What is Your Economic Engine?

June 8, 2011 By Paul Kawata

Recently I asked "Are You Ready?" It was the beginning of a new series of musings written to support community based organizations (CBOs) through expected or unexpected transitions like:

1. Affordable Care Act (ACA)
2. National HIV/AIDS Strategy (NHAS)
3. 12 Cities Project
4. Enhanced Comprehensive HIV Prevention Plans (ECHPP)
5. Update of Funding Formula for Housing Opportunities For Persons With AIDS (HOPWA)
6. Ryan White Reauthorization (RWCA)
7. HHS Action Plan for the Prevention and Treatment of Viral Hepatitis
8. HHS Action Plan to Reduce Racial and Ethnic Health Disparities

These musings are not my usual evocative writing; in fact, the suggestions are kinda mundane. I want my life to be committed to fighting this virus, saving lives and changing the world. Who wants to do everyday chores? Come to find out, those everyday chores are essential components for building a strong **economic engine**. It may not be as grand as changing the world, but without it there will be no agency.Let's start with the question: ***"Why do certain organizations always seem to submit winning proposals?"***

Without a good economic engine (revenue generating infrastructure) it's harder to submit winning proposals. Gone are the days when you could get funded because you had a good idea or could reach a certain population. Now you need to have an economic engine and financial infrastructure to win proposals.

The National Minority AIDS Council (NMAC) also has to transform to survive. I hope we can go on this journey together and learn from each other.

Economic Engine
Your economic engine is the system that supports the financial infrastructure of your agency. To build this engine, you should utilize:

1. Technology & Innovation;
2. Outside Consultants; and
3. Boards That Raise Money.

I. Technology & Innovation
Successful agencies use technology and innovation to push their economic engine to meet new and changing demands. Here are ways NMAC has adapted cost effective technologies:

- No Paper
- On the Web
- In the Cloud
- VoIP

It’s time to get rid of paper, particularly paper timesheets and paper bills/invoices. Gone are the days of an agency needing to shuffle through various file cabinets to find the paperwork necessary for an audit. Timesheets and bills can now be put in secure searchable online databases to provide easy access to critical information in a short timeframe.

Companies like ADP not only automate payroll, they also have online programs for staff’s timesheets, including approval mechanisms. If you are ever audited, all of your time sheets are in one place. You will never have to look for a missing time sheet.

The same is true for paying bills. Companies like Anybill automate bill paying online. Gone are the days of rifling through file cabinets looking for copies of bills and/or payment. Now all of this information is online, secure and searchable.

Are you **“in the cloud?”** Google Cloud Computing or MS Cloud provides easy and cost efficient solutions for moving your agency into the cloud. If you still use a hard drive, it’s time to change. Not only does the cloud give your staff access to their files from any internet connected computer in the world, but it also gives your agency the security of backed-up files for all your employees. What happens to the critical information developed by staff if they lose their computer and/or leave the agency? With “the cloud” you don’t have to worry.

Remember how we used to make phone calls? They say within the next 10 years, most home phones will be disconnected. We now talk over the internet via VoIP, or voice over internet protocols. What used to be a closely monitored expenditure is now cheap or free. Services like Skype have transformed long distance calling. Services like Free Conference Calls have completely changed the way we talk in groups.

It’s all about doing business in a smarter, faster and cheaper manner. Technology gives you an edge; without it, you are lost like so many proposals that are not funded because the financial infrastructure is not in place.

II. Outside Consultants
Technology plus outside consultants is changing many agency’s relationship to administrative services.

Administrative jobs can now be outsourced. If you’ve ever lost a bookkeeper, you know the frustration of staff turnover. Outsourcing gives you options.

NMAC uses consultants for:
1. Accounting
2. Development
3. IT (Information Technology)

4. HR (in the past)

Working with outside consultants not only increases access to skilled professionals, but it’s also a solution to staff turnover. NMAC uses BDO for our financial services and Mindshift to support our IT. We’ve met with a variety of companies to look at HR, including ADP.

Personally, I don’t particularly enjoy managing HR (Human Resource) tasks. Yet it seems like more and more of my time is spent dealing with HR issues. Most agencies cannot afford full time HR staff, yet they have full time HR issues. You might want to consider outsourcing. In the end, you can be assured of keeping the best staff because you have a strong HR department.

III. Boards that Raise Money
If your agency is 100% dependent on government funding, or any singe revenue stream, then it may be time to consider closing. It’s impossible to pay for all the administrative/financial services your agency needs with government contracts. Low reimbursement for administrative overhead and restrictions on use of government funds drives the necessity for private sector support.

At the end of the day, the Executive Director/CEO/President of the corporation is responsible for raising the money to keep the agency open. However, they need the support of a good board of directors. When working with the board, you need the following:

1. Board Contracts
2. Conflict Of Interest
3. Give or Get

Board members need a contract that outlines your agency’s expectations for them, particularly any financial expectations. It’s not fair to put someone on the board and then ask them to raise $100K per year. They need and should know this expectation in advance.

From my perspective, board members for non-profit organizations are expected to give an annual contribution. If they can’t give, then they need to reconsider their position. This sounds harsh, but it’s a reality and a necessity for a good economic engine. Agencies cannot survive on just government contracts. Unrestricted funds are essential to fill the holes that cannot be paid with government money. What is your give or get?

Does NMAC do all the things I suggest above? No.

However, we are trying to do better. When you know better, you do better. I hope we can go on this journey together. I encourage you to engage in these discussions with your senior management staff and board. Please also share your thoughts and recommendations with me. I need your help and I am offering my support. It won’t be easy, but anything that’s really important is never easy.

Yours in the struggle,

Paul Kawata
