



FRONTIER ASSOCIATES, INC.  
MANAGEMENT CONSULTANTS

## Case Study #15 The Case of the Magical Money

Your nonprofit organization has encountered a crazy idea to secure millions of dollars. You call it “crazy” because neither you nor your fundraising department nor your highly experienced board of directors has ever heard of it before. Furthermore, it seems almost impossible to evaluate or implement the opportunity, because it will take enormous and immediate energy at a time when the management team and board of directors is engaged in the most ambitious capital campaign in your organization’s more than 100-year history, to say nothing of a simultaneous move into a new headquarters.

Attempting to implement the idea will involve dealing with many problems, most currently unknown but likely to require out-of-the-box thinking. Yet the project would be vulnerable to lack of support by management, the board of directors, and the board of trustees. At any time during the three months it will take—three long months of uncertainty about whether there will be any payoff—the withdrawal of support by even one of the four senior executives or by either of the boards could bring the effort to a screeching halt. The project will require at least half of their time, yet everyone is already fully occupied by the demands of their normal jobs, the capital campaign, and the move.

There is yet another potential problem: full participation by your director of development will be crucial. But success will not help him achieve any of his job accountabilities, and may even make things harder for him by distracting the boards and other donors.

If the project were to succeed, it would enable your organization to make a significant advance toward achieving its goals. In the past, however, you would have seen only the overwhelming obstacles and rejected this opportunity without a nanosecond of consideration. Why do you see the opportunity this time? How can you get your senior management team to start the project? How can you keep them and the board members fully engaged throughout? How can you get complete and ongoing commitment from your director of development?

This was the challenge faced in 2007 by Alex Morales, president and CEO of the Children’s Bureau of Southern California, and the Bureau’s senior management team. Read on to find out what happened.

### The Situation<sup>1</sup>

For more than 100 years the Children’s Bureau of Southern California<sup>2</sup> has helped parents raise healthy children through an array of child-abuse prevention and treatment services aimed at strengthening families and communities



throughout Southern California. The Bureau's comprehensive programs focus on families with kids (newborns through age 12), and include in-home and center-based counseling; child and parent development; health; child and parent education groups; tutoring and reading programs, and community resource referrals. The Bureau's 22 community offices are located throughout Los Angeles and Orange Counties. Its annual budget is \$28 million.

## The Goals

In mid 2007, Morales, wanting to "take an already good organization to great," arranged for the Bureau's 12 senior executives to attend Frontier Associates' (FAI) Effective Leader Program<sup>3</sup> (ELP). He had the following objectives:

- Senior management would operate in a more collaborative fashion, looking at issues from an agency-wide perspective, while still considering (but not limited by) their own department views.
- Agency and department problems would be resolved faster and with significantly less resources.
- The most hoped for objective, and why all 12 of the key management leaders participated together in the ELP program, was that the senior management group, and eventually the entire organization, would be able to produce breakthroughs reliably and intentionally (an ability promised by ELP). This capability was particularly needed because while demand for the agency's services was increasing, it was increasingly difficult to raise needed financial resources from government and donors.

## What Happened

Soon after senior management graduated from ELP, the agency became aware of a US Treasury funding source called the "New Markets Tax Credit." Alex said, "Without ELP, we would not have seen it as an opportunity at all. When we first heard of this new funding approach, it sounded like it could be a scam and it seemed so complicated that a tremendous amount of work would be required just to try to understand it. It was clear that a lot of senior management energy would be required to get our hands around it, at a time when we were already fully occupied with our regular jobs plus the work involved in stretching to reach our capital campaign goal and moving to a new HQ building."

Relative to the project and to the rest of the Bureau's work, senior management said the following were the most useful benefits of having gone through ELP together:

- Supported each other in using the ELP technology
- Incorporated producing breakthroughs in "business as usual"
- Recognized a common deep commitment
- Listened for possibility



- Willing to dwell in what they didn't know they didn't know
- Operated as a real team
- Alex being a better leader

### ***Supported each other in using the ELP technology***

Led by Morales, senior management did not view ELP as something to get through and then get back to their daily jobs. Believing that ELP technology was useful, they were eager to find applications. They frequently asked themselves and each other, "How can we put to use what we learned in ELP?"

At first, they applied ELP concepts to relatively small projects. For Morales, "listening filters"<sup>4</sup> was one of the more important tools. He said, "We realized that some things we thought we knew were not necessarily true, for example, why other people behaved as they did in particular situations. This concept has proven immensely useful in many circumstances."<sup>5</sup>

In addition to producing results, practice on small projects helped management gain comfort with and confidence in ELP technology and improve their skills in using it.

### ***Incorporated producing breakthroughs in "business as usual"***

People tend to think of breakthroughs as accidental or fortuitous, rather than as events they caused. They tend not to realize the value in considering things as possibilities that they normally hear through a "listening filter" of "This is impossible." Thus, managers are often reluctant to declare breakthroughs. Instead, they say, "We were lucky," or "That would have happened anyway," or "It happened because Joe worked hard." When managers don't declare breakthroughs, their teams don't feel they have produced a breakthrough. Why does that matter? Because when they don't experience having produced a breakthrough, they don't realize they have the power to intentionally produce breakthroughs in the future.

When Children's Bureau management saw that ELP technology enabled them to reliably and intentionally cause breakthroughs, they incorporated recognizing the need for and the production of breakthroughs into "business as usual." They routinely say, "This situation looks like it needs a breakthrough, not just analytical problem solving," and "I declare that result was a breakthrough." Because they regard breakthroughs as intentional acts that they can cause, it has become normal to ask, "Do we need and are we going to go for a breakthrough in this area?" As a result of achieving and declaring breakthroughs, they focus less on "Can we do this?" and more on "How are we going to do this?"



Morales said, “I had an epiphany about the problem-solving chain. ELP gave us a formula for producing a breakthrough, instead of waiting for a rare occurrence to fall upon you. Now, anytime we are involved in a situation where things look impossible, we just redefine the situation as needing a breakthrough and we pass the obstacle.”

Ron Brown, the chief program officer, added, “Breakthroughs are no longer accidental. We can have whatever breakthrough we want. We just need to decide where we want to have a breakthrough and how we want to spend our resources.”

### ***Recognized a common commitment<sup>6</sup>***

In the face of an obstacle that may appear impossible to resolve, the power of a commitment is needed to effectively produce a breakthrough. Morales said, “Behind the New Markets Tax Credit project there had to be a deep commitment or we would never have taken it on. Once we acknowledged our common commitment to the children, whom we would never let down, the only question was ‘How are we going to do it?’<sup>7</sup> We never second-guessed the decision to proceed; we just kept going for it. Even though there were obstacles, our attitude was ‘How are we going to handle this one?’ rather than, ‘This is a good reason to abandon the project.’”

### ***Listened for possibility***

Carmine Salvucci, the director of development, added, “Somehow ELP got us into a way of thinking that allowed us to see the project as a possibility, and not balk at it, even though it looked foreign to us and looked like an enormous amount of work just to study it.”

“The project,” Morales added, “required each of us to operate outside our working norm. We had to think outside ourselves, outside the box. Given that all of us were overwhelmed with our own work, fundraising, budgeting, and our move to the new HQ building, it was amazing that all of us were willing to have our minds opened at the same time, that we were able to see the project as a possibility, study it as an opportunity, and then do the work to bring it in. We adopted the mindset of a high-performance team, open to new opportunities, and that enabled us to behave in that way. We could see things bigger than ourselves and our roles.”

### ***Willing to dwell in what they didn’t know they didn’t know***

When the solution to an issue is in the domain of “what you know,” analytical techniques work and a breakthrough is not required. When the solution is outside of “what you know,” a breakthrough is required and one needs to access



“what you don’t know you don’t know” (conveniently referred to as “DKDK”). For many, the discomfort and perceived chaos of DKDK is almost intolerable, which is one reason why breakthroughs are so rare.

Knowing from ELP that experiencing DKDK is a step in producing breakthroughs, along with experiencing DKDK on numerous smaller breakthrough projects, enabled the Bureau’s senior management group to become familiar with and to expect the DKDK experience whenever a breakthrough was required.<sup>8</sup> Familiarity with DKDK supported them in persisting through the New Markets Tax Credit project with confidence that a solution would emerge.

“Dealing mostly with the external world and a financial mechanism with which we had no experience,” said Morales, “differed from the internal breakthroughs we had been producing. With those, even though we were stuck, we were at least on familiar ground. Through ELP we gained the patience to endure the discomfort of not knowing without giving in to fear and coming up with ‘sound reasons’ to escape. That enabled us to dwell in DKDK long enough to produce the breakthrough.”

### ***Operating as a real team***

No individual could accomplish this project. Furthermore, the need for a breakthrough required that the senior management group (and others, including the boards) operate as a real team.<sup>9</sup> From ELP, the senior management group knew how to implement the four characteristics of a real team:

- *A common commitment:* to the children.
- *A common goal:* successfully getting the funds.
- *A well defined group:* This included clarity concerning each member’s role and what each brought to the table.
- *Mutual accountability:* As one team member said, “If one person fell someone else picked it up. We helped each other succeed.”

“The financial concept was so difficult to understand,” Morales said, “it was going to take all four of our minds, each from a different perspectives. No one person could grasp the whole thing.”

Critical to building mutual accountability is a high level of trust.<sup>10</sup> Morales said, “In ELP we learned what trust is and how to build trust. Working together during the three months of ELP made us trust each other beyond the trust that normally occurs at work. That enabled us to operate as a powerful team.

“During the 3-month process, any one of us could have buried the project by saying, ‘This isn’t worth the effort.’ The time we would have lost trying to convince that team member would have forfeited the opportunity. We kept double



checking with each other. We trusted each other's perceptions and confidence that it would work out. If one got frustrated, someone else would pick them up. There were times when even I felt, 'I'm not getting it; I'm not understanding it.' However, it seemed that others on the team were getting it, so I trusted them and kept going. There was a trust collectively—we became one mind and figured it out.”

Carmine Salvucci's participation as director of development was particularly interesting. His accountability was raising philanthropic funds. Because the targeted funds were not in this category, project success would not help fulfill his job accountability. Rather, working on the project would take time away from that and would distract board members and others whose help he needed to complete the capital campaign. Nevertheless, Salvucci neither avoided participating in nor resented the project.

Salvucci said, “ELP helped me focus on the bigger picture, the Children's Bureau mission, not just on my own job. I thought about what project success would mean for the Bureau's ability to help children and worked back from there to what I could do to help. I had joined the Children's Bureau only two years previously, and ELP was a bonding experience. As I got to understand my colleagues and learn what they worry about, I trusted them to tell me the truth about their concerns. I wanted what was best for the Children's Bureau and, having confidence in the other members of the senior management team, I supported them.”

Under the stress of confusion, uncertainty, and demands from one's regular accountability, people often get irritated and angry with each other. That wasn't the case here. Morales said, “We had taken on something that consumed over half our time, and we still needed to do our regular jobs. You can imagine the daily pressure and strain we were under. Yet there was zero frictional loss. It was amazing. If one person needed help, someone else would provide what was needed. If someone didn't understand, then others would help them understand. There were no personal attacks.”

### ***Alex being a better leader***

“As a result of ELP,” Morales said, “I am a better leader. ELP intensified my belief that there are many possibilities that we don't see and therefore miss. It was my desire to understand whether this might be one of them. I was able to keep myself and the team committed to that because we had all gone through the program. Rather than say, 'I'm too busy and it won't work,' each of us said 'Maybe there is a possibility here, and I'm going to hang in there with the rest of the team and go for it.’”



Using the FAI definition of leadership,<sup>11</sup> Morales created the possibility of the team producing a breakthrough and enrolled senior management and the boards into taking action to fulfill that future.

Particularly given his skepticism, Morales could have led the team in a number of different ways. If his face and voice had said, “Maybe this isn’t a good idea, this isn’t a good way to spend our time,” the project would have stopped. Despite his personal concerns, he created for the team the possibility of the project being successful and worth people’s time, and then enrolled them in taking action.

“ELP helped me realize there are opportunities for breakthroughs every second, we just need to apply our energy to look for them,” said Morales. He continued, “There isn’t only one shooting star, only one comet every 77 years. Rather, our mindset is to produce breakthroughs everywhere. It is more a matter of choosing where to apply my energy. ELP changed my mindset so that I could think, ‘Maybe this is a big one,’ and tackle the project.”

## **The Results**

In February 2008, within three months of first seeing the possibility, the Children’s Bureau received \$3 million in additional funding, one of the largest benefits in the country. In considering his three goals for having senior management take ELP as a group, Morales said, “Beyond the obvious benefit of an additional \$3 million in funding, the value of this project clearly demonstrated how successful ELP was in accomplishing my management goals. Through applying ELP technology we were able to operate as a high performance team, with speed and efficiency—nearly zero frictional loss. Finally, had it not been for the shift in our perspective regarding our ability to produce breakthroughs, and the skills we learned for producing breakthroughs, we would probably not even have seen the opportunity, let alone begun the demanding project or gotten past the many obstacles.”

## **Summary**

Alex Morales, president and CEO of the Children’s Bureau, said, “We negotiated a \$3-million benefit to Children’s Bureau as a result of a complex New Markets Tax Credit transaction. To make this breakthrough required extraordinarily high-performance teamwork, including our board of directors, board of trustees, CFO, program director, and development director as well as outside-the-box thinking. Our teamwork and thought process resulted from the senior management team having gone through the Effective Leader Program together.”



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- <sup>1</sup> This case differs from others in this series in that the breakthrough was produced entirely by the Children's Bureau staff (without FAI involvement) after having attended Frontier Associate's Effective Leader Program (ELP). It is important to emphasize that the entire management team that made this project successful had participated in the ELP.
  - <sup>2</sup> Go to [www.all4kids.org](http://www.all4kids.org) for more information about the Children's Bureau of Southern California.
  - <sup>3</sup> For more information about the Effective Leader Program, go to <http://www.frontier-assoc.com/Services/elp.htm>.
  - <sup>4</sup> The Effective Leader Program suggested that we all experience the world through "listening filters," assumptions that shape what we see and feel, and therefore strongly influence our actions.
  - <sup>5</sup> "Listening filters" played a major role in producing another breakthrough associated with the move to the new HQ building. See "The Case of the Angry Adoption Office".
  - <sup>6</sup> There is a difference between promises, goals, and commitments. A promise is an accepted statement by someone that they will produce a specific, objective result by a specific time. A goal is a condition or situation that someone intends or wants to happen in the future. A commitment is a state of being emotionally impelled. A promise or goal might be compromised. Typically a commitment would never be compromised, which gives people the power to address a seemingly impossible obstacle. See "Producing Results #2: Promises, Goals and Commitment."
  - <sup>7</sup> Said another way, the project team was in the game playing full-out to win, knowing that the outcome could be win or lose. Morales later said, "The main thing that we committed to was to give full attention to the hard work of thoroughly evaluating this opportunity and working to overcome any and all obstacles; it would have been very easy for us to have found thousands of reasons to quit the hard work of understanding the opportunity and overcoming obstacles. However, in the end, if we had not been able to overcome serious obstacles, we would not have recommended acceptance of New Markets Tax Credits to our board."
  - <sup>8</sup> Morales later said, "When we need a breakthrough, we now expect, welcome, and are fully confident that it is in the DKDK that our answer resides."
  - <sup>9</sup> See "Teams #2: Definition of a Team" for a definition of a "real team," as contrasted to a group of people working on the same project.
  - <sup>10</sup> See "Teams #7: What Is Trust?" for a definition and discussion of trust.
  - <sup>11</sup> Elsewhere we have defined leadership as "creating the possibility of a future that isn't going to happen, and enrolling others into taking action to fulfill that future." For more discussion of this definition see "Leadership #2: A Powerful Definition of Leadership."