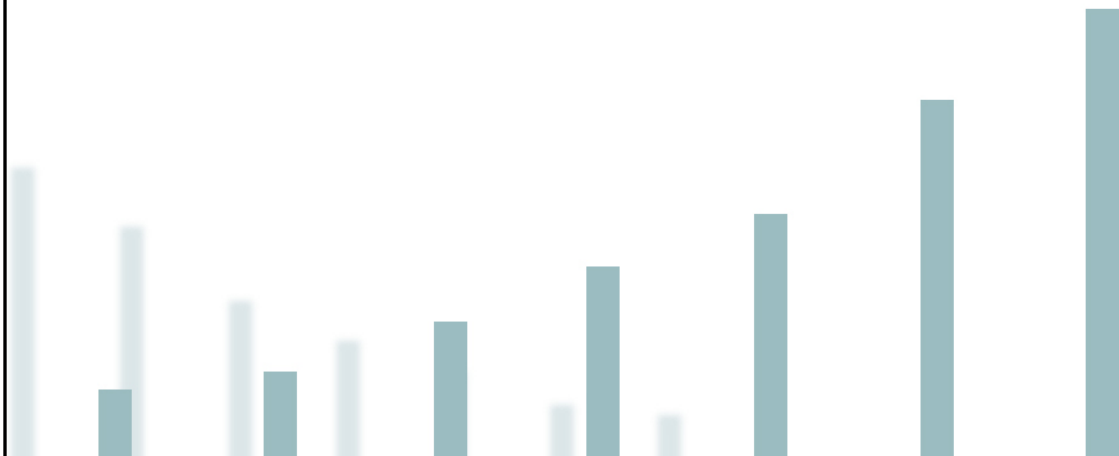


OCTOBER 2004

Youth In Need

Managing rapid growth through program
diversification and regional expansion



Summary

Youth In Need has concentrated on growing in one region, allowing the organization to keep its finger on the pulse of the local community's needs. In response to these needs, YIN added programs intentionally, creating a continuum of services funded in large part with government money. YIN's growth took a quantum leap in 1998 with the addition of Early Head Start and Head Start, creating a new set of opportunities and challenges for the organization.

Organizational Snapshot

Organization: Youth In Need

Year founded: 1974

Headquarters: St. Charles, Missouri

Mission: "Believing in the strength and potential of every child, youth, and family, Youth In Need's mission is to support individuals and families in achieving their goals and building a positive future."

Program: Youth In Need is a multi-service agency offering programs focused on residential treatment, teen and early childhood services, counseling, and education. The majority of Youth In Need's work is in the areas of early childhood programs, such as Head Start and Early Head Start, and residential treatment programs, such as group homes for homeless and abused children. Residential, educational, and counseling programs range from crisis intervention to long-term care to community development. The goals of the programs are to strengthen families, build self-esteem, and develop independent living skills. In 2003, Youth In Need directly served nearly 4,000 clients.

Size: \$10.7 million in revenue; 309 employees (as of 2003).

Revenue growth rate: Compound annual growth rate (1999-2003): 15 percent; highest annual growth rate (1999-2003): 75 percent in 1999.

Funding sources: Government funding, mostly from federal sources such as Head Start and grants for runaway and homeless youth, almost entirely supports Youth In Need, providing 84 percent of the agency's revenue in 2003. This figure is up from 57 percent in the early 1990s. Individual funding makes up most of the balance.

Organizational structure: Youth In Need is a 501(c)(3) organization that serves Eastern Missouri and the St. Louis metropolitan area, with major offices in St. Charles, St. Louis, and Wentzville, and program sites located throughout a six-county service region.

Leadership: Jim Braun, president and chief executive officer since 1988.

More information: www.youthinneed.org

Key Milestones

- 1974: Founded in St. Charles, Missouri
- 1986: First CEO left
- 1988: Jim Braun became the organization's third CEO
- 1992: Added a transitional living program
- 1994: Began serving "near homeless" youth
- 1998: Became involved with Head Start and Early Head Start

Growth Story

The community volunteers who founded Youth In Need (YIN) in 1974 remember the event that prompted them to start the organization. They came across a teenage girl whose face was bruised from a beating. The girl had been taken to the local jail, where local runaways and homeless youth were housed with adult criminals. "It was late at night and we knew we had talked about opening a youth

shelter long enough,” remembers Reverend Earl Worley, one of the founders of YIN. “Looking at that young girl, we knew that we couldn’t let down one more kid.”

Volunteers dedicated long hours to open YIN’s first shelter for youth in crisis. Since its founding, the organization has evolved into a multi-service agency serving children, youth, and families throughout Eastern Missouri. While the agency originally specialized in serving adolescents, an emphasis on serving and strengthening families has led them to add services for children and youth from birth through age 21, as well as for their families.

The first chief executive officer of the organization stayed for 12 years and grounded the program, but the second CEO, a program staff member who the organization had promoted internally, left after two years and relocated out of the area. “When I started [in 1988], it was a struggling organization,” says Jim Braun, the third and current CEO. In fact, the organization nearly had to shut down for lack of funds, but Braun gradually assembled a team that turned things around. “I was really attracted by the story and the mission. It’s a great story, but there was little growth, and the board had just begun to do fundraising. I came with an eye toward how can the organization survive and how can we improve program quality. The quality of service was much more important than the quantity.”

A prime motivation for growth was “a sense of passion and urgency around unmet client needs,” he says. YIN’s management team felt compelled to keep up with the rapid population growth of St. Charles, which was one of the fastest growing communities in the country. They also reacted to failures they saw in the community. One example was the practice at the time of putting behaviorally troubled kids in foster homes, which often didn’t work. YIN’s solution was shelters in residential environments. “Let’s have homes, with a family environment, where the kids can blend in with the community, [and can get] continuity and stability,” Braun says. “Replicating that process, finding the kids that fall through the cracks and following up with them [was a large motivation, as was the goal to] get the kids before the crisis happens in the family.”

Braun closed down a program that wasn’t performing well, an alternative school for at-risk kids. In 1992, YIN added a transitional living program, which used group homes where homeless youth ages 16 to 21 could learn independent living skills,

complete their education, secure employment and become self-sufficient. The program addition happened after a board member donated a building, which helped qualify the organization for a grant. Job-training programs grew naturally from the transitional living programs. In 1994, YIN decided to begin serving homeless street youth with mobile outreach services, which extended services directly into St. Louis neighborhoods. In 1996, the agency started a program to reach “near homeless” youth. They located this program in St. Louis in order to serve the large numbers of high school dropouts who had no job experience. Operating additional services in St. Louis attracted more funding, especially from individual and corporate sources. A unique Missouri tax credit policy encouraged individual and corporate giving.

But there was a cultural and economic divide between St. Charles — a suburban, rural area where YIN was started and is headquartered — and the nearby urban environment of St. Louis. “St. Louis is a highly segmented community,” says Braun. “There are deep underlying political, racial and social divisions between various municipalities and counties in the region.” Although YIN had been serving youth that resided throughout the Eastern Missouri region for many years, people in St. Louis viewed it as a St. Charles program, and St. Charles donors and businesses were interested in helping local youth. The YIN management team and board saw this as an opportunity to promote values of regionalism and inclusion, as well as strategically broaden the organization’s financial base. Over the next few years, St. Louis programs were expanded further to provide after-school mentoring programs for middle school youth, and St. Louis based companies and foundations continued to find new interest in supporting YIN.

During the same period, YIN was working to expand services for teen parents in St. Charles and adjacent rural counties. In 1998, YIN was awarded major grants to provide both Early Head Start (ages pre-natal to 3) and Head Start (ages 3 to 5) in St. Charles and three neighboring counties. “We got in during what they called ‘wave four,’ meaning the fourth year Early Head Start funding was available for competitive grant funding. We knew we wanted to do it, but we took a year to prepare [so we could scope it well].” YIN applied for the program, with the board and management team reasoning that if they were able to do the Head Start program well, they would be able to prevent the kids they were currently seeing as

homeless youth from coming to them later in life. “We got into Head Start and Early Head Start because we had more and more teen parents in the 1990s, as well as kids who we had treated and known a few years earlier who were now young adults and literally in crisis with a baby or two,” Braun says. “And there was little we could do besides some counseling and making referrals.”

For Braun, the Head Start opportunity demonstrated that program quality begets opportunity. “It was never, ‘We want to be a certain size by a certain year’ like you might find in a conventional business plan,” he says. “I was not interested in that. If you do good work ... people will want you to do more of it. It’s all about your reputation of how effectively you meet community needs.” Thanks to the ongoing advocacy and networking efforts of Laura Harrison, executive vice president of child development, and Karen Thomson, vice president of marketing and education, YIN has built a strong national reputation around their Head Start work. According to Harrison, “It’s important to know the pulse of the national agenda so that we can be at the table to offer YIN’s expertise in family development. Policy makers listen to what we say on a federal and state and even on a local level.”

The Head Start decision was a huge challenge for the staff, according to Tracy Mathis, a board member since 1982. “We started to watch some of the staff just melt. I recall that as a troubled time for the organization.” Braun agrees: “We were taking on a lot, but aside from the lines under our eyes, we could do it.”

YIN continued to grow opportunistically, predominantly by adding new programs and new program areas. In 2001, YIN was included as one of five agencies providing redesigned Head Start services in the City of St. Louis. Programs in rural communities grew with State funding. YIN was recently awarded a contract to provide before and after school programs at a dozen St. Louis City Public elementary schools. “We are no longer the little organization in St. Charles,” says Braun.

“We see a need, then look for funding,” says Pat Holterman-Hommes, senior vice president of youth programs. “Some of it is very planned. A lot of times, though, it’s all about the opportunity. We consider everything that comes our way. Our strategic plan provides guidelines to make sure we don’t take on projects that will

hurt our quality by siphoning resources from existing programs. Otherwise, we try to be flexible to respond to community needs.”

Holterman-Hommes notes that managing an organization that is programmatically very broad has had its challenges. “Our themes have broadened to include the span of birth through adulthood, prevention to intensive intervention, rural to urban. We’ve always seen the opportunities of having a continuum of services, but it has taken time to connect the various components in day-to-day operations. It’s something we continue to work on.”

Thomson agrees that it “has at times been confusing to the community to understand all of what YIN does.” However, she has always tried to boil it down to the essentials of youth and early childhood development. “Children can have needs or crisis at any age, and we can meet those needs and stay connected as kids get older, especially when an older youth becomes a parent and is still struggling.”

YIN partners with Washington University on evaluation studies, and this relationship has helped YIN secure grants to fund the studies. It has received a number of grants due to Washington University’s research of runaways. And because of the continuity it has with the university, YIN has 10 years of outcomes data. It also uses client satisfaction, employee surveys, and program reports to track its progress. “We’ve been a leader in partnering with university researchers to get outcome data for a number of our individual programs,” says Holterman-Hommes. “We’re now developing plans to partner with Washington University to build a research and evaluation model that overarches the entire agency.”

CONFIGURATION

Youth In Need is a standalone 501(c)(3), with its own board that oversees the operation. Given that much of the YIN programming was developed around the models of intervention that best meet the needs of Eastern Missouri and the St. Louis metropolitan area, YIN previously has not worked to replicate its model as much as to expand service in the St. Louis area. The planned project with Washington University, however, is seen by the organization as a potential catalyst

for replicating both the broad based service model, and a research quality evaluation model that will tie outcomes, unit cost accounting, and cost-benefit impacts across all agency programs.

CAPITAL

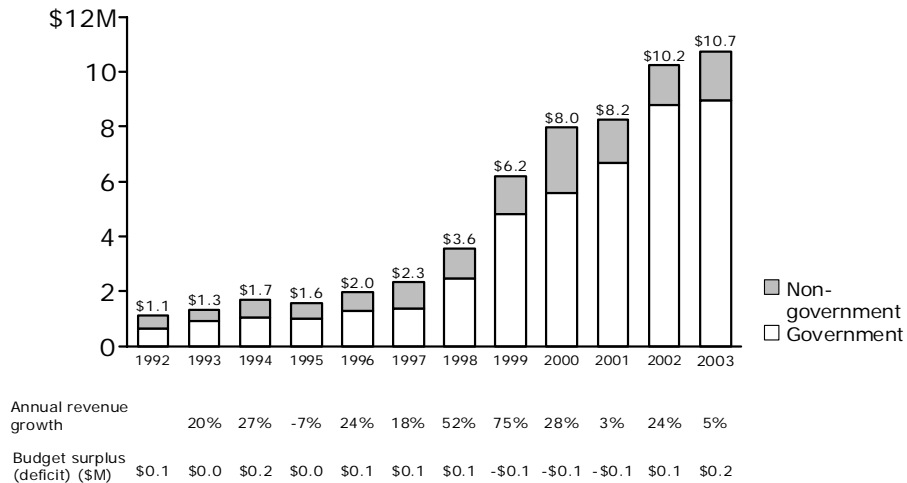
Youth In Need's funding strategy has formalized to a great degree from its early days. In the late 1980s, the organization depended on government funding for nearly 60 percent of its funding. The remaining 40 percent came from a combination of United Way funds and a weekly bingo game that served as a fundraiser.

Government grants paid for the organization's growth. (See Figure 1.) Specifically, in its early years YIN relied on three federal grants for runaway and homeless youth agencies — Basic Center, Street Outreach, and Transitional Living. YIN developed a competency in grant writing for these government sources. Whenever it grows, it makes sure it has a solid proposal. With the Head Start expansion, for example, YIN prepared extensively to make sure its proposal was well thought through. "We are known as excellent grant writers, because we've stayed within fields we know and understand," says Braun. "We've stayed with [Basic Center, Street Outreach, and Transitional Living] grants, and they know us and we know what they're looking for." Harrison adds, "I firmly believe if you take the grant writing out of the programs, out of the hands of the people that know what you do, you lose the life and soul of it. You tend to lose a little of that hometown feeling. Which means you're going to win fewer grants."

YIN rode this strength in attracting government money all the way to a totally new program: Head Start. Head Start brought with it a huge jump in revenues, including additional money to fund the professionalization of the organization from indirect cost allowances. "Funding the new positions was not too difficult, due to indirect cost allowances [of 10 percent of the grant]," says Braun. "With Head Start, that brought hundreds of thousands of dollars to help fuel the professionalization."

Figure 1

Youth in Need revenue



Source: Organization internal data

In addition to working on the internal programmatic aspects of Head Start and Early Head Start, Harrison and Thomson travel year-round to maintain support for YIN and Head Start. “We spend much of our time networking with regional and state and federal folks,” Harrison says. Thomson adds, “It’s definitely all part of a deliberate strategy, getting out there as much as we do and helping out the government agencies... it keeps us in the loop. You go out with a Federal team leader and you get to know what they’re really looking at. We knew early on that would be important, but we didn’t realize how valuable it really is. Developing a personal relationship pays off.”

During much of the recent growth era, Braun has focused on building deeper regional strategic relationships, and expanding the agency’s staff and efforts to increase private donations. Holterman-Hommes and Harrison work together to maintain the all-important relationships with government funders. One of Holterman-Hommes’ biggest worries for the future is YIN’s reliance on government funding. “It’s been rare that we’ve had to close a program, but we’re dependent on

government money.” Chief Financial Officer Larry Van De Riet says, “50 to 65 percent of our [administrative] overhead would go away without Head Start.”

Unrestricted individual donations and United Way funding further supplemented growth over the years. A gala, one of the largest events of its type in the area, nets approximately \$130,000 annually. “We see that event as a great marketing tool as well,” says Braun.

Mike Reilly, chief development officer, sees a historic correlation between the amount of giving and the breadth of the program offering: “Giving grew dramatically as programming grew and expanded,” he says. One of Reilly’s major challenges has been changing people’s perceptions that YIN is just a St. Charles organization: “One of the things that frightened me early on is people would nervously be like, ‘Oh, that’s that St. Charles organization.’ It was scary because I worried that YIN would miss out on other funders who didn’t realize the YIN service area was a 100-mile service area.”

Corporate giving has also been challenging. “Southwestern Bell moved headquarters to San Antonio; Ralston was bought by Nestle,” Reilly says. “You lose all these corporate headquarters, so to get money you have to go through people who have to go through Charlotte, or San Francisco, or whatever, so it’s really hard and complicated to get their money.”

The focus now is on large donors. “If I’m going to get \$50, it doesn’t take a whole lot more to get them to give \$50,000 if that person has that giving potential,” he says. Whenever possible, Reilly tries to work hand-in-hand with Braun to make this happen, but thinks YIN has historically “been leaving a lot of money on the table.” As a result, Reilly says, “The amount of money we could raise could significantly go up. I don’t think there’s a reason that we couldn’t be going up at significant double-digit growth for several years.”

In addition, the organization has the goal of building an endowment equal to 25 percent of its operating budget to increase the level of cash reserves. “Last year we did really well, even though it was a tough year, and we ended up with more than \$100,000 in surplus,” says Braun. “Our long-term goal is to have 25 percent

of operating expenses in the bank as a reserve. We need an endowment, we need reserves. We're at about \$1 million, but we want three times that."

CAPABILITIES

In 1988, YIN had an administrative staff of five. Now, the senior management team alone has more than five members, all added after the addition of the Head Start programs and the infusion of funding for indirect costs.

The management team includes an executive vice president and director of early childhood programs (the Head Start division), a senior vice president of youth programs, a chief financial officer, a chief development officer, a vice president of marketing and education, and a vice president of human resources. Most staff members have been promoted from within.

The addition of another layer of management was not easy. "Ask my staff how difficult it was for me to let go of many of these functions," says Braun. "I wanted to let go, but it was difficult." Adding controls and management was also difficult for the entire staff. "The staff viewed the growth and the benefits to the community as positive, but it was still often hard for them to adjust to change," he says.

Along the way, some staff left the organization or were let go. Some staff members made sense in one life stage of the organization, Braun says, but did not make sense in a larger and more complex operation. "It's a very delicate thing — people who have done great work for you in the past, but it is no longer a good fit," he says.

The "Summer of Head Start," as staff members call the period when the program was incorporated in 1998, was an organizational turning point. Head Start brought on more programs, more beneficiaries, and more money than Braun and key managers could possibly handle with the previous organizational model. While the Early Head Start component was an entirely new service in the region, YIN was essentially acquiring an existing Head Start agency that was going out of business. It was able to cherry-pick the best employees from that Head Start program. Still, YIN needed to hire and train 200 people in three months. "What was most

important to success was hiring Head Start staff that knew what they were doing,” says Karen Thomson. “That was crucial, because that minimized the learning curve for them.”

To reduce the risk that the focus on developing Head Start might weaken existing programs, YIN separated the organization into two divisions in 1998. YIN kept the original programs in one division and made Head Start a second division. “If we take our best people from existing programs and put them into Head Start, that is very risky,” Braun reasoned.

Though this division made sense logically, Braun noted that here were unintended consequences that proved difficult. “When we divided into two divisions, the downside was that there was an undercurrent of competition, and often a lack of communication that we had always taken for granted when we were smaller.”

Members of the organization had both praise and criticism for this separation. Many felt it mitigated risk, kept each section focused on its product, and allowed each division to develop a competency in its area. But some people felt the two divisions did not leverage each other's expertise and did not receive equitable treatment. “The organizational division made sense, but we could have done a better job of making sure things were more consistent, like forms and processes,” says Holterman-Hommes. “We didn’t want to disrupt our existing programs when we were growing so dramatically, but in retrospect, it would have been better if we had developed common systems earlier.”

Holterman-Hommes believes a process of professionalization has taken place for staff in recent years. Staff are held accountable for their work. “The bottom line is that these are our standards,” she explains. That said, she says there is a “strong support system” and “an understanding that [when] people are developing, mistakes will happen.”

She also believes YIN is a place where staff can be promoted and developed. “Jim [Braun] came in as the CEO, but everyone else came in at lower levels,” she says. “We promote from within so that the staff has credibility with other staff and students.” Holterman-Hommes thinks YIN is able to retain staff, “because we have an organizational philosophy and culture that values people’s input.” As they’ve

grown, they've asked staff, "What do you want to do? How can we do things better?" Still, she and her staff want to continue improving their management skills, and efforts are underway to boost training for managers in identified core competency areas.

In terms of governance, the board went through several periods of change. The board started with a focus on the St. Charles region, but Braun wanted to have a more professional, less community-centric board. "We're still in transition from a local to a regional board," he says.

The board has instituted changes designed to focus it on the organization's strategy, governance, and financing, and less on programmatic and operational details. "The general tendency of the board [in the beginning] was to micromanage, like spending hours discussing phone companies to go with," says Mathis. "A few of us decided that was not the best use of our time." Now the board has six committees: executive, compensation, governance, finance and audit, planning, and development. The board is still actively involved in staff compensation, human resources, assessment and evaluation, and general management advice.

Braun cites board continuity (there are no term limits) and a lack of surprises as critical ingredients for its long-term success. "This is very much a working board," he says. "The key in my mind has been continuity of board leadership and consistent support of me and our staff and the mutual trust that was developed out of a really transparent relationship."

Key Insights

- **Dealing with a major program addition.** YIN's quantum leap in growth following the addition of Head Start had both benefits and challenges. It provided the organization an opportunity to add and absorb senior management to the organization all at once. However, it brought the potential of distracting YIN from its existing programs. The organization mitigated this

risk by waiting to submit its grant proposal until it was solid and by walling off Head Start from the rest of the organization.

- **Relying on government funding.** YIN has developed a competency in attracting government dollars. This competency holds promise for further growth, especially with the proposed increase in social services privatization at the state level. However, this has come at the expense of developing a competency in attracting other funding sources. At a time of budget cuts and increased need for services, YIN is both at the mercy of government funding and in need of a strategy to bring a new set of funders into the mix.
- **Growing programs strategically.** YIN has added programs intentionally, creating a continuum of services, from early intervention to crisis services to extended aftercare, for children of all ages and their families. This capacity to provide a wide array of services holistically sets the organization apart from others. Its uniqueness, however, makes it difficult to grasp among funders that are used to organizations with a single program focus.
- **Measuring quality.** Smart partnering with Washington University has given YIN the funding and capability to track outcomes for 10 years. These successful program outcomes have attracted more government funds for growth. The next step is to strategically align the organization with these capabilities, with the potential to replicate both the program and evaluation research models.
- **Staying local.** Because YIN has concentrated on one geographic area, it has its finger on the pulse of the local community's needs and can react quickly to filling them. This geographic specialization also helps the organization tap local sources of funding.
- **Leveraging leadership continuity.** The retention of key staff and board leaders generated confidence among funders and local supporters that YIN was capable of managing growth without diminishing quality. This continuity also preserved the history and culture of the organization during a period of rapid growth.