

CASE FIVE



Breaking Up Is Hard to Do

Social Service Agency (SSA) is a sectarian family service agency that provides individual, family, and group counseling in a mid-sized city (under 500,000 population). It also provides family life education and other public service education programs to the community. Founded by its major funding source, a sectarian fundraising and allocating organization called the Community Planning Agency (CPA) of Pennington County, SSA remains a division of CPA rather than a separate agency because of the size of the community and lack of resources for it to function independently.

The Executive Director of the CPA is also the Director of the Social Service Agency. Thus the CPA Director is required to be an MSW as well as have extensive fundraising experience. However, in practice the SSA is actually run by the Associate Director, who is also an MSW, because the Executive Director is always so busy with the annual campaign. An Advisory Board of twenty persons from the community operates as a quasi-legal board to the SSA, although all final decisions are made by the CPA Board.

Jim Hollings, the Associate Director of the Social Services Agency, has become increasingly frustrated by the complexities of operations because of the lack of autonomy of the agency. He is also frustrated by having to report to a Director who shows very little interest in the agency. Jim feels that he is, in fact, running the agency, but all the credit is going to Arthur Bloom, the Executive Director. Jim has talked to sympathetic members of his Advisory Board. At the last Advisory Board meeting, a committee was formed to explore

the possibility of the Social Services Agency separating from its parent organization. Three Board members were appointed along with Jim to serve on this committee and make recommendations to the Board of the CPA. The following is a report of their findings:

INTRODUCTION

In gathering information for this report, a number of people were consulted, including Advisory Board members of the Social Service Agency, Board members of the CPA, the Executive Director of a similar sized family service agency in Metro City, community leaders, and the Executive Director of the CPA.

THE ISSUES

The separation of the Social Service Agency from the CPA involves a great many considerations. There are legal, financial, political, and other issues in such an undertaking. What follows is a synopsis of some of these concerns.

1. Identity Issues

Many of the informants whom we consulted feel that the Social Service Agency is not a recognizable entity in the community and that even one of its major funding sources, The United Way, is confused by the present arrangement. Because of this lack of identity, many people in the community are not aware of the existence of SSA. Those who are aware of it are not sure what it does. If the Social Service Agency became a separate legal entity the public would be better able to differentiate it and its services from its parent organization, the CPA. Becoming a separate organization would help clarify the role and function of the Agency in the community as well as attract more volunteers to help in its work.

On the other hand, some view the present arrangement as a way for the CPA to deliver direct services to the community; retain tighter control of the agency, its budget, its services, and ensure quality of services.

2. Legal Issues

At the present time the Social Service Agency has no assets, while the CPA has numerous assets. One of the major advantages of separating the Agency from the CPA is that it relieves the CPA of liability from actions of the SSA and its staff. This means that any potential lawsuit against the SSA, whether a malpractice claim or personal injury claim, would not threaten the assets of the CPA. It also means that the CPA Board would not be liable for SSA actions.

An advantage for SSA of separation is that it would be a separate legal entity and could obtain liability insurance for its Board. At the present time SSA has an advisory committee that acts as a board, but is unable to obtain board insurance because it does not meet the legal requirements of a Board.

A disadvantage to SSA would be that it would lose whatever legal protection it now enjoys by being under the umbrella of the CPA.

Some informants that we spoke with expressed concern about the possible loss to the CPA of a municipal property tax exemption due to the loss of its direct service component. However, neither SSA nor CPA have any property, thus property tax is not an issue at the present time. It may become an issue at a future date if the CPA decides to buy the building it is currently leasing.

3. Financial Issues

There are a great many financial considerations involved in any separation of the two entities. Some of these are as follows:

A. Funding: One advantage of separation to SSA would be that the Agency could secure alternative sources of funds through its own fundraising efforts, receiving gifts directly, and other means. As the Agency actually provides services, it would attract contributors who would prefer to give directly to it without having the money go through a third party.

Furthermore, raising money through the grant review process would be easier since SSA's identity would be clearer.

A disadvantage to SSA is the possibility that the community cannot support a separate agency at this time. Nevertheless, many

respondents noted that there are a myriad of other sources, including state and federal contracts for services, that could be tapped to bolster revenues for the Agency.

A perceived disadvantage to CPA is that it would be competing with SSA for limited community resources, and thus stands to lose donations in its own campaign because funds would be diverted to SSA. This has not usually been the case with other allocation agencies, such as United Ways, which have guidelines for member agencies regarding community fundraising activities.

An advantage to CPA is that SSA, its board, and volunteers, could become active participants in the CPA's annual campaign.

B. Costs: The present Executive Director of CPA is willing to guarantee for a specified period of time that he would continue in his present capacity. An advantage of this arrangement would be that SSA would not require funds for additional executive salaries. A disadvantage of this arrangement might be that other funding sources, as well as other agencies and organizations funded by the CPA, would perceive the Executive Director's dual role as a conflict of interest, especially if SSA might be given special consideration in allocation of funds.

Eventually, SSA will require its own full-time Executive Director and this will increase costs for salaries and fringes. This perceived burden is outweighed by the potential advantage of having an Executive who could devote the time needed to market and raise funds for the agency through grant-writing, contracting, and development activities.

In any case, there would be other immediate increased costs to the agency if it lost its present status. Some of these costs include incorporation costs, office space, clerical staff, equipment, furnishings, and so forth.

4. *Autonomy Issues*

If SSA were a separate agency it would have more independence of action, more freedom to set its own goals and policies. It would have more room to grow and flourish, to become more creative. Indeed, separation would force it to be more creative in order to better serve the community and attract the resources needed to survive on its own.

A disadvantage of this autonomy is that SSA would have to apply for allocations in the same manner as any other agency with no guaranteed level of funding. It would have to present its budget and compete for funding in a harsh economic environment.

5. Organizational Issues

Having a separate organization may mean that SSA would be able to operate more efficiently as it would shed its present bureaucratic structural overlay. For example, some of our respondents commented that the kind of issues that come to SSA should not have to go through the CAP board. It would simplify the organizational structure by decreasing the number of decision-making levels.

6. Growth Issues

Most people we talked to agreed that SSA needed to expand services, staff, and quarters, as they were all inadequate at the present time. Nevertheless, the question of how this expansion would be paid for is a primary concern.

7. Other Issues

Other important issues that have been raised relate to board ownership and leadership development in the community. If SSA had its own board, it would be able to serve some important functions for the agency that most other boards serve, such as advocating and fundraising. Having its own separate board would also mean that SSA could serve as a training ground for future community leaders.

Table 5.1 illustrates the current organizational structure of SSA and its relationship to CPA. Table 5.2 shows the proposed organizational structure of SSA.

Questions

2a

1. If you were Jim Hollings, what would you recommend regarding the separation of the two agencies and why?

Table 5.1 Current Organizational Chart of Social Service Agency, Inc.

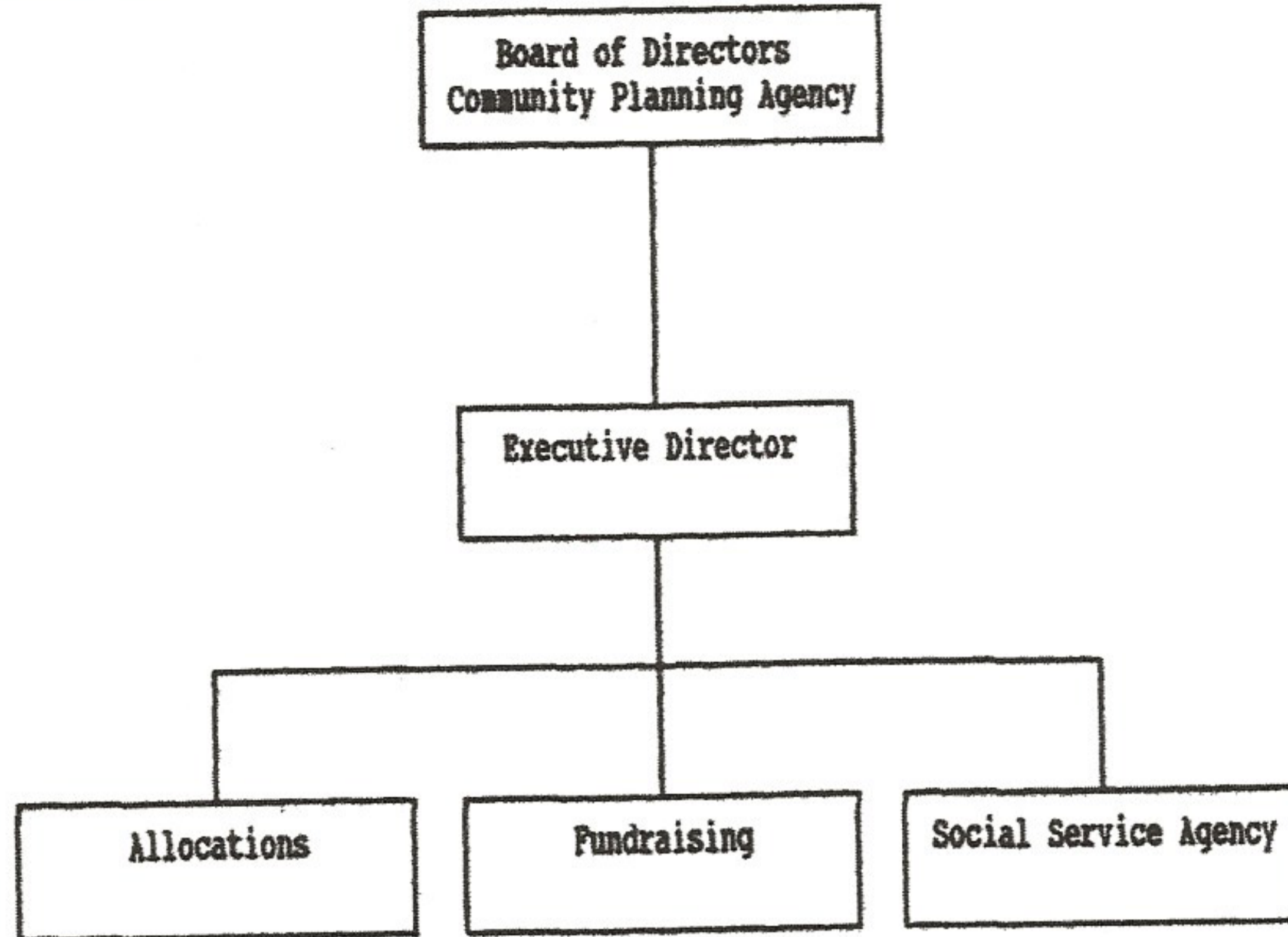
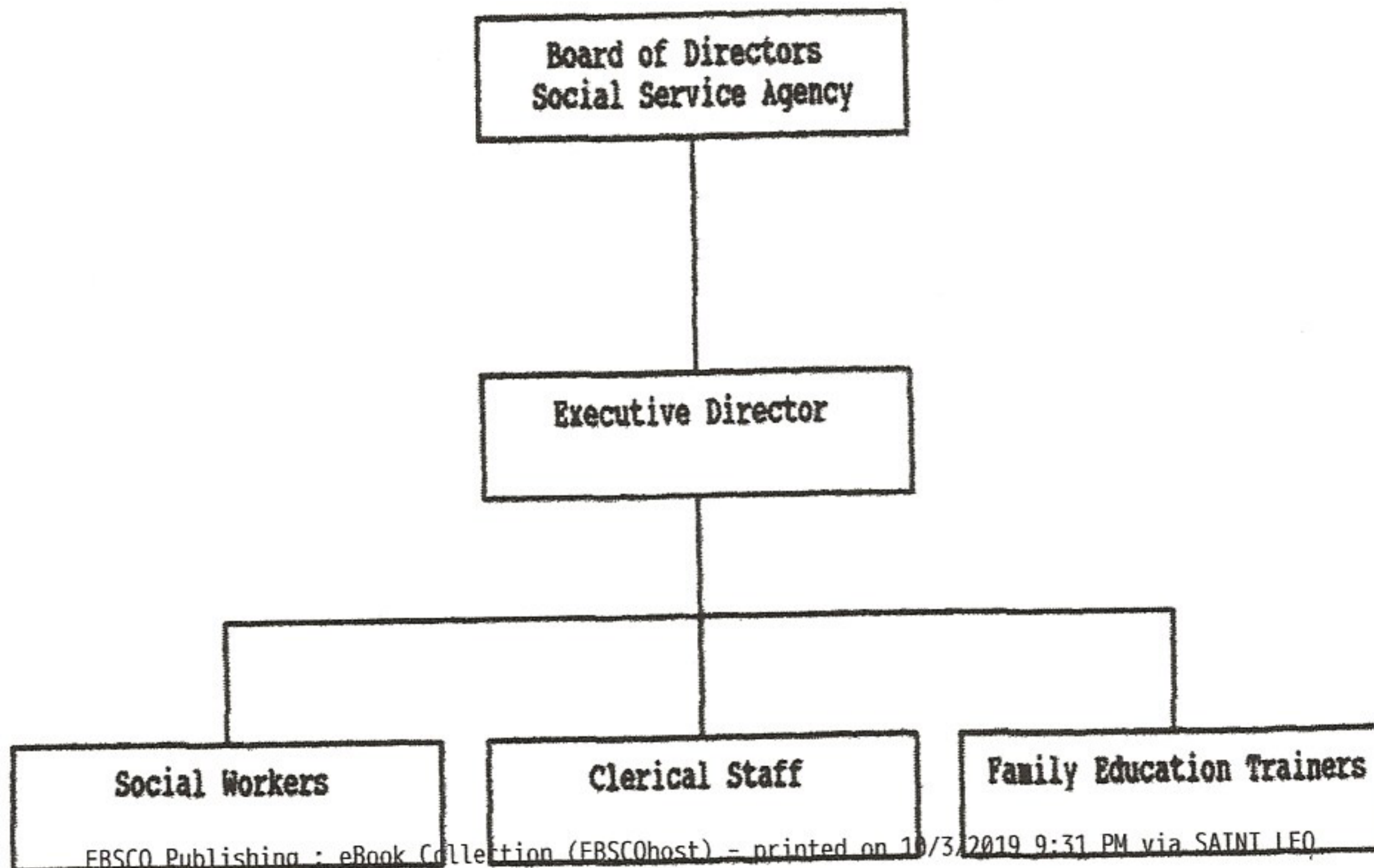


Table 5.2 Proposed Organizational Structure of Social Service Agency, Inc.



Copyright © 1994. Springer Publishing Company. All rights reserved. May not be reproduced in any form without permission from the publisher, except fair uses permitted under U.S. or applicable copyright law.

2. How would you present your recommendation to the CPA Board to maximize a positive vote for your case?
3. What do you see as the major advantages and disadvantages of separation to both agencies?
4. If separation were not recommended, in what other ways could the Social Service Agency simplify its present complex decisionmaking structure?

Copyright © 1994. Springer Publishing Company. All rights reserved. May not be reproduced in any form without permission from the publisher, except fair uses permitted under U.S. or applicable copyright law.