Fellowship Project Manuscript

Case Study #1:
Developing a Meaningful Process for Capital Dollar Allocation in an Acute Care Setting

Case Study#2:
Managing Change Within a Community Care Setting

Case Study #3:
Improving Staff Morale Following a Mandated Merger

Prepared for the
Canadian College of Health Service Executives

as a requirement for Fellowship

BY

Nancy Fazackerley

Sr. Project Coordinator

electronic Child Health Network

Toronto, ON

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Developing a Meaningful Process for Capital Dollar Allocation in an Acute Care Setting

Setting

In the mid 1990s, when this project was undertaken, Hospital E was an acute care facility of 118 beds serving a population of approximately 30,000. The hospital provided services in surgery, internal medicine, obstetrics, paediatrics, psychiatry, radiology, pathology, endoscopy, anaesthesia, rehabilitation, oncology and emergency.

The province had recently initiated regional authorities that combined health and social service programs. Hospital E was the major health organization within its designated region and the former hospital Chief Executive Officer (CEO) was the new regional CEO. As the lynch pin in the new regional structure, the hospital and its policies were under considerable scrutiny by members of government and the general public. One issue of particular interest was the hospital's access to additional funds for purchases outside of the operational budget. There was considerable speculation as to whether this funding would now be accessible to agencies in the new regionalized structure and, if so, what would be the allocation process.

The hospital had a hierarchical organizational model and my responsibilities as the Assistant Administrator of Clinical Services included the clinical departments of Physiotherapy, Occupational Therapy, Electrocardiography, Respiratory Medicine, Laboratory, Radiology, and Pharmacy as well as the ancillary departments of Chaplaincy, Health Records and Admitting.

Existing method of allocating capital dollars. Like its counterparts across the country, the funding for capital expenditures in Hospital E came through the generosity of a very active hospital foundation and the activities of the hospital auxiliaries. Also like its counterparts, Hospital E always had a higher demand for capital dollars than it could accommodate. Each year choices had to be made and there were winners and losers in the bid for new equipment.

At Hospital E, for budgeting purposes, one item or multiples of the same item valued at less than $500 were purchased from the department's operational budget at the discretion of the department head. Above that limit, items were designated as medical or non-medical. Non-medical equipment requests were prioritized by the hospital Management Committee and submitted to the Regional Board while medical equipment was prioritized and recommended to the Board by the Medical Advisory Committee (MAC). The budget for non-medical items was considerably less than for medical items. In some cases it could be advantageous to be considered on one list as opposed to the other but, in any case, the designation was generally subjective.

Haugh (n.d.) indicates that hospitals have historically used one of four methods to allocate dollars, although the first two are probably more common. Although his comments refer to U.S. hospitals the same can be said to be true in Canada.

1. A political approach – the department that is the most vocal or has the most influence with the decision-making body gets an allocation.

2. A historical benchmark approach – departments are allocated the same amount they received the previous year. A variation on this approach is to allocate fewer or no funds to departments if they were funded the previous year.
3. A "go with the flow" approach – try to fund whatever comes along.
4. A "first come, first served approach" – projects are approved as they are received.

Although the espoused approach at Hospital E was one of decisions based on present need, the perception was that method #1 above was really how decisions regarding capital allocation were made. An added component of Hospital E's process was the strong role played by MAC in determining how these funds would be distributed, at least with respect to medical equipment expenditures.

Each fall, department heads, head nurses and individual physicians would generate lists of needed equipment and provide costing information as well as justification for the item's appearance at this time. Departmental and nursing requests were reviewed and prioritized by the respective hospital Assistant Administrator and then forwarded to Management Committee. Non-medical items were reviewed by management and prioritized before being sent to the Regional Board for approval. Requests for medical equipment were forwarded to MAC for consideration. MAC reviewed the lists they received along with individual physician requests in early winter and, knowing the capital dollars available for the coming fiscal year, made recommendations to the Regional Board at the March meeting. Invariably, the Board authorized a budget for the next fiscal year that incorporated these recommendations. There were no explanations given as to why certain requests were favored over others

and the “losers” developed their own rationale. Since the Pathologist and Radiologist were members of MAC, there was a strong perception, unsupported in fact, that requests from the Lab and Radiology were viewed more favorably than requests from departments without MAC representation. Requests from fellow physicians were also perceived to be favored.

Management Issue

Two factors motivated the CEO to review the current allocation process.

1. There was general dissatisfaction with the current process. Disappointment and disillusionment were prevalent among departments that appeared unable to convince MAC, and subsequently the Board, of their need. Consequently, little effort was expended in writing submissions for consideration. Often, there was so little information provided it was left to the evaluator to subjectively interpret the importance and true need.
2. The current process was not amenable to handling requests from outside the hospital but within the region.

I was challenged by the regional CEO to develop a new allocation model that would be seen as open and fair to all requests. The process must demonstrate an understandable and rational approach that would be applied to all requests and subjectivity should be minimized. Finally, although unspoken, it was expected that MAC would continue to play a pivotal role in these decisions, at least with respect to the medical equipment requests.

Resolution

Reviewing how others have handled similar situations and applying the "lessons learned" to your own particular situation is often a reasonable management approach to problem solving. Using this approach, my first step was to conduct an extensive literature review. Unfortunately, the little information that was available from this source came from the USA and focused more on the rationing of services than the allocation of capital dollars. Using a survey tool, I then contacted other hospitals, both within a regional environment and outside of it, to learn how they processed requests for capital expenditures. Although most had some sort of process in place, in general, it was seen as subjective and not very satisfactory. Interestingly, the role of MAC in this decision-making process at Hospital E was seen as unique. Most organizations had little or no input from medical staff with respect to requests. In one instance, decisions were made solely by the Purchasing Officer. The review did confirm that the problem of finding an open, honest process that yielded results that were meaningful to stakeholders was widespread.

Since one aspect of the problem was related to a perceived dissatisfaction with the current model, I also felt it was important to validate this and seek suggestions from the people who had previously submitted requests. I surveyed hospital staff (see Appendix) who usually presented requests for funding.

Finally, I determined that trying to broaden the model to include regional services at the same time as we were changing the internal process was not really viable. Allocating capital funds within the hospital environment was a process that had been in

place for many years and more effort would need to be expended to make changes here than in the region. Developing the model for internal use first would allow us to trial the new process on a smaller scale, conduct an evaluation and make any necessary adjustments. A proven, honest, fair model that used sound principles of decision-making could then be expanded for use within the region.

Recognizing a need for the new model to be a collaborative effort if it was to be accepted and succeed, I created a steering group to develop the new model. Because many people would be directly impacted by any suggested changes the group needed broad representation. I, therefore, requested that two representatives from the clinical departments group, two from nursing, two from the medical staff (one a specialist and one from family practice), the Director of the hospital Foundation, a Foundation board member, a representative from each of the Hospital Auxiliaries, one from agencies outside the hospital but which were now part of the region and under the health umbrella, the regional Finance Officer and the Regional Purchasing Officer participate in the steering group. I would serve as the hospital's management representative and the facilitator.

Prior to the first meeting I distributed a report on the current situation including the details of the existing process, perceptions about the current process, the results of my literature search and the information gleaned from my query of other Canadian sources. I also explained the CEO's request for an alternative process to serve the broader region as opposed to just the hospital sector. As the facilitator, it was my role to ensure that all voices were heard and that the final decisions accurately represented the views of the

whole. I also provided administrative support through the generation of minutes of our meetings and the documentation of the final model. Finally, it would be my responsibility to present the proposed model to Regional Senior Management.

Our first steps were the typical functions of a new group – development of terms of reference and a review of committee membership. No additional members were added. Ground rules were established to ensure an atmosphere of respect that would allow the generation of ideas and ensure full and open discussion and debate of all proposals. We then reviewed the strengths and weaknesses of the current process. One of the major criticisms was that there was no clear understanding of the criteria used to evaluate the requests and why certain items were approved while others were not. Members also queried the validity of separating medical from non-medical requests as this seemed to suggest that non-medical requests were, in some way, less important. Both the management and MAC representatives acknowledged that the current process was extremely subjective and there were no established criteria for evaluating requests. The first key decision made by the group, therefore, was that the process, to be deemed to be reasonable and fair, must be based on consistent, pre-approved principles.

Over the next several meetings the group discussed what these principles should be. Interestingly, one of the first recommendations was that the request should demonstrate a definite relationship to the Mission, Vision and Values and strategic plan of the hospital. In hindsight, this seems self-evident but at the time it represented a real change in thinking. Other principles included cost effectiveness, return on investment, impact on patients, etc. Using these principles as a framework, a new request form was

created. The new form asked for considerably more information than in the past and included data such as initial and ongoing costs, implications for patients/staff if the item was not received, life expectancy, age of existing equipment if the request was a replacement, impacts on other services or service volumes and physical changes that may be required to accommodate the new equipment. Where appropriate, the request also sought endorsement and/or input from others within the organization. Requests would continue to be in writing and follow a specific timetable in order to have all requests going to the decision-making body in a timely manner. The group also determined that all equipment requests (medical and non-medical) would be subject to the same criteria and scrutiny. It was soon apparent that each of the criteria was not of equal importance so a weighting formula was required. There also needed to be some sort of scoring instrument developed to make the process as objective as possible.

The volume of requests for capital dollars was usually quite significant. With the proposed changes there would be much more work to do in evaluating the requests and prioritizing them than had gone on in the past. Therefore, the steering group recommended that an independent body be selected to conduct the first level evaluation and prioritizing. To ensure that MAC maintained its key role in the allocation process, the steering group also suggested that the recommendations and prioritizations of this independent body would then be forwarded to MAC for consideration. MAC, after considering the work of the independent body, would make the final recommendations to the Regional Board for funding approval. The steering committee also suggested that, for the first round, this independent screening body should come from members of the

steering committee since they truly understood and appreciated how and why the process was created and how the team wanted the model to work. The independent evaluation body would be called the Capital Equipment Committee. The process was expected to be time-consuming so a process for rotating members of the committee was developed to ensure continuity of expertise and understanding of the process. If someone on the committee was also submitting a request, a substitute member was brought in for that evaluation to avoid any perception of bias.

The completed model was presented to Senior Management and MAC. An important consideration was that MAC would retain its role in decision-making and recommending to the Board but their recommendations would now be based on the findings and rankings of the Capital Equipment Committee. While not bound by the recommendations of the Capital Equipment Committee, the MAC found the intensive evaluation conducted by that group very helpful and much more objective than anything used previously. Permission was granted to give this process a trial within the hospital for fiscal 95/96. Following this first cycle, the steering group would meet to evaluate and, potentially, refine the process.

The new process involved a number of significant changes for staff who would be requesting capital equipment in the future. These changes included a new form that required considerably more detail about the request and, possibly, support and/or input from other departments in the hospital. In addition, there was now a scoring system. Criteria were weighted and all requests would now be subjected to the same scrutiny and evaluated using the same criteria. Elster (1992, p. 124) indicated in his work that it is an

incentive and, therefore, advantageous to potential recipients to be aware of the process used in allocating resources. Thus, the steering committee established education sessions to inform all department heads, head nurses, physicians and others who could potentially make capital equipment requests in future about the changes. This way everyone would have an equal opportunity under the new process. Parties were also advised that applications for capital dollars had a very strict deadline and would not go forward for evaluation if the deadline was missed. The first evaluation process would be lengthy as committee members worked through the learning curve of the new tool and tried to ensure objectivity. Therefore, submissions for requests were made in mid summer, rather than in the fall, for the next fiscal year. All deadlines were met despite the longer processing period.

At the end of this first cycle the steering group met again to discuss how the process had worked. A formal evaluation of the process was conducted. Members of MAC, staff who had submitted applications for funds and members of the Capital Equipment Committee all provided feedback. A few minor changes for clarity were made to the request form but, in general, all participants viewed the new process favorably. It was seen as fair and objective and the principles applied in the evaluation made sense. Applicants also had an opportunity to meet with committee members to discuss how they may have strengthened their requests or why the request did not meet current needs. This feedback was particularly well received. MAC reported that they found their job much easier knowing that others had reviewed the requests and applied objective criteria to the process. They appreciated having a list of requests that had been previously prioritized

and that provided additional rationale with respect to the recommended ranking. With only minor changes, the recommendations of the Capital Equipment Committee were accepted by MAC and forwarded to the Regional Board for approval. Although the new model was used only in the hospital initially, it was seen as adaptable to the larger regional context with little difficulty.

A major drawback of the new model was the time commitment required to write and evaluate requests. However, participants overwhelmingly indicated that having an objective and fair process that used pre-defined criteria outweighed this negative. The Board and Senior Management agreed that all the goals for the project had been met successfully and approved the process for use in subsequent years. I left Hospital E and the province in January 1997 when the process was in its second cycle. Following success in the second round internally, the plan was to expand the process to consider requests from other health agencies within the region.

Analysis

In making decisions about how to spend capital equipment dollars, hospitals are faced with an ever-increasing challenge. Despite the continuing major efforts of volunteer hospital auxiliaries to raise funds and the big business approaches to fundraising by hospital Foundations, the dollars available are unable to keep pace with the demand for enhanced technology and new programs and services. The situation faced by Hospital E in the mid 1990s was not unusual. The requests put forth were not frivolous or "nice to haves" but, rather, were based on improving care through decreased hospital stays, improved safety or comfort for patients and/or an ability to provide a service previously

unavailable in this community. Although the contributions from the auxiliaries and the relatively new Foundation were substantial for the size of the hospital and were increasing yearly, demand always exceeded available dollars. In addition, the process for distributing these monies was shrouded in mystery and there were strong perceptions of bias, influence and subjectivity. Clearly it was time for an open and accountable process to be developed.

My research as to how other hospitals handled this dilemma highlighted the lack of demonstrated success in solving this annual problem. Even today, almost a decade later, there is little written about the criteria for decision-making when distributing capital dollars, particularly in a healthcare setting. This paucity leaves one speculating that, in general, the process is hit and miss and rarely viewed as exemplary.

Even in the business (for profit) world there is little in the way of established rational practice for allocating capital dollars although principles like return on investment (ROI) and payback are common themes (O'Connor, 1981, p. 12). While these criteria may be part of the decision-making in the healthcare sector as well, they generally do not carry the same weight in that arena. R.H. Blank (1998, p. 115) raises the issue of cost benefit analysis in discussions about who gets care or who doesn't in the USA but, Canadians are, by nature, more reluctant to put a dollar value on health and well-being as evidenced in the current heated debates around "for-profit" programs and services. Nevertheless, cost benefit analysis is one tool to help decision makers make rational choices about allocating capital dollars. In the process developed by Hospital E, these corporate criteria were included in the scoring system developed but a heavier

weighting was given to the impact of the decision on people. Admittedly, this is much harder to quantify.

While it makes sense to tie expenditures to a sound financial plan, it also seemed very appropriate to the steering group to link them to the Mission, Vision and Values and the strategic plan of the hospital. During the 70s and 80s, the rising emphasis on quality and the independence of the baby boomers who were now in the work force in great numbers, signaled the end of autocracy and the beginning of participative management in businesses that would be successful in the future. In order for the front-line worker to take a vested interest in the organization and view his/her specific role as an important part of the larger organization's success, he/she needed to clearly understand what the organization stood for and where it wanted to go. A great deal of effort was put into writing and displaying the mission (the purpose of the organization), the vision (where it wanted to go in the future) and the values (the important underpinnings to the way people behave in work and in life). Progressive organizations then used these statements to develop strategic, long-term plans for the organization. In research reported by O'Connor (1981, p. 4), leaders in many large Canadian corporations indicated that, although solid financial planning and sound business judgment were at the core of the resource allocation process, the strategic planning process also helped guide the decisions. This focus is an attempt to bring some discipline to a largely subjective situation influenced considerably by culture, traditions and personality.

Typically, the health and social service systems lag behind the corporate world in management trends, in part because they are neither as dollar driven nor as subject to the

instability of corporate loyalty. Thus it was a real milestone when the steering group at Hospital E expressed the view that, if the Mission. Vision and Values were more than platitudes and, if the organization really believed in them as the basis for strategic planning, it made absolute sense that they should be the foundation for decisions about the distribution of capital equipment funds. They provided something concrete and objective against which the requests could be weighed. This tie-in also ensured that equipment would be purchased that would facilitate future hospital roles.

The other major theme in this project is the issue of power, in this case the power of MAC in decisions about the allocation of dollars. Power can be defined/classified in several different ways. Ninemeier (2003) classifies it as formal (position power) or informal (personal). Position power comes from the formal authority given to an individual by virtue of the position held within the organization. Position power also arises out of a person's ability to award or withhold rewards. Personal power, on the other hand, arises from a person's specialized knowledge, skills and expertise (expert power) and from the personal characteristics for which he/she is admired and respected by others (referent power). Ninemeier suggests that personal power helps to create staff commitment while position power tends to generate staff compliance. If the formal power is coercive or threatening it generates resistance.

In her writings, Krausz (2003) breaks power into six categories.

1. coercion or pressure – based on fear of punitive acts;
2. position/legitimate – related to the status of an individual within an organization;
3. reward – based on the ability to assign material or psychological compensation;

4. support – based on an ability to involve others;
5. knowledge – related to skills, experience and expertise relevant to the job and the organization; and
6. interpersonal competence – based on personality and interpersonal skills and involving the informal web of relationships

According to Krausz, the first three kinds of power can *only* be used within the context of the organizational structure while the last three, being personality based, apply in any structure.

The concept of power, however, can be summarized best by Max Weber's definition as written by Ratzburg (n.d.) "the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance".

Although unstated, it was apparent to all involved that, in this situation, MAC as a body, held the power, at least with respect to medical equipment considerations. MAC had expert power arising out of traditional beliefs that physicians were better educated and thus had skills and abilities above the average person. In addition, the nature of their work (dealing with life and death situations) psychologically endowed them with a higher level of expertise. Certainly, legitimate power also played a role. Although physicians are generally not direct employees of a hospital, the hospital needs adequate numbers of specific types of physicians to remain operational and hospital management typically goes out of its way to meet the needs of the physicians in every way possible, thus bestowing legitimate power. Legitimate power also exists because, culturally and professionally, we have attributed "god-like" characteristics to the physician. In a small

community such as the one in which Hospital E operated, physicians are neighbors and friends of the general population so that, at least on an individual level, there is also referent power. Finally, with respect to its ability to reward through the allocation of scarce capital dollars, MAC certainly had reward power.

It is important to remember that whether or not MAC exercised this power in the existing process is irrelevant. It is enough that other parties to the process recognized the power base and believed that it played a part in the allocation of capital dollars. The existence of power from several sources also ensured that management would not entertain changes to the process unless MAC was agreeable. MAC would only be agreeable if the power base remained intact. By putting the changes at the front end of the process (setting criteria, scoring and prioritizing before the requests went to MAC) and maintaining MAC's role in recommending distribution to the Board, the committee was able to ensure MAC retained its power base and thus, increased the potential for acceptance of the new model.

Conclusion

This allocation model proved to be a very good one for this hospital at this point in time. The biggest drawback was the time commitment that staff had to give to the application and evaluation process. Participants felt the new process was fair and based on sound principles that considered the hospital's future directions. The presence or absence of a medical representative for a department on MAC was of minimal influence and this was seen as reducing the chances of not being adequately heard in the application process. Participants, therefore, felt the time spent was justified. In hospitals

where this perception of bias and influence is not an issue, or where the principles guiding the decision-making are clear to all applicants, the time required for this model may be a deterrent.

It is important to note that one of the key successes in this project was the establishment of principles or guidelines to aid the decision-making. Basing these principles on the facility's Mission, Vision and Values gives credibility to these statements and makes them live for all staff. Furthermore, although the model was applied only to the hospital in the initial stages, the principles and guidelines developed were readily adaptable to the larger regional context. The model provides valuable insight into the factors that might be considered by any organization when developing guidelines for decision-making in the allocation of capital dollars. These same principles can also apply when considering the allocation of other scarce resources. Examples include human resources or the closing of programs during budgetary constraints. If these very difficult choices are made using principles that are based on the organization's fundamental raison d'etre, the result should be a better decision; one which stakeholders understand and which is, therefore, more acceptable.

HELP US IMPROVE THE PROCESS
"EQUIPMENT APPROVAL" QUESTIONNAIRE

1. Why are you asked to annually submit your department's/unit's equipment requests?

2. To what extent do you involve the staff of your department/unit in determining your equipment needs?

3. How could the attached (existing) form be changed to better capture the details that should be considered if right decisions are to be made about what equipment gets approved for purchase?

4. Describe, as you understand it, the process of approving equipment purchases **after** you submit your requests.

5. What opportunities do you have or should you have to verbally discuss your requests?

6. What feedback on your requests do your receive and when?

7. What could be done to improve the process from your perspective?

8. If you could change one thing about the process what would it be?

9. Other observations/comments.

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Case Study#2: Managing Change Within a Community Care Setting

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Managing Change Within a Community Care Setting

Setting

Despite the fact that change has become a constant in today's world, managing change successfully remains a challenge.

In the early 1990s, at least one province had two types of government-funded organizations that provided services related to keeping the elderly in their own homes as long as possible. The intent was to have a continuum of care but, inevitably, there were areas of overlap. The government determined that duplication could be reduced at the same time as services were enhanced if the two organizations in each area of the province were amalgamated to form one coordinating agency with a single administration and governed by a volunteer board. The new agencies would combine the existing roles of the two original organizations as well as assume some new responsibilities. One new mandate was to use the agency as an advertised source of public information for all questions related to health. The Board and management of each agency would determine how this new responsibility would be incorporated into their own agency within existing resources.

While the government anticipated that the new roles would begin with the creation of the new agencies, there were significant problems with this approach. The amalgamations themselves required massive changes in the form of changing policies, potential job loss for some staff, new management staff, new philosophies, new

governance and the development of new organizational cultures. Also, the government was unclear about its vision for the new agencies and there was uncertainty and confusion about the extent of the new responsibilities, particularly the information role. Although the government was anxious to move ahead with this new service, no deadline for implementation was imposed at this time.

This case study will consider how one of these new agencies prepared for and implemented the new information role. The agency served a county of approximately 30,000 population. The economic base was agriculture and manufacturing and the education level of the majority of residents was high school diploma or less. The percentage of the population over 65 years of age also exceeded the provincial average. Given the lower average education level, the number of seniors in the area and the complexity of the healthcare system, the demand for the information service was expected to be high. It was imperative that it be structured in a way that was user friendly and highly effective.

When the new agency was first created it was poorly positioned to take on new responsibilities such as the information role. The creation of the new agency itself was a major change involving competing priorities and significant shifts in culture and structure. Staff were angry about the forced amalgamation and strongly resistant to the new management team. In addition, there was a severe lack of technology with only about a dozen computers used by management and clerical staff. Technical skill among the general staff was extremely limited. Space was at a premium and configured in a way that severely hampered information sharing between staff. The organizations that had

come together in the amalgamation had been providing some of this service in an informal way to a limited population using a manual system. Although limited in its capacity and scope, staff felt the existing system was adequate and saw no need for further change. The budget for the new agency was sufficient to maintain the current level of service but there was no surplus that could be used to implement new programs. To accommodate the new function without additional resources would, therefore, require major restructuring and redefining of internal roles. With all these issues and concerns the new information role was given a low priority for the new agency and there was little movement forward for several years.

Fortunately, our delay in implementing the new mandate proved beneficial. In the intervening time the government clarified its expectations for the format and extent of the new service and acknowledged that the existing low levels of technology within many of the agencies would not support the new role. Special one-time funding was provided to acquire the necessary computers to handle the large amounts of data that would need to be referenced for this new service. For our own agency, needed new space was acquired, planned and configured keeping the new role in mind. Staff also had time to become comfortable with the new management team and a new culture of empowerment and caring was established in the agency. The result was increased levels of trust between staff and management. All of these changes allowed the organization to be better positioned to accept the new role when it was finally implemented.

Management Issue

While the new information role appeared quite straightforward on the surface and had been talked about from the beginning, the actual restructuring changes and implementation posed huge challenges. If we were to implement the new function without additional resources, we needed to restructure the organization with many individuals taking on new or expanded roles. The changes would be significant and would need to be managed appropriately.

Clerical staff were very worried about job loss. Their role had remained essentially unchanged for many years and staff could not envision anything different. They were afraid to give up any of their existing functions for fear of diminishing their role to the extent it was seen as expendable. However, it would be necessary to give up some current functions if they were to take on the required new responsibilities. With advancing technology, many also felt threatened about the requirement for additional training and worried about their ability to handle these higher-level skills.

Client management staff saw the new function as adding considerably to their workload. They would be required to handle much greater levels of information about many more services and it was soon apparent this could no longer be managed manually. New technical skills would be required and, since most were uncomfortable using computers, competency and job security were threatened.

The challenge was to successfully manage the changes required to implement the new function within our agency. Success was defined as staff having a clear understanding of the new role, a willingness to take on changed roles and responsibilities

individually and collectively, and full implementation without the fear, apprehension and resistance typically found within a changing environment. Information would be accurate and current and provided quickly and effectively. The new service would be implemented without an increase in resources.

Resolution

To begin we needed a clear picture of our present means of providing information to the public. The staff and management of the organization felt strongly that providing accurate information included written as well as verbal information. Our library and individual professionals held reams of information on services available and how to access them but there was no centralized data source accessible to all staff and no easy means to find information. There was also no way to ensure that the information being provided was still current. Staff were also often unaware that there was written information available for distribution.

Gathering the needed information about our current situation was a process we could put in place that met the needs of the government to move forward on the project while not creating a serious threat to our staff. We hired a summer nursing student to catalogue and centralize all the current information we held. Her personable approach and knowledge of healthcare helped her to obtain full cooperation from the staff and she was able to complete the project on time. The result was a catalogue of resources that was user friendly and valued by the staff. It is a well-established fact that information flowing from an electronic process is only as good as the information entered in. Therefore, although this work did not address the wider scope of the requirement for additional

service, it dramatically improved the current business process and ensured that the final product would be more accurate and complete.

While we were going through this preparatory stage, the Ministry developed software for use within all the agencies in the province that would capture all the relevant data on organizations that would be referenced. By temporarily reassigning some responsibilities, we were able to dedicate one of our clerical staff to loading this software and populating it with the information relevant to our geographic region and, therefore, to our population base.

The most difficult part of this project was still to come. Although we had a clearer idea of the Ministry's goals and the kinds of information we would be expected to provide, we still needed to develop a vision of what the new service would look like and how it would be implemented within our own agency.

Accommodating the new mandate would require major shifts in business practice and in the roles of many staff in the organization. In the early years of its existence, the agency had endured some extremely difficult growing pains and the gains we had made needed to be preserved. A high level of trust was one such gain and any new change would have to be based on a strong trust relationship. Staff involvement was essential. I set up a work group of representatives from client management, clerical and management staff with myself as facilitator. I chose people I felt would be open to new ideas and who had offered some suggestions in the past related to changes to improve efficiency. The goal of the group was to envision a new model of service that would not be limited by existing practice or current staff personalities and duties. I required that the

members of the team think outside the box in this visioning. I asked them to think in terms of a brand new agency with no staff or policies in place and a mandate to provide this information service. Once we were comfortable that our model made good business sense and we had the endorsement of the rest of the staff, we would determine how to resource it. I made a commitment that there would be no job loss as a result of the new model. Existing staff may have to take on dramatically different roles but we would train and support them in this.

Because I was hoping to generate some very radical thinking and potentially dramatic changes in our agency, I also stressed the importance of keeping our discussions totally confidential until such time as were ready to present our ideas to the staff. I assured the members of the team that all staff would have adequate opportunity for input to the final model. Many of the ideas we generated might be quite extraordinary and would subsequently be discarded but the best result would come from having them on the table for consideration. Sometimes one extravagant idea may lead to another more reasonable one so we had to create an atmosphere of total trust among the members. This concept is supported by Marvel, Bailey, Pfaffly, Gunn and Beckman (2003, p. 121) when they reference Barker, Wahlers and Watson's writings of 1995 suggesting "that the ability of group members to achieve meaningful outcomes depends on their ability to pool their ideas freely, make significant contributions willingly…". In addition, other staff would not be aware of the context of our discussions and may become upset by some of the ideas we might generate. The anxiety created would be unnecessary if those ideas were later discarded or amended.

Our first step was to create a flow diagram of what took place in the current environment when someone called our office seeking service information. The purpose of this exercise was to ensure everyone understood all steps in the present process. It also enabled us to examine the necessity for all the steps in the current process and provided a checklist we could use to ensure any model we created would encompass all the necessary components. This first step was also an important means of building rapport within the group so that a level of trust could be established for the later, more challenging work.

Next we spent several meetings brainstorming ideas about how the new service might operate. We considered the extent of the service and the principles we wanted to embed in it (e.g. client focused, minimal contacts before getting the needed information, etc.). We then looked at what roles would be needed to meet these criteria and what skills might be required. Finally we revisited the current model to see if any essential aspects of the service had been omitted. When we were satisfied that the new model was feasible, met the mandate as prescribed by the Ministry and was efficient and effective for the client we subjected it to rigorous process flow charting using a variety of scenarios, both real and imagined.

Satisfied that we had dealt with all the issues, the group was ready to present the concept to their peers. We were very clear that this presentation was just that – a concept - and we were open to further ideas and suggestions. This would not be the model for the new mandate until all staff affected understood and agreed that it made sense. In order to make the proposal positive and non- threatening, the group decided to make their

presentation to the rest of the staff using a skit. They modeled it on a current T.V. program and literally walked the staff through every scenario they could envision for the new service. The information questions posed in the skit were realistic but the props and humor used lightened the atmosphere and made the suggestions for change more acceptable. The play was well received and there was ample time for questions after. Group members took the primary responsibility for responding to these questions. This demonstrated the fact that most of the things the staff were asking about the group had already asked themselves and duly considered. It also demonstrated the group's ownership of this vision for the future.

Following the skit, the concept, in written format, was posted in the office for staff to see and consider further. While the work group had had several months to consider and come to terms with the concept, we wanted to be sure and give staff ample time to consider it as well and to pose questions. It also provided an opportunity for staff to discuss the concept among themselves. After a further month, we discussed the suggested model at a general staff meeting. No serious questions had been raised in the intervening period and people seemed comfortable with the model. At this point staff were prepared to accept the model promulgated by the work group as the one to be used in implementing the new service.

Although we now had a new model of service, the work group had not addressed how it would be staffed or how other roles within the organization would be affected. I reiterated my commitment that there would be no job losses and that staff would be adequately trained and prepared for any new roles. All new roles would be posted in

accordance with union contracts. To accommodate these promises, the implementation of the new model was deferred for approximately four months. This allowed impacted staff to give due consideration to applying for the redesigned positions and to obtain appropriate training. It also meant that we could use any opportunities arising from attrition to make appropriate changes to skill sets. Our target date for implementation was the start of the new calendar year. This was later delayed an additional three months due to other changes imposed on the agency by the Ministry.

Analysis

Over the years managing or implementing change has probably generated more pages of literature than any other topic. This should not be surprising since change encompasses all aspects of our lives. In some cases a change may be seen as a good thing (e.g. getting married, going on a trip, getting a promotion). However, Fullan (2001, p. 1) states that even a positive change is really a mixture of negative and positive. If we use as an example the change of a promotion, positively the change is seen as energizing or exciting (new responsibilities and more status) but, at the same time, it is negative. There is fear (will you be able to do the new job as well?), and a sense of loss (will you be able to maintain friendships established with your previous peers?). Kotter (1999, p. 31) agrees, saying that all change causes emotional turmoil and even positive changes evoke feelings of loss and uncertainty.

In general, change is viewed as negative. Eckes (2001, p. 11) states that, when questioned, people invariably associate change with loss and Bridges (2003, p. x) describes change as a threat. McLagan and Nel (1995, p. 242) even go so far as to liken

the steps one undergoes in reaction to a major change to the steps experienced in the grieving process. First there is denial, then blaming, then depression, acceptance and finally readjustment.

At a very basic human level change represents a new environment – one we know very little about. That creates uncertainty that, in turn, generates fear. Can we cope with what the future holds? Do we have the training? Will we make mistakes and look foolish to others? Change requires that we move out of our comfort zone and into new territory. The longer we have been in that comfort zone, the more difficult is the prospect of moving on. There are even self-help books being written on this topic and one of the most inspiring is "Who Moved My Cheese?" by Dr. S. Johnson (1998). This parable is written in very simple language and is a "must read" for anyone impacted by change.

Kurt Lewin is often considered a pioneer in change theory. Using his experience in the field of physics, he likened the impact of change to force field analysis and the maintenance of a dynamic equilibrium. Bellinger (n.d) describes a similar theory of change: "Systems are not stable or unstable but exhibit a characteristic of dynamic equilibrium". Bellinger goes on to illustrate how parts of the system interact and that altering one point affects the others. His illustration likens the interactions to springs and thus there is a tendency when you alter one part, that part will want to return to its original position, just as humans want to revert to the old system.

Using the model of force field analysis, Lewin ascribed three stages in the process of change:

1. Unfreezing- decreasing the influence of old values, traditional attitudes and behaviors as a result of new information. This stage represents a disturbance in the status quo.
2. Changing – bringing about changes as a result of new values, attitudes and behaviors
3. Refreezing – the stabilization of the change as a new state of equilibrium

Today, management experts continue to think along these lines. Some (Rhouda, 1995, Kanter, 1999 and Bridges, 2003, p. 4) use different terminology but all have a theme similar to Lewin's original idea. Even McLagan and Nel's (1995, p. 242) analogy of the steps in grieving can be seen to fit Lewin's model.

Based on these steps in the change process, many experts have developed ideas about strategies that can be used to make the implementation of change successful and minimize the discomfort and resistance typically associated with change. Again these follow a similar theme. Eckes (2001, p. 5) talks about creating a need, shaping a vision and then mobilizing commitment. Although Kotter (1996, p. 21) has eight steps in his process for successful change, he also groups them into three categories (Kotter, 1996, p. 22). The first four steps address the defrosting or "unfreezing" stage described by Lewin; the next three introduce new practices and represent Lewin's period of "change' and the last grounds the changes made and represents Lewin's "refreezing". Bridges (2003, p. 60) has what he calls the 4 Ps to success – purpose, picture, participation and part to play. In essence, for change to be successful, people need to understand why it is happening and why at this time, what will the organization look like and how will it function after the

change and what impact will the change have on the individual. Mills (1994, p. 125) suggests that people resist change if it is accompanied by risk. Understanding your role in the new environment minimizes the risk involved for the individual and thus encourages success in the change process.

Although we did not set out to follow any theorist's steps for managing change when this project was undertaken, we can evaluate the process we used in light of those steps. Kotter is one of the more recent authors to speak to this issue so it is reasonable to look at his strategies for success and compare them with our own process.

Kotter (1996, p. 21) suggests that the first step is to establish a sense of urgency. In this case, the urgency was provided through the Ministry mandate. The change was not something about which we had a choice and the timetable for action was largely set by the Ministry. Although the new mandate was prescribed at the time the agency was created, the Ministry did not invoke any pressure to comply. However, as time went on and the software and hardware became available, the pressure for compliance increased. Schein's (1992, p. 298) theory suggests that the mandate and the pressure by the Ministry for compliance acted as a source of dis-equilibrium – something required to be in place before changes to a core system can occur.

Secondly, Kotter proposes that you need to establish a "guiding coalition". The work group of selected staff fulfilled this role. They were given the power and the challenge to lead the change. The requirement for absolute confidentiality during the process strengthened this power and allowed the group to function cohesively as a team, another criteria that Kotter stresses in this step.

The third step in Kotter's model is to develop a vision and strategy. The vision was created by the work group when they developed a model based on a new organization without the impediments of existing policies, staffing or skill sets. The strategy was created by the management team and Chief Executive Officer (CEO) through the promise of no job loss and retraining provided as required.

Numerous vehicles were used to communicate the vision (step 4). The skit was a non-threatening method of conveying what the new environment would look like and also allowed the members of the work group to role model the behavior expected of employees in that new environment. In addition, there was written communication as well as follow-up meetings for discussion of the proposed new model.

In step 5 of Kotter's process, he speaks about empowering broad-based action by getting rid of obstacles and encouraging risk-taking. This point demonstrates that the steps in the change process are not necessarily sequential. The work group was comprised of people who were felt to be creative thinkers and the atmosphere created was one that encouraged non-traditional ideas. The support of senior management as well as peers in this exploratory phase of model development acted as a reinforcement for those who were willing to stretch their thinking and propose novel concepts.

Kotter also suggests that creating short-term wins is an important component of the change process (step 6). The success of the initial cataloguing of resources is a prime example of this sort of activity. This was a step that moved the agency in the direction of the new mandate, signaled to staff that a change was coming, and was accomplished with little threat to staff early in the process. The fact that the end result was something the

staff valued and found useful would, hopefully, minimize the resistance to the larger changes still to come. Within the work group there were also ideas and suggestions that were quickly accepted. These were seen as small wins and rewarded the participants as they tackled the challenging job of defining a vision.

With respect to consolidating gains and producing more change (Kotter's 7th step), the delay in moving to the new mandate allowed staff to become comfortable and trusting of the new management team. At the time the agency was created, staff were much more cautious and would have been much more intimidated and frightened by the magnitude of change that was now being proposed. By the time of this change, a level of credibility was achieved that gave strength to the promise of no job loss. The time lag between the agreement on the new model and the full implementation also allowed management to hire, promote and develop staff who would be the leaders in the change initiative.

Kotter's last step is to anchor the new approach in the culture. Just at the time of the proposed implementation, the Ministry initiated some further major changes for the agencies across the province. As a result of these changes I left the agency. Consequently, I was not in a position to complete this step as part of this major change initiative. I do know that implementation of the new model was achieved with little upset and it continues to function as perceived by the work group. It is hoped that present management has taken the steps to validate the new behaviors and reward the new performance as Kotter suggests.

It is clear that although we did not set out to follow the steps as suggested by Kotter, the approach taken in this agency in managing this change did comply with Kotter's model in many respects. There were, however, some other important considerations in our success. In his writings, Bellinger (n.d.) proposes that a new idea suggests that the old way was wrong. This acts as a threat to those who follow the old way and increases individual resistance to the new idea. By suggesting to the work group that they create a model based on a new agency without staff, policies or business practices in place, this threat was lessened. Staff were able to accept that the new model represented responsibilities not previously experienced and, therefore, did not perceive it as a condemnation of past performance.

Schein (1992) talks about the importance of the organization's culture in the successful implementation of major change. Because of the delays we experienced in this project, the culture in our new organization had an opportunity to be more fully developed. The new culture of listening to staff concerns and issues and resolving things jointly was of paramount importance in developing a trust level that allowed change of this magnitude to proceed with less fear and trepidation.

Timing also played a major role in our success. In the months between the presentation of the vision and the actual implementation, staff had time to come to terms with the new roles. They could clearly see that there would be sufficient work for everyone and were thus less fearful of job loss. The introduction of technical training in this period decreased the fear that they would not have the skills required for the new

roles. Many now looked forward to the challenges of doing something new in their role and expanding their horizons.

Conclusion

Change is ongoing in today's society and, in fact, is often referred to as the only constant. The speed of change is such that there is less and less time to let people get comfortable with one change before we are on to the next. Small wonder that managers face such strong resistance when trying to implement change. Bridges (2003 p x) is correct when he says "it is self defeating to try to overcome people's resistance to change without addressing the threat the change poses to their world." In this case study, management attempted to anticipate some of the threats staff would perceive and defuse them before they could become barriers to success. The model for the new service was created from the perspective of the "ideal" so that no one would feel that past performance was, in any way, being criticized. The promise that no jobs would be lost and staff would be appropriately trained in any newly required skills provided a comfort level that allowed staff to give real consideration to the new model. Finally, communicating the vision through a skit moved the model from a theoretical to a practical level. The roles and responses were made real for staff.

It is important to remember also that when we speak about change we are really speaking about transitions. According to Bridges (2003, p. 203) and Boynton and Rothman (1995) the change itself is situational. It is an event with a specific start date and represents the end product. However, the transition, getting to the changed situation, is psychological. It is a letting go of the old familiar ways and the adoption of a new

identity. Small wonder it is emotional and fraught with tension and fear. “Change begins with endings, has a creative middle zone and ends with new beginnings.” (Boynton and Rothman, 1995). It is not really the change that presents the challenge so much as getting successfully through the transition.

The lessons learned as we proceeded through this project and on reflection afterwards, are ones that can be taken forward into any change project. Obviously, the time commitments to the various stages will be impacted by the level of change that is anticipated and the staff who will be impacted by it. But in any change scenario, the more a leader can diffuse the fear, skepticism and threat of a proposed change and the more staff are involved in the creation and ownership of the new environment, the more successful the change process will be.

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Fellowship Project Manuscript

Case Study #3: Improving Staff Morale Following a Mandated Merger

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BY

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Improving Staff Morale Following a Mandated Merger

Setting

Over the last decade all provinces have placed considerable emphasis on cutting healthcare costs. One province focused on the community health sector. Prior to 1995 there were at least two types of government-funded organizations located throughout the province that provided services related to keeping the elderly in their own homes as long as possible. These organizations were governed and controlled by various other organizations depending on their location within the province. Although the intent of the programs was to offer a level of continuity of care, at times the services of the two organizations overlapped or were even in conflict. The province determined that cost reduction and better service could be achieved if the two organizations in each area of the province were merged to form one long-term care coordinating agency with a single administration and governed by a volunteer board. These mergers created several new, independent agencies throughout the province.

Because the government was stressing community involvement and the need for the new agency to suit local needs, the search began for volunteer board members who would oversee the merger within their specific communities and continue to direct the new agency with a community perspective. Unlike many volunteer situations, interested parties had to submit an application and resume and there was a vigorous screening process. Twelve to fifteen board members were selected for each of the new organizations.

Reactions to the mandated mergers were mixed. Some felt that linking the organizations would enhance the flow of patient information and improve care. Others, including several of the organizations that had previously governed and controlled the former programs, were angry and expressed strong opposition to the mergers. These feelings were easily conveyed to the affected staff and created strong resistance to any change.

The problems facing the new agencies as a result of the mergers differed across the province and were largely determined by the cultures within the original organizations, the size of the merged units, the organizational structures that were previously in place, and the views of the previous governing bodies with respect to the changes. Although job loss was not an issue for most staff, other stressors associated with corporate mergers were present. Anderson (1998, p. 1) cites uncertainty, insecurity, and fears concerning job change, compensation changes and changes in power, status and prestige as common stressors in a merger situation. Other factors that could be added to the list include fear of changes to operational policies, learning to live under a new management structure and fears about the compatibility of personal values and beliefs with the values and beliefs of the new organization. The presence of such stressors contributes to increased absenteeism and turnover as well as anger, confusion, resistance to any change and lowered productivity. These results were present to a greater or lesser degree in all the agencies within the province created from these mergers.

The agency that is the focus for this case study represented a fairly small county of approximately 30,000 population, largely rural in nature with a strong agricultural and

industrial economic base. The new Board consisted of eleven people (one vacancy) with political connections as well as previous direct management and/or healthcare experience. The new agency had approximately 65 staff in four classifications - clerical, client management, therapists from a variety of disciplines and management. Unionized staff were represented by three different bargaining units.

The Board worked diligently for several months prior to the formal opening of the new agency to deal with a number of issues important in the establishment of a new organization. These critical issues included policies, organizational structure, pensions, seniority and salary scales. The demands were such that, prior to the appointment of a Chief Executive Officer (CEO) for the new agency, the Board's role was very operational in nature. Board members were frequently in the office and interacted one-on-one with staff. Staff liked this interaction and close, personal relationship with Board members and believed it would continue. Some believed this close association would allow them to circumvent the organizational hierarchy if they were dissatisfied with any aspect of the new operation and this belief provided them with a level of power. My appointment as CEO and the subsequent change in Board role to a governance function was, therefore, upsetting as it significantly diminished this perceived power.

As the first year of operation came to a close there was a strong perception that clients had made the transfer to the new agency without difficulty. However, it was also important to get the staff's perspective on the transition. I developed a brief survey to determine how they felt about the changes and what they believed had been handled well or poorly. To encourage honesty and a strong response rate, the surveys could be

completed anonymously. They were submitted to the Executive Assistant who bundled the responses and forwarded them to me for analysis. Predictably there were comments about the need for improved communication and some comments about the changed level of contact with the Board. Beyond that, the findings were quite surprising. While many staff were very supportive of the changes that had been made, a core group was scathing in their evaluation of the senior management team, individually and collectively. In some instances accusations of poor management behavior were specific and particularly brutal. With the exception of the CEO position, all of the former management team had been retained in the new agency. Many of the citied incidents actually occurred prior to the merger and, while not really a response to the first year of the agency's operation, they very clearly established that there were staff morale issues that needed to be dealt with.

The findings were very disturbing and the Board and I spent considerable time formulating a response to the concerns raised. It was apparent that, in some cases at least, staff were looking for management terminations. However, there were no real grounds to support this action and, with the Board's support, I elected to monitor and coach the management team as a first response. To respond to the staff the Board summarized the comments for each question in the survey and outlined the specific action they were prepared to take on each issue. The Board Chair presented this information at a general staff meeting and it was also posted within the office. The Board made it clear that I continued to have their full support as we worked through the resolution of identified issues. Following the staff meeting, I met privately with each member of the management team to explore any findings directly related to her. Where specific problems were

identified, I coached the manager to improve her management and interpersonal skills as they related to the staff. I also monitored the managers' interactions with staff more closely so that I could identify and rectify problems as they arose and I continued to mentor the management team on appropriate management behavior.

In the short term there appeared to be a slight improvement in relationships, not only between staff and management, but also among staff members. However, whenever an issue arose between staff and management, staff would reiterate that the Board had not addressed the concerns raised in the survey. Staff continued to believe that any issues with management would only be solved with terminations and, until that happened, they believed they had not been adequately heard. Absenteeism and turnover began to climb significantly. Although some staff left for legitimate reasons such as spousal transfers, others clearly left because of the workplace environment. The office atmosphere became strained and tension was palpable. Then, in 1999, the largest unionized group went on strike during contract negotiations. Although the strike activity itself was not particularly vicious, tensions were high and it was very clear that past issues were still perceived as unresolved.

Given the small size of our organization the feelings of one group within the agency affected the feelings of everyone. If the unhappiness and frustration experienced among the staff were not addressed it would affect job performance and, eventually, the service received by our clients. The strike was seen as a very strong indicator of staff dissatisfaction. Some major changes would have to take place when the strike was over if the organization was to recover and people work together again.

Issue

The unprecedented strike signified that morale was at an all-time low and although the strike also added to the poor morale, there were several other contributing factors present in our agency.

Culture/Values of the previous organizations.

***Organization A*:** Corporate cultures and morale are intertwined (Ledford, 2001) and a high morale level needs an optimum working environment (Herman, 1991). It was evident that neither of these existed in the old Organization A. The organization had been around for many years and a major focus of its operation was service to the elderly. The organization had been under the direction of another government-funded organization governed by a Board of political appointees and elected members. This Board made it very clear they were angry about the merger and the loss of control of the organization. Some of that anger spilled over to staff who felt they were being victimized by the politicians. Consequently, many staff opposed the merger and carried their negative attitudes and resistance to change into the new agency.

Organization A had approximately 60 staff comprised of clerical, management, therapists and client management. With the exception of the management group, staff were unionized within three unions. There were two very strong managers within Organization A – a Director and an Assistant Director. Each had her own group of loyal employees and maintained that loyalty, to a large extent, by sharing key pieces of information only within her own group. The working environment was characterized by secrecy and personal attacks on supervisors, peers and subordinates alike. The Assistant

Director left voluntarily just prior to the announcement of the merger and the Director left when she was not appointed as the CEO for the new agency. Staff were defensive of their respective leader, antagonistic toward followers of the other leader and wary of any new management appointees.

The philosophy and culture of Organization A was one of control and limits. Service was provided according to a rigid formula and there were few opportunities for the client management staff to exercise their professional judgment regarding decisions of treatment levels or types. In general, staff were treated with little respect and functioned as technicians following clearly defined rules. To maintain the required service limits and controls, clients were, sometimes prematurely, referred to Organization B.

***Organization B*:** This organization had been operational in the community only for about eight years. Although managed by a large, not-for-profit service agency based in a nearby urban center, within the local community, the staff of four (1 fulltime and 3 part time) operated virtually independently. Because of their small size there was very little conflict within the group and relationships and loyalty to each other were strong. The group was non-unionized. The philosophy for this organization was one of service to the client. Staff believed they had a duty to clients to ensure all services that could help the client remain in his/her own home in the community had been maximized before considering placement in a long-term care facility. Staff in Organization B frequently asserted that, with more service from Organization A, clients

would be able to remain at home longer. Organization A was, therefore, often viewed as being negligent with respect to providing appropriate service levels.

Because of its size, the relatively informal work atmosphere and the differing philosophies, staff in Organization B were, understandably, nervous that they would be swallowed up in the merger by Organization A. There was also, no doubt, some apprehension and resentment about having direct supervision when they had operated so autonomously in the past.

Physical environment. As part of the merger, the staff of Organization B were physically relocated to the premises of Organization A. These premises were already cramped and divided into many small spaces connected by narrow, poorly lit hallways. The design precluded open communication or socializing and the addition of even a few more staff added considerable pressure and strained relationships.

Management team. Although terminating all management members at the start of the new agency was an option, much history and understanding can be lost with this approach. Therefore, I elected to retain the management team from Organization A in the new agency. Not unexpectedly, the managers carried to the new agency the beliefs and values acquired in Organization A. They continued to be very controlling and to demonstrate little value for employees. Labels such as “troublemaker”, “difficult” and “uncooperative” were common when referring to team members. Lack of formal management training affected their ability to deal appropriately with their staff, to recognize individual worth and to foster individual development. Although I engaged in

specific coaching and mentoring, I was only partially successful in helping the managers adopt the new culture and values and to put the past behind them.

To add to the dissatisfaction with the management team, one of the managers had been appointed on a temporary basis without a competition. The appointment had dragged on for a prolonged period and there was now resentment about the lack of a proper selection process.

New CEO. The appointment of a new CEO created additional tension in the new agency. I was an unknown entity and staff waited anxiously to see if my management philosophy and style were consistent with past practice or not. In addition, I had usurped the position of the previous Director making the staff who had been loyal to her particularly resistant to my appointment. I tried to address some of these concerns by using my first meeting with staff to tell them a little of my background and how I expected to manage the organization. However, I knew from past experience that I would be watched closely to see if I "walked the talk" and that developing a real level of trust would take time.

Merger. The merger of these two organizations was government-mandated. There had been no input from staff or management at either previous organization and there was considerable anger on the part of at least one of the previous governing bodies. The philosophy of Organization A was one of control while in Organization B it was one of full assistance to maintain independence. These differing care philosophies were often in direct conflict. Neither of the originating organizations fully understood or appreciated the role of the other organization or the problems they faced on a daily basis. The

differences between the two merging organizations were sufficient in and of themselves to make the transition extremely challenging and the anger surrounding the merger fuelled the deteriorating staff morale.

Board role. With the appointment of the new CEO, the Board moved from an operational to a governance model and staff had less direct and frequent contact with Board members. Some staff had used the close contact to involve Board members in personnel issues and the withdrawal of the Board was seen, therefore, as a loss of power and influence for staff.

Nature of contract negotiations. Although we had previously been through one round of contract negotiations without incident, these had been focused on altering the contract to reflect the new agency rather than dealing with the usual list of demands. The negotiations in 1999 were the first opportunity for the bargaining unit to function in the typical adversarial role. Contract negotiations, by their very nature, tend to be combative. As the negotiation process continued and frustration increased all the past negative feelings resurfaced and the strike became inevitable.

Resolution

There is an abundance of literature (Herman, 1991; Atchison, 2003; Lanser, 2003 and Byham, 1998) that speaks to the factors contributing to a positive work environment. Although the priority or terminology may vary among writers, there are common themes and these include staff involvement, communication, staff appreciation, a common vision and values, visibility of the senior management team and the physical environment. As part of the resolution of the issue of low morale we need to look at all of the actions that

were taken by the Board and CEO in this agency to address these factors and endeavor to create a positive work environment.

Communication. Good and frequent communication is always essential. Therefore, the Board and I placed a great deal of emphasis on communication, especially during the transition phase and early months of the new agency. Some of our initiatives included:

1. In the months leading up to my appointment and the official launch of the new agency, the Board held regular meetings with staff to keep them apprised of issues and events.
2. Several Board/Staff committees were struck to deal with transition issues.
3. Following the official launch of the new agency we initiated an internal newsletter to keep people up to date. We also featured articles on individual staff so that everyone could get to know everyone else a little better.
4. We initiated monthly staff meetings for an exchange of information. The agenda and ensuing minutes were posted for staff reference and staff were encouraged to place items on the agenda and participate actively in the meeting.
5. I maintained an "open door" policy and encouraged staff to drop by for formal or informal discussions.
6. My approach to communication was always to share as much information as I could and to be completely honest in my responses. In some situations I even advised staff that I was unable to share information with them at that time but I would do so at the earliest opportunity.

7. I established regular meetings with subgroups of staff so they could have direct contact with the CEO. The purpose of these meetings was to answer questions specific to that group's role. If issues around the management leader arose, staff were aware that I would discuss these with the particular manager in question. The manager and I would then jointly determine any actions arising from these discussions.
8. Internal animosity was particularly strong within the client management group. I established an advisory committee for this group whereby they could bring to the table any issues affecting their ability to work together. This worked well as long as I set the agenda but failed when staff were made responsible for bringing issues forward.
9. The survey at the end of the first year of operation was a further attempt to encourage open communication.

Staff involvement.

1. Many staff were involved directly with the Board/Staff transition committees.
2. When we were successful in obtaining new, unstructured space, staff were invited to individually or collectively submit comments or suggestions about the organization of the space and design needs. Considerable feedback was received and as many suggestions as possible were incorporated into the design of our new space.
3. A staff committee was elected to work with the architects to choose color schemes and select workstation furniture for the new workspace.

4. Another staff committee selected artwork for the new office. They held a staff photo contest with prizes and many of the photos were framed and prominently displayed in the new space.
5. Staff groups were invited to provide board member education sessions on their respective roles and the kinds of clients and problems they encountered in their day-to-day work.
6. Staff from each of the original organizations provided training to the other group so that both had a better understanding of the issues being dealt with and an appreciation of the need for both viewpoints.

Appreciation.

1. I made a point of publicly and/or privately acknowledging a job particularly well done, an effort above and beyond or any outstanding accomplishments.
2. At the end of the first year, the Board hosted a dinner for all staff and spouses to thank them for their cooperation and efforts during the first year of operation. It was certainly to the staff's credit that our clients did not suffer during the transition to the new agency and were largely unaware of the internal dissensions. To show our appreciation publicly we also ran a full-page ad in the local paper marking the first anniversary and listing all participating staff members.
3. During the move to the new premises we required a temporary relocation that was far from ideal. I instituted a weekly theme party to acknowledge the sacrifices staff were making to keep us operational throughout this difficult period.

Common vision and values. The Board recognized the pressing need for a stated mission, vision and values for the new organization. With the launch of the new agency the Board initiated work with a consultant to draft their vision of the future. The process continued with all staff meeting with the same consultant to draft their vision, unaware of what the Board had created. Separating the Board and staff activities at this point served the practical purpose of having space and time for involvement of everyone. In addition, it ensured staff members were free to express their ideas openly without being intimidated by the presence of the Board. The exercise was also extremely valuable in determining if the Board and staff were on divergent paths. Had that been the case, considerably more work would have been required to develop a common direction. Fortunately, the two visions were very similar. Representatives from the Board and from the staff then met again with the consultant to craft a finished joint product.

Visibility/Caring

1. I made a practice of regularly circulating throughout the office for informal chats with staff about current work issues, their families, pets, or general news items.
2. I created opportunities to invite staff to my office so that they would feel comfortable in that setting and not view it negatively.
3. Board meetings were held during the workday so that Board members were visible to staff.
4. I went on patient visits with those working in the community so I could learn more about their work issues. The travel time also provided an opportunity for us to get to know each other on a much more personal and individual level.

Physical environment. The Board recognized the problems with the original space and finding a solution was a number one priority. After 1½ years we were successful in moving to bright, spacious surroundings that allowed staff to meet easily for formal or informal discussions. A lunchroom was available but the new location also permitted socializing in nearby restaurants – an option that was previously not available. Meeting rooms and workspace were plentiful and workstations were designed to be ergonomically correct.

According to the literature all of these strategies should have created a happy work environment. However, it can be extremely difficult to put aside past perceptions and overcome existing feelings of anger and resentment. The negativity and infighting continued and periodically escalated, culminating in the strike. Clearly further concrete action was required to turn things around.

Deal and Kennedy (1999, p. 215) suggest that staff committees drawn from cross sections of staff and with access to top management can unite staff in revitalizing an organization. In his writings, Lucas (1999, p. 179) tells us that anger is a passion that can be channeled in a positive way by involving angry staff in changing the things they hate. Using these theories and, with the Board's support and encouragement, I established a Staff Advisory Committee. The Committee would consider any issues that concerned all or a majority of staff and which could contribute to a happier workplace. Practices and policies addressed in the various Collective Agreements or which affected only one group of staff were not dealt with in this venue. The committee was made up of one representative of each employee classification (i.e. client management, therapists,

clerical) as well as the CEO and the Chair of the Board Human Resources Committee. Although I was wary of involving the Board in operational issues, the presence of a Board member assured staff the Board was well aware of management's approach to issues. At the same time it gave the Board a perspective on staff morale separate from the CEO's interpretation. Everyone agreed on the importance of treating ideas and people with respect and giving each person an opportunity to voice his/her opinion. Johnston (1995, p. 1) suggests success in a business will not occur without staff taking ownership. Lanser (1993, p 7) states that "a work environment based on shared accountability energizes and motivates employees." Byham (1988), in his lighthearted look at good management principles and high staff morale, tells us that total control by management "sapps" staff while making staff own the problem and solution "zapps" them. Therefore, while acknowledging that there were unresolved issues, it was also made clear that this forum was not one where problems were brought by staff to be "fixed" by management. Staff were expected to also bring possible solutions and any actions would be jointly determined and implemented.

Staff on this committee were selected by their respective professional group and represented the group as a peer, ***not*** as a union member. Contract issues were dealt with in an alternative venue that already existed. Chairmanship was shared – with a chair selected for a six- month period and alternating between staff and management. Management was responsible for all administrative aspects such as the scheduling of meetings, notification of meeting time and place and the generation of the agenda and minutes. Initially, staff representatives were asked to prepare a list of issues and barriers

to a positive workplace and together we would tackle them one by one until Staff were satisfied that the issue was resolved.

The first list was more than a page in length. As each item was raised there was detailed discussion about why staff saw this as an issue and what they hoped for in the way of a resolution. Frequently I was able to give details or background information on the issue and then the committee discussed what could be done to resolve it. Issues such as the request for more direct contact with the Board and the Board's response to the survey problems were also addressed by the Board representative. Within six months, every item on the list had been addressed and there were resolutions underway, if not complete. Meetings were decreased to quarterly as staff struggled to find issues to table.

Although there was considerable tension at the table initially, staff quickly came to see that the Board and management were sincerely interested in making the agency a better place to work. They acknowledged that a management solution to some problems was often no more acceptable to staff than the original problem and it was, therefore, imperative that solutions be joint efforts. Finally, staff realized that, in some cases, there was no solution or that a solution was often much more complex than originally perceived. The committee structure gave management an opportunity to obtain broader staff input to resolve some issues and a better understanding of why some things were even perceived as problematic. Where no successful resolution was achieved, staff were able to report to their peers what had been considered or tried and why it had failed. There was no longer a feeling of "***they*** aren't doing anything about it". Mutual respect

began to extend beyond the meeting room and a strong feeling of trust started to be created.

This committee went a long way toward improving relationships and, therefore, staff morale. However, other factors also contributed to the turnaround. One of the senior managers left the organization immediately following the strike. Another went on maternity leave shortly thereafter and subsequently elected not to return to work. The absence of these two managers appeared to ease strain considerably, suggesting that they were seen as still following the old culture and beliefs.

Some of the perceptions staff had formulated regarding the work environment were based on inaccurate information. An example of this was the high levels of turnover and absenteeism. Although our rates were up, the figures staff were using were incorrect. To resolve this we instituted a formal system for tracking turnover and absenteeism by staff classification (including the management group) and posted this internally. This one issue demonstrated that, although we had instituted many communication strategies, clearly there was other information that needed to be shared.

As yet another enhancement to communication, a suggestion box was made available to staff. However, it was never used. In discussing this with the committee, the perception was that staff preferred to raise their issues directly through the committee and the need for the suggestion box no longer existed.

Formal staff recognition was also an issue. We had established and held recognition events marking length of service but staff felt other achievements deserved recognition. When members of the committee were challenged to develop policy

guidelines for this type of recognition, it became very apparent to them just how difficult it was to find a system that acknowledged contributions without offending others who felt they also had notable accomplishments. There was a better appreciation for why this project had not moved ahead more quickly under management's guidance alone. Despite the difficulties with this particular project, working together, staff and management did make significant progress.

Results/Analysis

Mergers are difficult and challenging even when all the right steps are taken. In this case study, staff approached the merger with feelings of anxiety and anger. The two original organizations had totally different cultures and approached the care of the elderly from different perspectives. Neither fully appreciated the contributions made by the other. Deal and Kennedy (1999, p. 1) quote the renowned management scholar, Edgar Schein, as saying that "the only thing of real importance that leaders do is to create and manage culture and the unique talent of leaders is to work with culture." No doubt the lack of direct leadership in the early days of the merger as well as a need for time to build a unified culture under a new leader contributed to the unrest and dissatisfaction among staff in those first few years. Given the disproportionate size of Organization A relative to B, it was also reasonable to expect that Organization A's culture would initially predominate in the new agency.

There is a great deal of literature available speaking to what workers want or need to be happy and well motivated. Ratzburg (n.d.) states that "content theories posit that workers' behaviors are a function of the workers' abilities to satisfy their felt needs at the

workplace." He then reiterates Maslow's hierarchy of needs – physiological, safety, social, esteem and self-actualization. In Organization A the two lower level needs were met quite well but higher level needs were not. The infighting and defensive attitudes present created an environment where staff did not socialize together except as subgroups of the larger organization. Everyone behaved in ways to minimize criticism and this resulted in esteem needs being sacrificed. The need to "follow the rules" stymied self-actualization, particularly for the professionals. Ratzburg goes on to discuss Herzberg's related theory of motivators and de-motivators. The former include achievement, recognition, responsibility, advancement and work itself. The first four of these are related to Maslow's self esteem and self-actualization levels which we have already indicated were not being met in Organization A. According to Ratzburg's article, Herzberg suggests de-motivators in an organization include company policies, administrative policies, supervision, salary, interpersonal relationships and working conditions. Certainly there was an abundance of policies and rules restricting staff. In addition, the perception by the management team that staff were unworthy and needed a high level of supervision and direction undermined self-actualization. Staff from Organization B, which previously had high levels of autonomy, felt they had lost it in the new environment. Only salary proved not to be a factor in contributing to the demoralizing and de-motivation of staff in the new agency.

This very negative atmosphere was the reality for employees in the early months of the new agency. The efforts of the Board and CEO during this period helped to keep things from deteriorating even further immediately but were not sufficient to completely

"unglue" the past history and affirm the new beliefs and values. Therefore, whenever the pressure became too much, staff reverted to the old theme that they were not being adequately heard.

In any merger where maintaining the previous management team is an option, it would be wise to impose time limits for assessing the managers' effectiveness in dealing with their team members. Early in the process clear expectations should be established and closely monitored. In this way the benefit of past history and experience is maintained while not allowing inappropriate management performance to negatively impact the creation of a new culture. In this situation the continued presence of the previous management team, while demonstrating my willingness not to dismiss people without an opportunity to show their capabilities, led staff to believe that the old ways would be preserved and this likely hindered growth.

Timing was also critical. In the beginning, staff were not ready to accept that I really wanted their viewpoints, that I wanted to work as a team and that they were valued. I was unknown to them and the culture I was creating was in direct contrast to what they had previously experienced. They were, understandably, wary. It would take a long time before staff could believe that I was trustworthy and as good as my word.

The strike acted as a wake-up call for everyone. The group had never been on strike before and were more than a little surprised to learn that management was able to carry on offering services, albeit not at the same level, without them. After a couple of weeks on the picket line, staff were also coming face to face with the personal and financial impact of the strike. This was somewhat frightening and not an experience they

wanted to repeat in future. The experience likely contributed to their willingness to work together to resolve issues afterwards. On the other hand, the strike forced management and the Board to realize the extent of the influence of past history on present behavior. It was apparent that very concrete, identifiable steps would have to be taken to verify for staff that their concerns had been heard and there was a willingness to act upon them. While the creation of the Staff Advisory Committee demonstrated this, it also clearly emphasized that staff also had a role and a responsibility to create and maintaining a positive workplace.

As we worked through the list of issues, some were fairly easy to address (reporting the staff attendance and turnover rates for all to see) so we had some early wins to celebrate. This made issues such as the staff recognition, easier to handle in that staff were more understanding of the complexity and, therefore, of the time required to resolve these more difficult problems. The list of issues, with specific responses to each, provided a concrete demonstration of progress.

Timing also contributed to the success of this committee. After 2 ½ years in the organization, staff were beginning to trust me as the CEO and I had achieved some level of credibility with certain key players within the organization. My sincerity in wanting to create a happier workplace was accepted now, where it had not been before.

As a final point, the departure of two of the senior managers in the months immediately following the strike also contributed to the turnaround in staff morale. One new manager was selected through a proper recruitment process. The successful candidate was external and had extensive management experience. Historical issues,

therefore, played less of a role and the new manager understood the importance of positive staff relations. The other manager was responsible for a division that was soon to be divested from the organization. An internal candidate was appointed for the interim period and I provided consistent training and coaching in the role until the divestment was completed.

J.R. Lucas (1999. p. 24) states that "the most important measurement of any organization is morale, the level of positive or negative passion." By the fall of 1999 morale in this organization had hit an all time low. The creation of the Staff Advisory Committee was a culmination of efforts to improve the workplace environment and lay to rest, once and for all, many of the negatives from past history. The new agency had a different philosophy with respect to its workers. There was much more dependence on individual expertise, judgment and professionalism and greater room for individual thought and initiative. Those workers who were uncomfortable with this new model of operation left and the new ones hired were chosen, in part, for their desire to be part of this kind of workplace. The result was a stronger corporate culture.

Our success was also very measurable. Absenteeism and turnover rates decreased to lower than industry norm. Staff volunteered for more projects even when this put high demands on their work time. There were more social events both within and outside work that included a wider cross section of staff. The list of issues being dealt with by the Staff Advisory Committee decreased sufficiently to reduce meetings to quarterly. Perhaps the most telling indicator was the number of staff who were still in the office, usually chatting with friends, after the official end of the workday. Where once the office was

virtually deserted by 4:30 p.m., now there were often 40-50% of the staff still around long after closing. Obviously, staff were not in a hurry to leave because they found the workplace a happier place to be. Although more difficult to measure, productivity also appeared to increase and this is consistent with the writings of Syptak, Marsland and Ulmer (1999) who state that "satisfied employees are more productive, creative and committed to their employers."

Conclusion

Managing a corporate merger is challenging even under the best of circumstances. In this situation there were many factors working against a successful merger but failure was not an option. The merger was mandated by an external third party and involved organizations with different philosophies and culture. Past history and high anger levels among the staff created an atmosphere of mistrust that was difficult to overcome. While the establishment of the Staff Advisory Committee marked a turning point with respect to employee morale in our organization, it was not the only reason for the change. All the early steps taken by the Board and management contributed and likely kept the situation somewhat under control in the early stages. However, the committee came at the right time and was the crowning touch in our efforts to build a strong corporate culture and improve morale. It clearly established the new philosophy of shared responsibility and mutual respect and trust. To reach this point took several years and an internal crisis but the turnaround did occur and the effort was worthwhile

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