

HOW TO LEAD A



TRANSFORMATION



By Antonio Oftelie

TRANSFORMATION IN ACTION

WHEELS WHEN YOU WANT THEM

Take a look at the streets of many cities and you'll see Zipcars gliding along. The car-sharing company has grown into a \$300 million business in less than a decade by enabling members to purchase time blocks for a car instead of purchasing their own car. Zipcar includes fuel and insurance in the rental fee, and the customer simply makes a reservation online or via an app, opens the door with a key card, and gets rolling. The outcomes are powerful: Consumers "get wheels when they want them" and lower their monthly transportation costs. Zipcar spreads the cost and usage of vehicles across a large user base—which optimizes scale and earnings. Society benefits from the efficient use of vital resources, with less congestion and pollution to boot.

TRANSITION TO SUCCESS

Glance at the Midwest and you'll find nonprofit service provider Matrix Human Services partnering with the state of Michigan on Transition to Success. The collaboration out of Detroit works across sectors and organizations to bridge segmented programs and services such as health, faith-based, education, government, and human services to treat the economic, health, and educational barriers to client self-sufficiency. Matrix shows that by coordinating existing, already-funded services into a client-focused program and by aligning key partners and processes, outcomes such as better health and educational achievement for children, reduced

adult recidivism, and elevated standard of living for seniors are achieved.

LIVE WELL SAN DIEGO!

Look west to San Diego County where officials dealt with a tidal wave of chronic disease, rising health care costs, and surging social service demands by creating a new vision for health and human service outcomes matched with a better service delivery system. *Live Well, San Diego!* is a "wrap-around" service model that synchronizes physical health, behavioral health, and social services in order to empower individual and collective actions that lead to better outcomes. Underpinning the model is an innovative and robust collaboration among health care, human services, private-sector, and community organizations that supports positive healthy choices, pursues policy changes for a healthy environment, and improves the human service culture.

These organizations successfully transformed during tough times. Why did they succeed? And how can leaders like you envision and attain real transformation?

WHAT IS TRANSFORMATION?

Look closely at Zipcar, Matrix Human Services, and San Diego County and you'll see a common path: Each enterprise formed a demand-driven outcome orientation and synchronized it with a new operating model that led to an entirely new value proposition. This is transformation in action.

Transformation work is critical, because as a leader your most important role is to guide your organization

It seems nowadays that business, government, and nonprofit leaders are all busy "transforming" organizations. There's so much hype around innovation and transformation that even seasoned leaders can get confused trying to make a plan. Amid the noise, however, exist powerful examples of successful transformation. Let's explore a few, and delve into the model these leaders follow.

to ever-higher levels of value. Society measures value in different ways (money earned, lives saved, families secured, streets paved) but at every measure's core is the idea that stakeholders receive a higher return from the inputs, outputs, outcomes, and impact of your organization than if those resources were allocated elsewhere.¹ In this environment, resources flow to organizations demonstrating the best outcomes. Thus for a private-sector leader, transformation is a growth-or-death proposition. For public- or social-sector leaders, transformation is a legitimacy proposition.

It's equally important to know what transformation isn't. You can't buy it from a vendor, or proclaim it from a podium. It's also not a fancy word for "innovation." While innovation is an important tool to help organizations become more efficient and effective at delivering an established service model and achieving outcomes, it's incremental and short-term in nature. Transformation builds on innovation by not only shifting the mission of an enterprise, but also the capabilities deployed in order to achieve heightened impact and an entirely new value proposition over time.

Last, transformation is more challenging in the public sector. The private sector (and to a lesser degree the nonprofit sector) can often shift markets or change the product or service they're providing as their primary focus is return on shareholder value. A public-sector organization is mandated by society to achieve certain outcomes and can't shift markets—i.e., a commissioner of a human service agency can't decide to stop protecting vulnerable kids and start making shoes in order to generate a better return on

public investment. Thus, a relentless and concerted focus on transformation is the path for producing valued outcomes, generating impact, and delivering on a value proposition that earns legitimacy in the eyes of constituents and stakeholders.

HOW DO I LEAD TRANSFORMATION?

While the scope and implications of transformation are daunting, it's comforting to know there are step-by-step methods to initiating and sustaining an organizational transformation. Leaders can move forward by assessing their value proposition, mapping opportunities for transformation, and exercising leadership through adaptive challenges.

STEP ONE: ASSESS THE VALUE PROPOSITION

To get started, review your current value proposition²—i.e., *how your organization fulfills society's demand for outcomes within an optimum level of investment*. Two powerful forces affect your value proposition. First, in the public sector, society's demands get articulated through legislative priorities, yet agency leaders design the enacting policies and programs. Second, constant shifts in the operating environment—changes in demographics, fiscal trends, technology, alternative solutions, forms of collaboration, etc.—also affect how you produce and deliver services. When analyzed together, these forces create an opportunity for leaders to transform their value proposition over time.

Scanning for value opportunities means getting a deeper understanding of the environment and forces that affect your value proposition. Key categories and questions to consider when scanning include:

- > **Demographic Shifts:** How is the composition of my constituents changing? How does this affect my organization's goals?
- > **Citizen Demands:** How is demand changing over time? Are my organization's programs keeping pace? Are there new ways to connect with and deliver services?
- > **Technological Change:** How is my organization keeping pace with technology? Are there new tools that can

help my organization become more efficient and effective or connect more seamlessly with constituents?

- > **Partner and Supplier Shifts:** Are the organizations we collaborate with changing? Do they have new capabilities? Are there new ways to partner on developing and packaging services?
- > **Stakeholder Viewpoints:** How are legislators, key partners, and other authorizing parties viewing demand? Are new funding models available? How are they measuring success?

These points should be tailored to your individual organization, and when put into action will paint a clear picture of how your organization needs to transform over time.

Case in point: When San Diego County officials looked at long-term trends they found that three behaviors (lack of exercise, poor nutrition, and smoking) cause four chronic conditions—cancer, cardiovascular disease, diabetes, and lung disease—that lead to more than 50 percent of deaths there. The medical costs alone totaled \$4 billion. Assessment of the operating environment led officials to reorient their outcome goals around a "Triple Aim," providing better services at lower per-capita cost and creating a healthier community.

STEP TWO: MAPPING OPPORTUNITIES FOR TRANSFORMATION

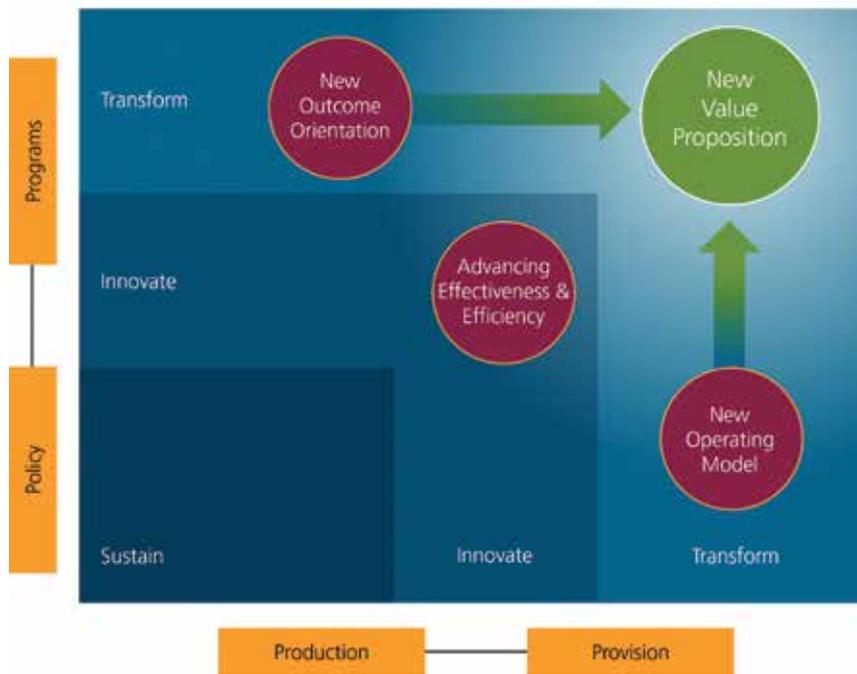
The next question for leaders is, "How do I map this into actionable steps?" A useful model developed from insights at Leadership for a Networked World's Harvard programs is the Public Transformation Matrix (see PTM chart, opposite page). While the matrix is not a one-size-fits-all model, it has helped guide the transformation journey of numerous leaders and organizations. The PTM illuminates opportunities for transformation across the domains of Policy and Program—i.e., "what we're trying to achieve," and the domains of Production and Provision—i.e., "how we operate." The domains and key questions to consider include:

- > **Policy:** The principles and directives put into effect by an authorizing



Antonio M. Oftelie is the Public Sector Innovation fellow at the Technology and Entrepreneurship Center at Harvard University and executive director of Leadership for a Networked World.

Public Transformation Matrix



legislature or entity to achieve desired outcomes or conditions within a jurisdiction. *Where are our regional policy goals intersecting? On what policy functions can we collaborate? What is the potential for improved outcomes?*

> **Program:** The service, product, or regulatory initiative designed to fulfill policy directives, goals, and outcomes within a jurisdiction. *Where are there natural intersections among programs? What can we do at intersections to improve public value?*

> **Production:** The set of human resources, processes, systems, materials, facilities, and transactions that factor into program development and delivery. *Where are we duplicating or underutilizing human resources, processes, systems, infrastructure, equipment, or other resources? What makes sense to consolidate or share?*

> **Provision:** The combination of human resource processes, systems, and transactions that ultimately deliver services to a customer or regulate an entity. *Where are our interactions with constituents overlapping, or working against each other? How can we integrate them to achieve higher levels of effectiveness and efficiency?*

As you probe each domain, an array of opportunities will appear. From here, a pipeline of actionable steps can be sequenced. In some areas, you may sustain your current methods; in others you may pursue incremental innovation. Perhaps a larger transformation is necessary, propelling your organization to a higher value proposition.

Case in Point: For Matrix Human Services, mapping opportunities led to working with the state to realign policy, programs, production, and provision to develop a new client-centered human service model that integrates public programs, private partners, and informal networks. They also moved services to where people are, like “community schools” in Detroit, which offer citizens agency help with academics, health, social services, and community development.

STEP THREE: MOBILIZE FOR THE ADAPTIVE CHALLENGE

Throughout the transformation journey, mobilize for the “adaptive challenge”³ that will inevitably ensue. Transformation requires guiding stakeholders through the real and perceived loss of important ideals, values, and competencies that have been in place for years (or longer) while also learning new competencies, capabilities and

culture. When people work through an adaptive challenge, a high level of personal and organizational “cognitive dissonance” can arise. This state of psychological distress is caused by the difference between a projected or required future and the current reality and stress and fear of loss can often spur people to work against the change. Thus, the capacity of people and organizations to move through adaptive challenges to transformational change is largely dependent on leadership mobilizing groups to work through adaptive challenges. When done well, the people and culture will change, making the work their own, and ensuring a successful and sustainable transformation.

KEEP YOUR EYES ON THE PRIZE

Running a public or nonprofit organization is challenging. We’re living in one of the most disruptive times since the Great Depression. Demand for services has risen sharply, while resources are constantly contested. The best leaders are not hoping for magic bullets—they’re transforming their organizations by reviewing their value proposition, scanning for value opportunities, and adapting their policies, programs, production, and provision. Leaders that sustain their transformation always remember the reason for the journey: Transformation leads to new ways of helping families to self-sufficiency. Transformation increases capacity to help communities. Transformation saves lives. 📌

Reference Notes

1. For more information on measuring public value, read Harvard Kennedy School Professor Mark H. Moore’s work “Recognizing Public Value.”
2. For resources on developing a value proposition read Robert S. Kaplan’s and David Norton’s book “Strategy maps: converting intangible assets into tangible outcomes.” Harvard Business Press.
3. To learn more about adaptive leadership, please review Harvard Kennedy School Professor Ron Heifetz’s books including: “Leadership Without Easy Answers,” “Leadership on the Line: Staying Alive through the Dangers of Leading,” and “The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization and the World.”