

## The Cost of Doing Business

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As the current economic downturn continues and nonprofits prepare for fiscal tightening many supervisors will be considering how to reduce costs for programs and services. As expense controls are considered it is very important to remember that there is always a cost for doing business.

From a risk management standpoint the cost of doing business could be considered to mean the cost associated with providing a service or program in a safe and effective manner. There are also costs to be considered for the risks associated with how you run programs. For example what are the possible outcomes of your program; both good and bad? Programs are often planned with the positive outcomes (objectives) being considered. We usually consider risks to be the possible or unknown negative outcome of an action we perform. I present a few quick examples of some common youth agency risks to consider as you review your cost of doing business.

I'm going to start off with staffing. Having worked in and around nonprofits for half my life, I know it is the staff (employed and volunteer) that makes the heart of the organization pulse. You can have great looking facilities, lots of supplies and all the new gadgets, but if you do not have a well-trained and dedicated staff, things just don't go well. However, you may not have all the bells and whistles, but are blessed with a great staff team and will enjoy a vibrant agency that provides its mission to the community with ease. I remember the best arts & crafts director I ever had as a camp director was the one that creatively lead a program that used paint, glue, lanyard, pipe cleaners and the things we had lying around camp; she never needed any "kits". My point being that we invest a lot into getting our staff up and running and we can lose a lot when staffing ratios are exploited in the name of fiscal management. We also run the risk of decreased supervision, burnout and low morale when numbers are reduced.

Many leaders in our communities are concerned with the ever-growing risks associated with communicable diseases. Recent experiences show we need to keep an eye on how we manage the potential for incidents. Swine Flu, MRSA, Crypto and other outbreaks can have a severe impact on people, facilities, operations and reputation. It is important to keep informed about how we can prevent the spread of disease and manage outbreaks if they occur. Your local health department and the Centers of Disease Control are great resources for information. Our cleaning, maintenance and operational practices should take these issues into consideration and our budgets should be planned accordingly.

It is not uncommon for theft and fraud incidents to rise during an economic downturn. When outside pressures cause stress on staff and others, they may resort to some lapses in good judgment to find their way out of a bad place. It is important for every organization to have sound fiscal management practices in place that offer a number of check and balances and the diversification of duties in order to prevent internal fraud and theft. Security practices should be reviewed to protect staff and the organization from outside crime. Participants should be protected by good supervision, secure facilities, education and well lighted parking areas.

Transportation is a part of programming for many organizations and whether you manage it in-house or contract it out, there are costs associated with it. Outsourcing transportation can transfer many of the headaches and some of the risks. Managing your transportation in-house may be more effective for some. Drivers can be the most important part of managing transportation risks, so make sure they are well-trained, effectively supervised and follow the procedures outlined in your transportation policy. Remember, no matter how new or appropriate your vehicle is, it is the driver that makes safety happen.

Supervision is key for protecting youth and preventing incidents. This is especially important as we look to manage the risks associated with aquatic, sport, other youth programs and in preventing child abuse. While incidents and abuse situations are not common, they are serious risks because of the severity of the impact they can cause to people, the organization and your reputation. Caution must be used when considering fiscal challenges and how they can impact supervision, particularly in these areas.

These are just some of the potential impacts of everyday budgeting challenges. Your insurance company and/or agent can often help you with risk management discussions. National, State and other guidelines will provide guidance for management and staffing practices. Fiscal management should not adversely affect your risk management; effectively managing risks is part of the cost of doing business. If this commentary has raised more questions than given answers please feel free to email me for clarification.

I look forward to discussing risk management with you during the TANO Webinar on January 20, 2010.