Negotiating change

Refounding and MacKillop Family Services

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MacKillop Family Services was established in July 1997 as a refounding of seven well-established child, youth and family agencies in Melbourne and Geelong. The pressures for change came from the desires of the directors of these agencies and the leaders of their auspicing religious congregations to continue and to improve their services and, at the same time, from the demands of government tendering and funding polices. Several elements contributed to the success of the process of negotiating change: all parties were treated equally; the directors of the agencies were unwavering in their commitment to change; there was a shared sense of urgent social needs and of the opportunity to improve and stabilise responses to those needs; the traditions of each agency were accorded understanding and respect; time and money were made available for much discussion and careful planning; and, finally, a realistic time-frame for transition was provided.

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There are some 11,000 community service organisations in Australia. Many are unlikely to survive the application of national competition policy to the welfare sector. In Victoria significant welfare organisations – MacKillop Family Services, Jesuit Social Services, Berry Street, and Anglicare – have all arisen out of previously existing smaller agencies. These organisations have different stories, but their simultaneous evolution indicates major changes in the welfare sector. MacKillop Family Services provides a useful case study because it involves the joining together of several small, well-established and sharply defined agencies. In the end, the story is about neither survival nor amalgamation, but about negotiating change in political and religious life, about finding common cultures and preserving local cultures, and about refounding works which must not be allowed to fade away.

On 1 July 1998 MacKillop Family Services celebrated the completion of its first year of operation as one of the largest providers of specialised family services in Victoria. Many of its enterprises, however, are more than a hundred years old. MacKillop was established to continue the work of seven formerly independent agencies: Mercy Family Care Centre, North Geelong; St Vincent de Paul Child and Family Service, Black Rock; St. Augustine's Adolescent and Family Services, Geelong; St. Joseph's Homes for Children, Flemington; St. Vincent's Boys' Home, South Melbourne; St. Anthony's Family Service, Footscray; and St. Joseph's Babies and Family Services, Glenroy. These agencies were separately managed by either the Sisters of Mercy (the first two), the Christian Brothers (the next three), or the Sisters of St Joseph (the last two).

Interestingly, most of these works evolved out of orphanages established by the St Vincent de Paul Society in South Melbourne (1854) and Surrey Hills (1885-1890), and by the 'Friendly Brothers' (later merged with the St Vincent de Paul Society) in Geelong (1857). The Sisters of Mercy took over the orphanages in Melbourne and Geelong in 1859 and 1862 respectively, and helped persuade the Christian Brothers to take responsibility for the boys' orphanages in 1874 and 1878 respectively. The Sisters of St Joseph were given charge of the Surrey Hills orphanage when it was transferred there from South Melbourne in 1890. Though the congregations of Sisters and Brothers have much in common, each brought to its agencies its particular spirit and its own set of loyalties and friends, as well as particular styles of management, funding and accountability.

Any agencies negotiating change are likely to have much in common, as well as distinctive differences. This article considers such questions as:

- how does change originate?
- what drives changes?
- what is lost?
- what is gained?
- what steps have to be taken in making a new organisation out of several agencies?

- can the new organisation successfully blend and maintain the traditions of the constituent agencies?
- what time-scale is required?
- is better service now being given?

There is considerable literature on the management of change (see, for example, Brody 1997, Conner 1992, Hutton 1994, Kotter 1996). All point to the importance of strategic review and strategic planning, of having sufficient time and expert resources, of allowing for loss and grieving, of having both commitment and flexibility, of understanding human resilience and the opposing powers of fear and hope, and of allowing for three phases from the initial situation, through the transition period, to the desired future. There is considerable difference, also, between co-existence, assimilation, and transformation (see Conner 1992, p. 175). MacKillop's is a story of transformation.

THE BEGINNINGS OF CHANGE

In the 1970s and 80s changes had already occurred in the traditional agencies that were to join to form MacKillop. Several of the agencies were moving away from large residential institutions toward smaller units, home-based care, and family preservation services. Lay social workers and professional social work principles began to complement traditional patterns of religious charity. Some of the works were facing difficult times, some were flourishing, but all were aware of an increasingly uncertain future.

In the late 1980s the Directors of the agencies met informally as a sub-group within the network that would soon become Catholic Social Services. In 1990-91 they formally gathered every two months under the title 'Catholic Child and Youth Welfare Group'. By mid-1992 the Group's attention was drawn more and more to the impact of changing government policies on funding and services. The Group also recognised that the need for welfare services would escalate, that funding was constrained, that their own services were diverse and uneven in character, and that more research and advocacy needed to be undertaken. They understood that few Sisters or Brothers were available to replace them in positions of management, and that increasing professionalism was needed. Without significant change, therefore, these Catholic agencies would gradually disappear.

Two of the Directors, Sr Kath Tierney (Mercy Family Care) and Mr Brian Mitchell (St Anthony's Family Service), began to shape a proposal for a union of the agencies. In a report to Catholic Social Services Council, dated 11 February 1993, the Catholic Child and Youth Welfare Group then formally noted as a goal 'the practicality of closer agency co-operation (even merging?) in an atmosphere where smaller agencies are vulnerable to further funding cuts....' In April 1993 the Group produced a list of guiding principles which revealed the desire to found something new. For example, they proposed: 'That service provision be guided by a quest to address unmet community, family and individual needs as revealed through practice, experience and research'; and 'That the organisational structure and culture enable the development of creative, innovative, flexible services.'

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EXPLORING MODELS

Members of the Group then formally approached the leaders of their respective religious congregations, the owners and stewards of the agencies, to discuss the possibility of merger. They were given guarded encouragement and, in May 1993, they set about refining principles, identifying advantages and disadvantages of closer affiliation, and examining models for possible organisational arrangements. Workshops were held in July and September 1993, with Ms Kate Redwood as a consultant, at which Directors and representatives of the agencies considered the current status of their works, the future demography of families needing support, the likely shape of government involvement, the need to work in the light of better researched outcomes, and the need for transparently professional standards.

Closer collaboration was seen as the best option. The Group elaborated three possible models. *The federation model* retained high levels of autonomy of participating organisations, but with some functions vested by agreement in the common body. *The amalgamation model* established a single new agency which would take responsibility for all organisational matters. A midway option, called *the agency collective*, which balanced autonomy and centralisation, was also mooted.

The second model, amalgamation, emerged as the preferred choice. It was the most difficult model to pursue, however, given the complexities of distinct ownerships, varying resources, and different degrees of autonomy that had to be addressed among the Sisters of St Joseph, the Sisters of Mercy, and the Christian Brothers. In November 1993, nonetheless, the Directors recommended to the leaders of their founding congregations the formation of a single new child, youth and family welfare organisation. The congregational leaders together then contracted John Little and Associates to investigate the case for amalgamation, examining both gains and losses. In September 1994 Little conducted a two-day live-in seminar for more than twenty senior members of the seven participating agencies. The mood of the meeting was described as 'enthusiastic yet sober'.

Little also clarified positions on existing organisational structures, agency profiles, funds, assets, liabilities, property – sometimes shared with the Department of Health and Community Services and sometimes with the Roman Catholic Trust Corporation –

and superannuation arrangements. He also discussed possible models of governance for a newly formed organisation. Thorough review is regarded as essential to strategic planning (see Brody 1993, pp. 46-47), and Little's work was a classic example of such a review.

In December 1994 Little's report was tabled. The benefits of joining the agencies were judged to outweigh the costs. Children, staff, auspice congregations, government and community would, he argued, all gain. The costs, however, were not negligible: each agency would lose some autonomy, founding congregations would feel the loss of their own works, disruptions would be caused to staff and services by the necessary review of all programs and positions, redundancies were inevitable, and considerable costs would be entailed in the transition process. Little endorsed the suggestion that the new venture be considered a 'refounding' rather than an 'amalgamation'. In other words, the new work would flourish best not just as a blending of the existing agencies, but also as the establishment of a new organisation drawing its strength from the same roots which supported the original foundations.

Little's report outlined structures for a new unified organisation and a plan for a 15-18 month transition process. Each of the congregational leaders, in consultation with their various communities and the Boards of the existing agencies, then had to decide whether or not the process should be taken any further. Accepting change was not easy for some Sisters and Brothers and Board members: not only the name and uniqueness of each work was at stake, in which some of them had laboured long and hard, but also their direct ownership by the respective congregations. The case for change, however, when carefully presented and considered, won the day.

In February 1995 the Board at St Anthony's Family Service recommended to the Josephite congregational leader a move to amalgamate with the agencies auspiced by the Christian Brothers and the Sisters of Mercy. Amalgamation, it was argued, offered financial security to the agency, better service to families, better staff management and service development, better leadership in mission, information, and research, and better career paths for professional staff. It was acknowledged that there would be a loss of identity and autonomy for St Anthony's, but it was believed that the first formal step toward a new future was now being taken.

On 31 July 1995 the three congregational leaders announced their decision to amalgamate the seven agencies and to establish a Transition Committee to take over matters from 30 September. On 1 October 1995 they signed a Memorandum of Understanding to set the transition process in motion. They agreed to continue to underwrite the not inconsiderable costs involved and proposed that the new organisation, yet to be named, would commence operations on 1 July 1997.

Major obstacles remained. First, most of the agencies were incorporated bodies and legal issues had to be settled before a new single company could be formed. Secondly, some congregations took longer than others to commit themselves to change, questions about titles of properties being especially significant. Thirdly, the new organisation had to meet the challenge of its broad geographic spread, which covered four Victorian Department of Human Services regions.

Given this uncertainty, and to ensure the viability of its own agencies, the Christian Brothers decided early in 1995 to amalgamate St Augustine's Geelong, St Vincent's South Melbourne, and St Joseph's Flemington. The Christian Brothers' Child Youth and Family Services thus came into formal being on 19 October 1995. While short-lived, it constituted a pilot for the larger task to come, as well as introducing further intricacy into the overall process.

THE TRANSITION PROCESS

In October 1995 gatherings had been arranged for staff and board members across the various agencies. The Transition Committee began work in the same month. Each of the founding congregations appointed three representatives of their congregations and agencies to this committee. In November 1995 Br Michael Godfrey, then chair of the Transition Committee, assured Directors of agencies that 'in general, staffing for the new agency will be drawn from the existing agencies' but that in the meantime new appointments within the agencies should be time-limited to 30 June 1997. Br Godfrey was shortly after appointed congregational leader of the Christian Brothers and replaced by Sr Mary Duffy as chair of the Transition Committee. An educationalist, her experience in amalgamating schools run by separate religious congregations into a single large institution would be of great value.

In January 1996 Mr Brian Luby took up the appointment of Transition Officer, to act as executive officer of the Transition Committee and as project manager for the transition process. He was located independently of all the constituent agencies, his salary being paid by the religious congregations rather than by the agencies. Luby, a trained social worker, came as an outsider with considerable experience in management, organisational review, and transition processes in both government and non-government health and welfare fields.

The Transition Committee formed four subcommittees to report on 'mission, programs and structure'; 'finance and legal issues'; 'industrial relations'; and 'information technology'. Appointments to these committees included some members of the boards of the original agencies. From the agencies Luby gathered vision and mission statements, staffing profiles, details on programs and services, policy development, information technology, employment conditions, industrial relations, fund-raising, legal structures, insurance, and so on. A firm of chartered accountants and business advisers was contracted to provide advice to the Transition Committee on accounting needs for the new agency. At this stage the proposed organisation still had no name, no corporate logo, no premises for its central office and no final agreement to proceed to implementation.

In such a complex set of conditions, Brian Luby saw two abiding factors as being of paramount importance. First, by allowing 18 months for the transition process a realistic time-frame had been established. In such a time-frame there was room to address difficulties as they arose. Secondly, the fact that the congregational leaders showed an unwavering commitment to work towards the new organisation was of inestimable benefit during the time of transition. They shared a common understanding of the implications of changes in the Roman Catholic Church since the second Vatican Council, in particular with respect to the future of the Church and the changing roles of religious congregations and the laity

Nonetheless, the process required a careful understanding of the different ways in which each of the three congregations worked. It was vitally important to understand that they all had different characteristics, just as the children within one family can, while sharing the same parents, show a range of personalities. Discussions of finance and property were also difficult, since each congregational leader was responsible for the general good order of his or her organisation, which reached far beyond youth and family services.

Some congregations were better endowed than others, as were some agencies, and it was difficult to judge what portion of such endowments should be passed over to a new organisation. Through all these discussions, however, a strong principle of *equality* and *partnership* was maintained. That is, independent of their assets or liabilities, whether in personnel, property or funds, each congregation stood as an equal in relation to the others.

The congregations agreed to continue to support the new organisation they were creating, including financial assistance. The individual properties involved, however, would in the first instance not be transferred from the congregations to the new organisation. They would, instead, be leased at a peppercorn rate for three years, at which time a decision on property ownership would again be considered.

STRATEGIES FOR POSITIVE CHANGE

Transparency, consultation and communication were given high priority in all processes. People were involved at all levels of the organisation. There was consultation of staff generally, and of some of the clients of the agencies' services, through many meetings. There were opportunities for people to make submissions directly or in writing. Management of the principles of change was also seen as important: that is, both the feelings of loss of the past and the feelings of hope about the future were recognised and restated. Nonetheless, it was also understood that no matter how benign and careful any transition policy was, there would always be stress and, occasionally, a sharp end to some decisions.

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Many decisions were to be made, particularly with respect to the values and structures of the new organisation. In 1996 the Directors of the agencies met monthly with the Transition Officer to facilitate communication and team-building. Further opportunities were provided for staff to visit other agencies and to meet their future colleagues. Four workshops were held for respective board members, staff and volunteers to discuss the mission of their particular agency. Survey questionnaires were circulated to establish key values of the agencies, and mission statements were drafted. A further round of workshops was held to discuss organisational structure. Ms Jo Cavanagh was contracted as a consultant and facilitator for these workshops.

A key example of the transparency strategy was the development of an *Employee Impact Statement* which listed the name of every person employed in the existing agencies, their current position and status, and their position in the new organisation. There were some whose position would not be continued in the new organisation, but there were also vacant positions for which they could apply. Care was taken to release this document to staff, management and unions at exactly the same time. While all staff were anxious about impending changes, particularly when this document's release was delayed, the *Employee Impact Statement,* along with regular contact with respective unions, resulted in a wider confidence in the process and its intentions..

On the other side of the ledger, it was also essential to keep the congregational leaders fully informed of progress throughout the transition period, to ensure the retention of the charism of the founders of the three congregations, and to maintain respect for the history, culture and support base of each agency.

FROM TRANSITION TO ESTABLISHMENT

It was eventually decided that the new organisation would be a company limited by guarantee. In October 1996 the six members of the company were announced, each religious congregation nominating two of its members to these positions. In December 1996 the congregational leaders announced the nine members of the Board of Directors of the new company, including experts in various fields of welfare, accounting, and industrial relations, and one representative of each congregation. Sr Mary Duffy was appointed chair of the new board. Her appointment, and the presence of several lay women on the new board, reflected a principle of equality between laity and religious and between female and male that had not always been evident in the governance of the original agencies.

Although not for want of professional advice, at the end of 1996 the new organisation was yet to have a name, a logo, or a central office. These soon fell into place. The name 'MacKillop' emerged separately but synchronically from both the Directors and the leaders of the congregations and was announced in February 1997. Mary MacKillop, born in Melbourne in 1842, had begun the Sisters of St Joseph in 1866. She had lived at St Joseph's

Children's Home in Surrey Hills shortly after it was opened in 1890, and has since been recognised as Australia's pioneer saint. A logo designed by Sr Gael O'Leary of the Mercy Art and Creativity Centre, Black Rock, met with warm approval, and available office space was found in Footscray.

In December 1996 the prospective members of the soon to be registered company, on the advice of a representative selection panel and supported by the Transition Committee, announced the appointment of Mr Paul Linossier as Chief Executive Officer of MacKillop Family Services, to take effect from 3 February 1997. MacKillop Family Services was to come into being on 1 July of that year. The Transition Committee formally disbanded itself as of 28 February 1997, recognising that the new Board of Directors was to take full responsibility for day-to-day decisions and longer term planning on behalf of the new agency. A business manager and a manager of human resources and contracting were appointed in March 1997, and directors for the Geelong and Melbourne regions were appointed a month later.

MacKillop Family Services was registered in April 1997 as a company limited by guarantee and formally assumed the management of all programs and services provided by the seven founding agencies on 1 July 1997. The founding congregations agreed to contribute to financing the first year of deficit, thus giving the new Board time and space to get reviews and priorities in place.

After the First Year of Operation

In its first year of operation MacKillop gave specialised professional care to thousands of Victorian children and families. It provided some hundred different services: disability services, specialised placement services, home based care services, family support services, outreach services, specialised case-work services, rostered residential units, family group homes, lead tenant facilities, special schools and other education units, workshops, camps and recreation facilities. The organisation now employs over 230 permanent and around 50 casual staff. Its first annual budget was in excess of $10 million. In its second year of operation there is a projected 20-25% increase in both services and budget outlay.

Some doubts, however, remained. Bigger need not always be better, and the risks of damaging the culture around each of the original agencies were considerable. On the positive side, because several of the services within each original agency found complementary matches in other areas of the new organisation, the various cultures also found much in common. The initial size of the new organisation seems to be about right, and there are signs of both consolidation and new processes of change, which are the final stages of major change (see Kotter 1996, pp. 131-158). In October 1998 the MacKillop Family Services Bill passed through both chambers of the Parliament of Victoria to facilitate the forwarding and proper distribution of bequests, gifts and trusts to the new organisation.

For all that has been done, however, the future is not entirely certain. The Victorian Government's intention to shift welfare funding from its historical basis to competitive tendering leaves 80% of MacKillop's operations open to tender in the near future. Deficits remain high, especially since decisions were taken not to cut staffing at the time of restructuring as drastically as might have been done in a more commercial environment. Despite the financial pressures, especially because the welfare dollar is so much more precarious than the health or education dollar, the congregations remain fully supportive of the new ministry. They well understand that their work with the disadvantaged and marginalised is essential to their identity.

Occasional tensions between the old and the new appear, most particularly in the loss of some autonomy, the expectations of greater accountability, and the shift of balance from religious to lay spirit. The seven directors of the agencies all lost their original jobs, but four were re-employed in new positions. Eighty per cent of staff were immediately matched to new positions and many more won other positions in the new structure. Importantly, services to clients continued relatively smoothly throughout the change process. Sisters and Brothers from the religious congregations continue to be employed in the new organisation in a variety of roles, but now go through the same employment procedures as their lay peers.

Some people take time to understand why change is necessary, and their grieving must pass through denial, anger and depression before coming to acceptance (see Hutton 1994, pp. 170-180, and Conner 1992, pp. 132-145). Many can feel at the edge and few at the centre. Differences between the cultures of the various agencies and some of the consequences of having a central administration can cause irritation. Like a new set of clothes, it takes time to become comfortable in the new organisation. Loss of the past and fear of the unknown are balanced by the vitality of the new organisation, however, and though MacKillop's identity is still in evolution, the participatory approach which characterised the change process continues in the new organisation.

MacKillop is in a better position to provide a broader range of services, to meet new needs, to tender creatively for appropriate funding, and to influence government policy. It offers a stronger voice on behalf of children and families in crisis, and a better integrated approach to their care. It is to the original directors' credit that they seized the moment when it came, for moments of crisis and opportunity also release the urgent dynamism essential to the successful negotiation of change (see Brody 1993, pp. 55-56; Kotter 1996, pp. 35-49). There are, then, good reasons to believe that these refounded services will provide fresh models for family welfare in the coming century. □

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