

CASE STUDY:

Ocean Beach Animal Shelter

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Ocean Beach Animal Shelter is a nonprofit decision case featuring a 501(c)(3) tax exempt organization experiencing serious board and CEO leadership problems that are endangering the organization's mission achievement effectiveness and long-term viability. The main protagonists in the case are the Executive Director Corella McGill, recently appointed Board President Kitty Sitter, community volunteer Mary Ann White and her husband Max White.

INTRODUCTION

Mary Ann White, a community volunteer at the local animal shelter and a professional dog trainer, was becoming more distressed. It was late in the year of 2014 and conditions at the animal shelter had continued to deteriorate—contributions and volunteer support were decreasing, and about the only thing going up were animal euthanasias. Employee morale was low but everyone was afraid to speak for fear of reprisal from the executive director, Corella McGill. Mary Ann was frustrated; the board of directors of the Ocean Beach Animal Shelter was packed with Corella appointees and acquaintances. In the past few years, a ticket to being on the board seemed to be politically motivated. At least five of the seven current board members were merely “rubber stampers” to any policies and recommendations made by Mrs. McGill. Other board members, who tried to recommend change and improvements generally got frustrated, were intimidated to leave, or would just lose interest.

Mary Ann was determined to see a change. If her husband, Max, could get on the board that would at least be another voice for change in the way the animal shelter was currently being operated. However, gaining access to this board was difficult and Mary Ann and

Max had to develop a strategy. Would serving on the board even be worth the effort?

Max White had experience in not-for-profit organizations and had served on the boards of various nonprofit organizations in the mid-Atlantic region of the United States. Before their move to California. Max had a been a private school administrator, worked for the nonprofit organization, Teen Challenge, been a church pastor, and served as a consultant for nonprofit organizations with particular expertise in strategic planning and board functioning. He had served on several boards from charitable to educational organizations.

Even with all these credentials, getting on the board was not particularly easy; the director had her way of screening potential board candidates to maintain control. If Mary Ann was perceived by Mrs. McGill as a potential troublemaker that would hinder any chance Max would have in being voted to serve on the board.

OCEAN BEACH ANIMAL SHELTER

Ocean Beach Animal Shelter had been in existence for over 50 years. Up until just last year it had been the only animal shelter available for this upscale retirement and recreational community. The area had more than

its share of animal lovers and many of its citizens desired to adopt animals to keep them away from extermination.

The Ocean Beach Animal Shelter was a nonprofit organization run by an executive director with six full-time employees. There was also an active volunteer program and many retired citizens took part in helping with the shelter doing everything from updating records, to playing with the animals, to helping to organize fundraising activities. Over the last few years there were around twenty volunteers at various levels of involvement.

The animal shelter facilities were fairly old, as the original building was still in use. There had been additions to the building along with other structures constructed during the last fifty years, however, any facility constantly dealing with a large number of animals was going to see a fairly significant deterioration over time. General maintenance and upkeep seemed to be at a minimum as funding was always an issue and other needs seemed to have a greater priority. There were cages for about 50 cats and 60 dogs along with a few extra places for other animals. The shelter also had some common areas for excess animals which could be used on a short-term basis and also served as exercise areas for the animals.

The by-laws of the animal shelter specifically identified its purpose:

1. To oversee the management and operation of the humane society
2. To provide a humane society and animal shelter for the county in which to house, care, adopt, return to guardians (owners), and, if necessary, provide for the humane euthanasia of animals
3. Enlighten and educate the community about the humane society's efforts to help, protect and secure lost, discarded and unwanted animals in the county and prevent cruelty to animals
4. To accept every animal brought to the shelter
5. To provide security and safety for the community by providing shelter for stray/homeless animals that may pose a danger to the general public
6. To assist authorities in criminal investigations involving animals
7. To acquire property by contributions, donation, grant, gift, purchase, devise or bequest and to hold and dispose as the Ocean Beach Animal Shelter shall decide
8. To educate the public regarding the benefits of spaying/neutering their pets, provide spay/neuter services, and to educate the public in their need to receive annual veterinary care including preventative shots for their pets
9. To solicit, raise, receive, use, and distribute monies in order to accomplish the purposes of the Ocean Beach Animal Shelter
10. To operate the Ocean Beach Animal Shelter as a not-for-profit organization which will not lend or otherwise make available to employees, members, directors, or officers of the Corporation any funds for any purpose except for reimbursement for expenses incurred by and for the Ocean Beach Animal shelter providing that such expenses are approved by the Board of Directors in advance.

EXECUTIVE DIRECTOR

The basic duties and responsibilities of the executive director were identified in the corporate by-laws.

The Ocean Beach Animal Shelter Executive Director shall be employed by the Board of Directors and serve at the will of the board. The executive director will be accountable to the Board for the management of the Ocean Beach Animal Shelter. The primary responsibilities include all aspects of managing the shelter and staff: overseeing animal custodial and medical care; ensuring safety and upkeep of facility; budget development and management, audits, and working directly with the CPA; communicating detailed information via reports on various activities at the shelter; dealing with the general public, approvals for final adoption, supervision of

euthanasia to ensure proper techniques are used, providing staff with training/education, and is a member of all committees. The executive director will not make any expenditure over \$5,000 without prior Board approval.

A close working relationship between the executive director and the board was always a key to the success of the Ocean Beach Animal Shelter. Open communication between both parties was encouraged. The board generally recognized that it was important to allow the executive director the latitude to run the overall operation of the shelter and felt its role was one of support and assistance with a focus on strategic planning and fund raising initiatives.

CURRENT DIRECTOR CORELLA MCGILL

About four years ago, in May of 2010, the current executive director, Corella McGill, was hired by the board. Corella came with high recommendations and a wealth of experience as a director of not-for-profit organizations. She was an animal lover and seemed to have bold visions for the future of the animal shelter. Corella had an outgoing personality and seemed at ease with key members of the community. The board thought she would be especially good in fulfilling the external responsibilities of the director, including fundraising.

Corella quickly incorporated her philosophy into the operation of the animal shelter. She was a take charge person who became aware of all of the workings of the shelter. She also befriended many in the community and encouraged those she was most comfortable with to become board members. Several on the board were ready for a transition, and it was not long before Corella had five new appointees approved for the board.

Within the last two years it appeared that conditions with the animal shelter seemed to deteriorate. There were some rumors of concern and dissatisfaction among employees and volunteers. Also, contributions declined and the county opened their own animal shelter about 20 miles away in the country.

In spite of these concerns, the board seemed to indicate that many of the circumstances at the animal shelter were due to the state of the economy and that the shelter was doing the best job possible, all things considered. The board gave a vote of confidence to Corella McGill, and encouraged her to do the best she could, believing that conditions should improve over time.

NEWSPAPER ARTICLE

Eventually the claims of dissatisfaction and unrest by a number of employees and volunteers at the animal shelter reached the Ocean Beach newspaper. A story was published at the end of July, 2014 which led off with some pretty startling figures. For the year 2013, out of a total of 5,671 animals cared for by the Ocean Beach Animal Shelter, 567 were claimed by their owners, 874 were adopted and 4,230 were euthanized. This percentage of euthanized animals of about 75% was significantly higher than the national average of closer to 50%.

The article stated that it had received a large number of complaints from workers, some of whom had been fired, the public, and former members of Board of Directors. The complaints were all similar: the shelter was in deplorable condition and management had become so controlling that it had been stopping the flow of help from the community. Also the shelter was operating at over a \$100,000 deficit and even though it was losing money, its two largest fundraisers had been canceled.

Mrs. McGill was quoted in the article as acknowledging that there had been some problems recently, but that conditions were improving and that she had addressed the concerns. Also, the number of adoptions was up and the number of euthanasias was down. The paper confirmed that the facility seemed to be clean and the animals well-treated.

Corella and a current board member stated that the accusations of poor treatment were not true and probably reflected some frustrations of disgruntled former employees. The board member Stephanie

Doright felt these comments were shameful as they were hurting the people who were most trying to help improve the conditions at the animal shelter. Doright stated that Mrs. McGill was extremely qualified for the job as director and had the necessary experience to do the job.

As evidence of an improving situation, Corella pointed out that out of 3,275 animals admitted to the shelter in 2014 through May, only 2,006 were euthanized, which was around 61%. She admitted that most animals were euthanized at either the owners request, for behavioral problems, or because they had contagious diseases. Mrs. McGill was proud to point out that animals were now being euthanized for only medical or behavioral reasons and that the shelter was trying to treat animals with such illnesses as heart worms versus immediately euthanizing them.

Still, complaints were numerous. The paper reported on everything from diminished fundraising, to volunteers being turned away, to rat infestation, to inadequate conditions for the animals, to lack of funding, and high employee turnover. People alleged that efforts were not being made to link up animals with a customer adoption wish list. People contended that instead of trying to identify animals for adoption, the shelter took the easier route of euthanasia. Part of the problem might have been lack of sufficient staff due to the high level of employee turnover.

A relatively new member of the board, Kitty Sitter, had become president in January 2014. Kitty had not been previously aware of the level of concern until the board's annual review meeting in December. The board members were strictly volunteers and it represented the only entity that governed the shelter.

Mrs. Sitter said the board had already addressed many of concerns and conditions were much improved. She pointed out that some old fixtures and equipment had been removed, and a new roof and doors had been put on two buildings. The board was also proud to announce that the shelter had hired its own full-time veterinarian. Kitty also did not understand why former members quit the Board. She felt that if members became frustrated they needed to

work to change things versus walking away. Kitty felt that Corella had cooperated fully with her and followed through with any request.

Regarding fundraising issues, the director felt that the old initiatives were getting stale and she was considering some new ideas. The article concluded with Corella stating how much she loved her job and how hard everyone was working at the animal shelter to make things better.

The local paper printed a follow up editorial in early September, 2014. The paper claimed that the recent criticism had gotten the attention of the animal shelter Board of Directors and staff, and that progress was being made. Kitty Sitter was quoted in the editorial that she believed that the number of animals forecasted to be euthanized in 2014 would be about half of the number in 2013. Also, many repairs and renovations were underway or already completed. There were new fundraising activities in the works with details expected to be announced in the near future. The organization had just received a state license to operate a low-cost clinic. This certification process had taken some time to obtain and showed further proof that the shelter was moving in the right direction. Kitty was convinced that the problems raised by the first article were in the past.

Kitty also indicated that the Board currently had seven members but could have up to fifteen members and anyone interested in serving could contact her. She felt that given the progress recently made, the animal shelter deserved a chance to prove its critics wrong and now needed support.

OCEAN BEACH ANIMAL SHELTER BOARD OF DIRECTORS

The Ocean Beach Animal Shelter was governed by a Board of Directors. The specific duties and directives of the Board of Directors were spelled out in the company by-laws:

1. The Board of Directors of the Corporation shall be no less than seven members and no more than

- fifteen in total number and shall be elected by the existing Board of Directors at the annual meeting.
2. Nominations for Directors may be made by the nominating committee appointed by the Board of Directors in accordance with the current nominating procedures. A director shall serve on the board for a minimum term of one year and a maximum of five years. A former member of the Board of Directors that held a position in good standing may be re-elected to the Board after a minimum period of two years.
 3. Vacancies on the Board of Directors occurring due to death, disability, resignation or for any other reason whatsoever, shall be filled for the remainder of the unexpired term from names proposed by the nominating committee in adherence with the current nominating procedures at any regular or special meeting of the Board of Directors.
 4. The resignation of a Director shall be effective upon receipt of a written request by the resigning member or by action by the Board of Directors.
 5. The annual meeting of the Board of Directors of the Corporation shall take place during the month of January. At the conclusion of shelter business, the public will be invited to participate in the remainder of the meeting. A notice will be published in the local newspaper twice within a week prior to the meeting date.
 6. The Board of Directors shall take office immediately after the election at the annual meeting.
 7. The regular meeting of the Board of Directors shall be held monthly in a day decided by the Board.
 8. Special meetings of the Board of Directors may be called by the Board President or by written request to the Board, signed by at least five or more Directors, stating the time, place, and matters to be discussed at the meeting.
 9. A majority of the Directors attending any regular or special meeting shall constitute a quorum for the transaction of Board business. The majority vote must be not less than five.
 10. Notice of each monthly meeting shall be provided by the Secretary or President to each of the Directors, to his or her e-mail address or home address as it appears in the records of the corporation seven days in advance of the meeting or in the event of an emergency situation two days' notice must be given.
 11. The Board of Directors, at their annual meeting, shall elect a President, a Vice President, a Treasurer and a Secretary. The Board of Directors shall have the power to fill a vacancy in any office occurring for any reason whatsoever. The Board President shall have the power to appoint other officers, committees, or the executive director of the Ocean Beach Animal Shelter, as the Board deems necessary for the transaction of the business of the Corporation. The executive director shall work at the will of the Board of Directors.
 12. Any Board Director or officer may be removed by the Board of Directors whenever, in the judgment of the Board, the best interests of the Corporation will be served, by a two-thirds majority vote of the Board of Directors. Failure to attend ten regular Board meetings per year and adhering to the minimum requirements without a valid excuse shall constitute cause for removal of a Director of the Board. Notification by registered mail will be sent to any Director so removed. Any deviation of the above rules must be approved by the President.
 13. For any reason deemed sufficient by the Board of Directors, the Board may delegate any power or duty previously assigned to any officer or Director to any other Director, but no office or Director may execute, acknowledge or verify any instrument in more than one official capacity.
 14. There shall be open voting at all monthly meetings and special meetings of the Board of Directors with the exception of Election of Officers. Election of Officers will be by written vote or

ballot. Proxy voting shall not be permitted at monthly, special, or annual meetings of the Corporation.

15. Directors shall not receive any sum of money for their service. The books of the Corporation shall be closed at the end of each fiscal year and financial statements submitted to the Board of Directors. At the Board's discretion, the Corporation may engage an independent certified public accountant to audit or review the financial statements.
16. All members of the Board of Directors are expected to make an annual financial contribution toward the goals of the Ocean Beach Animal Shelter. Additionally, this contribution demonstrates support to the community. The annual requirement shall be set each year at the annual meeting. Each director will make or personally raise the agreed upon contribution before the following annual meeting is convened.
17. Board members will strive to prevent any conflict of interest and will not use the agency or any part of the organization for personal advantage or that of friends and relatives. Board members will not discuss confidential proceedings outside the board meeting or promise prior to meeting the outcome of any individual or consensus vote.

MAX AND MARY ANN WHITE

Max and Mary Ann had moved to Ocean Beach, California in 2010 to be closer to family and to live near the ocean. Max was retiring, although he wanted to remain active in charitable causes, and Mary Ann wanted to devote more time to painting and animal training. They specifically looked for a community that offered the most opportunities for their many interest and Ocean Beach seemed to fit the bill.

Prior to the move, Max served as a consultant to a nonprofit skater and surfer organization where he helped them develop a strategic plan and formulated their mission, vision, and values statements. He also mentored the leadership in how to run the organization

as most of the members were more focused on skating, surfing, and establishing relationships than they were in leading an organization. Max then served on the Board of Directors and rewrote the by-laws and identified the specific duties and responsibilities of the Board members.

Max also had served on other not-for-profit boards, including a private school, Teen Challenge a youth drug rehabilitation organization, his church, and other local charitable organizations. His educational background included an MBA with a concentration in nonprofit management and he did adjunct teaching in the area of nonprofit management and fund raising.

Mary Ann was a free-lance artist and professional dog trainer. She enjoyed animal paintings which complemented her interest in training dogs. Mary Ann also preferred working with older retired people. Ocean Beach, with its wonderful scenery, active retirement constituency, and lots of people who seemed to love animals was a major drawing card in convincing Max and Mary Ann to relocate in this community.

With women generally outliving their husbands, they often desired a pet, usually a dog, for a companion, personal security, and to counteract loneliness. Mary Ann understood the needs of retired people, especially women, and what they might be looking for in the way of a pet. She also understood pet temperament and behavior and could make good recommendations to people on what dog might be best for them. Once these people also found out that Mary Ann was a freelance artist who enjoyed painting animals, it was all the more reason to tap into her many skills and services.

Mary Ann was always trying to save animals and especially encouraged the adoption of pets through the local animal shelter. To become better acquainted with what animals were available to future pet owners, she thought it only natural to become a volunteer with the Ocean Beach Animal Shelter. There she could identify quality pets available to retired single women at a reasonable price. Then she could train the dog to meet the needs and temperament of the owner and create a comfortable relationship. Finally, the owners often would like a painting of their dog and Mary Ann was

more than happy to provide that service. Mary Ann was getting to do all the things she loved to do for pay, plus saving animals in the process and meeting and befriending the needs of a group of people. Life could not be better for her.

Everything seemed to be working so well until Mary Ann started to see some of the problems occurring at the Ocean Beach Animal Shelter. To her everything pointed to the executive director, Corella McGill. Mary Ann was convinced that Corella was a strongly authoritative leader who micromanaged all functions of the animal shelter. She created division and low employee morale with frequent firings of anyone who seemed to question her authority.

Community volunteers also sensed the tension and did not seem to be appreciated or allowed to undertake constructive activities if it might in anyway undermine the overall control of Mrs. McGill. On top of everything else, euthanasia seemed to be the mode of choice for many of the animals when adoption could be a much more worthwhile alternative. Someone had to speak up for the lives of the animals, but too much advocacy could get an employee fired or volunteer blacklisted. Mary Ann was certainly frustrated with the way things were operating at the shelter.

Mary Ann thought the newspaper article would be the straw that finally brought changes to the organization beginning at the top. She was unaware of the political power and skill that Corella had in navigating through this crisis situation. Also, it was evident to Mary Ann that McGill had the loyalty and support of the board, the only body that could terminate her employment.

While the subsequent editorial in the paper indicated that progress at the shelter was being made, Mary Ann believed otherwise and had an inclination that the true facts and conditions of the shelter were not being fully reported.

There were still stories coming from employees that if anything, the corporate culture at the shelter had

gotten worse. Since the executive director was being subject to closer scrutiny, she responded by passing any blame onto her subordinates and threatened their termination if any bad reports surfaced. Additionally, if any volunteers overstepped their boundaries or seemed to become more outspoken, they were quickly dismissed from the program. Mary Ann had to be careful that she did not attract attention as an activist, lest she also be shown the door. She felt it was important to maintain a presence at the shelter and serve as a behind the scenes advocate for the animals and employees.

CURRENT SITUATION

Mary Ann believed that unless more pressure was taken to change the current situation at the animal shelter, the whole organization would be in danger of collapse. Already, much of their business had been taken away by the community with the new county facilities. Major financial donors to the animal shelter had become disenchanted with the director and reduced their giving. Also, the primary fund raising activities had been eliminated with promises of new ventures, but those were just promises with no deliverables to date. All this was causing a deficit in the annual operating budget. It appeared that funding shortages may have been desired by Corella as they could be used as an excuse for underperformance, employee terminations, and the convenience of euthanasia.

Mary Ann was convinced that her husband, Max, could make a difference if he could get on the board. The current board president, Kitty Sitter, had indicated in the newspaper article that the shelter was open to the nomination of new board members, but Mary Ann knew they would have to get past the scrutiny of Corella. The executive director certainly did not want to do anything to allow an undermining of the current majority support she had with the board.

OCEAN BEACH ANIMAL SHELTER TEACHING NOTES

If the case is presented in a more directed format, the following questions may help to formulate the discussion. Suggested answers and a full set of teaching notes are available from the author.

1. What should be the role of the board of directors and what should be the focus of the meetings? (LO 1, 2, 3, 4)
2. Review the basic duties and responsibilities of the executive director and determine how well it fits with the mission and objectives of the organization. (LO 1, 2, 3)
3. How can the Board reestablish the proper policy governance balance in relation to the executive director? (LO 2, 3, 4)
4. What internal management changes are necessary to hold the executive director more accountable to the Board according to the principles of servant leadership? (LO 2, 3, 4)
5. What are some options that Max and Mary Ann can consider with regard to the animal shelter dilemma? (LO 1, 2, 4)
6. What course of action should Max and Mary Ann take to best solve the current concerns regarding the animal shelter? (LO 2, 4)

EPILOGUE

The decision situation and specific actions taken have not been fully resolved at the time of the writing of this case. To date, Max has been unsuccessful at gaining a position on the board of directors. The role of the board of directors and the current operating procedures overseen by the executive director at the Ocean Beach Animal Shelter remain unchanged.

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