

## CASE STUDY 8: Habitat for Humanity of Medina: Confronting the Changing Times

*Linking Case Study to Chapter Materials:* In this case, students identify the internal and external pressures for change and then consider how they would lead an organizational change effort in a nonprofit organization. The case questions also link to Chapter 13 frameworks for change.

Julie Young is the executive director of the Habitat for Humanity affiliate located in Medina, Wisconsin. She oversees forty employees who work in various administrative, fundraising, and operations capacities to build fifty new homes per year in Medina and the surrounding areas. Twenty-three board members govern Habitat of Medina, including local business owners, city officials, major donors, and two Habitat homeowners.

Medina is characterized by high concentrations of poverty in the southern part of the city, and middle class and wealthy neighborhoods in the northern part. In an attempt to lessen high concentrations of low-income housing, Habitat's board of directors developed a new strategic plan a few years ago that focused on building low-income homes in mixed-income developments. This mission shift came at a time when Medina's housing market was booming, and private developers were pushing new neighborhood zoning approvals through the city council as fast as they could. With the support of donors, volunteers, and key city officials who served on its board of directors, Habitat lobbied for a requirement that new subdivisions include affordable housing. However, property values had fallen sharply nationwide over the past year, and Medina, like many other cities, was facing a high rate of foreclosures and a decrease in new home construction.

The foreclosure crisis prompted many private and government agency grant-makers to offer short-term loans for families in danger of defaulting, instead of providing funding to affordable housing organizations such as Habitat. In addition, banks were no longer buying Habitat mortgages, ending what had been a reliable income stream for Habitat over the past few years. Two for-profit home developers that had supported Habitat with

financial and in-kind donations and volunteer labor had to lay off hundreds of employees and could no longer justify charitable donations.

An economic downturn caused a one-third decrease in individual donations to Habitat of Medina compared to the previous year. Habitat usually receives a large grant from the local United Way, but this year United Way decreased funding for community development organizations such as Habitat in order to give more funds to food banks and homeless shelters that were facing increased demand for services as the economic situation in the city worsened.

Julie reviewed the organization's financials and realized they would have to cut back the planned fifty new homes for this year to just fifteen. Even with these cuts, she didn't know if the organization could meet its payroll. Grant money was contingent on the completion of new homes; therefore, cutting back construction meant even fewer dollars would be coming in. The board advocated for staff reductions and salary cuts, but Julie knew firing and reducing pay would result in increased burnout for the employees who did remain on staff. Her staff and volunteers, meanwhile, were pushing to keep home construction at the organization's original target of fifty because the wait list of families in need of homes was growing.

In response to public pressure for home foreclosure help, the city council asked Habitat to begin rehabbing homes for families who couldn't afford repairs and to use grant money and donations to help families facing foreclosures. While the organization had rehabbed homes in the past, they had never offered foreclosure assistance in the form of loans or counseling, as their mission was to build homes in partnership with families in need. Neither of the city council's recommendations aligned with the organization's five-year strategic plan, and staff members were not trained in foreclosure assistance.

Facing resource shortfalls and a pressure to change the organization's mission, Julie knows the organization needs to make some changes, but isn't sure how to retain the support of the organization's various stakeholders.

## **Discussion Questions**

1. What are the external and internal pressures for change facing Habitat of Medina?
2. What are the possible ways in which this organization could change? How would the organization make these changes successfully?
3. What resistance to change should Julie expect?
4. What steps would Quinn and Cameron recommend Julie follow as she leads the organization in change?
5. How should Julie proceed if she wants to follow Greiner's steps for successful organizational change?
6. How should Julie proceed if she wants to follow Kotter's steps for successful organizational change?
7. In what ways does this case align with or differ from the distinct challenges that public organizations face when they change?

*Source:* This case was written by Sarah Schaefer, School of Public and Environmental Affairs, Indiana University-Purdue University-Indianapolis.