The Business Side of Early Care and Education

Louise Stoney, Opportunities Exchange
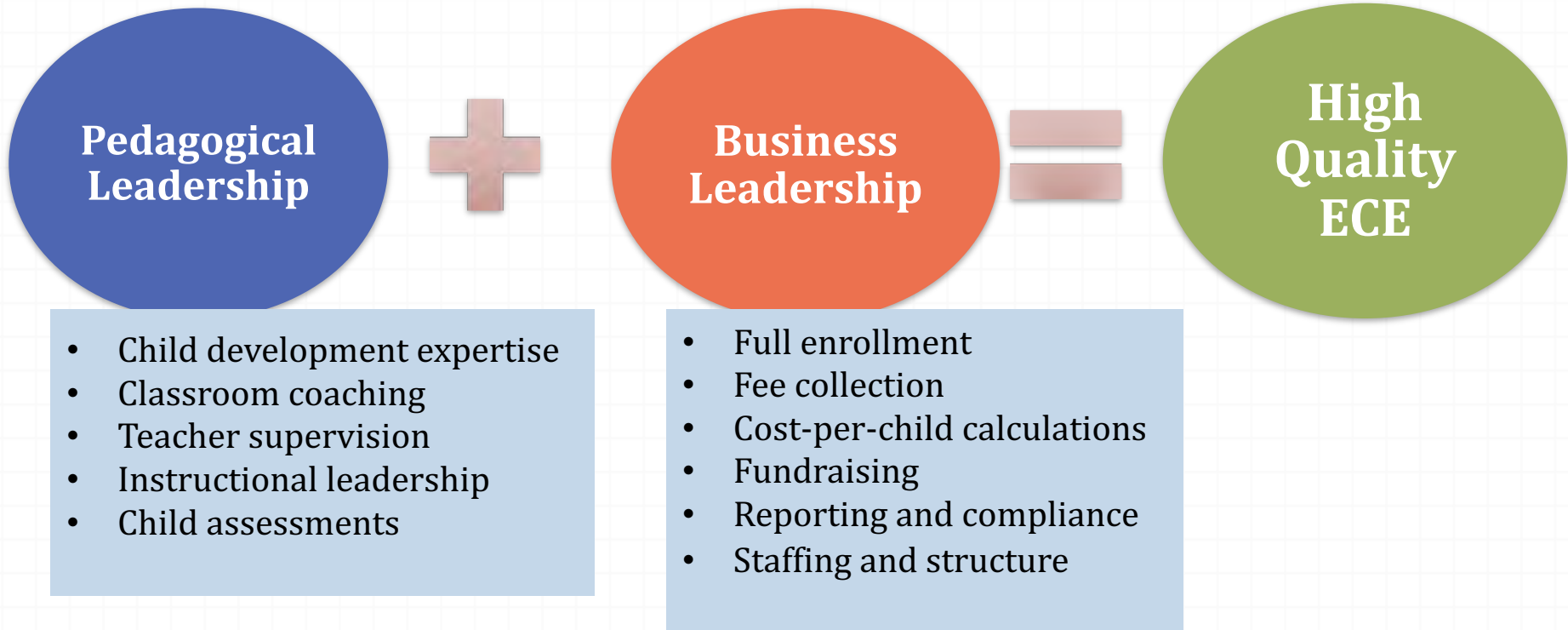
Blythe Robinson, Sheltering Arms Early Learning Centers

Agenda

- What is business leadership
- Why business leadership matters
- Key business metrics and measures
- What all this has to do with QRIS
- Business Leadership in Action: The Sheltering Arms Experience
- Discussion/reflection

Theory of Change:
Leadership Capacity-Building

Pedagogical Leadership **+** **Business Leadership** **=** **High Quality ECE**

- Child development expertise
- Classroom coaching
- Teacher supervision
- Instructional leadership
- Child assessments

- Full enrollment
- Fee collection
- Cost-per-child calculations
- Fundraising
- Reporting and compliance
- Staffing and structure

"Building adult capabilities improves child outcomes" (Jack Shonkoff)

The Value of Reflective Business Leadership

- Reflective Practice with teachers strengthens child outcomes (and classroom assessments + QRIS ratings)
- Reflecting on infrastructure, fiscal data and metrics, and staffing systems can be equally powerful in guiding administrative decisions, e.g.:
  - Staffing: ratios, caseloads, benchmarks, supervision,
  - Fiscal management: cost-per-child, enrollment, fee collection, revenue gap by age and site, etc.
  - Compliance: new approaches to regulatory and financial compliance that focus on results but encourage reflection, data analysis and innovation

Fiscal Management:
The Iron Triangle of ECE Finance

Full Enrollment

Full Fee Collection

Revenues Cover Per-Child Cost
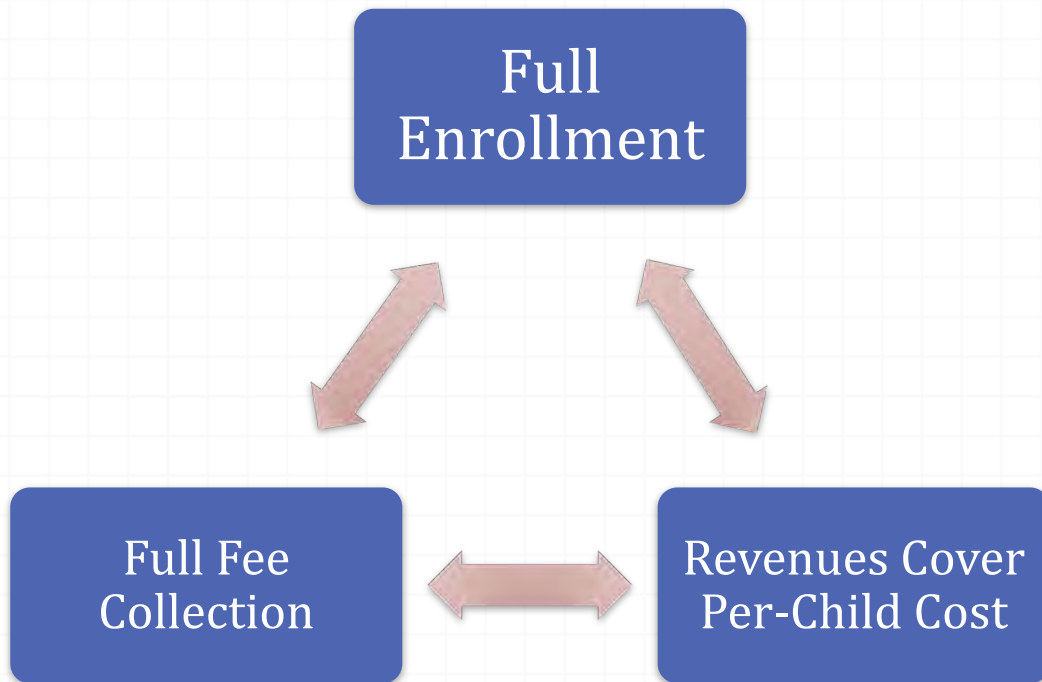
- Ensure full enrollment, every day in every classroom

- Collect tuition and fees, in full and on time

- Revenue covers per-child cost (tuition, fees, and 3rd-party funding)

Managing Full Enrollment

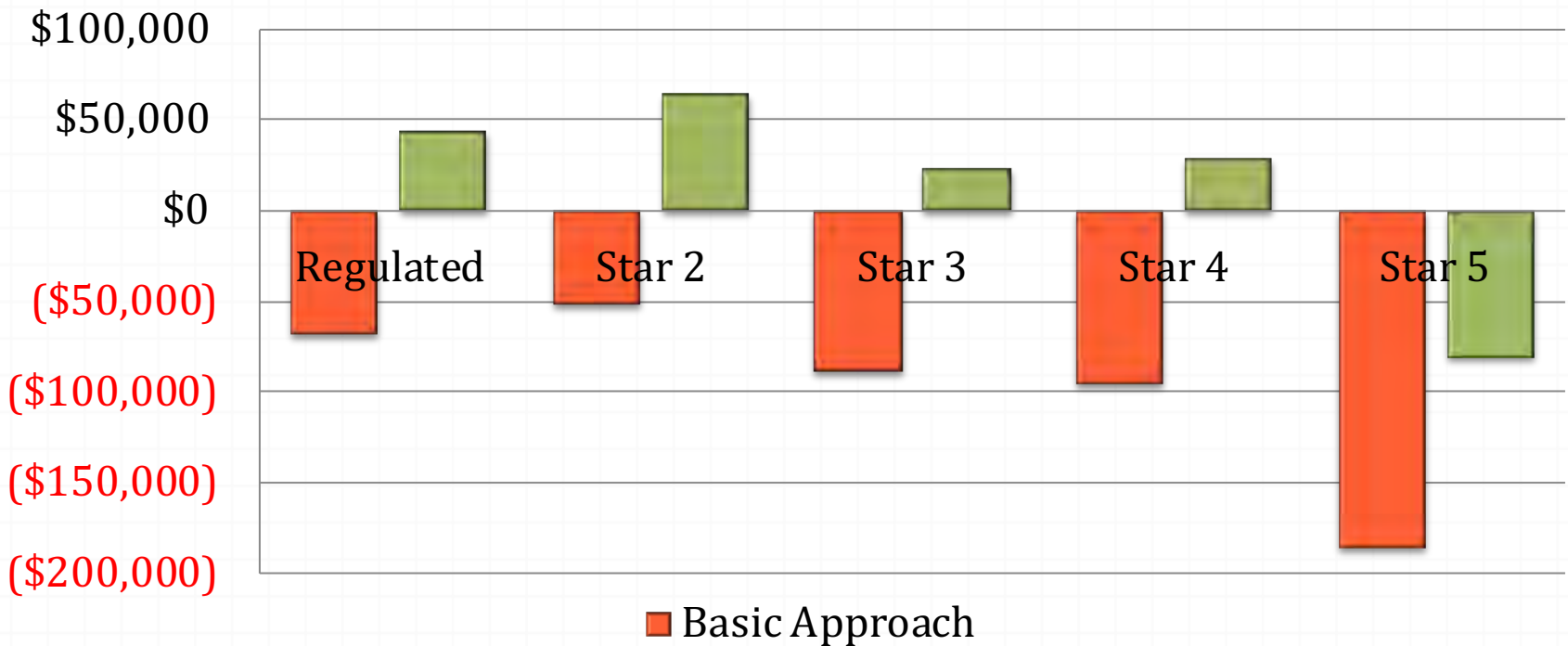Ensure enrollment every day, all day, in every classroom:

- Monitor enrollment relative to budgets
- Centralize enrollment management (application process, subsidy eligibility, child information, center policies, etc.)
- Maximize automation for information management and tracking targets
- Market actively and maintain wait lists

Managing Full Fee Collection

- Collect fees in full and on-time (< 3% uncollected)
- Monitor accounts aging regularly
- Understand the cause – track losses due to:
  - Lax or unenforced family payment policy
  - Unaffordable subsidy co-payments
  - Subsidy absence policy
  - Delayed receipt of government funds

Result of Intensive Focus on Iron Triangle

Hypothetical Net Income for Center, by Star Level

Chart showing net income bars (red "Basic Approach" and green) for:
- Regulated
- Star 2
- Star 3
- Star 4
- Star 5

Y-axis: $100,000 / $50,000 / $0 / ($50,000) / ($100,000) / ($150,000) / ($200,000)

Legend: ■ Basic Approach

"Iron Triangle" Approach: 95% enrollment, 2% uncollectible debts
Very difficult to achieve with high subsidy co-pays, low absence policy and no targeting
Very difficult to achieve in smaller centers

Why are Metrics Important?

"Measurement is the first step that leads to control and eventually to improvement.

If you can't measure something, you can't understand it.

If you can't understand it, you can't control it.

If you can't control it, you can't improve it."

James Harrington, management consultant

Measuring + Monitoring Good Information Enables Sound Business Management

- Measure:
  - What are the key measures that determine our financial health and sustainability?
- Monitor:
  - How well are we meeting them? What keeps us from meeting them?
- Manage:
  - Incremental steps to improvement
  - Manage the organization, rather than it managing me
  - Persuade funders of the value of their investment

Caveat: Data ≠ Answers

Sample Helpful Business Metrics
(First Steps by New Provider Network)

Key Metrics	Qtr1	Qtr2	Qtr3	Qtr4
Enrollment Center A	113	111	113	114
Enrollment Center B	62	88	88	**88**
Enrollment Center C	58	58	**50**	**50**
Enrollment Center D	55	**32**	**32**	**35**
Uncollected parent fees	$155	$155	$155	**$245**
Uncollected child care subsidy	$2500	$2416	$2136	**$1881**
Time to fill open staff positions	2 weeks	2 weeks	2 weeks	2 weeks
Monthly spending on subs	$1810	$1680	$1969	**$900**

Tracking Per-Child Cost + Revenue

- Managing costs can make the difference between losing money or not
- Need to understand cost per child:
    - Differs by age group
    - May differ by center or classroom
    - Cost estimates must include both classroom-specific and center-wide expenses
- Every classroom does not have to breakeven
    - Key is to understand how costs and revenues differ by class, and ensure profitability across all classrooms or centers
- Revenues: consider all potential sources,
    - Parent fees, subsidy, CACFP, QRIS bonus, donations, grants and contracts

Field Observation: Helpful Metrics

- Enrollment as % of staffed capacity
  - Those who track it usually target at least 85%
  - Most track at least monthly; some look every day or every week, minimizing days of "slot vacancy".
- % of revenues uncollected (Bad Debt)
  - Those who track it usually target at most 5%
  - Most track at least monthly, some weekly
  - Requires focus on reconciling government payments vs. amount billed, unless state self-corrects
- Cost per child <u>by classroom</u>
  - Most don't track this
  - Understanding costs helps determine how much to charge, where financial "levers" are

So What Does All This
Business Leadership and Metrics Stuff
Have to do with QRIS?

Business Leadership:
Key Questions for QRIS Leaders

- Do we intentionally value efficient business management?
  - Understand and track cost-per-child by star rating
  - Streamline requirements and paperwork (How much data + forms must providers to submit? Is all of it necessary?)
  - Encourage use of automated systems whenever possible
  - Use business metrics to inform QRIS TA
  - Enable + encourage shared staff

Business Leadership:
Key Questions for QRIS Leaders

- Are we keeping our highest quality programs fully enrolled?
  - ➢ Track enrollment/vacancies in rated programs
  - ➢ Target dollars (quality or subsidy) to higher rated programs
- Are we recognizing the cost of higher quality?
  - ➢ Boost rates for higher rated programs, especially those that serve infants and toddlers

Business Leadership:
Key Questions for QRIS Leaders

- Is efficiency a core value for our <u>own</u> staff?
  - Are TA providers modeling the use of technology?
  - Are TA providers using on-line tools (such as ECESharedResources) in their own work?
  - Are we encouraging/training staff to provide paperwork TA via phone, email & on-line tools?
  - How much of our own staff time is consumed with reporting and paperwork?
  - Have we used Shared Service principles to guide the staffing + management of QRIS Technical Assistance?

The QRIS Challenge:
The Traditional ECE Business Model

Very small centers struggle to meet quality standards & stay alive financially. Yet most QRIS make it hard to try alternative approaches. Examples:

- Compliance documentation must be verified (often in hard copy) at each location even if sites are linked by a shared administration.
- Staff requirements and training assume a single Jack-of-all-trades site director; innovative staffing is often not allowed, even if it produces good results.
- Technical Assistance assumes stand-alone centers with isolated classrooms; rarely considers the organizational context or larger fiscal/pedagogical leadership needs

Opportunity: New QRIS Pathways + Finance

Encourage center- and home-based providers to build capacity for effective business/administrative leadership:

- Recognize that the need isn't just business training, but skilled staff with time to focus on fiscal management. Reward change.
- Encourage economies of specialization
  - Innovative staffing and management strategies that strengthen site-based leadership (e.g. shared administration)
  - Award priority points if providers collaboratively respond to an RFP
  - Enable higher ratings (and higher rates) for programs that meet standards with shared staff
- Contract with high-quality provider networks for slots, to strengthen sustainability
- Streamline compliance via automation – preferably with existing child management systems (like ProCare, etc)

Business Leadership in Action

QRIS National Learning Network
June 27, 2017

Blythe Robinson, Sheltering Arms Early Learning Centers

Sheltering Arms, Atlanta GA

- Non-profit ECE corporation with 15 sites serving a total of 2,300 children

- Primary focus is low-income children however all sites serve mixed-income & some include partnerships with schools, HS/EHS Educare, economic & workforce development, etc.

- Sites receive agency-wide support for business and pedagogical leadership. Business leadership includes:

  - Centralized fiscal, enrollment, subsidy application support, licensing/QRIS monitoring support, fundraising, Human Resources (including hiring)

- Receives funding from over 100 sources, including HS/EHS, GA PreK, CCDF, philanthropy, parent fees and more.

Business Leadership at Sheltering Arms

Vision

Strategic Plan serves as compass to guide decisions in 6 areas: Brand Promise, Financial Sustainability, Operational Excellence, Advocacy & Influence, Impact & Data, Our Role in the Field

Plan and strategize

Track Business Metrics: Enrollment, Fee Collection and review data regularly to guide decision-making

Infrastructure

- ✓ HR Department
- ✓ Operations Department
- ✓ Automated Processes (e.g., ordering supplies)
- ✓ Regular review of enrollment, revenue and expenses
  - ▪ Fiscal, Programs and Operations all involved in these reviews
  - ▪ As a result, centralized processes to include ERSEA and Checkbook

24

Sheltering Arms: Reflections and Discussion

- Shared Leadership Principles – shift in thinking
- SA experience with QRIS and business leadership
  - What works?
  - What's challenging?
  - What changes would help?

Sheltering Arms: Lessons Learned

- Needed to centralize some processes
  - ERSEA
  - HR
- Reorganizing allows for efficiencies and cost savings for the organization
- Move to ONE SHELTERING ARMS – consistent practices and policies