

HARBOR LANE COMMUNITY SERVICES · OPERATING MODEL OPTIONS MEMO

# Operating Model Options and Recommendation

*Comparison of three operating models, with a recommendation and an 18-month implementation plan.*

|                                             |                                           |                      |                                                                   |
|---------------------------------------------|-------------------------------------------|----------------------|-------------------------------------------------------------------|
| Client<br>Harbor Lane Community<br>Services | Practice<br>Strategy & Operating<br>Model | Duration<br>10 weeks | Prepared for<br>Chief Executive Officer and<br>board of directors |
|---------------------------------------------|-------------------------------------------|----------------------|-------------------------------------------------------------------|

## SITUATION

Harbor Lane Community Services is a regional nonprofit providing food access, youth programs, and adult education across three counties. Its annual budget grew from \$9 million to \$22 million in five years, largely through two mergers. The organization now has about 140 staff, but each legacy organization still runs its own finance, human resources, intake, and data systems.

|                                                                                |                                                       |                                                     |                                                        |
|--------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------|
| <b>19%</b><br>administrative cost ratio, above<br>the 12-15% the board targets | <b>3</b><br>separate finance and payroll<br>processes | <b>14</b><br>people authorized to sign<br>contracts | <b>4</b><br>participant databases with no<br>shared ID |
|--------------------------------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------|

Funders increasingly ask for organization-wide outcomes reporting that the current structure is not set up to produce, and leaders spend significant time clarifying which division has authority to make a decision.

## DESIGN CRITERIA

Agreed with the leadership team and board in two working sessions:

1. Protect program quality and the local relationships each division has built.
2. Bring the administrative cost ratio within the board's 12-15% range.
3. Establish consistent participant and outcome reporting for funders and the board.
4. Make decision rights clear and consistent.
5. Be achievable within 18 months without reducing program staff.

## OPTIONS

| OPTION                                | HOW IT WORKS                                                                                              | EST. ADMIN RATIO | TIME TO IMPLEMENT |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------|------------------|-------------------|
| <b>1. Coordinated federation</b>      | Divisions keep their own support functions but adopt shared standards and a common reporting calendar     | 18%              | 3-6 months        |
| <b>2. Shared services hub</b>         | Finance, grants, HR, IT, and data move into one shared services team; programs stay in regional divisions | 14%              | 12-18 months      |
| <b>3. Integrated functional model</b> | Reorganize by function across regions, with one program operations leader for each service line           | 12%              | 24 months or more |

## EVALUATION AGAINST THE CRITERIA

| CRITERION                                              | 1. FEDERATION | 2. SHARED SERVICES | 3. INTEGRATED |
|--------------------------------------------------------|---------------|--------------------|---------------|
| Protects program quality and local relationships       | ● Strong      | ● Strong           | ■ Limited     |
| Administrative cost within 12-15%                      | ■ Limited     | ● Strong           | ● Strong      |
| Consistent participant and outcome reporting           | ■ Limited     | ● Strong           | ● Strong      |
| Clear decision rights                                  | ▲ Moderate    | ● Strong           | ● Strong      |
| Achievable in 18 months without reducing program staff | ● Strong      | ▲ Moderate         | ■ Limited     |

## RECOMMENDATION

**Adopt Option 2, a shared services hub, implemented in three phases over 18 months.** It is rated strong against four of the five criteria and moderate against the implementation criterion. The model consolidates support functions while retaining regional program delivery. Option 3 has a lower estimated administrative cost ratio but would take at least 24 months and is rated limited on protecting program quality and local relationships.

### Proposed decision rights (excerpt)

| DECISION                        | DIVISION DIRECTOR | SHARED SERVICES               | CHIEF EXECUTIVE | BOARD    |
|---------------------------------|-------------------|-------------------------------|-----------------|----------|
| Annual budget                   | Proposes          | Consolidates                  | Recommends      | Approves |
| Contracts under \$50,000        | Decides           | Reviews terms                 | Informed        |          |
| Contracts \$50,000 to \$250,000 | Proposes          | Reviews terms                 | Decides         | Informed |
| Contracts over \$250,000        | Proposes          | Reviews terms                 | Recommends      | Approves |
| Grant applications              | Decides           | Reviews budget and compliance | Informed        |          |
| Data and reporting standards    | Consulted         | Decides                       | Approves        |          |

### Implementation phases

| PHASE | MONTHS | SCOPE                                                                                 |
|-------|--------|---------------------------------------------------------------------------------------|
| 1     | 1-6    | Consolidate finance, payroll, and grants management; adopt the decision rights matrix |
| 2     | 7-12   | Bring human resources and IT into shared services; standardize hiring and onboarding  |
| 3     | 13-18  | Implement one participant data system and organization-wide outcomes reporting        |

## DECISIONS REQUESTED OF THE BOARD

1. Endorse Option 2 as the target operating model.
2. Adopt the contract signing thresholds in the decision rights matrix, effective next quarter.
3. Authorize the Chief Executive to recruit a shared services director using projected Phase 1 administrative savings.