



NONPROFIT MANAGEMENT CASE COLLECTION

MAUREEN'S DILEMMA: CHALLENGE OR OPPORTUNITY

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CS0103

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Case Abstract

A newly hired executive director uncovers many organizational problems at a nonprofit mental health agency. The executive director soon becomes immersed in a board power struggle between a minority that desires change and the majority that does not. Issues include whether an executive director should play it safe and quietly push for change or should be aggressive and confront these issues directly at the outset.

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Maureen was sure that her career as an executive director was finally on track. Success, though, had not come quickly or easily. Although often referred to as a "born manager," her quest for a high-profile job as an executive director had faced a number of obstacles. As a woman, she was competing in a man's domain, and as a woman in her mid-forties, she was usually competing against her fellow baby-boomers. Maureen always seemed to compete well during interviews, but landing that perfect job remained an elusive goal.

Maureen was very persistent and simply tried a little harder to be extra competitive. To this end, she had compiled an impressive history of experience as the executive director of progressively larger nonprofits. She had earned a Ph.D. in public policy while working full time and had recently completed the mid-career program at an Ivy League university.

One day she was contacted by the member of the search committee of an organization to which she had applied for the position of CEO. A phone interview was arranged and two weeks later she found herself interviewing in person with the entire search committee consisting of six of the organization's 13 board members.

This interview was unlike any she had ever had before. Rather than answer a series of canned questions about management style and so on, she was provided with three themes and given an hour and a half to structure any type of response she desired. She was asked to describe her background and qualifications; to assess the organization's strengths and weaknesses; and, finally, to propose a plan to make the Center an acknowledged leader in the state and possibly the country.

This approach to the interview allowed Maureen to use her natural creativity and management expertise to good advantage. The board members were very impressed with her performance and made this very clear to Maureen. Maureen left the interview very excited and convinced she had an excellent chance for the job.

Background

The agency in question was a very large mental health center in rural Virginia. Although the center had ample reserves set aside in the bank, it still had its share of difficulties brought on by previous executive directors who had clinical backgrounds rather than administrative. These problems included a serious budget deficit brought on by deep cuts in Medicaid funding; programmatic problems brought on by the lack of a clinical program director; and serious morale issues related to the budget deficit and the fear that many staff might have to be laid off.

The search committee informed Maureen that they were aware of these problems and were now looking for someone to address these and other infrastructure issues. The committee insisted it was committed to transforming the center into a model behavioral

health center and were willing to tap their reserves to do so. Maureen realized that this could come pretty close to her dream job, and she wanted this job as she had wanted no other.

The most compelling aspect of the situation was the rapport that she had established with the chairman of the search committee. Frank, was also an Ivy League graduate and an accomplished business man. He was completely convinced that nonprofit organizations had to begin to operate on a business footing in order to compete in the current health care environment of managed care.

Frank and Maureen hit it off immediately and quickly established that they shared a common vision. Maureen was even more excited when she found out that Frank had been the only board member nominated to be President of the Center. Maureen was convinced that with this type of board president and the type of commitment already exhibited by the board that she had stumbled on the opportunity of a lifetime. The job was offered to her and she accepted immediately. Maureen had landed her dream job.

Dream Turns into Nightmare

Maureen began her new job with enthusiasm and a high degree of energy. During the first two weeks she worked 12-hour days, met tirelessly with every key person in the organization, and read all essential documents. At first, the job of mastering the complexities of this new organization appeared to be overwhelming. Gradually, however, patterns began to form and she felt that she had a sound understanding of the organization, its problems, and ways to address them. Maureen spent a day reviewing her notes and creating her first executive summary of the state of the Center in time for her first board meeting, scheduled for the following week.

What Maureen discovered was a pattern of organizational neglect all too common for nonprofit organizations. The board did not fully understand their governance duties and had allowed the staff to operate completely unimpeded. As a result, the organization had serious problems in all of the major organizational systems: programming, fiscal control, human resources, and resource development.

Maureen also found that the center would finish the current fiscal year with a \$500,000 deficit or the equivalent of 25% of its accumulated reserves. The accounting system was deficient and there was little evidence that sound programming existed. Maureen felt that something needed to be done quickly, and she outlined a series of steps that could be taken in her report. She sent the report to the board members in their board packet in preparation for a discussion over possible courses of action.

A Troublesome Encounter

The first sign that things were not quite right with the board was signaled through a phone call from Joe, a board member (and past president) of the Center. Joe literally ordered

her to meet with him at a restaurant for lunch and to discuss what he described as matters of the utmost urgency.

Maureen immediately called Frank, the president-elect. He agreed the phone call from Joe sounded strange, but he felt that it was probably nothing to worry about. He reminded Maureen that the board was used to being an activist board and they were always asking questions. Frank felt the call was a positive sign that board interest had not abated. He suggested that Maureen attend the meeting, be forthcoming, and attempt to answer any questions that might be raised.

Maureen arrived early at the restaurant and ordered a cup of coffee. A few minutes later, Joe arrived accompanied by another board member. After the formalities, Maureen realized that her initial fears were well founded. This was an ambush. With one board member on her left and another on her right she was subjected to a two-hour grilling over every aspect of her plan for organizational turnaround. Both board members stated that they were shocked and insulted that an outsider would come into their organization and find fault with so many things.

Maureen realized that it was pointless to defend the plan. She was absolutely infuriated. After all, Joe was on the search committee and they had made it perfectly clear that they wanted change. She was so mad she immediately drove to Frank's house and told him the whole story. Once again, Frank tried to calm her down and told her he would make some calls over the weekend and get back to her prior to next Tuesday's board meeting.

On Monday, Frank did as he promised and called Maureen. He told her that after polling the board there did seem to be a little nervousness over the prospect of change, but that it was nothing to worry about. Frank reminded her that the board had spent years building up the organization and although they were committed to change, they were understandably sensitive to any implication that they were somehow at fault for the Center's current problems. Frank complimented her on the quality of her report and chalked everything up to the process of the board and a new executive director establishing bonds of trust. He assured her next Tuesday's board meeting would be fine. Maureen was somewhat reassured, but could not shake a deep underlying sense of foreboding.

The Board Meeting

At first, the board meeting seemed to go smoothly. The outgoing president chaired the meeting and there seemed to be a positive mood and spirit in the room. Maureen began to relax and felt that perhaps she had been overreacting after all. The President then came to the last agenda item, the election of new officers. The chair of the nominating committee placed Frank's name in nomination and there was a second.

The chair then asked if there were other nominations and suddenly a hand rose, placing another board member up for the position. Before you knew it there was a second, a vote, and Frank was defeated by two votes. In his place was the other board member who

had accompanied Joe at the restaurant and who as it turned out had also applied for Maureen's job. In a numbed state of shock, Maureen wondered where all of this would lead.

The Dilemma: New Terms

Maureen soon found out. On Wednesday morning, the new president called and made it clear that any prior agreements between her, Frank, and the search committee were null and void. His new administration was looking for a status quo executive director. The president told Maureen that the majority of the board felt that Frank's ideas were dangerous. They were willing to give her the benefit of the doubt, but she was now expected to go along with the majority.

Maureen actually felt herself becoming ill. How was she supposed to support the status quo when the Center was losing \$500,000 per year? Couldn't the board majority understand that if this kept up the Center would be bankrupt as soon as their reserves were exhausted? Moreover, the programming of the Center was seriously deficient and was not helping the people the organization was set up to serve. The staff was demoralized and there were union problems. Normally, these were the types of problems that Maureen would love to tackle, but with the stern warning not to change anything, Maureen felt both paralyzed and despondent.

A Final Complication

The following week, Maureen was still spending a great deal of time reflecting on her predicament when she received a phone call from a mid-level manager who worked at one of the work sites operated by the Center. The manager sounded very distraught and asked to meet with Maureen at an off-site location and after hours. Maureen agreed and thought to herself, what next?

The staff person brought with her several documents that substantiated the commission of Medicaid fraud at her site on both a widespread and systematic level. As Maureen dug deeper into the matter, she discovered that the chief architect was the site director. The site director was well known to Maureen for two reasons. First, the site director was reputed to be one of the best organized and efficient senior staff members; and second, it was also widely known that the site director had been having a romantic involvement with Joe, the board member from the restaurant and the apparent architect of Frank's defeat.

Was it just a coincidence that this board member was the very same board member who had worked behind the scenes to defeat Frank for the presidency? Maureen was sure it was not and was at a loss as to what to do next. In addition to the stern warning she had received from the new president, she was now being informed that a federal crime had and still was being committed. This was becoming much more than a dilemma, it was now a first class headache. Maureen decided to take a long weekend away from the job, reflect on the situation, and contemplate what her course of action should be.

DISCUSSION QUESTIONS

1. There are two courses of action which are pulling Maureen in opposite directions: calculated maneuvering versus open and rapid change. What are the pros and cons related to each course of action? Is there an optimum mix? What would you do if you were Maureen?
2. What is the executive director's ethical and legal responsibility to respond to organizational problem such as Maureen faced? Do these responsibilities change if the possibility of fraud is introduced into the mix? Would the responses of the board and executive director differ due to the different roles that they play in the nonprofit organization?
3. If Maureen decides to ignore her instinct to push for change by keeping a low profile, is she pretending to be someone she is not? Is it possible that she will become what she pretends to be?
4. Did Maureen go about things too quickly? If so, what would the ideal pace of change be, and if not what could she have done to have minimized the impact of this change? Keep in mind that her organization was experiencing a \$500,000 deficit.

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