

The Social Purpose Enterprise as a Learning Organization

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Introduction

“Be the change you want to see in the world.”
— Gandhi



We are all, in our workplaces, whether they are a shelter, social purpose enterprise, or village hospital, struggling to find greater meaning and purpose in our work lives. In

business, we are trying to let go of the notion of “profit at all costs”, letting go of the workplace of our 20th century past to pursue a 21st century future, a new vision.

We are working to find ways that bring a different imagination to the workplace:

believing and even knowing that a butterfly fluttering its wings in Japan can affect the weather in New York. With systems thinking, we are in the middle of a paradigm shift that does not separate the heart from the mind, or the soul from the profit. We are also surrounded by complex, fast-moving and changing environments. No one is doing business as usual, and if they are, by the early 21st century they will be obsolete. The world is getting more complex and smaller, but human potential is just beginning to be recognized. Technology will play a great role in information, but after the dervish dance with technology it is the human being that will play a greater role in developing knowledge.

Our human potential is once again in search of change. This search for making sense of our selves and our organization has led BOSS on a 3-year search for vision, mission, values, and creating processes that serve those values. Building Opportunities for Self-Sufficiency (BOSS) is a 28-year-old nonprofit organization that has managed a social purpose enterprise, BOSS Enterprises, for three years. Our mission is to end poverty and homelessness in our community. How we pursue this mission has evolved over many years of learning, growing, and listening to our constituency, communities, partners, funders, and colleagues.

In 1999, BOSS is pursuing its mission by providing comprehensive services in four strategic areas: Economic Development, Community Building, Housing, and Support Services. BOSS Enterprises is our property improvement business based in Berkeley, California. It is a key strategy for job creation, which is part of our larger Economic Development agenda. The venture provides six lines of service: general construction, deconstruction, door & window replacement, interior and exterior painting, construction site clean-up, and vacant space preparation.

As a nonprofit, BOSS has been growing, changing, and learning for 28 years. When we entered the enterprise world, we clearly knew how to operate the nonprofit organization as a business, but we had to learn how to operate a for-profit entity as a business. Some lessons and skills were adaptable or transferable, but many were not and had to be learned from scratch.

In operating the social purpose enterprise, BOSS Enterprises, we are immersed in

the balancing act of a triple bottom-line: profitability, values (living-wage jobs for our homeless and low-income clients), and vision (a new way of thinking, working, and continually learning). In the first three years of operation, we have survived many tests of a start-up: hiring the right business manager, refining “true cost” accounting, honing financial system and sales strategy, training people with multiple barriers to employment, engaging the board at critical junctures, and increasing efficiency. As we move the business to its next level of development for increased growth and scale, we find ourselves dipping into not only the learning of successful profit-making businesses, but also the leadership and management practices that have kept BOSS thriving for 28 years.

This is an important point for us because when we began BOSS Enterprises, we assumed that we had to abandon our conditioning as a nonprofit organization in order to create a successful business. While this assumption has been true in some areas, such as risk-taking, it has not been accurate in the core areas of leadership and management. *We have realized that far from being an impediment to profit-making, BOSS's culture — entered on values, employee participation, and community — is an invaluable asset to growing a successful business.* While incubating BOSS Enterprises, we have also discovered that key elements of our organizational culture are qualities which leading businesses are investing great resources to cultivate. What we at BOSS have been doing intuitively, out of our passion for fairness and our determination to activate every person's full potential, aligns well with leading-edge management and organizational models.

The “Learning Organization” is one such framework that most embraces BOSS's own practices. This model, researched and developed at MIT's Sloan School of Management, is a road map for increasing business effectiveness and creating the conditions for sustainable growth, while at the same time enhancing the quality of work for employees. Today's business environment is wide-open and constantly changing. In the words of Arie De Geur, head of planning for Royal Dutch/Shell, “The ability to learn faster than your competitors may be the only sustainable competitive advantage. As the world becomes more interconnected and business becomes

more complex and dynamic, work must become more 'learnful.' It is no longer sufficient to have one person learning for the organization, a Ford or a Sloan or a Watson. It's just not possible any longer to 'figure it out' from the top, and have everyone else following the orders of the 'grand strategist.' The organizations that will truly excel in the future will be the organizations that discover how to tap people's commitment and capacity to learn at all levels of the organization" (from "The Fifth Discipline" by Peter M. Senge).

This chapter describes the progress and the process, as well as the theory and prac-

tices, used to meet our agenda and to begin growing a learning organization. Specifically, the chapter will share with you (a) how BOSS's CoLEAD model (Committed Leadership for Effectiveness, Accountability, and Development) applies the fundamental building blocks of the learning organization, and (b) how we intend to apply CoLEAD's principles to grow our profit-making business. It describes the third bottom-line of BOSS Enterprises: vision — growing and achieving scale using the tools of a learning organization. We believe that far from being a burden, the third bottom line is the lever that can balance profitability and social goals.

Learning Organizations: A Definition

What are some central features of a "Learning Organization"?

- ◆ The learning organization is one that adjusts quickly to market feedback.
- ◆ Organizations need to change fast to survive. As we cannot predict the future, this means learning fast. Learning fast is adjusting to your environment quickly. An organization that learns quickly is essentially entrepreneurial because it acts quickly, makes mistakes, improvises, and changes course ahead of the competition. Only entrepreneurial organizations are learners — they act fast, take risks, and learn from mistakes.
- ◆ Learning organizations introduce products quickly even if they are not "ready". They then modify trial offerings on the basis of feedback. Such a trial and error process (not strategic planning) is the essence of organizational learning.
- ◆ Organizations that are poor at learning are bureaucratic and slow to adjust to changing markets.
- ◆ Fostering continuous employee development is complementary to a learning culture, but an organization can learn in an entrepreneurial sense without a lot of

employee development. You could have a fast-learning organization that continually imports fresh talent with little emphasis on employee development. You can have a cautious culture, afraid to take risks, that still fosters employee development. This is not a learning organization. This is not to downplay the value of employee development, just to clearly separate it from organizational learning.

Richard Karash, Speaker, Facilitator, and Trainer on the concept of Learning Organizations, defines it further: "What is a Learning Organization? A Learning Organization is one in which people at all levels, individually and collectively, are continually increasing their capacity to produce results they really care about."

Why should organizations care? Because the level of performance and improvement needed today requires learning, lots of learning. In most industries, in health care, and in most areas of government, there is no clear path to success, no clear path to follow.

What's in it for the people? Learning to *do* is enormously rewarding and personally satisfying. For those of us working in the field, the possibility of a win-win is part of the attraction. That is, the possibility of achieving extraordinary performance together with satisfaction and fulfillment for the individuals involved.

A learning organization is defined by *full and active engagement with all facets of its environment*. It is not a closed circle, focused inward on itself and its goals, adhering to static plans and time-honored ways of doing business simply because “that’s how we’ve always done it.” It is an open arc, constantly looking both inward and outward for better ways of doing things.

The learning organization is also defined by shared leadership. It does not rely on a single top-down leader, but acknowledges and builds on the strengths of all members, creating organizational memory and a sense of ownership and internal collaboration. This model honors the absorption of new learning as key ingredients to both personal and organizational development. When the individual does well, he or she is a stronger contributor to the well being of the organization and to the community in which the organization operates.

Best Practices of Learning Organizations

Successful learning organizations engage in problem-solving, systems-thinking and cross-boundary learning, team work (learning), alignment with agency mission (aligned vision), conscious inquiry and testing basic assumptions, and valuing people for their expertise—not position. Here are some characteristics of each:

Problem-Solving

- ◆ Becoming aware that almost any decision carries long-term and short-term consequences
- ◆ Mapping out past “solutions” as well as current and planned actions
- ◆ Identifying links between the solutions we use to solve different problems
- ◆ Increasing communication and dialogue

Systems Thinking and Cross-Boundary Learning

- ◆ Seeing interrelationships, not things, and processes

- ◆ Moving beyond blame and not seeing problems as “out there” (i.e. not missing the forest for the trees)
- ◆ Treating the cause not the symptoms
- ◆ Recognizing the breaking down of internal barriers

Team Work (Learning)

- ◆ Mastering the practices of dialogue and discussion — the capacity of members of a team to suspend judgments and enter into “genuine thinking together”
- ◆ Learning how to recognize the patterns of interaction that undermine learning. Teams, not individuals, are the fundamental units of Learning Organizations
- ◆ Fostering the ability to see others’ perspective

Alignment with Agency Mission (Aligned Vision)

- ◆ Getting beyond personal/departmental interests
- ◆ Seeing your actions as part of a broader strategy (the whole is greater than the sum of the parts)

Conscious Inquiry and Testing Basic Assumptions

- ◆ Suspending one’s assumptions means to “hold them in front of you, constantly accessible to questioning and observation”
- ◆ Inquiring into the reasoning behind the abstraction collectively

Valuing People for Their Expertise—Not Position

- ◆ Getting beyond the “I am my position” point of view
- ◆ Respecting position and hierarchy, but not being blinded by it
- ◆ Knowing your staff, their range of capabilities and skills

Current Incarnation of BOSS as a Learning Organization: Outline of Co-Lead Management Model

“If your mind is empty, it is always ready for anything. It is open to everything. In the beginner’s mind, there are opportunities for many possibilities. In the expert’s mind, there are few.”

— Suzuki Roshi Zen

Richard Karash asserts that there are currently no existing Learning Organizations, that the concept is an ideal, although various organizations or parts of organizations achieve it in varying degree. BOSS may not have achieved the ideal, but because of our mission and core values (participation, partnerships, diversity, accountability, accessibility, comprehensiveness, learning/teaching, and compassion), we have much experience to share regarding our practice of consistently striving toward this ideal.

BOSS has a history of continually learning and repositioning ourselves. This evolution has taken place in response to changing constituent and environmental needs, supported by organizational analysis and strategic planning in 1987, 1992, and 1997. BOSS also convenes annual all-agency meetings to direct our energies forward and outward. Continual learning has long been an integral value in our work, institutionalized through participation in internal decision-making by all stakeholders (board, staff, volunteers, constituents, and partners) and regular participation in external decision-making and planning at local, state, and national levels. Thus, the desire to maintain relevance and efficiency through learning and adapting is deeply ingrained within our organizational culture.

BOSS has not always referred to itself as a ‘learning organization’, but has consistently applied the principles. BOSS’s Co-LEAD management model is the most recent structural manifestation of our organizational introspection, analysis, and applied values. Arriving here has been the result of a multi-phased process, centered on two recent deep-thinking retreats with BOSS managers.

Retreat #1: Realignment

In 1997, BOSS stakeholders collaborated on a

strategic planning process centered around changing our way of thinking, planning, problem-solving, and working together, utilizing the movie “Mindwalk” about systems thinking, as a catalyst for three days of discussion and thought. At the time we were to a large degree still thinking in linear terms, expressing our activities and objectives as simple lists: “BOSS provides services A, B, C, D...” We knew intuitively that each element of the list supported the other but we were not converging our strategies and practices according to this intuitive realization.

At the retreat, we focused on our mission and articulated our core values. We then threw ourselves wide open. Ignoring existing structure and entrenched beliefs about our capacity and resources, we asked simply, “Knowing what we know about our constituency, our environment, and future possibilities, what is the best way to achieve our mission?” Guided by systems thinking and our core value of comprehensiveness, four interlinked strategic areas emerged — Economic Development, Community Building, Housing, and Support Services — under which our long laundry list of services naturally aligned. We adjusted the organizational structure to facilitate ongoing planning, progress, and evaluation around these four strategies. Galvanized by this clarity of purpose, we then turned our intentions to nurturing the capacity of all staff to work better and smarter, individually and collectively, toward this purpose.

In early 1997, after the completion of the Strategic Plan, the first implementation phase took place at an all-agency day focused upon the learning theme: “turning challenges into opportunities: building our community.” Discussions among all BOSS staff took place around:

- (1) Optimizing Our Talents
- (2) Staff Well-Being
- (3) Supporting Learning and Growth
- (4) Enhancing Communication
- (5) Team Effectiveness

Best practices that emerged this day include the adoption of “Conocimiento” (a

start-of-meeting tradition of varying exercises to break the ice and learn something new about each other) as a process for learning and team-building, and a list of recommendations in each of the five learning themes.

At this point, the status of our social purpose enterprise moved from one more item on the laundry list to an integral part of the Economic Development Strategy, although it still operated day-to-day as a separate entity, with its own culture based on for-profit world values and vision.

Retreat #2: Strengthening Capacity Through Continued Learning

In a follow-up retreat in mid-1998, we expanded our learning and discussion around refining and improving the primary instrument of achieving our mission — ourselves. We spent some time identifying and absorbing the limitations of our environment (outside resources, internal capacity), and then concentrated on addressing internal barriers to effectiveness through team development: communication, distribution of responsibilities and authority, management structure, and the quality of our personal interactions and collaboration.

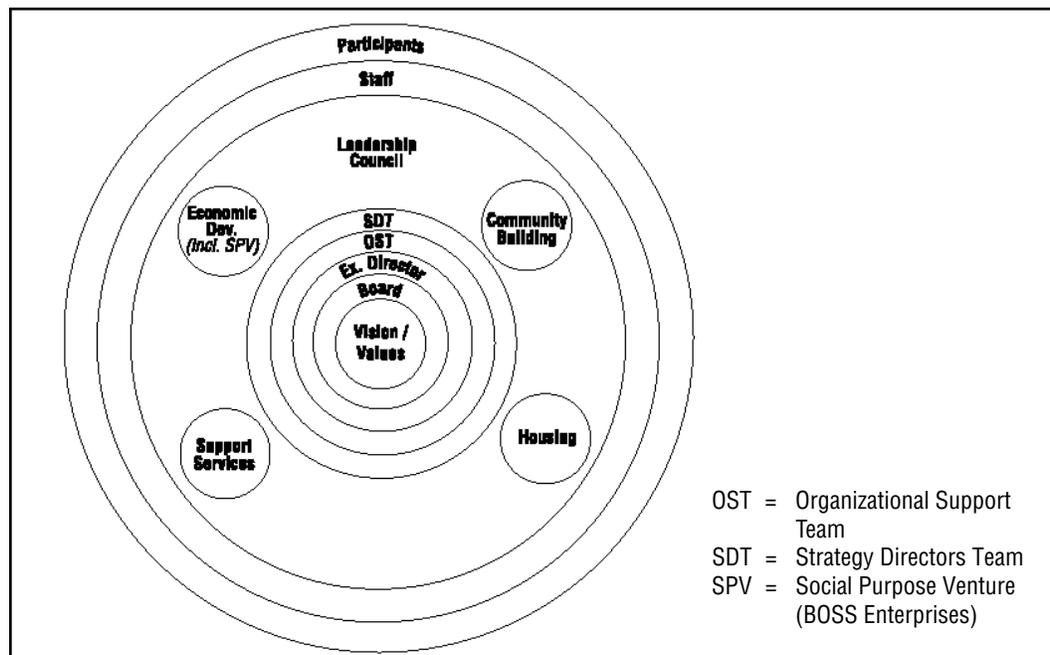
At this retreat, we refined our organizational structure to support increased authori-

ty and decision-making authority by managers to help free the executive director from the sole burden of leadership; we articulated a series of guiding principles to apply in our interactions and collective work; we energized ourselves for a continually changing future; and we began the process of documenting our learning culture. The management model that emerged at this retreat was dubbed Co-LEAD (Committed Leadership for Effectiveness, Accountability, and Development). It is defined fully in the following section.

At this point, the status of the social purpose enterprise was still part of BOSS's Economic Development Strategy, and based on some difficult experiences with the business being run wholly unconnected to the larger organization, the critical process of converging values and vision began.

From our knowledge of other social purpose enterprises and growing experience with our own, we know it is possible to increase profit with compassion and a collective sense of values and vision. This is helping us transform our mental image of business. And we see that BOSS's own CoLEAD model can help us create a sustainable venture. Each concentric circle is a defined group of people with well-defined set of responsibilities and accountability.

CoLEAD Management Model



The key to this structure is the placement of vision and values at the center. This is the circle that drives the organization and all other organizational components flow from this core. In this sense, the use of concentric circles is not a simple replacement of the traditional 'lines and boxes' configuration for flow charts. In the Co-LEAD model, the flow of circles outward describes relative responsibility for stewardship of BOSS's values and vision: the Board, being nearest the center, has foremost responsibility as gatekeeper and holder of BOSS vision and values; the participants, furthest away from the circle, owe no allegiance to BOSS values and vision in return for services and support, although integration is achieved through the presence of participants on the Board of Directors and as staff and volunteers.

The use of circles also represents the holistic nature of each element. Co-LEAD is a "wholearchy" rather than a "hierarchy." Each circle is a complete functioning entity, as well as part of the larger whole. This is critical to strengthening the capacity of BOSS to remain a learning organization, as the type of dependence that exists in traditional hierarchies cannot create effective interdependence.

In more depth, the practitioners of Co-LEAD have these interdependent responsibilities:

Strategy Directors Team:

Individually, each Strategy Director is accountable for his/her strategy area and his/her Strategy Team and its goals, objectives, quality, and values. Together, Strategy Directors are responsible for: coordinating annual workplans to ensure that strategies are well-integrated, meet the needs of constituents, and effectively utilize resources; advancing the workplans; developing and monitoring quality standards and control processes; strategizing and coordinating appropriate community relations and partnerships; and keeping other Co-LEAD participants informed about strategy, programs, and the financial picture.

Leadership Council:

The Leadership Council is comprised of representatives from all BOSS programs. The role of the Leadership Council is to: represent the interests of constituents, staff, and partners in organizational planning; initiate discussions

and make recommendations regarding organizational policy, strategy, and services coordination; respond to concerns, requests, and recommendations from all levels, internal or external; implement approved policies and procedures; and support program and staff development, supervision, and evaluation.

Organizational Support Team (OST):

Comprised of representatives from BOSS's core structural/ operational areas (personnel, fiscal, resource development, and systems), the OST provides support to all Co-LEAD participants to further the mission, vision, values, and concrete objectives of the organization. Key OST responsibilities include: providing information, input, direction, and accountability for resolving priority BOSS issues, including emerging issues and any issues identified by the Leadership Council and Strategy Directors Team; engaging in policy development, clarification, and approval, providing support and resources needed to implement approved policies; providing guidance and standards on personnel management, evaluation, staff development, fiscal operations that impact or involve programs, and resource development; and working with Executive Director and Co-LEAD participants to ensure that BOSS does not miss internal or external strategic opportunities.

A core outcome of the second retreat, one which is impacting the social purpose enterprise as well as the nonprofit, is the development of a series of important guiding principles for different elements of the interactions and decision-making that take place in our model:

Principles to Guide Our Relationships

- 1) Our relationships are guided by the principles of empathy and active compassion.
- 2) We relate to each other with respect, honesty, and forethought, and honor commitments we make to each other.
- 3) We engage in conscious, responsible, open and direct communications in order to foster an environment of learning and growth.
- 4) We acknowledge the dignity of each person and respect each other's time, needs, abilities, limitations, boundaries and potentials.

- 5) We acknowledge the presence of oppression, bias and prejudice, and we strive to eliminate them in ourselves and our relationships.

Principles to Guide our Relationships with Participants

- 1) We strive to provide all participants with quality services.
- 2) We serve participants with respect, honesty, and dignity, honoring their uniqueness and respecting their growth process.
- 3) We encourage participants to achieve, grow, and succeed through caring partnerships.
- 4) We use empathy, compassion, and patience to honor the competency of each individual, encourage their definition of themselves and be involved in decisions affecting their lives.
- 5) We respect participant confidentiality and staff-participant boundaries, and apply them consistently in our work and professional relationships.

Principles to Guide our BOSS Relationship to Staff

- 1) BOSS maintains an open and direct communication system based on empathy and accessibility to information and decision-making.
- 2) BOSS nurtures a supportive environment for self-development by providing quality training, opportunities for creativity, and acknowledgment and praise for people's work and personal growth.
- 3) BOSS strives for consistent treatment of all employees based on clear external and internal criteria regarding labor relations, pay scale policy, and career advancement opportunities.
- 4) BOSS respects staff with a reciprocal process and standards of supervision and evaluation based on consistency, realistic expectations, clear goals and defined job descriptions.

Decision-Making Principles

- 1) BOSS's vision, core values, and principles inform our decision-making.
- 2) We strive to involve persons to be affected by decisions — participants, staff, volun-

teers, and our communities.

- 3) We will ensure that decisions are based on good information.
- 4) Managers frame issues and questions, and communicate restraints and parameters.
- 5) Managers formulate recommendations and decisions depending on context and need, implement, evaluate and refine.

Flow of New Ideas

- ◆ Idea Group or Individual (whoever originates the idea): Clarifies goals, impact, resources, roles and responsibilities
- ◆ Strategy Team: Reviews for compatibility with overall strategy, and consults with OST
- ◆ Leadership Council: Provides input, considers feasibility, recommends
- ◆ Strategy Directors & Executive Director: Makes final decision.

This flow of ideas is not linear — an idea may start from the inside (ED, OST, SDT) or outside (participants, staff) of the Co-LEAD circle. Either way, ideas come to the Leadership Council for an organizational discussion, action, or decision.

In BOSS's Co-LEAD model, each person is accountable to her/his supervisor, to BOSS, and to peers. Teamwork is an important feature of the structure. CoLEAD is about shared leadership through commitment to organizational vision and values. Leadership is power, and power is the capacity to activate our values and our sense of mission. It takes a significant amount of trust and hard work to distribute leadership, to call more than one person "leader," but the outcomes are far greater than strictly hierarchical management:

- ◆ Committed leaders represent BOSS with passion in many community networks and increase our reach
- ◆ They bring new sources of funding to BOSS because they believe in our mission and want to contribute to the growth of something they believe in
- ◆ They free up the Executive Director to focus more on external relations and

resource development without enlarging BOSS's hard-to-fund administrative layer

- ◆ They take remarkable initiatives, and think through new solutions. BOSS is their organization

This lesson is especially relevant to a social purpose enterprise because the majority of BOSS's employees are former clients.

Overall, the learning and growth resulting from the second retreat impacted BOSS Enterprises in terms of value convergence and a commitment to including the enterprise in the growth of BOSS's learning organization culture. As a result, Enterprise staff is more involved in staff development, training, planning, and celebration activities heretofore mainly participated in by the nonprofit.

The Learning Organization's Building Blocks in Practice: BOSS's Social Purpose Enterprise Experience

"When there is a genuine vision, people excel and learn—not because they are old to, but because they want to."

— Peter Senge,
THE FIFTH DISCIPLINE

We have struggled with how to introduce the reader to the disciplines of the Learning Organization. Knowing the theory is a tiny step, but open minds can take small steps to bring about immense change.

Peter Senge argues that the entire global community is learning together: most industries in the past were dominated by a single, undisputed leader, but now companies are pulled forward by each other's examples — the Americans learning from the Japanese, the Japanese from the Europeans. (It's not much different in the REDF portfolio, where collective learning is given a high priority.) He continues to argue that there is a deeper movement toward learning organizations, part of the evolution of industrial society. Material affluence for the majority has shifted people's orientation about work from an instrumental view to a sacred view. In other words, work is no longer simply a matter of completing required tasks, it offers a framework for cultural and social innovations and learning. Bill O'Brien, CEO of Hanover Institute, expresses this best when he says, "the ferment in management will continue until we build organizations that are more

consistent with man's higher aspirations beyond food, shelter, and belonging."

Many individuals and companies who share these values are in leadership positions: Jerry Brown, Mayor of Oakland, is a prime example. Ben & Jerry's. The Body Shop. "Business is only the institution that has a chance as far as I can see, to fundamentally improve the injustice that exists in the world. But first we will have to move through the barriers that are keeping us from being truly vision-led and capable of learning" (Edward Simon, President of Herman Miller).

"Engineers say that a new idea has been 'invented' when it is proven to work in the laboratory. The idea becomes an 'innovation' only when it can be replicated reliably on a meaningful scale at practical costs...In these terms, learning organizations have been invented, but they have not yet been innovated," according to Peter Senge. Learning organization culture has yet to penetrate many businesses, but for social purpose businesses the need to cultivate this culture is critical. There are many fears social purpose enterprises face: the fear of being unionized, the fear of competition, the fear of not pleasing the funders. The disciplines of learning organizations help address these fears and build an organization that is flexible, strategic, and unafraid of change. We will present the different elements to you in their pure form, even though as practitioners we have made some adjustments and additions.

1. Systems Thinking

Systems exist throughout nature and human society — infinite interconnections of cause and effect. Systems thinking directs us away from dealing with problems exclusively by breaking them into their individual components and towards understanding and responding to them according to their holistic, interdependent natures.

Internally, BOSS’s Co-LEAD management model applies systems thinking to generate maximum creativity and results from a large, highly diverse staff located at 24 sites across three cities: different players in the organization interact and make decisions at several levels, based on collective knowledge and thought, instead of a rigid top-down hierarchy for decision-making and implementation.

Of course, the Executive Director and, ultimately, the Board of Directors, have final authority over policy decisions, but mission, values, vision, strategies, and the ongoing flow of ideas and learning are constantly generated, renewed, and monitored at all levels, with the knowledge that the actions of every Co-LEAD participant affects the others, and affects our constituents and community as a whole.

Externally, BOSS has always envisioned itself as part of a larger connected system.

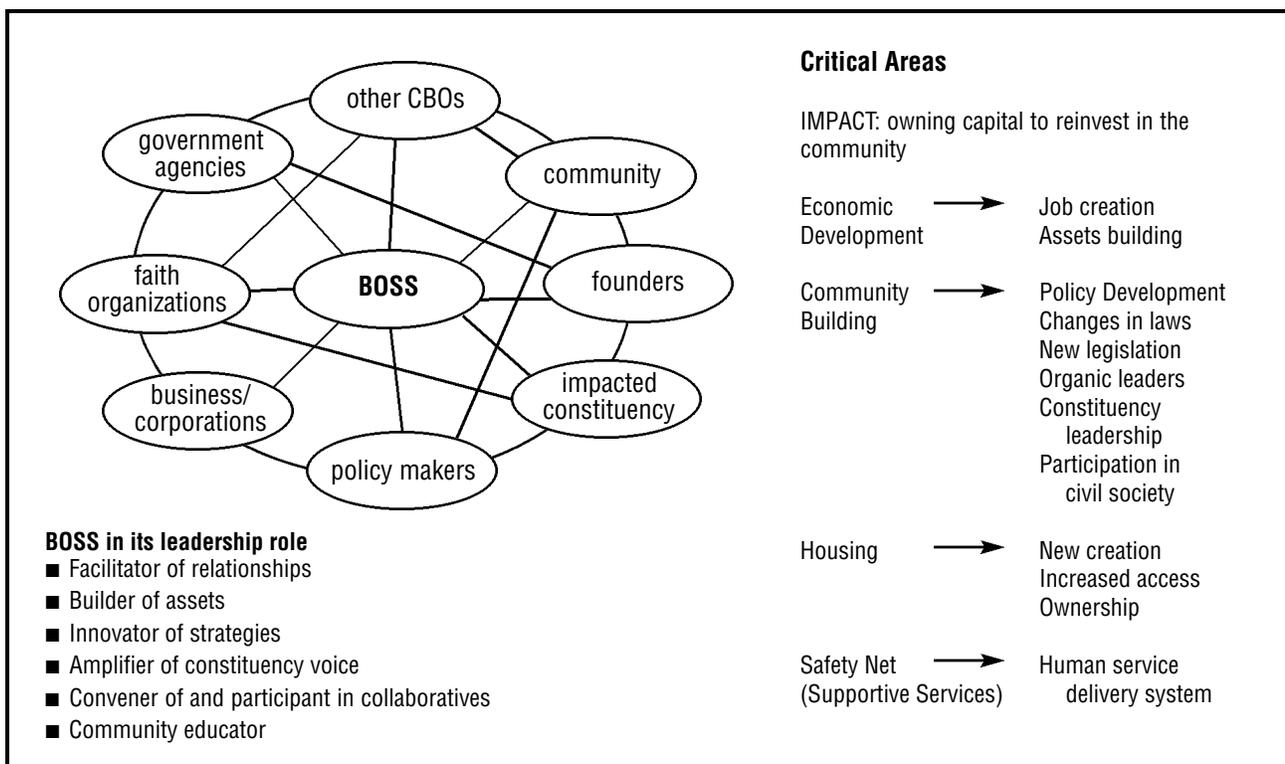
In this system (as illustrated below), the social venture affects the rest of the system through income and employment generation, and is impacted by the system in the quality of trainees and workers funneled through it, and by the ‘mental model’ (described later) the community holds of the business venture.

2. Personal Mastery

Personal mastery is a bridge between personal learning and organizational learning. It is the quality of continually learning, re-focusing, and re-energizing your commitment to a goal or vision.

In BOSS’s CoLEAD model, we have occasional workshops for staff and managers to learn skills that facilitate personal mastery. Our core values — e.g. participation, accountability, and learning/teaching — also speak to our commitment to fostering personal mastery.

Within BOSS’s social purpose enterprise, the personal qualities of the business manager is as important as his/her hard skills for ensuring business effectiveness. For example, knowing when to exercise control and when



to allow things to evolve naturally is a key management talent. As demonstrated in the comments of Michael McDowell, BOSS Enterprises General Manager, so are:

Deep sense of mission: “It’s important for me to feel that I have a mission and that I am accomplishing that mission — I love my job.”

Commitment to excellence: “I don’t think I am satisfied with just getting to a certain level and staying there, and that’s part of the drive that I grew up with — to excel.”

Commitment to skills transfer: “Wherever I’ve been, my goal is trying to make myself obsolete. I figure I’m doing a good job if I can leave one day and have someone step into my position immediately and be able to run the business.”

Respecting boundaries: “When I see a trainee doing something I don’t think is right, I don’t correct them. I talk about it with their supervisor. Maybe the supervisor knows something I don’t know.”

3. Mental Models

Mental models are “deeply ingrained assumptions, generalizations, or even pictures or images that influence how we understand the world and how we take action,” (The Fifth Discipline). Mental models are often not consciously realized, but impact our feelings and actions, and thus our success in achieving goals.

In the 1970’s, as BOSS was forming, the vision was limited to getting people off the streets. In the 1980’s, following an intense period of program expansion, our organizational stance was reactive and oppositional; we were fearful of losing resources. These narrower mental models prevented us from opening ourselves to larger visions and strategic partnerships that would help us grow and learn in order to pursue our mission more effectively. Twenty-eight years later, BOSS has refined its four strategies in the hope of promoting lasting social and economic justice for poor and homeless people in the United States. The organizational stance has changed to one of partnership with all our stakeholders and facilitation of diverse supportive relationships.

By 1995, the “myth” that nonprofits are not managed like a business was erased within BOSS. Some of the scandals around nonprofits woke us up, and we began to put in

accountability, transparency, quality, and efficiency as everyday processes in our work. However, it wasn’t until our strategic planning process in 1997 that we began to purposefully include all stakeholders — organizational and business partners, funders, volunteers, and donors in addition to Board, staff, and participants. We developed a living vision and organizational plan that would position us in the 21st century as a learning organization with a blend of values that would hold strong in both the social services side of our nonprofit and the business ventures side.

When we envision a mental model for ourselves in 2110, we hope to be remembered as an organization that was on the cutting edge of the production of ideas and knowledge, while continuing to be known as a nonprofit committed to excellence. In 2110, using the principles of a learning organization, we also see ourselves as a leader in social ventures — true to our triple bottom line.

Mental models have had a definite impact on the growth of our social purpose enterprise. In starting the business, we were over-aware of competition, and used that as a mode of learning and decision-making. However, in this process we should have learned more from other social purpose enterprises, and not exclusively from the marketplace.

When we started BOSS Enterprises, the business language used by our funders and peers seemed crass to us. So that our organizational culture would not be polluted, we isolated our business venture, with the thought that running a profit-making business was different from running our social services business. Gradually, we learned more about businesses in the profit-making world. We found that the very core of business has been changing greatly in the past ten years. Business has discovered that it cannot be led and managed as though it consisted of machines with separate parts connected to one another through wires, rods, and pipes. The new image of business organizations is that of living, breathing organisms — systems — where each moving part is self-reliant and yet all parts are held together by forces that compel them to gravitate towards a common center, closer to one another, naturally and without coercion. These core forces are organizational values and vision.

The business community has discovered what many nonprofits have long been convinced of: the greater the philosophical depth (from reading, inquiry, and understanding principles of success), the more sustainable the business. Bill O'Brien, CEO of Hanover Insurance, worked continually for 20 years to develop a 'guiding philosophy' for his company. In his words, "Our traditional organizations are designed to provide for the first three levels of Abraham Maslow's hierarchy of human needs — food, shelter, and belonging. These organizations do not provide anything particularly unique to command the loyalty and commitment of people. The ferment in management today will continue until organizations begin to address the other higher needs: self-respect and self-actualization."

There are a number of business examples that use this mental model — profit-seeking combined with clear human values and social objectives — which are not necessarily known as social purpose enterprises.

TDIndustries, a Texas-based mechanical construction and service firm, is another example of a value-based business. Profit-sharing began almost from the company's inception in 1946. Employees are called "partners." In 1989, due to a decline in Texas construction, TD, which started the year with a net worth of \$10 million, had a pretax loss of \$5 million. Then their bank, to which they owed \$15 million, failed. The company risked bankruptcy when its new creditor, the FDIC, demanded immediate payment. With trustworthy leadership, the partners acted altruistically on the only workable solution. They raised \$1.25 million by voluntarily terminating their overfunded retirement plan and making contributions from the distribution of the terminated plan. Today, TDIndustries is thriving. In 1998, Fortune rated it number five in a survey of the top 100 companies to work for in America. The strength of the company's value galvanizes employees: "The reason we're in business is to provide great careers for our people."

Ben & Jerry's is a more familiar example of a value-based business. The company is not satisfied being just a "cause-related" operation: making money by doing business as usual and then donating part of its after-tax profit to charities. What Ben & Jerry's board of directors wants is a business that fully operationalizes its values. For example, the leader-

ship's and employees' concern for the environment means switching to chlorine-free containers that meet their marketing criteria. It is not a matter of "If we could do it, we'll do it," but rather, "Let's do it no matter what it takes and how long it takes." As a result, for a growing base of socially aware consumers, Ben & Jerry's is more than a great ice cream. It is an icon of a value system that customers are proud to support.

For social purpose enterprises, mental models must encompass both service or product quality, and values and vision. BOSS Enterprises is striving to attain this mental model. A stumbling block for many smaller, community-based social purpose enterprises is that attention and care may be heaped on one side of the equation while the other side flounders (e.g. giving full attention to profit-based quality concerns while neglecting values and vision, or vice versa).

4. Building Shared Visions

Shared vision — a common picture of the future and plan for getting there — is at the heart of the success of an organization or business. Without a mutual destination, the best intentions will scatter good people in infinite possible directions. Shared vision pulls people together and helps build a collaborating team.

In BOSS's CoLEAD structure, we use a community building process for creating shared vision. To us, "community" is everyone who is touched by and contributes to our work: participants, staff, managers, board, funders, strategic partners, and the larger community within which we live and work. We engage people at all levels of the organization to tune into the vision of BOSS as a community organization, to connect with our mission of ending homeless and poverty in our community, and to our commitment to practice eight core values. Core values are at the center of the CoLEAD model:

- ◆ Diversity: respecting, celebrating, and actively involving people of diverse cultures, races, genders, disability, ages, incomes, and life choices
- ◆ Participatory process: involving everyone at every level in decisions that affect their lives and work

- ◆ Partnerships: increasing organizational impact through cooperation and synergy
- ◆ Accountability: providing the highest quality service and remaining responsible stewards of funds and partnerships
- ◆ Accessibility: being physically accessible, maintaining open books, and generously sharing information and skills with peers and partners
- ◆ Learning/Teaching: renewing and growing by building our knowledge base and honing our skills
- ◆ Comprehensiveness: responding to the complexity and interconnectedness of people’s needs through a coordinated response
- ◆ Compassion: respecting everyone’s experience and acting from the reality that the path out of crisis is different for each person

One important function of the CoLEAD model is to operationalize BOSS’s core values within all of our 24 programs. For example, we build into the interview process for new hires questions that let us gauge candidates’ affinity with our core values and their capacity to learn, thrive, and perform with excellence in BOSS’s value-based culture.

At BOSS, we also often celebrate our work and values. In celebration, we connect to what is important to us, and relate to one another as whole persons — bringing out the parts of ourselves that we don’t engage during the normal course of work. For example, in many gatherings, people share their talents — in performance or music or storytelling. And because BOSS is an ethnically diverse organization, some of our gatherings take on the quality of a “global village.”

Vision in the Social purpose enterprise

Our shared vision for BOSS Enterprises is our triple bottom line: profit (income to sustain the nonprofit); values (employing and training our constituency); and vision (continual learning and innovation to help the social venture and larger organization thrive).

To achieve this vision, BOSS Enterprises must practice values that move it toward its

goal. BOSS Enterprises needs to project an air of professionalism, confidence, responsiveness, value, and friendliness at all times in the field of general contracting. “The appearance of the crew and equipment, and the assuredness in which they are handled, leave important first impressions on clients. In the first quarter of 1999, the enterprise will develop a reasonable appearance standard in order to assure job site safety and project a professional company image” (BOSS Enterprise business plan).

Are the key elements of BOSS’s CoLEAD model effective tools for building a profitable business?

We believe they are, based on observing two key trends:

1. Building community inside organizations

Major corporations who suffered from the rigidity of traditional hierarchies (superiors’ telling subordinates’ what to do) are experiencing positive results from employee participation in creating shared vision, values, and goals. Juanita Brown and David Isaacs, pioneers in the idea of “organization as community” report visible progress in this area among large businesses such as AT&T, Motorola, Steelcase, and Herman Miller. Through frequent interviews, Brown and Isaacs have observed that people relate much more positively to the image of community than that of corporation. In their words, “People talk about the feeling of living in a town or a neighborhood where there is cooperation and a high quality of life. People think of commitment, team spirit, and fun. Whatever the specifics may be, the images always evoke a richer, more involved sense of ourselves in relationship to a bigger whole.”

2. Contributing to the larger community

In BOSS Enterprises, many of our staff members have left higher-paying private-sector jobs or lucrative self-employment to work for us because we are doing something for the community, and as a result they know that they are doing something for the community. The General Manager observes that this commitment to the mission is a major contributor to employee morale and engagement in the growth of the business. This is an important learning for BOSS, because when we first started the business we put the emphasis on hiring

people with excellent hard skills. We did not sufficiently value their commitment to organizational mission and values and the impact of this commitment (or lack of it) on the success of the business. In setting up BOSS's social purpose enterprise, we did not practice what is an ingrained and proven success factor in the nonprofit side of the organization. As a result, our first team of workers did not create the community dynamics that are now emerging as key to the effectiveness of the enterprise.

In the venture's next phase of development, we will build operations and marketing on a foundation of shared vision, values, goals, and performance standards. It will take time for new practices to become "second nature" and for us to observe and document the correlation between value convergence and profitability. But we believe that we are on the right track. Our commitment also includes applying BOSS's core value of diversity to the business by hiring more women and minorities in an industry dominated by white males. With diversity and mission-driven motivation added to the mix of excellence, integrity, and social outcomes, we hope to create a new breed of construction company.

We are also encouraged by the potential for extending to our customer base the shared vision of community and a better life for everyone. When we started BOSS Enterprises, many colleagues advised us not to be up-front about our identity because customers would be put off by the image of homeless people working on their properties. This caution has been well placed in some cases, such as projects in private homes, but we are also witnessing another pattern. Recently, a property owner who had previously rented apartments to BOSS's clients was very satisfied with the quality of a job our work crew performed for him, and he said that he would give us more and larger contracts because our work is high quality, our price is competitive, and our mission of helping people to help themselves adds value to our work. As BOSS Enterprises' General Manager observes, "This is a way for them to contribute back to the community, and it doesn't cost them anything."

5. Team Learning

Team learning is the capacity of an organization or business to learn together, to build

knowledge and skills and move forward as a unified entity — a process distinct from varying levels of individual development.

Over the years, in observing the processes of change in BOSS staff and clients, we have noticed a number of key factors that account for both individual and organizational growth:

- ◆ People want to learn
- ◆ People want to be productive
- ◆ People work best when they know that they are part of something larger than themselves
- ◆ People sustain energy and enthusiasm when they feel that they are learning continually

As a result, an important feature of BOSS's CoLEAD model is to provide people many opportunities to learn and to grow personally and professionally. Because of this, many of our key management staff have moved up through the ranks and have provided us valuable continuity through key junctures in BOSS's development.

A standard practice within BOSS's CoLEAD model is the monthly reporting by members of the Leadership Council, representing all of our 24 programs. Everyone reports on the same questions. Questions are intentional and help us learn and see patterns of change across BOSS's strategies and components rather than focus on specific activities that are best left to smaller units of staff to work on.

Most BOSS program components plan and evaluate their goals, activities, challenges, and outcomes regularly. In solving problems together, staff builds stronger teams that are more likely to pull together and support one another during crises. Also, because the shared focus is on serving clients based on BOSS's core values, most often people search for the best solutions instead of giving in to the political clouts of the advocates of specific positions.

Learning is growth. There is an interpersonal dynamic called the "Pygmalion effect": your low opinion of someone influences that person's behavior. BOSS's core values of compassion and respect for diversity are antidotes to the Pygmalion effect. Staff members are

trained to work with clients' potential rather than their shortcomings. Also, at the staff and management levels, people who truly want to learn and move forward in their career are supported to the greatest possible extent. Their will, curiosity, and drive generate the necessary energy to learn and to grow, and when we raise the bar and challenge people to change in the direction of their potential, many meet the challenge. On the other hand, forcing someone to learn and change against her/his own will is futile and can backfire. Learning is a free choice.

Recently, at BOSS Enterprises, one staff member was left with extra responsibility when two other staff were on vacation. The staff person had to perform tasks that were beyond her usual scope of work. At first somewhat overwhelmed, she turned that feeling into a drive to learn. When the General Manager returned, she expressed her desire and need to learn additional management skills. It so happened that the GM had been thinking the same, not only for that staff person, but for others as well, and he committed himself to supplementing formal training with one-on-one coaching as necessary. In BOSS Enterprises' case, the General Manager's own commitment to team learning makes it easier to promote learning in others: "Learning with others gives me a chance to know what my weaknesses are and not take it personally. When something doesn't work well, I figure out exactly why it didn't work and I want to make it work next time — I go on a learning curve."

Participatory planning and evaluation as learning.

Asking questions and deeply assessing performance is an important tool in individual and team learning.

When BOSS Enterprises' new General Manager came on board, he gathered all staff and asked them to talk about everything they felt needed to happen to improve business operations and customer relations, and how they would go about changing things. The areas of improvement — personnel, training, marketing, and operations — were the exact strategic planning framework the manager would have identified had he done it himself, but the itemized list was more complete than it would have been had he done it alone. But the real difference was that the workers "owned" the list. As an experiment, the General Manager put the list on the shelf (usually a recipe for ignoring and forgetting about something) and found that his team began working on the items on the list on their own, and are still "making progress on all of them."

"When people think together and work as a group," observes the General Manager, "you get a lot more perspective on things, and you probably get a truer vision of what you need to accomplish as an organization — the other thing is that by having everybody work on it together, you get a far better buy-in. I probably wouldn't have come up with the 25 different objectives in the five different goal areas. I probably would've missed some things. And even if I had gotten everything, it would have been. 'This one guy called the boss is shoving all this stuff down our throats.' That's a great way to build resistance."

The Core Task: Turning the Gap Between Vision and Current Reality Into A Lever for Growth

"The hallmark of a learning organization is not lovely visions floating in space, but a relentless willingness to examine 'what is' in light of our vision."

— Peter Senge,
THE FIFTH DISCIPLINE

At BOSS we know that a strong vision is not enough for success and sustainability.

The key issue is how we manage the gap between where we strive to be and where we actually are. In the context of learning, this gap and its tensions are sources of creativity. To fully tap into this creativity, we must be committed to seeing reality objectively and to telling the truth about what is not working.

This is what BOSS strives to do in our strategic thinking and day-to-day operations.

For example, we have learned to work and organize ourselves in different ways. One paradigm shift in BOSS last year after the second retreat was the creation of the “Organizational Support Team” or OST (senior-level staff in systems, resource development, personnel, and fiscal management). The OST members have become not only the analysts and decision-makers for these technical operational areas but also now play the role of managing the vision, mission, and values of the organization. This role has developed because of the longevity of staff in this body and also the position it holds overarching the entire organization rather than being based in any one or handful of programs. Working collectively with the union and other Co-LEAD teams, it has set performance standards and built community and shared vision through a loop of communication tools.

Challenges

The process of becoming a learning organization has created new challenges — managing democracy in an organization as complex as ours; continued clarity around mission, vision, values, and performance; shifting more day-to-day responsibility to front-line staff; and creating an organizational culture instead of each component having its own perspective without understanding the whole.

In terms of seeing reality as it is and responding honestly, one example in BOSS came during the retreats described earlier. Looking honestly at our methods of service provision, our ‘laundry list’ mentality and practices, we recognized that people’s needs are interconnected and necessitated a better approach. We responded by creating collaborating teams to undertake service improvements under four core strategies: Economic Development, Community Building, Housing, and Support Services. We are in the process of identifying and assessing outcomes in each area, including impacts on constituent lives, staff productivity, and costs.

Applying the disciplines of a learning organization to meeting our mission requires us to address a number of other challenges:

Knowledge Management vs. Information

In order to turn vision into reality, informa-

tion is not enough — how we manage and apply information, knowledge management, is even more important. “Knowledge and information are distinct entities...The confusion between knowledge and information has caused managers to sink billions of dollars in information technology ventures that have yielded marginal results...(Non-linear) strategies cannot be predicted based on a static picture of information residing in the company’s databases. Rather, such strategies will depend upon developing interpretive flexibility by understanding multiple views of the future. In this perspective, the objective of business strategy is not to indulge in long-term planning of the future. Rather the emphasis is on understanding the various world views of the future,” (“Knowledge Management for the New World of Business,” by Yogesh Malhotra, Ph.D., 1998).

In other words, gathering data is useless without the ability to understand the relationships between different elements of data and to prepare for many possible outcomes predicted by the data.

Malhotra continues, “John Seely Brown, director of the Xerox PARC research center in Palo Alto, California, underscores that in the last 20 years, US industry has invested more than \$1 trillion in technology but has realized little improvement in the efficiency or effectiveness of its knowledge workers. Brown attributes this failure to organizations’ ignorance of ways in which knowledge workers communicate and operate through the social process of collaborating, sharing knowledge, and building on each other’s ideas.”

BOSS is currently refining its agency-wide information management systems and deepening our analytical capacity to apply the knowledge and information we gather to useful purposes, such as evaluation of programs and community needs. In this process, we have been careful to think ahead and avoid working in a vacuum. We are part of a county-wide IMS collaborative, allowing us to learn from existing systems and methods and access relevant available resources.

Plainly, the culture of a learning organization is much better equipped to address the challenge of knowledge management than static (non-learning) organizations. The principles of knowledge management align well with the principles of a learning organization. Among the former are:

- ◆ Viewing the organization as a human community capable of providing diverse meanings to information outputs
- ◆ De-emphasizing adherence to the “way things have always been done”
- ◆ Investing in multiple and diverse interpretations to enable a ‘constructive conflict’ mode of inquiry
- ◆ Encouraging greater pro-active involvement of human imagination and creativity
- ◆ Giving more explicit recognition to ideals, values, or emotions, for developing a richer conceptualization of knowledge management
- ◆ Making the organizational information base accessible to organization members who are close to the action

Unionization

Another challenge for learning organizations is operating in a unionized workplace. BOSS itself is such a workplace; front-line employees are represented by local union CalPRO 2345. Oxfam America, a large international development organization with strong values and practices as a learning organization, has done some critical thinking in this area (from Oxfam’s Bellagio Conference Paper, submitted by Raymond Offenheiser, Susan

Holcombe, and Nancy Hopkins, August 1998):

“Since the early 1980s Oxfam America staff have been unionized under the Service Employees International Union. In general, unions’ modes of operating in the United States today are still firmly rooted in the industrial model of workplace relationships. In recent history at Oxfam America, the relationship between the union and management has been more adversarial than collaborative. The learning organization concept presupposes trust, professionalism, shared values and objectives, and openness to learning. While all staff members are open and even enthusiastic about the learning organization concept, efforts to build a learning organization can stumble on the assumptions of an adversarial relationship and of employees as workers in the industrial model. For example, operating on learning organization principles may require frequent changes in job descriptions or assumptions of supervisory roles by a staff member. In a union environment, job description issues take considerable time for implementation pending union reviews. Union staff are not allowed to take on supervisory functions, even when it would contribute to their professional growth.”

Oxfam identified some key strategies to address these challenges, centered on new ways of interacting with union leadership, including involving union leadership and management in trainings on negotiation and mediation, and on operating a learning organization in a union environment.

Into The Future

“The will of a person committed to a larger purpose is a cry from the soul which has been shaken and awakened.”

— Kazuo Inamori

The challenge faced by social purpose enterprises — to thrive with multiple bottom lines in a fast-changing environment — is best met by the culture of a learning organization: open, honest, flexible, collective, and visionary. As we develop and refine BOSS in

the years ahead, we can learn many things from businesses that do a good job with systems, marketing, and customers. We also can apply BOSS’s vision-driven and values-centered Co-LEAD management model to growing our social purpose enterprise.

In the future of social purpose enterprises, we acknowledge that nonprofits must make significant adjustments in attitude and action when managing a business. To learn profit-centered principles and practices is a leap for many of us. At times, we have to go

against our grain just to get a feel for the business world. But we cannot do this at the expense of our core values and social mission. Eventually the pendulum needs to swing to the middle for balance — social purpose

enterprises that incorporate the best of both worlds: business growth from a solid foundation of values and intent. Finding this balance is part of the continual learning process for social purpose enterprises.

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