

Speaking of Change

—Virginia Franco, Chief Executive Officer

Why do we undergo change at Life Steps? To keep ourselves aligned with the economic, psychological and business transformations that continuously occur within our universe. Only through change can we ensure that Life Steps will continue to thrive for many years to come. If we don't change, we will simply stagnate and die.

Humans are, by nature, agents of change. Some changes are positive and enhance what we are as a species. Some are very destructive and reveal our potentially predatory nature.

At Life Steps we strive for changes that foster growth and nurture our partners' talents, thus creating a better work environment. These changes, hopefully, yield our clients excellent services.

What are the current management changes all about? I believe all of you are ready to self-manage, and I want you to have the opportunity to do just that! That means decentralizing management to promote creativity, situational leadership development (at all levels) and more meaningful results. Life Steps is now 23 years old, no longer an adolescent but rather a young adult. At this stage in its growth, Life Steps seeks to expand its trust. It's about recognizing that you are adults who can certainly make responsible decisions that benefit Life Steps. Many of you care for families, pay mortgages, purchase cars, and participate in your communities and churches. Why shouldn't I trust you to do what's best for Life Steps? And if you make sound decisions for Life Steps, you make sound decisions for yourself because the business units we make self-sufficient will belong to you.

Does changing to self-sufficiency feel scary? Any change is scary at first because we don't have definite answers to our questions. The unknown always challenges our comfort level. Our task is to explore and persevere as we learn about and experience the changes we intend to make. We have a three years plan to achieve this transition—FY 2005/07. During this process Life Steps will prepare its infrastructure and train its partners. Our goal is to have all business units financially sound and ready by 2007.

What does this change mean? As you know, we have service units to meet the needs of different populations in various geographic areas, e.g., the Long Beach adult services unit, or the drug and alcohol unit in central California. I propose to you that all these units will become business units that operate independently, supported by the core services (TCQM, Accounting, Development, HR, IT) they currently receive from the corporate entity. Each business unit will pay a percentage of its gross revenue for the support services, currently projected at 17 percent. The units can spend the remaining 83 percent on whatever needs their unit may have.

What are some of the advantages? Each business unit will pay its own expenses. Consequently, if a unit is highly productive and generates a lot of revenue, it will have more money it can spend on whatever it chooses, provided it benefits the unit. Conversely, if a business unit earns less revenue, it will have to live within its limits.

Each business unit may structure itself however it wants. For example, the Infant and Children Division decided to combine its programs located throughout California as a single unit; Circle of Friends in Los Angeles will collaborate with LA Comprehensive Senior Care. Adult services in northern California chose to operate as a self-contained unit.

How will we create this change? Our managers have the first opportunity to lead the new business units. To prepare them, we evaluate their skills and train them so they qualify to lead their unit. This is entrepreneurship—project managers need to ask themselves if they feel comfortable meeting this challenge. Those who do not may stay in their current position, doing what they do best. They can also apply for different positions (depending on availability). And

other Life Steps units can easily absorb a unit without harm to their operation. (For more information about our timeline for transition to self-sufficiency, visit the Life Steps Web site and click the link, "Entrepreneurial Leadership.")

How will these changes impact you? They can yield many benefits:

- Increases autonomy
- Increases sense of ownership
- Decreases overhead costs—eliminates two layers of management (the chief of operations and the division directors) and thus saves about 11 percent in administrative costs
- Increases accountability for individual business units (each unit is responsible for its budget and production), which also implies increased recognition for excellent performance
- Liberates financial resources for individual business units, allowing them to enhance their operation, e.g., better wages and benefits, additional training, etc.
- Fosters entrepreneurial and leadership skills
- Promotes personal talents and creative, localized solutions
- Accelerates effective decision making for daily operation
- Promotes more effective local networking and eliminates the resistance in certain geographic areas where there is a preference for homegrown organizations
- Increases manageability—a smaller workforce promotes better dissemination of knowledge and communication through direct contact among partners

How do we preserve our organizational culture throughout this change? The culture is the fuel that powers the engine. We are all responsible for preserving and strengthening the culture, which evolves as we do because it's basically organic—an ever-changing reflection of who we are. We use many tools to nurture this culture; one tool is a forum for managers. I want to create a forum for the frontliners—every partner who's not a manager. Now, obviously we can't bring over 300 partners together at one time, so I suggest that we select representatives to sit at a table and speak on behalf of the partners in the trenches.

These forums can occur monthly or bimonthly. Initially, we would use them to process the changes, issues, ideas and suggestions that emerge from our change process. I will chair the forums at first. Although I will discuss our changes during my upcoming visits to the business units, I also encourage you to take action! Select a representative from your unit to sit at the forum table and speak on your behalf. Talk to each other and organize the process. Show me some situational leadership skills!

Once you select your representative, please send the name to Philip Pacheco at the corporate office in Los Angeles to add to our forum list. I want the first meeting to occur the first week of July 2005 and thus begin the new fiscal year with a bang! We will use the first meeting to create the guidelines and processes so that all forum meetings are successful. As I've said before, you frontliners are our first line of defense, our greeting cards to the communities we serve. Your experience and knowledge about clients are invaluable. Your contribution to this change process is absolutely necessary! It can't be done without you. Let me hear your voices!