

# Agencies Come of Age

*Phoenix House demonstrates that charity must run like business.*

BY RONALD L. COSTER

Say "nonprofit social-service agency" and the early settlement house image comes to mind. In the arts, education, and medicine, nonprofits are spared this kind of stereotyping. No one expects museums, universities, or hospitals to be anything other than large, strong, and imposing institutions. There's a tendency, though, to think of agencies that care for troubled people as small and struggling, casually managed, and doing what they can for unfortunate folk with a small staff of poorly paid but dedicated professionals and unpaid volunteers.

When the recent difficulties of Covenant House made the news, there was almost as much interest in the size and scope of its operations—which so clearly defied the struggling settlement house stereotype—as there was in the allegations of improprieties by its founder. The lesson to be learned from Covenant House is that social service agencies must often move a long way from their humble origins to fulfill new responsibilities. And when they lack the organizational infrastructure to manage this growth—when they continue to operate as casually as they did in their earlier storefront days—they are heading for trouble.

It isn't always easy to impose sophisticated management on social service agencies, particularly agencies that have grown quickly. To begin with, there are substantial obstacles to growth itself, including a percep-

tion that small community-based operations are the most effective means of delivering services. This conviction is common in government and at many of the foundations to which social service agencies look for support.

Often the agencies themselves resist growth; within them, there is a natural re-

sentment of the changes that growth brings. Where agencies have expanded rapidly and recently, many individuals—board members, staff members, and clients—look back with considerable longing to the romance, adventure, and family-like feelings of the "good old days."

The growth of social-service agencies, however, has been driven less by organizational ambition than by simple need. Over

the past two decades, voluntary agencies have taken on responsibility for dealing with a growing amount and variety of social disorder. Not only has the number of clients they serve increased dramatically, but so have the volume and variety of services they provide.

Not all agencies have grown. To a great degree, growth has depended upon the presence of an inspired and inspiring (sometimes charismatic) leader, able to generate excitement and loyalty and tap substantial sources of support. He or she often comes to personify the institution. But, like gifted entrepreneurs in the private sector, the women and men whose passion and persuasion give social-service agencies new size and stature are not always able to accept the changes that growth demands.

Phoenix House has been fortunate in its founder. Dr. Mitchell S. Rosenthal started Phoenix House as a unit of New York City government in 1967 and took the agency private in 1972. His leadership enabled this pioneering treatment program to become the nation's largest private



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nonprofit drug-abuse services agency, with 10 centers in New York state and California and a treatment population of roughly 1,400.

Soon after Phoenix House became a private, nonprofit agency, Dr. Rosenthal sought my advice on the kind of management and financial accountability that would both comfort the foundations and corporations helping to support the organization and meet the exacting standards of government agencies that contracted for services from Phoenix House. My subsequent decision to leave New York University and join Phoenix House and become, in time, its chief operating officer was based in no small measure on Dr. Rosenthal's recognition of the agency's need for sound management—management that would be as able and sophisticated as that found in any profit-making enterprise.

Phoenix House provides an excellent example of why and how a social-service agency comes to institutional maturity. Only 23 years old, it is nevertheless among the oldest drug-abuse treatment programs in the country. Phoenix House was one of the earliest therapeutic communities to begin treating addicts in a residential setting, using group process and the self-help concept borrowed from Alcoholics Anonymous. Phoenix House recognized addiction as a disorder of the whole person, which would respond only to an intervention in which patients themselves participate actively. The agency developed the means by which addicts confront the anxieties and fears that underlie drug dependence and self-destructive, anti-social attitudes.

Many of the treatment methods developed at Phoenix House have since become standard practice in drug-abuse treatment. Phoenix House introduced

new treatment formats, including the "academy model" used by its residential units for adolescents, and created model programs for outpatient treatment, drug education, and intervention.

During the mid-seventies, Phoenix House grew slowly and made little effort to open units outside of New York. Other therapeutic communities, however, were started throughout the country and overseas, often founded and staffed by men and women who had recovered at Phoenix House and received clinical training there. The Phoenix House program now operating in Great Britain is a first-generation descendant of Phoenix House in New York and is the parent program of the other Phoenix Houses in Western Europe.

It soon became apparent that creating many small and independent therapeutic communities was not the best way to provide residential treatment, particularly when treatment populations became younger and more heterogeneous. Treating "the whole person" requires a great range of services. The highly dysfunctional men and women entering residential programs had educational and vocational deficits that needed to be remedied if they were to make their new drug-free lives productive and rewarding. And so Phoenix House had to grow.

Like many agencies, we learned that "contracting out" for services created new problems. Taking residents out of the treatment community impeded therapeutic progress, and many providers were reluctant to deal with our residents. So early on we began providing education and vocational services (including job training, counseling, and placement) in-house. We created our own medical-services department and legal-services unit.

The size of Phoenix House created considerable economies of scale in the provision of services, as the pace of growth increased and, through the late seventies and eighties, Phoenix House opened units in new communities. Economy of scale was reflected, for example, in our management capabilities. It became possible for us to develop administrative services as sophisticated and cost-effective as any in industry. We run an integrated but sensibly decentralized procurement and food-service system for facilities throughout the New York metropolitan area and at four widely separated locations in California. We invest in innovative facility design to provide attractive and appropriate treatment settings with minimum maintenance problems, cutting the cost of construction and renovation by using our own job-training crews for interior work. Our staff training unit provides

in-service training at several levels for both clinicians and other staff members.

Recognizing that a casual approach to finances is the Achilles' heel of fast-growing social service agencies, we established a solid system of checks and balances, bringing a high level of accountability to all operations, including the delivery of services. It was our belief that strict accountability and performance demands were what nonprofits needed most if they were to meet the more exacting standards of the profit-making sector.

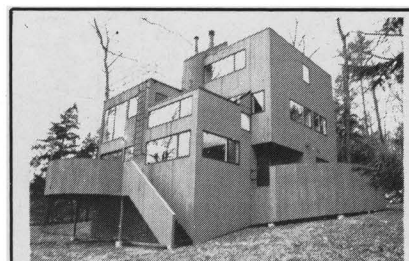
We were quick to adopt a data-processing system and have continued to upgrade it. Fiscal controls are tight, and budget discipline is strictly enforced throughout the organization. Careful cash management has resulted in significant savings over the years, and thoughtful financial planning has protected the value of our investment portfolio.

The benefits of our institution-building efforts are evident today when state and local governments (in New York, New Jersey, and California) look to us to help increase drug-abuse treatment resources. Only agencies such as Phoenix House, they are discovering, have the resources necessary for expansion. It just isn't possible for others to move quickly or decisively to locate appropriate sites, confront local opposition, overcome land-use restrictions, secure financing, and undertake the design, renovation, or construction of new facilities. Nor is it possible for them to bring in trained staff and provide the full range of support services needed to bring a new treatment center on line quickly.

High among the values of well-managed growth for nonprofit social service agencies is the ability to keep growing.

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Coster, who earned his master's degree in business administration from Syracuse in 1959, was previously assistant controller of New York University.



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