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**ANATOMY OF A SUCCESSFUL AGENCY (AUTOPSY OF A
FAILED AGENCY)**

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The Anatomy of a Successful Agency (Autopsy of a Failed Agency)

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Abstract:

A child-placing agency that started “on a shoestring” grew to become one of the largest in the state and was closed because of the “number and nature” of licensing non-compliances. The founder details his journey, and from the experience, reviews lessons learned and principles to be applied for avoiding tempting pitfalls and providing the best opportunity for success.

The Anatomy of a Successful Agency (The Autopsy of a Failed Agency)

Introduction:

The Perfect Storm:

Around the turn of the century (in the early 2000's), a storm was brewing which would eventually rock the foundation of the agency I had founded, and we would discover that parts of that foundation were built on shifting sand. Among others, the following conditions coalesced into erosion and eventual demise.

- State budget shortfalls
- Political pressure on the Department to hold agencies more accountable to efficiencies, compliance, and outcomes
- The private agency was relatively large and growing rapidly, highly visible
- The founder decided to leave the agency and start a for-profit management services company, contracting with the private, non-profit agency he had founded in order to “plant” more agencies
- The private, non-profit agency had internal weaknesses (see below), including lack of adequate preparation for the exit of the founder

These conditions, almost ten years later are more relevant now than ever. The market is more competitive now than ever, and those who adhere to sound principles of leadership and management will have an edge in realizing the implementation of their visions. Far be it from me or anyone with whom I share my experience to make the same mistakes again or waste a crisis.

When the agency received notice from the licensing division that the agency was going to be closed, we were sorely disappointed, for we had invested a lot of effort into righting the wrongs. In the throes of the crisis, we asked many questions, but two of the primary questions we asked were:

1. Who may have had a similar experience and may be willing and able to help
2. Have we fallen short of an unreasonably high standard or goal

As we looked to others for help we were unaware that the only way anyone could really help was for the leadership who had failed to get out of the way. First, finding someone who will take the risk of undertaking the needed interventions without having ownership in the outcomes is very difficult if not impossible. Second, once regulators had lost confidence in the leadership and management, nothing short of changing the leadership and management would have had an impact on their decision. Finally, the monitoring system that had failed needed to be totally replaced, not just adjusted. The agency had grown faster than the infrastructure, resulting in an unstable foundation which eventually crumbled under the stress of the heavy load. I had a business associate that used to ask: “How big do you want to get?” Only after reflecting on the failure did I finally understand what he meant by asking the question. The board of directors eventually realized that the interventions fit into the category of “too little, too late.” And believing that the standard to be attained exceeded their ability to accomplish in the amount of time allotted, decided not to appeal the decision of the regulators.

Lessons Learned:

Many great people have failed throughout history, but the characteristic they have in common is their tenacity—the humility to learn from their mistakes and the fortitude to get up and try again. The following “Lessons Learned” depicts my attempt to do the same for myself as well as for others who may be able to avoid the same pitfalls if I have gained any wisdom and if it will be heeded. For the sake of concision, I have organized my conclusions from the lessons into the following categories: The *Principle* (the lesson learned or re-learned), the *Test* (how to know if the agency is at risk), the *Implication* (what may happen if not corrected) and the *Application* (the process required to fix it).

Principle 1: Submission to authority.

Test 1: Do you view regulatory entities as adversaries (as opposed to partners)?

Implication 1: They will dig deeper (until they find enough).

Application 1: What is the buyer telling me? (Because if I’m selling even a good thing that no one wants to buy my efforts are futile).

Discussion: The agency had reached a level of contention that it contested any citation that left any room for argument. Perception is indeed reality, and whether the citation was fair or not, if the licensing agent believed the agency was out of compliance, that impression would drive the motivation for audits to the point at which the process could escalate to an imbalance of equity and feel almost personal. The prudent leader, however, will maintain a business-like attitude even if it becomes personal. The prudent leader also understands that winning the war is more important than winning a battle and

therefore, chooses the battles to be fought wisely because the hill on which (s)he takes a stand is the hill on which (s)he must be willing to die.

Principle 2: “An ounce of prevention is better than a pound of cure”

Test 2: Do you see non-compliances as isolated incidents

Implication 2: It will probably happen again

Application 2: What has caused each citation?

Discussion: One of the early external reviews revealed that an employee had tampered with records. Because records were kept on word documents (as opposed to an MIS) employees whose work was not monitored properly could change dates, signatures, etc. in order to ensure that records would reflect compliance when in fact they were not in compliance. That single instance and the lack of a reliable way of ensuring that it would not happen again or elsewhere really shook the confidence of auditors. The system of monitoring required too much trust in the integrity of individual employees when, alternatively, a system should have been installed that flagged this (and other) high risk breaches and notified management of a need for corrective action.

Principle 3: Things hidden will be shouted from the rooftops

Test 3: Are you relieved when state auditors don't find known non-compliances

Implication 3: Non-disclosure leads to distrust and intensified external monitoring

Application 3: Guidelines for self-reporting

Discussion: One of my favorite speakers, a pastor from Florida, Steve Brown, is fond of saying: “Once you see the truth, you can’t *not* see it.” How true! Self-disclosure engenders trust and confidence. Those in authority are comforted by knowing that those they supervise know and respond appropriately. Confidence is lost when a subordinate does not know something (s)he is responsible for; trust is breached when that person knows but does not follow through, or worse, tries to hide it. Good leadership must establish a culture of integrity and a system for self-disclosure.

Principle 4: Call to excellence

Test 4: Is a certain number of non-compliances expected and/or accepted

Implication 4: Culture of complacency

Application 4: Benchmarks for compliance

Discussion: Those companies which commit to what they do best (and only what they do best) have a record of remarkable success (*Collins, Jim, Good to Great, HarperBusiness, 2001*). If non-compliances are tolerated then what is the benchmark that should be set, i.e., what number is acceptable? Is *any* number acceptable? A tolerant environment fosters complacency, which leads to erosion and eventual demise.

Principle 5: Maintain healthy boundaries

Test 5: Do related party transactions (if any) not comply with stringent policies and procedures

Implication 5: Lack of accountability

Application 5: CEO/BOD performance review process

Discussion: I have found (through experience) that many non-profit agencies are managed by the founder who is an entrepreneur and therefore, selects the board of directors (who are usually friends and family members), who in turn, virtually release full authority and responsibility to the founder. This type of model is rife with opportunity for related party transactions and conflicts of interest. And preferential treatment leads to anxiety and resentment which, in turn, will lead to sabotage and betrayal. Even people who are loyal will “go out on a limb” with a leader only so far, and when the “chips are down” loose loyalties drop off fast. Best practice dictates that no related party transactions are made if possible, but if they are well advised, then stringent policies and procedures must be adopted and followed, guaranteeing that fairness and openness abound. The board of directors should conduct performance reviews on the CEO as well as themselves regularly in order to evaluate this practice as well as other practices outlined in the board member’s job description. “Sacred cows” must be eliminated when they get in the way of making prudent decisions.

Principle 6: “Trust and verify”

Test 6: Do you depend on a single, non-integrated point of failure

Implication 6: "Garbage in; garbage out"

Application 6: Where is the weak link in the monitoring system

Discussion: The agency did not have a MIS that offered a work flow or was integrated with compliance requirements; tasks were tracked by hand by case aides. A system for

compliance that relies on people is only as reliable as the competence and integrity of the people doing the work. In an agency that has developed multiple sites, it is very difficult to supervise the people responsible for compliance; it requires a lot of hands-on monitoring. A system for compliance that reflects the output of a thorough MIS provides information that will flag weak links in the system of delivery of services so that the manager can take prompt corrective action.

Principle 7: Delegate authority, not responsibility

Test 7: Who has little or no accountability

Implication 7: Pay the price for lack of performance

Application 7: What can happen unbeknownst to me

Discussion: For me, personally, this was a very difficult lesson to learn. I had theretofore [wrongly] believed that delegation of authority was tantamount to delegation of responsibility. Harry Truman kept this reminder on his desk: “The buck stops here.” Whatever the task, no one can legitimately abdicate his or her responsibility to someone else. A parent may, for instance, delegate authority to a babysitter for taking care of a child for a brief period of time, but the selection of the wrong caretaker can have bad consequences for both the parent and the child. By the same token, it was difficult for me to disassociate blame from responsibility. Blame leads to shame and resignation; responsibility leads to acceptance and resolution. Looking back, accepting blame may have been an underlying reason for capitulating to the state’s findings and decision.

Principle 8: "What's in it for me?"

Test 8: Do you believe your staff is motivated primarily by your vision

Implication 8: Agency will fragment into the individual visions of the members

Application 8: Ensure right priorities are rewarded (and others are not)

Discussion: I naively assumed the whole staff and most of the stakeholders shared my vision. And while many may have indeed shared the vision, when adherence to the vision conflicted with individual priorities the vision took a second seat to self-preservation. We all want to win and receive the rewards that accompany winning, so we join with a group of people who share our values and goals. Therefore, the leadership must be clear and sincere about the values and goals of the agency, and just as importantly, be careful to tie rewards to the priorities that reflect accomplishment of those goals and not to accomplishment of other goals even if other goals are not in direct conflict.

You get what you reward, not necessarily what you expect. At one time, the agency based bonuses on three categories of outcomes: compliance, profitability, and census. And for years, external audits were quite positive. And the agency grew, and grew profitably. Once the formal system of rewards was dropped, these outcomes were still touted, but absent objective criteria the standards were not applied consistently, and outcomes among the offices varied as well. Additionally, it is important for a leader to understand what motivates different people; often people will either outpace expectations or underperform based on unintended reinforcements. The prudent leader will pay close

attention to the idiosyncratic drivers that motivate people. While one manager may strive for success with ulterior motives of starting his own business using the resources of the agency, another one may strive for success for approval by the leadership, while even another one may focus on recognition or wealth or feeling good about helping, or . . .

Principle 9: Tower of Babel

Test 9: Does hard work impress you

*Implication 9: Outcomes will reflect effort, not necessarily *desired* outcomes*

Application 9: Ensure activities positively affect right outcomes

Discussion: You may know the story of the Tower of Babel recorded in Genesis, chapter 11 of the *Holy Bible*. A group of men decided to build a city with a tower that reached heaven in order to “make a name for ourselves and not be scattered . . .” Since they all spoke one language, God said, “nothing they plan to do will be impossible.” So He confused their language and scattered them throughout the earth. This lesson teaches us that our purpose is important: Our efforts must be focused on others rather than ourselves and for all of our hard work, only that which is done in obedience to the call of God counts. During the period of time when the agency was trying to repair its broken system of monitoring, one Regional Director excused the lack of timely auditing of records by the “hard work” of the employees. In this case, the priorities had not been rightly established; the “Not-To-Do” list would have served the agency better than the “To-Do” list.

Principle 10: “Count the cost”

Test 10: Have you identified the agency’s requirements for desired outcomes

Implication 10: Insufficient resources and/or counterproductive outcomes

Application 10: [Monitored] Strategic Plan

Discussion: As mentioned above, the outcomes were not clearly set, nor were they clearly defined. For instance, “Successful Discharge” was defined in writing but because of a lack of assurance that orientation and training of staff was complete or thorough, not all shared a common understanding of the definition or priority. While a strategic plan was in place, like other policies and procedures that were in place, it was not followed consistently. Outcomes must be identified clearly and leadership must commit to the ensuring the provision of resources required in order to accomplish them.

Principle 11: Strength in Unity

Test 11: Do any key stakeholders not support your mission

Implication 11: Sabotage will erode the foundation

Application 11: Whom do I need to confront

Discussion: The agency had a large office led by an administrator who had aspirations in conflict with the agency’s goals. At the point when he was not satisfied with the agency’s response to his complaints we should have parted ways. (A number of alternatives could be considered but that discussion would be more involved than the purpose this article is intended to serve). Instead, procrastination led to a drawn-out, distracting, destructive

legal battle (which the agency won, legally, but both parties lost, pragmatically). Contra-agendas need to be dispelled immediately.

Principle 12: “A sound heart is life . . .”

Test 12: Are you interested more in your success than the success of others

Implication 12: Dispassionate/disloyal team members

Application 12: How can I provide opportunities for others

Discussion: If employees suspect that your success is more important than theirs, they will perform to the minimum level required by you (or to the level required by their contra-agendas). When I left the agency to form a for-profit corporation providing management services to the agency I had founded, I believe that some of the staff viewed my motive as one of making a profit at their expense. My agenda was to plant new agencies but I had not made it clear (in my mind or theirs) how they would benefit from this growth. I believe they felt betrayed and lost their passion for the vision.

Principle 13: "For such is the kingdom of heaven"

Test 13: Do you believe that moving a child to a lesser restrictive permanency outcome is either not an option for some children or a financial burden on the agency

Implication 13: Undesirable outcomes

Application 13: What belief(s) assuage(s) the most desirable outcome(s)

Discussion: One of the reasons agencies have been reluctant to start adoption programs is because once a child is adopted, the bed is lost for placements. One of the reasons agencies haven't focused on well-being, permanency and treatment is because accomplishment of these goals results in loss of revenue. (Remember, you get what you reward). In our agency's case, the adoption program became a beacon of success and actually attracted more foster families because of the foster-to-adopt motive, thus cultivating growth in the agency. With regard to the goals of well-being and permanence, many states have either already installed performance related contracts or are in the process of doing so.

Principle 14: Proficient Leadership

Test 14.: Are the people who helped get you there unwilling/unable to go to the next level

Implication 14.: Responsibilities outpace capabilities

Application 14.: Viable plan of succession

Discussion: One of the common variables in the most successful agencies is the propensity to promote from within (*Collins, Jim, Good to Great, HarperBusiness, 2001*). However, following this principle without purposeful grooming can be disastrous. The agency, growing rapidly, did not adequately prepare the managers who were promoted to new areas of authority. While promoting from within should be the preferred choice, looking elsewhere when the agency needs someone who is not available from within is not necessarily the wrong choice. One of the primary ways to recognize a potential leader is to pay attention to the folks who are pushing you; leaders should not need to be

pulled along. If the vision is worthy of progressing, devising and implementing a plan for succession and grooming the right people is absolutely essential. A study of “outliers” verified this principle to be active in those who have been remarkably successful (Gladwell, Malcolm, Outliers, The Story of Success, Little Brown & Company, 2011).

Principle 15.: Humility: no more or less than reality

Test 15.: Do you believe that your agency is unique/indispensable

Implication 15.: Arrogance and complacency

Application 15.: What would be missed if we quit/failed

Discussion: Growth and profitability can be intoxicatingly satisfying to the point at which you can become enamored with your own press. The truth of the matter is that unless your agency provides something very unique, its stability is questionable. Within 60 days of the closing of our agency, all foster families and most of the staff had transferred to other agencies with minimal discernable disruption. A word of caution: The largest gaps to be filled are often unfilled because they are difficult to fill. Therefore, in order to provide an invaluable, unique service, the leader must have passion and unyielding commitment.

Principle 16.: “Greater things than these shall you do”—[great] leaders beget [greater] leaders

Test 16.: Does the agency have full and total confidence in the ED

Implication 16.: The ED is the weak link and when she breaks the organization breaks

Application 16.: How would the agency do if I left

Discussion: One of my father's favorite sayings was: "If you show someone what you know then they will know what they know plus what you know and they will be smarter than you." I think he meant this to be a reason *not* to help others improve. However, one of the marks of an effective leader is the willingness and ability to show deference and share control (What Got You Here Won't Get You There, by Marshall Goldsmith, 2007). One study showed that this leadership trait was the most significant trait in propelling companies from a "Mom and Pop" company (<\$20 million) to a "CEO/Corporate level" (\$20 million to \$100 million), (from a panel of world business leaders discussion lead by Lance Walnau at a Business and Finance Conference in Austin, TX, 2009). If your agency would falter significantly with you gone, development of leadership needs to become a very high priority.

Lessons Learned

Principle(s)	Application	Question*	Implication
<ul style="list-style-type: none"> Submission to Authority 	Do you view regulatory entities as adversaries	They will keep looking deeper (until they find enough)	What is the buyer telling me
<ul style="list-style-type: none"> Ounce of prevention; pound of cure 	Do you see non-compliances as isolated incidents	They will likely recur	What has caused each citation
<ul style="list-style-type: none"> Things hidden shouted from rooftops 	Are you relieved when state authorities don't find known non-compliances	Non-disclosure leads to distrust and intensified external monitoring	Guidelines for self-reporting
<ul style="list-style-type: none"> Call to Excellence 	Is a certain % of non-compliances expected or accepted	Culture of complacency	Benchmarks for compliance
<ul style="list-style-type: none"> Maintenance of healthy Boundaries 	Do related party transactions (if any) not comply with stringent policies and procedures	Lack of accountability	CEO/BOD performance review process
<ul style="list-style-type: none"> "Trust and Verify" 	Do you depend on a single, non-integrated point of failure?	"Garbage in; garbage out"	Where is the weak link in monitoring
<ul style="list-style-type: none"> Delegate authority, not responsibility 	Does anyone have little or no accountability	Pay the price for lack of performance	What can happen unbeknownst to me
<ul style="list-style-type: none"> "What's in it for me?" 	Do you believe that most of your staff is motivated primarily by your vision	The agency will fragment into the individual visions of members	Ensure right priorities are rewarded (and others are not)
<ul style="list-style-type: none"> Tower of Babel 	Does hard work impress you	Outcomes will reflect effort, not necessarily <i>desired</i> outcomes	Ensure activities positively affect right outcomes
<ul style="list-style-type: none"> Count the cost 	Have you identified the requirements for desired outcomes	Insufficient resources and/or counterproductive outcomes	[Monitored] Strategic Plan
<ul style="list-style-type: none"> Strength in Unity 	Do any key stakeholders not support your mission	Sabotage will erode the foundation	Whom do I need to confront

<ul style="list-style-type: none"> • Purity of heart 	Are you interested more in your success than of others’	Dispassionate or disloyal team members	How can I provide opportunities for others
<ul style="list-style-type: none"> • “For such is the Kingdom of heaven” 	Do you believe that moving a child to a lesser restrictive permanency outcome is (a) not an option for some children; (b) a financial burden on the agency	Undesirable outcomes	What belief(s) assuage(s) the most desirable outcome(s)
<ul style="list-style-type: none"> • Proficient Leadership 	Are the people that helped get you there unwilling/unable to grow with the vision/agency	Responsibilities outpace capabilities	Viable plan of succession
<ul style="list-style-type: none"> • Humility: no more or less than reality 	Do you believe that your agency is unique/indispensable?	Arrogance and complacency	What would be missed if we quit/failed
<ul style="list-style-type: none"> • “Greater things than these shall you do”—[great] leaders beget [greater] leaders 	Does the agency have <i>full and total</i> confidence in the Executive Director	The weak link is the Executive Director and when she breaks the agency breaks	How would the agency do if I left

*Answer “Yes” is a “yellow/red flag.”

Autopsy Questions:

Following the agency's demise, I have asked questions in order to avoid making the same mistakes again.

Question 1: Did I fail because of:

- Another person
 - Yes: Managers and staff who did not perform adequately
- A situation
 - Yes: Described above in the "Perfect Storm"
- Myself
 - Yes: Delegated responsibilities that were mine
- A "sacred cow"
 - Yes: Misplaced trust and confidence in people I had grown too close to at the expense of objective evaluation

Question 2: Am I grateful? Not until reaching the final stage of grief (gratefulness) can one truly see clearly (if even then) and help others. I've heard that Corrie Ten Boon was grateful for the lice and fleas that plagued her during her internment of the Holocaust era because she realized that those pestilences kept the German guards from bothering them. In my case, the experience discussed herein has taught me the wisdom included in this presentation and the gift I can bring to others through our work in my company.

Question 3: Where did I succeed? “Failing forward” requires both knowing what to do as well as knowing what not to do. I know how to grow a business and make a profit. I have learned how to use those resources better in order to enhance outcomes and exceed the demands of the customer. And [unfortunately], I know how to wind down a business.

Question 4: How can my experience help others? I have seen the importance that the culture of an agency plays in its success or failure. Many times an agency will need a full scale change in leadership in order to recover. I was certainly unable to help myself. Legacy has served over 51 customers in eight states where we have provided consultation for startup, resolution of quality and/or financial shortfalls and/or growth, and has supported others in their growth with a full array of administrative/business services.

Question 5: How can I turn this failure into success? One of the most effective antidotes for depression is service to others; we help ourselves best by helping others.

Question 6: Where do I go from here? In survival mode, my solutions seem, in hindsight, almost silly. Once I was able to stop introspecting and began to look outward, I was better prepared to plan a more productive path.

Recommendations:

- Do only what you do best. Ask yourself: Where am I investing energy foolishly; where should I increase my investment?

- Concentrate your best resources on opportunities, not problems. We invested a lot of time and energy in small, struggling offices at the expense of ignoring the more successful offices.
- Find the right people because they are your best asset and they attract other right people. We invested too much time in developing the wrong people and made promotions too hastily, without proper preparation.
- Do only what you are passionate about (because one does what one wants to do).
Ask yourself: Does my passion match the obligations of my agency?
 - Your passion will sustain the agency despite the barriers that will arise.
 - You will attract people who share your passion.
 - You will maintain a focus on the right outcomes despite the temptation to compromise.
- Cultivate a culture of discipline. Ask yourself: What am I afraid to acknowledge (deal with)?
 - Face the facts. “Facts are better than dreams.” (Churchill) And knowing the facts is not the same as dealing with them. Our “Desk Reviews” showed that there were too many non-compliances; a plan for correction was not adequately developed and implemented.
 - Take appropriate action promptly, no matter how painful. I invested too much energy in motivating managers (who should have been self-motivated if they were indeed the right people) instead of focusing on a better system of management of information.

- Build on timeless principles. Ask yourself: What thinking or habits do I need to change?
 - Focus on outcomes, not growth.
 - Focus on process, not events. Since we reward and celebrate accomplishment, it is very difficult to exercise the discipline of making sure that the appropriate process is in place, which will ensure that the positive events will recur over time.
 - Commit to core principles. Values may be published and even emphasized, but they must be modeled, enforced, and reinforced.
 - Create a safe climate in which truth prevails. Build a “red flag” mechanism for information that cannot be ignored, e.g., health and safety issues, recurring violations. And when something does go wrong, conduct autopsies without blame; autopsies should be a formal process that is conducted consistently.

- Build a legacy via tenacity and humility. Ask yourself: What standards (if any) have I compromised; and to whom (or what) goes the credit (or discredit) in my agency?
 - If an uncompromising standard is set, resolve in the face of attack naturally ensues and consequences will follow a lack of commitment on anyone’s part to uphold. I believe a significant part of the board’s decision not to contest the state’s decision to withdraw the license stemmed from its confidence that a standard had been upheld, and feelings

of self-blame and shame overshadowed the members' duty to take responsibility.

- Personal Humility acts on inspired standards, not charisma; channels ambition into the agency, not self; sets up successors for even greater success; attributes success to external factors, not self. In order to truly be humble and tenacious, one attitude is absolutely essential: "IT'S NOT ABOUT ME."

Conclusion:

As I review these lessons, I realize that the company I manage now does not comply with all the lessons learned and recommendations discussed above. I do recognize, however, that we adhere to some of them, are in the process of solidifying some of the rest of them, and still are lacking in some areas. No one or no organization is perfect, but "once you see the truth you can't not see it," and it's incumbent on all of us to try to be better.

Personally, I believe I went through a period of time where I lost my way and a leader does not have the privilege of distraction. I wrongly thought I could delegate both authority and responsibility and move on without relinquishing the benefits of the agency. When the troops stop listening to you, you are no longer the leader and need to abdicate the title before moving on to invest in your new passion.