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Organizations of Hope: Leading the Way to Transformation, Social Action, and Profitability

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In today's environment, organizations are expected to demonstrate responsibility and contribute to the collective good of society beyond their traditional role of job creation. I submit that an important social imperative for organizations in this era is to understand the interdependent nature of the environment in which they operate and purposely link their survival efforts to the survival and well-being of society.

The Business-Nonprofit Connection

This chapter presents a framework for leadership of organizations that intentionally incorporate transformation, social action, and profitability into their regular business functions. The intent in presenting this research is to help organizations sustain themselves as dynamic, thriving entities while engaging in shared social sector work. Business and nonprofit collaboration efforts require a different kind of leadership and a new understanding of the dynamics that produce organizations of hope in both sectors.

Peter Drucker (1994) describes organizations of the twenty-first century as new integrating mechanisms. He indicates that together public, private and nonprofit organizations form the capacity that the community will need to determine how to balance two apparently contradictory requirements—the primary functions for

which specific organizations exist and the social responsibility to work on the problems and challenges of the community. This, Drucker contends, is the joint work of both public and private organizations that are capable of social sector work.

There has been a significant expansion of social sector work, a trend that will accelerate in the new century. James Austin offers useful tools and insights for executives and directors of business and nonprofit organizations in *The Collaboration Challenge: How Nonprofits and Businesses Succeed Through Strategic Alliances* (2000). He states that "these alliances between nonprofits and corporations [businesses of any size] hold considerable potential for enhancing business and nonprofit performance and for generating social value. . . . The age of alliances is upon us. For those with vision and entrepreneurial spirit, the path of social purpose partnering will lead to mutual gains and produce significant benefits for society" (p. 185). How can such efforts be prudent in a time of fierce global competition, downsizing, layoffs, outsourcing, and "lean-and-mean" strategizing? Organizations with a social imperative that link their survival to the well-being of society may be better positioned in the long run to maintain their human and economic viability. Verification of this perspective will require longitudinal studies of companies that engage in social action.

Several organizational initiatives illustrate this strong commitment to organizational purpose *and* social change. For example, the Timberland Company, maker of rugged outdoor footwear and clothing, won the Corporate Conscience Award given each year by the Council on Economic Priorities. Timberland incorporates social commitment into its mission statement: "Each individual can, and must, make a difference in the way we experience life on this planet" (Will, 1995, p. 18). The company provides its employees with forty hours of paid time off and five company-sponsored events to allow them to volunteer their services to make a difference in society. The company made a five-year commitment of services and funding to the nonprofit organization City Year, which is considered a contemporary urban "peace corps." The youth corps members teach children to read, clean up trash-strewn lots, and interact with different segments of the community. Timberland shares its private sector expertise with City Year, and the youth corps gives its employees opportunities to do community service. Beyond its social commitment in the United States, the company sets forth international guidelines for choosing business partners based on its "Standards for Social Responsibility."

Organizational Gains

In a case study conducted with the Timberland Company, the researchers found that Timberland's intentional commitment to meeting its organizational purpose *and* engaging actively in social enterprise contributed strongly to capacity build-

ing and transformation at multiple levels (individual, organizational, and social) (Horan and Levin, 1998). Further, Timberland institutionalized its social commitment by establishing a social enterprise unit in the organization. Involvement in social enterprise by Timberland employees contributed greatly to the community and equally greatly to the capacity building of the employees and the company. Lessons learned by participants in community projects about leadership without positional roles, building trust, and effective teamwork were brought back into the organization.

Companies report numerous gains (*social investment*) from their nonprofit partnerships and volunteering activities, according to data provided by Business for Social Responsibility (2003). Benefits derived from participation in social action include the following:

- Increased employee capacity (employee skills and training)
- Increased employee teamwork
- Increased employee leadership skills (followers become leaders)
- More innovative work structures (organizational structures)
- Increased employee morale, retention, attendance, and performance
- New or improved relationships across the organization
- Enhanced moral expectations and standards for the organization
- New or improved relationships between the organization and the external community or society
- Sustained or improved financial performance
- Development of the local labor pool
- Recruitment and retention of employees
- Strengthened community relationships
- Enhanced company reputation
- Increased customer goodwill and loyalty
- Improved access to markets
- The attracting of investors
- Leveraged philanthropic resources

Gains by the Community and Nonprofit Organizations

Benefits for the community include enhancements such as these:

- Improved quality of life—better housing, facilities, neighborhoods, health
- Improved capacity of people and nonprofit organizations (social capital) in the community
- New or enhanced knowledge or skills

- New or improved educational opportunities
- Job or business creation
- Economic development and enhancement

Is There Reason to Be Hopeful?

It is Thursday afternoon at Micro-Tech Systems. Bright colors adorn the walls, matched by energetic people moving in and out of flexible spaces. Dressed in khakis, polo shirts, and the occasional baseball cap, they exchange ideas about how to solve customer problems while checking out the latest baby pictures and candid employee photos in a collage created by the company's vice president. Technology is everywhere and fits the culture as comfortably as each person's favorite chair. Today is the company meeting. I head to the conference room and find it filled with sandwiches, drinks, and sofas, only to discover that the meeting takes place in the hall. Adjusting to this change of venue, I think—a company meeting in the hall? I've heard of hallway conferencing, but I've never seen it adopted as an official company practice. As I take my seat on a cushy sofa and wait for the meeting to begin, I wonder—where is everyone? In a few minutes, the large open space in the hall begins to fill with people dragging their unique chairs from offices and meeting rooms. An employee advises me, "If you don't bring your own chair, you have to sit on the floor."

Soon PowerPoint presentations of the company's sales, financial status, and latest benefit plan flash on the wall. The company president sits along the wall and blends into the group. Micro-Tech Systems has made a strong profit after suffering setbacks and layoffs during a downturn in the economy. This news is greeted with rousing cheers from the group. Each speaker highlights the accomplishments of its team and superstars who put forth valiant efforts to make this success possible. Again, the news is greeted with rousing cheers, congratulations, and special company dollars to be traded for tangible rewards. A serious discussion ensues about the new benefit plan, complete with tough questions and responses. It is clear that suggestions and objections are welcome. The employees' questions receive responses and a plan of action that assures adaptability and a willingness to work out all of the kinks.

The company president saves the best for last. She introduces members of a local nonprofit organization, who show examples of their work. Their presentation entertains and elicits interest from the group. At the end, a member of the nonprofit agency and the president of Micro-Tech ask for volunteers to use their expertise to help this agency meet its mission. Several people respond to the volunteering request. In an anticlimactic moment, I step forward and make a plea for company members to complete a survey and participate in a study of orga-

nizations like theirs—nothing like a little academic research to spoil the fun. I leave the experience energized and thinking that I have just experienced an *organization of hope*. I can see Max Weber, Fredrick Taylor, and Adam Smith turning over in their graves. This is *not* your father's work environment.

This scenario, based on a composite of three existing organizations, represents the direction in which many of us hope organizations will move. As one company executive indicated, "Organizations like ours are still in an embryonic state."

This embryonic state serves to inspire hope for a new generation of people and organizations. Hope is more than a dream—it is the overall perception that one's goals can be met. According to Richard Snyder (2000), the necessary components of hope include three factors:

> *Goal-oriented thoughts:* Directed behavior to achieve outcomes that are valued by individuals
>
> *Pathways to achievement:* Plausible routes to achieve goals, including alternative or multiple pathways
>
> *Agency thoughts:* Motivating force of hope that comes from the belief that individuals can succeed by initiating and sustaining the pathway to achieving their goal

The motivation for hope in new-era organizations stems from goal-oriented leadership behavior, which creates a context where people develop and thrive, the organization profits, and its members contribute to social action in the community. Leaders and members develop alternative pathways to achieve company and social goals in an unpredictable environment. They develop resilience and flexibility in the face of continual change. Their hope is anchored in collective agency.

Evolution of a Research Study: Hope Floats

My hope for new era organizations began in the mid-1970s while studying the works of scholars such as Warren Bennis and Philip Slater (1968), Fred Emery and Eric Trist (1972), Donald Schön (1971), and Chris Argyris (1973). Their work focused on a new era in which organizations would function in a "highly turbulent" and "dynamic" environment. Change in such environments would be unpredictable and erratic. As Bennis would say, "The future has no shelf life" (Bennis, 2001, p. 14). Who among us could have foreseen such divergent occurrences as the tragedy of September 11, 2001, or the remarkable discoveries of the Human Genome Project? These dissimilar yet coexisting events illustrate the complexity of highly turbulent environments.

Scholars characterized the approaching future as transforming, technological, learning-focused, global, and interdependent. I raised the question in my own work: What kind of organization will be best suited for this context? This question began the genesis of my Organizations of Hope study and the development of a conceptual framework for how these organizations might function. I speculated that organizations, especially in the business sector, would need to become far more integrated in the social issues of an interdependent world.
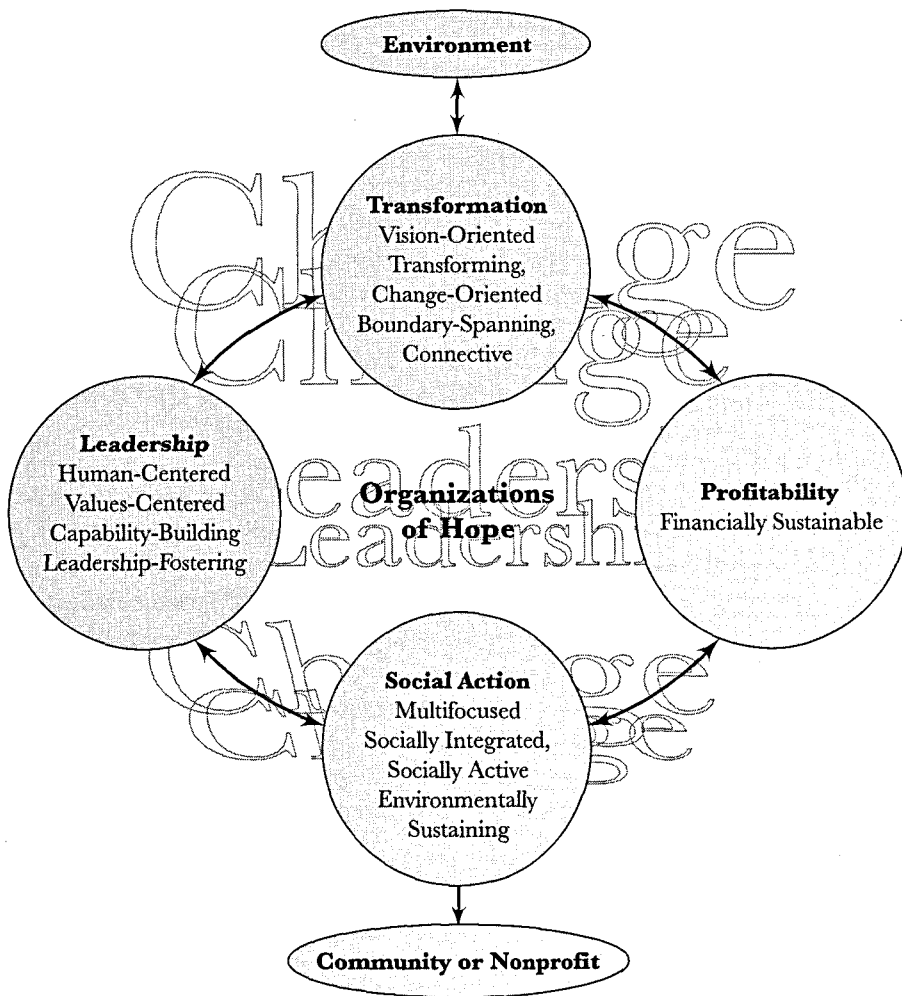
The purpose of my current research is to identify and study organizations that incorporate transformation, social action, and profitability into their regular business functions and to determine how leadership serves to facilitate these organizations. Specifically, I ask:

- What do organizations gain as a result of combining transformation, social action, and profitability? What are the disadvantages of this approach?
- How does leadership function to create and sustain these kinds of organizations?
- Where does this leadership originate (does it permeate the organization at all levels, does it come from the top and filter down, and so on)?
- What does the community gain from working with such organizations? Are there disadvantages for the community?
- What does the nonprofit organization gain as a result of its collaboration with corporate volunteering programs? Are there disadvantages for the organization?

To examine these questions, I use an original framework with components that have been refined over the years. There are two phases of the research—a pilot study and larger national study. The pilot study has identified several companies that have joined together to form a community outreach and partnering effort between business and nonprofit sectors. Company members completed a survey instrument, participated in focus group sessions, and responded to qualitative interviews. Results from this study serve as the source for development of a national study.

Figure 11.1 illustrates the interdependent nature of the framework's components. Leadership and change are shown as embedded capabilities of the organization. The concept of embedded capabilities is supported in the findings of a study of leadership in large corporations. James O'Toole (2001) discovered a different pattern of leadership in companies where key leadership tasks and responsibilities are institutionalized in the systems, processes, and culture. Such organizations are not dependent on the presence of a "high-profile" leader. People at all levels engage in leadership practices throughout these companies. Their members

- Act more like owners and entrepreneurs than employees or hired hands (that is, they assume ownerlike responsibility for financial performance and managing risk)

FIGURE 11.1. COMPONENTS OF ORGANIZATIONS OF HOPE.

Environment

Transformation
Vision-Oriented
Transforming,
Change-Oriented
Boundary-Spanning,
Connective

Leadership
Human-Centered
Values-Centered
Capability-Building
Leadership-Fostering

Organizations
of Hope

Profitability
Financially Sustainable

Social Action
Multifocused
Socially Integrated,
Socially Active
Environmentally
Sustaining

Community or Nonprofit

- Take the initiative to solve problems and to act, in general, with a sense of urgency
- Willingly accept accountability for meeting commitments and for living the values of the organization
- Share a common philosophy and language of leadership that paradoxically includes tolerance for contrary views and a willingness to experiment
- Create, maintain, and adhere to systems and procedures designed to measure and reward these distributed leadership behaviors.

O'Toole identified two factors that contributed to the long-term success of these companies: coherence and agility. *Coherence* refers to common behaviors found throughout an organization. *Agility* represents a company's institutional abilities to anticipate and respond to change (similar to embedded change in the framework).

Nonprofit organizations are major participants in this new environment. They, too, are organizations of hope. Since service to society is the primary function of nonprofit agencies, internal transformation and financial sustainability apply equally to nonprofits. Leadership and change need to become embedded capabilities of the agency. Key leadership tasks and responsibilities can be institutionalized in the systems, processes, and culture to allow maximum engagement of organizational capabilities.

Transforming Leadership and Organizations of Hope

James M. Burns (1978) explains that the ultimate goal of transforming leadership is to enhance the well-being of human existence. Though leadership scholars have adapted his concept of transforming leadership and incorporated it in the organizational context, they have not adopted his imperative to link leadership with "collective purpose and social change" (p. 20). Burns sees the nature of bureaucratic organizations as antithetical to the type of leadership that brings about real intended social change. I would agree that "bureaucratic" organizations are typically not compatible with the goals and purpose of transforming leadership. However, the emerging organizations of the present era offer a new promise of organizational flexibility and leadership involvement that differs significantly from the concepts of bureaucratic organizations.

Components of the Framework

The study examines the *ideal* components of the framework in relation to the actual experience of companies in the study. Exhibit 11.1 defines and delineates the components of the framework.

The "Potential" of This Study: Keeping Hope Alive

We are constantly inundated with stories of corporate greed, inequity, and callous disregard for the interest and security of employees. Skeptics maintain that profit-making organizations are too self-interested to have genuine concern about the

EXHIBIT 11.1. COMPONENTS OF THE FRAMEWORK DEFINED.

Components	Qualities
Leadership	***Human-Centered***
A *process* that facilitates the shared work of leaders and members to reach common goals. The term *leadership* is also used in this study to refer to the *people* (leaders and members) in the process. Accordingly, leadership encompasses both the process and the people.	• The philosophy and practices in the company communicate that its people are the organization's primary asset and concern.
	• Each person matters and is treated with respect and dignity.
	• The culture of the company fosters care and support for every member of the organization.
	Values-Centered
	• The company's direction, decisions, and practices are guided by core values held in common by its members.
	• Capability-Building
	• Company leaders see their jobs as people developers who help members unleash their capabilities.
	• The organizational culture promotes learning and innovation.
	• Company leaders provide resources for learning—funding, time, and opportunities.
	Leadership-Fostering
	• Company leaders share responsibility with members throughout the organization.
	• The company provides leadership experiences and learning opportunities to members throughout the organization.
	• The company makes use of its increased leadership talent.
Transformation	***Vision-Oriented***
The ability to change, innovate, or reconfigure employee capabilities and organizational structure (agility) to meet opportunities and challenges.	• Company leaders and members strive to anticipate and meet future opportunities and challenges.
	• Company leaders and members envision what the organization will become, not just what it is now.
	• Company leaders and members use such tools as environmental scanning, forecasting, and scenario building to anticipate future changes.

EXHIBIT 11.1. Continued.

Components	Qualities
	• Company leaders and members use organizational planning to shape the company for its future.
	Transforming, Change-Oriented • Company leaders and members embrace change. • The company is fluid and able to reconfigure its structure and human capacity to meet new opportunities or challenges. • Company members readily use or learn different abilities and expertise for innovation or problem solving. • The culture within the company encourages any member of the organization to present new ideas, innovations, and solutions. • The company takes action on good ideas, innovations, and solutions from any member of the organization. • The company recognizes and credits members who generate good ideas, innovations, or solutions.
	Boundary-Spanning, Connective • Company leaders and members build relationships and eliminate boundaries in the organization to achieve shared goals. • Company leaders and members develop linkages with other organizations to pursue common aims (Luke, 1991, 1998; Lipman-Blumen, 1996).
Social Action Volunteering or community service by members of the organization. *Community* can be local, national, or international, depending on the company's locale or area of operation.	***Multifocused*** • Company leaders and members focus on achieving the purpose of the organization (products and services) and meeting needs in the community through social action.
	Socially Integrated, Socially Active • Company leaders and members view the organization as an integral part of the community. • Company leaders and members see their future as connected to the community's future.

EXHIBIT 11.1. Continued.

Components	Qualities
	• Company leaders and members identify pressing social needs and problems by involving community stakeholders. • Company leaders and members are committed to helping the community meet social needs and resolve social problems. • The company shares the capabilities of its members through formal or informal interaction with the community. *Environmentally Sustaining* • The company's products and services are safe for society. • The company's practices and policies contribute to a sustainable environment and harmony with nature.
Profitability A financial measure of a company's earnings. (In nonprofit or public sector organizations, this is a measure of viability and service delivery.)	*Financially Sustainable* • The company is able to improve or sustain its profitability while engaging in social action. • Leaders and members of the company are shareholders with a stake in the company's future. • Financial gains become resources to improve the well-being of the company members, investors, and the community.

people in their companies and the conditions that plague our communities and environment. Everyone complains about these issues, but few people believe that things will change.

There is a promising group of organizations that view their institutions as "contexts" for capacity building and contributors to the common good. Such organizations focus on human purposes and values as the driving force of the institution so that gains in economic resources become instruments for concerted human activity in the organization and society. This focus does not mean that significant service and products do not result or that economic (bottom-line) considerations and productivity are minimized. It simply means that organizations become human entities with multiple bottom lines and economic interests.

Companies on the cutting edge of this change have encountered definite challenges. They face the difficulties inherent in building appropriate infrastructures,.

human capacity, and resilience to economic downturns while sustaining their engagement in cross-sector alliances and social change. Encountering challenges and even setbacks in these areas does not mean that this pursuit should be abandoned or that it is imprudent. It means that pioneering efforts in this new arena require organizational learning, concerted analysis, refinement, and corrections. It is my hope that the results of this work and future research will inspire, inform, and support leadership in organizations that strive for transformation, social action, and profitability.

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