

Turning Administrative Expenses Into Opportunities

by Warren Tranquada

As organizations develop new social enterprise ideas, they typically think first of businesses that leverage programmatic value, skills and assets. However, earned income innovation and social value can also come from administrative functions.

Scaling for Profit

Social sector organizations often operate at a small, local scale and miss out on opportunities to improve efficiency and increase quality through collaboration. **La Casa de Don Pedro** in Newark, NJ recognized one such opportunity in its early childhood centers. La Casa, like other operators in the city, had a relatively small kitchen that was losing money on its contracts with the Department of Agriculture. Realizing that kitchen efficiency depends on scale, La Casa decided to build a larger central kitchen to serve the needs of all of its childhood centers, and for other providers in its community.

With sufficient scale, kitchen operations switched from being a hassle and liability to a profit generator for La Casa and a more efficient administrative function for its customers. Raymond Ocasio, Executive Director notes, “In addition to generating income for La Casa, this social enterprise creates an appropriate scale to maximize our efficiency. More importantly, preparing these meals through an independent business frees La Casa staff and other early childhood centers to concentrate on the business of educating our students.”

Profiting from Back Office Efficiency

An MSO, or **Management Service Organization**, is a company created to share services amongst a number of organizations. Most commonly, organizations share back-office operations such as information technology (IT), financial management services, human resources, purchasing functions, and/or property management services. MSOs are constructed to improve efficiency by

providing services that are often costly at a small scale and bring them to a level where economies can be realized.

Ideal shared service opportunities are functions in which:

- There are cost benefits to scale—typically because fixed costs are high.
 - There are challenges to achieving quality as a small consumer.
 - Traditional vendors do not appreciate the unique needs of the sector. For example, the **Brooklyn Justice Counsel** was created to provide legal services to HIV/AIDS organizations in New York City. This sector has complicated legal requirements that are not always understood by non-specialist law firms.
 - The function is a significant part of your budget. Even a small percentage of savings can be significant on a high cost item, such as medical insurance.
- Key benefits of MSOs include:
- **Increased quality:** Smaller organizations can often not support an array of IT services, but through sharing, a wider range of services can be accessed.
 - **Saves money** through sharing fixed infrastructure.
 - **Generates profits:** MSOs can be a source of earned income through providing services to external organizations.
 - **Spirit of sharing:** An MSO can open the door to talk about opportunities in programmatic synergies.

Eight-Agency MSO Partnership

Al Sigl Center in Rochester, New York is an example of a very successful MSO. The Center is a 40-year old partnership of eight independent rehabilitation agencies with aligned missions of providing services for people with physical and mental disabilities. This MSO functions to provide shared real estate, shared fund raising and marketing, and shared business services (IT, Human Resources, Risk Management, Public Relations, Training and Telecommunications).

The shared business services division of the MSO was started seven years ago, and has generated savings of over \$4.0M to its partners and is generating a profit. Beyond the savings, this division of the MSO hires top talent to provide services to the partnership that any one of the

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Social Returns Plans New Series of Social Enterprise Business Plan Competitions

Cynthia Massarsky recently announced the launch of SocialReturns, Inc., a new nonprofit organization that carries on and builds upon the work of the former Yale School of Management – The Goldman Sachs Foundation Partnership on Nonprofit Ventures. Massarsky worked with The Pew Charitable Trusts to conceive the groundbreaking partnership in 2001 and create the National Business Plan Competition for Nonprofit Organizations, for which she served as co-director under contract with Yale’s School of Management until its closing in September 2005.

SocialReturns will educate nonprofit, philanthropic, and private sector organizations about social enterprise and social entrepreneurship, helping them to affect positive and lasting social change. The organization will also provide financial capital to the most promising profit-making ventures, and build the practice of social enterprise and entrepreneurship in the nonprofit sector at-large.

With an offer from Yale’s School of Management to share The Partnership’s intellectual property with

the field, Massarsky is designing a website of resources and planning to house an upcoming series of Social Enterprise Business Plan Competitions for nonprofit organizations worldwide. SocialReturns is planning to continue The Partnership’s tradition of holding an Annual Conference and Awards Ceremony.

SocialReturns will also include a new University Consortium on Social Enterprise and Entrepreneurship—a virtual network where faculty and students will connect for research, publishing, curriculum development, and community outreach activities. So far, more than 24 colleges and universities have expressed an interest in joining the Consortium, and several universities have stepped forward to take a lead role in guiding and administering the program.

“This is a very exciting time for social enterprise and entrepreneurship, a movement that has finally reached its tipping point,” says Massarsky, a 30-year veteran in the field.

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partners could not afford individually. For example, a Risk Manager was hired to provide specialized expertise in assessing business risk within the partner agencies, providing loss control and claims management for all partners, and buying insurance on a group basis to create economy of scale purchases.

Value can be found in many different aspects within an organization and both large and small organizations can find opportunities to collaborate and share services and costs on functions common to all organizations. Administrative functions can indeed be a source of increased value and social enterprise innovation! ■

Hybrid Social Enterprise in the UK (continued from page 8)

a marketplace for the good of society, promoting a positive image for people with mental illness, helping them to be proud of who they are. Pegler sees a time when there will be no such thing as mental illness, only mental health well-being. Pegler is making mental health a trendy issue so that people can easily talk about it.

According to Pegler, at least half of the 2.8 million individuals in the UK who are receiving incapacity benefits also want to work, and in his view some of them could work as mental health consultants. Pegler plans to work as an agent and trainer for former patients who will draw on their personal experience to give training talks to mental health staff in the UK’s National Health Service.

Patient Experts—Consumers as Change Agents

In Pegler’s view, the mental health experts are the people who have lived through and recovered from the experience of illness themselves. “People who are prepared to come out openly will change the world. Moms and Dads won’t lead the mental health revolution,” states Pegler. “The way the world thinks of mental health can only be changed by someone who’s prepared to speak out about their own mental health issues. I will make it my career to stop the humiliation of people with mental health issues.” ■

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