

# Case Study: Literacy Plus



## Background of the Organization

Literacy Plus is located in a large metropolitan city located in the West region of the United States. The organization celebrated its twelfth anniversary in 2008. It was founded by a young man who as an elementary school student organized a book drive at his school to build a library at a local orphanage where his mother volunteered. The mother and son team continued their book drive efforts and before long launched Literacy Plus where the mother now serves as Executive Director. Therefore, it is no surprise that Literacy Plus has as its mission to empower students to create a thriving community by opening doors to community service and literacy. They achieve their mission by annually organizing more than 15,000 book drives to create libraries in schools and youth organizations in desperate need of books. The distinction is that Literacy Plus gets students to host the book drives at their own schools and help deliver the books to their partner schools so that the libraries are essentially provided by kids for kids. More than 300,000 students have volunteered for Literacy Plus to create more than 650 libraries and to provide almost one million underserved kids with the books they need to learn to read. Literacy Plus achieves this with a limited staff of two full-time employees, the Executive Director and an Administrative Assistant.

Before starting Literacy Plus, the Executive Director was a working mother with a professional background in finance and real estate. As Literacy Plus grew, she eventually left her career in finance and transitioned to full-time with the nonprofit where she directly applied her skills and experience to strengthening the mission of the organization. Although her son is no longer directly involved with the nonprofit, the Executive Director has remained committed since the beginning. The Administrative Assistant's role is to serve as coordinator of all the projects within Literacy Plus, oversee the volunteers, and assist where needed. She has a degree in education and a personal passion for literacy. She graduated from college a few years ago and sought out this position for its ability to address the issues she cares about and its geographic location for her husband's career. In addition to the two staff, Literacy Plus also relies on consultants for special projects, some seasonal paid staff, and a committed group of 35 volunteers that includes youth and adults. They operate on a budget of about \$250,000 for operational funds and \$1,500,000 of in-kind donations through the books. Literacy Plus has been fortunate to secure corporate funding and several grants that comprise about half of their budget; they receive the other half from individual donors. The Executive Director spends much of her time nurturing the financial relationships that support the organization. To help defray costs, there is no office space; the staff works from home and they rent and borrow various locations to store their books. There has not been much growth in the budget or size of the staff of Literacy Plus for many years because they have focused on maintaining the quality of their program rather than expansion. This commitment has given Literacy Plus a strong reputation in its community and among the local school districts.

Literacy Plus is supported by a dedicated board of directors comprised of 13 diverse professionals from business, law, education, entertainment, and marketing. Literacy Plus also prides itself on having three students from different local high schools on the board and a small Youth Leadership Board (YLB) that includes students from K-12 schools that is overseen by the student board members. The current Board President works closely with the Executive Director and sees her as a mentor to him as he has engaged more in the nonprofit sector. An attorney by profession, he was also a Fellow from a prestigious nonprofit leadership academy (run by the former local mayor) that identifies promising young professionals and grooms them for board leadership within the nonprofit sector. It was during this time, almost five years prior, that he joined the Literacy Plus board and quickly moved up to the role of Board President. As President his primary goal has been to get Literacy Plus into a growth mode. His experience and exposure to numerous contacts has been an asset for Literacy Plus because he has focused on ensuring that the board is active, educated, and serving as a partner to the staff while also wanting to push Literacy Plus in a positive direction.

### 2009: Growing Pains

The economic recession hit at a critical time in Literacy Plus's history. Two years earlier, at the Board President's urging, Literacy Plus had tried to push a major expansion that included adding new programs and hiring new staff members. They felt confident that the Youth Leadership Board (YLB) would be an attractive program to donors (both corporate and foundation) if it could demonstrate the unique leadership development it was providing. The YLB is built on the belief that all kids, no matter their age or experience levels, can make a significant impact in their community when taught the skills and given the opportunity to excel. The board teaches students to use practical leadership skills and apply them through service in the community. To make the YLB truly effective would require a much more formal oversight process, clearer vision and purpose for the youth board, and assessment measures. The goal was to focus on the "kids helping kids" aspect of the mission. The other program included expanding to high schools for book drives since the YLB currently focused on primary schools. Reaching out to high schools would provide more students for the YLB, and the two could build upon one another. Extra programming would require extra staff, so Literacy Plus hired two recent college graduates and started to move forward. At the same time, the board decided it would rewrite the strategic plan to reflect its vision of growth.

One year into the revised program development Literacy Plus was struggling to move forward. Staff had noticed that individual donations were diminishing; people were still giving but giving less. They also realized that they needed to send their new staff for further professional development and training in order for them to implement the necessary assessment protocol. They had to invest in their program before they could ask for more funding. However, before they knew it, they were financially in the red with no emergency funds to draw upon but staff they had to pay and programs they had to keep running. They also received word that one of their grants would not be renewed, given the financial challenges of the funder foundation. So Literacy Plus took out a significant loan to cover costs and create a cushion until it could get its funding cycle stronger. It was the first time Literacy Plus had ever taken out a loan, which was discouraging for the Executive Director. Within months this action proved debilitating to the organization. As the economic situation continued to worsen, the Literacy Plus staff and board started to realize that this scenario was not a momentary circumstance but a potentially long-term threat. They knew they needed to act quickly or the financial damage would be too challenging to overcome.

The Board President called an emergency meeting of the board and Executive Director to determine a plan. They decided to begin by taking immediate action to relieve the stress on the budget. First, although they usually hired seasonal staff during the academic year, they decided it was the one area where they could immediately cut back financially and instead would rely on their staff and volunteers. So they agreed to hire no new part-time staff or consultants. Second, they let one of their new staff members go and collapsed the two programs into one person's responsibilities. This was difficult to do but necessary. Nonetheless, in light of making these cuts, the board realized that their strategic planning process had several new ideas but didn't have the staff to implement it. It was a vivid lesson that they wanted to go in one direction but didn't have the resources to get there. Instead of focusing on the limitations forced upon them because of their economic situation, the board used the strategic planning process to undertake three "resource-neutral" initiatives that they believed would have a lasting impact financially and programmatically. Working under the impression that foundations and corporations would continue to give to organizations that "walked the talk," Literacy Plus decided to cut its budget while also focusing

on maintaining its strong reputation. Thus the first resource-neutral initiative was to engage adult volunteers to support the organization and extend program delivery. They had a committed pool of volunteers already in place, but they needed to equip them to do more. There are many aspects of Literacy Plus's work, such as coordinating the partnerships between schools, that could be accomplished with trained adult volunteers. The second initiative was to draw upon the advertising expertise of specific board members to tap into new technologies such as Facebook and Twitter and to strengthen the web presence. Literacy Plus was not fully utilizing its Facebook page and did not have a Twitter account, which were obvious areas of potential growth. Using social media would also allow them to further engage the youth demographic they sought to mentor and serve. The third initiative was to hand over the direction of the high school book drive program to adult community volunteers under the guidance of their staff. This would free up the remaining program director to focus her energies on the YLB and supporting the other initiatives. Finally, to facilitate an influx of money into Literacy Plus, the board decided they would use their collective talents to plan and implement a major fundraising event within the next six months. They established a committee and each made a verbal commitment to provide support for the event. These initiatives, while risky, brought great synergy and unity to the board and staff. But were these resource-neutral initiatives enough to reverse the negative financial direction of Literacy Plus?

## Discussion Questions

1. A SWOT analysis is a commonly used method to evaluate the strengths, weaknesses, opportunities, and threats of an organization. It involves drawing upon facts to identify internal strengths and weaknesses and then considering trends and other factors to identify external opportunities and threats. To assist you in discussing this case, conduct a short SWOT analysis of the organization:
  - Identify two or three strengths (internal).
  - Identify two or three weaknesses (internal).
  - Identify two or three opportunities (external).
  - Identify two or three threats (external).
2. Based upon your SWOT analysis, what are the critical questions the board should have been asking when they began to identify and implement their resource-neutral strategies?
3. What apparent risks can you identify in their plan?
4. What apparent positive outcomes can you identify?
5. Do you think these ideas can be maintained long term? Why or why not?
6. Given the economic recession continued beyond 2009, what do you anticipate happened to the organization? Will Literacy Plus turn around its financial predicament?

## 2010: Thriving or Surviving?

At the beginning of 2010 the staff and board of Literacy Plus had just finished six months of hard work to implement the resource-neutral initiatives they had outlined the prior year. It was a unifying process that brought out the best in each person while also pushing them to see each initiative through. As the Literacy Plus board also completed the strategic planning process, they realized that the economic downturn had provided them an opportunity to focus on what was most critical to the organization, further develop momentum and vision for the board and staff, and highlight the strengths and creativity of the people within the organization. This was best exemplified in the success of the fundraising event. Literacy Plus designed the event (which essentially was a board game tournament for all ages) on a modest scale, had the costs underwritten by local game companies, and relied upon the entire adult and youth boards and staff to plan and implement the entire event from start to finish. Every person within the organization contributed time, money, and resources. The event brought in \$50,000 and enabled Literacy Plus to pay off a large portion of its loan and make it through the 2009 fiscal year financially unharmed but with no surplus of funds. This accomplishment inspired them to scale back their budget even more for the coming year with a dream that if they could pay off the rest of the loan and get a reserve fund, they wouldn't be in the same compromised situation as the year prior. They knew another year of hard work could have even greater benefits; they had been given a challenge and had thrived!

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Coming off the emotional high of their successful event, the board and staff felt confident they could achieve this new goal. Once again, they hosted the same fundraising event but on a larger scale and earned \$65,000. It was a lot of work, but this enabled them to pay off the remainder of their loan and have some extra funds for their reserve fund. They were utilizing social media to reach audiences they hadn't before and gained a large following on Facebook and Twitter. However, the time spent cultivating their social media presence wasn't having the payoff they had hoped monetarily. The Executive Director continued to seek out additional grants and donors but instead many foundations were simply extending their funding cycles or cutting back on how much they gave. Individual donors were diminishing as well; the usual forms of revenue were no longer reliable. The staff and board rallied to maintain the high-quality programming Literacy Plus was known for while cutting back in every way possible financially. Staff members often worked seven days a week (with little pay) and volunteers gave significant hours on a weekly basis. The board members utilized every contact and resource they had while also giving a lot of personal time and expertise to staff and program development. Incredibly, by the end of 2010 they had saved enough to create an \$80,000 reserve fund and see the organization through another year. However, the organization ended this time period with an exhausted team and unsustainable method of operations for the future. Board members who once had a lot of energy and ideas were now asking to step back from their responsibilities, and two asked to step down at the end of the year. The positive energy that once was present at board and staff meetings was dwindling and morale was suffering. The budget was intact but the board and skeleton staff were burned out.

Once again the Executive Director and Board President knew they needed to make some major changes, but what? After thoughtful deliberation regarding their organizational priorities and programs, they identified two major changes. First, they decided to drop their Youth Leadership Board. While there was much potential in this program, it was taking far too much staff time and resources to recruit and maintain a core of student members. More important, they recognized it wasn't a core competency of their mission around literacy. Second, they reorganized their staff so that they could focus on capacity building, shifting the YLB program director into this role. This was not an easy process because it meant bringing closure with students and others who had invested in the YLB and identifying new organizational priorities. To do this the board and staff had a retreat to revisit the mission of Literacy Plus and evaluate if their programs were making an impact. Out of this retreat came the realization that if Literacy Plus was going to grow beyond the Executive Director (who was also the founder), they would have to use some of their reserve funds to hire an Associate Director, which they did. The Associate Director's role became critical because she was also tasked with supporting the board for its major fundraising event so that there would be one person who managed the details on a regular basis. She also implemented the redesign of the organization's website and the maintenance of the social media strategy; all tasks the board members were trying to do themselves. Now the staff and board seemed to be working at a much more manageable pace with a narrower focus. They ended the year in a similar position to where they were the year before but with deeper clarity about their organizational priorities. Literacy Plus did pay off its loan, but it did not create a large financial cushion for the organization. Unfortunately, the economy didn't appear to show any signs of improving. As they looked to the future, the board and staff had to wonder if they had thrived during 2010 or merely just survived.

### Discussion Questions

1. What were the key factors that created the current funding cycle, which essentially led Literacy Plus to the same place financially as the year before?
2. Do you agree with cutting the Youth Leadership Board when the organization also had another initiative—the social media strategy—requiring a lot of work but not producing revenue? Did Literacy Plus make the right decision? Why or why not? What facts from the case *and* current trends in the sector support your reasoning?
3. Given the state of the economy at the time, how would you evaluate the long-term sustainability of Literacy Plus? Do you anticipate it will thrive in the future or continue to simply survive?
4. What advice, if any, would you give to the board and staff at this point if you could impact the future direction of the organization?



## 2011: Time of Questioning

The new year brought new opportunities for Literacy Plus as it sought to be creative and resourceful but to also think differently as they looked to the future. In a bold move, Literacy Plus decided to take advantage of the weakened economy to sign a lease at an inexpensive rate. The organization had never had physical office space before, yet they were paying a lot of money each month to store books for the program. By gaining actual office space, the organization now had room for its staff, volunteers, and interns to work more collaboratively on a regular basis and a place to store the books. In order to complete these initiatives, Literacy Plus tapped into what was left of the reserve fund so it could manage cyclical cash flow and create a sustainable building block. Just having the small staff together in the same room on a daily basis led to more thoughtful and cohesive planning. Literacy Plus also recognized that in the midst of the current economic climate, some of its strongest competitors had folded in large part because they relied upon government funding and political ties. This presented Literacy Plus with an opportunity to fill the void left by those nonprofits no longer in existence. To do this, Literacy Plus decided to be even more entrepreneurial in its programming and focus energy on collaborations that served its mission of community service and literacy. Literacy Plus started a pilot program similar to what they had tried two years earlier where they would focus their efforts on one community and build partnerships with corporations, civic organizations, nonprofits, schools, and anyone who might be willing to help recycle used books to be given to an underserved school in the community. The program had a specific timeframe during which Literacy Plus would host community events to build awareness, culminating with a day when these groups come together with their donations and help sort and prepare the books. They found that people are more likely to serve within their community and that this focus draws resources, social and traditional media coverage, and support on a greater level than they had experienced before. Remarkably, the budget of this organization had increased from \$250,000 at the beginning of the economic downturn to \$350,000. As the organization expanded its staff and programming, the budget expanded as well, and the Executive Director committed herself personally to ensuring the funds would come in to meet the budget.

Once again that spring, Literacy Plus hosted its annual fundraising event and raised about \$70,000. This was an added success given it was coordinated in large part by the Associate Director and did not demand as much directly from the board. The increase in staff was creating impressive results as programs appeared to be flourishing and a strong team of staff members was emerging. Despite this good progress, a month later, Literacy Plus received news that two funders would no longer be able to support them and two others were going to push their funding cycle from 12 to 15 months, which meant smaller payments for the next several months. Over a two-month period, Literacy Plus had \$105,000 of budgeted revenue not come in. The Executive Director was in a panic and literally spent every day for the next three weeks out meeting with funders. Her hard work paid off because she was able to secure two new funders: one large corporate sponsor and another private foundation. Both organizations cared deeply about literacy and had funded other nonprofits who had since folded. She also revisited prior funders and was able to resurrect an additional \$10,000. Literacy Plus was going to meet its budget for the next few months, and the Executive Director was relieved but also concerned about the long-term future.

When the Executive Director shared her success with the board finance committee, there was not one word of congratulations. Instead, they wanted to know why she had put Literacy Plus in this position in the first place. They went on to express their disappointment in her leadership and to question her ability to raise funds. They told her she needed to come up with a better plan for sustainability. The Executive Director was shocked and hurt. She pulled the giving records of her board of directors and realized that their individual giving was way down. Her Board President, whom she had mentored so closely just a few years prior, had only given \$250 and was now earning close to a million dollar salary in his law career. He was in his last year on the board and had essentially stepped back in his leadership over the past few months. Several other board members were doing the same, and the Executive Director understood she was carrying the ownership and responsibility for the future of Literacy Plus on her own. She had some board members who were concerned and helping the best they could, but they also knew they could step away from Literacy Plus and their lives would go on as normal. Her confidence was shaken, and the collaborative and nurturing relationship she once felt she had with her board was diminished. This epiphany by the Executive Director led her to spend a few weeks seeking counsel and advice from different professionals and mentors on what she should do. She wondered if indeed she was to blame for Literacy Plus's financial instability. Had she asked too much of her board's personal time and

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expertise? Was Literacy Plus's business model viable? What was her future role in Literacy Plus? She emerged from this time of counsel with three goals in mind. First, she would stay with the organization for the next few years but allow the Associate Director to lead the day-to-day efforts so she could focus on fundraising. Second, she needed to refocus her board by enforcing the term limits (several had stayed longer than expected) and restructuring the work and role of the board. She had asked a lot of the board but not really given them ownership this past year. She would seek out ways to make them personally invested and expect the same of new board members. Finally, she would seek to diversify their revenue stream by looking to business models that would create a partnership with publishing organizations, local school districts, and corporations. She had been approached by potential partners in the past but wasn't interested in pursuing such a model; now she was ready. She would use the revenue to increase the salaries of her staff given their exceptional performance and her desire to retain them and also strengthen their pilot program. She presented her plan to the board. While some were excited by her vision, others were complacent. Nonetheless, with her confidence renewed, the Executive Director remembered the first book drive that led to the mission of Literacy Plus and felt gratitude for the past 15 years. Now she wondered what the next 15 years would bring.

### Discussion Questions

1. What led to the negative dynamic between the Executive Director and board? Identify two or three reasons why the board members acted as they did both in their attitude and their giving. Is such behavior justifiable? Why or why not?
2. How would you describe the leadership style of the Executive Director? What are her strengths and what are her weaknesses? What would have been your counsel to her if she had asked your opinion regarding the questions she had about her leadership?
3. Given what you know about Literacy Plus, what are two or three ways it could diversify its revenue?

### Three-Year Summary and Assessment

Over the past three years Literacy Plus has been able to initiate change as an organization but at a price. In order to make its budget and sustain the quality of its programs it has required its staff, board, and key volunteers to all give an extensive amount of their time and resources. This has left the board depleted and the Executive Director feeling isolated by them. However, it appears that a strong, capable staff has emerged with the potential to carry Literacy Plus into the future if they are not forced to leave the organization due to lack of funding. The Executive Director has built an admirable reputation within the community and among funders, which she was able to call upon in emergency moments. However, this is not an effective way to manage and grow an organization. As Literacy Plus looks to the future, it has exciting opportunities on the horizon. There is an increased need for its programs as its competition has had to close their doors due to the economy. This is a good time for Literacy Plus to step in and be a leader in its particular niche of literacy advocacy: getting books into the hands of children who need them. It also has new leadership to bring to the board that could change the dynamic between the board and Executive Director and also bring fresh ideas and resources. Further, the Executive Director has built a small but talented staff that will enable her to spend more time nurturing financial partners and building other streams of revenue. There has been a lot of change the past few years to meet the needs of the organization. The question remains, Can Literacy Plus ride the wave of a distressed economy fruitfully?

### Discussion Questions

1. This case highlights several unique variables that impact the management of many nonprofit organizations. Identify two or three key factors in each of the following areas that shaped how the organization at times thrived or barely survived during these difficult first years of the economic recession:
  - a. Reliance upon foundations and individual gifts to meet their budget with no surplus funds readily available.
  - b. A volunteer board of directors that rotates on and off the board providing oversight to a potentially long-term paid staff.

- c. Inevitable change within organizations and programs to serve its mission.
  - d. The influence and reputation of the Executive Director.
2. Evaluate the Executive Director's three goals for the future discussed at the close of the case (and provided again below). Pretend you are a consultant to the Executive Director on each of the initiatives. What would be your advice?
    - Goal 1: She would stay with the organization for the next few years and allow the Associate Director to lead the day-to-day efforts so she could focus on fundraising.
    - Goal 2: Refocus her board by enforcing the term limits (several had stayed longer) and restructure the work and role of the board. She had asked a lot of the board but not really given them ownership this past year. She would seek out ways to make them personally invested and expect the same of new board members.
    - Goal 3: Seek to diversify Literacy Plus's revenue stream by looking to business models that would create a partnership with publishing organizations, local school districts, and corporations.
  3. If you were a foundation, given what you know, would you provide funds to this organization? Why or why not?

## 2014 Update: Drought Conditions and Hard Decisions

The spring of 2014 finds the Executive Director of Literacy Plus reflecting back on what she wished she would have done *before* the recession to help her organization be in a better place now. The past few years have continued to be difficult and she wonders what certainty remains for the future. Looking back, the Executive Director wishes she had transitioned the board from an active policy board to a resource board in 2007 when Literacy Plus was doing well and ready for growth. This would have shifted the expectations from giving of time to giving of financial resources and for board members to share more fully in the responsibilities of fundraising. The board was generous in giving of their time and advice but what she really needed then was financial support through a “give or get” expectation. The extra resources would have given her funding to hire development people and to have the staff in place to meet the fundraising challenges they are encountering now. Although the organization seemed to be moving in a positive direction two years ago, the challenges continue.

The Executive Director describes the past few years as a drought. The challenges persist and she must learn to reserve resources in order to keep Literacy Plus from closing its doors. While the recession seems to be improving, her organization is still suffering from lack of funding from foundations and corporations. Foundations have continued to increase their funding cycle time from 12 to 18 to 24 months. So while her budget assumed new funding at 18 months, when the time came the foundation just extended the cycle to 24 months essentially giving what they gave in one year before the recession over two years now. Additionally, corporate funding has all but dried up unless there is a “warm lead” within the organization. It is all about who you know who can advocate for your cause within the corporation, but even then companies want to know what they will receive (either through impact or marketing) in return for their financial gift. Corporations tend to also give to nonprofits that have a larger platform to address the social issue or cause they support. Gone are the days of generous backing (both monetary and in-kind gifts) from corporations for Literacy Plus, which they relied upon in the past.

The board of directors has also undergone changes in the past few years. In 2012 the board president stepped down and resigned from the board altogether. For a year, two board members served as co-chairs and were able to recruit new board members and reframe expectations to increase giving and clarify roles. The board was doing its best to support the staff and keep Literacy Plus moving forward amidst the various challenges. However, in 2013 one of the co-chairs' spouses became very sick and she decided to step down leaving the current chairperson to take on the leadership alone while also balancing a young family and career. The board chair was doing her best to manage all of the competing needs within her own life while also providing insight to Literacy Plus, but it was difficult. However, she was very supportive of the Executive Director and encouraged her to see ways to secure Literacy Plus' financial future.

## New Funding Strategies

Given the current state of Literacy Plus, the Executive Director looked to further develop their business strategy to include a fee for service model that would also broaden their presence and impact by partnering with local government. Through a chance meeting at a networking event, the Executive Director met an assistant to the new mayor of the city. He expressed the need to provide more educational resources to libraries and other programs. Literacy Plus used this opportunity to capitalize on their current relationship with book suppliers who supplement their book drives with free new children's books (which is a tax write off for the company). In the past Literacy Plus would donate the new books to organizations but instead now would charge a minimal fee of \$1 per book knowing that libraries have federal grants that will pay for the purchase of the books. This benefits Literacy Plus by generating revenue and the libraries by giving them access to new books for \$1 that typically cost between \$6 and \$8 per book. Thus far eight libraries have signed on to participate but the program is still in its infancy.

The second strategy is similar in its business model but will also provide a need for local police departments by creating reading rooms as safe houses for children and youth. Increasingly police departments serve as meeting locations for parents sharing guardianship of children to meet and/or pass children off to one another. This is especially needed for families in feuding situations and increases the safety for all parties involved. Literacy Plus would follow the same fee for service model as with the libraries but also create opportunities for corporate donors and foundations to receive recognition for their financial support by sponsoring a particular police department. In sharing this opportunity with potential funders several expressed interest in this funding model that allows them to support two causes with one gift. Finally, the Executive Director met with representatives from the local charter school association to see if Literacy Plus can use the same model to build libraries within their new schools. Again, federal funding is available to pay for the books and Literacy Plus can deliver them for a significantly reduced price. These partnerships were all formed within the first few months of 2014 but required the Executive Director to give almost all of her time to networking and meetings to build relationships with these various constituents. She is confident this will lead to increased revenue by the end of the year and give Literacy Plus much financial relief.

## Financial Realities

While the Executive Director was working to develop and implement her new business model her staff continued to run the programs and implement the annual fundraising event. Fortunately the annual event was becoming easier to coordinate with each year and bringing in more funding as well. In 2014 they raised almost \$95,000, which would provide them needed support through the next few months. However, their financial situation remains strained and they had to make the difficult decision to let one of their program managers go. They also recently learned that they would lose support from another major foundation which wanted to move its funding focus more towards science and technology in schools given their business purpose (they are a technology firm foundation).

While the Executive Director was feeling hopeful about her new plans, she was also discouraged by the continuing challenges that seem to plague Literacy Plus. However, this feeling was nothing compared to the blow she received at her last board meeting where one of the directors, who is also an accountant, stated that after a close examination of Literacy Plus' books that it is time for them to close their doors given their current revenue stream. By his estimation Literacy Plus could only really survive three more months (even with the fundraiser revenue) and he recommended an immediate dismissal of all staff except the Executive Director and Associate Director and that the Executive Director's salary be significantly cut. This would give the staff resources to use the remaining months to bring appropriate closure to their relationships and obligations on behalf of Literacy Plus.

The Executive Director could not believe what she was hearing. She did not see this coming and felt it was too drastic of a decision based upon one person's opinion. At that same meeting the current board chair resigned stating she could no longer balance her competing roles and suddenly the Executive Director was feeling abandoned by the very people she relied upon. The remaining board members decided to solicit advice from other sources and reconvene in two weeks to make a decision.



The Executive Director did not know what to do next. In desperation she reached out to her former mentee and board chair from two years ago. While they had parted ways unhappy she also knew that he really cared about Literacy Plus and would give her wise and trusted advice. The two met and the former chair asked if he could rejoin the board with the intention of creating a one-year strategic initiative using the business model created by the Executive Director. If in one year Literacy Plus was not fiscally strong they would close their doors permanently. They presented this idea to the board who agreed to give the organization one year (if the organization could even make it one year given its current situation). While difficult this scenario has brought a realistic vision to the Executive Director and she feels that she needs to give her new business model a chance and be open to the consequences if it fails. It's a make or break year for Literacy Plus.

## Discussion Questions

1. Critique the Executive Director's relationship with her Board of Directors. Identify five strengths and five weaknesses. Was their relationship to blame for the problems in the organization? Explain your reasoning.
2. Evaluate the proposed business model, which would essentially make Literacy Plus a vendor to other organizations. Questions to consider:
  - a. What are ethical considerations of selling donated items?
  - b. What human and financial resources would be needed to support such a program?
  - c. What would happen if the book vendor who supplied Literacy Plus with new books decided to discontinue the relationship? What should be alternative plans for securing books?
  - d. Could this business plan lead to "mission drift"?
  - e. Do you think this is a good idea? Why or why not?
3. Take on the role of a consultant. Given the organization has one year to implement their new business model and make a decision about closing its doors, what advice would you give Literacy Plus?
  - a. What strategic steps or decisions should they make?
  - b. What goals or timeframe should they use to measure their growth and make decisions?
  - c. What changes or initiatives should happen with the board during this time?
  - d. What changes or initiatives should happen with the staff during this time?
  - e. What resources might they use to help them during this time?
4. Based upon its record over the years do you think Literacy Plus will remain open or close its doors in one year? Explain your reasoning.

## Six-Year Summary and Assessment

Literacy Plus was founded with a child's idea whose mother shared that vision and carried it forward. The Literacy Plus story is one of passion, determination and the realities of the limitations people and organizations may encounter over time. When we first introduced Literacy Plus they were about to celebrate their 12<sup>th</sup> anniversary. They had success in fulfilling their vision of "kids helping kids" by getting used books in the hands of children and schools without books and libraries of their own. Literacy Plus could see their impact in the region in large part due to their strong mission, charismatic Executive Director and a dedicated board and volunteer base. While externally they appeared strong, it was the impact of the great recession that brought to light their vulnerabilities as we examine the trajectory of the past six years.

Literacy Plus was in the midst of a strategic planning process when the recession hit and foundation and corporations extended their funding cycles or simply gave less. In order to make their budget and sustain the quality of their programs they required their staff, board and key volunteers to each give an extensive amount of their time and resources. To make up the financial loss they initiated a fruitful annual fundraising event that required all hands to accomplish, but ultimately left the board depleted and the Executive Director feeling isolated by them. Even with the success of the event their funding needs persisted and the constant drain on the organization began to take its toll. In a few short years the staff grew and then later shrunk to meet the changing needs of the organization. The relationship between the board and staff also had highs and lows, which seemed

to do little to build trust within the organization. Finally, the funding models also changed as the Executive Director tried a variety of prototypes to bring in funds or build collaborations with others.

Through it all the Executive Director has built an admirable reputation within the community and among funders, which she called upon in emergency moments. However, this is not an effective way to manage and grow an organization and six years later a consistent and strategic funding model is needed. She is also starting to feel the stress of several disconcerting years of inconsistent funding and numerous changes within the staff. She wonders if she is perhaps ready for a career change? Yet, her optimism sustains her as she knows there is an increased need for Literacy Plus as many of their competition closed their doors because of the economy. This is a good time for them to step in and be a leader in their particular niche of literacy advocacy: getting books into the hands of children who need them. They also have potential new leadership to bring to their board which could change the dynamic between the board and Executive Director but also bring fresh ideas and resources. Lastly, the current staff seems to be committed to seeing Literacy Plus through this critical time. There has been a lot of change the past few years to meet the needs of their organization, but can Literacy Plus ride the wave of a distressed economy and survive?

### Discussion Questions

1. This case highlights several unique variables that impact the management of many nonprofit organizations. Identify 2–3 key factors in each of the following areas that shaped how the organization at times thrived or barely survived during these difficult first years of the economic recession:
  - a. Reliance upon foundations and individual gifts to meet their budget with no surplus funds readily available.
  - b. A volunteer board of directors that rotates on and off the board providing oversight to a potentially long-term paid staff.
  - c. Inevitable change within organizations and programs to serve its mission.
  - d. The influence and reputation of the Executive Director.
2. Evaluate the Executive Director's three goals for the future discussed at the close of the case (and provided again below). Pretend you are a consultant to the Executive Director on each of the initiatives. What would be your advice?
  - Goal 1: She would stay with the organization for the next few years and allow the Associate Director to lead the day to day efforts so she could focus on fundraising.
  - Goal 2: Refocus her board by enforcing the term limits (several had stayed longer) and restructure the work and role of the board. She had asked a lot of the board but not really given them ownership this past year. She would seek out ways to make them personally invested and expect the same of new board members.
  - Goal 3: Seek to diversify Literacy Plus' revenue stream by looking to business models that would create a partnership with publishing organizations, local school districts and corporations.
3. What criteria do you think the board should use to determine if Literacy Plus should seek to move forward as an organization or close its doors? Try to identify five.
4. If you were a foundation, given what you know would you provide funds to this organization? Why or why not?