Conflicting Agendas for the Future of a Youth Agency

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Summary

Having avoided self-scrutiny for most of its sixty year history, a youth agency is forced to take a hard look at its future when finances begin to decline. The executive director and the board president hold differing views on the appropriate course of action, and the reader is asked to decide which position is in the best interests of the organization.

It was the night before the September meeting of the board of directors of the Youth Service Network (YSN), a mid-sized social agency providing educational and recreational programs to youth in a major metropolitan area. Margaret Stover, YSN's executive director, was trying to fall asleep but with little success. Thoughts of the next day's meeting kept intruding: How would the board react to the Strategic Planning Committee's report? How would the latest financial report, which projected a substantial deficit for the fiscal year unless the reserves were tapped, affect the discussion? While she was already on record as being in favor of the committee's recommendations, should she adopt an active or a passive role in the debate?

The situation had become more complicated after the phone call she had received earlier in the day from Sal de Marco, the board president. During the last several months as the strategic planning committee was meeting, de Marco had been noncommittal about YSN's future, which was surprising in view of his long association with the organization. Whenever Stover had pressed him for some kind of reaction to the minutes of the committee meetings or to the preliminary findings that had been distributed prior to the June board meeting, his only response was: "Let's let the process proceed." Today, however, de Marco had informed her that he did not feel he could support the committee's

recommendations and was preparing a statement to present to the board. Judging by the cool tone of his voice, Stover deduced that de Marco's statement would not only find fault with the report but would also be less than complimentary of her.

How had their relationship, which had seemed so strong when she was hired, deteriorated to the point that they were this far apart on such a critical issue?

History of YSN

The Youth Service Network is a nonsectarian, not-for-profit organization providing camping, educational, social, recreational, and cultural programs and services to young people ages 6 to 24 in a major northeastern metropolitan area. As articulated in its mission statement, "the purpose of the organization is to improve and further the well-being and happiness of the boys and girls who participate in its activities by helping them develop needed skills, a system of personal values, and a sense of self-worth in order to meet the challenges of the present and future, and to become productive, constructive members of society."

YSN was founded in 1935 by Trevor Clinton, who envisioned an organization that would use recreation as an incentive for engaging boys in positive activities to help prevent juvenile delinquency. At first, programs were provided at several storefront recreation centers scattered around the city. A few years later, an overnight camping program was started at a nearby state park. In the early 1960s, YSN entered into an agreement with the local housing authority to operate community centers in housing projects. Early on, the organization began to organize citywide tournaments for various sports, notably track and field and boxing, which generated considerable publicity and attracted the attention and support of major sports figures. Although girls participated in certain activities almost from the beginning, they were not fully incorporated into YSN's programs until the mid-1980s.

YSN's founder was somewhat of a visionary in securing financial support for the organization. Drawing on his connections in the sports world, Clinton organized one of the first direct mail campaigns on behalf of a nonprofit, and interestingly enough, sent solicitations playing on the theme of preventing juvenile delinquency to a national mailing list rather than confining the effort to the immediate area. This approach proved to be very successful; it generated virtually all of the organization's operating money for most of its history and also yielded numerous bequests over the years, allowing YSN to develop a modest portfolio of investments.

For close to fifty years--first as executive director and then as a member of the board--Clinton dominated the organization. For the initial board of directors he selected friends and acquaintances who were expected to rubber-stamp his decisions and maintained further control by not having rotational terms. The rare vacancies were filled by personal friends and/or business acquaintances of the current members, with all selections subject to Clinton's final approval. In recent years the board has included second-generation family members of the original trustees and a few former program participants. Election of the first woman board member occurred in the early 1980s.

When Clinton retired as executive, he named his associate director as the second CEO. No other candidates were considered. The new executive's main attributes were his loyalty to the founder and the personal relationships he had developed with certain board members. Clinton also installed his son as YSN's director of development and director of camping and arranged that his son would report directly to the board, of which the founder was now a member. This unusual supervisory arrangement continued even after Clinton's death in 1982.

In 1988, the second executive director was forced to resign due to illness. As the third executive director, the board selected an individual whose athleticism seemed to embody the very essence of the organization's mission. Although the new executive had limited senior

management experience, the search committee believed his knowledge of fiscal monitoring gained during his previous work at United Way would be a major advantage.

The new CEO soon noticed serious irregularities in the way the direct mail campaign was being managed. In fact, the evidence showed that the founder's son had been defrauding YSN for several years for his personal gain. Faced with this information, the board had no choice but to ask the founder's son to resign and, on the advice of legal counsel, initiated a lawsuit against him. As a group, board members felt a certain amount of discomfort in having to assume a more traditional governing role. But for a number of longtime members whose fondness for the late founder still ran deep, the legal action was very painful indeed. Although these members understood the necessity for the lawsuit, both to restore YSN's good name and to demonstrate their own fiduciary responsibility as trustees, they were unable to separate the "message" from the "messenger" and consequently never quite forgave the executive director for forcing them into such a difficult position.

In the second year of his tenure the executive director inadvertently offended a powerful trustee, a former board president who had had a particularly close relationship with the previous CEO and was now serving as chair of the Finance Committee. When the finance chair returned to active service following major surgery, he accused the executive of withholding important negative financial information from other members of the finance committee in his absence. After two more years, the third executive resigned, worn down by the finance chair's constant sniping, continuing fallout from the direct mail scandal, and YSN's deteriorating fiscal position.

Toward the end of 1992 a search committee was formed, chaired by Sal de Marco. A relatively new board member, he was the nephew of a former YSN senior staff member and had himself been a program participant. Initially, a male candidate proposed by the second CEO through his remaining friends on the board seemed to be the front-

runner. However, the final choice was Margaret Stover, who had extensive prior experience as a nonprofit executive. In announcing the board's decision, de Marco said, "We selected the best person for the job, one whose proven skills in organizational development, long-range planning, and fiscal management, along with a background in community center work and camping, offer the right combination to provide the kind of leadership YSN needs to move steadily forward."

Leadership was exactly what YSN needed, especially since the third executive director, drawn into crisis management, had had little opportunity to address long-term issues. The new competitive environment for nonprofits demanded careful planning and informed decisions by both the CEO and the board. Stover faced the challenge of dealing with an organization that had been rudderless for some time.

The Executive Director's Perspective

The new executive director focused on YSN's fiscal problems and soon realized that the decline in the organization's financial position was a symptom of broader issues related to mission and governance. These matters were brought into clear relief through a confidential letter Stover received from a consultant who had been engaged to help YSN promote its sixtieth birthday celebration:

The basic problem with YSN is the fact that it has at its core a faulty premise. What we basically are is a neighborhood group...with rather large pretensions of being more. This is not to say we don't do a good job--we do in that area. But it's small potatoes, and there must be dozens--maybe hundreds--around the city doing exactly the same thing.

Times have changed, and the fact that we've reached sixty years is more a testament to the good services and the good luck of our predecessors than anything existing today. I've told you--perhaps too often--that you have to get rid of the majority of your board. They simply are unimportant people and, mostly, uninspired. The elements of success are simply not there.

I do think you should address these problems as quickly as possible for the continuance of the organization. The competition is just too fierce and severe out there to warrant doing anything else.

While these were harsh words, they had the ring of truth. Beginning with the death of the founder, the organization had begun to slide. During those ten years, no new programs had been developed, and some of the older programs, such as the tournaments, had been discontinued for lack of support. In addition, no new funding sources had been cultivated. Even though the third CEO had been able to revive the tournaments and had attempted to inject some enthusiasm into the organization, his general lack of administrative experience and plain bad luck in being caught in the scandal over the direct mail program were his downfall. Furthermore, the board was top-heavy with white males over the age of fifty clustered in a few industries. (Exhibit 1)

The YSN bookkeeper quickly befriended Stover and became a primary source of information. One of the more disturbing revelations concerned the search process. Stover learned that her job had been all but promised to another candidate recommended by YSN's second executive director and that de Marco had tipped the balance in her favor, possibly in order to embarrass the second executive, against whom de Marco harbored a personal grudge.

Stover also received a full report from the agency's bookkeeper about the direct mail situation and the scandal involving the founder's son. In light of the board members' reactions when the former CEO had brought bad tidings about the direct mail scandal, the bookkeeper advised Stover to avoid this issue as much as possible--a difficult task since the lawsuit against the former staff member was still pending--or risk encountering the same fate as her predecessor. Additionally, the bookkeeper was able to provide some insights into the difficulties the outgoing executive had with the then-chair of the finance committee, and this information proved

valuable when Stover subsequently was invited to lunch by this board member and was treated to his version of the conflict.

In the course of this lunch meeting, the board member suggested that Stover reach out to YSN's second executive as someone who could provide her with a sense of the organization's history. The feeling Stover got was that this trustee wanted to wipe out the last few years--his disagreements with her predecessor, the scandal over the direct mail program--and renew the ties with the past when YSN was so prominent in the youth services field. Since Stover wanted to establish a positive relationship with the board member, she followed his advice and was pleasantly surprised to discover she rather liked the former CEO, despite his gratuitous criticism of her predecessor's attempts to "modernize" YSN.

All in all, Stover's tenure had an auspicious start. The staff seemed reenergized, and the board appeared to be happy in the choice of their new CEO. Most important, it was possible to put aside monetary concerns for a while when YSN received an unexpected bequest of over \$800,000 from a direct mail donor whose average gift never exceeded \$100 during her lifetime. In Stover's second year, however, declining revenue again became a central issue. Since she believed the organization had erred historically in putting so much reliance on a single source of income, she began to explore other avenues for generating income.

Stover viewed the one remaining community center--down from the three sites YSN had managed some years back--as the organization's biggest resource. Looking for opportunities to expand the center's program, she was successful in obtaining three large grants from three new donors interested in school dropout prevention, which she saw as a link to YSN's original focus on juvenile delinquency prevention.

She was more than a little dismayed, therefore, when the board greeted these funding coups with minimal enthusiasm. For the majority of the trustees, summer camp was still YSN's centerpiece, even though

the organization had steadily been losing campers to other, more modern facilities. Since only a small number of the youngsters attending camp participated in activities at YSN's center, they did not have the loyalty to the YSN organization of campers in the past, when it was common to see the same faces involved in the program year-round. Moreover, many of the current campers came from unstable home environments and thus brought emotional and psychological problems that were beyond the therapeutic skills of the counselors YSN was able to recruit. The board did not seem to grasp these major changes. While they wanted to see camp flourish, they were unwilling to invest the dollars Stover requested to upgrade the camping program.

Stover was also dismayed by the board's continuing belief that the direct mail program could be revived. She did not share their optimism, but at the urging of the finance committee, she switched consultants in hopes of achieving better results. When there was no appreciable improvement, she made yet another change, which did bring a slight upswing.

Increasingly Stover believed a complete overhaul of YSN was necessary, and she decided it was time to get at the root causes of YSN's problems and to develop a strategy to secure the organization's future. With the support of the board president, she was able to convince the board to enter into a strategic planning process. While the ostensible goal was the need to strengthen the funding base and to determine which of the current programs were most viable, Stover's long-term hope was to include a serious examination of the governance structure. The strategic planning committee was formed toward the end of 1994. It was expected to meet through the first half of the new year and then submit its recommendations to the full board prior to the September 1995 board meeting.

Earlier in 1994 Stover's concern about governance had been heightened when Sal de Marco, who had headed the search committee that selected her, became the new board president. Initially Stover had

been very pleased when the Nominating Committee suggested de Marco. With YSN's sixtieth anniversary coming up, naming a former program participant to the top board spot had great public relations potential; moreover, Stover knew de Marco had been very influential in her appointment as executive director and felt they had maintained a cordial relationship ever since. Unfortunately, de Marco's style was much different from that of his predecessor. He did not see the value of frequent meetings with the executive director but finally agreed to a once-a-month session if Stover would travel to his place of business, which was over an hour's drive from the YSN office.

However, even with monthly meetings, Stover did not feel she and de Marco acted as a team. Often, when she would bring an issue to his attention and ask for his input, he would respond: "Do what you think is best. After all, you're the girl I brought to the dance." Even worse, when de Marco did consider a matter to be important, he was apt to phone a few of the other board members for their opinions before discussing the matter with Stover. Yet, in his own indirect way, de Marco was supportive of her, if a bit patronizing. Stover made the best of the situation, although she felt nothing much would change until rotating board terms were adopted and people were selected for the board on the basis of merit rather than personal or business ties.

Much would depend on the outcome of the strategic planning work. Stover had influenced the selection of an excellent committee that included the best thinkers on the board. The group's growing enthusiasm about the process gave Stover confidence that they would be able to "sell" the plan to the other trustees. To Stover's delight, the committee even proved receptive to discussing possible changes in governance. When the committee's interim reports were well received at the February, April and June board meetings, she felt much better about the chances of helping YSN overcome its problems and move forward. The full committee report, with recommendations on changes in programs and services, finances, staffing, and plant and equipment, was sent to the board for review prior to the September board meeting. (Exhibit 2) The cornerstone

of the plan, and probably its most controversial aspect, was a proposition to use YSN's reserves to cover deficits until new sources of income could be cultivated. The crucial vote would take place at the meeting.

The Board President's Perspective

Sal de Marco could not remember a time in his life that he was not connected with YSN. He was only five when his father died and Uncle Lou had stepped in as the man of the family. Since Uncle Lou was director of programs for YSN, young Sal found himself enrolled at camp during the summer and active in sports at the community center the rest of the year. He was still close with several boys--men--who had participated with him in these activities.

There were many good times in those early years. De Marco remembered the excitement of taking part in the citywide track meets sponsored by YSN and then seeing his picture in the paper the next day for anchoring the winning team in the relay race, his specialty. And he loved camp. Getting out of the hot city for the summer, swimming in the lake, watching the Indian ceremony where Uncle Lou played the chief were wonderful memories.

Yet de Marco also associated one of his worst experiences with YSN. When YSN's founder, Trevor Clinton, announced his plans to retire, Uncle Lou confided to the then-teenaged de Marco that he wanted the job and had submitted his letter of interest. Shortly afterwards, de Marco came home from school to find his uncle in the living room, crying. Clinton had sent a memo to the YSN staff stating that the associate director of the agency would succeed him; Uncle Lou was never even interviewed for the position. De Marco considered this a great injustice, for the associate director, in his opinion, did not match his uncle's skills.

While Uncle Lou remained with YSN until he retired some years later, de Marco resented what had happened. He turned his attention more and more to his studies, and ultimately became a banker, an

accomplishment that sadly his uncle did not live long enough to see. It was thus somewhat of a surprise when the third executive director, who had followed Clinton's hand-picked successor, reached out to de Marco and invited him to join the YSN board. With mixed feelings, de Marco agreed.

Old habits die hard. De Marco discovered his belief in the importance of the agency's work was still strong. Furthermore, he felt he had something to prove to the other trustees, although he was never quite sure what that was. As YSN neared the milestone of its sixtieth birthday, the nominating committee decided it would be fitting to name a former program participant to be board president, and de Marco was selected. He wished that Uncle Lou could have been there to see his nephew receive this honor.

In the time since Stover had been hired, de Marco had not had much contact with her outside of board meetings. Overall he was pleased by her performance although he had hoped she would have achieved more success in reviving the direct mail program by now. One quirk of hers did bother him a bit, though: Stover always seemed to be waiting for the board to show overt approval of her actions and had difficulty hiding her disappointment when the trustees failed to acknowledge her efforts to her satisfaction. For example, when Stover announced to the board that she had obtained a government grant of \$75,000 a year for the next two years, she obviously felt that securing the grant was a major accomplishment. True, it was the first Federal grant YSN had ever received, but the amount was chicken feed compared to what the direct mail campaign generated. In the best years, direct mail had raised close to \$800,000 annually, and even now it brought in over \$400,000. When there was little reaction from the board, Stover looked truly crestfallen. De Marco saw her reaction as a sign of weakness; he'd never let his board at the bank know his feelings so openly.

After becoming board president, de Marco discovered that Stover expected to have frequent meetings with him to discuss agency business,

as she had done with his predecessor, Ben Shank. She didn't seem to realize that he couldn't be as free with his time as Shank, who owned his own company and could come and go as he pleased. As a compromise, de Marco agreed to monthly meetings if Stover would drive to the bank early in the day so that his schedule was not disrupted. But these needs of Stover's were minor irritants. She had been his choice for executive, and he still felt she brought many strengths to the organization. Thus, when she suggested the idea of strategic planning, he saw no reason not to go along with her or to question the process once begun.

Upon receiving the strategic planning committee's report, however, he wondered whether he should have been more directly involved in the effort. Some of the recommendations were fine, such as the idea of trying to integrate the programs and involve the kids on a year-round basis. That arrangement had worked well for him, certainly. But he had trouble with the heavier emphasis on the community-based programs at the center. Even though camping was discussed, it seemed to him that the camping program was of secondary concern. Moreover, the plan's suggestion of combining school work with camp activities had no appeal to him at all--camping was about having fun!

Being a fiscal conservative, de Marco also had trouble with the concept of dipping into the reserves in the hope of realizing future gains. This seemed to him a dangerous step to take since the implication was that if YSN could not identify and secure new monies, the organization might not survive. Perhaps to Stover, whose history with the agency amounted to only a couple of years, it was sensible to consider such a possibility. However, de Marco knew that for himself and the majority of the board members with long-standing ties to YSN, no plan that even suggested the end of the organization could be taken seriously.

Finally, the recommendation that the board become more actively involved in fund raising was almost insulting. De Marco wondered how Stover had managed to convince the committee to go along with her on that one. It was that same business of expecting more of the trustees than

was warranted. This was a hard-working board, in de Marco's opinion, and Stover would just have to accept the fact it was her responsibility to raise more money. If she was not up to the challenge, perhaps she wasn't the right person for the job after all.

Knowing he would not be able to support the committee's report, de Marco dialed the YSN number to inform Stover he would be making a statement at the board meeting advising that no sweeping changes be introduced at this time. Really, he didn't think the organization's problems were so great; more direct mail revenue would resolve a lot of the present concerns. Maybe they could develop the center programs along the lines suggested in the report, but camp should keep its traditions. As he well knew, a two-week stay was long enough to provide memories for a small child that would last forever. His message to the board would be that the winning formula of the past was just as viable today. Tampering with the basic programs was not a course of action he could endorse.

Questions for Discussion

- 1. Based on YSN's history, which perspective--Stover's or de Marco's--do you find more viable? Support your position.
- 2. Evaluate the merits of the strategic plan. If you were on the YSN board, how would you vote on the plan and why?
- 3. How would you assess Stover's management style and her relationship with de Marco? What steps might Stover have taken to involve de Marco more fully in the planning process?
- 4. Besides the partnership model, what other kinds of relationships between the CEO and board president are equally valid? What



Exhibit 1

Board Profile (N = 18)

By gender: Male 14 Female = 4

Caucasian 15 By ethnicity:

African-American = 3

By age: Under 21 0 0 21 - 3031 - 400 41 - 50 4 51 - 60 9 5 Over 60

By occupation: Accounting 22 =

Banking 2 Corporate exec. = 4 Financial cons. 2 Govt. employee 2 Insurance exec. 1 Nonprofit mgr. 2 Sm. bus. owner = Travel writer 1 =

By years of service: 1-5 years 4

6-10 years =3 5 11-19 years =20+ years = 6

Exhibit 2

Recommendations of the Strategic Planning Committee (Excerpts)

To the Board of Directors of the Youth Service Network:

The members of the Strategic Planning Committee are pleased to present for your consideration a series of recommendations that offers a vision of the organization that we believe the Youth Service Network can become over the next five years.

YSN must step boldly into the future, using all available resources, both human and financial, to make this vision a reality. One of the premises of the five-year plan is that the organization's reserves will be applied to support its operational needs as long as it proves necessary, that is, until the current income streams can be strengthened and new funding sources developed to make YSN deficit free.

Further, the committee feels board and staff alike must have confidence that what we are doing is good and important, that we know our business and have a firm base on which to build. It must be recognized that an organization cannot stand in place, for surely that leads to mediocrity and then decline. If we are unable to realize our goals by the end of the five-year period, it may be necessary to close our doors, but we will be secure in the knowledge that we have spent our money wisely, and the thousands of young people helped through the years will remain an achievement of the highest merit.

An Overview

To achieve its mission, the Youth Service Network will over the next five years implement a sequential, developmental program that emphasizes education and employment services.

- a. While YSN will continue to serve children, youth and young adults, ages 6 to 24, the primary target group will be 10- to 18-year-olds.
- b. To emphasize the developmental nature of the program, there will be an integration of services between the year-round effort and summer camping.
- c. There will be a variety of programs to meet the educational, employment, social, recreational and cultural needs of the service population.

Exhibit 2 (continued)

- d. YSN will build on its history of successful community-based services by seeking opportunities for establishing additional community centers, using its current site as the model, and for the replication of individual programs, such as the dropout prevention program, in other areas of the city.
- e. Because of the emphasis on the integration of services, tournaments will be eliminated as a separate program component. Recreation will continue to be an important part of the community-based and camping programs.

Specific Recommendations

<u>Programs and services:</u> The areas of concentration will be community-based services and camping. The initial focus will be on new and/or expanded efforts at the present center. At the same time, there will be an exploration of communities both in the same area of the city and in other sections where a similar type of center might be established. Educational programs and job-readiness training will become part of the camp offerings, along with the traditional activities. The expectation is that YSN will continue to rent campsites at the state park; however, a feasibility study will be conducted within the next twelve to twenty-four months to determine whether to purchase our own site.

In the early days of the camping program, YSN for the most part served its own youngsters from the various storefront centers we operated around the city. Over the years, this pattern changed as the number of year-round facilities dwindled. Although it could be said that the significant returning-camper population from previous years is "ours," the organization really has minimal impact on these young people even though the program is of very high quality. Given the range of problems experienced by many of the campers, a two-week exposure (the typical camp stay) is too short a period to make much of a difference. Furthermore, while computers have been introduced at camp, outside of sports and recreation, the activities offered have little connection to the year-round battery of services.

Therefore, the committee recommends that the camping program and year-round effort become more integrated, both in terms of the children served and the types of programs provided. To accomplish this, there will be a move back to the past toward an increase in serving youngsters who also participate in center activities. More educational and employment-oriented activities will be introduced at camp, even to the extent of obtaining Board of Education approval to run a sanctioned summer school, to be combined with traditional camping. The five-year goal is to have almost the entire camp population composed of young people from

Exhibit 2 (continued)

our year-round effort, perhaps attending in longer time segments, such as a four-week session.

<u>Finances</u>: A broadened base of support is a major goal for this five-year period. Our recent experience with direct mail has taught us that it is unwise to depend too heavily on any one funding source. Therefore, efforts will be made to increase the support derived from foundations, a likely avenue for program start-up assistance, and from all levels of government, where continuation funding might be secured. For center programs, the kinds of support currently in place will be maintained and expanded where possible. For the camping program, fees will be raised judiciously over the next several years, and additional income sources will be explored. Finally, board members will be called on to increase their personal efforts to secure financial support, such as sponsoring a special fund-raising event.

Projected Revenues (\$000)

	Base	Year	Year	Year	Year	Year
	Year	1	2	3	4	5
Government	276	283	295	300	312	320
Foundations/U.W.	135	150	175	195	200	200
Dues and Fees	244	265	275	300	327	340
Direct Mail/Bequests	400	410	446	501	528	539
Reserves	134	127	111	49	21	9
Total	1189	1235	1302	1345	1388	1408
Revenues (Percent)						
Government	23	23	23	22	22	23
Foundations/U.W.	11	12	13	14	14	14
Dues and Fees	21	22	21	22	24	24
Direct Mail/Bequests	34	33	34	37	38	38
Reserves	11	10	9	4	2	1
Total	100	100	100	99	100	100

Note: The percentages for Year 3 do not equal 100 due to rounding.

In the direct mail area, the hope is that the new consultant's approach will result in at least the stabilization of the campaign and even modest growth.

Exhibit 2 (continued)

Adding a special fund-raising event to the overall package should be explored, recognizing that such an approach normally requires three to five years to begin generating a profit.

Corporate support will be explored for the educational and employment services, taking into account that success in this area would necessitate a change in our relationship with United Way since its policies preclude direct solicitation to corporations.

The key to the success of this strategic plan is the degree to which everyone can, and does, embrace the underlying growth strategy of using present assets as an investment in the organization's future. Clearly the implementation of such a far-reaching plan will require a board of directors that is fully committed to putting forth the time, effort and financial support necessary to assist the staff in this undertaking. As its final recommendation, the Planning Committee charges the Executive Committee with the responsibility for developing guidelines on the expectations for a prospective board member and for those individuals already serving as trustees.

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