the agency carefully considered its real estate options, it failed to thoroughly assess the consequences of the move in regard to its client population or the needs of the community in which it would now be located. Thus, the planning process was incomplete.

Planning Processes

A key factor in an organization's ability to respond effectively to external or internal change stimuli lies in its ability to anticipate change demands. For an organization to exercise control, it must manage rather than be managed by change (Perlmutter & Gummer, 1994).

All organizations, if they are to survive, must engage in some type of planning activities, although these may vary significantly in terms of frequency, scope, and breadth. There are different types of planning processes. Short-term planning is focused on the immediate future; virtually all organizations engage in short-term planning through the process of developing annual program plans and budgets. Projecting program growth and expansion and the potential costs involved over a five-year period would be considered long-range planning. What is different in long-range planning is the time horizon.

Planning is the act of examining the future and deciding on certain actions to provide for the future. Strategic planning is the process of deciding on the goals of the organization and on the strategies to be used to achieve these goals (Elkin, 1987). It has also been defined as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why it does it" (Bryson, 1988, p. 5). The process involves a number of steps, including development and/or clarification of the organization's mission and values and an assessment of the external and internal opportunities and threats confronting the organization. Thus, information is

the basis on which strategic issues are identified and strategies are developed (Bryson, 1994). Analogous to the casework relationship, organizational change is predicated on a thorough assessment of the situation, which forms the basis for diagnosis and, ultimately, the change intervention.

Strategic planning is not an annual activity; it occurs less frequently than other types of planning activities. This is primarily because strategic planning, by definition, is a more intensive, long-range process that involves time and money. Typically, an organization will engage in this process every five years. Although all levels of the organization may be involved in the process to some degree, decisions are made at the very highest levels. However, as we have already stated, it is important for organizations to take into account the voices and visions of their direct service staff, clients, and the community. Including these voices in the planning process can help agencies avoid developing strategic plans that are abstract and detached from the day-to-day realities of practice. The outcome of strategic planning is a set of long-range goals and strategies. In a strategic planning system, there is an orderly, gradual process of commitment to certain strategic alternatives (Mulhare, 1999).

Strategic planning is different from long-term planning, although the two may be interrelated. Strategic planning deals with strategizing about the future of the organization (the condition, position, or attributes the organization seeks to obtain) and how that future will be realized; the end result is agreement not only about goals, but also about goal attainment. Strategic planning is proactive: it involves not only anticipating the environmental forces that will affect the organization but also seeking to define and influence those forces.

In response to internal or external stimuli, the organization may decide to engage in either short- or long-term planning, or sometimes both. In the latter instance, short-term planning would constitute the immediate stopgap response to an unanticipated event, such as the departure of the CEO. In such an instance, a transition committee might be formed to address selection of an interim CEO, public relations issues, and staff morale. As discussed earlier, the departure of the CEO may also provide the stimulus for the organization to review its priorities and procedures. Long-term planning might be initiated to ensure the relevancy and quality of an agency's services or to project what its future position in the human services market might be and whether the agency is equipped to meet the demands of that market. The scope of the long-term planning initiative is less encompassing than that of strategic planning.

Whether short or long term, planning can be a response to or stimulus for organizational change. Because change of some type is an expected outcome of the planning process, decisions about the players involved in the planning effort are extremely important. The involvement of all key players in the organization's environment (e.g., community representatives, board members, clients, management, and staff) is essential, particularly in regard to the later "buy in" of these same key players to the decisions that culminate from the planning process (Perlmutter, 2000).

Obstacles to Change

When an organization fails to plan and thus anticipate and manage its future, environmental and internal issues are approached on an ad hoc basis, from one crisis situation to another (Anheier & Cunningham, 1994). Even when agencies use the best of planning processes that anticipate and address change, there are factors that may impede effective response to change stimuli. Organizations develop their own ways of doing business that may not always meet the requirements of efficiency and effectiveness. Each organization has a set of stakeholders—people who have a vested interest in maintaining the status quo. Interests may range from job security to fear of the uncertainty that results from the process of change. Inertia may also come into play, as designing and implementing change strategies involves initiative, energy, and risk (Perlmutter, 2000). Resistance may be based on professional judgments about good practice. For example, social workers may oppose new managed care rules that interfere with client treatment. Thus, there are inhibitors to change that vary in degree and intensity but pose challenges to the successful growth and adaptation of organizations.

In the next chapter, the role of social workers in initiating and promoting strategies to achieve constructive organizational change is explored.

Key Points

- ◆ Conditions internal to the organization, such as the departure of a CEO or a budget shortfall, may stimulate organizational change.
- ◆ Organizational change may range on a continuum from small to large scale.
- ◆ The process of change may span a short period (weeks or months) or a few years.
- ◆ The departure of a CEO almost always leads to a period of uncertainty and transition for the organization.
- ◆ Organizations that face unexpected budget deficits may need to consider downsizing, because personnel make up the largest category of expense.
- ◆ One means that is increasingly used to keep the organization's direct personnel costs down is contracting out or outsourcing specific functions.
- ◆ The requirements of managed care companies have stimulated the re-vamping of organizational procedures.
- ◆ Organizations may find that they need to retrain staff to meet the requirements of MCOs.
- ◆ To ensure responsiveness to the needs of the community, human service organizations need to periodically review the relevance of their programs of service.
- ◆ Demographic and economic changes are among the factors that influence community needs.

- ◆ Altering the programs of service in response to changing community needs may also involve reexamination of the organization's mission.
- ◆ Systematic planning processes help organizations to anticipate change demands.
- ◆ Short-term planning deals with an immediate agenda, such as annual program planning and budgeting.
- ◆ Long-term planning is undertaken to address such core issues as the type, quality, or quantity of services vis-à-vis community need and/or long-range fund-raising strategies.
- ◆ Strategic planning addresses the future of the organization and how conditions, positions, or attributes can be attained; it is proactive rather than reactive.
- ◆ All key stakeholders should be involved in planning processes.
- ◆ Obstacles to change include vested interests and comfort level with the status quo.

Suggested Learning Activities and Discussion Questions

1. Talk to one of your more senior colleagues—either someone within your organization or a social worker employed elsewhere—about his or her recollections regarding the departure of a CEO. What were the circumstances surrounding the departure? What was the impact on the organization—staff responses, morale, organizational climate, funding, and services?
2. Suppose you are the CEO of an agency that has lost a major contract and is expecting a substantial budget shortfall. Provide three different realistic options that should be considered in deciding how to deal with the budget deficit.
3. Draw up a list of questions you would want senior management and the board of directors to consider in regard to a possible relocation. How would you propose that the answers to these questions be ascertained?
4. Provide examples of a short-term, long-term, and strategic planning process in which your agency has engaged. What motivated the planning initiative? What were the outcomes of the planning? Who was involved? If your agency has not engaged in these planning processes, identify situations in which planning would have been appropriate.

Recommended Readings

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