

## APPLYING SELECTED MODELS OF CHANGE MANAGEMENT IN NON-PROFIT ORGANIZATIONS

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### **Abstract**

*Change management is very important these days. An organization's market share and development are based on change. A company that cannot manage change will probably not survive in the market. Due to different characteristics between non-profit and for-profit management it is not recommended to directly adopt management techniques and methods to the third sector organizations. The article focuses on presenting popular change models from commercial organizations and assessing their use in non-profit organizations, and offers an explanation why they cannot be used in the original form.*

**Keywords:** *change management, change, change model, non-profit organization, NGO, third sector.*

### **1. Introduction**

Studying scientific literature and statistical data, we can conclude that the NGO sector is experiencing significant bloom, which has been particularly visible in the last few years. Research carried out in Poland by the Central Statistical Office in 2014 shows that in the period 1997-2012, the number of active associations, foundations, social, religious bodies, self-government organizations, professional and employers increased almost threefold. In 2012, the number of non-profit organizations was 83.5 thousand, revenues amounted to PLN 23.9 billion, the average full-time employment was 128.4 thousand. Compared to 1997, these values were respectively 27.4 thousand, 8.1 billion PLN and 81.2 thousand. A significant increase in the number of NGOs (Non-Governmental Organizations) has intensified competition in the third sector. This forces organizations to search for and implement modern management solutions (Zielinska 2011, p.96). Although profit and public management approaches offer important insights into how to manage nonprofit organizations, they still fail to provide a more contextual and comprehensive

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approach. Models are needed to fully account for the fact that non-profit organizations are multitudes of different organizational components (Anheier 2005 p. 246).

This article deals with change management. An important dimension of this phenomenon gives an increasing pace of change and the associated determination in achieving the basic objectives of the organization – survival and development. In the 21<sup>st</sup> century, we are dealing with the pressure of implementing changes; in order to remain competitive on the market, organizations cannot limit themselves only to creating conditions providing stable functioning. They must take a risk of changing (Osbert and Pocięcha 2010, p.149). Taking also into consideration the limited number of publications concerning managing the change in non-profit organizations on the Polish market, the goal of this paper is to present selected characteristics of non-profit organizations, which should be taken into account when designing a change management model strictly for non-profit organizations. The differences are also presented between the three sectors in the economy, the characteristics of the third sector in terms of characteristics distinguishing these entities on the market and identifying key characteristics that should be taken into account when applying models to NGOs. Then I will describe selected models of change management and identify their disadvantages that prevent their use in the nonprofit sector in the form in which they are used in commercial organizations.

## **2. Characteristics of the third sector from a point of view of the specificity of the management**

In a market economy, we can distinguish three different areas of activity, called sectors. The first sector – contains enterprises, the second – institutions of central and local government and the third sector – NGOs. These are the organizations which form voluntary associations, existing outside the domain of the government (Żyro 2006, p.182).

In the literature we can find many terms used to define the non-profit sector, also used in this study. According to Kietlińska (1995, p.29) there are, inter alia: civic organizations, non-governmental organizations, non-profit oriented organizations, voluntary sector, independent, charitable, philanthropic, third sector, non-governmental sector.

Table 1 shows fundamental differences between non-profit organizations and organizations of the first and second sector (Kozuch 2005, p.15):

**Table 1.** Fundamentals of non-profit organizations (public and private) and commercial entities

<b>Constitutive features</b>	<b>Commercial organizations</b>	<b>Public organizations</b>	<b>Non-governmental organizations</b>
Conditions of operation	Entrepreneurship activities in the interest of the owners, meeting the needs of customers, as a condition to remain on the market; the provision of goods and services according to market criteria	Justice and social solidarity, equal opportunities for development of individuals and groups; representation of the needs and interests of the majority; objectification and business continuity, avoiding bias, neutrality	Selflessness, charity, mercy, charity, acting on behalf of minorities; voluntary, spontaneity, improvisation, community meanings, intuition and expression of personality
Priorities	Competition for customers in order to achieve profit to develop, or at least stay on the market; action consistent with the law; care and external and internal customers, if it translates into achieving (or increase) profit	The implementation of social policy embedded in the existing canons of political and legal; standard needs and expectations; institutionalization of meeting needs; donor activity - passive recipient	The guard values, voluntary action, entrepreneurship, social participation, partnership, advocacy, people in need; individualization, selectivity needs, decentralization, de-institutionalization, subsidiarity in the process of meeting needs, particularism; self-help, mutual aid and self-reliance
The mandate of the organization	Legal empowerment depends on the type of ownership and legal form, the Commercial Code, single decisions, resolutions of statutory bodies, regulations	Constitutionally empowered bodies and institutions of the State; legislation: codes, regulations, instructions	The statutes and rules of procedure; resolutions, decisions of statutory bodies, such as councils and boards.
Recipient of services	A stranger - the customer comes first, the counterparty; soliciting customer satisfaction and loyalty, as instruments of creating profit	A stranger - the consumer, the customer, controlled warmth, distance, perspective institutional relations with the recipient	Our man; emotional closeness, multidimensional interactions and the identification of the operator
Responsibility	To the owners	to the electorate	To recipients of action

Source: Kozuch (2005).

The summary of fundamental assumptions of non-governmental organizations, compared to commercial enterprises and government organizations shows that the non-profit sector has different performance characteristics. The differences are evident in every aspect concerning the conditions of action, the priorities of the organization, recipients of services or responsibility.

According to Anheier (2005, p. 246), among the key facets that must be applied to the nonprofit organization in management field are:

- A holistic concept of the organization that emphasizes the relationship between it and its environment, the diversity of orientations within and outside it, and the complexity of demands put upon it.
- A normative dimension of management that includes not only economic aspects, but also the importance of values and the impact of politics, as exemplified by the value guardian and advocacy roles of nonprofits
- A strategic–developmental dimension that sees organizations as an evolving system encountering problems and opportunities that frequently involve fundamental dilemmas for management
- An operative dimension that deals with the everyday functioning of the organization, such as administration and accounting, personnel and service delivery

Peter Drucker (1995, p.226) pointed to the different specificity in the management of non-profit organizations:

- Non-governmental organizations exist in order to „do good”, which means that they can treat their mission as moral absolutes, and not as an economic activity that is subject to the account inputs and outputs. Their activities cannot be oriented to generate higher profits, because „doing good” is something „the best”. If the said „good” cannot be achieved, it means only that efforts should be redoubled.
- NGOs are dependent on a number of „voters”, as opposed to companies offering their products / services on the market for profit. The most important „voter” is the customer and his satisfaction.
- Non-governmental organizations base their activities on the budget, and not on performance fee (budget revenues come from the taxpayer, the donor). The success of the institution is measured by the size of the budget rather than obtained results. Getting rid of certain activities often deprives the organization of position and prestige. They cannot admit to failure or, worse, to the fact that a goal has been achieved. This applies particularly to institutions financed from the state budget or local area.

Also, Hudson (1997, p.54) lists several typical characteristics of non-profit organizations, determining the difference in the management of non-governmental entities

- Weak link between providing funds and users of services; in private sector providers offer customers goods and services for which they pay the market price, in the public sector authorities provide public services, and voters vote for the government to guarantee the best social system of taxation, in the third sector (NGOs), donors finance projects by organizations from the sector (link between funders and beneficiaries is the weakest here).
- Difficult to precisely define the objectives, such as improving health, raising the level of education, environment, spiritual development, etc.
- Complex organizational structures resulting from the need to balance the interests of different groups of „stakeholders” who often form the management board.
- Focus on cultivating values, because of their disregard, quickly weakens the morale and staff motivation or causes endless discussions.

Highlighted features specific to the operation of non-profit organizations indicate the need to distinguish management methods between sectors. Effective application of management models depends on the modification of the methods in such a way as to take account of the characteristics (specificity) of a non-profit organization. Particular emphasis is placed on the core values that support activities on convincing „voters” to company’s social mission. The NGO sector is very different from the other sectors and it is not possible or desirable, to transfer directly models and techniques to these entities. The characteristics presented by Drucker and Hudson should be taken into account, when designing and carrying tools onto the ground of non-profit organizations.

### **3. Criticism of commercial models of change management from the point of view of the application in third sector organizations**

In today’s complex and unpredictable world, change has become inevitable. Undoubtedly, it is affected by the rapid development of new technologies, which in turn shortens product life cycle. The product life cycle is becoming shorter and shorter, customers more frequently demand new products and the strategies of the organization must be adjusted quickly. All this means that organizations do not have enough time to change, and too slow adaptation to market activities may result in loss of competitive advantage. In order to keep pace with the changes required by the market, the organization should continually improve the process of change (Albrecht and Sack 2000, p.4). Another reason why change management is needed nowadays is globalization. The world has become one giant market, with few barriers to the exchange

of goods, services or information. The process of change has to face new challenges. Today's organizations need to implement process changes in their branches, located often around the world. There is no simple answer to the question of how the process of change should be implemented in a global manner. Employees that are working and developing in different organizational cultures may need a different approach to the management of change (Albrecht and Sack 2000, p.4).

The subject of change management has seen many models proposed by researchers. Many of them have common foundations and present similar ideas. In this article, two selected models will be presented: Kurt Lewin's 3 stage model - the first change model, widely cited in scientific publications, constituting a base for further models and John Kotter's 8 step model, based on academic and business experience, popular and widely used in organizations around the world.

### ***Kurt Lewin's 3 stage change model***

The approach to Kurt Lewin's change management is well-known and often used by management practitioners today (Cameron and Green 2004, p.96). Lewin was one of the first theorists who studied the knowledge of the action, learning and change. Lewin's change model consists of three steps: unfreeze, change, and refreeze.

#### ***Unfreeze***

This phase of change is built on the theory that human behavior is established by past observational learning and cultural influences. Change requires adding new forces for change or removal of some of the existing factors that are at play in perpetuating the behavior.

#### ***Change***

Once there is sufficient dissatisfaction with the current conditions and a real desire to make some change exists, it is necessary to identify exactly what needs to be changed. Three possible impacts from processing new information are: words take on new or expanded meaning, concepts are interpreted within a broader context, and there is an adjustment in the scale used in evaluating new input.

#### ***Refreeze***

Refreezing is the final stage where new behavior becomes habitual, by strengthening new patterns using formal and informal mechanisms.

Lewin's model has significant flaws that prevent its effective use in nonprofit organization. Below the most significant ones are presented:

- Lewin's model lacks of flexibility

It is perceived as a model basically lacking the flexibility required to fit with the currently dominating constant, and sometimes even chaotic, process of change requiring, as such, a great deal of flexibility. The final stage of the process should not end up on a rigid, hard state but that it should, instead, conclude leaving the organization in a sort of soft / open state which could be constantly shaped accordingly as needed.

- The assumption that the organization when carrying the changes is stable

Non-profit organizations function in a constant struggle for the realization of approved projects, as part of the mission. The budget is collected from people who want to support the objectives of the activity. NGOs almost always operate under a limited budget and under pressure to meet its goals, so the assumption of instability of action should be fundamental to the assumptions of the model change management.

- Not including politics and power in organization

To maintain activity, NGOs must honor their commitments to various stakeholder groups. Stakeholders may be permanent employees, volunteers and organizations who want to meet specific goals. Not taking them into account in the plan of change can be a major obstacle to its effective completion.

- The model is used to achieve specific objectives

The objectives of the activities of non-profit organizations are often not precisely defined. NGOs have a mission that is realized by conducting various activities. Lewin's model is designed to achieve clearly defined objectives, does not take into account the possibility of the mission, which may consist of a variety of non-identical goals.

### ***John Kotter's 8 step change model***

It was first published in 1995, in the form of an article in the journal Harvard Business Review. Next year, assumptions of the model were enhanced with a lot of new information. The model is based on personal experiences gained in the academic work and business world. The model consists of eight consecutive steps (Kotter, 1995, p. 59):

#### ***Establish a sense of urgency***

If a change is to be effected, it should be carried through as quickly as possible to avoid a loss of impetus. A lack of urgency can lead to a scenario in which the change is perceived by those affected as 'death by a thousand cuts'

### ***Form a powerful guiding coalition***

Change cannot be successfully implemented by one person, irrespective of their position in the organization. Even a chief executive on their own cannot make a change happen: a change initiative needs to be driven from the top of the organization but it must take the people with it.

### ***Create a vision***

Every change project, by definition, involves delivering a vision. Clearly, however, some projects will be more complex than others. For complex change projects (step and major change initiatives), it will be necessary to develop a strategy to explain how the vision will be delivered.

### ***Communicate the vision***

Change Champions will typically support the Change Manager in communicating the change vision. In successful change initiatives, the initial communication of the change vision is likely to have come from the head of the organization personally.

### ***Empower others to act on the vision***

Similar in some respects to the creation of a guiding coalition, this stage is about engagement with the people who are affected by the proposed change. It is true in most change initiatives that the people who are closest to the problem are best placed to find solutions to that problem.

### ***Plan for and create short-term wins***

One of the single most characteristics of organizations that are successful in implementing change is their ability to maintain momentum. In most cases, this is achieved by a well-considered strategy which seeks to deliver early success –short-term wins.

### ***Consolidate improvements and keep the momentum for change moving***

This has a link to the importance of generating short-term wins. Early and frequent success will encourage and enable more innovation and change; indeed, staff will be significantly more positive about change where they see how the change has delivered a benefit and feel that they have and can influence future change.

### ***Institutionalize the new approaches***

This is critical to organizations that want to be creative and innovative. While there is no guarantee that a particular methodology or approach to change that



has worked well in the past will be effective in the future, it makes sense to try to do more of what has worked previously.

8 step Kotter's change model also should not be used in non-profit organizations in its original shape. It has the following flaws:

- Top-down management

Objectives imposed by the board of management and lack of consultation among employees. In organizations where staff employees and volunteers are the main driving force, opinions and advice from the volunteers and basic employees should be seen as valuable and should be taken into consideration when planning changes.

- Needs of individuals recede into the background

Kotter does not mention about needs of individuals in his change management model. As similar to "top-down" management, organization non-profit should, when processing the change, take into consideration needs of individuals and try to take them into account during process change.

- Once the process of change starts, it is hard to change its direction.

Non-profit organizations, in order to satisfy various stakeholder groups must be able to frequently change its courses of action. The multistage Kotter's model, is not conducive to the speed and shape of the final in the course of the changes.

- The process of change takes too much time

In today's rapidly changing world companies must operate in the volatile and demanding market. Kotter's multistage change model, is not conducive to the introduction of rapid change, and does not allow to form process in the late stages. It is not able to move from one change to another in required fast pace.

#### **4. Conclusion**

It is not advisable to transfer directly change management models from commercial or government organizations to the third sector. The third sector and entities functioning within it are different so methods and management techniques should be accordingly adapted to their specific characteristics. Lewin's and Kotter's change models presented here do not take into account the specifics of the management and operation of non-profit organizations. The subject of the article has not been fully discussed and the author plans to continue the work and to develop a new model of change management that will contain all specific characteristics and issues that must be applied in change model for non-profit organizations.

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