

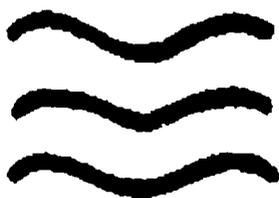
*module three*



# Community and Economic



# Development



This module was an initiative of:  
The W.K. Kellogg Foundation  
in partnership with  
The Healthcare Forum



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We are grateful to the W.K. Kellogg Foundation for providing funding for the development of this manual and training. It is important to also state that the foundation has a long commitment and history of contribution to the building of healthy communities, not only in the continental US., but in many other parts of the world. We believe this manual can serve as a practical tool for the many communities that are working collaboratively to promote better systems for the future.

***\*Dedication:***

We wish to dedicate this manual to Randall **Brock** whose illustrious career in community development was cut short prematurely during the writing of this manual, Randall will be forever known for his valuable contributions to communities everywhere, and we are honored to publish this manual as one of his final contributions to the field.

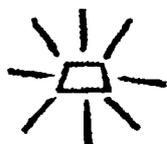
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# Preface

In the spirit of collaboration, the **W.K. Kellogg Foundation** and **The Healthcare Forum** have partnered on the development of four modules designed to support Kellogg grantees in their community-based initiatives. The modules are part of the “Sustaining Community-Based Initiatives” project which was developed to build capacity within community based organizations.

The four modules will be delivered through a series of workshops and will cover the following topics:

## Module One



***Developing Community Capacity:*** designed to improve the community’s capacity for positive change by promoting citizen participation, action and leadership.

## Module Two



***Communicating with Policy Makers:*** designed to enable community-based organizations to develop the skills and strategies which allow community-based voices to create and influence public policy.

## Module Three



***Community and Economic Development:*** designed to enhance the achievements of community-based organizations by introducing techniques which target the use of key economic principles.

## Module Four



***Community Informatics:*** designed to enhance the capacity of community-based project directors to use information in decision-making and communicating the value of their programs.

The goal of the four modules is to offer participants a variety of tools and strategies that will support efforts to improve health and quality of life in their communities.

Each workshop is from two to three days in length and will bring a mix of operational, strategic and practical experience, where each **partici-**

pant will spend time interacting, exploring and reflecting with workshop leaders and with each other. This manual is developed to support the learning that takes place during the workshop. We encourage you to read through its entirety and to openly share materials with other community leaders, but request that you acknowledge the source.

### ***Sustaining Community-Based Initiatives*** ***Graphic Symbolism:***

The four symbols on the manual's cover were carefully chosen to represent the four topics of the Sustaining Community-Based Initiatives modules. The symbols are a synthesis of pictorial representations from a wide array of languages and cultures throughout history. The symbolism was felt to accurately convey the rich fabric which makes up every community; the individual symbols portraying the essence of grassroots issues, and the combination of the images addressing the complex interactions which must take place within a community in order for growth to occur and for community-based initiatives to be self-sustaining.



# Introduction

**H**ealth-care and the human-services industries have arrived at a point at which more must be done with less. We in the non-profit sector are increasingly being called upon to lead, expand, and become stronger in order to pick up the slack. We must provide effective, cost-efficient methods to address the needs of the underserved, and for many of us this means changing how we do business.

For grassroots human-service providers this means challenge and opportunity. We need to assess who we are and what we contribute to society. We have learned from the accomplishments and mistakes of our industry's predecessors and have witnessed the politics of human suffering. It is crucial that we now understand that dependence on private and foundation funding may fortify our efforts today but will weaken us tomorrow. We must begin the transition to financial independence before we lose our fiscal security blanket.

We must harness our power as we look beyond the services we provide toward affecting policy and promoting development that strengthens us to better serve our constituents. It is essential that we recognize that we are not simply social "do-gooders" — we are viable economic and political forces that contribute to healthy communities. Therefore, we must enter into the transition from traditional subsidized organizations to a new dimension; self-sufficient and market-oriented businesses.

Traditionally, we in the health-services industry are mission-driven and focused, dedicated to a philosophy of charitable service. We have survived (or not) on the margin, often isolated from mainstream service systems and from each other. We do our best to provide critical, cost-effective services to consumers until the funding runs out. Traditionally, too, in order to survive, we have been forced to either find new grant sources — thus shifting program emphasis to meet their guidelines — or simply close down. This passive approach must change.

There is power in numbers. It is time we form partnerships with our fellow health-services partners. Until now we've paid little heed to our peers, whom we often see only as competitors; to larger providers, which

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*It is crucial that we now understand that dependence on private and foundation funding may fortify our efforts today but will weaken us tomorrow.*

we view as bureaucratic institutions that have overlooked our communities' needs; or to government and its policies, which seem far removed from us. This attitude needs immediate reevaluation; an era of cooperation must prevail.

Effective coalitions bring strength, growth, and power to their members. They also offer the opportunity to provide comprehensive or “seamless” services. This will be of increasing value as government reimbursements are transferred to health maintenance organizations looking to do business with providers of comprehensive services.

Another resource is at our fingertips: our allies in the private sector. We should request that they assist us beyond their annual contributions. They can help with contacts, skills, and resources they use every day, for example.

Above all, and for the good of our constituency, we need to tighten our operations, function competitively, and turn our eyes to the bottom line — all without losing sight of our mission,

---

## The Chapters of This Module

The objectives of this module are addressed in six chapters that examine the following topics:

### **CHAPTER ONE: SHIFTING OUR OUTLOOK**

This chapter is written to help community-based organizations assess the steps necessary to begin the transition from an orientation toward subsidized services one of economic development. You will learn how to position yourself to move away from grant support and take advantage of changing opportunities by developing more comprehensive services and strategies to become self-sustaining.

### **CHAPTER Two: Mapping Community Capacity**

This chapter outlines a methodology that allows community-based organizations to look at the community as an asset, whose core human, social and economic resources should be actively nurtured, developed and continuously renewed. By developing a capacity inventory organizations and communities are able to capture and utilize the rich mixture of skills, abilities and talents available to them to build communities and partnerships.

## **CHAPTER THREE: ASSESSING YOUR ORGANIZATION'S CAPACITY FOR ENTREPRENEURSHIP**

This chapter is designed to enable you to evaluate your organization's capacity for change from dependence on traditional funding sources and operations to a more active orientation toward entrepreneurial activities. This chapter will provide strategies that assess and enhance organizational change and explore the basic principles that will ensure marketplace success.

## **CHAPTER Four: IDENTIFYING SERVICE VENTURE OPPORTUNITIES**

This chapter is written to help you evaluate opportunities for entrepreneurial activity through a business-like examination of the services you provide, the markets in which you sell them, and the demographic characteristics of potential clients. The chapter will explore a variety of ideas that have been identified as entrepreneurial opportunities within the human service field.

## **CHAPTER FIVE: THE BUSINESS PLAN**

This chapter will help you to develop and write a business plan, essential to documenting in detail your strategy for increased entrepreneurial activity. A business plan clarifies and solidifies your aims by examining all aspects of the changes your organization may make. This includes revisiting the mission of the organization and further analyzing the population (or customer base) in the community (market area), learning what opportunities exist for program (product or service) delivery, and determining what fees or sources of revenue (income) are available to pay for services.

## **CHAPTER SIX: OPERATING YOUR BUSINESS**

This chapter will give you guidelines for restructuring your organization along entrepreneurial lines by redefining traditional management roles and by gathering and using marketing and financial information more efficiently.

## **CHAPTER Seven: FUNNING FOR THE FUTURE: MANAGED CARE**

This chapter focuses on the impact managed care will have on the health care funding and delivery system and what it means for community-based organizations. The chapter outlines what community-based organizations can expect for the future, and what they should be doing now to prepare

for managed care, The chapter offers strategies for community-based organizations determined not just to survive, but to prevail.

This manual, *Community & Economic Development*, is developed with support from the Kellogg Foundation to encourage grassroots, **community-based** providers to assess and capitalize on their value to the economy. It is not prescriptive, but rather aims to broaden the outlook of **human-service** providers by introducing approaches and techniques that encompass key economic principles. It presents a market-oriented approach that views human services as economic investments in people and places — services that are economic ventures,

This workbook will help you:

- prepare your organization to operate competitively;
- assess your prospects;
- create and implement innovative approaches to service delivery;
- market your services;
- operate as a business; and
- identify other organizations and support groups from whom you can learn.

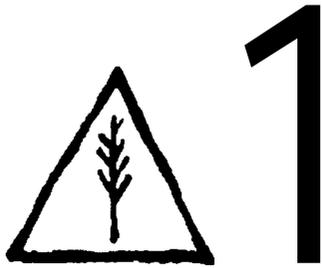
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## Chapter

# Shifting Our Outlook

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PART 1: WHERE WE ARE

PART 2: WHERE WE NEED TO BE

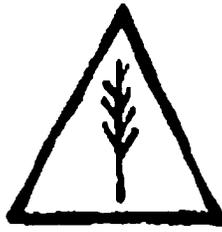
PART 3: SERVICES ARE INVESTMENTS

PART 4: SERVICES BOOST ECONOMIC  
DEVELOPMENT

PART 5: MEASURING SUCCESS

PART 6: BUILDING A SELF-SUSTAINING  
ORGANIZATION

PART 7: EXPANDING YOUR IMPACT



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# Shifting Our Outlook

## Purpose

This chapter is designed to help community-based organizations assess the steps necessary to begin the transition from an orientation toward subsidized services to one of economic development.

## Learning Objectives

You will:

- identify what services work, both socially and economically, and establish achievable priorities consistent with your other goals;
- understand the importance of developing strategic business plans;
- outline how to position yourself to move away from grant support and take advantage of changing opportunities;
- learn to assess your impact and cost-effectiveness, then communicate this information to emphasize your strengths in a competitive marketplace; and
- recognize how to form a service venture that uses available funding in developmental strategies to become self-sustaining.

## Overview

Human-services organizations need to develop the skills to turn an increasingly competitive fiscal environment to their advantage. Among the most practical ways to achieve this is by redesigning programs to interact with private-sector funding sources in a developmental capacity. Organizations must wean themselves from traditional public- and private-sector funding as those sources dry up, and take aggressive action to improve their own positions while benefiting their communities.

Human services have become a massive industry, the largest and fastest-growing sector of the US. economy. Opportunities burgeon as our demographics and needs shift. Consider:

- our growing elderly population;
- the increasing number of children, especially minority children, living in poverty;

...we need to understand that what we offer fits the definition of a business — “activity associated with supplying and distributing commodities,”

- changes in family structure, lifestyles, and values;
- the growing gap between rich and poor;
- widespread societal problems like substance abuse and teen pregnancy;
- shortfalls in education and employment opportunity

With all this demand, human services are big business-non-profit child care alone generates more than \$4 billion in the U.S. each year. According to the *New York Times* (Oct. 1, 1995), the top three biggest predicted job gains are home health aides (plus 138 percent); human-services workers (plus 136 percent); and personal and home-care aides (plus 130 percent).

So why are most non-profit human-service providers struggling to pay the light bills? Because we are two industries simultaneously performing the same function. One is a business, the other a charity.

To view human services from an economic perspective we need to understand that what we offer fits the definition of a business — “activity associated with supplying and distributing commodities.” Our work supports our communities’ economic well-being. We use and expand capital, employ millions of workers, and create services and products.



## Where We Are

Today's human services have evolved from informal, good-hearted efforts to help dependent people into a stratified system of social interventions. They are organized and delivered according to **socially defined criteria of who deserves what**. What one deserves is largely evaluated from the perspective of the middle-class work ethic.

An elderly couple receiving Social Security income is generally seen as more deserving than a teenage mother on welfare. The elderly couple is likely to receive comprehensive and costly health care, income support, and better-financed social services. Our culture does not value an investment in that mother and child, who are likely to receive **subsistence-based public-assistance services and community-based health and social services**.

Community-based service providers primarily serve those viewed as “undeserving.” We are dependent on the charity of others to provide minimal support and assistance while struggling to exist as organizations ourselves.

This disparate system of services is bankrupt. Human services are vital to society. They not only ensure humane treatment for those unable to support themselves, but allow us to assist them in meeting the changing demands of society and the work place.

*It is time to view  
human services  
within a frame-  
work of family  
and community  
development.*

---

## Where We Need to Be

We must identify what services work socially and economically, and establish priorities that are both achievable and consistent with other goals and trends. The child of a public-welfare recipient, the single mother, and the underemployed worker all need to be viewed not as liabilities but as potential assets that warrant investment.

It is time to view human services within a framework of family and community development. This approach is not intended to convert non-profit to for-profit organizations or to encourage them to undertake new service activities. Rather, it requires that we apply business principles to what we currently do as a way to allow us to make the transition from subsidized services to economic-development tools.

This is not a simple shift in strategy but an embrace of change by your board, staff, and community. For this to yield opportunity, you must:

- develop strategic business plans rather than proposal work plans to define and guide your efforts;
- position your services to be eligible for voucher, fee-for-service, and third-party reimbursements rather than rely on grant support. This will require involvement in policy dialogue to broaden these definitions to include preventive interventions that reduce the need for institutional services;
- contract with government, larger non-profit, and for-profit organizations for your services. As downsizing has meant opportunity to emerging small businesses in the private sector, it can offer similar opportunities in the public sector to entrepreneurial non-profits able to handle functions previously operated by state and local governments and institutional providers;
- contribute to the overall development and well-being of your community by creating jobs and career-advancement opportunities for local residents and encouraging consumers to become producers;
- develop comprehensive, holistic services that focus on healthy outcomes both within your organization and through networking with other providers and organizations;
- recognize that you are an asset, not a liability, and advocate your important role in leading individuals and communities away from dependence and toward economic viability and growth;
- establish criteria to assess quantitatively your impact and cost effectiveness and disseminate this information through advertising, public relations, advocacy, and new policy development;
- prove that you, as a community-based provider, are more accessible to consumers than your competition. Building on our location advantages, loyalty, and responsiveness to needy populations will be critical to prospering in an increasingly competitive marketplace.

## Services Are Investments

Human suffering is the most basic measure of need, Human “capital” — investment in people through rehabilitation, education, and training — is the most readily available resource to address it. This simple connection between people is the foundation for community-based human service efforts.

We have made much progress in our understanding of the relationship between physical capital (i.e., roads, bridges, and sewage systems) and human capital (i.e., education, training and child care). Yet our system of human services still favors those whose future productivity is limited by age (the elderly) or disability (the mentally or physically impaired) rather than investing in those who can be productive (e.g., families on welfare). As a result, human services are generally perceived as care and maintenance rather than as contributions to development.

*The development-oriented service model views services broadly, as direct contributors to and integral components of economic development.*

---

## Services Boost Economic Development

For human services to be both restorative interventions and investments in human capital contributing directly to development, dependent people must be trained and employed to provide these services. This realization is fundamental to a development-oriented service strategy and suggests major changes in the way services are viewed in the development process.

The development-oriented service model views services broadly, as direct contributors to and integral components of economic development. The concept of investment runs counter to the pervasive view that human services are treatments, delivered through categorical programs defined by professional organizations.

Viewing services as investments in human capital requires that you:

- define clients and those who fund your operations as customers who hold us, you as the provider, accountable;
- invest in building the skills and capacities of service consumers and the communities where they reside;
- emphasize business-planning skills rather than proposal-writing skills. Business-planning skills are essential to this process and include assessing markets (customers, demographics,

and competition); identifying operational needs (capital requirements, supporting networks, and regulatory and licensing requirements); developing management goals (quality control, accountability, and expense management); and determining measurements of success (results quantified and accurately determined on a cost/benefit basis).

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## Measuring Success

Service organizations can no longer base success on an ability to beg and borrow their way to meeting a budget. Grants from the government or the private sector should be viewed as “investment capital” in long-term efforts that can be sustained by the contracts, vouchers, and third-party reimbursements that are becoming the norm in service delivery.

To achieve this, service delivery must focus on human development in an economically viable way. It is not fair to offer families a health-prevention program for three years and then close it down. It is not fair to build a day care center without knowing how services will be offered or supported.

The development-oriented services approach can be considered successful if you:

- provide health and human services through ventures that are community-based, and, as much as possible, train and employ local residents;
- utilize public and philanthropic funds as investments in health and social services at the neighborhood and community levels. This will establish accountability, reinforce community ownership and allow the retention and recycling of these funds to rebuild distressed communities;
- convert welfare and social insurance payments (such as Aid to Families with Dependent Children [AFDC] and unemployment insurance) to salaries of venture staff by training employable welfare recipients for jobs and careers in health care, child care, and other human services;
- emphasize services that prevent dependency or support the dependent in realizing their potential;

- involve local voluntary neighborhood organizations as owners or operators of service ventures. You will need to provide administrative services, broker expertise, contract management and coordination with lending institutions;
- assess your success on a financial as well as social basis.

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## **Building a Self-Sustaining Organization**

Current efforts to substantially change federal and state social-services policies could offer a real opportunity to redefine the role of services as effective tools for development. Over the next five to ten years you can expect:

- the federal government's responsibility to health, welfare, education, and training to be transferred further to the states;
- related service programs to be consolidated into new block grants (as of June 1994, there were 70 federal programs for health services, 93 for child development, and more than 100 for education services);
- a reduction in regulatory constraints, more treatment flexibility, and the opportunity to address the needs of our consumers in holistic, nontraditional and comprehensive ways;
- an increased emphasis on vouchers, performance contracting, and third-party reimbursement programs to fund service delivery;
- increased competition among service providers;
- an investment approach that offers choices to consumers and program outcomes that encourage good health, productivity, and independence.

*Flexible, locally controlled funding can promote innovation and opportunities to reconstruct human services as vital components of individual and community development*

## Expanding Your Impact

Flexible, locally controlled funding can promote **innovation and opportunities** to reconstruct human services as vital components of individual and community development. For example, to form a service venture, state health funds could be linked with education and training funds, public-assistance subsidies, foundation grants, and corporate donations. In turn, the venture could use federal incentives for employing public-assistance recipients, housing subsidies, and development loans to start service enterprises. Revenue generated through contracts with government programs and private fees could be used to repay initial loans, eventually making the venture self-sustaining.

By viewing service delivery as a development strategy, you shift your role from that of a social safety net to a ladder that moves people in need to productive participation in society.

A good example of non-profit group that has succeeded as an “**entrepreneur**” is Bethel New Life, a community development organization located in West Garfield Park, a neighborhood in Chicago’s west side. To provide an example, Bethel’s Senior Services program’s startup experience is highlighted here and throughout the following chapters.

### CASE STUDY

#### Bethel New Life: An Overview



Founded in 1979 with roots in a church-based volunteer organization, Bethel New Life’s original focus was the development of affordable housing for community residents. Bethel’s leadership soon realized that even “affordable” housing was not affordable to people without jobs, and that individuals’ ability to obtain and keep a job required, among other things, job training and access to health care. Out of this perspective, Bethel developed a holistic approach, concentrating on building a healthy community through housing development, job training, and local job creation,

When Bethel began looking for ways to create and support local jobs, it sought opportunities to develop activities and enterprises that met community needs while building on the existing skills and experience of neighborhood residents. In researching opportunities in health care, Bethel saw the growing number of senior citizens in West Garfield Park and surrounding communities, many of whom lived alone or with families who were reluctant to send them to nursing homes. Census and demographic data clearly indicated that the “g-raying” of the area’s population would continue and that care needs would continue to increase.

Bethel recognized multiple community opportunities in this area. First, seniors in the community clearly had physical needs for health care in their homes and housekeeping assistance. Second, enabling older residents to stay in their homes allowed them to remain or become part of the fabric of the community — both as part of their families and as neighbors and participants in community activities and networks. Third, Bethel found through its other social-service and community activities that many community residents who needed jobs, especially women, already were “caretakers” looking after older family members or others. Developing caretaking services would build on the existing capacities and experience of people in the community.

Finally, development of home health-care services also brought broader economic benefits. Avoiding the high cost of nursing-home care meant reducing the public costs for Medicaid.

Bethel had begun a housekeeping and meal service for low-income senior citizens in West Garfield Park in the early 1980s. In 1983, this analysis of health-care and job needs led Bethel to look for ways to expand into a more comprehensive, self-supporting enterprise encompassing both housekeeping and home health-care services.

At that time, the state of Illinois was under a court order to develop less-restrictive alternatives to nursing-home care for the frail elderly. The state had been sued for reimbursing only residential nursing home care while excluding home care. This practice was both extremely expensive and a restriction of choice in health care. In addition, residential care was unavailable in many low-income communities. The state recognized that home care would allow the frail elderly to remain in their homes and communities while costing a fraction of residential care. In consequence, the Illinois Department of Aging issued requests for proposals for the provision of home-care services.

Bethel responded to this opportunity by bidding for the contract for the west side of Chicago. A state contract would allow Bethel to expand its housekeeping and in-home services and create jobs for local residents. To obtain the contract, Bethel had to underbid several larger, well-established health-care providers. Bethel’s leaders did this knowing they could experience deficits in the program’s early years as they built up their program from scratch. The organization agreed, however, that this financial loss would be more than offset by the benefit of increased local employment.

Bethel was able to initiate the Senior Services program with little initial investment, as the program's primary cost was labor. The agency did, however, need significant cash-flow financing to cover delays in contract payments from the state. Entry-level workers did not require extensive training. Although wages for home health-care workers were low, Bethel saw this as a good entry-level job with possibilities for advancement, and began building in additional layers of training for jobs requiring higher skills.

Although the program did experience a deficit in its first year, Bethel was able to make this program self-sustaining within the first two years. In addition, Bethel successfully lobbied the state to move to a fixed payment per hour of service, rather than a contract bidding process, putting them on an equal footing with larger, for-profit health-care providers.

Bethel has since expanded its Senior Services to include an adult day-care program that occupies 7,000 square feet in a senior-citizen housing developed by Bethel. Bethel is currently developing an additional 125 units of senior housing in a former hospital building. Senior Services has become one of Bethel's most successful endeavors. In 1994, the program employed over 300 people; it cared for more than 750 seniors weekly in their homes, and 60 in the adult day-care center. In addition, it now provides certified nurses-aide training for more than 60 people each year, many of whom are Bethel employees, and places them in Bethel's own programs or other area jobs.

In establishing and expanding Senior Services, Bethel New Life chose to move into a highly competitive field with substantial operational and management challenges. The organization's drive to do this came both from the needs of the elderly in the community and the potential for job training and employment.

Bethel's Senior Services program's start-up is highlighted through examples throughout this workbook.

**KEY LEARNINGS:**

- ◆ The human-services industry is the fastest-growing sector of our economy.
- ◆ Human-services provision fits the definition of a business — “activity associated with supplying and distributing commodities.”
- ◆ Human services need to be viewed as investments in people rather than as care and maintenance. They have the power to transform consumers (e.g., welfare recipients) into producers.
- ◆ The development-oriented services model requires that dependent people be trained and employed to provide services.
- ◆ To thrive in a shifting political and competitive environment, non-profit providers will need to view themselves as businesses. Their contributors and consumers are customers to whom they are accountable.







## Chapter

# Mapping Community Capacity

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PART 1: TRADITIONAL NEEDS-ORIENTED SOLUTIONS

PART 2: THE CAPACITY-FOCUSED ALTERNATIVE

PART 3: MAPPING THE BUILDING BLOCKS FOR REGENERATION

PART 4: ASSET DEVELOPMENT ORGANIZATIONS

PART 5: THE COMMUNITY PLANNING PROCESS

PART 6: BUILDING BRIDGES TO OUTSIDE RESOURCES



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# Mapping Community Capacity

## Purpose

This chapter is designed to help community-based organizations look at community resource mapping as an important methodology for 1) building community, 2) understanding community strengths and assets, and 3) sustaining economic viability. This chapter questions the basic premise upon which we provide services to beneficiaries; need **v.s.** asset based. The chapter outlines a different way of looking at the community that not only embraces the principles of community building but has strong economic implications as well.

## Learning Objectives:

You will:

- Learn how to identify and utilize community building resources within your own organization or community.
- Recognize the difference between a traditional needs-oriented solution and a capacity-focused alternative.
- Learn how to develop an inventory of capacities utilizing both the abilities of individuals and the assets of a community.
- Learn how to identify existing community-building relationships that can enhance your economic viability

## Overview

Human service and health care agencies across the country have embraced a mission to assess and improve the health status of communities they serve. The issue of sustainability is critical to the success of all community health initiatives. Many organizations begin partnerships and programs without the benefit of the structural, operational and relational mechanisms to build the necessary capacity to support the effort over time. Rather than being viewed simply as projects to complete in the short term, community health initiatives should be viewed as long-term, ongoing efforts — whose core human, social and economic resources should be actively nurtured and continuously renewed as a community

asset. Without a long-term, sustaining focus, community health improvement efforts may not achieve all they set out to do.

Many beneficiaries of the health services being provided are identified as being needy and deficient. Any community can be disabled by a system that imposes a culture of need and deficiency. The way in which we view how power and resources are allocated will **affirm** our views on how services are provided. Viewing individuals and communities as having capacities and assets that can be nurtured, developed and capitalized upon, can revolutionize how you operate within the community.

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## **Background**

No one can doubt that our older cities these days are deeply troubled places. At the root of the problem are the massive economic shifts that have marked the last two decades. Hundreds of thousands of industrial jobs have either disappeared or moved away from the central city and its neighborhoods. And while many downtown areas have experienced a “renaissance,” the jobs created there are different from those that once sustained neighborhoods. Either these new jobs are highly professionalized, and require elaborate education and credentials for entry, or they are routine, low paying service jobs without much of a future. In effect, these shifts in the economy, and particularly the removal of decent employment possibilities from low-income neighborhoods, have removed the bottom rung from the fabled American “ladder of opportunity.” For many people in older city neighborhoods, new approaches to rebuilding their lives and communities, new openings toward opportunity, are a vital necessity

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## **Traditional Needs-Oriented Solutions**

Given the desperate situation, it is no surprise that most Americans think about lower income urban neighborhoods as problems. They are noted for their deficiencies and needs. This view is accepted by most elected officials who codify and program this perspective through deficiency-oriented politics and programs. Then, human service systems — often supported by foundations and universities — translate the programs into local activities that teach people the nature of their problems, and the value of services as the answer to their problems. As a result, many low-

income urban neighborhoods are now environments of service where behaviors are affected because residents come to believe that their well-being depends upon being a client. They see themselves as people with special needs to be met by outsiders. And gradually, they become mainly consumers of services with no incentive to be producers. Consumers of services focus vast amounts of creativity and intelligence on the survival-motivated challenge of outwitting the “system,” or on finding ways — in the informal or even illegal economy — to bypass the system entirely. There is nothing “natural” about this process. Indeed, it is the predictable course of events when deficiency and needs-oriented programs come to dominate the lives of neighborhoods where low-income people reside.

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## **The Capacity-Focused Alternative**

The alternative is to develop policies and activities based on the capacities, skill, and assets of low-income people and their neighborhoods. There are two reasons for this capacity-oriented emphasis. First, all the historic evidence indicates that significant community development only takes place when local community people are committed to investing themselves and their resources in the effort. This is why you can’t develop communities from the top down, or from the outside in. You can, however, provide valuable outside assistance to communities that are actively developing their own assets.

The second reason for emphasizing the development of the internal assets of local urban neighborhoods is that there is very little prospect that large-scale industrial or service corporations will be locating in these neighborhoods. Nor is it likely, in spite of a prospective “Peace Dividend,” that significant new inputs of federal money will be forthcoming soon. Therefore, it is increasingly futile to wait for significant help to arrive from outside the community. The hard truth is that development must start from within the community and, in most of our urban neighborhoods, there is no other choice.

Unfortunately, the dominance of the deficiency-oriented social service model has led many people in low-income neighborhoods to think in terms of local needs rather than assets. These needs are often identified, quantified, and mapped by conducting “needs surveys.” The result is a map of the neighborhood’s illiteracy, teenage pregnancy, criminal activity, drug use, etc.

*The process of identifying capacities and assets, both individual and organizational, is the first step on the path toward community regeneration.*

But in neighborhoods where there are effective community development efforts, there is also a map of the community's assets, capacities, and abilities. For it is clear that even the poorest city neighborhood is a place where individuals and organizations represent resources upon which to rebuild. The key to neighborhood regeneration is not only to build upon those resources which the community already controls, but to harness those that are not yet available for local development purposes.

The process of identifying capacities and assets, both individual and organizational, is the first step on the path toward community regeneration. Once this new "map" has replaced the one containing needs and deficiencies, the regenerating community can begin to assemble its assets and capacities into new combinations, new structures of opportunity, new sources of income and control, and new possibilities for production.

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## Mapping the Building Blocks for Regeneration

It is useful to begin by recognizing that not all community assets are equally available for community-building purposes. Some are more accessible than others. The most easily accessible assets, or building blocks, are those that are located in the neighborhood and controlled by those who live in the neighborhood. The next most accessible are those assets that are located in the neighborhood but controlled elsewhere. The least accessible are those potential building blocks located outside the neighborhood and controlled by those outside the neighborhood.

Therefore, you must "map" community assets based upon the accessibility of assets to local people. We turn now to a more detailed discussion of each of these clusters of building blocks.



### **A. PRIMARY BUILDING BLOCKS: *Assets and Capabilities Inside the Neighborhood Largely Under Neighborhood Control***

This cluster of capacities includes those that are most readily available for neighborhood regeneration. They fall into two general categories: the assets and capacities of individuals and those of organizations or associations. The first step in capturing *any* of these resources is to assess them, which often involves making an *inventory*.

## Individual Capacities

*Our greatest  
assets are our  
people*

Our greatest assets are our people. But people in low-income neighborhoods are seldom regarded as “assets.” Instead, they are usually seen as needy and deficient, suited best for life as clients and recipients of services. Therefore, they are often subjected to systematic and repeated inventories of their deficiencies with a device called a “needs survey.”

The starting point for any serious development effort is the opposite of an accounting of deficiencies. Instead there must be an opportunity for individuals to use their own abilities to produce. Identifying the variety and richness of skills, talents, knowledge, and experience of people in low-income neighborhoods provides a base upon which to build new approaches and enterprises.

To assist in identifying the skills and abilities of individuals, an inventory of capacities can be developed — a simple survey designed to identify the multitude of abilities within each individual. Neighborhood residents have used the “Capacity Inventory” to identify the talents available to start new enterprises, people have begun a new association of home health care providers and a catering business. Public housing in a number of cities have formed local corporations to take over the management of their developments. They immediately needed to identify the skills and abilities of neighbors in order to be effective. The “Capacity Inventory” provided the necessary information allowing people to become producers rather than problems.

***Persona2 income.*** Another vital asset of individuals is their income. It is generally assumed that low-income neighborhoods are poor markets. However, some studies suggest that there is much more income per capita than is assumed. Nonetheless, it is often used in ways that do not support local economic development. Therefore, effective local development groups can inventory the income, savings, and expenditure patterns in their neighborhoods. This information is basic to understanding the neighborhood economy and developing new approaches to capturing local wealth for local development.

***The gifts of labeled people.*** There is a rich potential waiting to be identified and contributed by even the most marginalized individuals. Human service systems have labeled these people “retarded, mentally ill, disabled, elderly, etc.” They are likely to become dependents of service systems, excluded from community life, and considered as burdens rather than assets to community life.

In the last five years, there have been a growing number of unique community efforts to incorporate “labeled” people into local organizations, enterprises, and community associations. Their gifts and abilities are identified and introduced to groups who value these contributions. The results have been amazing demonstrations as the “underdeveloped” hospitality of neighborhood people has been rediscovered and gifts, contributions, and capacities of even the most disabled people are revealed.

***Individual local business.*** The shops, stores, and businesses that survive in low-income neighborhoods — especially those smaller enterprises owned and operated by individual local residents — are often more than economic ventures. They are usually centers for community life as well. Any comprehensive approach to community regeneration will inventory these enterprises and incorporate the energies and resources of these entrepreneurs into neighborhood development processes. The experience and insight of these individual entrepreneurs might also be shared with local not-for-profit groups and with students.

***Home-based enterprises.*** It is fairly simple to inventory the shops, stores, and businesses in low-income neighborhoods. However, as neighborhoods become lower income, there is often an increase in informal and home-based enterprise. Local development groups have begun to make an effort to understand the nature of these individual entrepreneurs and their enterprises. After gathering information about and from them, development groups can identify the factors that initiate such enterprises, and the additional capital or technical assistance that could increase their profits and the number of people they support.

## **Associational and Organizational Capacities**

Beyond individual capacities are a wide range of local resident-controlled associations and organizations. Here is an initial inventory.

***Citizens associations.*** In addition to businesses and enterprises, low-income communities have a variety of clubs and associations that do vital work in assuring productive neighborhoods. These groups might include service clubs, fraternal organizations, women’s organizations, artistic groups, and athletic clubs. They are infrastructure of working neighborhoods. Those involved in the community-building process can inventory the variety of these groups in their neighborhoods, the unique community activities they support, and their potential to take on a broader set of responsibilities. Then these groups can become a part of the local

asset development process. Or they may affiliate in other ways (e.g., by creating a congress of neighborhood associations).

**Associations of businesses.** In many older neighborhoods, local business people are not organized. Where they are organized, they are not informed about effective joint partnerships in neighborhood economic development. Connecting local businesses with each other and expanding their vision or their self-interest in community development is a major effort of effective community-building activities

**Financial institutions.** Relatively few older neighborhoods have a community-orientated financial institution, such as a bank, savings institution, or credit union. But where they do exist, they are invaluable assets. One ambitious and successful example of a locally-controlled financial institution is the South Shore Bank in Chicago. The Bank has been a continuing experiment in how to capture local savings and convert them to local residential and commercial development. A related effort in Bangladesh, called the **Gameen** Bank, is a successful experiment in very small capitalization for small community enterprises. Similar experiments are taking place in the United States involving credit unions. All of these inventions are new tools to capture local wealth for local development. Their presence or potential is a central resource for the future of a developing community.

**Cultural organizations.** People in low income neighborhoods are increasingly giving public expression to their rich cultural inheritance. Celebrating the history of the neighborhood, and the peoples who have gathered there, is central to forming a community identity and countering the negative images that originate outside the community. Neighborhood history fairs, celebrative block and neighborhood parties featuring the foods, music, dancing, and games of diverse peoples; cross-cultural discussions and classes; oral history projects, theatrical productions based on oral histories — all these hold great potential for building strong relationships among residents and for regaining definitional control of the community. In many neighborhoods, local artists are central to the creation of these expressions.

**Communications organizations.** Strong neighborhoods rely heavily on their capacity to exchange information and engage in discussions. Neighborhood newspapers, particularly those controlled by local residents, are invaluable public forums. So too are less comprehensive media such as newsletters, fliers, even bulletin boards. In addition both local access cable TV and local radio hold promise as vehicles relevant to community building.



**Religious organizations.** Finally, any list of organizational assets in communities would be woefully incomplete without the local expressions of religious life. Local parishes, congregations, and temples have involved themselves increasingly in the community-building agenda, sometimes through community organizations or community development groups, sometimes simply building on the strengths of their own movements and networks. In fact, the ability of local religious institutions to call upon related external organizations for support and resources constitutes a very important asset.

## Summary

In summary, then, the primary building blocks include those community assets that are most readily available for rebuilding the neighborhood. These involve both individual and organizational strengths. Our initial list includes:

### Individual Assets

Skills, talents, and experience of residents  
Individual businesses  
Home-based enterprises  
Personal income  
Gifts of labeled people

### Organizational Assets

Associations of businesses  
Citizens associations  
Cultural organizations  
Communications organizations  
Religious organizations



### **3. SECONDARY BUILDING BLOCKS: *Assets Located within the Community but Largely Controlled by Outsiders***

Though a good many individuals and associational capacities are already within the control of the people who live in the neighborhood, others, though physically a part of the community, are directed and controlled from outside. To capture these assets for community-building purposes, neighborhood actors will not only conduct inventories but will construct strategies designed to enhance the regenerative uses of these assets. The examples which follow fall into three categories: private and not-for-profit organizations; public institutions and services; and other physical resources.

## Private and Non-Profit Organizations

***Institutions of higher education.*** Private and public junior colleges, colleges, and universities, remain in, or adjacent to, many older urban neighborhoods. However, they are often quite detached from the local community. Community building groups are creating new experiments with partnerships in community development between local institutions of higher education and those who are mobilizing community capacities.

***Hospitals.*** Next to public schools, hospitals are the most prevalent major institution remaining in many older neighborhoods. They are a tremendous reserve of assets and resources to support initiatives in community enterprise. In a few cases, hospitals have created innovative local partnerships. Creative development groups are exploring the nature of the development assets controlled by their local hospitals.

***Social service agencies,*** Though often dedicated to the delivery of individual service to the clients — an activity that does not necessarily contribute to community building — local social service agencies do have the potential to introduce capacity-oriented strategies to their programs. Many, in fact, have begun to see economic development and job creation as appropriate activities, while others have entered into networks and partnerships with community organizations and neighborhood development groups for community-building purposes

## Public Institutions and Services

Of the range of public institutions and services that exist in low-income communities, a few deserve to be highlighted for their community-building potential.

***Public schools,*** Big city schools have often become so separate from local community initiatives that they are a liability rather than asset. The Carnegie Commission on Public Education has said that the primary educational failing of the local public school is its separation from the work and life of the community. Therefore, localities need to teach their schools how to improve their educational function by connecting themselves to community development efforts. As an integral part of community life, rather than an institution set apart, the local public school can begin to function as a set of economic and human resources aimed at regenerating the community.

**Police.** As with other local institutions, the police need to participate in the neighborhood revitalization enterprise. Much of the hesitance about new investment of all kinds relates to issues of security. Therefore, local police officials should be asked to join the asset development team acting as advisors and resources to development projects. In a number of instances, responsive police departments have joined with local community organizations and other groups to devise and carry out joint safety and anti-crime strategies.

**Fire departments.** In both small towns and large cities, the local fire department boasts a tradition of consistent interaction with the community. Because of the sporadic nature of their important work, firefighters are often available for a variety of activities in the neighborhood. Retrieving and building upon that tradition is an important strategy for community building.

**Libraries.** Many older neighborhoods contain branches of the public library, often under funded and under-used. Considered not only as a repository for books and periodicals, but also as the center of a neighborhood's flow of information, the library becomes a potentially critical participant in community regeneration. For example, neighborhoods which choose to enter into a community planning process will need localized information on which to base their deliberations. The availability of library-based personal computers can enhance access to a variety of relevant data bases. The library can also provide space for community meetings and initiate community history and cultural projects.

**Parks.** In many low-income communities, the local parks have fallen into disrepair and are often considered uninviting and even dangerous. But when local citizens organize themselves to reclaim these areas, they can be restored not only physically, but functional. As symbols of community accomplishment, they can become sources of pride and centers for important informal relationship building. Often, groups of existing associations will take joint responsibility for renewing and maintaining a local park.

## Physical Resources

Besides the private and public institutions in the neighborhood, a variety of physical assets are available. In fact, many of the most visible "problems" of low-income neighborhoods, when looked at from an asset-centered perspective, become opportunities instead. A few examples follow.

***Vacant land, vacant commercial and industrial structures, vacant housing.*** Most older urban neighborhoods are thought to be “blighted” with vacant lots, empty sites of old industry and unused industrial and commercial buildings. However, in some U.S. cities, local groups have creative and productive methods to regenerate the usefulness of both the land and the buildings. They identify potential new uses, create tools to inventory and plan for local reuses, and organize the redevelopment process. Similarly, abandoned housing structures are often structurally sound enough to be candidates for local controlled rehabilitation efforts.

***Energy and waste resources.*** The costs of energy and waste collection are relentless resource drains in older neighborhoods. As their costs escalate, they demand a disproportionate and growing share of the limited income of poorer people. As a result, maintenance of housing is often foregone and deterioration speeds up. However, in some neighborhoods, this “problem” has become an opportunity. New local enterprises are developing to reduce energy use and costs and to recycle waste for profit. These initiatives need to be identified, nurtured and replicated.

## Summary

These secondary building blocks are private, public and physical assets, which can be brought under community control and used for community-building purposes. Our initial list includes:

<b>Private and Nonprofit Organizations</b>	<b>Public Institutions and Services</b>	<b>Physical Resources</b>
Higher education institutions	Public schools	Vacant land
Hospitals	Police	Commercial and industrial structures
Social service agencies	Libraries	Housing
	Fire departments	Energy and waste resources
	Parks	

### ***c. POTENTIAL BUILDING BLOCKS: Resources Originating Outside the Neighborhood, Controlled by Outsiders***



In this final cluster are resource streams which originate outside the neighborhood, are controlled by institutions outside the neighborhood, but which nonetheless might be captured for community-building purposes.

There is a sense in which all local public expenditures are potential *investments* in development. However, in low-income neighborhoods they are usually expenditures for the *maintenance* of an impoverished neighborhood, and for individuals in the absence of work. We need tools and models for converting public expenditures into local development investments. In addition to the public institutions cited above, two other public expenditures are critical.

**Welfare expenditures.** In Cook County, Illinois, over \$6,000 is expended annually by government for low-income programs for every man, woman, and child whose income falls below the **official** poverty line. This substantial investment (\$24,000 for a family of four) is distributed so that on a per capita basis, poor people receive only 37 percent cash (\$8,800 for a family of four) and 63 percent in services (\$15,120). This creates an impoverished family dependent on services. Creative community groups are developing new experiments where some of these welfare dollars are reinvested in enterprise development and independence.

**Public capital improvement expenditures,** Every neighborhood is the site of very substantial “infrastructure” investments. In downtown areas, these dollars leverage private investment. In neighborhoods, the same funds are usually applied only to maintenance functions. Effective community development groups are creating experiments to convert local capital improvement funds into development dollars.

**Public information.** Wherever we have seen community innovation in local neighborhoods, the people there have had to gain access to information not normally available. What is the vacancy rate in the worst buildings? How many teachers have skills that could help our development corporation? Half time do the crimes that threaten our shopping center occur? How much property is off the tax rolls? What does the city plan to invest in capital improvements? Unfortunately, most useful development planning data is collected for the use of “downtown” systems. But as neighborhoods become responsible for their future, information must be decoded and decentralized for local use.

Some neighborhoods have done pioneering work in developing methods to translate systems data into neighborhood information. This “neighborhood information” is an invaluable asset in the development process.

## Summary

These potential building blocks include major public assets which ambitious neighborhoods might begin to divert to community-building purposes. At the beginning, at least, these are:

- Welfare expenditures
- Public capital improvement expenditures
- Public information

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## Two Community Maps

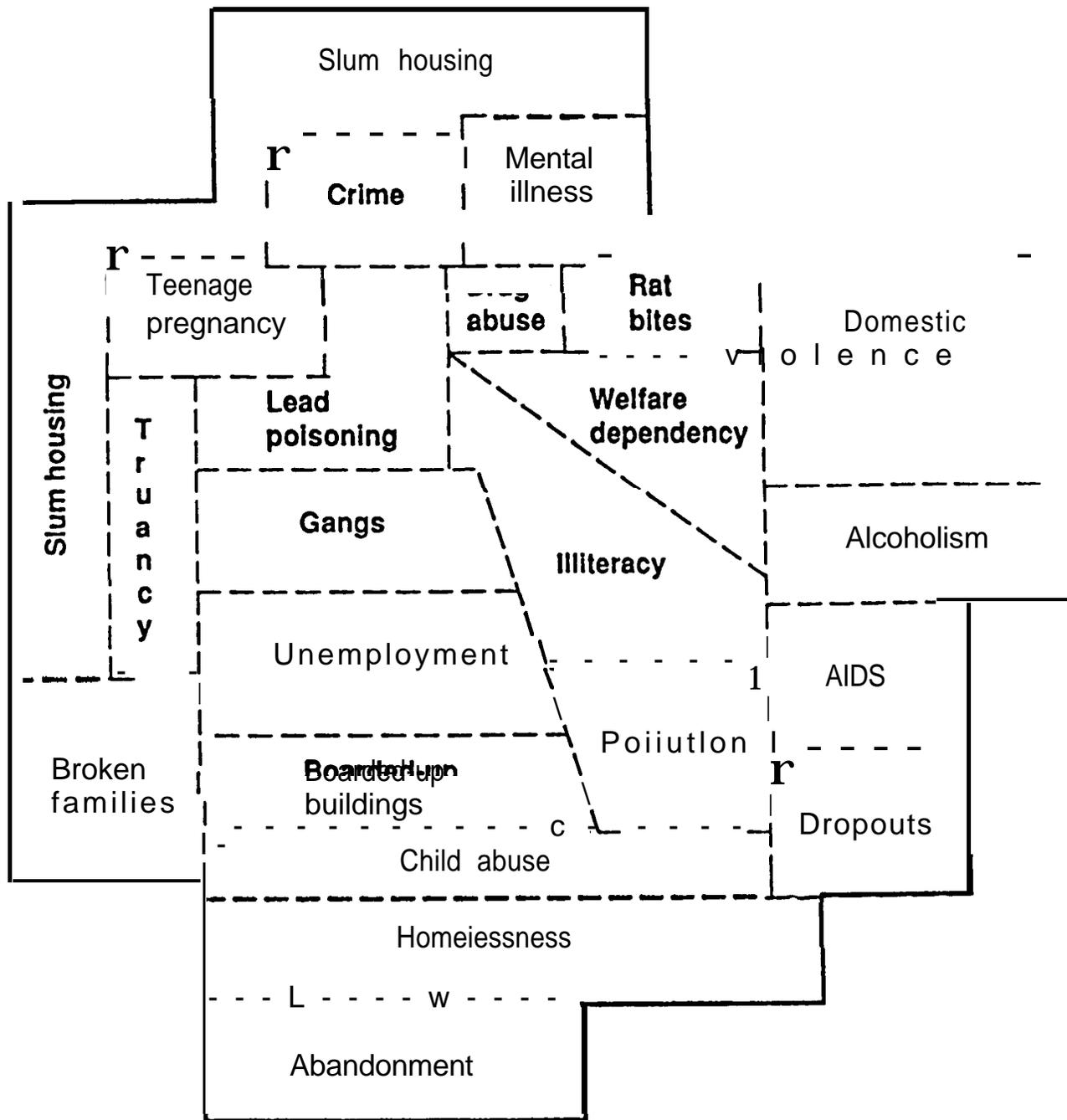
This chapter only begins to map the assets that exist in every neighborhood and town. It is a new map that can guide us toward community regeneration and economic development. It is a new map that can revitalize your organization or human service agency.

But, there is another map, an old map of neighborhood deficiencies and problems. As we noted at the outset, it is a “needs-oriented” neighborhood map created by “needs surveys.” This is a powerful map, teaching people in low-income neighborhoods how to think about themselves and the place where they live.

This map is initiated by groups with power and resources who ask neighborhood people to think of themselves in terms of deficiencies in order to access the resources controlled by these groups. Among the groups that ask neighborhood people to inventory their problems, needs, and deficiencies are government agencies, foundations, universities, **United Ways**, and the mass media. Indeed, the institutions that produce this map not only teach people in low-income neighborhoods that their needs, problems, and deficiencies are valuable. They also teach people outside these neighborhoods that the most important thing about low income people and their neighborhoods is their deficiencies, problems and needs.

In this way, low-income people, helping institutions, and the general public come to follow a map that shows that the most important part of the low-income neighborhoods is the empty, deficient, needy part. An example of this Neighborhood Needs Map is on the following page.

# Neighborhood Needs Map



It is true that this map of needs is accurate. But, it is also true that it is only half the truth. It is like a map of the United States that shows only that portion east of the Mississippi River. The United States is also the portion west of the Mississippi River, and a map omitting the west is obviously inadequate in the most fundamental ways,

*Every neighborhood has a map of riches, assets, and capacities.*

Similarly, every neighborhood has a map of riches, assets, and capacities. It is important to recognize that this is a map of the same territory as the neighborhood needs map. It is different because it shows a different part of the neighborhood. But the most significant difference about this capacity map is that it is the map a neighborhood must rely on if it is to find the power to regenerate itself.

Communities have never been built upon their deficiencies, **Building community has always depended upon mobilizing the capacities and assets of a people and place.** That is why a map of neighborhood assets is necessary if local people are to find the way toward empowerment and renewal. An example of a Neighborhood Assets Map is on the following page. Finally, it is important to remember that this assets map is very incomplete because it is new. It does not even begin to identify all of the assets of every community. Therefore, we know that as more and more neighborhood regeneration processes are created, residents will identify many more skills, capacities, riches, assets, potential, and gifts to place on the map.

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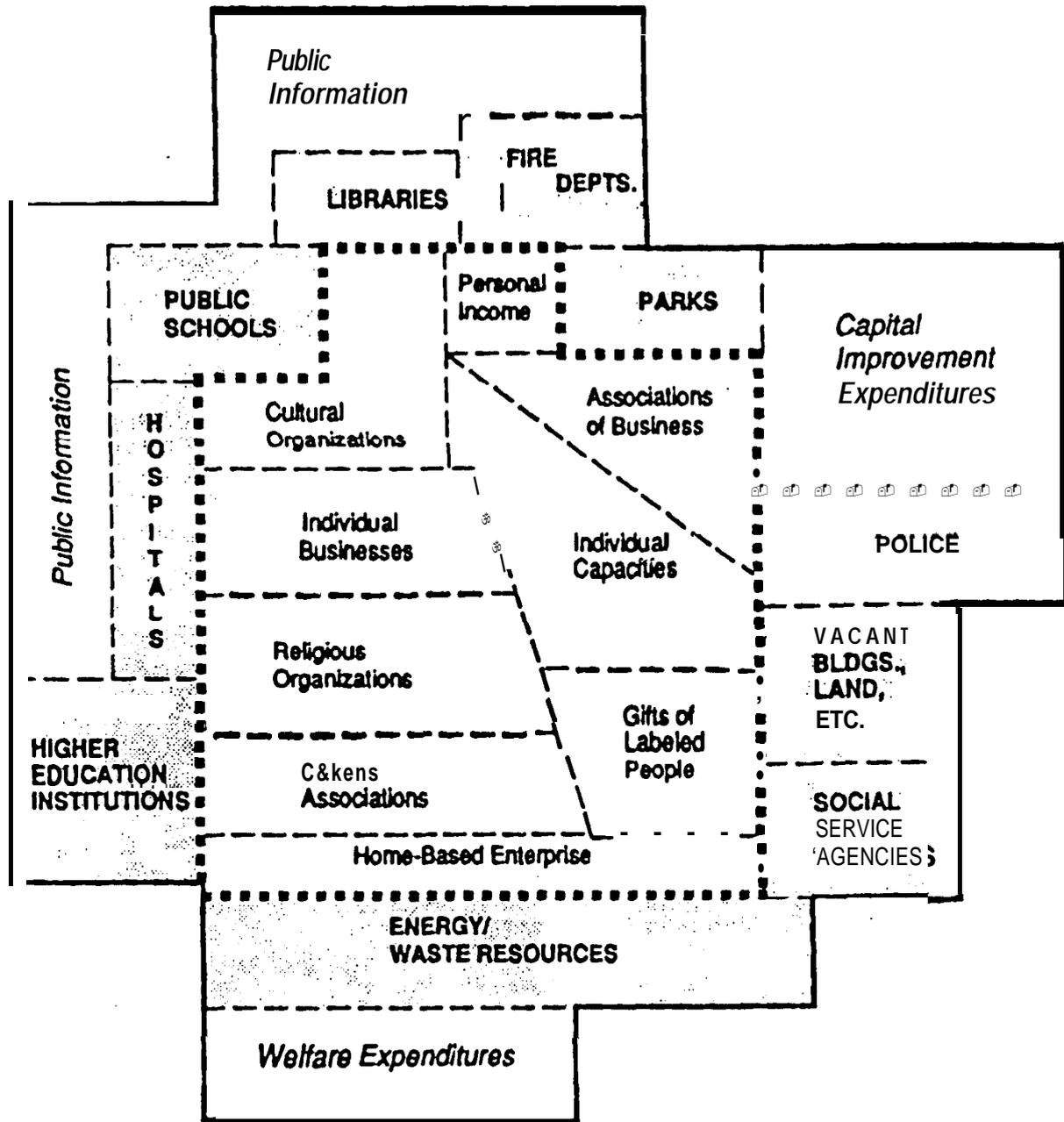
## Using the Capacities Map

Most of the assets listed above already exist in many low-income neighborhoods. They are waiting to be inventoried and turned toward the goal of rebuilding communities.

Different communities will approach this challenge with different strategies. Leaders in every community, however, will need to consider at least three questions which are central to the rebuilding task.

- 1) Which organizations can act most effectively as “Asset Development Organizations” in our neighborhood?
- 2) What kinds of community-wide research, planning, and decision-making processes can most democratically and effectively advance this rebuilding process in our neighborhood?

## Neighborhood Assets Map



**Legend**

- Primary Building Blocks:** Assets and capacities located inside the neighborhood, largely under neighborhood control.
- Secondary Building Blocks:** ASSETS LOCATED WITHIN THE COMMUNITY, BUT LARGELY CONTROLLED BY OUTSIDERS.
- Potential Building** Resources originating outside the neighborhood, controlled by outsiders.

- 3) Having inventoried and enlisted the participation of major assets inside the community, how might we build useful bridges to resources located outside the community?

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## Asset Development Organizations

To begin with, who might lead the community-building process? Where might the necessary Asset Development Organizations be found?

Two kinds of existing community associations are particularly well-suited to the task of knitting together a neighborhood's various assets and capacities. The first, already central to the lives of many older city neighborhoods, is the multi-issue community organization, built along the "organization of organizations" model of the late Saul Alinsky. Community organizers already understand the importance of associational life to the well-being of the neighborhood, and to the empowerment of the local residents. A number of these community organizations are beginning to incorporate a capacity-oriented approach to community building in their ongoing activities.

The second potential Asset Development Organization is, of course, the community development corporation. Groups that are dedicated to community economic development have often worked hard to assemble the business assets available to the neighborhood. Many have championed strategies emphasizing local purchasing and hiring, and have encouraged home-grown enterprise development. All of these approaches can only be strengthened as the local development corporation broadens and deepens its knowledge of community capacity

Together or separately, these two types of community-based are well-suited to challenge of asset development. But in many communities, neither the multi-issue organizing group nor the development corporation may exist. In these settings, neighborhood leaders face that challenge of creating a new Asset Development Organization. This new organization may be built on the strengths and interest of existing citizens associations, and will challenge those associations to **affiliate** for these broader purposes.

## The Community Planning Process

Having identified or created the Asset Development Organization, community leaders face the challenge of instituting a broad-based process of community planning and decision-making. Capacity-oriented community planning will no doubt take many different forms. But all of them will share at least these characteristics in common:

- 1) The neighborhood planning process will aim to involve as many representatives of internally located and controlled assets as possible in the discussion and decisions. In fact, the map of neighborhood assets provides an initial list of potential participants in the planning effort.
- 2) The neighborhood planning process will incorporate some version of a community capacity inventory in its initial stages.
- 3) The neighborhood planning process will develop community building strategies which take full advantage of the interests and strengths of the participants, and will aim toward building the power to define and control the future of the neighborhood.

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## Building Bridges to Outside Resources

Finally, once the Asset Development Organization has been identified, and has begun to mobilize neighborhood stakeholders in a broad-based process of planning, participants will need to assemble the many additional resources needed to advance the community-building process. This will involve constructing bridges to persons and organizations outside the neighborhood.

It is clear that no low-income neighborhood can “go it alone.” Indeed, every neighborhood is connected to the outside society and economy. It is a mark of many low-income neighborhoods that they are uniquely dependent on outside human service systems. **What** they need, however, is to develop their assets **and** become **interdependent** with mainstream people, groups, and economic activity.

Organizations leading developing communities often create unique bridges to the outside society. These are not to be government alone. Instead, they bridge to banks, corporations, churches, other neighborhood

advocacy groups, etc. These bridged relationships in the non-governmental sector are vital assets in opening new opportunities for local residents and enterprises.

The task of the Asset Development Organization, then, involves both drawing the map and using it. It involves leading the community interests into capacity-oriented planning and creating the organizational power to enable that process to become the map of the neighborhood's future. The challenge facing the Asset Development Organization, and all of the participants in the neighborhood planning process, is both daunting and filled with promise. However, meeting this challenge to rebuild our neighborhoods from the inside out is crucial to the hopes and aspirations of city dwellers everywhere.

## KEY LEARNINGS

- ◆ Traditional needs oriented solutions dominate human service systems — where residents come to believe that their well-being depends on being a client.
- ◆ The capacity-focused alternative is based on historic evidence that indicates that significant community development only takes place when local community people are committed to investing themselves and their resources in the effort.
- ◆ Clusters of capacities fall into to major categories: the assets and capacities of individuals and those of organizations or associations. Other clusters include private and not-for-profit organizations, public institutions and services, and other physical resources.
- ◆ Developing an inventory of capacities and assets is an excellent way of capturing the numerous resources available in the community.
- ◆ The key to neighborhood regeneration is not only to build on those resources which the community already controls, but to harness those that are not yet available for local development purposes.







# 3

## Chapter

# Assessing Your Organization's Capacity for Entrepreneurship

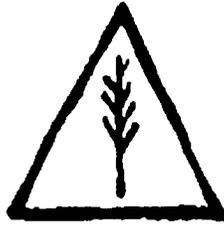
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PART 1: THE WORKINGS OF THE ECONOMY

PART 2: THE NON-PROFIT AS PRIVATE  
SECTOR

PART 3: WHAT MAKES AN ORGANIZATION A  
CANDIDATE FOR CHANGE

PART 4: HARNESSING YOUR POWER TO  
EFFECT CHANGE



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# Assessing Your Organization's Capacity for Entrepreneurship

## Purpose

This chapter is designed to enable you to evaluate your organization's capacity for change from dependence on traditional funding sources and operations to a more active orientation toward entrepreneurial activities.

## Learning Objectives

You will:

- examine your responsibility to assume a role normally provided by the private sector;
- evaluate your organization's entrepreneurial capacity from the perspective of fiscal stability, professional expertise, and other factors; and
- gain an awareness of several guiding principles of change, and assess your strengths and ability to alter your structure or activities accordingly.

## Overview

In order to move into a more dynamic, entrepreneurial stance, it is essential that you have a clear grasp of your organization's strengths and weaknesses and build consensus within to make the changes you agree on. To survive and prosper you must recognize the need to create expanding opportunities for self-sufficiency, both within your organization and for those you serve.

As a service provider you already know much of what is required to run a business. The focus here is to help you to operate from a proactive rather than a dependent position. However subtle, this shift in perspective will require change that you cannot impose upon your colleagues. To succeed, you will need to assess and build consensus for the effort among your board and staff. You also will need to review your organization's resources in terms of your capacity to move forward.

*...we begin to see that our responsibilities go beyond the traditional provision of services to assume a role normally provided by the private sector: investors in the people and places where we reside.*

## The Workings of the Economy

Our society is divided socioeconomically into three interconnected sectors: private, public, and voluntary. *The private sector* is generally defined as the free-market or free-enterprise system. The *public sector* is government. Among its many domestic tasks it modulates the operation of the private sector through regulation and licensing. Government also provides a floor of support to those unable or unwilling to function in the private sector. The *voluntary* sector comprises non-profit and voluntary groups that grow out of some need for or common interest in providing services for themselves or those not generally served by either the private or public sector.

Voluntary-sector activities, by definition, are dependent. They operate on the unpaid participation and support of both the public and private sectors. As a result, these providers are often viewed as consumers of the public's tax and charity dollars in order to minister to, treat, and support those unable or unwilling to function in our society.

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## The Non-Profit as Private Sector

When all three sectors function well, they tend to complement each other in support of healthy communities. Yet in many dysfunctional communities the public sector is the primary presence. As a consequence, the non-profit must step in and, in effect, become the private sector. When we view ourselves in this way we begin to see that our responsibilities go beyond the traditional provision of services to assume a role normally provided by the private sector: investors in the people and places where we reside. As such, we must:

- focus on job creation and career opportunities for those we employ and those we serve;
- change existing economic patterns for those left behind or ignored by mainstream systems;
- focus on improving conditions and expanding opportunities for consumers;
- commit to achieving self-sufficiency for those we serve; and

- focus on providing real options to existing circumstances and systems.

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## What Makes an Organization a Candidate for Change

Approaching services from a development perspective is not necessarily appropriate for all community-based service providers. It is not an approach that should be initiated out of financial weakness or desperation. Although your group's belief in the value of a service enterprise is critical to your success, it will take more than commitment to make it work. You may need to expand or broaden board membership to include new skills or connections to other resources. Your staff must have appropriate management skills and professional expertise in place or available. You must have sound personnel practices and the ability to recruit and train staff.

Although this venture will require growth and renewal, a fundamental assessment of your entrepreneurial capacity includes:

- your ability to communicate your organization's critical economic and political role in the health of communities;
- organizational and fiscal stability;
- an empowered staff with professional expertise and management skills;
- a clear consensus regarding why the service enterprise is being created and how it fits with your long-term goals and efforts;
- a balance of your overall mission with your accountability to constituents, consumers, and funders;
- marketing-research results stating that services are needed, able to be funded, and part of a broader scheme to provide employment and development opportunities for local residents;
- accounting or technological support to ensure timely and accurate reporting, case management, and billing; and

- access to research, both to quantify results and to identify and analyze future opportunities.

Your success in the marketplace will depend, in part, on your ability to adhere to several basic principles:

1. **Know who you are and where you are going.** Assess your financial strength, service quality, and organizational capabilities. Develop an accurate, concise, and reasonable mission statement. Know what a shift in outlook will mean for your consumers, your staff, and your board.
2. **Invest in the capacity building of people and places.** Human-service interventions tend to focus on dysfunction — a broken heart, an abused child, or a homeless family. Although we cannot abandon our mission of addressing such concerns, we need to shift our focus to our goal: healthy and productive individuals, families, and communities.
3. **Utilize the growing job market to provide personal and development opportunities for people in need.** For example, it is possible to link the demand for home-based health and custodial services with employable welfare recipients; to link the education of young people to changing work opportunities; and to link preventive health services with increased productivity.
4. **Encourage government to vigorously pursue policies that advocate or reward prevention and increase efficiency and competition.** This will require reimbursed or insured coverage for prevention services,
5. **Base decisions about services on community need and local market conditions.** Before you develop a new service, see who else is providing that service and evaluate the potential for collaboration. Can you combine resources, create a satellite program, or improve service quality? How can your program be strengthened, and who needs to be involved? Think beyond your social contribution to the service's economic impact on the entire community.
6. **Develop and adhere to a business plan.** When well defined and carefully prepared, this “map” will guide your efforts.
7. **Recruit and train competent and dedicated staff:** Treat them as professionals essential to the mission, not disposable or secondary workers.

An organization's role in developing and operating service ventures can be that of provider, manager, co-venturer with other service or development agencies, **developer**, or investor. Current operational needs, opportunity, and the conditions of the marketplace should determine the most appropriate approach.



"How To Do Three Things At Once. Chapter One..."

## Characteristics of an Entrepreneurial Nonprofit Organization

There are many characteristics of an entrepreneurial organization. The following list represents many that have been found to be successful in non-profit enterprises.

- Staff is given responsibility and the power to implement decisions.
- Goals are clear, the ways to meet goals are left to individuals.
- All staff the organization's vision, goals, philosophy and style. They trust each other to implement programs.
- Criticism is sought and freely rejected, without penalty.
- Staff is ego-healthy, self-confident and able to make decisions quickly. People that lack these attributes don't last long.
- Staff enjoy being somewhat overwhelmed; they thrive on internally-created pressure.
- There is laughter, rowdiness and other physical outlets for tension -belying the hard work and expectations below **the** surface.
- Staff meetings are regular, required and democratic. Everyone shares what they are doing. The staff takes turns in leading the meetings.
- The organization has a strong culture. People fit or they don't. If they don't they leave quickly.
- The organization is predictable in the way people are treated; unpredictable in the new and unusual challenges that lead to quality programs.
- The organization is not afraid of tension and conflict, but requires the **staff** to offer solutions with complaints. There are no big secrets.

- The organization encourages **staff to** grow, and to leave when their learning curve has leveled off.
- Staff are willing to risk and try new things. They are not afraid to fail.
- Staff are passionate about their work and the organization,
- Staff constantly challenge assumptions, asking, ‘Why do we do this?’ and “ ‘Is there a better way?’”
- Staff seeks criticism from others whose opinions they trust. They also feel free to “strategically ignore” some of what they hear.
- Problems are seen as opportunities.
- Key staff thinks conceptually and in specifics.
- The organization is seen as experimental, constantly evolving and fostering new learning opportunities,
- The organization hires specific skills on contract instead of putting people on payroll.
- The organization know their customers very well.
- The organization has a bias toward being different — and better — than other organizations.
- The organization works with clients repeatedly, getting them involved in the organization in a meaningful way.
- The organization is pro-active; they go to people with an idea rather than waiting for someone to come to them.
- Organization staffers and management are impatient.
- They plan ahead and project how each program area will affect the others.
- They believe that people work best on their own interests.
- Managers do “grunt work” at times, because it builds an egalitarian culture.
- All staff — including top managers — work the “front desk” regularly to stay in touch with the customers.
- Praise is sincere and free-flowing.
- There is no apparent physical hierarchy in the **offices**.
- **Staff’s** jobs grow with them, There is no expectation of climbing a job ladder.
- Managers hire staff who are smarter than they are, looking at an applicant’s qualities more than qualifications.

Adapted from *Filthy Rich & Other Nonprofit Fantasies: Changing the way Nonprofits Do Business in the 90’s*.

## Harnessing Your Power to Effect Change

As community-based service providers we must think of ourselves as businesses and begin to look at economic-development tools and techniques as mechanisms to achieve our visions of empowered, productive, and stable communities,

*We must be key **players** in the economic mainstream.*

We must be key players in the economic mainstream. We are often, in fact, the only link between those we serve and the economic, social, and political mainstream.

As community-based and focused groups, we are uniquely positioned to address the needs of those at greatest risk. As representatives of grassroots leadership organizations, we are increasingly being seen by both public- and private-sector policymakers as entities that work.

Our strength lies in our ability to:

- address needs comprehensively rather than by administering narrowly defined services;
- give front-line, hands-on workers the training, support, and direction they need to address problems creatively; and
- build trust and respect because we are members of the communities we serve.

As public resources to support human-service programming continue to shift from Washington, D.C. to states and tribal governments, policy development at the local level will be very important. The combination of local policy development and fewer available federal funds will force states to explore service-delivery options that are efficient and offer holistic care for those in greatest need.

Grassroots leadership organizations can be effective solutions. They can, for example, provide effective parenting education to reduce the cost of child abuse and neglect; job training and comprehensive support services to reduce welfare dependency; and prenatal care and in-home, elderly support services to reduce hospital and nursing-home costs.

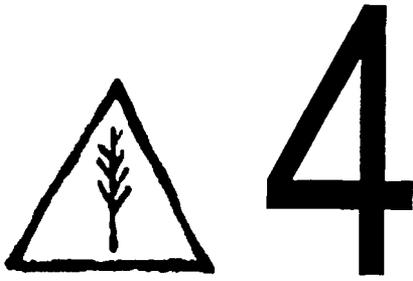
What it takes is focus, commitment, creativity, and responsiveness.

**KEY LEARNINGS:**

- ◆ Before moving forward, you will need to assess your strengths and weaknesses, as well as staff and board commitment.
- ◆ To thrive, you will need to be proactive rather than dependent.
- ◆ Your organization must commit to becoming economically self-sufficient and to providing opportunities for your consumers to become so, as well,
- ◆ Approaching services from a development perspective is not appropriate for all organizations. Beyond commitment and focus, it requires organizational and fiscal stability, professional expertise, management skills, and a paying market for your services.
- ◆ The national trend toward localized funding and organization of human services will work in your favor if you approach new opportunities with planning and creativity.







## Chapter

# Identifying Service Venture Opportunities

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PART 1: STRATEGIC PLANNING

PART 2: WHAT DO YOU SELL?

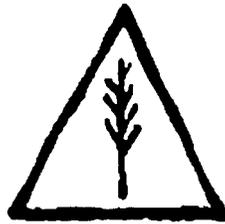
PART 3: WHAT DO YOU BUY?

PART 4: ENTREPRENEURIAL OPPORTUNITIES

PART 5: IDENTIFY THE MARKET

PART 6: WHAT DO YOUR CUSTOMERS WANT?

PART 7: FORMULATING NEW OPPORTUNITIES



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# Identifying Service Venture Opportunities

## Purpose

This chapter is designed to help you evaluate opportunities for entrepreneurial activity through a businesslike examination of the services you provide, the markets in which you wish to sell them, and the demographic characteristics of potential clients.

## Learning Objectives

You will:

- quantify the programs, products, and services you deliver;
- examine your service market, payer market, and who in your community provides similar services;
- determine your purchasing needs and expenditures and find ways to cut costs through alternative buying methods;
- locate entrepreneurial opportunities and consider ideas for service ventures;
- identify existing and potential markets by examining where you sell your services and to whom; and
- determine what your customers want through market research.

## Overview

It is essential to plan your transition into the marketplace in terms of sound business practices. These include a thorough look at the nature of what you do; who receives and pays for your services (not necessarily the same people); who your competitors (and possible allies) are; and how to use demographic and market research to determine available opportunities and how to make the most of them.

*It is critically important that your **entry** into the **marketplace** be **predicated** on **sound, systematic** business planning.*

## Strategic Planning

It is critically important that your entry into the marketplace be predicated on sound, systematic business planning. You will need to review capital and cash-flow needs as well as long-term availability of support and funding. You must understand the regulatory and licensing environment, insurance and liability costs, and competition from other non-profit and for-profit providers. This “opportunity assessment,” unlike a needs assessment, is a bottom-line economic analysis that focuses on markets in which there is capacity to pay for services.

How do you prepare to take advantage of the opportunities in the community you serve?

A basic framework for this process is:

1. Start with a general idea of what you want to happen
2. Study models of other businesses or organizations that offer similar products or services.
3. Develop assumptions to test the feasibility of your approach,
4. Flesh out the details in each area.
5. As development occurs, update related information in other areas as necessary. Continue this feedback process until the plan is put into action.
6. Keep the “finished” document creative and flexible.

Begin by examining your current opportunity mix — what do you sell and buy? Who are your consumers? Who pays for the services?

## What Do You Sell?



Your initial search for opportunities must be internal. You should review the programs, products, and services (service markets) you deliver to the public in exchange for a price, fee, contribution, grant, volunteer labor, or a barter transaction (payer markets). Both service and payer markets are your customers and warrant special attention.

The other internal review is to determine what goods or services you purchase can be turned into a community-based enterprise. The following exercise will enable you to begin gathering and organizing the necessary information for use in developing a plan for the organization.

1. **What is your service market?** This includes the programs, products, and services that you now deliver to the community. List them (i.e., housing for the elderly, substance-abuse treatment or counseling, nutrition, and employment training).



2. **What are your payer markets? Who** pays for these programs, products, and services? List them (i.e., government funding, United Way grant, individual contributions, fee for service, sell price, barter exchange).

3. **How many customers (units served)** consume your programs, products, and services on a monthly, quarterly, and annual basis? List quantities by program, product, service, and period.

Programs, products and services	Avg. monthly	Quarters				FY 1995
		1	2	3	4	

4. What **other organizations** in your community (market area) provide these same programs, products, and services?



5. What are the **other organizations' advantages and disadvantages** in providing their programs, products, and services to customers?



6. Are there **potential customers** in your community (market area) that are not taking advantage of your or other programs, products and services?

Yes ( ) or No ( ). If your answer is no, what are the reasons?

7. How many customers could you be serving?

Programs, products and services	Current customers served annually	Potential customers served annually

This exercise will help you begin the necessary audit process to quantify the products and services you deliver. The next step involves examining internal procurement activities and opportunities for the organization.

## What Do You Buy?



You can also identify opportunities by examining the goods and services that your organization purchases in its annual business cycle. Most of your work is probably labor-intensive, and you probably spend the majority of your funding on personnel. Nevertheless, you can use areas in which you have expertise or purchasing power to develop additional programs, products, and services for the consuming public. Quantify your expenditures:

### Operations budget

<b>Budget item</b>	<b>Annual expenditure</b>	<b>% of annual budget</b>
<b>Personnel</b> Administrative staff # of Program staff # of Contract labor # of Other laborers # of		
<b>Inventory</b>		
<b>Furnishings</b>		
<b>Supplies</b>		



Equipment

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Transportation

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Insurance

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On/Off-site space

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Maintenance

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Waste removal

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Other

Are there any products or services within the above mentioned groups that you can purchase from the manufacturer or distributor at a wholesale rather than a retail price? Have you considered joining a buying cooperative and purchasing the goods or services wholesale? If a cooperative or buying club does not exist, consider contacting other members of your community who might also benefit from this idea and start one.

## Entrepreneurial Opportunities

If there is little interest in a buying cooperative, take the lead in developing a venture around a product or service that many institutions and individuals in the community purchase.

You understand how to procure products and services as somebody's customer, so explore what it takes to buy them for resale at a profit. This entrepreneurial approach can lead to job creation and a cash surplus for financing other activities.

Ideas for service ventures include:

### Early childhood development

- Pre- and postnatal outreach and support
- Child-care centers
- Family day-care homes
- Transportation and/or feeding programs
- Contracting with businesses to build or manage family and child-care centers
- Purchase of care through child-care vouchers or contract programs (Child-care Development Block Grant, Title XX)

### Services for the elderly and disabled

- Chore and home services;
- Rehabilitative services (physical, occupational, speech)
- Adult day care
- "Meals on Wheels"
- Transportation
- Nursing homes or intermediate-care facilities
- Hospice care
- Managed-care prevention contracting
- Housing (Section 202)
- Respite care for family members (AIDS, **Alzheimer's**)

## Family services

- Domestic-violence prevention training
- Drug and alcohol treatment and after care
- Alternative sentencing services (as an alternative to incarceration)
- Parenting education and training

## Employment and training

- GED and literacy training for government and private businesses
- Preemployment and job skills training
- ESL training
- Individual testing and assessment
- Job referral and placement

## Housing

- Community-center management and operation
- Maintenance, repair, and cleanup
- Security

## Environmental

- Energy conservation
- Trash collection and disposal
- Recycling
- Asbestos removal

## Education

- Partnerships with schools to educate teachers, health staff, parents, or children
- Partnerships with schools or day-care centers to care for special-needs populations

## Special programs

These include services for the homeless, recently released prisoners, AIDS and Alzheimer's patients, substance abusers, incarcerated young people, and others with special needs,

Add your own:

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*To be successful, we **must** relate to both **the** consumer and the **funder** as customers...*

These and other service ventures are possible as markets shift and the public sector expands its search for more appropriate, cost-effective ways to address service needs. Opportunities exist especially in areas where privatization and decentralization can be shown to be cost-effective, where holistic rather than categorical intervention is appropriate, where traditional and categorical government approaches have failed to be effective, and where sound business planning and management can result in a positive return on investment,

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## Identify the Market

We are more accustomed to referring to communities than to markets as the source of demand for the products and services we provide. Communities consist of consumer markets for a multitude of goods and services, however. The particular market or group of consumers will depend on the product or service being delivered.

Our consumers often cannot afford for-profit services. Therefore, the viability of our markets cannot be judged only by who is there and what they want. We need to be accountable to our other customers: those who pay for services. These may include third-party payers, donors, or **profit-generating** affiliates. No matter how great the community's needs, we cannot sustain our efforts without a market to pay for services. To be successful, we must relate to both the consumer and the **funder** as **customers**, the target market for non-profit activities. Existing and **poten-**

tial customers make up the market for your projects, products, and services.

## Who will use what you sell?

Define the boundaries of the community in which you operate. Are the community boundaries the county, city, neighborhood, or some other identifiable service-delivery area?

Next, profile the community, quantitatively and qualitatively.

## Census data

The United States Census Bureau is often the first place to gather population data on your community. Counties, metropolitan areas, cities, and townships are defined geographically by a series of census tracks, with boundaries defined by the federal government. These are used by the Census Bureau to collect population data.

You can find this demographic information at your local public library or at a nearby college or university library. To take a shortcut to a demographic profile of a city, metropolitan area, or county, contact the planning department or Chamber of Commerce. To develop a statistical profile for a part of a federally designated jurisdiction, you will need to gather information for each of the area census track or tracks that you serve.

You can collect quantitative data from state and local sources such as departments of Labor, Social Services, Public Health, Education, Commerce, **or Transportation**; from local and county school districts and planning offices; from local, county, and state law-enforcement agencies; and from area colleges and universities. Demographic variables of interest include population characteristics such as age, race, income level, marital status, home ownership, and transportation habits.

## Developing a Demographic Profile



Demographic issues of concern include population size, gender mix, age, racial mix, education, individual and household income, occupational status, percentage of people living in poverty, and homeowner/renter mix.

The Census Bureau data, along with quantitative information provided by other sources, will enable you to develop a demographic profile of the community being served. From this broader profile you can better focus on products and services aimed at a particular customer niche in the market. For example, if the population of people age 65 and older is high in your market area, that may suggest a need for housing, health-care services, transportation, adult foster care, and more. Education statistics could help you quantify the number of people in the area that might need job training and placement services. Data on monthly rental rates, mortgages, and income levels should provide insight into the need for low- and moderate-income housing.

The demographic profile, then, helps segment the population into quantifiable subgroups you can target as potential customers. However, additional research is needed prior to decisions about how to better serve the community

*To carry out effective marketing your organization needs timely, accurate, and adequate information.*

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## What Do Your Customers Want?

You have probably developed a needs assessment for your community. Based on this information, you develop the justification for funding in a grant proposal. A market assessment is similar, but beyond assessing your community's needs you will need to determine what resources are available to pay for or augment those needs.

To carry out effective marketing your organization needs timely, accurate, and adequate information. When you use a systematic format to ask customers and potential customers about products and services to be consumed, we refer to this data collection as *market research*. This research effort utilizes group and personal interviews and survey instruments to delve deeper into consumer needs and desires within your market area.

Market research has become a highly specialized field. Although you can conduct it yourself, it may be more effective to employ a local expert to assist with designing the project and collecting and analyzing data.

Expertise to conduct this kind of group interview can most likely be found in a local college or university, marketing or public-relations firm, or advertising agency. The local Community Foundation, Chamber of Commerce, or Small Business Administration Development Center may also recommend a service provider (see the “Community Development Re-

sources” section). Staff or volunteers can be trained to ask the questions and record the responses.

In the interview process you begin systematically collecting information on consumer and neighborhood opinions. Normally, when we want to know what a person is thinking, we ask. To make these questions effective research requires three stages: planning, data collection, and conclusions and analysis.

## **Planning**

The first step is to clearly define the objectives of the research project. What do you want to know? This may include where your sample population receives services, why they choose that place, what experience they have with your organization, and what they like and dislike about it. Remember, your customers include those who pay you, so you may want to include corporate or government samples. List your research objectives:

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## **Data collection**

You can use three research techniques to sample a population and derive opinions on what consumers in your market area need or want: group interviews; one-on-one personal interviews; and a survey questionnaire given to a sample population.

### ***Group interviews***

Social scientists, market researchers, public-relations firms, advertising agencies, and others have increasingly turned to focus-group sessions to gather qualitative information. The researcher is concerned with the

opinions and motivational factors of consumers or potential consumers who are invited to participate in a group interview. The interviewer encourages free discussion among the participants, hoping that the group dynamics will bring out their real feelings. At the same time, the interviewer focuses the discussion, hence the term “**focus group.**” Although an informal discussion is better than no discussion, focus-group research is more reliable if conducted by a trained interviewer.

### ***Personal interviews***

Although more time consuming, the personal interview enables you to gather in-depth information from a sample group of consumers in the population. In order to reduce the cost of such a project, the actual interviews might be conducted by a staffer or project volunteer after receiving appropriate instruction or training in interviewing techniques.

### ***Survey questionnaire***

Many organizations develop their own questionnaires and circulate them to community residents to determine opinions on a wide range of topics. Again, it is advisable to obtain the necessary local assistance and expertise to design the proper instrument for conducting a survey. The way you ask a question will affect the response you get. If the goal is to obtain qualitative data for analysis, then the data-collection instrument must be objective and unbiased.

A professional should design the survey, determine the method of distribution and collection, and write a final report on the findings. Again, to reduce the cost you could use staff or volunteers to distribute and collect the survey instruments. Depending on your target population, you could conduct the survey might by telephone. When dealing in some low- and moderate-income areas, where education levels might be lower and illiteracy higher, verbal information gathering by telephone or in person is preferred to written surveys. The use of telephone polling and interviewing might also be difficult if households in the sample population area are without telephones.

*The utilization of both the quantitative and qualitative information will give you, maybe for the first time, a complete profile of the community and market in which you operate.*

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## **Formulating New Opportunities**

The utilization of both the quantitative and qualitative information will give you, maybe for the first time, a complete profile of the community and market in which you operate. The quantitative information provides

the status of the population — a snapshot of what exists. The qualitative research helps you determine opinions and desires — what people need and want. The survey can also identify new products and services for which consumers are willing to pay.

This new information requires that your leaders make decisions on the future mix of goods and services that your organization will deliver to the consuming public. These decisions are preliminary ones that help further the planning process. The options may be one or more of the following:

- continue with the existing mix of goods and services delivered;
- make some modifications in the goods and services offered;
- eliminate several goods or services offered; or
- add new products or services to the mix.

## KEY LEARNINGS

- ◆ The first step in a strategic plan is to perform an opportunity assessment: a bottom-line economic analysis that focuses on markets where there is ability to pay for services.
- ◆ Both service markets (consumers of programs, products, and services) and payer markets (contributors, ‘purchasers, and volunteers) are your customers and are central to your success.
- ◆ Assess your organization from the perspective of the consumer, competitor, and vendor. Use this information to create new opportunities.
- ◆ Look at other service providers in your market area as both competitors and potential collaborators. Both perspectives will help you understand and build on your current value.
- ◆ Examine services or products that you provide for their potential to operate as profit centers supporting those areas that need subsidies.
- ◆ Do a market assessment; it is a time-consuming but **critical** planning tool.







## Chapter

# The Business Plan

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PART 1: THE MISSION STATEMENT

PART 2: STATEMENT OF PURPOSE

PART 3: ORGANIZATIONAL INFORMATION

PART 4: PERSONNEL

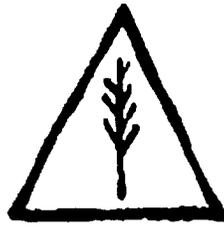
PART 5: MARKET RESEARCH

PART 6: CUSTOMER BASE

PART 7: MARKETING MIX

PART 8: FINANCIAL

PART 9: ADDITIONAL ATTACHMENTS



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# The Business Plan

## Purpose

This chapter will help you develop and write a business plan, essential to documenting in detail your strategy for increased entrepreneurial activity

## Learning Objectives

You will:

- write a mission statement describing succinctly your organization's reason for being, as well as a statement of purpose that outlines why you are writing the business plan;
- compile the necessary organizational information, including a description of your administrative structure and the services you offer;
- examine in detail aspects of market research including demographic, political, economic, natural, technological, and cultural forces; industry trends; and competition;
- communicate effectively to your customer base, including those who receive services and those who pay for them (such as individuals or foundations);
- come up with a marketing plan that describes the product or services you provide; develops strategies for promotion, advertising, and public relations; outlines plans for distribution and delivery; and creates a pricing policy;
- write a financial statement to include current status, an expansion budget, and projections of revenue and expenses.

## Overview

Now that you know the importance of sound planning based on the services you provide and to whom, it's essential to quantify your research in business plan that clarifies and solidifies your aims by examining all aspects of the changes your organization may make.

*In the non-profit's business plan, the reader should expect to see a similarly detailed road map to greater self-sufficiency and less dependency on external grant sources.*

Once you have made preliminary decisions about product and service delivery, you must take the valuable information you have collected and write or revise your organization's business plan. This involves revisiting the mission of the organization and further analyzing the population (or customer base) in the community (market area), learning what opportunities exist for program (product or service) delivery, and determining what fees or sources of revenue (income) are available to pay for services.

The business plan is a "living" document, subject to changes — minor revisions and major rewrites — on a continuous basis.

Transformation of your organization can be aided significantly with a restructuring of your basic grant proposal to look and feel more like a corporate business plan. In a business plan, one looks to provide a clear and concise snapshot of an organization by asking:

- What are you?
- What are the products and services that you deliver or want to deliver?
- Who are the recipients of goods and services (the customer base or target market)?
- Where are the new market opportunities?
- What are the fees for services or sources of revenue and what does the future revenue stream look like?
- How do you evaluate accomplishing the mission through measuring the outcomes of its activities?
- Where has the organization been? Where it is now? Where it is going? How it is going to get there?

In a traditional business plan, a reader would turn past the title page and table of contents and expect to see pages that outline, in detail, a road map to profitability and return on investment. In the non-profit's business plan, the reader should expect to see a similarly detailed road map to greater self-sufficiency and less dependency on external grant sources.

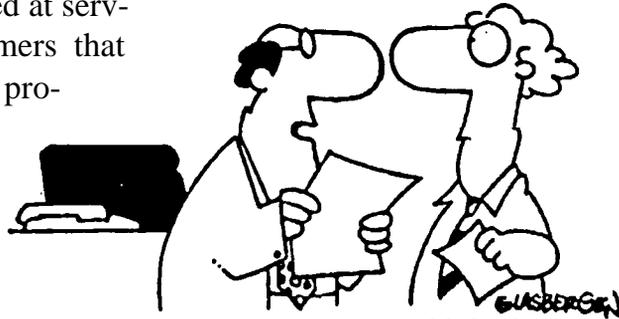
This chapter outlines the components of that plan using Bethel New Life as its example. At the end of the chapter is a business-plan worksheet in which you will describe your operation.

## The Mission Statement

Most community-based organizations already have a mission or vision statement. They describe to the reader why they are in business. The revised mission statement should take into consideration the new entrepreneurial, self-sufficient mode of operating, along with other new strategies, products, and services that result from the market analysis.

This statement should succinctly state the essence of the entity's reason for being. The statement can relate to specific or general issues, but most important, it should relate to tangible outcomes.

You might describe, for example, a community economic-development mission that emphasizes home-based services for the elderly, providing food and temporary shelter to the homeless, operating a day-care center, providing job training, or developing a microenterprise loan fund. The language that describes the mission should be concise and directed at serving the needs of the customers that use the goods or services provided by your organization.



**"I want the public to think of us as 'The Company With A Heart'. But I want you to think of us as the company that will chew you up, spit you out and smear you into the carpet if you screw up."**

### Sample mission statement

#### *Bethel New Life's philosophy is:*

If you put an end to oppression, to every gesture of contempt, and to every evil word; if you give food to the hungry and satisfy those who are in need, then darkness around you will turn to the brightness of noon, And I will always guide you and satisfy you with good things. I will keep you strong and well. You will be like a garden that has plenty of water, like a stream of water that never goes dry. Your people will rebuild what has long been in ruins, building again on the old foundations. You will be known as the people who rebuilt the walls, who restored the ruined houses (Isaiah 58: 9-12).

*... It is time to view human services within a framework of family and community development.*

### CASESTUDY



## Statement of Purpose

Your statement of purpose outlines why your organization is producing a new business plan. In this case, the purpose is reinventing your organization with a mind toward entrepreneurial activity. You must state **affirmatively** that your organization is establishing service ventures based on entrepreneurship, innovation, income generation from contracts, and/or fee-for-service or third-party reimbursements leading to self-sufficiency. Further, the new focus should incorporate a more market-driven, customer-oriented process into the organization's mission and program delivery.

In outlining the purpose of the business plan, you also must emphasize the management process and establish quantifiable evaluation criteria for the organization. Finally, all sections, including this one, must be tied to your mission statement.

### CASE STUDY **Bethel statement of purpose:**



Bethel New Life contends that a community-development corporation must take actions that help promote a healthy, sustainable community. These include:

- creating livable-wage jobs in recycling, industrial manufacturing, and environmental assessment and remediation;
- making a sustainable community through self-help parks, safety and crime reduction, reweaving and reneighboring, and creative arts;
- providing a decent place to live, including energy-efficient, affordable, self-help, cooperative housing (1,000 units) with streetscapes;
- encouraging healthy families and healthy communities through holistic health care, health education and outreach, lead outreach and advocacy, air-quality monitoring, and safer streets;
- helping seniors live to the fullest through home care, adult day care, and involvement in community action;
- building on community assets and on people together taking action and responsibility for their community.

# Organizational Information

This section provides basic information about the organization that any and all readers need to understand. A sample follows:

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### 1. **Legal name of organization**

Bethel New Life, Inc.

### 2. **Address of organization**

367 North Karlov  
Chicago, IL 60624

### 3. **Legal form of organization**

Bethel New Life is a nonprofit corporation incorporated in the state of Illinois. It is tax exempt under section 501(c)(3) of the Internal Revenue Service code.

### 4. **Subsidiaries owned/affiliate organizations**

None

### 5. **Organizational directors**

Bethel New Life is governed by a **16-member** board of directors, including:

Jewel Maneville, chair  
Sheila Radford-Hill, first vice chair  
Michael Cederberg, second vice chair  
Bruce Bennett, treasurer  
Susie Macon, assistant treasurer  
Felicia Richardson, secretary

Bethel is guided by a **15-member** board of advisors made up of local civic and business leaders.

### 6. **Programs, products, and services for Bethel New Life**

Bethel provides a wide range of social services as well as housing and economic-development programs serving the West Garfield Park community of Chicago.

- **Family Support Services:** Women, Infants & Children (WIC), Healthy Moms/Healthy Kids, and Lead Program
- **Transitional Living:** St. Gerrard House, Family Wellness Center
- **Child-Care Services:** Molade Child-Care Center, ProjectTriumph

- *Senior Services:* adult day care, in-home services
- *Employment and Training:* employment center, training institute
- *Youth, Education, and Community:* community organizing and reneighboring. Youth Enterprise Network and Urban Engineering
- *Housing Services:* senior home repair, loan packaging, property management and lease/purchase homes
- *Real-Estate Development:* multifamily, single-family, and planning acquisition
- *Industrial:* joint venture, planning/acquisition

### 7. Licenses, certification, credentials, and accreditation

Certain licenses, certifications, credentials and accreditation are required to operate a number of programs and deliver services to consumers in the community. These efforts can include child-care services, job-training and education programs, food programs, transportation, and the construction trades. It is important to contact your state and local government to determine what programs, products, and services require licensing. In many states, the ombudsman will provide direction on what regulations apply, or on what government agencies can provide the appropriate regulatory information and licensing.

#### CASE STUDY *Bethel sample:*



The Bethel New Life Senior Services program is licensed by the State of Illinois Department of Aging as a home health-care and an adult day-care provider.

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## Personnel

### Organizational chart

In this section you describe the personnel needs of the organization, from key managers to service professionals and support staff. You should outline the organizational chart and include reporting responsibilities. Also list required outside professional consultants and advisors in this section.

### *Sample organizational chart*

Bethel New life is an expansive organization, Programs and services are divided into four divisions: housing, real estate, and industrial development; social-service programs; human resources and facilities management; and financial. The charts on the following pages highlight Bethel New Life's Programs Division. Bethel's three other divisions have an extensive network of programs, services, and duties that have been collapsed for this diagram and are represented by the sequential box under the appropriate senior vice president,

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## Job description

List the titles of all the key managers in the organization and attach their job descriptions. Additionally, list all the other professional and support staff that work in the different program areas. Write concise job descriptions for each position. If new staff members are required for the new programs, products, or services, address the potential for adding these employees.

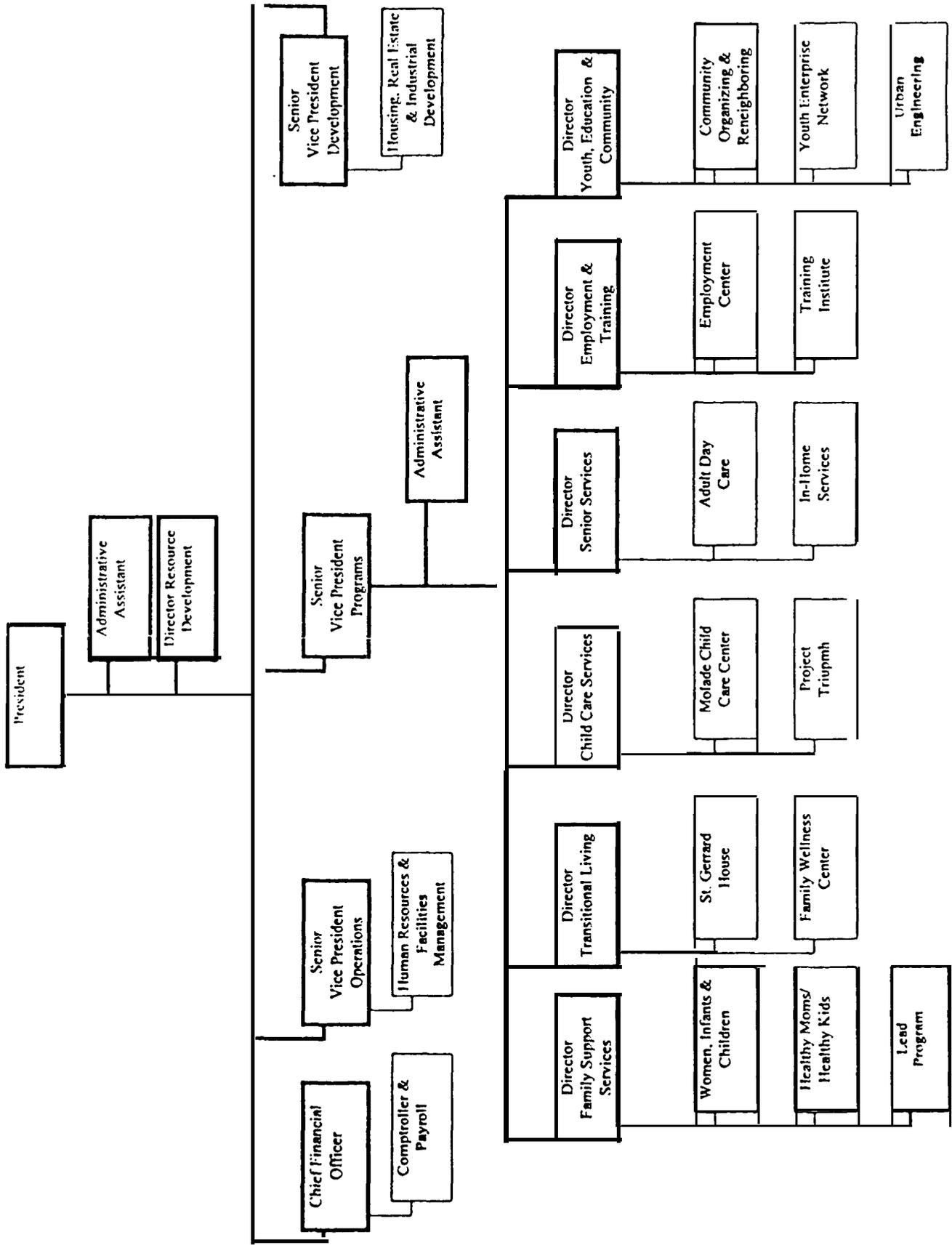
### **Job descriptions for Bethel New Life Senior Services:**

<i>Position/Title</i>	<i>Description</i>
Director of Senior Services	Plans, develops, and directs program
Assistant director	Assists director in all aspects of program
Administrative assistant	Coordinates support functions, provides secretarial duties for key administrators
Supervisor	Supervises daily activity and workers
Billing specialist	Performs a diverse set of duties that maintain accounting records
Intake specialist	Determines needs and creates a case plan for clients
Clerical	Performs various office duties
Receptionist	Performs various office duties
Direct service worker	Provides personal care in the client's home, helps administer medication, and provides a social interaction for patient

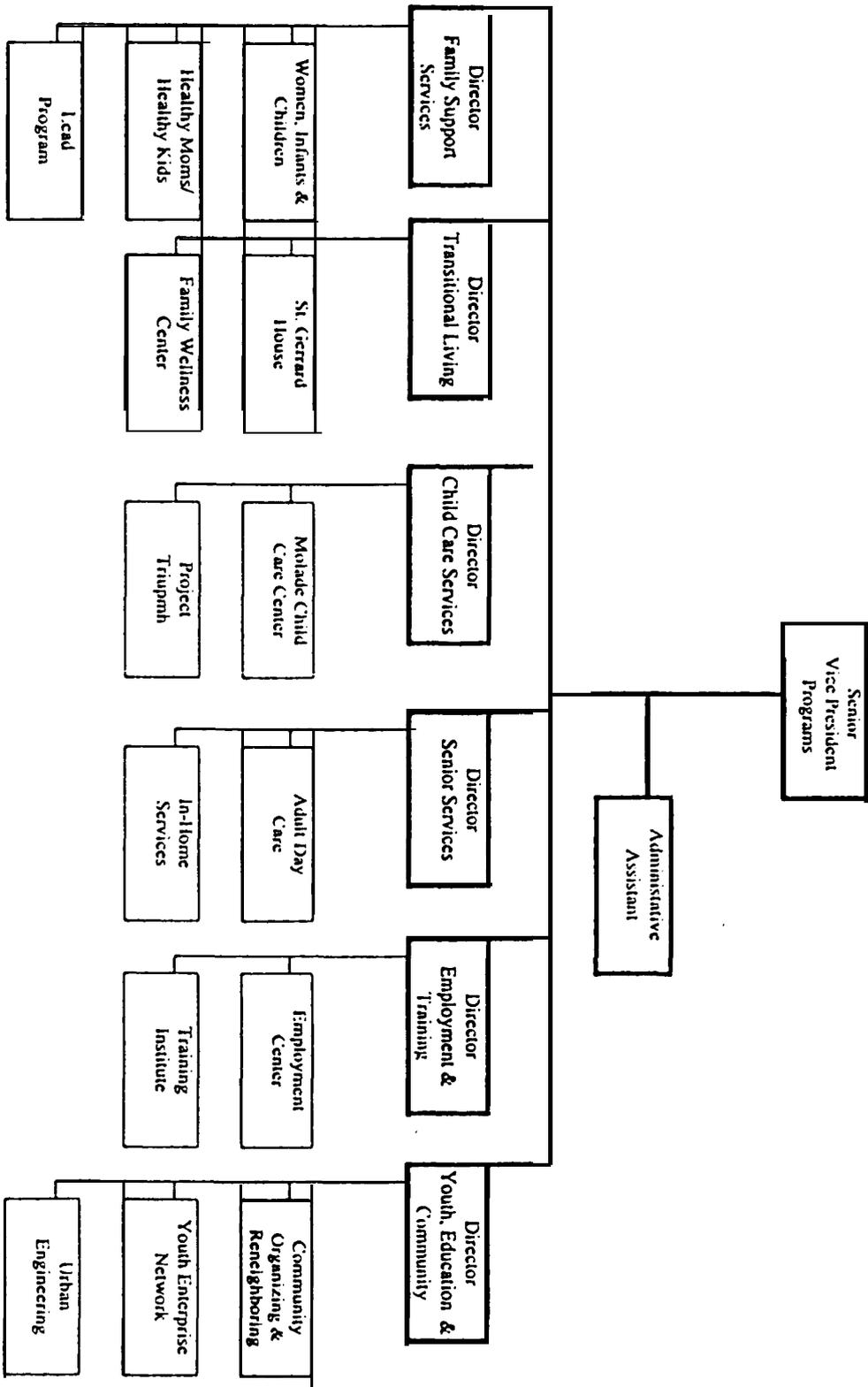
### CASESTUDY



**BETHEL NEW LIFE, INC. - Organizational Chart**



**BETHEL NEW IFE, INC. - Programs Division**



## Professional services or advisors

Many community-based organizations use outside professional consultants to assist with daily operations. This group of experts includes accountants, lawyers, project managers, grant writers, and fundraisers.

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## Market Research

You have already begun thinking in terms of a market-centered operation. Prior to writing the business plan, you looked at the services and products you buy and sell. You researched the demographics of your market and surveyed the customers' needs and wants. This information is the beginning of your market analysis. It is also important to analyze your market area's environment, non-profit industry trends, and competing services.

## Environment

Important environmental issues include demographic, political, economic, natural, technological, and cultural forces. Each of these factors will have some effect on your operation. Much of the information you collected in Chapter 3 will be used in this section. Some environmental factors will weigh heavier than others. The important thing is that you understand which factors might affect your plan and why.

In the worksheet at the end of this chapter you will use the data collected in Chapter 4 to describe the demographic factors that relate to your plan.

**Bethel demographic data:**

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Demographic Changes in Chicago's West Garfield Park Community			
	1970	1980	1990
Total Population	48,464	33,865	24,095
Percent female-headed households	29.1	57.8	63.9
Percent families below poverty line	24.5	37.2	40.8
Percent 65 years or older	1.6	5.0	8.0
Median number of school years completed	10.3	10.9	NA
Percent adult residents with high-school diploma	NA	38.4	49.9
Unemployment rate	8.0	20.7	26.8
Percent employed (16+)	52.3	41.6	38.3
Percent seniors below the poverty line	NA	NA	36.1
Percent seniors living alone	NA	21.9	23.9
Median family income (dollars)	7,532	10,922	17,170
Above as percent of city median income	73.5	58.2	55.9
Median household income (dollars)	NA	9,654	15,102
Above as percent of city median income	NA	63.1	57.4
Percent residents receiving public aid	NA	40.4	58.7

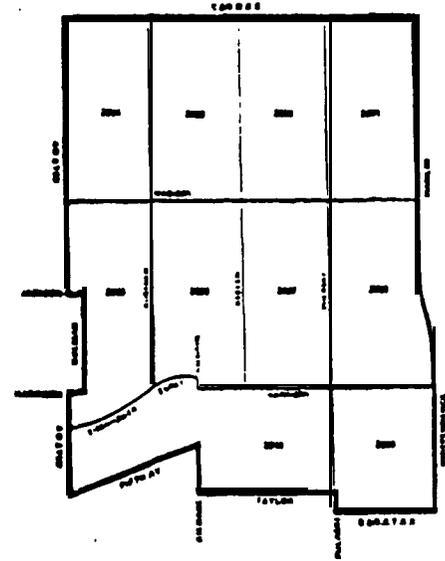
Bethel New Life is located in West Garfield Park, a predominately (98.9 percent) African American neighborhood located on Chicago's west side. As the table shows, West Garfield Park has seen a severe decline in population in the last 30 years from a high of 48,464 residents in 1970 to 24,095 in 1990. At the same time the community has had a growing elderly population. Between 1970 and 1990 the number of residents over 65

years old more than doubled, while the proportion of seniors in the community increased more than 400 percent. West Garfield Park also has a high poverty level, with 58.7 percent of residents receiving public aid in 1990. More than one-third of senior citizens live below the poverty line. The area has fared poorly in comparison with the rest of the city in terms of income of residents, with its family income as a percentage of the city's median income falling 24 percent from 1970 to 1990.

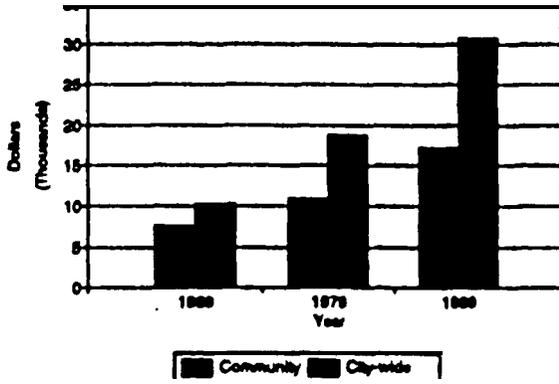
At the same time, the number of residents with a high-school diploma increased 30 percent from 1980 to 1990 to reach 50 percent of the adult population. The unemployment rate of 27 percent in 1990, however, is more than three times the rate in 1970. These statistics demonstrate graphically that West Garfield Park has both a large constituency of clients and potential employees for services to the elderly.

# West Garfield Park

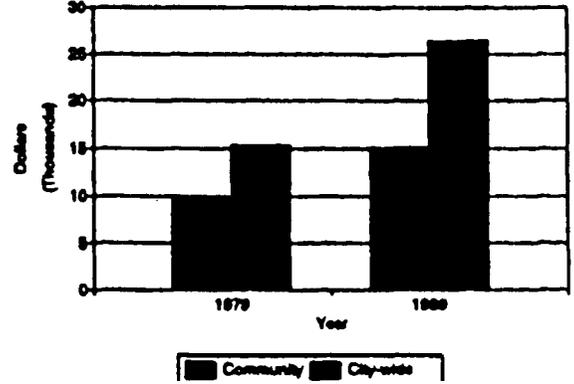
## Community Area 26



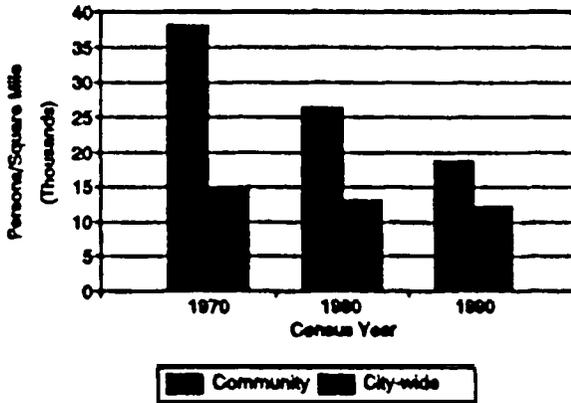
Median Family Income vs. City-wide Median Family Income



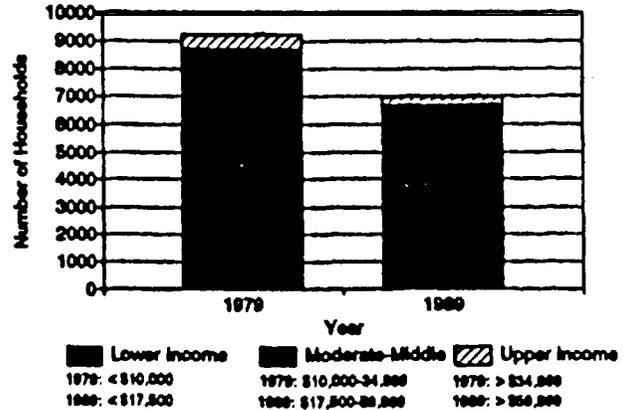
Median Household Income vs. City-wide Household Income



Population Density vs. City-wide Population Density

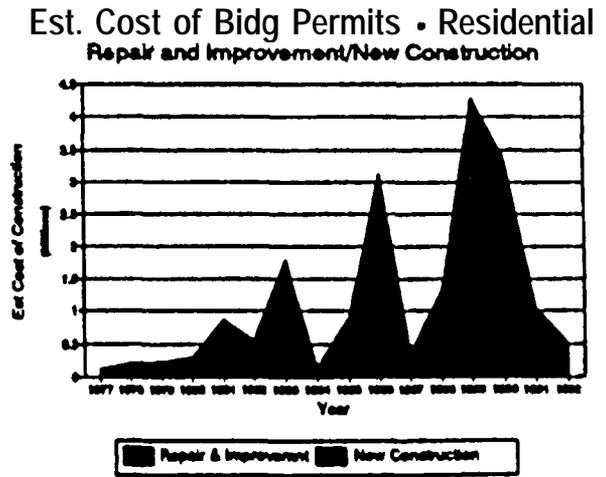
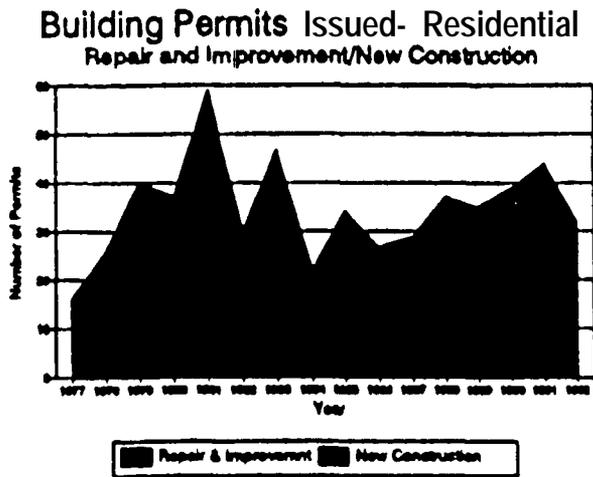
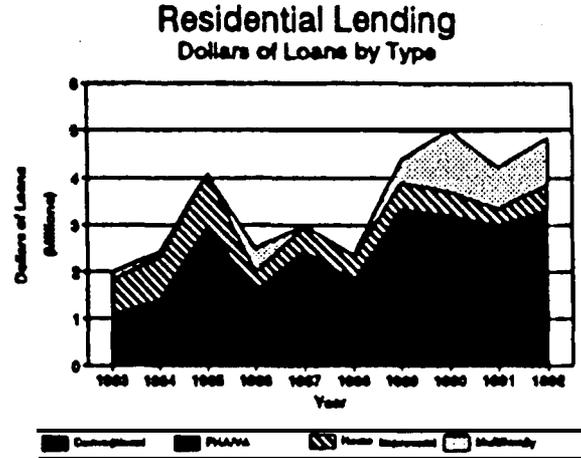
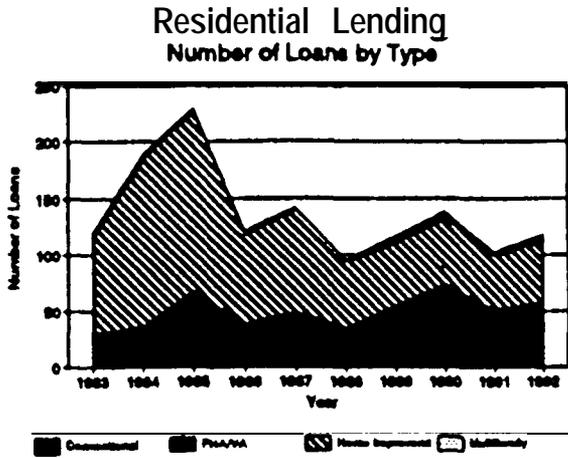
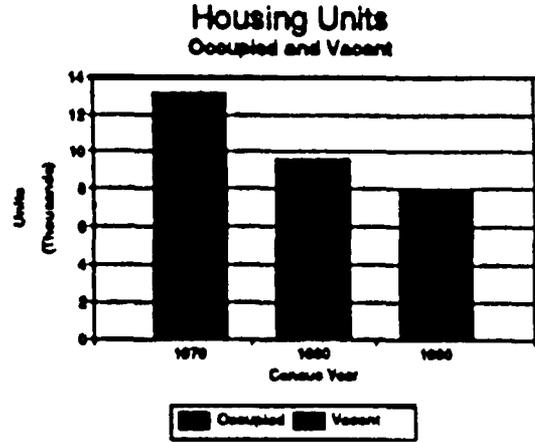


Household Income Distribution Lower/Middle/Upper incomes



Woodstock Institute, 407 S. Dearborn, Chicago IL 60605 (312) 427-8070

## Community Area 26: West Garfield Park



Woodstock Institute, 407 S. Dearborn, Chicago IL 60605 (312) 427-8070

Other environmental considerations include natural factors like water quality, natural barriers, climate, and so forth. Transportation might be an issue. Severe winters may affect your customers and, thus, the plan. Describe the natural factors that relate to your plan.

***Bethel environmental considerations:***

Environmental factors affecting potential Senior Services clients play an important role in the need for services. Chicago's severe weather affects the frail elderly's ability to travel both within and outside of their neighborhood. Drug and crime problems in West Garfield Park scare many seniors, who are afraid to leave their homes.

In-home care requires dependable visit schedules and services. Bethel's desire to use local workers decreased the impact of some environmental factors. Senior Service workers are not as dependent on public transportation and are less affected by weather conditions because they do not have to travel long distances to reach clients.

**Political factors**

Political factors you want to consider include legislation, politics, programs, or other initiatives that may affect your plan. Governmental and interest-group influence are important to consider. For example, since U.S. policies on welfare programs are changing significantly, the delivery of welfare-related programs will also change. You need to know if the local, state, and national political environment will support your activities.

***Bethel political factors:***

A constant political consideration is the financing Illinois budgets for this program. Although court order prevents the elimination of funding, the level of reimbursement could be dramatically affected by the political situation in the state capital. If the state lowers reimbursement rates substantially, then organizations that service the low-income senior citizen may not survive. If the state's turnaround time for reimbursement increases significantly, that will strain the liquidity of the program. The state's primary incentive to keep reimbursement rates at a reasonable level is that in-home care costs are a fraction of nursing-home care, the only alternative for the population being served.

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## Economic factors

Your area's economy also is very important. You will want to consider the unemployment rate, cost-of-living index, housing costs, tax base, and major employers and industries. Affordable housing may be a factor in your plan. If the economy is poor, and jobless and poverty rates are high, it may affect your plan. Describe the economic factors that relate to your plan.

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#### **Bethel economic factors:**

West Garfield Park saw significant economic decline between 1970 and 1980 (shortly before Senior Services was initiated). The unemployment rate over this period increased 250 percent, from 8 percent to more than 20 percent. Although the population is declining, the housing stock is old and overcrowded, with a high rate of abandonment and demolition. In the community as a whole, almost 90 percent of households earning less than \$10,000 pay more than 35 percent of their income for rent. (See also Demographic Data, on previous page.)

*Technology is important as it relates to creating new products or services or expanding market opportunities.*

More than one-third of senior citizens in the community live at or below the poverty line. Many more residents survive on incomes not far above the poverty line. These people cannot afford even a modest cost for in-home care. This means Bethel's Senior Services program must be structured to rely predominately on payments by third parties, primarily the state of Illinois.

#### **Technological factors**

Technologies that may affect your plan include the use of computers, software, or machinery. For example, you may be able to provide your product or service only because of technology that has been developed. Technology is important as it relates to creating new products or services or expanding market opportunities. The lack of necessary technology also may **affect** the environment. The product or service you provide may be necessary because the technology is not available or accessible elsewhere. For example, perhaps you provide your customers access to computers through renting time at a computer lab.

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#### **Bethel technological factors:**

Computers play an important role in the home-health industry. They allow for easier case tracking, billing, and record keeping. Senior Services must operate without advanced computers because the program

cannot afford them. The lack of sophisticated computer-tracking systems puts Bethel at a disadvantage versus its competitors, which consist of large, well established, for-profit companies with superior computers and programs. In-home health care is a business in which economies of scale play an important role. Bethel needs at least 300 clients to justify the purchase of appropriate computer technology and tracking systems.

## Cultural factors

Cultural factors include things that relate to religion, customs, morals, values, and perceptions that affect your market. For example, if the customers in the market area place a high value on extended-family support structures, it may affect your plan.

### ***Bethel cultural factors:***

Many residents in West Garfield Park have formed informal extended families, with neighbors taking on voluntary caregiver roles for the elderly. West Garfield Park and other African American communities express strong preferences for caring for seniors at home and not in nursing homes. As a result, members of the community are reluctant to place loved ones in a nursing-home setting and are responsive to Bethel's program. Senior Services provides a comfortable and caring in-home option.

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## Industry trends

Industry analysis is the second level of market research. In this section you will discuss the functions of non-profit service providers in your area. This information includes non-profit trends, significant changes, and growth areas. Describe your understanding of what is happening in your field.

### ***Bethel industry trends:***

The home-health industry is growing due to the graying of America. People are living far longer and the baby boom generation is reaching middle age. In-home care is a far less expensive alternative to nursing-home care. This makes it an attractive alternative to states because of the increasing pressures to cut Medicaid and other health budgets. It is also more attractive to seniors and their families because in-home care allows the elderly to remain in their homes and communities.

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Serving low-income populations requires developing programs that can be supported through Medicare or Medicaid — or funded directly through

Because of your market-driven approach, your competition is not limited to other non-profit organizations.

state programs — as potential clients cannot afford the cost of care, The home-health industry in Chicago is dominated by large, national, for-profit companies. Bethel’s Senior Services program is the first non-profit, in Chicago to enter the home-health care field.

### Competition

The competitive analysis includes identification of the competition, including the products or services it provides, its strengths, and its weaknesses. Competition is not foreign to you: you compete for grant dollars, donors, and volunteers. You must know what differentiates you from other organizations or you will be accused of “duplication of services.” Because of your market-driven approach, your competition is not limited to other non-profit organizations. Organizations in all sectors and industries must be considered. A table that compares your competition is an excellent tool to get a quick snapshot of where that competition is positioned. Besides factors cited in the example below, your table may also include the length of time in business, number of employees, location, or anything else worth comparing.

Analyzing the competition helps demonstrate gaps in services and areas in need of improvement. State clearly what makes your products or services unique and what advantages you have over the competition.

#### CASE STUDY *Bethel competition:*



<b>COMPETITION SUMMARY</b>			
	Products/Service Provided	Strengths	Weaknesses
<b>Bethel Senior Services</b>	Adult day care, chore, homemaker services and group activities.	Has a historical basis and understanding of community.  Career ladder for employees.	Lacks financial resources and computer technology.
<b>National Home Care and Quality Care</b>	Chore and homemaker services.	National health providers with greater financial resources and technical skills.	Not based in the community. Little room for worker advancement,

Bethel has a history and an understanding of this community an outside company could never have. Senior Services can use this knowledge to draw qualified caregivers and leaders from the community. This experience and Senior Services career ladder will help build a more stable work environment leading to higher quality care. A second strength of Senior Services is that it views clients and employees as community assets, not simply as a way to make a profit. The program, therefore, has an interest in connecting them to other Bethel and community programs and initiatives.

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## Customer Base

In defining the customer base you will continue to narrow the perspective until you reach your target market. The geographic and demographic description of the service area and those who will be served goes here. For example, the market is the entire city, but the target is a neighborhood area or section of town. As another example, if the primary market is women and children, the secondary market may be minority women and children in poverty. We return to the quantitative and qualitative data of Chapter 3 to describe the target market.

For example, your customers may be Native American children ages 3 to 10 who live in a certain neighborhood, or single men ages 30 and older with a high-school education and income of less than \$15,000 a year.

### ***Bethel description of typical customer:***

To qualify for Bethel's Senior Services, an individual must be at least 60 years old and live in Bethel's catchment area, the west side of Chicago. The average Bethel Senior Services client is 75 years old and is living below the poverty line. Most clients are female; 95 percent are African American and have health problems.

The target market is not limited to the people served. We often serve low-income or dependent citizens and look to a third party, such as Medicaid, Medicare, or other governmental assistance, for payment. The market also may include individuals, private foundations, or other non-profit organizations. For example, your customers might be non-profit agencies with less than 10 employees that service senior citizens in the inner city. Possible segmentation for this group may include the type of organization; the demographics; the size (i.e., number of employees or sales volume); third-party reimbursements; and fees for service.

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***Other Bethel markets:***

The program's potential contractors also include the Illinois Department of Aging and the Chicago Department on Aging. Clients must be certified by these agencies as requiring home care or adult day-care services before Senior Services can accept them into the program. Currently the program receives funding only from the IDA. Medicaid and Medicare could be markets if they change their billing policies and extend coverage to in-home care. Finally, the agencies and programs that refer clients to the service are important markets.

Bethel also sees its employees as an important market. In-home care is a low-wage, entry-level job, and Bethel seeks to attract employees and improve their capacity through offering a career ladder and training for more advanced skills. Through partnerships with local educational institutions, Bethel offers certified nurses-aide and other technical training.

***Your existing***

*customers  
are your best  
sales force.*

**Existing customers**

The way you communicate to existing customers is very important. This is the group that has been with you -they can and will speak about you to others. They know more about the organization than many others in the community. When you introduce new products it might be beneficial to test market them with existing customers. New products and services can be bundled and delivered jointly, at a discounted price, to existing customers as a benefit or incentive for long-term association with you.

An important result of marketing to existing customers is retention. Maintaining existing customers may be a difficult job; customer service is the key. Your marketing staffers must work with the program teams to develop procedures that ensure effective and efficient delivery of services. Existing customers need to know you appreciate them. One way such customers are "**courted**" in the for-profit world is through incentive programs. For example, your organization may develop a VIP card for customers that have been with you for a designated number of years. The card means that customer is special and is appreciated. It develops a sense of loyalty that is very important in maintaining your customer base.

Your existing customers are your best sales force. They testify to your ability to provide an excellent product or service. Many new customers come through referrals by existing ones. You may also want to develop a formal strategy that encourages and rewards referrals. It not only brings in new customers, but also reinforces the perception that your customers are special and important.

## Potential customers

Potential customers are those who want a product or service you deliver but don't know about your organization. New customers need information about your products or services, but most of all they need a reason to consider your organization. For example, a potential customer of a **day-care** facility doesn't just need to know that you provide day-care services; he or she may find it more interesting that you open at 5 **A.M.** or that you take newborns. Emphasize the benefits of your organization to your potential customers.

Next, determine how to get the message out. You can try to get customers to come to you, you can go to them, or both. For-profit businesses, do this, for example, through mailers that invite customers to come in to receive a prize, or through telemarketing. These techniques should try to sell a specific product or service, not the whole organization. You can introduce other products or services once you have customers on board.

With new customers, customer service again becomes key. Remember that new customers don't know as much about your organization and may need extra assistance. The goal is always to maintain relationships; you must do whatever it takes to accomplish that.

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## Marketing Mix

### Products or services provided

Other than briefly — in the initial description of the business — this is the first time that you actually describe, in detail, the product or service you provide. Along with this description, you should describe units of service available, the product or service quality, the quantity produced, and how you plan to meet customers' needs.

#### *Bethel marketing mix*

Products or services provided:

- Homemaker and chore services: Provides in-home assistance including budgeting, errands, escort services, handyman services, house cleaning, meal preparation, personal care, laundry, and shopping.

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- Adult day care: Provides recreation, medical services, and supervision for the frail elderly. Includes arts and crafts, counseling, family-support groups, meals, nursing services, physical/occupational therapy, recreation, socialization, supervision, and transportation.
- Group activities: Includes field trips, arts and crafts, Bible study, and other activities.

## **Promotion, advertising, and public relations**

Promotion includes advertising, public relations, publicity, and sales techniques. The techniques you employ should be addressed in this section. Non-profits generally understand the use of free media better than others. You should continue to utilize press releases and other free forms of exposure. If word of mouth is a key way your products and services will be promoted, you should explain the word-of-mouth campaign. For example, we expect that after the first 50 customers are served, they will refer five people. We will provide an incentive for each referral. Other forms of publicity include direct-mail campaigns, flyers, and newsletters. There are also opportunities to produce shows or highlight events through local-access cable channels.

You should not overlook advertising options, which should be included as line-item expenses. For many businesses, advertising is essential for reaching customers and expanding markets. Businesses can no longer rely on newspapers and broadcast media to promote their products and services.

As you develop the marketing-operations plan, consider the importance of selling the organization as a whole. Non-profit organizations have recently felt the sting of scandal and the scrutiny that follows. In thinking entrepreneurially, you must remember that appearances are often interpreted as reality, accurately or not. You should do your best to direct how you are perceived by customers and the community

Public-relations activities are proactive ways to build respect for your organization. Of course, excellent delivery of the product or service is the most important way to have good public relations. Public-relations advertising and activities only complement what you actually do, but they are necessary and should be consistent. Very often the community hears from a non-profit only during fundraising efforts. You build your case for financial support as people continuously see and experience the benefits

of your organization. Again, the use of press releases, newsletters, **annual** reports, community electronic bulletin boards, and cable-access television are just a few ways to communicate to customers and the community.

Bringing the community to your operation can also be beneficial. The best example of this is the traditional “open house.” There are other creative ways to reach people. Door-to-door campaigns, or meetings at places of worship, community centers, and schools are ways to reach customers, as is collaborative programming with others. The routine scheduling of promotions and advertising is also important,

***Bethel promotion and advertising plans:***

The home health-care business depends on a continued flow of referrals, and Bethel devotes constant attention to promotion and communication with organizations and individuals likely to produce those referrals. Senior Services has several strategies to generate referrals. Regular contact is maintained with local churches, as these organizations are most often aware of the needs of the elderly in the community. Program staffers have developed a brochure that is distributed to local organizations and individuals. Regular open houses are held to acquaint families, social-service professionals, and others with Bethel’s Senior Services.

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## Distribution

Where do you distribute the product or provide the service? How does it get to the end user? The place or distribution point is another important factor in the marketing mix. If customers will be traveling to your location, you will want to consider convenience, parking, visibility, accessibility, zoning, security, and storage. Do you provide delivery? Is this an outreach service? Also, describe the location’s floor plan.

***Bethel distribution — how service is delivered:***

A client is referred to the agency by the state, social workers, or other Bethel programs. Clients must be certified by the state as requiring nursing-home level care. Potential clients are screened over the phone to ascertain their eligibility for services — for example, to see whether they live in the Senior Services catchment area. Clients must then have an intake interview to determine their service needs and to create an individualized case plan. These services are provided in the home by **home**-health aides or at Bethel’s adult day-care center, depending on the needs of the client.

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## Price

Developing a pricing strategy can be **difficult**. In undertaking it, you should consider the costs of providing the service. You must also consider what the market will accept. What does your competition charge? **If your** prices are higher, you may lower them to compete unless you think customers and third-party payers would be willing to pay a premium for your services. If your prices are lower, you may want to keep them that way to be competitive because a price increase later may be detrimental. You must decide if your fees will be based on full costs, or on costs minus subsidies from other program income. Your price structure will also depend on the prices set by third-party reimbursers, You also will want to discuss your billing policies.

You may consider charging a small fee for services that have traditionally been free. The charge could be monetary, barter or volunteer exchange.

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#### *Bethel pricing:*

Senior Service's price for service is the result of a competitive bidding process with the Illinois Department on Aging. Bethel surveyed existing home-health agencies to determine their fees and expenses. Senior Services then used this information to determine a rate at which it could underbid the competition while remaining solvent. Initially, surpluses from other Bethel services and a bank line of credit were used to cover Senior Services' cash-flow problems, the result of the state's slow (on average, **90-day**) payment cycle. Some clients are also required to pay fees based on a sliding scale. Senior Services expects this payment to be zero for many clients, with small copayments for others (the low copayment is due to the high poverty levels in West Garfield Park). Senior Services is also setting up a reserve fund to help cover the cost of clients who exceed the state's maximum payment and who cannot afford to pay for services.

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## Financial

The financial section is the reality check for the plan, No matter how detailed or articulate the plan, if the financial section does not make sense the rest of the plan falls apart. This section includes current financial status and an expansion budget for the new operation, including projections of revenue and expenses.

Financial statements are management tools that help you assess the operation. The reader of the business plan can compare current finances to those projected. If your financial situation is good, then you can assume that you have the management systems in place that nurture success. Red flags will be raised if there are drastic changes between the old and the new, especially if the management and marketing sections don't successfully show how the changes are made. For example, if payroll doubles, the management section must clearly explain why and how new people are to be brought on board. You will want to work closely with your financial **officer** and/or accountant in developing these sections, which are attached as follows,

*No matter how detailed or articulate the plan, if the financial section does not make sense the rest of the p&n falls apart.*

## Current status

Your current financial situation is the starting point for the financial section. This is important historical data. Most of you have accountants or financial managers and the discipline to document financial transactions because of your organization's tax status and the reporting requirements of those who fund your operations. This puts you a step ahead of entrepreneurs, who often have difficulty disciplining themselves to manage their businesses as they market them. Reports to attach in this section are your current budget, income statements, and balance sheet.

## Sources and uses of proceeds

If you will need funding to expand your operations, then you must provide information on the sources and uses of that money. The "sources and uses of proceeds" is a summary of the funds you have to cover the cost of the expansion and how you will use them. You will decide if start-up costs will be funded through reserve funds, grants, loans, donations, or a combination of these. The applications of the funds should also include a detailed list of what you will purchase. For example, the equipment section could include **office** furniture, computer equipment, vehicles, and so forth.

### *Bethel sources and uses of proceeds to cover start-up costs:*

The in-home care program had relatively low start-up costs. The primary costs were the hiring of program-management staff (a program director and assistant), initial training for home health-care aides (who were not paid for the training period), and some equipment. Bethel itself had ample space and office equipment for the program, so these costs

### CASESTUDY



were negligible, and were covered through our general operating support grants.

The primary financial need was working capital to support the program while awaiting contract payments. Senior Services negotiated a \$150,000 revolving line of credit from a local bank to cover expenses until reimbursements were received from the state (a three- to four-month processing and reimbursement time). The line of credit could be drawn on up to 80 percent of receivables (a standard loan limit for receivables financing); Bethel agreed to cover any cash-flow needs beyond this level with its own funds. After one year, the program could obtain a larger line of credit to cover the increasing amounts owed by the state.

Since the establishment of the program the state has improved its payment system tremendously, reducing processing and payment time to one month. The program continues to utilize a line of credit to cover that reimbursement time, and the interest costs on the line of credit are included in the program budget.

### **Expansion budget**

The expansion budget is a laundry list of everything you need to get started. This includes items that will be purchased as well as those you own. Expansion costs generally include inventory, supplies, equipment, real estate, building, leasehold improvements, and working capital. For example, if a computer system is necessary for operations, then you should list it. Start-up costs may be different than the uses of proceeds because of what will be purchased. Everything in the expansion budget may not need to be purchased.

*Example:*

Fixtures, equipment, displays	\$ _____
Decorating and remodeling	_____
Signs	_____
Inventory	_____
Deposits	_____
Legal and professional fees	_____
Licenses and permits	_____
Insurance	_____
Initial advertising and promotion	_____
Other	_____
<b>Total estimated start-up costs \$</b>	<b>_____</b>



## Projections

The final section is your projection of what will happen financially. Many entrepreneurs are uncomfortable with trying to predict this. You too may be concerned. However, this is similar to your current budgeting process, and presumably you would not have developed the plan if you did not consider it viable.

This is not just a guess, it is an accurate assessment of what is likely to take place given your goals. You have developed a business plan that explains what and how the plan will be executed. The projections show expected income and expenses (projected-income statement); and inflows and outflows of cash (pro forma cash-flow statement).

## Projected-income statement

You will be able to project income because you:

- know what product or service you will provide;
- know there is a need for the product or service;



***Explanation:***

The **months are listed across the top**. Months are especially important in showing the cycles of cash, income, and expenses.

- \* The beginning **cash balance** shows the cash available the beginning of the month.
- \*\* The **income** is all income that comes in for the month for each product or service and each income category. This example shows only one product or service. If you have more you should include them in this format.
- \*\*\* List all **expenses**. For presentation purposes, this sample doesn't include the list of expenses. You can use the list of sample expenses given with the projected-income statement,
- \*\*\*\* The **ending cash balance** is the difference between the total cash and the total expenses for the month. This number is carried to the following month as the beginning cash balance.

---

## **Other Attachments**

The last section includes other documents that support your plan, for example, promotional materials, certifications, licenses, letters of recommendation, or news clippings. Use clear notations in the plan so the reader can easily find any documents you refer to in the text as an appendix.



## **Business Plan Worksheet**

### **A. Mission statement**

## **B. Statement of Purpose**





5. Organizational directors:



6. Programs, product, and services description:



## 7. Licenses, certification, credentials, accreditation:

### **D. Personnel**

#### 1. Organizational chart:

2. Job description:



3. Professional services or advisors:



E. Market research:

1. Environment:

(a) Describe the demographic factors that relate to your plan.

(b) Describe the natural factors that relate to your plan.

2. Politics: Describe the political factors that relate to your plan.



3. Economy: Describe the economic factors that relate to your plan.



4. Technology: Describe the technological factors that relate to your plan.

5. Culture: Describe the cultural factors that relate to your plan.

6. Industry: Describe your understanding of what is happening in your field.



7. Competition:

State clearly what makes your products or services unique and what advantages you have over the competition.

Competition	Products/Services Provided	Strengths	Weaknesses



F. Customer: Describe your typical customer,

## G. Marketing mix

### 1. Product

Describe in detail the product or service you provide. Along with the product or service description, you should describe units of service available, the product or service quality, quantity produced, and how you plan to meet the needs of your customers.





2. Promotion: Outline your advertising, public relations, and promotion plans here.

3. Distribution: Outline your distribution system here.





4. Price: Describe your pricing plan.

**H. Financial**

1. Current Status: Attach your current budget, income statements, and balance sheet.
2. Sources and uses of proceeds:

**Sources**

Grants, donations/fundraising	\$ _____
Loans	\$ _____
Reserve funds	_____
<b>Total</b>	<b>\$ _____</b>

**Uses**

Building/improvements	\$ _____
Equipment	_____
Inventory	_____
Working capital	_____
Other	_____
<b>Total</b>	<b>\$ _____</b>

3. Expansion budget

Fixtures, equipment, displays	\$ _____
Decorating and remodeling	_____
Signs	_____
Inventory	_____
Deposits	_____
Legal and professional fees	_____
Licenses and permits	_____
Insurance	_____
Initial advertising and promotion	_____
Other _____	_____
<b>Total estimated start-up costs</b>	<b>\$ _____</b>

4. Projections

Use the following format for this information. 



**PROJECTED INCOME STATEMENT**  
 (YOUR ORGANIZATION)  
 FOR PERIOD \_\_\_\_\_ TO \_\_\_\_\_

	Product or Service 1 <sup>1</sup>	Product or Service 2	Product or Service 3	Product or Service 4
<b>INCOME<sup>2</sup></b>				
Sales				
Grants				
<b>Donations/fundraising</b>				
Loans				
Other:				
<b>TOTAL INCOME<sup>3</sup></b>				
<b>EXPENSES<sup>3</sup></b>				
Advertising				
Automobile				
Depreciation				
Dues/subscriptions/licenses				
Insurance				
Interest				
Legal and professional				
Office supplies				
Payroll expenses				
Rent				
Salaries				
Taxes				
Telephone				
Travel				
Utilities				
Wages				
Other:				
<b>TOTAL EXPENSES:</b>				
<b>SURPLUS (PROFIT) OR DEFICIT (LOSS)<sup>4</sup></b>				

***Explanation:***

1. Each product or service is listed as a header. This format **allows** the reader to see what income, expenses, and profit are related to the particular product or service.
2. The income section shows what amounts of grants, fundraising, donations, or loans are related **to** the product or service.
3. The expense section shows which expenses are related to the product or service.
4. The surplus (profit) or deficit (loss) is the difference between the income and expenses. Some products or services may be more profitable than others. The more profitable products or services may supplement the less profitable products or services.

Use the following format for the three- ~~to~~ five-year projection (next page).





**PROJECTED INCOME STATEMENT**  
*(YOUR ORGANIZATION)*

FOR PERIOD \_\_\_\_\_ TO \_\_\_\_\_

	Year 1 <sup>1</sup>	Year 2	Year 3	Year 4
<b>INCOME<sup>2</sup></b>				
Sales				
Grants				
<b>Donations/fundraising</b>				
Loans				
Other:				
<b>TOTAL INCOME<sup>3</sup></b>				
<b>EXPENSES<sup>3</sup></b>				
Advertising				
Automobile				
Depreciation				
Dues/subscriptions/licenses				
Insurance				
Interest				
Legal and professional				
<b>Office supplies</b>				
Payroll expenses				
Rent				
Salaries				
Taxes				
Telephone				
Travel				
Utilities				
Wages				
Other:				
<b>TOTAL EXPENSES</b>				
<b>SURPLUS (PROFIT) OR DEFICIT (LOSS)<sup>4</sup></b>				

*Explanation:*

1. Each year of projections is listed as a header. This format allows the reader to see what income, expenses, and profit are related to the particular year,
2. The income section shows what amounts of grants, fundraising, donations, or loans are related to the product or service.
3. The expense section shows which expenses are related to the product or service.
4. The surplus (profit) or deficit (loss) is the difference between the income and expenses. Some products or services may be more profitable than others. The more profitable products or services may supplement the less profitable products or services.

## PROFORMA CASH FLOW (YOUR ORGANIZATION)



FOR PERIOD \_\_\_\_\_ TO \_\_\_\_\_

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Beginning cash balance*													
Income**													
Product or service #1													
Sales													
Grants													
Fundraising													
Other													
Total cash													
Expenses***													
Ending cash balance****													

### ***Explanation:***

The **months are listed across the top**. Months are especially important in showing the cycles of cash, income, and expenses.

\* The **beginning cash balance** shows the cash available the beginning of the month.

\*\* **The income is all** income that comes in for the month for each product or service and each income category. This example shows only one product or service. If you have more you should include them in this format.

\*\*\* List all expenses. For presentation purposes, this sample doesn't include the list of expenses. You can use the list of sample expenses given with the projected-income statement.

\*\*\*\* **The ending cash balance** is the difference between the total cash and the total expenses for the month. This number is carried to the following month as the beginning cash balance.

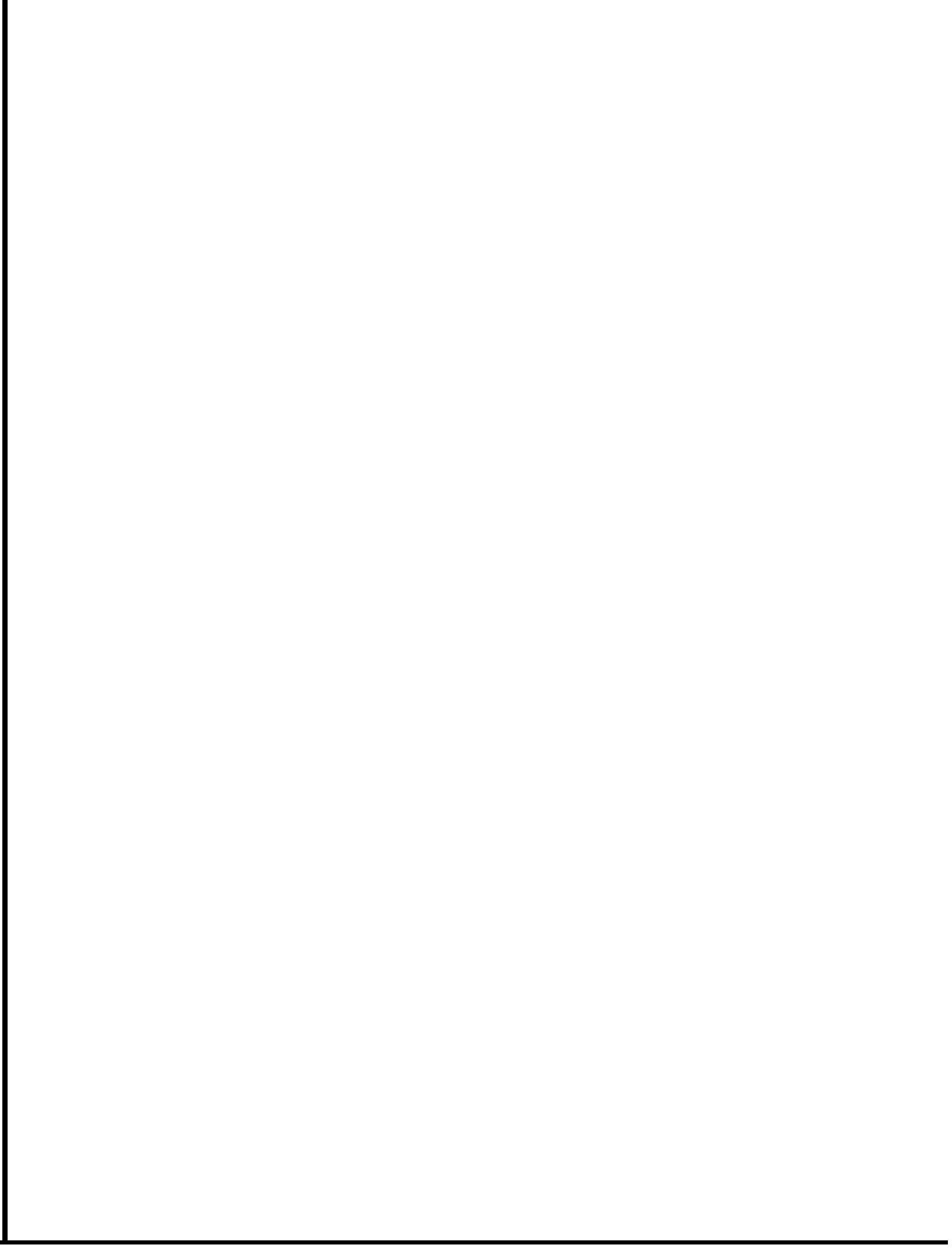
## Additional Attachments

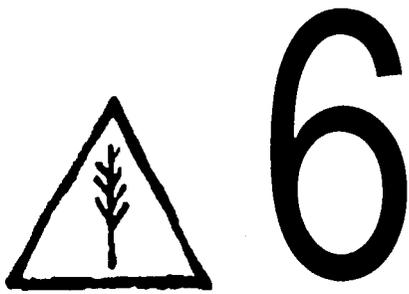
Here attach other documents that support your plan. For example, promotional materials, certifications, licenses, letters of recommendation, or news clippings. Use clear notations in the plan so the reader can easily find any documents you refer to in the text as an appendix.

### KEY LEARNINGS

- ◆ You will need to restructure your basic grant proposal to look and serve as a business plan: a map, subject to constant revision, that will lead you to your goal,
- ◆ Unlike a traditional business plan, your financial goal will not be profitability and return on investment, but greater self-sufficiency and less dependence on external grant sources,
- ◆ To clarify the overall vision leading to your plan, you should write a mission statement describing your organization's reason for being.
- ◆ You should include in your business plan details of your organizational and personnel structure; market research; a marketing plan to help you communicate effectively with customers, develop promotional strategies, and outline ways to price and deliver your goods or services; and a financial statement.







## Chapter

# Operating Your Business

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PART 1: RESPONDING TO YOUR CUSTOMER

PART 2: THE ROLE OF PROGRAM STAFF

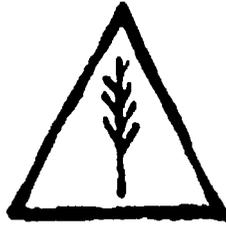
PART 3: THE ROLE OF SUPPORT STAFF

PART 4: THE EXECUTIVE DIRECTOR

PART 5: THE BOARD OF DIRECTORS

PART 6: FINANCIAL MANAGEMENT

PART 7: INFORMATION MANAGEMENT  
SYSTEMS



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# Operating Your Business

## Purpose

This chapter will give you guidelines for restructuring your organization along entrepreneurial lines by redefining traditional management roles and by gathering and using marketing and financial information more efficiently.

## Learning Objectives

You will:

- collect customer information systematically regarding your products and services, changing community needs, and so forth;
- train your staff in information gathering as well as program design, implementation, and innovation, with an emphasis on each program being its own profit center;
- write a program's operational plan and budget including detailed projections of goods and services delivered along with associated expenses and revenues;
- reorganize your staff, depending on their functions, to take an active part in budget preparation, review, and monitoring;
- develop systems for financial accounting, reporting, and analysis; and
- use computing and communications technology to your advantage.

## Overview

Older models of management structure may inhibit your non-profit from developing its full entrepreneurial potential. You can redesign the way your directors and staff interact to create management dynamics that will enhance your ability to make the most of each staffer's abilities while remaining responsive to the changing needs of your community — both those you serve and those who pay for those services.

Once you have finished writing your business plan it is time to put your thoughts into action, Again, you are not redefining but rather **reorganiz-**

ing your operation according to your new perspective. Your organization is poised to be driven by your customers and community, but how do you implement the new plan? You must operate with an eye on the mission and customer as well as income generation, including income that may exceed costs. There is no prescription for success, but there are basic guidelines.

Here we share some thoughts on management, financial systems, information systems, and marketing techniques that may help you. We recognize that operations is more a function of people than form, so, rather than provide a step-by-step formula for operating your organization, we provide a foundation for your organization's growth.

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## Responding to Your Customer

Customers are the lifeblood of any organization. Again, your customer pool includes those who consume your services and those who fund them. This may include private foundations, the United Way, government, individuals, institutional contributors, or third-party reimbursers. This income is available only because you provide a product or service to these customers. Without them, you are out of business.

In the entrepreneurial model, customers are kings and queens. Whether they are youthful or seasoned, impoverished or well-to-do, healthy or in need of care, homeless or housed, brilliant or mentally challenged, service to them is the mission. In restaurants you have probably seen a note card asking if you enjoyed the meal and the service, and soliciting comments or suggestions. You must develop strategies to encourage customers to provide feedback on your organization and its products and services, especially if conditions, needs, and demands may be changing. This information can be obtained either through a written form completed by the customer or through an interview, and should be used to improve the services you provide.

Customer information must be systematically collected, recorded, analyzed, and reported. This process should be handled by staff (primarily program **staff**), volunteers, or even by customers willing to exchange labor for products or services received. As information gatherers, customers are involved in one more aspect of shaping your organization's destiny

## The Role of Program Staff

Program staffers become the important new players in the entrepreneurial organization. They are the front line for information gathering about needs in a community and about customer satisfaction.

Program staffers must be trained in program design and implementation, funding, evaluation, customer satisfaction, program modification, and innovation. This process has to be continuous to keep up with evolving community conditions. Staffers in each program area must operate in a mode of constant renewal.

With this in mind, staff members should operate as a team and view each individual program as its own profit center. Program staffers should understand the meaning of ‘non-profit’ and know that funding generated for your program — through grants, contributions, and earned income — must exceed the direct cost of operating the program. Why? Because the net gain or surplus from this program’s operation is used to finance other organizational costs, as well as contribute to your reserve fund. It is important to understand that the surplus generated from program teams contributes greatly to defraying the costs of administrative staff, capital expenses, and future activities.

The program teams must operate as “**intrapreneurs**,” that is, entrepreneurs working within a larger organization. To make program efforts more **efficient** and profitable, this team of intrapreneurs must be keenly aware of budgeting, resource management, marketing, and methods for internal and external information exchange.

The program staff is composed of teams that must establish clear and measurable objectives and goals for managing the programs and resources involved in producing, promoting, and delivering products and services. The business plan provides a framework for guiding the organization, but an internal operational plan and budget is key to your staff’s management success.

The program staff must collectively establish group objectives to be reached on a quarterly and annual basis. Likewise, each program team and individual team member sets objectives and goals for the quarter and year. The objectives and goals are to be used as measurable performance indicators for the overall program staff, each program team, and each team member. This process should not occur in isolation, because it

Program **staff-ers** become the **important new players in the entrepreneurial organization.**

affects the entire organization and community. Seek input from other **staff** members, directors, and community representatives.

The program's annual operational plan and budget should outline the overall objectives and goals of the effort. Include the clear benefits and outcomes for both customers and community. Project how many units of each product or service you will deliver on each day, week, month, and quarter for the year. The plan must delineate the cost to produce and deliver the products or services at those same intervals. Include how much revenue will be generated; what the sources of it are; the specific timetable for receiving it; what steps or procedures must be followed to receive it; how much of an operational surplus or deficit is projected for each program; how customer profiling and feedback will occur; and the method for evaluating the program.

This plan will be your guide for evaluating the performance of a program, product, or service on a weekly, monthly, and quarterly basis. It will also let you know if and when to make adjustments.

---

## The Role of Support Staff

In the entrepreneurial organization, support staffers are important contributors to the overall organizational thrust. They too must possess the drive to serve the community. They must accept the principle that the community is empowered to direct your organization's growth and development.

In more traditional organizational models, administrative and support staff are empowered by their control of information. This group can include the office manager, administrative assistants, clerks, accountant, bookkeeper, public-relations personnel, and in some organizations, even the facility-maintenance supervisor. Because these staffers record and process information, advise, schedule, purchase, bill, and keep the keys to files, doors, vehicles, buildings, and so forth, they are, in too many cases, the self-appointed "key" staff.



In the entrepreneurial non-profit, the support staff and executive director should back up and give technical assistance to the program group. The idea of service to customers and community should be the driving force. The financial manager assists with budgeting and financial-resource management of program activity. The marketing manager helps with strategies for selling the program to a broader customer base, handles

public relations for the program, and disseminates program information internally.

The entrepreneurial organization is more **efficient**. The abovementioned functions might be completed by only one, two, or three people, as all administrative staff must be paid from the surplus of a program budget. Therefore, support **staff** must be willing to **shift** responsibilities and tasks, such as budgeting, resource management, and revenue generation, to the program level. Support staff should provide technical assistance and coordination rather than administration and supervision.

Support staff should develop a simple operational plan and budget that outlines objectives for the team and for each member. This group must coordinate with program staff and the executive director as to what support will be provided; weekly, monthly, and quarterly responsibilities; the cost of performing these functions; and the sources of revenue that cover them.

In the entrepreneurial model, planning becomes increasingly important for the staff because it is an empowering technique. Staffers should continuously compare the plan to the actual performance, and, based on the information, work to improve processes, programs, services, and outcomes.

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## The Executive Director

In the entrepreneurial model, the executive director should ensure that the organization is responsive to the needs and demands of its customers and the community. He or she must maintain a flexible organization able to react quickly to changing conditions. The job requires an advocate of continuous education and training to upgrade both the skills and **efficiency** of the staff and the utilization of the latest obtainable technology. The job requires one who creates the framework and opportunity for team members to generate new programs, products, and services. Ultimately, the executive director's responsibility is to be the keeper of the organization's vision and mission.

In the old model, executive directors too often find themselves concerned with comforting important directors or other significant citizens, catering to institutional and individual funders, and managing cash flow. They are the eyes, ears, and mouthpiece of the organization through their interaction in countless community meetings and on committees and boards. They are also responsible for supervising and motivating the staff, **as-**

The **entrepreneurial model** works to empower all of those involved in the organization to be customer focused. The entrepreneurial executive director spends more time and energy working to empower the community, customers, and staff than solving operational problems and raising money. He or she does have the principal responsibility of developing the annual operational plan and budget. However, as stated, the plan and budget should be a collaborative effort.

sisting with the development of grant proposals, and reporting to the board.

In the entrepreneurial model, many of the tasks formerly associated with the executive director are shifted to other staff members who operate in teams. The teams collect information and share it with members of the board and other community representatives. Program innovations, income generation, cash-flow management, task management, and public relations are all functions of the team.

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## The Board of Directors

The entrepreneurial model works to empower all of those involved in the organization to be customer focused. The directors should ensure that this vision is central to all policies, program efforts, personnel, and budgetary matters. Along with the title “director” comes the fiduciary responsibility of the organization.

However, moving from the top to the bottom of the organizational chart means adjustments for the directors’ group beyond just a symbolic shift. Directors must clearly understand that information flows down to them from the community, customers, staff, and executive director. Directors then judge whether organizational activity is consistent with the vision and plan.

Directors should organize themselves in subcommittees to support organizational development. Options include committees for personnel policies and procedures; long-range planning; programming and product development; marketing and customer service; finance and revenue enhancement; information and technology; and communications. Information will flow from community and staff into these subcommittees.

## Financial Management

In an entrepreneurial organization people manage their own responsibilities and tasks, and ensure that the organization is meeting the financial objectives set forth in the business plan. Since the business plan projects the future of the organization for three to five years, it is important that annual performance is consistent with long-term projections. If it is not, then either short-term performance or long-term projections must be adjusted.

Financial management is essential to building a customer-focused, **self-sufficient** operation. As do for-profit organizations, non-profits must also manage by the numbers. All **staff** members should understand what the budgets and financial reports mean for the organization. Staffers must participate in developing the annual budget for programs and functions. On a monthly basis, they should collectively review and compare planned revenue and expense projections to actual revenue and expenses. They should review the cash position of the organization and discuss **income-generating** and fundraising strategies as a part of regular staff meetings.

### Developing the budget

Budgeting should be the responsibility of all staff members. Once a year each group within the organization is responsible for developing its segment of the budget. This includes program teams, support staff, and facilities-maintenance groups. The executive director develops budget estimates for his or her office's expenses as well as for those of the board. A budget committee should review the budget segment with each team, make adjustments if necessary, and merge the segments into an annual **organizational** budget. Staffers should then collectively review the annual organizational budget prior to its submission to the board of directors for approval. Everyone should understand that the budget is a living document, and that it will likely be adjusted as the year progresses.

### *Program budget*

An individual program's budget should be based on its level of activity. The program team must estimate how many units of a product or service will be delivered to customers each day, week, month, quarter, and year. You can extrapolate this from historical information. How many units were delivered last year? Will you increase your customer base this year and add to the units delivered? Will you deliver more or fewer units to each customer? Are some months more active than others?



***In the entrepreneurial mode, program teams should be proactive about introducing new products and services into their program mix that are delivered to the customer for a fee.***

To guess the number of customers and units to be delivered in a new program you must rely on information gathered in developing it. You have estimated the number of people in the area who need your new product or service, You have identified the competition. You know approximately how often customers may consume the product or service. Based on this information you can make an informed guess of how many units to deliver per week, month, quarter, and year.

You must then estimate the costs to deliver the goods or services, if possible, on a weekly, monthly, quarterly, and annual basis.

### **Facilities budget**

This budget must be developed based on information from previous years of operation. This team should gain insight from other staff members on whether the expected use of the facility will increase or decrease, and try to anticipate changes in expenses. These could include building repairs, changes in the cost of maintenance and cleaning supplies and/or contractors, and replacement of furnishings or equipment.

The revenue to offset these facility costs is generated by charging the program budgets, support-staff budgets, and the CEO's budget a rental fee for their space. If the facility group is unable to cover its expenses through rental revenues a deficit occurs, You will have to cover it with surplus revenue generated from programs, or with unrestricted funds raised for the organization,

### **Executive office and directors' budget**

If the executive director works directly with one or more support-staff members, this executive team needs to develop an operating budget. The budget should include any expenses that members of the board might incur, such as for meetings, travel, or mailings. As with the other divisions, the executive team should collaborate with other staff members to determine the scope of activities for the organization as a whole.

Annual and even special events that are not program related can be included in the **executive-offices** budget, but should be distinguished from administrative and other operational expenses.

Once the executive-offices budget has been developed, you should submit it to the budget committee for review and, if necessary, modification. The budget committee must merge the budgets from the various departments and units into a single organizational budget to be submitted to the executive director.

## Revenue

Once the expense side of the budget is completed, you should turn to projecting revenues for the period. In the entrepreneurial model, program teams should be proactive about introducing new products and services into their program mix that are delivered to the customer for a fee. This fee could be paid by the customer or by third-party reimbursement for services rendered (i.e., insurance). Beyond fee generation, more traditional funding should be estimated.

As part of your income projections you need to estimate the amount of funding that can be expected from traditional sources, including government funding, foundations, donations from businesses and corporations, the United Way, church contributions, direct solicitations, unsolicited individual contributions, fundraising events, interest on investments (i.e., trust funds), and program loans,

Estimate the following:

<b>Six-Month Income Projections</b>						
	<b>INCOME</b>					
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Earned income						
Product 1						
Product 2						
Product 3						
Service 1						
Service 2						
Foundation grant						
Public grant						
Contributions						
Other income						
<b>Total income</b>						



**You cannot help anyone if you can't maintain your own** The program budget is the compilation of income and expense projections developed on a monthly basis for a **12-month** period. Attach **financial** notes that outline the number of units delivered during the monthly period, the estimated cost of delivering each, and the price charged the customer for delivering fee-based units.

**financial stability.** Again, the program teams should collaborate with your support staff and the executive director in developing this budget. An accountant can provide technical assistance. If program **staffers** are is not familiar with developing budgets, hold a workshop or training session utilizing the expertise of a volunteer accountant or executive from another non-profit organization.

### **Income generation**

Beyond providing human-service programming, you should make efforts to consciously generate profit through an organized standing committee. Traditionally this fundraising has been a part of the directors' role; it included looking to corporations, foundations, and other capital campaigns for sources of income. In the entrepreneurial model, it makes sense to keep this important function, but the committee's leadership, membership, and focus needs to be revised. This committee should be spearheaded by the finance group and should consist of community representatives, other non-profit staffers and directors, local entrepreneurs, bankers, and other business and economic-development professionals. The committee is charged to look two to three years ahead for funding sources, profitable projects, and other resources. It works parallel to the budgeting process.

### **Accounting, financial reporting, and analysis**

You do not have to be an accountant to understand accounting. If you are involved in a community-based organization, you should understand what the numbers mean and how to use them in decision making. The management of financial resources is critical to the success of any operation. You cannot help anyone if you can't maintain your own financial stability

Organizations that manage funds from various sources — sales, foundations, and public and private entities — and have various programs and expenditures must have sophisticated systems of bookkeeping. Some have paper bookkeeping systems, with a chart of accounts, ledgers, accounts receivable and payable books, and so forth.

Others have made the transition to electronic or computer bookkeeping. Many such systems are simple to use. They have preprogrammed charts of accounts for many types of organizations, vendor lists, accounts-payable and receivable systems, payroll, reports, and more. The electronic systems have more flexibility and make it easier to create the reports needed for financial analysis and management.

The primary financial statements used for analysis are the income statement, cash-flow statement, and the balance sheet. The income statement summarizes financial transactions, income, and expenses for an organization over a given period. The cash-flow statement illustrates the cash position of your organization at any point in time, and the balance sheet shows your overall financial position. If read and understood properly, the documents should give an accurate reflection of the financial performance and health of your organization for the given time period.

The certified public accounting (CPA) firm that audits your books annually can suggest an appropriate electronic accounting system. This should lower the cost of maintaining good financial records and reduce the time and resources required for the CPA firm to conduct the audit.

## **Monitoring income and expenses**

Similar to developing the budget, monthly monitoring of income and expenses is the responsibility of all staffers. Given that everyone took part in developing the assumptions and numerical estimates for the budget, collectively they must also review and analyze the actual income and expenses against what was projected. The income statement can be used to provide information on the organization's income and expenses at a given time.

One of the most important reasons for monitoring the information collectively and on a monthly basis is to make decisions about programs, revenue generation, and expenses with input from the entire staff. This can result in collective strategies to increase income and reduce expenses. Staffers can better manage resources when they understand the total picture.

## **Cash management**

Many organizations make the mistake of thinking their problems are financial when they are really managerial. How you use a resource is as

important as the resource itself. Cash management consists of arranging matters so that current liabilities are provided for as they become due. If you don't have cash when the bills are due, you have a crisis,

On paper, the organization might show a positive financial position, but actual income received may be less than expenses due. This happens more often when an organization delivers a product or service to a customer in advance of payment. The delay in payment can cause a weakness in your organization's cash position.

Therefore, the cash position of your organization must constantly be monitored to avoid problems from lack of cash. For example, payroll can be an issue for some for-profits as well as non-profit organizations, because it is usually the single largest expense for the organization and the one given top priority. It can create a cash crisis that affects the organization's ability to pay other expenses.

To avoid a cash crisis you must determine how much cash your organization needs for its normal operations and plan accordingly. You can create a cash-reserve fund to help handle this problem; you use the fund as working capital because of the scheduled lag in your accounts receivable.

Again, it is critical that you apprise staff and directors of the cash position of the organization on a regular basis. You need a team effort to work through these organizational issues.

## **Financial position**

The balance sheet provides a snapshot of your financial position at a given time. The balance sheet uses the fundamental rule of accounting:  $\text{Assets} = \text{Liabilities} + \text{Equity}$ . Assets are all the things you own; liabilities are what you owe. Equity is what the organization is worth. As you work toward self-sufficiency, your worth, or equity, is very important. The accumulation of assets is another way you invest in the community. In this context, the community's ownership of your organization expands beyond participation and collaboration. The accumulation of assets is just one way your non-profit physically puts stakes in the community.

There may be cases in which your organization receives large sums of cash. You should invest that cash in short-term financial instruments to earn interest that will add to your asset base. For example, if your organization receives a grant that covers a program to be implemented over a **12-month** period, it would be in your best interest to put some of the

funds in a three- or six-month certificate of deposit to generate interest income. Organizations have even hired money managers to find the best instruments to earn short-term interest income with a low amount of risk.

As with all the other financial considerations, the financial position is important to share with the staff, executive director, and directors. The balance sheet, more than the other reports, is important to share with customers, the community, and funders. For these groups, your organization's longevity and health are key. The balance sheet is the best way to report this information.

The bottom line of the non-profit organization is not unlike the bottom line of the for-profit business. In both cases, financial health and stability determine ability to provide the products and services sold to customers. Finance is only one indicator of success. In order to help all areas of the organization be successful, staffers can better manage operations when they understand and help plan the entire financial situation.

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## Information Management Systems

Information is power. In order to use it effectively you must collect and organize data to manage your organization into the future. This can include altering the programs, products, and services you sell and deliver; creating new ones or eliminating those that are not as successful; telling your story; raising funds; and cutting costs and becoming more efficient.

Throughout this process we have stressed the importance of data collection and analysis. Once you have collected the data you can process and use it to make decisions. Information managers are the "keepers of the data." In the old non-profit model, this group either did not exist or was less relevant. In the entrepreneurial model, the management-information systems (MIS) team is crucial to your organization's success. It helps collect, organize, manipulate, and process information, and recommends the software and systems necessary to do so.

Because of technology you can access information more easily. Word-processing systems, spreadsheets, and databases are all used to help maintain and manipulate data. Important data to collect, maintain, analyze and utilize include traditional financial information as well as marketing data such as customer, demographic, industry, and environmental statistics.



## Using the technology

With computers, facsimile machines, modems, scanners, and so forth, organizations are better equipped to operate effectively. With desktop publishing systems and presentation software, you can lower the costs of design and layout for materials. Database programs work as electronic filing cabinets. Spreadsheets and word-processing programs allow you to create professional documents and reports,

The technology also facilitates communication. Internally, your organization can utilize an electronic local area network (LAN) system to share software, transfer files, and send messages through electronic mail. You can also use electronic methods to communicate with the outside. Access to community electronic bulletin boards, the Internet, the World Wide Web, and other commercial electronic communication and information providers may be critical to the success of your organization. Information managers facilitate this process; you can also hire outside contractors for consultation.

## Administration

In the entrepreneurial model, traditional administration activities can be spread to the functional areas with help from the MIS group. Technological advances reduce the need to duplicate efforts or maintain a “paper trail,” and help all staff members administer their own programs.

For example, a programming team inputs data on an electronic customer-service form. At the end of a service period (e.g., one month) the finance department pulls up the cumulative activity information and invoices the appropriate funding source, individual, or institutional. The marketing group reviews this data to identify market trends and sales activity, or to create customer-survey instruments.

If staff members need to order supplies, inventory, or equipment, they can complete an electronic purchase-requisition form that is forwarded to the finance group for processing. Included in finance’s processing will be the executive director’s approval or disapproval of requisitions; this too occurs electronically. Once approved, the finance group completes the purchasing and payment process. The MIS group maintains the systems so the flow of information is smooth and data is properly backed up and stored.

## **Collaboration**

In the entrepreneurial organization, true cooperation and partnering must exist among all functional areas. It is critical that program managers and information managers work together in new-program development. If you are interested in providing meals to seniors, for example, collect client names, menus, and suppliers. The information manager can then help develop a database to store this information for reports on the number served, the demographics of the customers, the amount of food used, the actual versus budgeted expenses, waste, and so forth. At the stroke of a key the program manager can know the status of the program and report it. By collaborating with other areas, the MIS group can thus effectively support your organization's needs for information and management.

## **Funders**

In your business plan you should document current and potential funders. Funders are customers; they should be courted and recruited. Create a plan to develop and maintain a relationship with them, and continuously send them information on your programming, even on efforts they have not funded. Request information about other successful projects they have funded. Make them aware of your efforts to diversify your revenues by introducing new fee-for-service products. It helps if they hear from others about your presence and positive work in the community.

Funders traditionally receive a good deal of information from an organization because they ask for it. They want to see your organization's history, annual reports, budget, organizational structure, and program goals. In some cases gathering that information is difficult. Excuses range from, "It has to be created" to "It hasn't been updated," to "I don't know where it is." You don't want to lose an opportunity for funding because you couldn't complete the application. The marketing or development staff should develop a packet that contains the standard information requested by funders including a fact sheet, press clips, brochures, thank-you letters, fliers, and other items that may be of interest. This packet should be updated regularly.

## Conclusion

Non-profit organizations must be driven by the customers and communities they serve. The board of directors and staff must look to continuous planning and information sharing as tools for guiding daily, weekly, monthly, quarterly, annual, and multiyear activities. Operate with an eye on the mission and customer, as well as income generation, profits, and assets accumulation. This focus will help your organization become more self-sufficient.

The traditional roles of the directors, executive director, and staff must change. Information is empowering to all who are involved with the organization, including the community. Non-profit organizations must improve the flow of information throughout the organization and community.

Non-profits must do a better job at collecting and organizing data and using it to manage the organization into the future. Use the data to guide programs, products, and services, to be creative with program development and reduce inefficiency, and to tell your story and develop funding.

Gathering and disseminating information is the key to the success of the entrepreneurial organizational model. When the community, customers, directors, and staff are empowered with equal access to information, everyone can make more informed and efficient decisions about creating healthier communities.

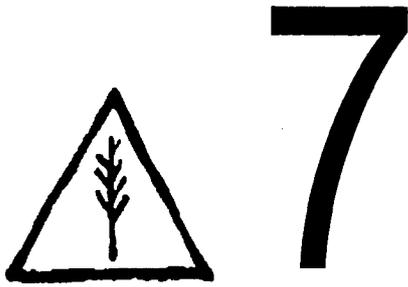
### KEY LEARNINGS

- ◆ Customers are the lifeblood of any organization. You need to find ongoing ways to assess and respond to them.
- ◆ Program staffers are the front line for information about community needs and customer satisfaction.
- ◆ Staffers should operate as a team and view each program as its own profit center.
- ◆ The executive director must maintain a flexible organization that is poised to respond to the demands of its customers and the community.

- ◆ The board of directors should ensure that the organization is customer focused and accountable to the community in terms of policies, programs, personnel, and finance.
- ◆ All staff members should work together to develop and adhere to the budget.
- ◆ You must develop systems for financial management and analysis. Cash-flow management is particularly important.
- ◆ You can use computers and related communications technology to lower your expenses while enhancing your informational capacities and producing professional publications and promotional materials.







## **Chapter**

# Planning For The Future: Managed Care

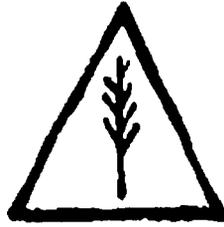
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PART 1: WHY IS MANAGED CARE EVOLVING?

PART 2: HOW WILL MANAGED CARE IMPACT  
YOUR ORGANIZATION

PART 3: EIGHT POINTS TO CONSIDER

PART 4: WHAT DOES THIS MEAN FOR YOU?



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# Planning for the Future: Managed Care

## Purpose

What does managed care mean for community-based organizations? What should you expect for the future, and what should you be doing *now* to prepare for managed care? This chapter focuses on the impact managed care will have on the health care funding and delivery system and what it means for community-based organizations. Changes in financing mechanisms may threaten the very existence of many nonprofit organizations — organizations which serve as crucial community anchors. This chapter offers strategies for community-based organizations determined not just to survive, but to prevail.

## Learning Objectives:

You will:

- increase your understanding of how managed care is impacting healthcare delivery systems;
- understand how managed care will impact community-based organizations; and
- explore strategies that will position your organization to survive in a managed care reimbursement environment.

## Overview

Despite its 60 year history, managed care as a business is still in its adolescence. After a lengthy period in the shadows of “fee for service” and indemnity insurance, managed care plans have emerged in the mid nineties as the dominant force in American health care financing. Given what we already know about maturing industries, we can be sure that managed care will evolve as it solidifies its position as the organizing template of American health care payment.

However health reform ultimately plays out, those who pay for care (government and employers) are shifting significant responsibility for managing future costs onto private health plans. Health plans will, in turn, shift both cost and responsibility for future health care expenditures onto

providers through **fixed-price** or **capitated** contracts, as well as onto patients and subscribers through increased cost-sharing.

For both employers and the government, this **shift** represents a change in benefits philosophy from an open-ended “service benefit” approach to health coverage, to a “defined contribution” approach embodied in managed care entities such as health maintenance organizations (**HMOs**). As managed care evolves, **HMOs** will be forced increasingly to demonstrate not only qualitative improvement in the care rendered to patients, but actual improvements in their health.

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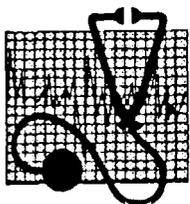
## Why Is Managed Care Evolving?

Managed care is evolving because the purchasers of health care think we are spending too much money on health care. Who are the purchasers of health care? Basically, there are two groups. One is the government, through Medicaid and Medicare, and through the coverage provided to federal employees and people in the military, the government provides funding for about half of the health care in this country. After the federal government, the second major purchaser is private business. If you're not on a government program, and you have health insurance, chances are it is paid primarily by your employer. And employers are saying they are being forced to spend too much money on health care.

Between 1960 and today, the percentage of the gross domestic product that we spend on health care has gone up by about two and a half times. In this country, we spend about twice the percentage of Gross Domestic Product (GDP) on health care as the Japanese or British spend.

The growth in Medicaid spending from 1970 to 1995 has grown 15% per year. This means we are spending 33 times as much in 1995 as we spent in 1970. In 1970, Medicaid was 4% of the average state budget. In 1995, it was approximately 22%.

Both government and private business are saying “we cannot afford health care costs to keep going up as fast as they have.” Even though legislative health reform failed at the national level, health reform is continuing.



Currently purchasers of health care are pursuing three strategies to reduce spending. One strategy is to create market power to reduce the income of providers. A second strategy is to control access to care and third is to force greater efficiency in the delivery of care, so that you

**spend less** without reducing the quantity of care, or sacrificing the quality of care. Purchasers are trying to create a system that creates incentives for all of these things to happen and they are primarily happening in the context of managed care,

Managed care is a concept that makes sense in terms of delivering good health care. However, the reason managed care has taken off is not because it is a good way of delivering health care, but because it is an effective way to control healthcare costs.

Under managed care, purchasers of health care pay a flat fee that fully pays for all health care services, no matter which services a particular patient actually requires. Such a flat fee creates an incentive against excessive spending. Because if you as a provider spend more, you don't get anymore money. So a flat fee, on what is called a "capitated basis," of perhaps \$100 per member per month, is an incentive to control costs. In addition, purchasers limit access only to certain providers. If you're in a managed care system, you can't go to any doctor you choose. Lastly, purchasers create a gatekeeper function so that there is a review of the need for services, and in particular, speciality services.

In short, we are seeing a move toward managed care because purchasers believe they can save money, and insurers and providers believe they can earn profits. Even patient populations that insurance companies and providers have traditionally avoided such as Medicaid and Medicare patients are suddenly attractive. So now, in addition to having to be a provider of health services, hospitals, physicians and other providers also have to possess the business expertise to assume and manage the financial risk of taking capitated payments.

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## How Will Managed Care Impact Your Organization?

Every aspect of health care today revolves around "cost" or "cost control." This is a national issue and will not go away any time soon. Throughout the country, there is a rapid movement, on both coasts, and in places like Minneapolis into managed care plans. The traditional patients of the non-profit, community-based organization, the poor and the elderly are being forced into managed care plans.

As managed care plans take over the care of these patients, they are looking to reduce costs in providing care to those patients. **Community-**based organizations generally provide specialized services for a specific population or specific disease or for a specific set of circumstances. Managed care plans won't pay for such specialty services, and unless you have another flow of money, you may not be able to make it. People enrolled in managed care plans are not likely to use the services of community-based organizations, although they may have used them in the past. This change is one of the ways in which many plans have reduced cost, because many of the services, especially mental health services, were provided by community-based organizations,

The grim reality is that as a community-based organization you will need to look at your internal cost structure and how you operate, and begin the process of looking at your organization from the point of view of efficiency, cost savings, and cost reduction.

Second, you must look at providing the value of what you do. Not **anec-****dotally**, but with dollars and cents, and with specific data. By looking at the offset costs for what you do, you can improve the economic value of what you do, such as decreasing hospitalization, reducing doctor office visits, getting people back to work faster, making them more productive, reducing workers' compensation costs and reducing nursing home costs.

Third, look at your political base of support, and manage it; to do so you have to come together as community-based organizations. This must be done at both the state and the federal levels.

As a community-based organizations you will have to show managed care providers that you can provide services to a defined population or to a group, better than anyone else can. When you are able to do this, managed care organizations will be more likely to contract with you.

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## **Eights Points to Consider**

- 1) Unless community-based organizations think strategically, and develop new ways of working, thinking and planning, long term sustainability is at risk.
- 2) The implications of Medicaid managed care are not limited to current populations. There is intent to expand Medicaid to a broader population, But whatever relationships get formed, or whatever

populations get served under this Medicaid expansion, and whatever partnership **HMOs** and large providers make with community-based organizations, will not, over time, be limited to the Medicaid population. If you are successful in this type of partnership, it can expand beyond the Medicaid population to include other populations that the **HMOs** serve. You must think beyond the Medicaid population. Think Big!



- 3) “Lone Rangers” will have no advantage in a managed care environment. Strategic partnerships and collaborations are very important. If you think only about what you need to do in the next year or two to survive, you may not survive beyond that. If you don’t think about prevailing as a strategic notion, then you already may be losing ground. Strategic partnerships and strategic consolidations will involve give and take. It can’t be, “I’m going to offer you an expertise I have, in exchange for the dollars you give me.” The exchange will have to be much more substantive: “I’m going to offer you the skill that I have in allowing you to fulfill your mandate, to serve this population, and you in turn are going to provide me with x, y and z,” whatever “that” might be, based upon your philosophy or need.
- 4) There will only be so many successful players. You will have to come to terms with the fact, that as these partnerships get formed, as considerations of cost effectiveness and efficiency become much more prominent, there are certain agencies and certain individuals who are not going to be able to play the game. To be a player in this game, a community-based organization needs to have a number of characteristics to have a competitive advantage. One way might be to calculate the risk you might have to assume for a certain segment of the population, and have a delivery system in place that you can market to an HMO. Your service may need to be more comprehensive, part of a whole benefit package.
- 5) You must have “cultural competence”. This is very important because cultural competence is a critical piece of a successful managed care implementation, First, it’s required for Medicaid contracts. Second, as our communities become more diverse, in order to be competitive in the marketplace community-based organizations will need to demonstrate and maintain cultural competence within the context of a paying population you may want to attract.
- 6) Having technological competence will be very important to your long term sustainability. In order to meet the demand for efficient

provision of care, you are going to have to set up, implement, understand and make use of an information system that serves a number of purposes: cost effectiveness, fiscal soundness, outcomes issues, patient satisfaction issues, and quality of care. As a result, an information system that does more than billing is a very important investment. Another component of technological competence involves communications. The ability to communicate back and forth with different providers in remote locations'is going to be increasingly important in the context of a larger, consolidated delivery system. Technological competence will also allow you to document cost, not just spending. You will be able to assess how much it costs you to provide a service to a patient, in order, then, to convince **HMOs** and large players that you are not more expensive than the hospital or someone else. And if you are more expensive, it for a specific reason and its associated cost. It's not just because you have a poor population. As studies have shown, the cost of providing care to poor people is not necessarily higher.

- 7) You can no longer go about your business without understanding the political environment in which we provide care for our patients. Political and policy competence is important because if you don't understand regulatory issues, it doesn't bode well for your ability to affect the environment to your advantage. Good advocacy involves policy analysis; it involves political action on a larger scale, and involves coalitions and networking with those who have similar interests. Competence in policy development, not just advocacy, is very important.
- 8) In order to make all of the above work principles work in a managed care environment it is important to think about the following four elements.
  - The first element is the need for a solid database. You need to know who you are serving. Needs assessment, a strong empirical, scientific and statistical database about who you serve, and what you do for the patient population that your serve, are very important.
  - A second element is strong ties to community institutions, and a working knowledge of community social and cultural norms. Such knowledge can make a health care system much more responsive and successful in meeting the needs of majority/minority communities.

- A third element is involvement of the community in planning, implementation, and governance. This is where advocacy, political activism, and policy competence become very important. If integrated health systems are going to respond, they need to involve the community.
- The fourth element requires consistent and appropriate evaluation feedback mechanisms in place. This assures that the organization will be responsive and dynamic with regard to the changing demographics of its constituents. This evaluation uses culturally appropriate surveys and feedback mechanisms.

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## What Does This Mean For You?

As you develop your business and strategic plans, you will need to take into account that there is a good chance that managed care will impact your community-based organization at some point in the future. Therefore, it is important to identify your niche, hone that niche, strengthen it, advocate for it, market it, in order to be successful. You will have to fully evaluate, document and fully understand what you will do differently to exist in this new environment. You will need to develop and follow the strategies that will assure you a containing, ongoing place in the environment, regardless of whether it's managed care today or single payer in the future.

### KEY LEARNINGS

- ◆ The changes in health care financing principles and practices will impact all of health care systems' major players — physicians, hospitals and insurers.
- ◆ Community-based organizations may be negatively impacted by managed care unless they begin planning for the future now.
- ◆ Community-based organizations will need to look at their internal cost structures, operations, and begin looking at the organization from the point of view of efficiency, cost

savings and cost reduction in order to compete in the managed care market.

- ◆ Strategic partnerships and collaborations involving substantive exchanges will be very important in a managed care environment.
- ◆ Community-based organizations will have to show managed care providers that they can provide services to a defined population, better than anyone else can.
- ◆ In order to be successful in a managed care environment community-based organizations will require: 1) cultural competence; 2) technological competence; and 3) policy competence.



# Notes

# Notes





# Conclusion

The key to building sustainable community-based organizations is in developing capacity within the organization and the community. Grant funding, dependence on external sources of expertise and aid, cannot, in the long run, guarantee a thriving organization. However, by investing in strong business principles, entrepreneurial service ventures and cultivating the assets of the community, there is a good chance you will not only survive but prosper.

Most of the materials in this manual have been designed to help you to assess and capitalize on the value you offer to your community and local economy. It aims to broaden the outlook of human service providers by introducing strategies and techniques that encompass key economic principles.

Becoming economically sustainable requires rethinking how you see your organization and the services you provide. It forces you to stretch your thinking and look beyond what you are currently doing and establish achievable priorities that are consistent with your other goals. Human service organizations need to develop the skills to turn an increasingly competitive fiscal environment to their advantage. Among the most practical ways to achieve this is by redesigning programs to interact with private-sector funding sources in a developmental capacity. Organizations must wean themselves from traditional public and private-sector funding as those sources dry up, and take aggressive action to improve their own positions while benefiting their communities.

To survive and prosper you will need to create expanding opportunities for self-sufficiency, both within your organization and for those you serve. In order to do this, it will require movement into a more dynamic, **entrepreneurial** stance, it is essential that you have a clear grasp of your organization's strengths and weaknesses and build consensus within to make the changes you agree on.

It is essential to plan your transition into the marketplace in terms of sound business practices. These include a thorough look at the nature of what you do; who receives and pays for your services, who your competitors are and how to use demographic and market research to determine available opportunities and how to make the most of them.

Once you have determined what services you provide and to whom, it's essential to quantify your research in a business plan that clarifies and solidifies your aims by examining all aspects of the changes your organization may make. This involves revisiting the mission of the organization and further analyzing the population (or customer base) in the community (market area), learning what opportunities exist for program (product or service) delivery, and determining what fees or sources of revenue (income) are available to pay for services.

Traditional models of management structure may inhibit your non-profit from developing its full entrepreneurial potential. You can redesign the way your directors and **staff** interact to create management dynamics that will enhance your ability to make the most of each staffer's abilities while remaining responsive to the changing needs of your community — both those you serve and those who pay for those services.

Community-based organizations will need to look into the future to assess long term sustainability. Changes in financing mechanisms may threaten the very existence of many nonprofit organizations. Under managed care community-based organizations will need to look at internal and external operating costs, and begin the process of looking at your organization from the point of view of efficiency, cost savings and cost reduction. As a community-based organizations you will need to show managed care providers that you can provide services to a defined population or to a group, better than anyone else can.

You will find that by developing more comprehensive services, partnering with others, assessing the capacities and assets of other individuals and organizations in the community, and planning strategically into the future your community organization will not only survive but prevail.

***Conclusion:***

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- This straightforward step-by-step guide to creating a business plan is a good, basic reference tool. Available through bookstores.

National Economic Development and Law Center. ***Financing Early Childhood Facilities and Issues in Building the Supply of Quality Child Care***. Oakland, CA: National Economic Development and Law Center, 1993.

- These brief manuals discuss how to establish and finance quality child care facilities and programs in low income communities.

Peterson, George E., and Sundblad, Dana R. ***Corporations as Partners in Strengthening Urban Communities: A Research Report***. New York: Conference Board, 1994.

- Order by calling (212) 759-1900. This report examines the experience of corporations as partners in central-city community building. Various kinds of partnerships are explored and can be used to develop positions from which you may approach area businesses.

Reeb, Kenneth G., and Remmes, William. *Community Health Centers: Engines for Economic Growth*, Washington, DC: National Association of Community Health Centers, 1994.

- Order by calling (202) 659-8008. This is the fourth publication in a series funded by the Robert Wood Johnson Foundation's program to strengthen primary-care health centers. The report highlights the experience of a group of health centers in rural North Carolina that were able to expand services at a time when other centers were closing because of loss of physician coverage and financial instability.

Rhodenbaugh, Thomas. *Human Services. An Economic Development Opportunity*. Washington, D.C.: National Congress for Community Economic Development, 1993.

- Discusses Human Services from a Development Perspective offering a new framework for viewing them as a vital tool for community and economic development, Discuss both operational and policy context for this perspective (includes detailed case studies).

Skoot, Edward (ed.). *The Non-Profit Entrepreneur*. Washington, DC: Foundation Center, 1988.

- This compilation of articles from a number of authors focuses on how to create ventures to earn income. It provides a thorough overview of the challenges of starting and marketing a business.

### **Additional titles:**

Beam, Henry H. *Finance and Accounting for General Managers*. (Dubuque, IA: Kendall Hunt Publishing Company, 1990).

Conners, Tracey Daniel, Ed. *The Nonprofit Management Handbook*. (New York: John Wiley and Sons Inc., 1993).

Goldsmith, Jeff et.al., "Managed Care Comes of Age." *The Healthcare Forum Journal*. September/October, 1995, pp. 14-24.

Hopkins, Bruce R. *The Law of Tax-Exempt Organizations, Sixth Edition*. (New York: John Wiley and Sons Inc., 1992).

McLaughlin, Thomas A. *Streetsmart Financial Basics for Nonprofit Managers*. (New York: John Wiley and Sons Inc., 1995).

Olenick, Arnold and Phillip R. Olenick. *A Nonprofit Organization Operating Manual*. (New York: The Foundation Center, 1991).

*Sustaining Community Health Improvement Initiatives-Part One: A Focus on Resource Development and Use*. Voluntary Hospitals of America. (Irving, Texas: 1995).

# *Notes*

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# Resources

## **Community Health Funding Report**

A bimonthly newsletter on public and private funding and federal legislation, is published by CD Publications-8204 Fenton Street, Silver Spring, MD 20910 (301) 588-6380. \$249 for a one year subscription.

## **Community Job Initiatives: Readiness, Training, Creation and Retention.**

By Alice Shabecoff. 16 pages. *Winter/Spring Alert* 1993. Published and available from the Community Information Exchange. \$7.00.

## **Emily George Fund-Mercy Health Services**

The Fund, sponsored by the Catholic nonprofit Mercy Health Services, provides start-up funds for innovative projects that **address unmet needs**, including health, for populations at risk. 34605 12 Mile Road, Farmington Hills, MI 48331. (313) 489-6774.

## **Federal Home Loan Banks-Community Investment Program**

The CIP program provides loans and grants through banks that are members of the Home Loan Bank System to community-based economic development projects. Including health care initiatives. Application is through one's bank. Ten regional offices.

## **The Future of the Allied Health Force.**

Papers from a symposium with suggestion about how to adapt a workforce to the changing health care system. 127 pages. 1995. Published by and available from the Pew Health Professions Commission, 1388 Sutter Street, Suite 805, Campus Box 1242, San Francisco, CA 94109. (415) 476-8181. \$12.00.

## **Getting Connected: How to find Out About Groups and Organizations in Your Neighborhood,**

A guide to inventorying local associations is available from the Department of Publications, Center for Urban **Affairs** and Policy Research, **Northwestern** University, 2040 Sheridan Road, Evanston, Illinois 60208-4100 for \$3.00.

## **The Gift of Hospitality: Opening the Doors of Community Life to People with Disabilities.**

Available from the Department of Publications, Center for Urban **Affairs** and Policy Research, Northwestern University, 2040 Sheridan Road, Evanston, Illinois 60208-4100 for \$4.00. Spanish language edition, \$4.00.

**Government Spending For the Poor In Cook County, Illinois: Can We Do Better?**

This study documents this pattern of expenditures and recommends alternatives. Written by Diane Kallenback and Arthur Lyons, it is available from the Department of Publications, Center for Urban Affairs and Policy Research, Northwestern University, 2040 Sheridan Road, Evanston, Illinois 602084100 for \$7.00.

**Human Services: An Economic Development Opportunity.**

By Thomas Rhodenbaugh. A **primer on turning** human services into community economic revitalization opportunities. 136 pages. 1992. Published and available from the National Congress for Community Economic Development, 1875 Connecticut Ave. NW, Suite 524, Washington, D.C. 20009. (202) 234-5009 for \$28.00.

**Models That Work.**

A compendium of brief descriptions of programs that improve primary health care for poor and vulnerable populations. PSA and Associates, 8180 Greensboro Dr. Suite 1050, McLean, VA 22102. (703) 442-9824.

**A Primer For a School's Participation in the Development of Its Local Community.**

A short pamphlet which describes more than 30 educationally sound ideas for involving the local school in community development. It is available from the Department of Publications, Center for Urban Affairs and Policy Research, Northwestern University, 2040 Sheridan Road, Evanston, Illinois 60208-4100 for \$1.00.

## **Community Development Resources**

You can contact the following organizations for assistance.

**ACCION International**  
**120 Beacon Street**  
**Somerville, MA 02143**  
**(617) 492-4930**

This private non-profit organization fights poverty and hunger by encouraging the economic self-reliance of impoverished working people in the Americas. ACCION provides credit, serves as a liaison between sources of capital and low-income entrepreneurs, and offers basic business training for the self-employed. In partnership with the Jacobs Family Foundation, ACCION is embarking on a national initiative to demonstrate that a private-sector approach that builds self-reliance can enable low-income U.S. communities to become financially independent.

**Center for Community Change**  
**1000 Wisconsin Avenue NW**  
**Washington, DC 20007**  
**(202) 342-0519**

The center's work is helping grassroots leaders build strong **community-**based organizations. It provides support and assistance to organizations serving low-income communities to help them get started, develop effective boards, raise money, organize, set objectives, devise strategies, start businesses, win issue campaigns, build housing, and develop a stronger economy. The CCC has a quarterly publication,

**Center for Organizational and Community Development**  
**Room 377, Hills South**  
**University of Massachusetts**  
**Amherst, MA 01003**  
**(413) 545-2038**

COCOD is a non-profit community-education center run by the School of Education at the University of Massachusetts at Amherst. It provides training, technical assistance, and consultation to citizen and community groups, non-profit organizations, and government agencies throughout the nation. Published resource manuals are available.

**Chamber6 of Commerce**  
**(see directory for local address and phone)**  
**The U.S. Chamber of Commerce**  
**1615 H. Street NW**  
**Washington, DC 20062**  
**(202) 659-6000**

Almost every community with a population greater than 500 has a chamber of commerce. Resources vary, but most have a "starting your own business guide" with regional information on obtaining a business license, taxes, local and state regulations, insurance, personnel, analyses, record keeping, and advertising.

**Community Information Exchange**  
**1029 Vermont Avenue NW, suite 710**  
**Washington, DC 20005**  
**(202) 628-2981**

This national non-profit membership organization is dedicated to providing urban and rural areas information to successfully revitalize their communities. Topics include affordable housing, community organization and advocacy, economic development, substance abuse, employment and job training, rural development, and crime prevention. Subscribers receive timely knowledge through publications as well as computerized information regarding public- and private-sector funding announcements, reviews of recent publications, and strategy regarding community economic development. Members have access to five databases and seven electronic bulletin boards regarding innovative and replicable strategies and identifying technical-assistance providers. There is a yearly fee **(\$65)** and modest charges for customized research and access to databases via modem.

**Ecumenical Resource Consultants**  
P.O. Box 21385  
Washington, DC 20009-0885  
(202) 328-9517

With a focus on church-related nonprofits and community-based organizations, ERC publishes a monthly update on grants, loans, conferences, programs, research, and other resources in a range of fields including economic development, aging, youth, the environment, arts, education, health, housing, and others. It also publishes a housing and community-development quarterly and other resources.

**The Foundation Center**  
79 Fifth Avenue  
New York, NY 10003-3076  
(212) 620-4230

The center disseminates information on foundation and corporate giving through national collections in New York and Washington, DC, field offices in Atlanta, Cleveland, and San Francisco, and a network of some 200 cooperating libraries in all 50 states and abroad. Through these library collections, grant seekers have free access to core center publications plus a wide range of books, periodicals, and research documents relating to foundations and philanthropy. The center sells its publications and has an on-line information service.

**Independent Community Consultants**  
P.O. Box 141  
Hampton, AR 71744  
(501) 798-4510

This non-profit consulting and publishing firm provides planning, research, needs assessment, resource development, management consulting, training and facilitation, conflict resolution, and publishing services to domestic and international organizations.

**Institute for Community Economic6 Inc.**  
57 School Street  
Springfield, MA 01105-1331  
(413) 746-8660

This non-profit works nationally providing technical and organizational assistance and low-cost financing to community-based groups. It is particularly concerned with the problems of low-income communities suffering from limited access to land, housing and capital. ICE operates a revolving loan fund to aid community-based, non-profit organizations and worker-owned businesses, and acts as a clearinghouse for technical information.

**Local Enterprise Assistance Fund**

LEAF provides subordinated, unsecured loans to community-based and worker-owned business, its Health Care Lending Initiative focuses on health service companies under worker ownership. 20 Park Plaza, Suite 1127, Boston, MA 02116. (617) 542-5363.

**National Association of Community Development Loan Funds**  
**924 Cherry Street**  
**Philadelphia, PA 19107-2405**  
**(216) 923.4754**

This national community-development financial intermediary's 43 member funds provide capital to community-based organizations **in urban and rural** communities throughout the United States for economic, social, and political justice. Its members manage over \$144 million in capital from individual and institutional investors. Community-development loan funds have loaned more than \$193 million, which has leveraged \$1.7 billion in public and private capital to finance over 43,000 housing units and create 6,300 jobs for poor Americans. Member funds established the association to develop an industry of effective community-centered financial institutions that combine social and economic justice with solid business performance. The association operates evaluation, training, financial service, and **public**-education programs.

**National Center for Neighborhood Enterprise**  
**1367 Connecticut Avenue NW**  
**Washington, DC 20036**  
**(202) 331-1103**

This membership organization provides technical and financial assistance to self-help strategies and projects, highlighting "what works," networking corporate America with "neighborhood executives," and representing low-income people in the social-policy debate. Issue focus is economic development, family preservation, crime prevention, and education.

**National Congress for Community Economic Development**  
**1875 Connecticut Avenue NW, suite 524**  
**Washington, D.C. 20009**  
**(202) 234-5009**

This is a membership association of organizations engaged in the economic revitalization of distressed communities through housing rehabilitation and real-estate development, industrial and small-business development, and employment-generation activities. Founded in 1970 by a group of community-based development organizations that were funded under federal anti-poverty legislation, the NCCED encourages and supports its members' efforts through advocacy, research and special projects, publications, training, fundraising, and technical assistance. Its mission is to ensure that all of the resources required for effective economic development are identified, developed, and made available to low-income and moderate-income urban and rural communities,

**National Economic Development and Law Center**  
**2201 Broadway, suite 816**  
**Oakland, CA 94612**  
**(510) 251-2600**

The center is a technical-assistance institution that applies legal and planning expertise to the challenge of improving the economic and social condition of disadvantaged communities. Working with public interest and pro

bono private attorneys, the center serves as a legal-services support center that assists local groups in planning and development of service ventures including child care, elderly care, and primary health-care delivery. The center has a newsletter, extensive publications, and handbooks.

**National Training and Information Center**  
**110 N. Milwaukee Ave.**  
**Chicago, IL 60622**  
**(312) 243-3035**

This non-profit resource center provides training and technical assistance on a variety of subjects — from how to build a strong neighborhood group to tested strategies for negotiating Community **Reinvestment Act** funds from your local bank, accessing asset-forfeiture funds to fight drugs and crime, and making the federal Community Housing Affordability Strategy work for your community. Government Assistance.

**NCB Development Corporation**

For cooperatives, **CBDOs** and other community-based groups, NCBDC lends for working capital, equipment leasing and purchase, predevelopment and permanent financing and leasehold improvements. Also provides Business Planning Advances, which are loans with flexible terms toward planning and start-up, such as market feasibility studies. 1401 I Street NW, Washington, D.C. 20005. (202) 336-7700.

**Orca Knowledge Systems**  
**P.O. Box 280**  
**San Anselmo, CA 94979**  
**(800) 868-ORCA (868-0772)**

ORCA sells directories on disk (DOS, **MacIntosh**, and Windows) listing funding sources for foundations, corporations, and federal assistance. Users may search by key word or phrase.

**Small Towns Institute**  
**Third and Poplar Street**  
**P.O. Box 517**  
**Ellensburg, WA 98926**  
**(509) 925-1830**

This membership organization is dedicated to helping a national network of active small-town leaders, community-development professionals, and government representatives explore new ideas, evaluate the effectiveness of working programs, and share possibilities to improve the economic well-being and quality of life in small towns. A bimonthly magazine features case studies, reviews, and reports, and promotes networking among members in need of assistance.

**The Society for Nonprofit Organizations****6314 Odana Road, Suite 1****Madison, WI 63719****(800) 424-7367**

This membership organization provides training and technical assistance in all aspects of non-profit management and development, including marketing organizations as an enterprise, managed care for human-service providers, and public-purpose marketing. Members may also take advantage of resource guides and group-purchase discounts.

**Small Business Development Center Program****U.S. Small Business Administration****409 Third Street S.W.****Washington, DC 20416****(800) 8-ASK-SBA (827-5722)**

Small Business Development Centers are coordinated through “lead organizations” in 50 states and the District of Columbia. The lead organization oversees program services offered to current and potential small businesses through a network of subcenters located at colleges, vocational schools, chambers of commerce, and economic-development corporations. The program is a cooperative effort of the private sector, the educational community, and federal, state, and local governments. Its purpose is to enhance economic development by providing management and technical assistance in finance, marketing, production, organization, engineering, technical problems, and feasibility studies. Special programs include rural economic development.

**Support Centers of America (headquarters)****70 Tenth Street, suite 201****San Francisco, CA 94103****(415) 552-7584**

With 11 locations in the United States and two international offices, SCA claims to be the largest provider of management training, consulting, and information services for non-profit organizations. Founded in 1971, this publicly supported tax-exempt organization exists solely to increase the effectiveness of non-profits,

**Woodstock Institute****407 South Dearborn Street****Chicago, IL 60605****(312) 427.8070**

Woodstock Institute is a nationally recognized resource in the credit and capital needs of low income communities and the tools and policy changes needed to redress inequities and injustice in the credit and capital marketplace. The Institute engages in applied research, policy development, and technical assistance to address the problems of disinvestment, housing, and unemployment.

# Notes





## Case Studies

This is a description of grassroots, non-profit organizations around the country that have begun to apply the principles discussed in this manual to their work,

### **American Indian Business Development Corporation**

1433 East Franklin Street

Minneapolis, MN 55404-2135

(612) 870-7555

**Summary:** Founded in 1975, the American Indian Business Development Corporation's vision was to bring businesses and new jobs to an American Indian neighborhood. In 20 years it has developed three real-estate projects that are home to 31 businesses and non-profit organizations, and created more than 325 jobs.

**Guiding Principles:** Families without jobs are vulnerable. Jobs, economic development, and neighborhood revitalization are key ingredients for positive change.

**Strategy:** AIBDC has redeveloped the oldest and poorest neighborhood in the city by employing traditional commercial real-estate development principles. Because of the economic status of the neighborhood, it has also been able to leverage a standard bank mortgage with large federal Economic Development Administration dollars and the city's contribution of property. AIBDC takes the long view and has been willing to invest the time (up to four years) to structure and develop a project with appropriate partners. The real estate is self-supported through rent and owned by the AIBDC. The AIBDC's \$300,000 annual operating expenses, however, are funded by local corporations and foundations.

**Support:** Volunteers operated AIBDC for its first two years. Since that time, it has depended on local corporate and foundation funding. The real-estate projects generate enough cash to pay the mortgages and expenses but do not generate additional funds.

**Programs:** The agency's "programs" are its real-estate ventures. Through neighborhood revitalization, they have created jobs, helped people develop and sustain businesses, and revived potential in a low-income, predominantly minority community. These projects have revitalized several blocks of blighted real estate, closed two bars and one liquor store, and been a catalyst for other commercial and housing-development projects. The real estate alone makes an annual contribution of \$150,000 to the tax base. The tenants' businesses create substantial additional tax revenue,

### **Chicanos Por La Causa**

1112 E. Buckeye Road  
Phoenix, AZ 85034  
(602) 257-0700

**Summary:** Founded in 1969, Chicanos Por La Causa (CPLC) began as a political action group that has grown from aiding the poor, largely Hispanic, South Phoenix community to serving both urban and rural communities throughout Arizona. Today, CPLC serves nearly 50,000 people annually with a staff of 250 and an annual budget of more than \$7 million.

**Guiding Principals:** The organization's mission is to help its constituents improve their lives by providing them with greater opportunities to obtain good-quality affordable housing, a good education, and meaningful employment, thereby promoting self-sufficiency and instilling dignity. CPLC's holistic approach to serving its constituency ensures that clients receive all needed services. Linking services, leadership development, and economic development is fundamental to CPLC's comprehensive strategy.

**Strategy:** CPLC responds to the perceived needs of its community. The social services and economic-development aspects of the organization are fundamental to the quality of life within the communities it serves. Social services include behavioral health, counseling, assistance in assessing needed services, education, and training for employment. **Key** to CPLC's success is its ability to remain flexible in adjusting program services to meet funding requirements, and educating funding sources to accept a broader definition of their funding criteria.

**Support:** The Ford Foundation gave CPLC its original \$30,000 grant. Financial support in the ensuing years has come from three sources: corporations, foundations, and government. Most funding comes in the form of a "contract for service." Sources include the Job Training and Partnership Act, which funds employment and training programs, and the state's **Domestic Violence** Fund, which supports a domestic-violence shelter. CPLC reviews costs and assesses the economic viability of each program on a regular basis. Bottom-line concerns are important, but they are not the only factor considered when deciding on program initiation or continuation.

**Programs:** As a Community Development Corporation, CPLC has continued its focus on economic development by:

- proving loans to small and emerging businesses;
- developing or improving low- to moderate-income housing;
- subsidizing housing for the elderly and disabled; and
- providing technical assistance for small and emerging businesses.

The social-services strategy is addresses by means of:

- employment and training programs;
- behavioral-health counseling;
- substance-abuse treatment;
- domestic-violence shelter;

- activities for the elderly, including meal programs;
- drop-out prevention programs;
- scholarships;
- summer youth-employment programs;
- adjudicated youth-intervention programs;
- housing counseling (HUD certified);
- immigration/citizenship counseling and education;
- a federal credit union;
- the Museo Chicano;
- employment search;
- housing search and relocation counseling;
- occupational-skills training;
- parenting training; and
- general social-service assistance.

### **Coastal Enterprises Inc.**

P.O. Box 268  
Wicasset, ME 04578  
(207) 882-7552

**Summary:** Incorporated in 1977, Coastal Enterprises Inc. (**CEI**), a non-profit community-development corporation, directs economic and human resources to help low-income Maine residents reach an adequate and equitable standard of living, learning, and working. Its purpose is to give financial and technical assistance for the development and expansion of fledgling industries or small businesses; provide housing and social services; mobilize public and private resources to support innovative projects that meet **the** needs of individuals, families, and communities; create social and economic opportunities for individuals and families at risk of poverty; and engage in research and policy development. With nearly \$25 million in assets and funds under management, CEI has participated in the financing of more than 500 ventures, leveraged over \$100 million in bank and other capital, and created or sustained more than 5,000 jobs.

**Guiding Principles:** Economic-development strategies are guided by their impact on work opportunities for low- to moderate-income families, to raise the standard of living, working, and learning. In its business-financing programs, CEI links job creation with agreements to hire low-income people, including AFDC recipients making the transition to the work force.

**Strategy:** Key to **CEI's** success is its focus on maximizing the effectiveness of resources by limiting target industries to natural resources, job-generating small businesses, microenterprises (including self-employment), women in business, housing, and child care.

**Support:** Financial support has come from public and private foundations, federal agencies, churches, and the state departments of Labor, Human Services, and Education, CEI has a strong asset base and the organizational structure to manage diverse funds and initiatives.

**Programs:** CEI has a Small Business Development Center that provides counseling, referrals, workshops, and links entrepreneurs to loans. It has four major funds that finance enterprise, job development, venture capital for high-growth, socially responsible businesses, and low-income housing. It is also a licensed SBA-504 certified development company.

Among CEI's nationally known service ventures is its Child Care Development Project (CCDP), a national demonstration aimed at linking economic-development principals with the need for quality child care. The project was initiated in 1988, when CEI recognized that **need**, timing, and political climate mandated innovation in child care. The Welfare Reform Act tied recipient income to employment training in "welfare to work" programs. At the same time, the need for child care was becoming a national agenda item not only in the context of welfare, but as an obligation of society to care for children in the context of the changing family and labor force. A strong factor was that Maine lacked people to fill jobs in a growing economy. The state unemployment rate dipped below that of the nation, in startling contrast to past decades.

From the proposals, CEI designed the CCDP to implement a financial- and technical-assistance program to create affordable, quality care. The model included a revolving loan fund for centers and family care; technical assistance counseling to sharpen business skills through CEI's Small Business Development Center; assistance in design and delivery of quality child care; a "how-to" manual; workshops; and an evaluation and advisory group. The two-year funding was set at \$1.4 million in grant funds matched with \$2.7 million in bank, state, and federal funds.

Fully operational today, primarily from loan proceeds and user payments, the CCDP offers compelling evidence that community-based organizations, in partnership with other public and private organizations, can contribute their development expertise to expanding child-care resources, an integral component of any community infrastructure.

### **The Neighborhood Institute**

1750 East 71st Street  
Chicago, IL 60649  
(312) 684-4610

**Summary:** The Neighborhood Institute (TNI) is a non-profit community economic-development organization with an annual operating budget of \$2.5 million. Over the past 16 years, TNI has established a track record of achievement and demonstrated its expertise in and commitment to new housing, business, and employment opportunities in the South Shore and Austin areas of Chicago. It also provides support services that meet the needs of low-income residents.

**Guiding Principles:** TNI's general philosophy is to help people help themselves by providing complementary services in three areas: education, vocational training, and job placement.

**Strategy:** TNI has effectively utilized a comprehensive and integrated approach to neighborhood revitalization that stresses both physical and human develop-

ment in addressing neighborhood needs. Its approach to services focuses on integrated, comprehensive job training that supports participants as they progress from basic literacy to high-school equivalency and beyond. Because it is a non-profit subsidiary of a bank holding company, sound business principles guide its operation. Its assessment of success is based on who graduates to permanent employment. Its bottom-line approach is increasingly attracting private-sector employers interested in hiring trained, capable employees. The continuity of **TNI's** staff and board also are considered key to the organization's success and longevity.

**Support:** To support educational and training programs, **TNI** uses public funds from the federal Job Training Partnership Act as well as state and local educational sources for core support, supplemented by foundation and grant funding. About 35 percent of its funding comes from government contracts, about 36 percent from grants, about 9 percent from fees, 15 percent from rents, 1 percent from interest, and 4 percent from miscellaneous resources. Resources are expected to grow with the full implementation of the Welfare Reform Act.

**Programs:** Current programs include education and employment, small-business assistance and entrepreneurial development, affordable housing and commercial development, resident services, and arts and cultural activities. These programs have had significant impact on the community, as evidenced by the following:

- placement of more than 4,000 people in private-sector employment;
- enrollment of more than 2,800 people in educational and vocational training;
- technical and financial assistance to over 300 small-business start-ups and existing businesses;
- rehabilitation or new construction of nearly 800 units of housing with more than \$30 million in investment financing;
- accessibility and home-repair services for 266 senior-citizen and handicapped homeowners;
- a summer internship program that over the past four years has provided 35 high-school students and 16 college students with exposure to the field of community development;
- youth-enterprise programs in the arts that have provided more than 200 high-school students with employment, as well as enterprise and leadership skills; and
- the provision of workshops, seminars, and training to more than 15,000 residents, promoting community education as a means of neighborhood revitalization,

**New Community Corporation**

233 W. Market Street  
Newark, NJ 07103  
(201) 623-2800

*Summary:* Founded in 1968, the non-profit New Community Corporation has been a major contributor to the city of Newark. NCC spent its first five years building support, first in the neighborhood and then throughout the city. Since its initial development — a **102-unit** family apartment complex — a fundamental strategy has been to build housing, jobs, and services concurrently so they can create, serve, and sustain their markets. Today the operation employs more than 1,250 people, is assessed \$2.3 million in local taxes, and generates more than \$4 million in federal and state payroll taxes.

*Guiding principles:* The NCC operates on the premise that to remain in touch with its constituency, it must base decisions not on government mandates or the whim of financiers, but first and always on the needs of the community. Though this has sometimes resulted in politically unpopular or delayed projects, in the long term it has empowered and stabilized the area.

*Strategy:* Key to **NCC's** success is its bottom-line approach to strategic planning. Each development depends on another. Housing, jobs, and services are developed concurrently so they can create, serve, and sustain their markets. Services meet basic needs while creating entry-level employment for community residents. Housing provides a stable client base for services and employment preparation. Jobs in service and housing management generate money for residents and employees to purchase housing and services. For example, a housing community's security staff is recruited from its residents, who are not only attuned to its needs but are being employed so they can afford to live there.

*Support:* Financing for the initial development came from suburban churches (\$100,000) and a corporate loan (**\$200,000**), which gave them leverage to get additional support from state and federal development agencies. All enterprises benefit from central purchasing, supply, and accounting, as well as interdependent program development.

*Programs:* The corporation's first project focused on housing, particularly for families. Subsequent development has built on what went before it and a vision of what would come after, and includes:

- the ownership and management of 13 housing developments; **Babyland** (seven child-care centers and parenting classes serving 650 children);
- the employment center (no-fee employment counseling and placement);
- NCC federal credit union (750 members and \$1.4 million in assets);
- renovation of a former church for commercial use;
- an extended care facility (180 nursing beds and 60 medical day-care spaces);
- job training and counseling services for the homeless;
- parent-child center for children with AIDS;
- **Harmony House** (traditional housing for homeless families);
- **Pathmark Shopping Center** (a mall); and
- the Center for Employment Training.

The development of this “new community” has produced a demand for more traditional economic ventures, including a new shopping mall, which created another 400 jobs, a neighborhood credit union, security services, transportation, and food-service businesses that meet direct needs while creating employment for local residents.

### **Pioneer Human Services**

2200 Rainier Avenue South  
Seattle, WA 98144  
(206) 322-8009

**Summary:** Founded in 1962, Pioneer Human Services has paved the way for non-profit enterprise in the Seattle area. It integrates a vast array of housing, employment, training, counseling, and other services needed by socially challenged individuals, including alcohol- and drug-related cases, convicts, parolees, and people on probation. Pioneer has offered a “chance for change” to thousands. It now **serves** more than 3,000 clients each year, employs approximately 500 people in its programs, and generates about \$30 million worth of goods and services for its community and clients annually.

**Guiding Principles:** With the focus on helping the individual and society to maximize the potential in human life, Pioneer runs its non-profit operation as if it were a private enterprise, with the combination of discipline and responsiveness required to be competitive in the marketplace. The organization generates its own revenues to support activities and adds programs that fit its resources and capabilities while responding to the needs of the client population,

**Strategy:** Key to Pioneer’s success is its commitment to a common vision; matching existing strengths to market opportunities; extensive market research; and integrating services essential for human development and productive community building. Pioneer started as a small agency and grew by adding services as a tangent to activities in which it was already engaged. When beginning activities with which it had less experience, it conducted careful research and developed or hired people with the expertise to begin each new initiative.

**Support:** Until 1984, roughly 75 percent of Pioneer’s money came from the government, mostly as grants and contracts. Now only 25 percent comes from the government, mainly as contracts for services. Almost all of its other revenue comes from product sales and payments for services.

**Programs:** Pioneer’s programs extend to:

- community corrections — four work-release facilities with a total of 200 beds and a temporary employee service;
- alcohol- and drug-free living — six apartment buildings; a **132-room** hotel; and a **130-bed** alcohol-treatment facility for civil-commitment cases and individuals with mental illness who are substance abusers;
- food distribution and service — an institutional kitchen and catering service as well as public cafeteria; also a wholesale food organization that distributes food to non-profit groups in 13 states;

- youth and family — a group home for 12 young male offenders, an outpatient counseling program, dropout prevention, counseling for middle- and high-school students, and a **21-bed** group home for youthful offenders; and
- enterprises — a real-estate management and construction division that develops and manages residential and commercial property; Pioneer Industries, a precision light-metal fabrication and finish facility that provides training and employment; and a commercial sewing operation that contracts with apparel-industry firms.

### **Sea Island Comprehensive Health Care Corporation**

P.O. Box 689

Johns Island, SC 29457

(803) 559-9901, (803) 559-4137

**Summary:** Sea Island Comprehensive Health Care Corporation (SICHCC) was formed by community members coming together to address the lack of medical care on the sea islands of Charleston County, South Carolina. It began as one clinic in 1969 with the support of the Church Women United of the United Methodist Church. In 1972, the **Office** of Economic Opportunity granted the SICHCC funds to begin health-care delivery on other islands. In 1994, the W. K Kellogg Foundation provided funding to establish a community-services division, which provides medical outreach and advocacy for low-income rural families and senior citizens. Today, SICHCC employs 250 people in five sites in rural South Carolina; one on each of five islands from which they operate Title III (Older Americans **Act**)-funded programs. A home health-care agency operates from two sites, providing care for approximately 300 patients, SICHCC owns and manages 88 units of housing for the elderly and handicapped, a 132-bed nursing home, and an independent pharmacy and reference laboratory. It also operates three child development centers.

**Guiding Principles:** SICHCC was founded and retains its mission to address the economic, health-care, and housing needs of all of the region's poor, primarily minority, populations.

**Strategy:** With no formal plan, SICHCC's strategy has been to establish itself as an important resource for private-pay, Medicare, and Medicaid-reimbursed care for the Charleston County community. SICHCC is an associate member of the state primary health-care association and its president has the governor's appointment to the South Carolina Health Services Finance Commission. SICHCC has transfer and referral agreements with local hospitals and other service providers for home health-care and nursing-home services. The agency cooperates with the local medical school and technical college in medical-education placements. SICHCC is a member of the Sea Island Revitalization Committee and is well connected through churches and community groups.

**Support:** SICHCC's 1994 operating budget was \$5 million; \$3.2 million of this was Medicaid and Medicare reimbursement, \$650,000 came from the Department of Housing and Urban Development (HAP housing money/rental), and \$400,000 was from the lab and pharmacy. Nearly 3.5 percent of the budget was funded by the Kellogg Foundation to expand elderly outreach, education, and

continued independent living (noninstitutional) efforts. SICHCC owns property worth \$1520 million; its mortgages owed total about \$3 million. The agency plans to lease land to commercial ventures to provide seed funding for its future programs.

**Programs:** SICHCC has five senior-center sites, one on each of the five sea islands. It does not operate any primary outpatient care at its sites, but leases space to a community health center that does so at two locations. The corporation owns and manages 88 units of housing for the elderly and handicapped as well as a skilled-nursing home of 132 beds. It also runs a home health-care agency serving about 300 mostly elderly patients. Its program activities are about 70 percent medical services (nursing home and home health) and 10 percent health-related education. SICHCC's pharmacy and lab serve everyone in the area. It plans to expand its child-development centers and lease land to a shopping center to fund a new administrative building, which also will house an intergenerational day-care program.

### **Valley-Wide Health Services, Inc.**

204 Carson Avenue  
Alamosa, CO 81101  
(719) 5895161, (719) 589-5722

**Summary:** Initiated in 1976, Valley-Wide provides medical care to a six-county rural population of 40,000 in an 8,000-square-mile area. It operates six medical clinics, two dental clinics, and offers support services in health promotion and case management. The service population is 50 percent Hispanic and 50 percent Anglo.

**Guiding Principles:** Valley-Wide is dedicated to the principle that everyone has a right to accessible, affordable, quality health care.

**Support:** Valley-Wide began when the community received a small federal grant and recruited three physicians from the National Health Service Corps, who were obligated through medical-student loans to work in a rural area. Two of those original doctors are among the 21 health-care providers the program now employs. At one time, 80 percent of the agency's funds came from granting agencies; now that figure is roughly 33 percent. The current annual budget is \$9.3 million, \$2.5 million of which is generated through public and private grants.

**Strategy:** Valley-Wide works with three major strategies. The first is to seek grant funding aggressively and adhere to the conditions of the grants as written. The second is to market the clinics to patients with the ability to pay, or those with private insurance (about 35 percent of current annual income). In doing so, Valley-wide competes with the area's three private clinics through consumer-oriented, high-quality care; a "wellness" approach to health; and patient education and support. The third strategy is a commitment to respond to the service needs of the community.

**Programs:** Programs include six comprehensive medical-care clinics; two full-service, school-based clinics; three dental clinics; family-support programs; case management; and health promotion. Beyond basic medical care, education and

support services target pregnant women and new mothers (nutrition), adolescents (high-risk behaviors), migrant farm workers and their families (case management), people with disabilities (independent living), and other adults (parenting and geriatric services).

### **Warren/Conner Development Coalition**

Partnership for Economic Independence

11148 Harper

Detroit, MI 48213

(313) 571-2800

**Summary:** The Partnership for Economic Independence (PEI) is the culmination of three years of research and program development aimed at integrating chronically jobless east-side Detroit residents into the local job market. During the planning phase, the PEI reviewed barriers to employment, models used by others, and local labor-market opportunities for integration of PEI families. In June 1993 the demonstration program commenced and several families were enrolled. Through continued program development and expansion, PEI currently serves 56 east-side families, 36 members of whom obtained jobs through the program, 7 of whom are in skilled training, and 10 of whom are seeking employment through job-readiness classes and other preparatory activities.

**Guiding Principles:** Businesses and chronically jobless residents in many urban communities have become alienated from each other. This is based on a general breakdown in community functioning, mutual stereotyping and fear, and a lack of community cohesion. The Warren/Conner Development Coalition and, in particular, the PEI, is seeking to rebuild the community by involving all members as equals; developing improved communication within and between groups; and recreating a sense of community among all residents,

**Strategy:** The PEI tries to bridge the gap between the business community and families seeking economic self-sufficiency. For both groups, the PEI seeks to increase their sense of membership (identity) in the program and the community. It provides individual “coaching” to address personal and family needs and establish group norms that are supportive of employment and related goals. Through the **Eastside** Detroit Industrial Forum (**EDIF**), we organize businesses to work together on issues of mutual concern including city services and repairs, increasing profitability, expanding the business base (beyond auto manufacturers, for example), work-place literacy, and financing of business expansion. Another common concern is locating a stable work force. As a final strategy, the PEI works to connect business those with members in our PEI Program,

**Support:** Funding is provided by the Skillman, Mott, Ford, Metro-Health, and Hudson Webber foundations, and the U.S. Department of Health and Human Services Office of Community Services. Income-generating programs are being developed (see later in this section).

**Programs:** The Partnership for Economic Independence sponsors several services for program members. These include:

- family coaching to help families resolve problems, establish goals, and overcome resource limitations and other barriers to achieving them;

- family dinner-club meetings functioning as group support and a regular social outlet for adults and children; also study forums and workshops on topics relevant to poor families.
- job-readiness training — three-week training on topics suggested by employers to help members learn to resolve potential work problems, develop relationships with employers, and seek work successfully.
- job placement, concentrating on manufacturing and health-care sectors, placing members in jobs averaging \$6.00 per hour or more.

Income-generating programs (still in development):

- work out-Three-month on-the-job training wherein members are placed in jobs and the Warren/Conner Development Coalition functions as the employer of record. The member is paid \$4.25 per hour and the employer pays Warren/Conner the market wage and payroll taxes. This program generates some income (although very little) and is partly self-supporting.
- empowerment through car ownership — this program uses cars donated by auto insurers to lease to members at very low rates that include auto insurance, major repairs, and administrative costs. At the end of the two-year lease period, the member has the option of buying the car at current market value; if he or she chooses not to, the car is leased to a new family. Income from car sales and lease payments help make this program **self-sustaining**.





# Glossary

**AFDC**

Aid to Families with Dependent Children

**Assets**

The items on a balance sheet showing the book value of property owned.

**Balance (cash)**

The amount of money available after you have deducted expenses from income.

**Balance sheet**

A financial statement showing all of the firm's assets, liabilities, and equity at a single point in time.

**Budget**

A detailed plan of the costs involved in running an operation on a day-to-day basis.

**Capitation**

A payment system whereby managed care plans pay health care providers a fixed amount to care for a patient over a given period of time. Providers are not reimbursed for services that exceed the allotted amount. The rate may be fixed for all members or it can be adjusted for the age and gender of the member, based on actual projections of medical utilization.

**Cash-flow statement**

A financial statement showing from what sources a business has received its cash and what it has done with it during an accounting period.

**Cost sharing**

The general set of financing arrangements whereby the consumer must pay out-of-pocket to receive care, either at the time of initiating care, or during the provision of health care services, or both. Cost sharing can also occur when an insured pays a portion of the monthly premium for health care insurance.

**Cost shifting**

Charging one group of patients more in order to make up for underpayment by others. Most commonly, charging some privately insured patients more in order to make up for the underpayment by Medicaid or Medicare.

***Customer base***

The geographic and demographic description of the service area and those who will be served.

***Entrepreneurship***

Activities related to organizing and operating and assuming the risk of a business venture, in which new markets and/or services are realized.

***Equity***

The cash value of an organization minus money owed.

***Expansion budget***

A financial projection of what it will cost to run the business or program. The items included are not **just** those you will add, but the cost of what you have that will be used.

***Fee-for-Service***

The traditional payment method whereby patients pay doctors, hospitals and other providers for services rendered and then bill private insurers or the government.

***Gatekeeper***

A primary care physician responsible for overseeing and coordinating all aspects of a patient's medical care. In order for a patient to receive a speciality care referral or hospital admission, the gatekeeper must preauthorize the visit, unless there is an emergency.

***Gross Domestic Product (GDP)***

The total market value of all the goods and services produced by a nation during a specified period.

***Health Maintenance Organization (HMO)***

HMOs offer prepaid, comprehensive health coverage for both hospital and physician services. An HMO contracts with health care providers, e.g., physicians, hospitals and other health professionals, and members are required to use participating providers for all health services. Members are enrolled for a specified period of time.

***Income statement***

A financial statement showing revenues minus costs and expenses for an indication of an organization's earnings during a period.

***Indemnity insurance***

A health insurance policy that protects and compensates for injury and illness.

***Intrapreneurs***

From the word "entrepreneur," "intra" means "**within**" and refers to someone who organizes, manages, and assumes the risks for the organization by which they are employed.

***Liability***

The amount an organization owes to any outsider.

***Managed care***

A general term for organizing doctors, hospitals and other providers into groups in order to enhance the quality and cost-effectiveness of health care. Managed Care Organizations include **HMOs, PPOs**, etc.

***Marketing mix***

The product or service you provide including the units of service available, the product or service quality, the quantity produced and how you plan to meet customers needs,

**MIS**

Management Information Systems.

***Preferred Provider Organization (PPO)***

A health care arrangement between purchaser of care (i.e., employers, insurance companies) and providers that provides benefits at a reasonable cost by providing members incentives (such as lower deductibles and copays) to use providers within the network. Members who prefer to use nonpreferred physicians may do so, but only at a higher cost. Preferred providers must agree to specified fee schedules in exchange for a preferred status and are required to comply with certain utilization review guidelines.

***Private sector***

This term is generally defined as the free market or free enterprise system.

***Pro forma***

“as if” or “projected” in accounting terms. Pro forma financial statements are projections cast as if the assumptions of the business plan will happen.

***Projection***

An estimate of what will occur in the future based on current information,

***Public sector***

The government entity that among its many domestic tasks, also modulates the operation of the private sector through regulation and licensing.

***Revenue***

The money derived from “selling” an organization’s products or services. This may include contributions, third-party reimbursements, or the proceeds from special events.

***Risk***

The chance of possibility of loss. For example, physicians may be held at risk if hospitalization rates exceed agreed upon thresholds. The sharing of risk is often employed as a utilization control mechanism with the HMO

setting. Risk is also defined in insurance terms as the possibility of loss associated with a given population.

***Strategic planning***

A plan of action involving the analysis of variables which relate to the business at hand.

***Voluntary sector***

Comprises non profit and voluntary groups that grow out of some need for or common interest in providing services for themselves or those not generally served by either the private or public sector. Voluntary sector activities operate as the unpaid participation and support of both the public and private sectors.