

Case Study #1

The Turnaround



The scenario

The Museum of Modern Art (MoMA) in a mid-sized New England city, a not-for-profit organization in existence for over a century, is bleeding members and money at an accelerating pace. The outgoing CEO, a beloved icon at the organization and in the city, has just retired after 23 years. The board of directors is deeply concerned about the negative membership and financial trends, and has decided to bring in an outsider to turn MoMA around.

The membership demographics have been changing rapidly. The “old guard” of aging wealthy donors is steadily disappearing. While young moneyed urban professionals are participating in MoMA activities, their contributions and memberships are not keeping up with vanishing older supporters.

The characters

The board selects Cynthia, a retired foreign service officer, as the new CEO. While she has a limited background in both member-

ship and art, she is married to a classically trained art historian and spent years overseas in culturally rich environments. Post-retirement, Cynthia just finished a two-year consulting engagement with a membership organization, albeit not in the art world.

A highly experienced, dedicated, and stable staff has been in place for a long time, with an average tenure of more than 10 years.

The board is led by a progressive and aggressive local entrepreneur, who has been firing up board members with his insistence that change is necessary. Most, but not all, of the board is convinced.

Sensing

The new CEO spends the first three months, as well as her onboarding time, introducing herself and speaking to MoMA board and staff, members, potential members, stakeholders, and observers.

Her conversations focus on identifying MoMA's strengths, weaknesses, opportunities, and threats. She does a lot of listening.

Then she spends a week away from the office collating and integrating everything she had heard.

The hard and subjective data all say the same thing: quickly fix the major financial problems or MoMA is going out of business. It is not subtle!

MoMA has no formal strategic plan. Based on her consulting and leadership experience, Cynthia desperately wants to put

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in place a long-term vision and strategic plan for the organization. But it quickly becomes obvious that first she needs to stop the hemorrhaging of resources. She senses that while

there is a place for formal vision and strategy, it is not going to be in the first two or three years.

In her conversations with existing and potential members and donors, she discerns that MoMA has little perceived relevance to

potential new members, and older members have no desire to change. There is clear generational stress at MoMA.

In her conversations with staff, there is no sense of crisis and no desire to change. As far as MoMA staff are concerned, things are just fine.

Stakeholders and community leaders are oblivious to MoMA's problems. More troubling is the community's poor understanding and unwillingness to support MoMA's fundamental missions.

Visioning

Cynthia recognizes that she must do two things simultaneously, with two different audiences.

First, she has to focus the organization on the short-term actions and tactics necessary to staunch the financial bleeding.

Second, Cynthia recognizes that mere survival is not sufficient for long-term growth. While everyone else focuses on survival, she keeps thinking about what the long-term strategy and vision need to be. Using a firefighting metaphor, her team has to be fighting the fire, while she is thinking about how to prevent the next fire.

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The short-term solution becomes simple—stop the bleeding. And it isn't framed as a grand vision—just “stop the bleeding.” Conventional thinking suggests that strategies should be long-term; however, in this case, the strategies all have two- to six-month time frames. Cynthia describes them as tactical strategies.

But Cynthia has more than an internal audience. She also needs to communicate with stakeholders, the community, and many younger potential members about the MoMA turnaround. In fact, Cynthia has two parallel sets of short-term strategies—one internal (stop the bleeding) and one external (MoMA is under new management, and we'd like you to support MoMA).

Acculturation

A proactive and innovative culture is required to turn MoMA around.

During her onboarding and in her initial interviews, Cynthia examines the toolset needed to survive in the short term and thrive in the long term. She divides her analysis into people, process, money, tools, priorities, and culture.

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It quickly becomes obvious that the culture needs to completely change—from a reactive to a proactive stance. Because it is a small organization, the issues of people and culture are very

closely intertwined. It becomes clear that the veteran staff is not going to adapt to the new proactive culture. While everyone is given the opportunity to adopt the new culture, in the end the entire staff turns over in the next 18 months, and the roles of the staff members are completely reorganized.

The primary methodology for creating a new culture is hiring. Putting the right people in the right jobs—new staff who share Cynthia's passion, innovative spirit, and proactive philosophy—will go a long way toward turning the culture around.

But having new people on staff is not enough. Cynthia spends the first two years communicating, internally and externally, her message of a new MoMA. She uses the simplified model developed as part of the sensing process to give “elevator pitches” to stakeholders, members, potential members and key decision makers.

Enabling

Tools and money are also closely intertwined. The infrastructure of the organization is not suited to operating in a newer fast-paced and more technology-intensive environment.

The information technology is completely out of date. MoMA's Internet and social media presence are nonexistent.

The office spaces are dingy and run down. In fact, everywhere she looks, the infrastructure is failing.

Cynthia goes to the board and requests to dip into reserves to completely replace the infrastructure. This is a difficult request, as reserves had been used to cover revenue shortfalls in previous years. She frames these new expenditures as existential necessities, and a nervous board approves them.

Infrastructure is failing.

Drawing from reserves is not enough. Cynthia, with the advice of her artist husband, suggests the politically risky step of selling one or two works of art to raise the capital necessary to complete the infrastructure overall. While it takes a lot of convincing, eventually the board agrees to a private sale/lease-back agreement for one of the major works of art in the collection.

Cynthia and her staff examine MoMA's programs and services, and explicitly ask, "Is this program or service consistent with our direction?" With the concurrence of the board but with some grumbling from longtime board members, Cynthia eliminates two entrenched but high-cost/low-revenue programs.

Deciding

Initially it is Cynthia who makes almost all the decisions. She realizes that in the beginning, she has to be highly directive, because existing staff has neither the inclination nor the talent to make decisions that should properly have been delegated to them.

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After the first years, Cynthia embarks on a proactive plan to delegate more and more decisions to her newly hired and empowered staff. Cynthia does not want to use a top-down approach any longer than she needs to.

In the decision-making framework of chapter 8, Cynthia is initially operating in the chaotic mode—simply trying to restore

order—knowing full well that she needs to get out of that mode as quickly as possible.

Responsibility

From day one, Cynthia publicly and privately accepts responsibility for all that happens. Cynthia uses the word “I” for the bad news and the word “we” (and usually the name of a specific member of the staff or board member) for the good news.

This is a real challenge in her relationships with the board, because Cynthia is the bearer of much bad news. For example,

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when she terminates several long-term beloved employees who could not adapt, she has to individually brief her board members about the “why” of

the personnel changes.

She has to educate the board that keeping them informed about everything is part of a new culture of transparency. The wave of bad news is part of turning MoMA around, and not a reflection of her competence.

Mentoring

In the first three years, there is a commitment to education—ensuring the new staff has the technical and operational skills necessary to be successful. There is little if any time spent on mentoring and succession planning.

As MoMA starts its turnaround, she implements both mentoring and succession planning.

But Cynthia knows that mentoring and succession planning is critical to long-term success, so as soon as MoMA starts its turnaround, she implements both mentoring and succession planning for her team.

Key lessons

In a turnaround situation, the CEO must maintain a simultaneous short-term and long-term focus.

In the short term, the leader must stop the bleeding—turn the ship around or put out the fire. Pick your metaphor; the point is that the leader must fix the obvious problem(s).

But while everyone is scrambling, the leader must recognize that this phase is a relatively short-term phenomenon—so the leader must create a totally different organization that will succeed in the long run.

It is likely that the new CEO, to turn things around, will have to focus on changing the culture and replacing much of the infrastructure. This may require some gut-wrenching resource allocations and extremely difficult personnel decisions.

**Change is
hard.**

Strong support from the board combined with managing board expectations is critical to success because in the beginning the news will not be good—and the changes many and unpleasant.

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