Adaptive Leadership

Leaders have to do more than create, out of their inner theatre, a vision for the future that is in tune with the external environment. They must also articulate, share, and enact that vision by channeling the existing aggressive energy of their people outward; they must create an environment where this energy is not dissipated in internecine territorial battles and internal political games. The people in their organizations should be encouraged to fight the common enemy, the competition. Leaders should provide a focus for the task at hand. At the same time, emotional energy has to be inwardly generated. People have to be motivated and empowered. They should be encouraged to share their opinions, to engage in contrarian thinking. Last? but not least they should enjoy themselves at work; people should be able to have fun.

—Manfred F. R. Kets De Vries

Those who do not see money as a tool, but as an objective, will soon find themselves its tool.

—L. E. Modesitt, Jr.

Adaptive leadership is a very new concept in the study of leadership. The concept is so new that, in a search for the words adaptive leadership as a phrase or as separate words in an academic database, we found no mention of it until after 1989. In the 1990s, adaptive leadership was mentioned once as a phrase and 26 times as separate words in the body (see topic in Table 1 below) of academic articles. Since 2000, there has been more research done as evidenced by the use of the phrase in the title (10 times) and body (21 times) of academic articles.

However, in comparison to other leadership concepts, adaptive leadership is still a fledging concept with little academic research to support its usage and its validity. One author has suggested that...

1Kets De Vries (1993, pp. 175–176).

adaptive leadership is “leadership as a socially complex and adaptive process” (DeRue, 2011, p. 126). DeRue goes on to argue that adaptive leadership is about “leading and following as a complex adaptive process” (p. 126). The elements of this process are as follows:

- Conceptualizing leadership as a process of social interactions in which people participate in recurring leading–following interactions, and co-create relationships and identities as leaders and followers
- Realizing that while these relationships and identities are influenced by formal structures of authority, they are not entirely bounded by these structures in that leading–following interactions can influence one’s superiors, subordinates, and peers
- Over time, leading–following relationships and identities emerge through recurring interactions to develop structures of group-level leadership that span the spectrum from centralized leading–following to a shared pattern of leading–following
- These group-level leadership structures and patterns of interactions are able to evolve in a manner that allows groups to adjust and adapt while remaining viable in dynamic contexts (DeRue, 2011)

### Practicing Adaptive Leadership

While there has not been much academic research regarding adaptive leadership, Heifetz and his colleagues have written several practitioner articles (Heifetz & Laurie, 1997, 2003; Heifetz & Linsky, 2002a, 2004; Heifetz, Grashow, & Linsky, 2009a) and books (Heifetz, 1994; Heifetz & Linsky, 2002b; Heifetz, Grashow & Linsky, 2009b) that discuss the concept of adaptive leadership. In their book, Heifetz and colleagues (2009b) define adaptive leadership as “the practice of mobilizing people to tackle tough challenges and thrive” (p. 14). In addition, they argue that living systems that have successful adaptations are those that are able to take the best from their past into their future. Further, Heifetz and colleagues suggest that adaptive leadership

- is particularly about change that enhances the organization’s capacity to succeed and prosper by bringing together multiple stakeholder priorities;
- leads to successful adaptive changes that take advantage of previous wisdom and know-how by building on the past rather than getting rid of it;

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*As of July 2014.
is about having an experimental mind-set in order to lead adaptive change and improvisation while setting aside time and resources for future experiments;

- relies on diversity by building an organizational culture that values views that are different from each other while simultaneously relying less on the genius of the senior leadership team and a central planning process because senior leaders and central planning are more likely to lessen the odds of adaptive success;

- realizes that new adaptations will rearrange and displace some older DNA in a way that will lead many organizational members to feel a sense of loss, maybe even betrayal, and that necessary skills for adaptive leadership include the ability to identify those losses, their accompanying individual and organizational defense patterns, and the knowledge on how to counter these patterns; and

- recognizes that adaptation takes time and requires persistence, that major change is a result of incremental experimentation, that organizational culture is slow to change, and that practicing adaptive leadership means staying with it and being willing to “take the heat.”

**Adaptive Leadership: What Can the Military Tell Us?**

Useem (2010) offers four lessons in adaptive leadership based on what he and his colleagues have learned by bringing senior military leaders into his MBA classroom at Wharton. He suggests that these are essential for leadership in the military and in business organization. We would offer that the following four lessons also are necessary for those who lead nonprofit organizations:

- **Meet the troops.** Take the time to shake the hands of individuals and to look them in the eye. Take advantage of opportunities to connect with people who come from different backgrounds.

- **Make decisions.** Learn to quickly make effective decisions that build on the insights of those on the front lines. Useem advises: If you are 70 percent ready and you have 70 percent consensus, do something.

- **Focus on mission.** Put the mission first, the organization second and self-interest third. In our view, the prioritization of mission over margin3 is critically important for nonprofit and for-profit organizations as well as the military. There is a caveat: Without a margin, there will be no mission. Mission and margin are inextricably combined but mission needs to come first. As the second quote at the beginning this chapter suggested, use money as a tool, not as an objective. In addition, Useem argues that it is important not to let others falter as you thrive and to make this a priority as you make organizational interests your top priority.

- **Convey strategic intent.** Clearly expressing strategic intent is critical for achieving “the mission.” It is crucial for aligning organizational members. Useem further suggests that once the strategic intent is clear and people aligned, leaders need to allow organizational members to find their own way to achieve the mission by using their own creativity, resourcefulness, and originality.

**Leadership in the New Reality**

Heifetz and colleagues (2009a) argue that the economic crisis we have been going through in the past several years will only lead to a “permanent crisis of serious and unfamiliar challenges.” (p. 2). They

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3By *margin*, we mean profit margin (net income over sales) for for-profits and surplus margin (surplus over revenues) for nonprofits.
suggest that we will survive the crisis but that we need to “adapt to the uncertainties of a new reality in order to thrive” (p. 2).

These authors posit that there are two phases when engaged in crisis leadership. The first is the emergency phase when the leader has to buy time and stabilize the situation. The second is the adaptive phase when the leader has to begin to assess the latent causes of the crisis and develop the organizational ability to succeed and prosper in a new (permanent) reality given the latent causes. In this phase, the leader will face pressure from organizational members who need the leader to counter their anxieties by showing confidence and convincing certainty. In response to adaptive changes in behavior and work processes proposed by the leader, organizational members who were clamoring for certainty may even try to subvert the leader’s efforts. “Yet you still have to lead” (Heifetz et al., 2009a, p. 2).

Organizational leaders are, and will be, confronted with huge issues such as increasingly intense global competition, climate change, energy constraints, and a lack of political stability. In this context, leading–following will be difficult. Heifetz and colleagues (2009a) offer some principles to help.

**Hit the Reset Button**

There is a tendency to hunker down during a crisis. This is exemplified by plans to restructure, to make across-the-board cuts and layoffs, and to tighten financial controls. Leaders default to these familiar acts to enable their organizations to survive. Unfortunately, these actions only help the organization in the first phase discussed above but do nothing for the second phase. It may even lead organizational members to assume that the organization has recovered from the crisis and, consequently, see no need to engage in assessing the latent causes of the problem and to develop the organizational capability to prosper and thrive in the long term.

Those who engage in adaptive leadership will “hit the reset button.” They will use the crisis to take the best from the past and abandon what is no longer needed. They will change the nature and scope of the work that people engage in, restructure parts of the organization, and change rules and regulations for getting the job done. These actions will be done with empathy for the loss people will experience as the organization changes because adaptive leadership includes understanding that the help of people is needed to discover the road that the organization will need to follow in the future.

**Leadership Practices Conducive to Adaptation**

Most executives have reached their current leadership position by developing strong abilities in analytical problem solving, quick decision making, and setting a clear direction. While at times these skills will be appropriate, the adaptive phase of a crisis situation will require other leadership practices. In addition to excelling at what got them into a senior leadership position, leaders must be able to foster adaptation regarding what and how organizations get things done to prosper in the long term. Heifetz and colleagues (2009a) argue that this will require confronting loyalty to legacy practices, distinguishing what is important and crucial from what is expendable, and being willing to experiment.

In addition to fostering adaptation, adaptive leadership embraces disequilibrium in a way that keeps chaotic, confusing change productive, not destructive. To stay in the productive zone of disequilibrium requires a delicate touch on the thermostat, depersonalizing conflict and creating a culture of courageous conversations. Too much heat and members will hunker down; too little heat and members will have little urgency to change. Conflict that is personal will be destructive. Conflict
about issues is crucial. Encouraging conversation and discussion about the nasty, difficult topics; listening to disenfranchised voices; and developing an atmosphere that welcomes candor and risk-taking takes courage but is necessary for adaptive leadership to work.

Further, adaptive leadership adopts practices that develop leadership throughout the organization. This means distributing leadership responsibilities, engaging as many people as possible in generating solutions, and leveraging diversity.

Finally, adaptive leadership means that you take care of yourself physically and emotionally. This is crucial to successful adaptive leadership. Heifetz and colleagues (2009a) give five suggestions. First, they suggest giving yourself permission to be realistic and optimistic. You need optimism to keep being realistic from turning into cynicism; you need to be realistic to keep optimism from devolving into denial.

Second, they recommend finding a refuge or haven where reflection is possible and perspective can be regained. It is necessary to remove yourself from the situation and rethink the pressure you may be putting on yourself and on your organization. They offer these questions:

Am I pushing too hard? Am I at risk of grinding people into the ground, including myself? Do I fully appreciate the sacrifices I’m asking people to make? (Heifetz et al., 2009a, p. 7)

The following quote from Steven J. Ross, former chairman and co-CEO of Time Warner, illustrates this principle:

There are three categories of people—the person who goes into the office, puts his feet up on his desk, and dreams for 12 hours; the person who arrives at 5 a.m. and works for 16 hours, never once stopping to dream; and the person who puts his feet up, dreams for one hour, then does something about those dreams. (in Loeb, 1993, p. 4)

Adaptive leadership is about dreaming and then working proportionately longer to achieve that dream.

Third, have a confidant—someone you do not work with but someone with whom you can share your day and with whom you can discuss how you did things, along with why you did them. Your confidant should care more about you than about the issues involved.

Fourth, let your followers see more of your emotional side. Balance this emotion with poise. Let your followers know that although you are expressing some emotion the situation is not “out of hand.” The first author of this book found that anger expressed at someone external to his unit but contained with respect to those within his unit achieved this balance.

Finally, do not let your role define who you are, or “don’t lose yourself in your role” (Heifetz et al., 2009a, p. 7). Be who you are based on your life experiences, your reflection about these life experiences, and thoughtful acceptance of who you are given these life experiences. Be a part of, but separate from, your organization (Zaleznik, 1977). If you are dependent on your organizational role for your sense of who you are, any significant changes in the organization, especially if you disagree with those changes, will rip you apart (Rowe, 2001).

References


The Cases

ReedTrek Manufacturing (A)

The newly promoted international operations director for ReedTrek Manufacturing is trying to diagnose the issues at his company's underperforming China plant. While the operations director originally believed the loss-making operations suffered from technical issues, his visit to the plant suggests to him that there are leadership and management issues.

Carmichael Outreach: A New Leader Takes Charge

The new executive director is reflecting on her first two months at Carmichael Outreach, a nonprofit organization that helps homeless people and others in need in Regina, Saskatchewan. She has already identified several risks to staff and client safety but must also address longer-term issues. Many believe the organization should do more to address the city's chronic shortage of safe and affordable housing. Although clients, volunteers, staff, and the board of directors expect her to develop and express her longer-term vision for Carmichael Outreach, she also needs to manage the day-to-day operations, which include ensuring the safety of clients and staff.

The Reading

Leadership Perfected: Leading From the Whole You

Previous decades were characterized by relative stability and predictable economic growth. But in the new climate of volatility, unpredictability, complexity, and ambiguity, leaders must accept imperfection and uncertainty. Rather than respond to new situations according to scripts, expectations, and external standards, leaders should exercise self-awareness, creativity, and improvisation. Leadership is
defined not by creating perfect plans, but by responding to unscheduled events and learning from them. As this article suggests, leaders must prepare themselves by accurately perceiving their unique mix of talents and flaws. Only then can they effectively leverage their ability to lead and move past conformity and the projection of superficial strength.

**ReedTrek Manufacturing (A)**

Ken Mark

*Ken Mark wrote this case under the supervision of Professor Jane M. Howell solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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**Introduction**

As he sat in a car on his way to the ReedTrek Manufacturing (ReedTrek) plant in Shenzhen, China, Zakaria Shirazi, the company’s new director of operations, noticed that he was caught in one of the city’s frequent traffic jams. It was October 24, 2012, and Shirazi's task for the next three days was to assess the situation at ReedTrek's Shenzhen plant, which was experiencing yet another decline in performance.

Remarking that traffic had not moved more than a few car lengths in the past five minutes, Shirazi leaned forward and asked the driver to take a longer but less congested route, and then settled back to review his notes for the meeting. Shirazi was on his way to his first assignment as international operations director, and he wanted to find the best way to get to the root of the quality and delivery issues at the Shenzhen plant, which had been set up in late 2005. In Shirazi's experience, it was not unusual to see technical issues emerge now and then. Although he had been consulted during the initial set-up of the Shenzhen plant, he had not worked directly with anyone at the plant, nor did he have any working relationships with plant management. He wondered how best to use his time over the next three days.

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**ReedTrek Manufacturing**

In 1962, after graduating from the University of Virginia with a degree in chemical engineering, Jeremy Reed had joined a large U.S. chemical supply firm. After two years in his position as production assistant, Reed left the company to found ReedTrek Supply, which sourced and sold plastic pellets to the consumer packaged goods industry. He soon found that buying and selling raw plastic was a price-driven industry with few opportunities to differentiate one competitor from the next.

On several customer site visits, Reed had observed that the fabrication equipment—plastic extruders (involved in the melting of pellets) and thermoformers (used to mould melted plastic into usable parts)—emitted a great deal of heat, which often made working conditions unbearable in the hot summers. Through his research, Reed discovered that industrial cooling technology was still in its infancy, and an innovative firm could have an impact on what was estimated to be a rapidly growing niche. Even better,
Reed was interested in the opportunity to earn margins higher than could be earned as a wholesaler of commodities. He renamed his firm ReedTrek Manufacturing, sold off the wholesaling business and reinvested the proceeds. It took Reed a year and a half to find his first customer, a cousin on his father’s side who owned a bottling operation. Reed’s innovative industrial cooling equipment—built by extensively modifying what was available at the time—achieved a 20 per cent savings in electricity costs over his closest competitors.

ReedTrek Manufacturing grew rapidly on the back of the consumption boom of the 1960s. From one 50,000-square-foot plant in the suburbs of Richmond, Virginia, ReedTrek had grown to add three plants in neighbouring North Carolina between 1967 and 1972. The economic downturn brought on by the oil shock that began in 1973 affected sales, as manufacturing plants across the nation pulled back their spending on capital equipment. Reed had to manage expenses closely both to service the debt taken on during ReedTrek’s expansion phase and to lower prices to match competitive bids. Despite his best efforts, he was forced to shutter the third and newest plant in 1977, writing down $15 million in costs. At one point, he took out a second mortgage on his house, cancelled family vacations and sold two of his three cars.

This period of austerity had a strong influence on Reed’s outlook and values. While he might have been ambitious, risk-taking and growth-orientated in the past, he became more cautious, more deliberate and lowered his appetite for risk. He became very hesitant to rely on debt, insisting on paying cash for goods and services and using as little leverage as possible. ReedTrek returned to growth in the late 1970s, and both of the firm’s two plants doubled in size by the end of the 1980s. Reed kept tight control over expenses and rewarded managers for growing profits as their first priority. In 1989, ReedTrek generated $6 million in net income from $40 million in sales, making it one of the most efficient plants in the United States. Reed did not publicize the success of his operation, preferring to keep business matters private. He rarely gave interviews, politely telling local reporters that he would rather see stories written about his employees than about ReedTrek. He did not display his wealth openly, continuing to drive the same Buick Electra he had purchased in 1964, and living with his family in the same, small house in Chesterfield, Virginia.

Reed’s son, Marcus, graduated from University of California Berkeley in Accounting in 1985 and joined his father’s firm as assistant comptroller. With his business training and acumen, Marcus had a significant impact on the firm. He approached issues in an analytical fashion, gathering facts and opinions before making careful decisions. Marcus was soft spoken but firm and stood his ground on issues. Because he recognized that his work colleagues saw him as being different because he was the owner’s son, he was determined to prove his worth by delivering results. In the accounting department, Marcus was typically the first to arrive and the last to leave. His drive to succeed on his own merit was evident, earning him the respect of his peers. Marcus was promoted to plant manager in 1990 and then to operations manager in 1993.

Marcus convinced his father to expand to four plants, the newest two in Texas, where the population was growing the fastest. By 2002, Marcus was promoted to chief executive officer (CEO) of ReedTrek when his father retired from the business. The company continued growing its innovative line of standard and custom industrial cooling products, reaching sales of $200 million1 in 2005. See Exhibit 1 for the ReedTrek Manufacturing’s organization chart.

**Plant Number 5 – Shenzhen, China**

From 1996 to 2000, Marcus and his senior management team—the four plant managers—had been tracking the development opportunities in

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1All currency amounts shown are in U.S. dollars unless otherwise noted.
North America, Europe and Asia. It became clear that a significant portion of North America's industrial base had moved or was planning to move to Asia, especially, China. ReedTrek needed to have some presence in the region if it wanted to continue to be known as one of the top mid-sized industrial cooling specialists. After an internal feasibility study, a decision was made to build a plant in Shenzhen, China in 2001. The necessary funds for the expansion had been put aside and were about to be allocated when the economic downturn—sparked by the dotcom crash—began to have an effect in 2001. But by then, the land for the plant had been purchased and a foundation had been built. The China plans were shelved and the land was sold as ReedTrek struggled to deal with a large percentage of cancelled orders from its North American customers.

Although the firm was well-capitalized (it had virtually no long-term debt), Marcus was taking no chances. Non-essential spending was reduced, and, at one point, the firm was even looking to service its China-based customers from the United States. A turnaround in sentiment came in late 2003 when it became clear that the worst of the crisis was over. The China expansion plan moved forward in 2004, and the ReedTrek team spent most of 2005 building and staffing the plant, which was located one hour from the centre of Shenzhen. A dedicated sales team started to generate orders, and the plant was opened in December 2005.

**Setting Up Shenzhen**

ReedTrek's strategy for opening the Shenzhen plant was the same strategy it had used to open its third and fourth plants. A two-year-old facility was found and purchased, and a team of 20 ReedTrek employees drawn from its four plants were tasked with hiring and training a staff of 300 for the new plant. This core group of ReedTrek employees was expected to stay on the ground until local talent could replace them. Over the next few years, local staff would be trained to take over the leadership roles.

ReedTrek anticipated that the last of the expatriates would return to the United States by the fifth year after start-up.

To ensure the plant would be up and running as soon as possible, newly hired Chinese line workers were trained onsite, working alongside their American counterparts for the first three months after the opening. Most of the employees had prior manufacturing experience, and some had previously worked for foreign-owned manufacturers. Close supervision for the first three months was vital because of the complex manufacturing process used to create each ReedTrek industrial cooling package. As every component was customized to the factory in which it would be installed, a high skill level was required to manage the various customer specifications. One-third of the line workers were engineers and the rest were general labourers. About half of the manufacturing process was manual, requiring line workers to combine parts from suppliers, build custom casings onsite, and assemble and test the equipment before it could be shipped to customers.

Managing this workforce of about 300 was a group of nine executives, including a general manager in charge of the plant, a production manager, an engineering manager, a secondary operations manager, a materials/purchasing manager, a sales manager, a quality manager, a human resources manager and a controller. The Shenzhen plant’s organization chart can be seen in Exhibit 2. All plant managers reported to Shirazi, the director of operations.

ReedTrek’s primary concern with any new plant was having a cadre of people it could trust to manage the new facility. The general manager, production manager and engineering Manager were from the United States, and the rest of the management team were Chinese nationals.

The next management layer, of approximately 20 supervisors, some of whom were engineers, was hired with the assistance of a recruiting firm in Shenzhen, and all spoke English at a proficient level. Knowledge of English was essential, as ReedTrek often coordinated its manufacturing across the various plants.
Marcus was keen to send some manufacturing business to Shenzhen to help get it started.

The Chinese supervisors spent two months in Virginia and North Carolina in training sessions with Marcus and his senior management team. They learned about ReedTrek’s company culture, worked in the plants and developed strategies to tackle the Chinese market. When the supervisors returned to China, their focus for 2006 to 2008 would be on developing business with the foreign-owned manufacturers which were setting up in Shenzhen and Dongguan.

The Shenzhen Plant, 2006 to 2012

Growth came more slowly than expected: ReedTrek’s Shenzhen plant reached 50 per cent of capacity by 2006 and only 60 per cent of capacity by 2007, as a result of lacklustre demand from customers. As the break-even point was approximately 80 per cent of capacity, ReedTrek’s owners—Jeremy and Marcus Reed—were concerned that the new Chinese plant was losing money. The ample capacity had partly resulted from ReedTrek having purchased a larger facility than it had originally anticipated acquiring. ReedTrek had expected that orders would fill the factory by the second year of operations.

Marcus travelled to China twice a year to visit the plant and to meet with the management team. For the rest of the year, the plant worked with their counterparts in Virginia and North Carolina to resolve issues and to coordinate their efforts. In 2008, Marcus commented that the China expansion was proceeding far less smoothly than he had forecasted, and he estimated that the factory would achieve break-even by 2012. In the meantime, the Shenzhen management team was directed to keep revenues growing faster than expenses.

In 2008, the global financial crisis hit, affecting manufacturers. In a replay of the downturn in 2002, customers cut back their orders. Although the order book returned to growth in 2009 and 2010, Marcus was concerned that expenses were rising faster than revenues. After an investigation, he discovered that Shenzhen’s general manager, William McLean, had added another layer of middle managers in anticipation of further growth. Prior to joining ReedTrek in 2005, McLean had spent 20 years at a major U.S. tier-one automotive parts manufacturer. As the vice president of the engine assembly division, he had grown accustomed to delegating tasks to his direct reports. It seemed that he was intent on building a similar top-heavy structure at the Shenzhen plant. McLean had 15 direct reports, up from just seven when the plant was commissioned. McLean was in the plant at least four days a week and worked from his Hong Kong residence on Friday.

He was known to be a strategic thinker and a visionary leader, who favoured a hands-off management style, delegating responsibilities to his direct reports and receiving updates every month. He was well-liked by his team in China and was given high marks by ReedTrek for his business acumen and ability to develop strategic plans. McLean did not, however, have a technical background and relied on his engineers to diagnose and correct process- or technology-related issues. The atmosphere in the plant was relaxed, receiving little direction from McLean.

At the start of 2011, frustrated by the lack of progress in China, ReedTrek’s management team decided to give McLean one last chance to turn the Shenzhen plant around. The losses continued to increase. After months of insisting that a turnaround plan was in place, in September 2011, McLean and the Shenzhen plant’s engineering manager left ReedTrek for another opportunity in the United States, saying they wanted to return home to be closer to their families. While Marcus and his team searched for a new general manager, the production manager was promoted temporarily to interim general manager for a three-month term.

After interviewing 25 candidates, the top two candidates were Tan Ming and Li Jianshen. Tan Ming was from Guangzhou, had been educated in Hong Kong and had worked for both Chinese automotive firms and foreign...
manufacturers. A business graduate, Tan was polished, spoke Mandarin, Cantonese and English, and seemed at ease during his interviews with ReedTrek.

Li was a Chinese national from Beijing in his late 40s. He had attended a prestigious Beijing university, had graduated with a degree in Engineering and had spent two summers abroad in Boston, studying economics at Northeastern University. Li had worked in the maintenance department for a prominent Chinese automotive manufacturer. Most recently, he had been the plant manager for a stamping company in Dongguan. In contrast to Tan, Li was technically trained but less polished. Li spoke Mandarin and had a working knowledge of English. Whereas Tan had worn a business suit to his interviews, Li had shown up dressed in a blue work shirt and slacks.

Marcus and his team wanted to be very selective in their hiring of the next general manager. They believed that the Shenzhen plant needed an aggressive, take-charge leader who executed well. Since they had been disappointed with the performance of the previous general manager, who had been a corporate, business-trained person, they were inclined to hire Li over Tan. Marcus wanted to check Li’s progress closely. In addition to engaging Li in weekly conference calls, Marcus had a trusted finance manager in the Shenzhen plant, who could monitor the business. Li was hired as plant manager of the Shenzhen plant on November 22, 2011, and he began work the next day.

For the first three months of 2012, the Shenzhen plant seemed to turn around, recording higher productivity levels than had previously been achieved. In Li’s first month on the job, he implemented several initiatives to improve quality and productivity. He launched a version of the Toyota Production System in an attempt to instill continuous improvement in operations. He called for daily morning management meetings. He insisted that each line work toward “zero waste and zero customer complaints” within three months. To track progress, he posted these programs on the factory walls and assigned a supervisor to track the plant’s progress using detailed metrics.

However, starting in April 2012, Marcus noticed delivery and quality issues starting to emerge. Orders were being delivered two or three days later than expected. Customer returns doubled to three per cent of sales. Marcus rescheduled his trip to China from June to May and spent an extra two days in Shenzhen meeting with Li. The issue, Li pointed out to Marcus, was due to the need to retrain workers because the employee turnover rate, which was 15 per cent in 2011, was moving towards 35 to 40 per cent. Li assured Marcus that everything was being done to ensure that employees were trained. He suggested that the plant would need another two months to return itself to growth. Li also mentioned some infighting among the company’s various departments, but reassured Marcus that he was coaching them to work better together.

Marcus’s trip to China was expected to be his last regularly scheduled trip, as he had decided to put in place another management layer—an operations director—between the plant managers and himself. This operations director, who needed a strong technical background, would be expected to travel regularly between the five plants to diagnose and assist in fixing any operations issues that arose. Zakaria Shirazi, who had been with ReedTrek for six years, was promoted to international operations director in October 2012. A key part of Shirazi’s task was to investigate why the Shenzhen plant was underperforming.

**Zakaria Shirazi**

Shirazi, who had an engineering degree and an MBA from a prominent Canadian school, had started his career working in its technical department at General Motors (GM) in Canada. He was transferred to GM’s China joint venture in 2002 and had been part of its team
implementing new process definitions to boost productivity. He became senior technical director in 2004. Due to his expertise in technical processes and process improvement, Shirazi was hired by ReedTrek in 2006 to work at its North Carolina plant. Marcus was involved in his hire and had envisioned putting in place a technical team to improve productivity across ReedTrek. During Shenzhen's start-up, Shirazi was involved in overseeing the transfer of knowledge from his staff to the plant employees. In October 2012, Shirazi was informed that he would have new responsibilities at ReedTrek as director of operations. He would be overseeing all manufacturing operations across the five plants and would be involved in rolling out a new enterprise resource planning (ERP) tool in 2013. His first task was to work with the Shenzhen plant to resolve the technical issues and to stabilize the situation. After congratulating him on his appointment, Marcus wasted no time in informing him about the challenges facing the Shenzhen plant. By September 2012, the situation at Shenzhen had worsened, with the plant's losses trending toward
15 per cent per year, compared with 10 per cent in 2011. The number of customer complaints had increased to 25 incidents in August and returns had climbed to five per cent of sales.

Marcus seemed to be on the telephone with the managers at the Shenzhen plant at least three times a week, and he was becoming frustrated with the situation. The plant had numerous production-related issues, but Marcus and Li were having a tough time trying to narrow down the causes.

Shirazi reviewed the list of employees at the Shenzhen plant and found that only 10 per cent of current employees had been with the company since 2005. He saw that three out of the five initial management hires were still with the plant. Shirazi booked a flight for China and spent the remainder of the week visiting the other four ReedTrek plants to introduce himself. On his first day, he would meet with Li at 9 a.m. He was hoping to later meet with the other members of the management team. Shirazi had two issues on his mind. First, he needed to quickly build credibility with Li and the rest of the management team so he could analyse the situation. Second, he needed to know how best to gather the information he was seeking. As he did not know what the issues were, he wondered where to start.

Carmichael Outreach: A New Leader Takes Charge

Sean Tucker and W. Glenn Rowe wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

As Danielle Goulden entered her office, she reflected on her first two months as executive director at Carmichael Outreach (Carmichael), a nonprofit organization that helped homeless people and others in need in Regina, Saskatchewan. She had officially become the executive director on September 1, 2012, after having shadowed her predecessor, Shawn Fraser, for the month of August. Carmichael faced several immediate and longer-term challenges. During Goulden’s short tenure, she had been threatened with violence, had identified clients on the premises who were seriously intoxicated, had seen pimps in the public coffee room and was aware that injection drugs were being used outside the building on Carmichael’s property. She had also determined that someone was stealing food and other materials, and she was aware of concerns that none of the volunteers had been cleared through a criminal background check. Shortly after taking over, she had been told by a prominent member of the community that Carmichael was known as “the anything goes place.”

Goulden knew that structures and policies were needed to ensure the safety and security of Carmichael’s staff and clients. She was also concerned about the relatively low wages paid to staff. The longer-term issues facing Carmichael were no less critical. Many associated with Carmichael considered that the organization should be doing more to assist members of the Regina community who were in need. In particular, many wanted Carmichael to address Regina’s chronic shortage of safe and affordable housing. However, at the same time, many were mindful that any future growth must be sustainable lest Carmichael compromise its ability to respond quickly and effectively to its clients who had the most desperate needs.
Carmichael Outreach

Carmichael Outreach (www.carmichaeloutreach.org) was a small nonprofit organization (NPO) that offered programs to support the needs of homeless people and other marginalized individuals in Regina, Saskatchewan. It was established in 1988 by a group from the Carmichael United Church congregation. Initially, the group had collected used clothing and distributed it at no cost to the recipients, residents of Regina who were in need. Later, other services were offered, including a small food bank, an emergency food service and, eventually, an after-school program for children. In 1995, the congregation disbanded and the church property was sold. The money from the sale was used to support Carmichael Outreach. In 2001, two significant events occurred. First, Carmichael moved to its current location on the east side of downtown Regina (see Exhibit 1). Second, the formal tie between Carmichael and the United Church of Canada was discontinued.

Currently, the organization functioned as the last line of hope for people in need. This role was central to Carmichael’s mission (see Exhibit 2). Carmichael served individuals experiencing trauma, afflictions, mental illness and an absence of family and other social support. A large majority of Carmichael’s clients were Aboriginal peoples. The organization’s philosophy differed from the charity model whereby one side gives and one receives. At Carmichael, the people who received also gave back by volunteering or working part-time at Carmichael.

For the first 15 or so years, George Palmer served as Carmichael’s executive director. After he retired, his replacement did not work out. The next executive director also had a short tenure. In July 2009, Shawn Fraser became Carmichael’s executive director. Almost immediately after accepting his new position, he went on his honeymoon. While he was away, the Carmichael board of directors debated a motion to dissolve the organization, due to inadequate funding, understaffing and other organizational challenges (e.g., the lack of stable leadership). Fortunately, for Fraser and Carmichael, the vote failed, 3 to 4. The directors who had supported ending operations resigned from the board. The remaining board members agreed that the next executive director needed to work out or Carmichael would be closed. Twenty-seven-year-old Shawn Fraser accepted the challenge.

With some experience working for several nonprofits in Canada and abroad, Fraser set out to stabilize the organization. In many ways, his experiences and traits were well suited to the situation he inherited. He enjoyed multi-tasking and organizing and had been taught by his parents to be frugal.

Shawn Fraser’s Three Years

Immediately, Fraser addressed three areas. First, he started with the organization’s shaky finances. In his first year, he conserved capital and, subsequently, he established a reserve fund and obtained half of Carmichael’s operating budget from stable sources. Second, Fraser worked with the board of directors to improve the governance of the organization and recruit new board members. A former board chair noted that Fraser had a lot of influence in board discussions, even though, according to the organization’s bylaws, the executive director did not have a vote in board decisions.

Third, Fraser addressed the organization’s understaffing. As Carmichael’s finances began to improve, Fraser hired additional staff. He hired good people, some of whom he knew well. His philosophy was to give them autonomy and to empower them to do their jobs without undue supervision. In practice, he defined half of each employee’s job and then allowed each employee to define the other half.

During Fraser’s tenure, Carmichael’s net worth (total assets minus liabilities) and its revenues increased significantly. Net worth increased from $55,073 in 2009 to $127,620 in
2012 (see Exhibit 3). Revenue went from $169,914 in 2009 to $400,668 in 2012 (see Exhibit 4). One of his early goals was to have staff positions funded by stable core funding not grants and other unpredictable sources. Donations to Carmichael's annual Christmas appeal—which, during December 2011, involved dropping 15,000 requests into mailboxes in the city—had grown from $25,000 in 2008 to $63,000 in 2011. Carmichael applied twice to United Way Regina for funding and was granted $25,000 in 2012. However, this grant and a one-time amount of $10,000 were declined by Carmichael because Carmichael's Christmas appeal sought unsolicited donations, which United Way Regina did not permit.1

Carmichael had developed a solid reputation in the community, which was reflected in the growth of monetary and other donations (see Exhibit 4) and in the interest from those wanting to work in the organization. For example, undergraduate students from the University of Regina learned about homelessness from tours of Carmichael's facility and from guest lectures by Carmichael staff. Other students were involved actively in fundraising campaigns for Carmichael, and some undergraduate students had taken internship positions at Carmichael. Community members showed a strong interest in serving on the board of directors and in other volunteer positions. In 2011, nearly 100 volunteers donated 5,000 hours to Carmichael's programs. Despite its successes, the volunteer program offered no procedure for becoming a volunteer. There was no information packet, no requirement to submit a resume and no requirement for a criminal background check.

In March 2011, Carmichael received a Torch Award from the Saskatchewan Better Business Bureau. This award was given annually to one nonprofit organization in the province of Saskatchewan that “actively demonstrate[s] leadership in ethical business practices in their day to day business operations through the actions of their employees in striving for service excellence.”

As mentioned, job vacancies attracted considerable interest. Forty-nine people had applied for the position of community outreach coordinator, several of whom were highly-qualified applicants. In addition, Goulden had been one of 35 candidates who had applied for the position of executive director. This eagerness to work at Carmichael reflected the organization's standing in the community and was all the more impressive given the relatively low salaries offered.

Fraser's vision and strategic priorities for Carmichael stemmed from the needs of the clients. Carmichael adapted quickly to situations: at times, its activities might have seemed like chaos to an outsider. Because of this approach, Carmichael was known for being responsive to the immediate needs of the people it served.

Carmichael employed five full-time and 12 part-time staff. Employees “identified lots with Carmichael” and had a “huge buy in with what Carmichael does.” Commitment at Carmichael was very high despite the difficult nature of the work. Eight clients had died between 2010 and 2011, and one staff member had been familiar with a client who committed suicide by hanging himself. Others said that working at Carmichael was like being a part of a family and described it as a healthy work environment despite the emotional and psychological demands.

In July 2012, Fraser wrote the following note to Carmichael's staff and board members:

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1The United Way Regina allowed its partners to engage in fundraising using donor mailing lists. Thus, Carmichael had the option of using its recent mailing list for fundraising purposes, while accepting funding from the United Way. However, the mailing lists required updating and tended to become out of date in two or three years.

Dear Friends: It was three years ago today that I started as the Executive Director of Carmichael Outreach. Little did I know at the time that this would turn out to be the best job I’ve ever had. And now my time with Carmichael Outreach is coming to a close.

Fraser left Carmichael to spend more time with his family and was considering other roles in the community that would allow him to address the issues that mattered to him.³

Carmichael Outreach offered 19 programs and services to individuals and families in the surrounding community (see Exhibit 5). Some programs were funded from general donations, while others were supported by targeted grants. The four main services were needle exchange, used clothing, food recovery and housing referral. Exhibit 1 shows Carmichael’s location in Regina, its services and the location of other organizations that offered similar and complementary services. Carmichael was unique in that it was a non-faith-based organization, having severed its connection with the United Church.

Needle Exchange

The Regina Qu’Appelle Health Region (Health Region) operated one of its five needle exchange locations out of a dedicated room in Carmichael’s building with a Health Region employee administering the program. The needle exchange program helped reduce the spread of hepatitis C and HIV/AIDS, which were on the rise in Saskatchewan. In 2011, 625,000 needles were exchanged at Carmichael (out of a total of 1.8 million needles exchanged across the five locations), a 25 per cent increase since 2010. The program had a 94 per cent return rate, which was considered high, leading a 2008 government report to describe the program as effective. However, a concern was voiced whether government funding for the program would continue, given its lack of support among some members of the public. Carmichael did not charge the Health Region rent for using the dedicated room.

Used Clothing

Carmichael accepted donations of clean used clothing, which it offered at no charge to clients. The clothing was sorted by volunteers and stored in a room on the main floor. In practice, Carmichael did not advertise for people to donate used clothing, due to its lack of space for storing and displaying the clothes. However, during times of shortage of specific items (e.g., children’s winter clothing), staff and volunteers organized clothing drives for the needed items.

Food Recovery

Carmichael ran a food recovery program that was allowed under Saskatchewan’s The Donation of Food Act (see Exhibit 6). This act allowed individuals and organizations to donate perishable food without liability. In a small kitchen, Carmichael volunteers processed the donated food into free take-away lunch packages during weekdays. The suppliers of the food, more than 20 small restaurants and grocery stores, received a tax receipt in return for their donations. In 2011, 28,286 meals were given away.

While other organizations offered free meals to those in need (e.g., Souls Harbour offered a daily supper), Carmichael was unique in several ways: the food could be taken away, Carmichael was centrally located and it was a non-faith-based NPO. Unfortunately, Carmichael had no capacity to expand this service because it lacked the space.

³In November 2012, Fraser was elected to the Regina City Council.
Housing Referral

Spurred by strong economic growth, Regina’s population had increased by 8 per cent between 2006 and 2011, and was expected to continue increasing. This population increase had led to an increase in housing prices (110 per cent increase between 2006 and 2011), the conversion of apartments to condominiums (leading to a decline in the supply of rental units) and new residential construction that was unable to keep up with demand. The resulting shortage of rental housing had led to Regina having the lowest vacancy rate in Canada in 2009, 2011, and 2012, according to the Canada Mortgage and Housing Corporation. Monthly rents had risen to unprecedented levels due to limited supply. During 2011, the Regina Housing Authority, a city-owned and -operated housing organization, had 400 people on its waiting list for rental accommodation, and larger property management companies had waiting lists of up to 700 people. These lengthy waiting lists translated into wait times of between two and three months for accommodation.

While many residents of Regina had the means to adjust to the changing rental market conditions, many others did not. By conservative estimates, between 2,600 and 3,600 individuals used a shelter at least once per year.

To address these housing issues, Carmichael’s housing coordinator had three primary areas of responsibility. First, Carmichael provided basic housing help with finding a bed in a shelter or longer-term rental accommodation. Carmichael also maintained and made available to its clients online and printed lists of available rental accommodations. Clients could also receive assistance with completing rental applications. Some clients needed intensive help, such as transportation to view properties, assistance with financial records and damage deposits, and assistance with developing a list of references.

The second part of the housing coordinator’s job involved conducting a pilot project for the Health Region as part of an HIV strategy. This fee-for-service project involved Carmichael assisting people who were living with HIV to find suitable housing. Evidence suggested that people with HIV experienced improved health outcomes if they had access to good-quality living conditions.

Finally, the housing coordinator position involved conducting advocacy work for clients who were being evicted or had been blacklisted by landlords. Closely related to this work were the general lobbying efforts for more safe and affordable housing in the city. Media reports of the housing shortage had increased in recent years. For example, one high-profile story in 2010 had described people living in an office building, which was an illegal form of housing.

Fraser and Alaina Harrison, the housing coordinator, had issued press releases to attract media attention to the plight of the homeless in Regina and, in the fall of 2011, Carmichael produced a video chronicling the problem with the views of both tenants and landlords. Although these efforts had helped to raise public awareness of the housing problems in the city and had raised the profile of Carmichael’s work, many wanted Carmichael to take on a bigger role in addressing the housing crisis.

Strategic Planning and the Growth Paradox

Starting in 2010 and continuing into 2012, Fraser and the members of the board of directors engaged in strategic planning, at times with
the assistance of an outside consultant. Through this process, eight broad objectives were established:

1. Long-term sustainable funding
2. Comprehensive staffing plan
3. Building the board to achieve capacity and continuity
4. Effective public brand and reputation
5. Expanding network of partnerships
6. Larger staff and facility expansion
7. Major public voice influencing public and private sectors on behalf of clients
8. Expanding services

Although progress had been made in each of these areas, questions remained about the nature and scope of Carmichael’s role in the community. The key question was whether Carmichael should maintain its current size and program offerings, grow its current activities or expand into a new area.

Carmichael’s guiding philosophy was to adapt to address issues in the community; at this time, the most pressing issue facing its clients was the acute shortage of safe and affordable housing. Expansion was most frequently discussed in terms of the “Housing First” model.

Developed in the United States, the Housing First model focused on helping clients find and stay in permanent housing. From this perspective, securing housing was considered to be the critical first step in assisting clients with treatment for drug addiction, mental health issues, and other health and social issues. According to the rationale, community support organizations cannot provide treatment and support to individuals in a cost-effective manner when clients lack basic shelter. Housing First had been shown to be effective in some U.S. locations, and evidence suggested that such an approach might be cost effective in Canada. A 2005 study found that providing housing with support was the lowest cost approach:

- Institutional responses (prison/detention and psychiatric hospitals): $66,000 to $120,000;
- Emergency shelters (cross section of youth, men’s women’s, family and victims of violence): $13,000 to $42,000;
- Supportive and transitional housing: $13,000 to $18,000; and
- Affordable housing without supports (singles and family): $5,000 to $8,000.6

Currently, the Housing First model was the subject of a large-scale evaluation study, involving up to 1,300 clients in five Canadian cities.7 Final results from the At Home project, as it was known, would not be known until late 2013; however, the initial findings were promising.

Several fee-for-service housing support programming approaches were possible at Carmichael. First, Carmichael could bid on government contracts and offer a custom housing support program to help settle clients into rental accommodation. Carmichael could also develop the program using its knowledge from working with clients to select those people who were most likely to stay in housing and provide them support and training (e.g., cooking and laundry skills). Similarly, Carmichael could develop a partnership model with landlords to support at-risk clients to stay in permanent housing. In essence, Carmichael would act as a broker.

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between clients and private landlords. Third, Carmichael could develop partnerships with other organizations and acquire and manage affordable housing while also offering support services. One possibility would be to own and manage co-operative housing. Finally, the most capital-intensive and vertically integrated option would involve Carmichael building and managing housing.

In all of these options, Carmichael would face financial, staffing and other internal challenges. First, the costs of providing housing support services were difficult to estimate, given the unique needs of clients and the lack of experience in costing such activities. Second, Carmichael lacked the knowledge, expertise and personnel to act in a property management capacity. Assisting and advocating on behalf of a tenant was one thing, but it was another thing to act as a property manager. In fact, these roles could be incompatible. Carmichael was also limited by the size of its building, which was currently at capacity. To offer housing support services would require a physical expansion or the acquisition of a new building. Both options would necessitate a capital campaign that could take resources away from core programs and disrupt the operation of those programs.

A key consideration was how to fund growth. Recently, stable funding from the United Way Regina was declined because Carmichael would have been required to discontinue its successful unsolicited Christmas fundraising campaign. In the past, the board had discussed additional sources of earned revenue, for example, by charging a nominal price for meals and clothing. The consensus had been that charging for these services would be inconsistent with Carmichael’s mission.

More generally, many had voiced concerns that physical and operational expansion would cause Carmichael to become bureaucratic and lose sight of its core mission. There was apprehension that growth would change the organization’s culture and lead it to become impersonal to clients, volunteers and staff. A benefit of remaining small and maintaining its current state was that the organization would continue to be able to respond quickly to the needs of clients. Others wondered that Carmichael would grow simply for the sake of growth. One staff member described the dilemma facing Carmichael this way: “Our current location is good and the current building attracts people but people expect us to grow.”

In addition to deciding whether, and how, Carmichael would expand, was the question of whether to revisit the strategic planning and organizational goals given Fraser’s departure. By all accounts, he had much influence on both the board and staff. In particular, Fraser had driven the discussion of Carmichael expanding into housing support.

**Goulden’s Background**

Goulden’s educational and work experience had prepared her for managing many of the short- and long-term challenges facing Carmichael Outreach. Prior to joining Carmichael, she had been a volunteer coordinator, and before that, she had spent more than two years working as a resident manager and counsellor at My Aunt’s Place, a shelter for women and children funded by the Regina YMCA. In these roles, Goulden had supervised staff, developed strategy and policies, managed budgets, offered housing and employment support to clients, and engaged in advocacy. She had also held a research assistant position related to studying homelessness in Regina. Goulden believed that Carmichael was an invaluable agency in the community for addressing service gaps. In particular, Goulden believed that Carmichael could act as a catalyst for taking action on homelessness in Regina. Prior to taking the executive director’s role, she believed that Carmichael was at its next crossroads, and the position was an opportunity to take the organization farther by expanding programming, developing new partnerships and implementing plans for a new building.
Conclusion

Goulden and Carmichael faced several immediate challenges. She needed to reconcile Carmichael’s culture of openness and dedication to serving those in the most need without prejudice with her responsibility for ensuring the safety of Carmichael’s staff and clients. Goulden knew that policies were needed to protect everyone. She also considered that some clients, such as single moms, would not feel secure visiting Carmichael if other clients were seriously impaired by drugs or alcohol. However, some staff had expressed concerns that Carmichael would become less accessible to clients if boundaries and rules were put in place. They worried that no one would come to Carmichael.

In addition, Goulden needed to lead Carmichael’s staff and engage with the board in several discussions on the Housing First model. Should Carmichael pursue the Housing First model, or should it concentrate instead on its current programs and services? If Carmichael did move ahead on a housing initiative, what form should it take? Who should lead the initiative? Should it be led by Goulden, someone else within Carmichael or would she need to hire someone? What timeframe was she looking at? How much money would be needed? Where would the money come from?

Goulden appreciated that under Fraser’s leadership Carmichael Outreach had improved dramatically in many areas. Having said that, Carmichael was now her responsibility and she knew that Carmichael’s clients, volunteers, staff and board members would be looking to her to develop and express her longer-term vision for Carmichael, in addition to managing the day-to-day operations, which included ensuring the safety of clients and staff.

Exhibit 1  City of Regina Survival Guide and Map
Exhibit 2  Carmichael Outreach Mission

Carmichael Outreach’s mission is to serve the marginalized of Regina by advocating on their behalf and by providing a range of programming that includes preventative measures and harm reduction. An open door policy ensures a non-judgmental environment where all are treated with respect and dignity.

### Exhibit 3  Carmichael Outreach Balance Sheet, 2008/09 to 2011/12 (Fiscal year end is June)

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<tr>
<td><strong>Assets</strong></td>
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<tr>
<td>Cash, bank accounts, and short-term</td>
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<td>83,613</td>
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<td>Investments</td>
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<tr>
<td>Amounts receivable from all others</td>
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<td>1,589</td>
<td>2,086</td>
<td>1,552</td>
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<tr>
<td>Land and buildings</td>
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<td>90,000</td>
<td>90,000</td>
<td>68,383</td>
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<td>Other capital assets</td>
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<td>58,142</td>
<td>38,557</td>
<td>10,520</td>
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<td>Accumulated amortization of capital assets</td>
<td>(53,324)</td>
<td>(43,553)</td>
<td>(32,079)</td>
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<td>Other assets</td>
<td>3,544</td>
<td>3,860</td>
<td>1,900</td>
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<td><strong>Total assets</strong></td>
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<td>180,402</td>
<td>132,448</td>
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<td><strong>Liabilities</strong></td>
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<tr>
<td>Accounts payable and accrued liabilities</td>
<td>5,204</td>
<td>2,909</td>
<td>3,268</td>
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<td>Deferred revenue</td>
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<td>96,811</td>
<td>61,205</td>
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<td>Other liabilities</td>
<td>15,040</td>
<td>18,723</td>
<td>22,406</td>
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<td><strong>Total liabilities</strong></td>
<td>115,215</td>
<td>118,443</td>
<td>86,879</td>
<td>77,375</td>
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### Exhibit 4  Carmichael Outreach Income Statement, 2008/09 To 2011/12 (Fiscal Year End Is June)

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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All gifts (charity tax receipt issued)</td>
<td>157,393</td>
<td>118,582</td>
<td>95,226</td>
<td>58,812</td>
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<td>Revenue received from municipal governments</td>
<td>75,292</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
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<tr>
<td>Interest and investment income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>839</td>
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<tr>
<td>Income from rental of land and buildings</td>
<td>4,882</td>
<td>4,478</td>
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<td>Revenue from fundraising</td>
<td>54,568</td>
<td>34,935</td>
<td>14,604</td>
<td>24,781</td>
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<td>Other revenue</td>
<td>108,533</td>
<td>79,386</td>
<td>101,502</td>
<td>48,554</td>
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<tr>
<td><strong>Total revenue</strong></td>
<td>400,668</td>
<td>267,381</td>
<td>247,414</td>
<td>169,914</td>
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</tbody>
</table>
Carmichael Outreach: A New Leader Takes Charge

### Exhibit 5
Programs and Services Offered By Carmichael Outreach

1. Food Recovery Program—Prepared meals from donated food (more than 24,000 meals in 2010)
2. Used clothing and small household item depot—Donated items are given free of charge to clients.
3. Needle exchange—Operated by the Regina Qu’Appelle Health Region (approximately 500,000 needles exchanged in 2010).
4. Housing Coordinator—Offered assistance to people looking for housing.
5. Food bank referrals—Made 30 orders per day.
6. Condom distribution—Dispensed 100 condoms per day
7. Children’s Needs fund—Provided diapers, milk, wipes and other children’s needs free of charge.
8. On-site nurse—Engaged a nurse to be available one afternoon per week.
9. Immunization Program—Offered fall and winter immunization clinics to make available regular influenza vaccines and the H1N1 virus.
10. Coffee Room—100 to 200 people used the coffee room each day.
11. Community Garden—Grew and produced supplements for the food recovery program.

(Continued)
Exhibit 5  (Continued)

12. Parenting group—Offered a drop-in parenting course one afternoon per week.
13. Haircuts—Offered free haircuts once per month.
14. Carmichael Camp—Offered a four-day retreat free of charge for young people; 39 had attended recently.
15. Art Program—Offered weekly drop-in classes.
16. Community clean-up—Offered weekly during the summer months.
17. Seniors Program—Offered a weekly drop-in program.
18. Christmas Hampers—Recently made Christmas hampers available to 80 individuals and families.
19. Referrals—Referred clients to several other community organizations.


Exhibit 6  Excerpt From the Donation of Food Act, 1995

Liability of donor

(1) A person who donates food or who distributes donated food to another person is not liable for damages resulting from injuries or death caused by the consumption of the food unless:
   a) The food was adulterated, rotten or otherwise unfit for human consumption; and
   b) In donating or distributing the food, the person intended to injure or to cause the death of the recipient of the food or acted in reckless disregard for the safety of others.

(2) The director, agent, employee or volunteer of a corporation that donates food or that distributes donated food is not personally liable for any damages resulting from injuries or death caused by the consumption of the food unless:
   a) The food was adulterated, rotten or otherwise unfit for human consumption; and
   b) In donating or distributing the food, the director, agent, employee or volunteer:
      c) did not act in good faith;
      d) acted beyond the scope of his or her role as director, agent, employee or volunteer; and
      e) intended to injure or to cause the death of the recipient of the food or acted with reckless disregard for the safety of others.

Stepping up and into the crucible of leadership is not the occasion for a leader to start learning about himself. In fact, when the moment comes for us to step up, we must be leadership ready. Above all, this means that we must know ourselves, especially how we will respond to unanticipated, “black swan” events. Readers will learn how to prepare themselves for that crucial moment in this article.

My wife’s choir was recently rehearsing a few Leonard Cohen songs. Between rehearsals, Elizabeth would wander around the house singing these songs, which included Anthem, one of my favourites. The chorus is like a meditation:

“Forget your perfect offering. There is a crack—a crack in everything. That’s how the light gets in.”

I make my living advising CEOs and senior leaders on how to be more effective in their leadership style and conduct. If there is one message I would like to instill in these leaders, it is that phrase from Leonard Cohen’s song.

Why would I want to tell leaders to, “Forget your perfect offering”? Cohen’s particular idea of perfection refers to situations in which we present a well-prepared, rational point of view based on what we have learned from others as the appropriate response to a specific situation. But when we’re constantly putting forward our “perfect offering,” we can easily become someone we are not. We become separated from our true nature and come across as too formal, distant, and inauthentic.

I recently found myself in two conversations over some senior executives’ assessment and development plans. These were three-way conversations between the CEO, the senior VP, and me, the coach. The CEO was gently critiquing his direct reports, suggesting they were too “robotic” or “clinical” in presentations and interactions with their teams. Both leaders were encouraging direct reports to be more authentic: “Just be yourself, Jim.” “Your presentation was all there. . . . There were no holes in it at all, but we don’t know who YOU are.” The comments implied that the presentation was too much there; too much of the need to make the presentation perfect was showing but there was not enough of “Jim” in it. The point is that it’s not the search for perfection that influences conduct and enables a leader to connect. Rather, the connection is made when the head, the heart and the gut are all at work and poured—as one—into the delivery. And moreover, all three need to be both prepared and not prepared.

In the corporate world, competitive pressures encourage younger, aspiring managers to mimic the leadership behaviour of others, usually their direct superior, while adhering to the company line. Thus, they become good
performers. But they often lack the self-awareness and courage to project their own values, personality traits, and specific points of view in their leadership interactions. They aspire to, and become accomplished at, meeting and displaying various external standards of perfection or excellence. These young and ambitious managers have largely been promoted because they have been among the best at “getting results”—results others wanted and expected of them. There has been little or no value placed on how they achieved results. But it is the “how” that involves bringing their complete selves into the interactions. At some point, young leaders must abandon trying to meet external standards and express their own, deeply-felt leadership viewpoints. They must access their unique mix of gifts and talents, and give voice to them in creative responses to business situations.

Maturing as a leader involves responding to an internal calling—the urge to give away our innate gifts, “our offering” to life situations. Too often and for too long we deny that we have these gifts, or else, we don’t trust or value them. Moreover, we not only deny our personal gifts, we also block the inner calling to give them away, to pass them on to others.

**Trust Your Unique Gifts**

“Leadership perfected” needn’t be a concept or standard that is preconceived, well-rehearsed, or even risk free. Such an approach excludes any scope for a creative response to new situations. Instead, think of leadership perfected as an ever-evolving response to what is required in the moment. To be truly effective and to resonate with an audience, a leadership response can’t come from a notion of how we think we should act. Rather, the response must come from the immediacy of oneself in the moment. In this alternative view of perfection, it is more about how well we understand and respond to a situation, rather than how well prepared we are in advance for how we think the situation will play out. To use a military analogy, the latter approach would be like a general who used strategies based on what worked in the last war.

In a corporate world conditioned to high performance through study and hard work, or “the way the boss did it,” believing that spontaneity and improvisation in the moment make for effective leadership could seem counterintuitive. But the creativity that emerges when we respond to situations from the immediacy of ourselves requires a high level of self-awareness, trust, and comfort in who we are and what we perhaps unconsciously know. It is what leaders need to respond to many diverse situations. This personal tool kit is our mix of mostly hardwired gifts, talents, and stored knowledge that we integrate, refine, and express intuitively. Great leaders are masters of self-regulation in the moment, because they know themselves well enough to monitor and regulate those gifts spontaneously. This is a very different notion of perfection than the one that sees leaders script what they should say and do ahead of time, or act in a certain way, based on external standards and expectations.

Although the concept and language of “making an offering” may not have currency in business language, it is in fact what we do without thinking whenever we’re fully engaged and committed. When we address a situation in a spontaneous or deliberate way, by offering the benefits of our gifts as applied to vision and leadership, we are in fact offering up ourselves. People who are truly creating and responding out of the immediacy of themselves would testify to the vulnerability and uncertainty experienced in such moments. Ironically, we can be our unique selves in such moments of vulnerability and uncertainty, because such moments mark the point where we’ve exhausted what we’ve learned from others, and where we must start to express what is authentically and uniquely ourselves. Words like “intuition,” “faith,” and “creativity” speak to our ability to step out from the known; this is how we bring something new and
spontaneous to the situation. This, in turn, allows for the crack that lets in the light. It is in such moments that we are truly creative.

**Leading in a VUCA World**

From the perspective of creativity, “the crack that lets in the light” has huge possibilities for interpretation and meaning. Our willingness to be authentic, and to trust our intuition and stored knowledge in the moment, creates space—a “crack” or an opening for inspiration that can be channelled, which in turn is facilitated and necessitated by a VUCA world. VUCA is a term currently in vogue with the U.S. military and stands for a world full of Volatility, Unpredictability, Complexity, and Ambiguity. Today, VUCA is highly manifest in business leadership. In such a world, a perfect offering, as Cohen meant it, is out-dated as soon as it is created.

The “crack” has many meanings—a powerful symbol of undoing, irregularity, or randomness. It is something that occurs despite our best efforts, our most laid-out plans. We can also think of the crack as something “unscheduled.” It can also be something as mundane as an uninvited guest or as profound as a life-disrupting (and thus, life-changing) event.

The pre-VUCA era was characterized by many years of relative stability and predictable economic growth. Most of our leaders grew up in a world where certainty was prized and where uncertainty was rare. Leadership provided the answers with assuredness. No one liked to be surprised. Remember the slogan from the Holiday Inn commercial: “The best surprise is no surprise at all.” In today’s VUCA world, that is no longer the responsible view. A good leader expects surprises, and becomes an expert at anticipating, adjusting to, and accommodating “cracks.”

The “crack” can therefore represent life and circumstances as they actually unfold; something that we do not control. It is something that disrupts our internal mental model of how the universe works. It is the outlier, the “Black Swan”1—something existing in the tail of our “normal” distribution. It forces us to redefine our conception of “normal” or “perfect.”

The crack lets light in simply because the crack opens us and exposes us to a larger reality existing outside the confines of our “mental model” of order and regularity. What is “light” but awareness and insight—our “Aha!” moments?

Light is not something we can factor in, since the power of light, in this context, is its surprise factor. What we can do, however, is anticipate its inevitability, prepare ourselves for its likelihood, through paying exquisite attention to our situation and then adjusting to it, revising our preconceptions, and then self-regulating our behaviour and response. The light and the crack are therefore coexistent, for without the crack, there is no illumination.

The challenge, and therefore the true test of character, lies not in our presumed perfect plans, our apparently perfect life, or our unblemished career trajectory. Rather, the challenge lies in how we respond to unscheduled events—the cracks—that interfere with our conceptions of the perfect offering, or the perfect life. The healer must empathize with the wounded, in order to become a better healer. The leader must become lost at times, in order to become a visionary leader.

**First, Know Yourself**

How do we prepare ourselves as leaders to see and respond to the light that the crack enables? We begin by taking stock of ourselves, knowing how our particular mix of gifts, talents and flaws

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1The Black Swan: The Impact of the Highly Improbable by Nassim Nicholas Taleb
is made up. We need to take time out to witness, appreciate, and laugh at our vanity, our interpersonal derailers, as well as understand and celebrate our emotional competence. In essence, we need to “reboot.” It is only when we can step outside of and observe ourselves as others see us that we can free ourselves of being foot soldiers to conformity. After we’ve done that—and ironically, only after we’ve done that—can we be ourselves and re-brand and re-offer our unique set of talents. This is the job of the executive coach, to help in this process and journey.

Leadership perfected is now reframed, because it is now offered from the uniqueness of who we are—a self-perception that can accommodate and appreciate our individuality blended with our shared foolishness, our yearning for perfection with our collective inertia and fear of change. Previously, our leadership offering was based on an artificial and superficial strength, others’ expectations, and, more than likely, arrogance. But now, thanks to the light that the crack made possible, we can offer our gifts from a place of humility and wholeness, which really is nothing more than our awareness of our commonality, as simultaneously gifted and foolish creatures.

This is where true leadership is born, out of our vulnerability. For as Lao Tzu says, One who knows his lot to be the lot of all other men is a safe man to guide them.²