

The Self-Sufficiency Model (Part I)



Life Steps Foundation, Inc.



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During the last forum many of you voiced the need for some guidelines and clarification regarding the re-organization process we elected to undertake to accomplish our ultimate goal of increased autonomy for all divisions.

In response to your concerns I will prepare and disseminate a series of papers during this transition phase so that we can build a roadmap as we actively experience the process. This is the first of them.

Overview

Life Steps has been in operation for 23 years. During this time we went through many changes and gained experience with different organizational models to best reach our goals and fulfill our purpose. As we matured we became gradually more proficient in delivering services, training our partners, learning about the business components of the operation and interfacing with our funding sources. The natural progression of this experiment is to give partners the opportunity to exercise more autonomy in conducting the business of Life Steps.

Vision

Our vision is to increase partners' sense of ownership by giving them the opportunity to operate Life Steps as their own business. This initiative serves three purposes: 1) it rewards qualified partners who, through the years, have well represented Life Steps in the communities we serve; 2) it ensures the legacy of Life Steps through robust growth; 3) it decreases administrative costs by eliminating layers of management.

How are we going to accomplish this initiative? The model that best fits our vision is the franchise model. The Operation Division (direct service delivery) will be segmented into independent businesses. These operations will be incorporated much like franchises under the umbrella of Life Steps Foundation. This implies a contract between each franchisee, like Operations, with Life Steps (the franchisor) to have the rights to operate the business within standards, criteria and guidelines established by Life Steps. The new incorporated businesses will carry the Life Steps brand (name, logo, colors, etc.).

Because we are a nonprofit venture and not franchises, we will call the cluster of new businesses the "Life Steps Group." This group will begin with the current divisions and in time will expand by: 1) adding new programs and services to the current ones within our areas of competency; and 2) adding new members to join the group. Franchisees will purchase core support services from the Life Steps support divisions—Accounting, HR, TCQM, IT, and Development/Marketing. Payment for these rights and services will be calculated based on a percentage of the gross revenue and expenses of each business.

Some of the benefits that Life Steps will offer to the new businesses under the group:

- The Life Steps brand: Life Steps has built credibility and a strong track record throughout its many years of operation. It is well-respected in the social service field within the state and communities we serve. It has established itself as a trendsetter by fostering and/or participating in a number of new initiatives that broadly impact the system of care and advocacy for our clients.



Being a fiscally responsible organization (our assets to liability ratio is two-to-one) establishes Life Steps as a trusted entity to the financial community.

- Insurance under one umbrella in order to obtain cost-effective rates—quantity is an important factor in determining the rates. Members will pay rates based on the real cost of their operation. Currently we use a method that spreads the cost across Life Steps because we are a single organization. This means that more productive units pay a higher percentage of the cost. The new model will allow for fair assessment and will consequently decrease the cost for those who implement best practice standards, which helps prevent insurance costs from escalating. This is particularly true for Worker’s Compensation insurance, which calculates premiums based on two-year records. The three-year timeline will give programs the opportunity to correct problems and start fresh with a good track record.
 - Supporting structure: Life Steps will support the new businesses’ infrastructural needs through its support divisions. This will give members of the group the benefit of well-tested systems, expertise and resources critical to the efficient operation of any business. This infrastructure is the nuts and bolts necessary to successfully deliver the services. Support divisions constitute the intellectual property of Life Steps—they are the most valuable component of the package.
- **Best practice standards.** Life Steps is harnessing all the knowledge within itself, systematizing best practices and standards and continuing to build our core competencies to ensure good training for partners operating the new enterprises. This effort, lead by the TCQM Division, will help the new businesses provide guidelines, criteria and systems that will yield service quality and a high level of professionalism.
- **Technology.** Under the IT Division Life Steps has been building a sound technology infrastructure that will allow maximum automation of processes and data transfer. This infrastructure, which we will have fully in place by transition time, will enhance the businesses operation tenfold—effectiveness and cost.
- **Human Resources.** Making the best fit of personnel to the various positions is key to retention. A stable workforce translates into better training and better service quality for our clients. Human Resources is implementing several steps to streamline and automate the various processes required so that partners can quickly, effectively access all the data and information they need. It has added the background checking process and the One-Step Survey as part of its hiring practices. These two tools will increase our ability to hire the right person for the job. Human Resources will also implement proficiency tests for specific positions as a pre-requirement for hiring.
- **Accounting.** This division’s capability has been expanded with the implementation of the Great Plains Dynamic software and the Kronos Workforce Timekeeper (TTE). It positions Life Steps to readily interface with funding sources, expedite billing procedures, generate FRX reports and provide automated access by partners once the transition occurs.
- **Development and Marketing.** We are establishing the infrastructure to deliver services in development, marketing and communications. At this point the division can deliver on grant writing and marketing materials for dissemination and/or presentations.

What is the cost for group members? Existing partners will pay the actual cost, amortized over a number of years until those costs incurred with the transition are fully paid, e.g., attorney fees associated with incorporating the new businesses.



New members joining the group will be expected to pay an initial fee, which is customary in the franchise business.

Timeline

We have set a three-year timeline to complete the transition process. That timeline started on July 1, 2004.

What are the criteria for a division or unit to qualify as an independent business? To qualify as an independent business and to ensure it succeeds, each division or unit needs to:

- Be fiscally sound:
 - Enough working capital
 - A cash reserve to cover unanticipated costs and reimbursement delays
- Have fully implemented best standards and practices according to Life Steps guidelines.
- Be proficient in using the automated network system to conduct daily operations.
- Have a well-established network with its funding sources.
- Work effectively at all levels with the support divisions.

What are the qualifying criteria for partners to operate the independent businesses?

- Know the various facets of the business—service, fiscal, strategic and network.
- Have the ability to lead and inspire those under their charge.
- Operate within the culture, mission and core values of Life Steps Foundation.
- Ability to think critically and objectively.
- Meet the individual goals established in the training document.
- Be passionate about it.

What steps do we need to take to see this process through?

Planning Phase: Year I—July/2004 through June/2005

This is the phase we are currently in. Although Life Steps is a mature operation, every development is like starting anew. So, let's look at the self-sufficiency project as a new development. We need to evaluate what is needed to set this business in motion, and we need to take inventory of what we already have in place that can aid with our goal of establishing this business.

What is needed:

- Identify the divisions and units slated to become incorporated as independent businesses:
 - A pilot is currently being conducted with the operations within the Adult Division and the Drug & Alcohol Division. This pilot will help us create systems and develop and fine-tune criteria and guidelines that will be implemented across all divisions and units that are selected to become independent businesses.
- Prepare a financial analysis of each prospective business so that partners have the projected figures for revenue, expenses, and the number of referrals or units of service they have to provide in order to be financially solvent.
 - The controller will do this. He will meet with each participating partner and develop a blueprint document that will form part of the business plan. This plan may also involve recommendations about current services—restructuring, consolidation, etc., geared toward strengthening the overall fiscal health of the operation.
- Preparation of business plans for each division or unit, including measurable goals; timelines and clear deliverables:
 - I will prepare an overall business plan for the transition process. Each division or unit will prepare individual business plans, too. Training and mentoring will be provided to ensure that the final product is a viable working document. Life Steps will provide the software to ensure similar standards across the organization.
- **Management training.** This step is critical to transition success. Partners pre-selected to assume responsibility of their operations must, during this transition period, immerse themselves in learning what it takes to be an effective business manager. Part of Life Steps' commitment and responsibility is to create the environment and opportunities for each of you to receive the best possible training within our capability. We will use various approaches:
 - **Assessment.** Scientifically valid tests will be used to assess current level of skills for pre-selected partners. The tests' only function is to provide information about:
 - Identification of needed skills common to most partners. This will allow us to structure training for the group toward maximum efficiency.
 - Customization of training plans. Some of the training required by each individual will be very specific to that person. The training plan will target those areas.
 - One of the tools used to accomplish this process is the XT Profile. The division leading this effort is TCQM.
 - Computer proficiency. We will evaluate the proficiency level of partners. The plan is to have a highly automated system to conduct the daily operation of the businesses. Partners need to be prepared. Once the evaluation is completed training will be provided to assist partners in reaching that goal. This initiative comes under the IT Division.
 - Basic knowledge of labor laws and personnel issues, including proficiency in using pertinent software, will be assessed. Training plans will be prepared according to individual and group needs by the Human Resources Division.



- All three divisions will work with the operation managers and directors in preparing the training plans. The plan segments, when combined, will become a performance document. The operation manager or director will ensure that partners are on track in reaching the goals. Post-tests will be used after 12 months to evaluate the learning process and adjust the plans accordingly.
- The Accounting Division controller will assess the level of understanding of the budget through the solvency meetings. It will further individual mentoring-based needs.

— **Training and Mentoring.** Training will be provided using various approaches:

- Group training. Topics identified as a common need among the majority of the partners. Such training segments will be outsourced to professionals and/or offered by the TCQM Division, depending on the subject.
- Classroom training. We are working with Allen Haile (president of the Life Steps board of directors) about possibly having the pre-selected partners attend as “listen in” students in specific core courses at the USC School of Public Administration and the Wells Fargo Jr. Management Training program.
- Individual training and mentoring. Supporting divisions and managers will provide some individual training. Partners will receive a list of professionals (internal and external), whom they can elect to use for mentoring throughout the transition process.
- Identifying some courses at community colleges and associations of learning, e.g., management for nonprofits) that would benefit partners.
- We will provide a list of recommended reading about management and will have some books and papers available at the corporate library to lend.
- What is learning without fun? We will provide a simulation computer game to help partners hone their skills at their own pace.
- A calendar of Internet training courses will be made available. Partners can choose specific classes in order to further their skills according to their individual training plan.

