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Supporting the Core Mission by Paring Costs

The last few years haven't been easy for small businesses or nonprofits. Everyone is being asked to do more with less. Yet controlling costs has become increasingly difficult as health-care premiums skyrocket, utility rates spike, and recession-related obstacles repeatedly challenge organizations.

The solution that one New England nonprofit financial intermediary has found may provide insight. By examining its business infrastructure processes, outsourcing noncore competencies such as IT and human resources, and shopping around, the organization has been able to devote more resources to the programs that benefit clients, employees—and the environment.

Key Learnings

At Boston Community Capital (BCC), seven new practices have made a big difference in efficiency: shopping for services, focusing on specific staff needs, outsourcing, using a *professional employer organization*, reevaluating existing services, enlisting help from all staff members, and getting creative about compensation.

Shopping Around

In a decade of consecutive double-digit increases in health-care premiums, Boston Community Capital has maintained consistent health coverage levels for employees while keeping overall costs down. Average costs for family health coverage have remained unchanged since 2006. While rising premiums prompted many employers to reduce benefits immediately and shift additional costs to workers, BCC decided first to survey employees and find out which benefits mattered most. It then shopped for plans providing that coverage at lower cost. The downside was the need to switch health plans three times in five years. But each time, the level of service was maintained. No one had to switch doctors or lose coverage for a previously insured service.

Focusing on Internal Needs

Whether shopping for health insurance or a new phone system, it often pays to order “off the menu” instead of choosing the standard options. BCC discovered that lower copayments for emergency room visits were increasing its insurance premiums. But the employee survey showed that emergency room visits were uncommon, so BCC decided to self-insure the copayment. Now it reimburses employees for the added cost if they do need to visit an emergency room. That change meant the existing coverage could be kept at the prior year's cost levels with minimal expense to the organization.



Outsourcing

In many cases, a small business can obtain better service by outsourcing noncore functions. For example, instead of hiring an in-house IT system administrator for a 20-employee organization, BCC hired an IT consulting and network-services company. For less than the cost of a full-time staff member, the contract provides 24-hour access to remote support professionals and a technician onsite two days a month. In addition to handling routine system administration and back-up, the consulting company has helped to develop a comprehensive, tailored technology plan, a disaster recovery system, and a business continuity strategy. BCC gets access to expertise at the chief information officer and chief technology officer level—and to consultants with expertise in network security, database management, and business technology consulting on an as-needed basis.

Other functions that can be successfully outsourced include payroll and benefits administration, marketing, public relations, event planning, and even financial modeling for new business units.

A Professional Employer Organization

Professional employer organizations (PEOs) can provide outsourcing of payroll, workers' compensation, human resources, and employee benefits administration. The PEO enters into a joint employment agreement with smaller businesses. It becomes the employer of record for its client company's employees, and "leases" those employees back to the client organization (in this case, BCC) for a service fee. By pooling the workers from hundreds of smaller businesses to create a much larger company, PEOs operate with economies of scale that allow them to provide small entities with access to the employee benefits and human resources infrastructure of a large company, but at much lower cost.

In 2008, after looking into the model, Boston Community Capital decided to enter a partnership with the nation's largest PEO because of its track record and range of services. Although payroll costs remained at 2007 levels, the relationship allowed BCC to offer employees a more extensive health and benefits package, on par with those offered at *Fortune* 500 companies. The desired health benefits were retained while overall health insurance costs were kept at 2006 levels. The PEO also offered individual employees optional benefits, such as

tuition reimbursement, online classes, and discounts on goods and services. BCC itself was able to purchase new computers for staff at prices 20 percent less than what it had been able to find elsewhere.

A PEO can offer small companies more human resources services than they could otherwise afford. BCC's part-time HR employee now has access to a team of specialists with expertise in benefits, payroll, recruiting, safety, training, and human resources. In addition, the PEO assumes or shares responsibility for government compliance and employer liability management. For example, it assists with unemployment claims, safety and drug-free policies, and Fair Labor Standards Act audit training. The PEO's deep knowledge is important as it helps to ensure that in-house policies are up to date and in sync with work-related laws.

Reevaluating Services

It makes business sense to review existing systems and services periodically and look for opportunities to improve them. Technologies change, as do an organization's needs. When BCC's 401(k) plan reached \$1 million under management, it became eligible for new plans with broader choices, better service, and more guidance for individual staff on how to meet personal retirement goals. Two subsequent reviews led to reductions in asset-management fees and participant fees—while access to financial planners and investment options increased.

Not all reviews lead to a vendor switch, however. The result of a survey of employees' phone-service preferences was an upgrade at minimal cost. The ongoing service costs remained constant while employee satisfaction with the phone service increased dramatically.

Enlisting Everyone

To make significant changes, it is critical to get everyone involved—soliciting ideas, brainstorming solutions, and sharing results. When BCC set out to be greener, for example, it recruited people from all areas of the organization to strategize. It set goals for reducing energy consumption and paper use and for increasing recycling of paper and plastic. The Green Committee communicated the goals to other staff through a series of meetings, flyers, and e-mail announcements, and it benchmarked progress against the goals on an ongoing basis.

In 2008, paper consumption was reduced by 28 percent from 2006 levels. The cost saving was enough to permit a

shift to 100 percent post-consumer recycled paper for the majority of copying and printing needs. In the same period, electricity usage went down 23 percent.

Meanwhile, employees who were applying green thinking in the office began to talk to one another about behavior changes one could make outside the office, spreading the benefits beyond the organization.

Getting Creative about Compensation

To encourage behavior changes—and to share knowledge about them—BCC instituted a "green benefit," reimbursing each employee up to \$700 for environment-friendly changes made in their lives. To date, employees have been reimbursed for home energy audits, mass transit costs, energy-saving light bulb purchases, the cost of shares in community-supported agriculture (CSA), and more. The total expense for the benefit is relatively small, but its effectiveness has been impressive, and employees have made changes they otherwise might not have considered. Similarly, a "health and wellness benefit" reimburses staff for traditional and nontraditional activities and services that lead to whole body health—including acupuncture, weight loss, and smoking-cessation programs. It even covers running-race fees, sports equipment to start a new physical activity, prenatal yoga classes, and massage. Again, the overall cost is small, but the benefit in terms of employees' health and overall satisfaction has been tremendous.

The Way Forward

As mission-driven organizations face difficult economic times, they need to examine their bottom lines and consider how to reduce costs. Thinking creatively about business costs can mean freeing up the resources to pursue the Mahatma Gandhi credo that motivates BCC, "become the change we want to see in the world." Boston Community Capital believes its efforts to reduce the costs of doing business have helped it to emerge not only leaner, but also stronger to carry out its service to communities.

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