

INTEGRATIVE REHABILITATION PROGRAMS THE BOARD'S DILEMMA

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ABSTRACT

The Board of Directors of a non profit social enterprise faced a dilemma. The organization had succeeded in reducing its reliance on state government funding by pursuing federal set aside contracts and for profit ventures to employ its clients with disabilities. However, the Federal government delayed paying a huge bill, two for profits were losing money, and an inexperienced controller missed a quarterly IRS payment. The Board had to decide on whether to continue fighting for survival or declare bankruptcy. Although the Board members were unpaid volunteers, potentially they could be held individually liable for the missed IRS payments.

INTRODUCTON: THE BOARD MEETING

David Huckelberry and the other Board members were stunned because the Executive Director had just informed them that Integrative Rehabilitation Programs (IRP) could not meet its IRS payment of past debt nor the current quarterly payments. Was this the end of a social enterprise's dream to meet a social need and pay for itself? What would happen to all of the employees with disabilities that needed this employment? Although the Board members were unpaid volunteers, were they now collectively or individually responsible for the IRS debts?

HISTORY OF IRP

IRP was a 501(c)(3) nonprofit organization that provided employment assessment, jobs training, some job coaching, job placement, and employment in IRP's various employment options. IRP was the social enterprise dream of its Executive Director, James Johnson [12][13] [14]. Initially, IRP was dependent on state vocational rehabilitation funding for individuals with disabilities. However, a fight with this state funding agency and loss of their funding led IRP to shift its strategy to federal set aside contracts and for profit ventures [10][11]. Consequently, at the time of this case, IRP had four federal contracts and owned five fast food franchises.

DISABILITIES AND THEIR IMPACT ON FAMILIES

Disabilities impact individuals and their families beyond the disability to include: employment, income potential, employment rates, and lifetime assets [9] [15] [8]. For individuals with disabilities, the future looks bleak because potential jobs are taken by individuals without disabilities who need employment.

IRP'S MISSION, STRATEGY, AND ACTIVITIES

The Mission

IRP's mission was to provide employment and employment related services to individuals with disabilities to maximize their employment potential [5] but the Board added that all activities had to pay their own costs and provide some overhead to cover the small administrative staff [5].

IRP's Non Profit Activities and for Profit Activities

IRP's strategy to avoid state vocational rehabilitation funding resulted in a mix of for profit activities which included retail concessions at athletic events and five fast food franchises located in various malls, the international airport's main terminal, and on a major international air carrier's concourse. These fast food outlets also provided significant employment opportunities for IRP's higher functioning client/employees.

IRP also obtained five Federal "set aside" contracts with various Federal and military agencies. The set asides were established by the Javits Wagner O'Day Act which required the Federal government to "set aside" a certain percentage of all contracts to organizations serving individuals with disabilities [6]. IRP's contracts provided janitorial services at four federal buildings and shelf stocking, warehousing, and janitorial services at a military commissary.

THE DREAM - A SOCIAL ENTERPRISE PAYING FOR ITSELF

A short history and description of social entrepreneurship

The term social enterprise started in 1983 [3] and now includes many for profit and non for profit activities such as microcredit [1], economic development [2], and a myriad of other solutions to social issues [2] [3] [7]. Gregory Dee [4] projects more social enterprise activities to provide solutions to social issues that traditional forms of for profits and government entities do not address.

IRP's strategic results

IRP's strategy to find alternative and stable funding sources that were not reliant upon state vocational rehabilitation funding resulted in the dream of many social enterprises –the provision of a social good with minimal state government funding. IRP's for profit entities covered their expenses, provided employment, and paid for the small administrative staff. The range of employment opportunities gave individuals with disabilities their choice of employment based on their job skills and abilities. IRP was used as a model for other social enterprises on how to survive while pursuing a social good.

IRP'S BOARD OF DIRECTORS

IRP's Board were all volunteers who served as a way to give back to their community. The wide range of expertise included entrepreneurship, fund raising, management expertise, and new venture creation.

THE PERFECT STORM

The First Shock

Most organizations cannot survive one exogenous shock let alone more. The first shock occurred when a previously lucrative federal contract to provide warehousing, janitorial, and shelf stocking for a military commissary began losing money when the government took over ordering from IRP, set up a flawed system, and refused to pay IRP for the cost overruns. Initially the government paid for two cost overruns but delayed paying the last cost overrun of \$280,000. Finally the Board required IRP to terminate the contract but IRS now had considerable debt.

The Second and Third Shocks

The second shock occurred when two fast food franchises started losing money. The first was located in a major international airport but failed when the carrier moved its operations to the other end of the terminal. The second located in a city mall lost money when the mall was not refurbished and mall traffic declined.

The Fourth Shock

The most damaging shock occurred when an inexperienced controller failed to make a quarterly IRS payment of about \$250,000. When the Executive Director and Board became aware, the Board required the Executive Director to contact the IRS and set up a payment plan which he accomplished.

The Fifth Shock

IRP successfully made payments for the old debt and maintained currency on its current IRS debts. However, the IRS doubled the monthly payment amount on the past debt.

THE BOARD'S DILEMMA

When the Executive Director informed the Board that IRP could pay neither the payment for the old taxes nor the current quarterly payment the Board sat in silence. What should they do now? What would happen to all the workers with disabilities who needed this employment to stay off of government welfare? The failure of a previous agency left many of its employees with disabilities on the street- one was killed, one raped, and the others went back on welfare.

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PERSONAL INTERVIEWS

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TEACHING NOTE

Teaching Objectives

1. Assess IRP's situation.
2. Assess IRP's moral and ethical obligation to its workers with disabilities
3. Formulate and analyze possible solutions.

Suggested Assignment Questions

1. Analyze IRP's current situation. What functions are doing well? What functions are not doing well?
2. What is IRP's moral obligation to its employees with disabilities? Has it met a social need that is unmet and or pressing? Do the Board members have an ethical or moral obligation to continue even if they could be held liable for the IRS debt?
3. Possible solutions include: declaring bankruptcy, negotiating with airline management to continue, sell the mall location, and continue working with the government of the government's cost overruns.
4. What recommendations would the reader make? Why- what are their pros and cons?