Survive or Thrive?

Is there a future for the mission agency?

September 2003

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VisionQuest Alliance

The Need

- Overseas mission agencies must find new ways to *improve their ministry effectiveness* in the face of major global, cultural and socio-economic changes that run counter to the needs and work of missions.

The Need

- Overseas missions agencies must successfully *find solutions to the rapidly escalating costs* that are preventing them from providing the critical support services necessary to recruit and retain effective missionaries

Ministry Effectiveness

- Ministry effectiveness challenges
  - Declining giving for overseas missions
    - Post-modern mission field is increasingly seen as "here" and not "there"
    - Today's donors want more involvement and that is easier to do if the work is closer to home
  - Churches increasingly bypass mission agencies
    - Form direct relationships with the nationals
    - Send and support their own missionaries

Ministry Effectiveness

- Today's culture runs counter to making career commitments for either "going" or "giving"
  - Corporate world no longer offers lifetime job security
  - Younger generation expect to change jobs frequently
  - Consequently, recruits today do not make long term commitments
  - Yet, many mission agencies still are based on the strategy of career missionaries who "go for life"
  - Donor giving is increasingly for "project work" where there are measurable results with a start and finish and decreasingly for a "missionary with a cause"

Ministry Effectiveness

- Missions agencies must rethink their strategies for the new century…or perish
  - How to attract donors for overseas work
  - Long term strategies for short term missionaries
  - New and creative ways to relate to the churches
    - Facilitators, resources but not competitors

Rapidly Escalating Costs

Missions' *critical support services* issues
- – Missions agencies are under-funded, inadequately staffed, and they under-serve the needs of the field because they do <u>not</u> have an adequate revenue model to meet today's soaring costs
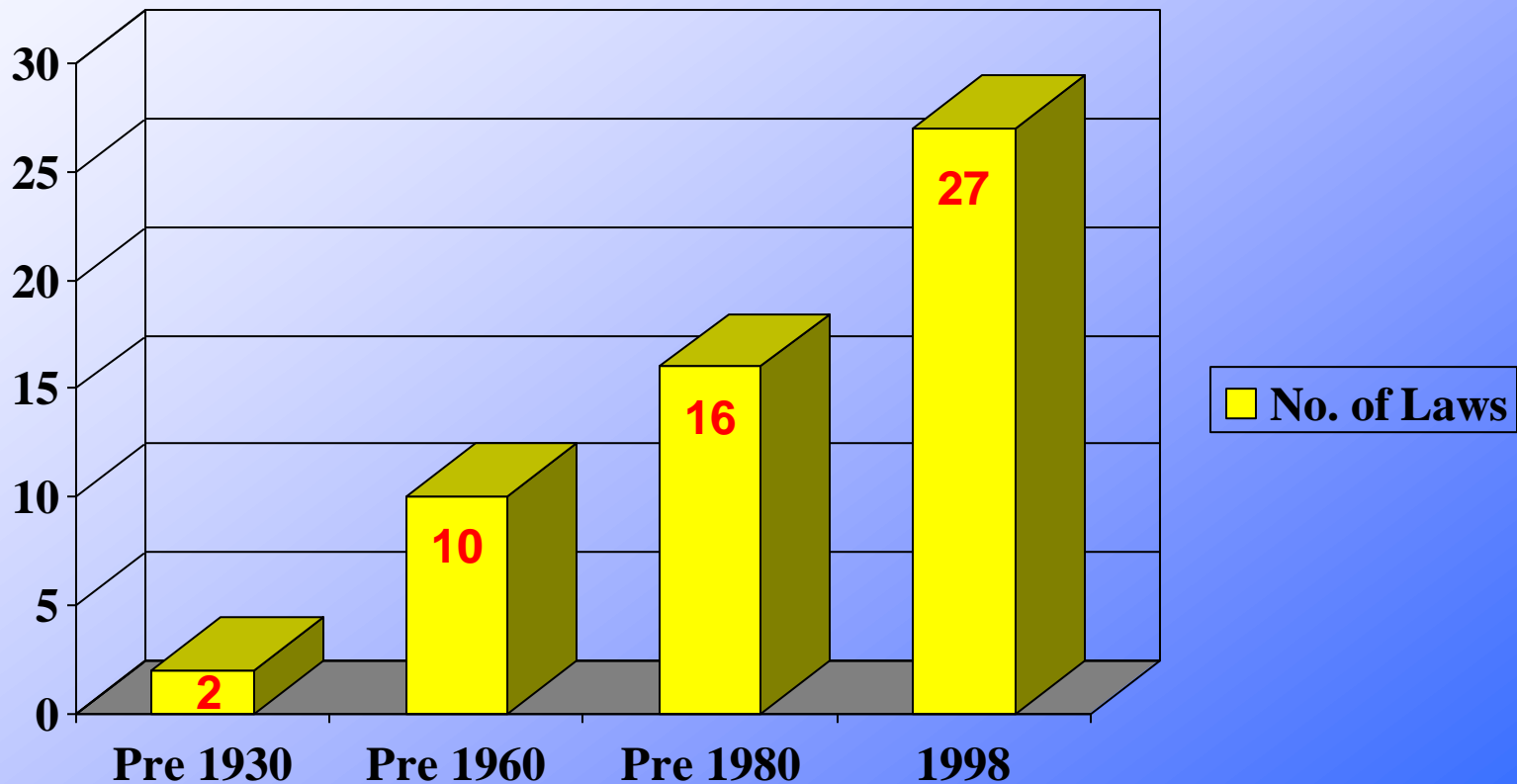- – This scenario threatens the very survival of the agencies

Rapidly Escalating Costs

- Rising costs
  - Technology
  - Rising expectations (staff, donors & government)
  - Healthcare costs are rising 15-25% p.a.
  - Missions work requires more specialist skills
    - Tax and Finance
    - Legal
    - Compliance and Regulatory Issues
    - Member Care Issues
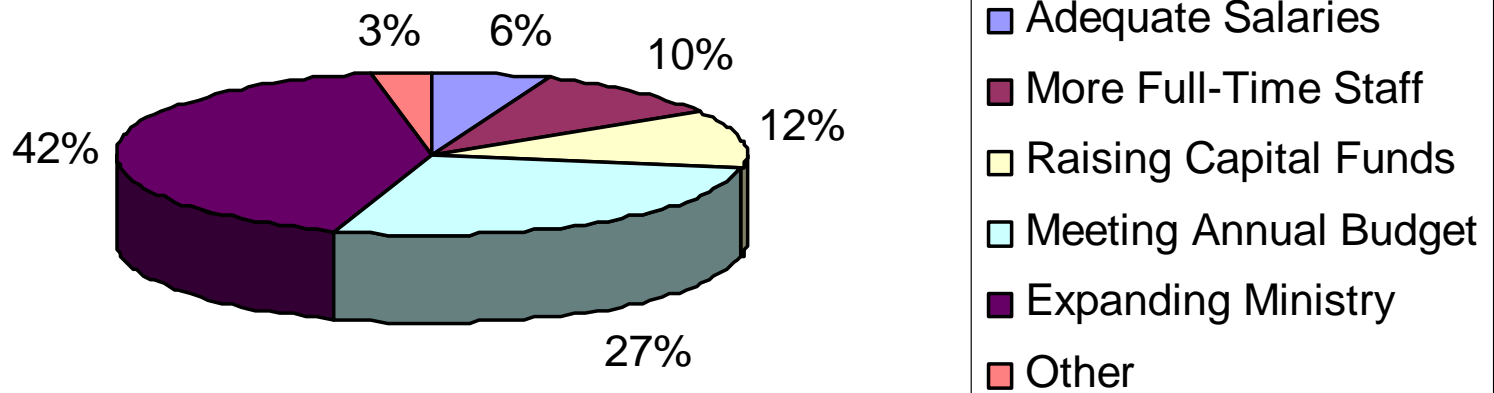
Growth of Federal Laws Impacting Private Employers

Agencies Need More Income

Perceived Greatest Needs for Income

- Adequate Salaries
- More Full-Time Staff
- Raising Capital Funds
- Meeting Annual Budget
- Expanding Ministry
- Other

3% 6% 10% 12% 27% 42%

A Clouded Future, Engel

10

Conclusion

Many missions agencies may not survive, let alone thrive, unless they radically improve the effectiveness of their ministry and their critical support services operations!

Solutions for the Future

The business world learned long ago that collaboration can make the difference between not even surviving and thriving. Outsourcing, strategic alliances and partnerships have now turned former competitors into new collaborators.

The Importance of Scale

Today most ministry organizations are **too small** to be able to afford the needed technology (software, hardware, internet), consultation services (tax, visa, legal, crisis management) and even the basic in-house expertise and skills to be excellent in the most essential operational areas (finance, HR, payroll, & administration).

They are often just barely surviving and usually not thriving.

Combining Services Can Reduce Unit Costs


Number of Missionary Units
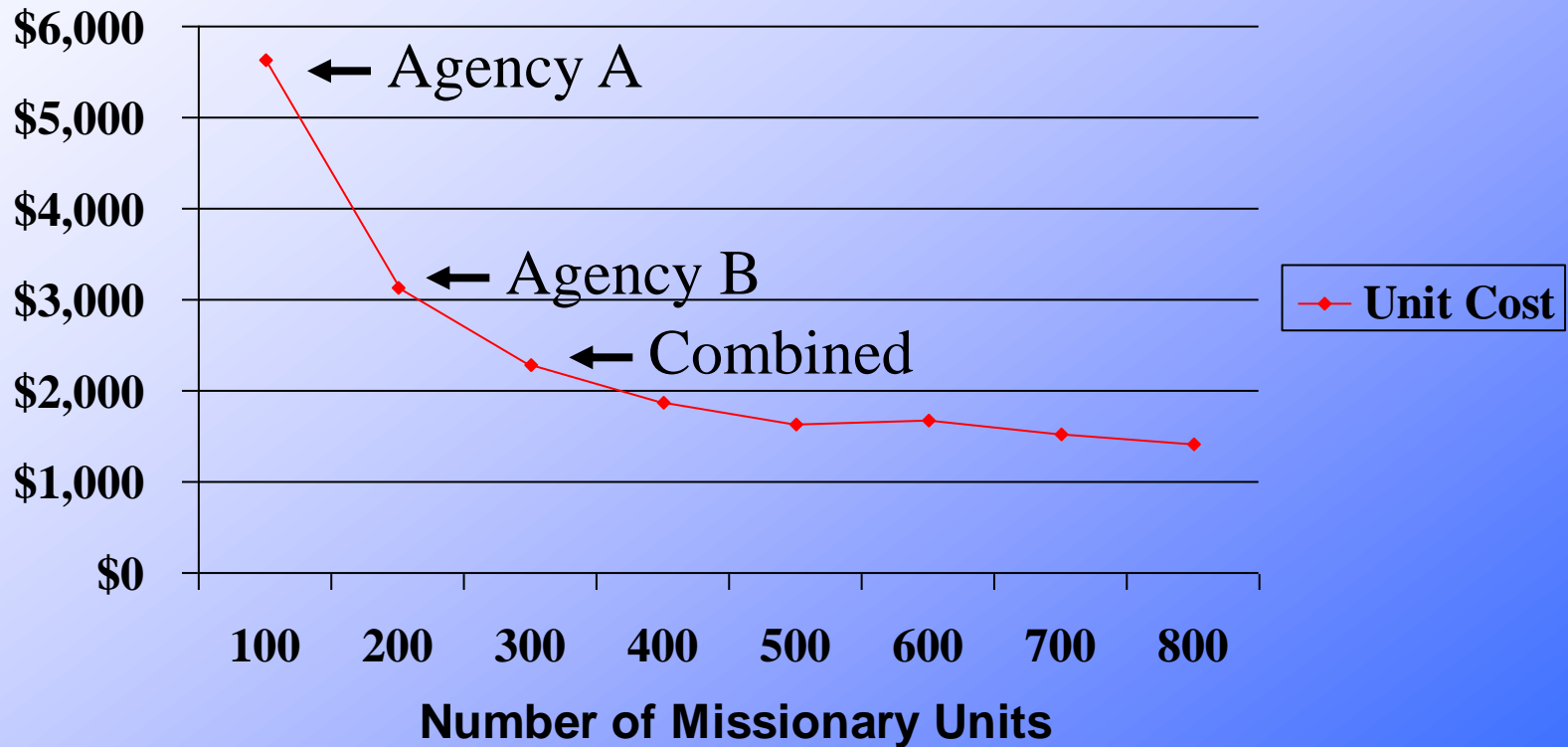
Compelling Reasons for Sharing Support Services

- Improved Services for same costs, or
  - Current services will be more effective
  - Additional services can be provided
  - Specialist skills can be added where needed
  - State of the art technology can be justified
- Lower Costs for same services
- More effective ministry world-wide . . . able to focus on the ministry and not be distracted by the challenges with the critical support services

Focus on Core Competencies and Distinctives

Identify What is Core

Is it Core?
Should it be?

Non-Core???
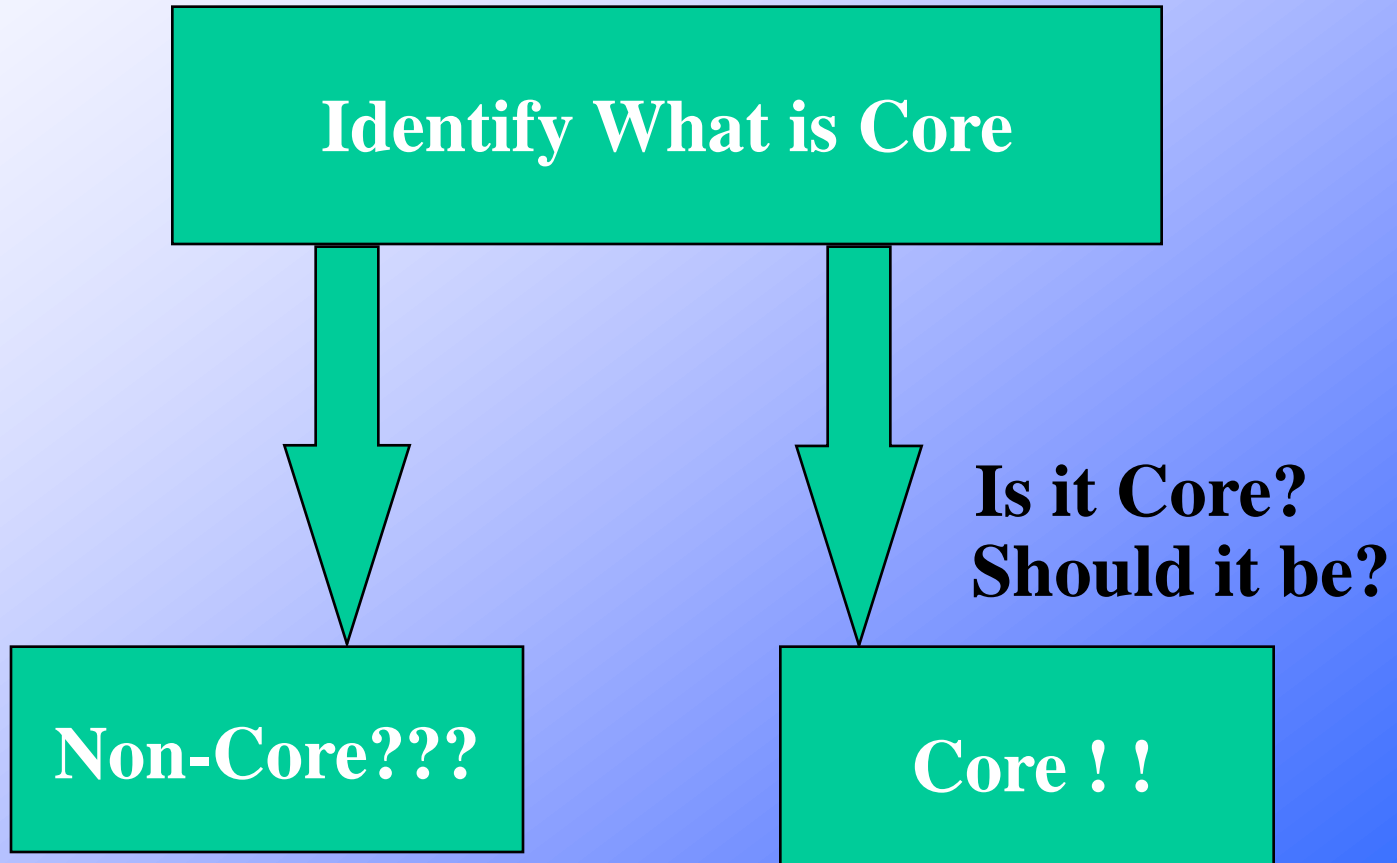
Core ! !

What is 'Core' in Your Ministry?

- ***What differentiates*** what you do from what other ministries do (your distinctive)

- ***What your constituents associate*** easily with your ministry (your identity)

- ***What could not be easily duplicated*** by other ministries (your excellence)

To Get the Best Results

- Retain your ministry's 'core' and distinctive vision and strategic purpose

- Find more effective ways to do the 'non-core' but critical services and processes.

- Rely on Alliances which will have 'core competencies' for these critical services and processes

Ministry Structure Today

Almost everything is being done inside

Vision Purpose (Passion)

Core and Distinct Ministry (Excellence)

Critical Supporting Processes (Usually non-core) (Usually just getting by)

New Alliance Model

Keep core

New Ministry

Focus - Vision & Ministry

Current Ministry

Alliance for non-core

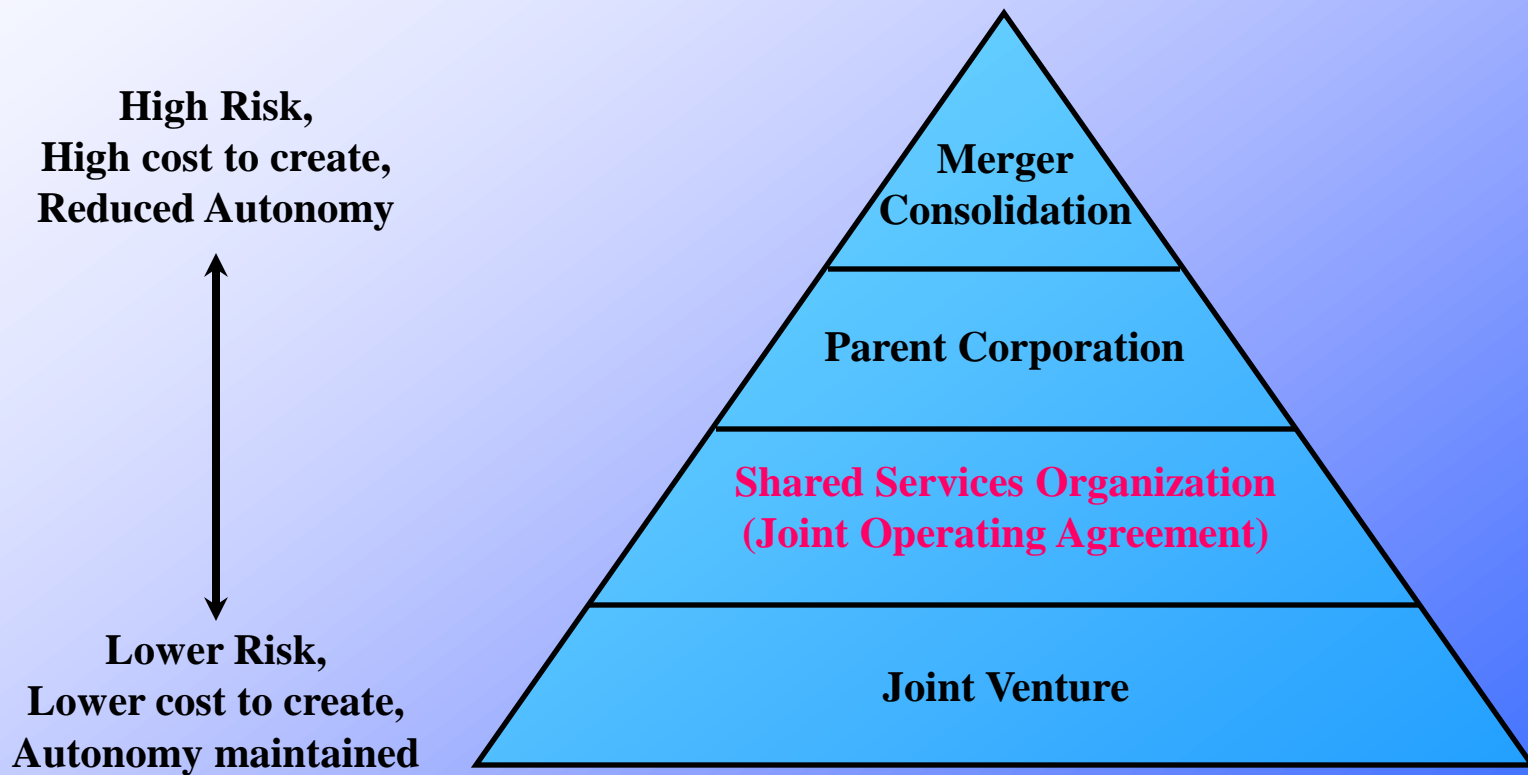**Focus on Excellence of Alliance for Support**
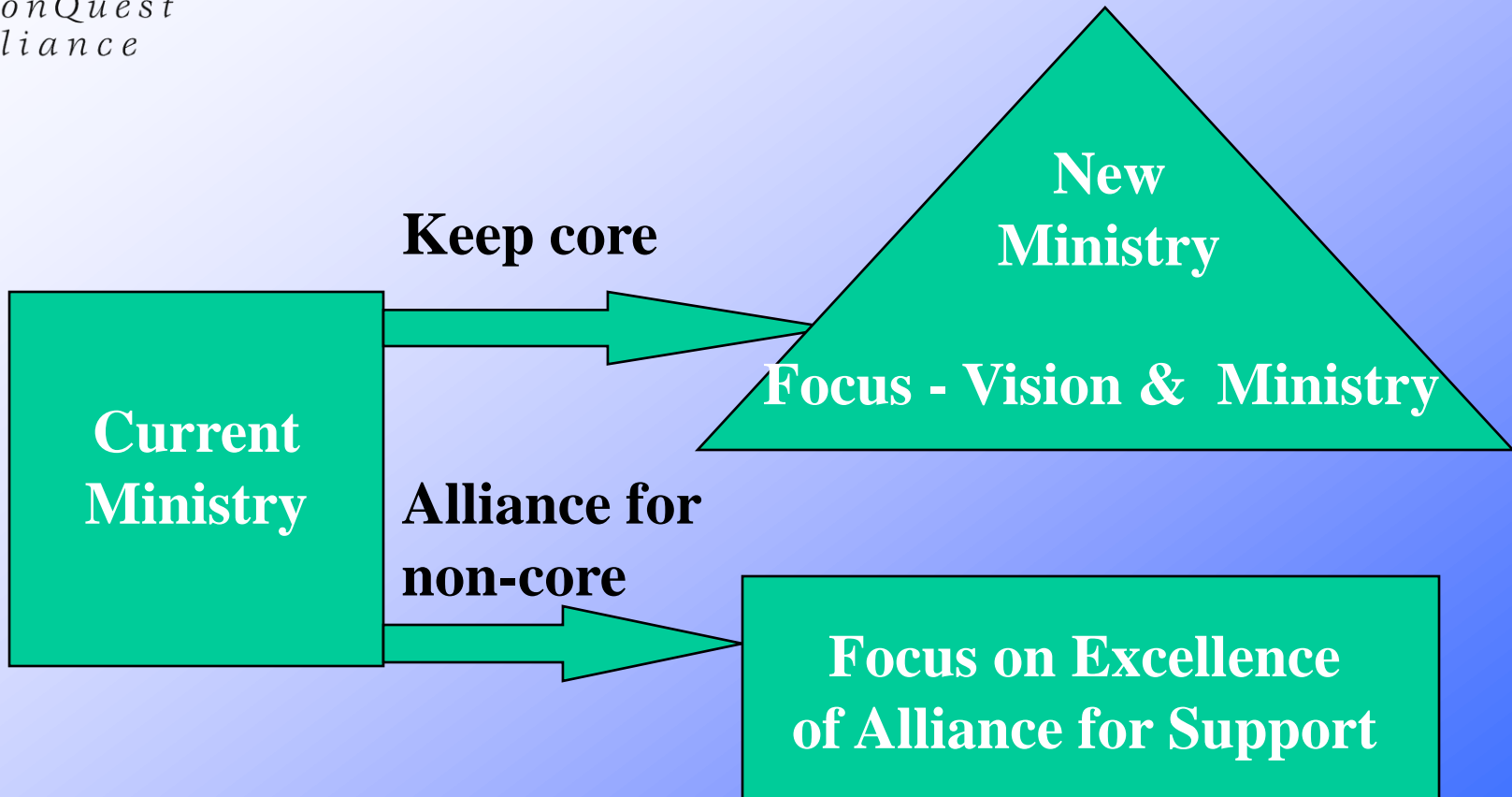
Examples of Non-Core But Critical Processes

- Advisory Services
- Finance and Accounting
- Donor Receipting
- Certain Advancement Functions
- Regulatory Compliance
- Information Systems
- Technology Support
- HR Administration
  - Pension, Benefits, Insurance and Payroll

Forms Alliances Could Take

High Risk,
High cost to create,
Reduced Autonomy

Lower Risk,
Lower cost to create,
Autonomy maintained

Merger
Consolidation

Parent Corporation

Shared Services Organization
(Joint Operating Agreement)

Joint Venture

Adapted from <u>Forging Nonprofit Alliances</u> by Jane Arsenault

Preferred Structure of Alliance for Ministries

| Organization A | Organization B | Organization C |

A's needs

Board of Alliance

B's needs   C's needs

Service Alliance

Service to
A, B, C, and others
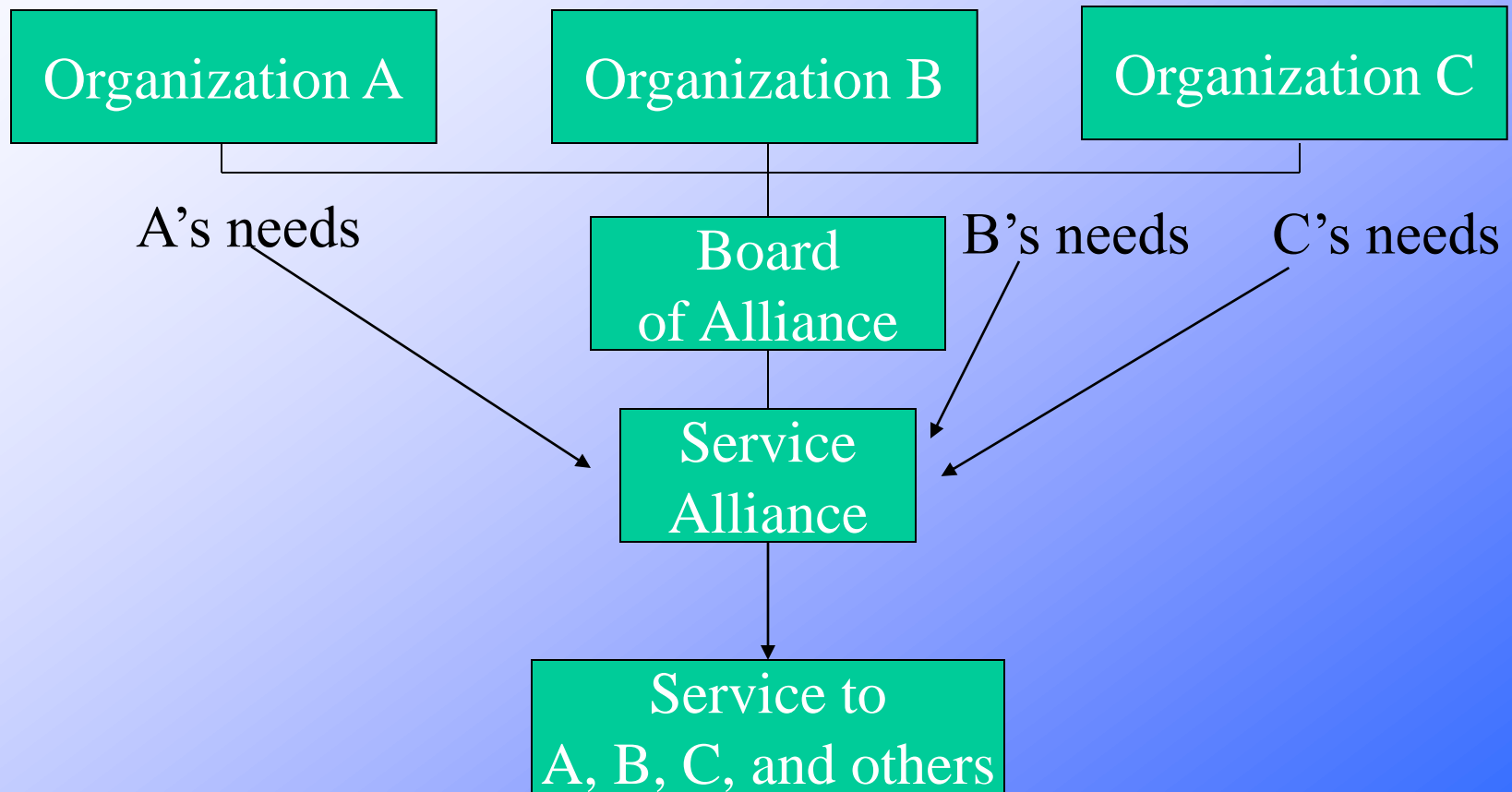
Preferred Structure of Alliance for Ministries

VisionQuest Alliance

| OMS | GEM | ISI |

OMS's needs

Board of Alliance

GEM's needs   ISI's needs

Service Alliance

Service to OMS, GEM, ISI
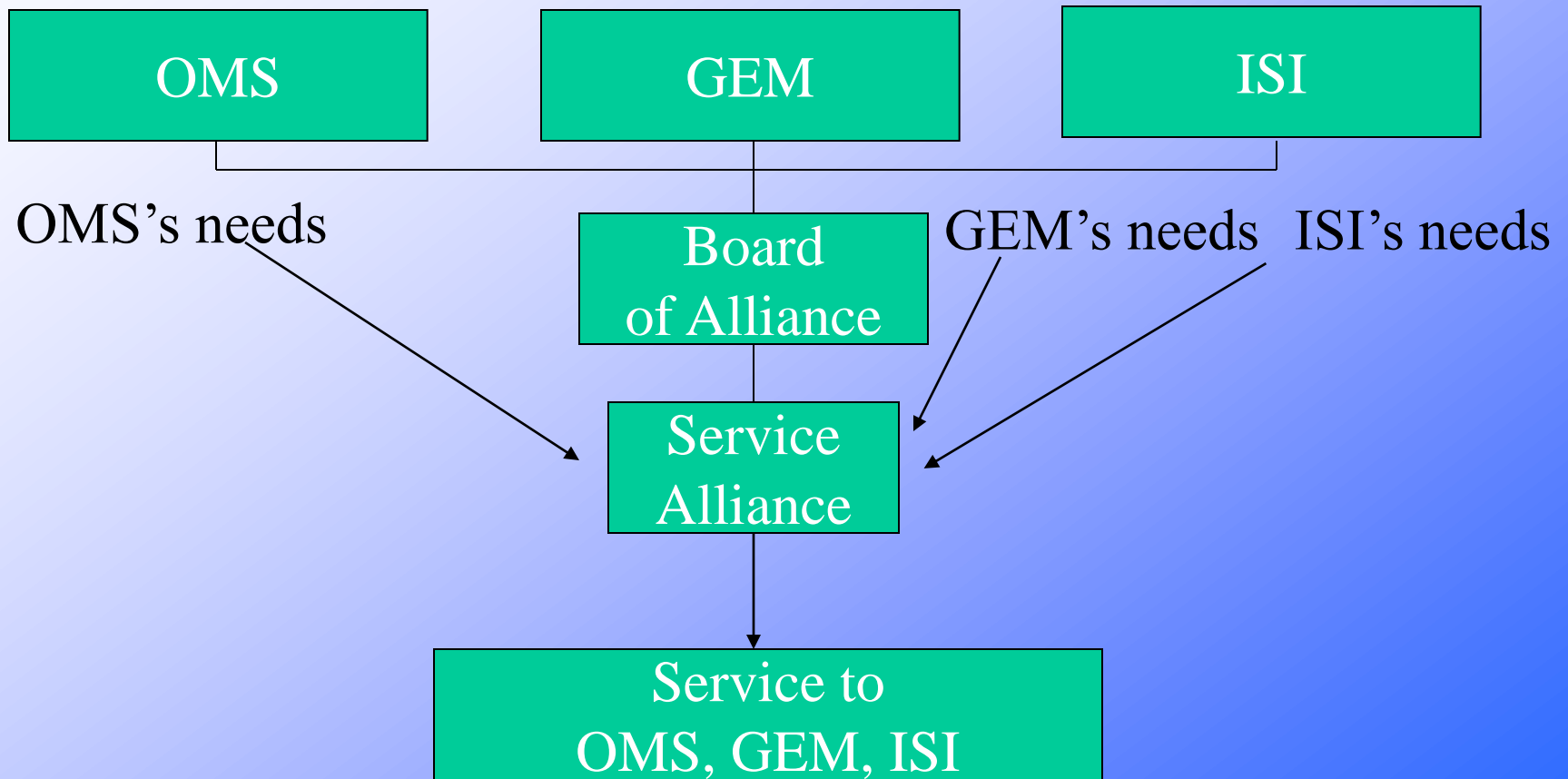
VisionQuest Alliance

VQA is a non-profit evangelical ministry incorporated in January 2001 as a joint operating ministry headquartered in Monument, Colorado

USA

Mission Agencies Served

- OMS International
- Greater Europe Mission
- International Students Incorporated
- InterVarsity Christian Fellowship
- United World Mission
- Inherit A Blessing
- TEAM (The Evangelical Alliance Mission)
- UFM International

VisionQuest's Mission

VisionQuest Alliance exists to provide shared services and solutions for the headquarters' operations of small and mid-size faith-based mission agencies, enabling them to have more effective ministry.

VisionQuest's Strategy

1. Understand well and anticipate the operational needs of mission agencies
2. Attract skilled and experienced staff that individual agencies could not
3. Select and maintain partnerships with appropriate resource providers
4. Provide and manage integrated systems that automate critical mission agency processes
5. Bring synergy, economy of scale and best practices to our clients through collaboration

VisionQuest's Value Proposition for Clients

- Mission agency can focus resources on ministry
- Shared ideas and combined implementation leverage common business practices
- Shared costs enable each mission agency to afford more than it could on its own
- Economy of scale means savings
- Joint agreements with trusted partners will provide quality, professional ongoing support
- Get capabilities not available otherwise

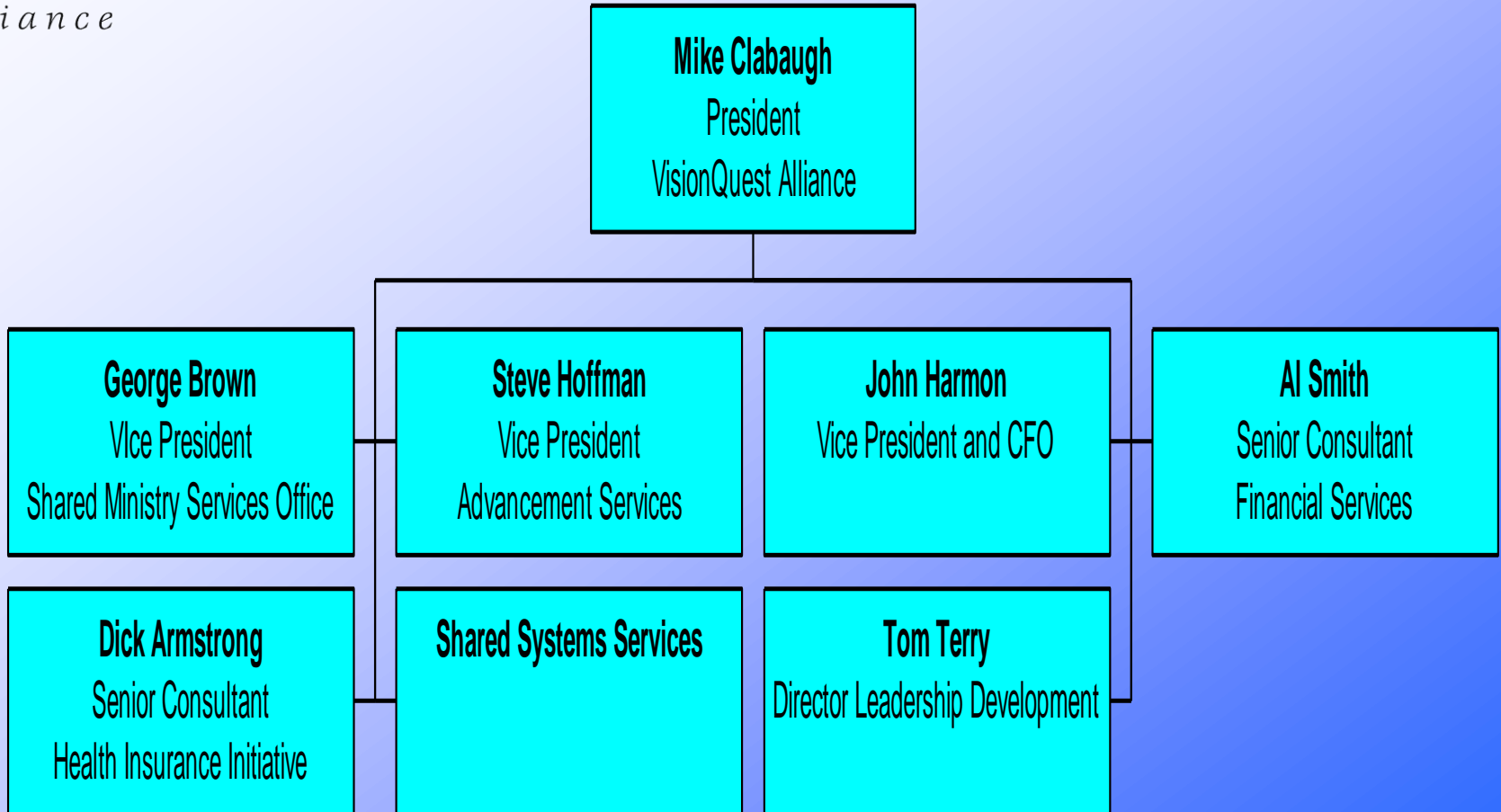# Where the Benefits are Found

- Collaboration   15% of total benefit
  - (Shared Best Practices: same processes)
- Commonality   20% of total benefit
  - (Shared Systems: everyone uses the same software)
- Combination   25% of total benefit
  - (Shared System Operation: same software, same servers)
- Consolidation   40% of total benefit
  - (Shared Administrative Services: same software, same servers, same processes, same overhead)

Source: US West process improvement initiative

VisionQuest Alliance

Mike Clabaugh

President

VisionQuest Alliance

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VIce President

Shared Ministry Services Office

Steve Hoffman

Vice President

Advancement Services

John Harmon

Vice President and CFO

Al Smith

Senior Consultant

Financial Services

Dick Armstrong

Senior Consultant

Health Insurance Initiative

Shared Systems Services

Tom Terry

Director Leadership Development

Services Provided

- **Advisory Services**
  - Board development
  - Organizational development
  - Executive mentoring and leadership development
  - Operational reviews and audits
- **Healthcare Insurance Initiative**
- **Advancement Services**
- **Financial and CFO Services**
- **Shared Ministry Services Office**
  - All back office services provided
  - GEM, IAB and UWM (More to be added later)
- **Shared Systems Services**

How is it done? (Overcoming Resistance)

- Help create awareness within missions of the issues that impact ministry effectiveness
- Make the case that collaboration works
- Find a few who are able and willing to try it
- Develop a trust relationship…take the time …this can take years
- Start with initiatives that can work; find small victories; celebrate them; build on them
- Guarantee results and back it up; easy exit plan if it fails to work for all parties
- Be willing to take measured and acceptable risk

Healthcare Initiative

- VQA is facilitating discussions with insurance professionals for more than 20 mission agencies

  - Healthcare costs in US increasing at > 20% p.a.

  - Currently VQA group represents over 3000 insured lives

  - VQA will have role in marketing, premium billing, and eligibility, not claims administration

  - Starting with seven agencies for proof of concept

Background

- Nearly two years ago OMS, GEM, ISI, TEAM formed task force:
  - All organizations agreed current systems were inadequate and unacceptable for future needs
  - defined the requirements for a common system that would serve all organizations for the long term
- Assessments revealed details of needs at each organization

Background

- Principles agreed by task force:
  - Top tier professional solution needed
  - Finance, Donor, Payroll, and HR modules
  - Fully integrated….all linked seamlessly together
  - Web enabled; worldwide access in real time
  - Professionally managed hosting facility
  - Shared cost according to participants' size and usage

VQA Proposition

- A shared system solution is most cost effective
  - Get best processes in best system for fraction of the cost
- VQA has the expertise (business process & technology) and commitment to manage and implement
- VQA will lead collaborative effort to assure the solution includes "best business processes"
- VQA will raise half the startup funds from non-traditional major donors who believe in collaboration

Software Vendor Selection Process

Initial List

CGI / Navision

Denari

DonorDirect

Donorware

Epicor

eTapestry

goMembers

Great Plains

KMA

PeopleSoft

Pledgemaker

Raiser's Edge

RFP →

Response

CGI/Navision

DonorDirect

Donorware

Epicor

eTapestry

goMembers

PeopleSoft

Pledgemaker

Review →

Short List

PeopleSoft
Epicor

eTapestry

Donor Direct

Demo →

Finalist

DonorDirect
& J. D.
Edwards

VisionQuest Alliance
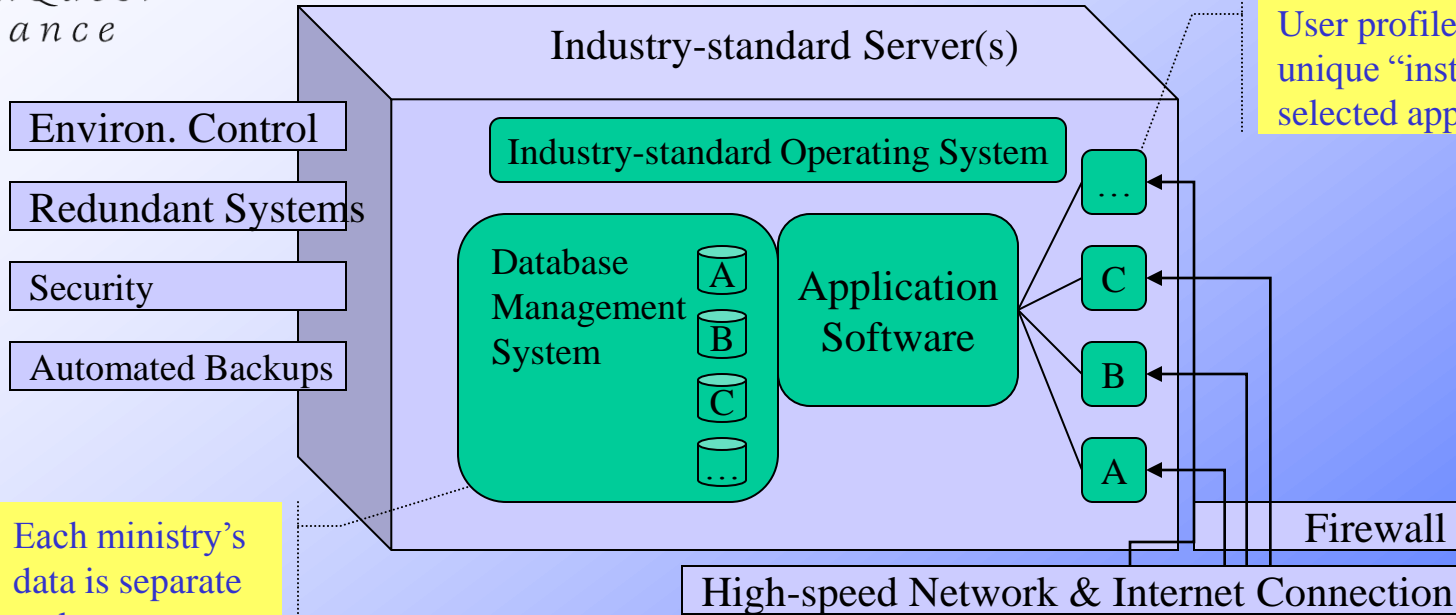
Solution Agreed

- DonorDirect in partnership with J.D. Edwards
  - Multiple client license agreement
  - Missions friendly architecture
  - Lower-cost conversion and implementation
  - Significant scale advantage for future growth
- Professional Hosting
  - Affordably meets needs of mission organizations
  - Agreed upon service levels
  - Industry standards for security and redundancy

Shared Solution Concept

Managed Hosting Center

Industry-standard Server(s)

Industry-standard Operating System

Database Management System

A
B
C
...

Application Software

...
C
B
A

Environ. Control

Redundant Systems

Security

Automated Backups

User profiles define unique "instances" of selected applications.

Each ministry's data is separate and secure.

Firewall

High-speed Network & Internet Connection

Access available over secure connection 24/7.

VQA   OMS   GEM   new

VisionQuest Alliance

Solution Highlights

- DonorDirect/J. D. Edwards Software
  - Donor, Finance, Payroll, HR, Event Management
  - Web enabled; instant access to information
  - Data Conversion, training and implementation help included
- DonorDirect will Integrate and Implement all Modules
- DonorDirect will Manage the Hosting: single source
- VQA will Own the License and be Contact with DD
- VQA will Lead Implementing Best Business Processes
- VQA will Provide Helpdesk, Technology and Process Application Support to all the Organizations

Investment

Startup Investment
First Year

Services	$	450,000
Licensing	$	430,000
Hosting	$	120,000
Total:	$	1,000,000

How Do We Pay For It?

- VQA will raise half the startup costs

- Initial participants will share the other half

- Add participating organizations to spread costs

- Offsetting savings from reduced operating costs

- More donations from improved donor knowledge

- More missionaries from improved services

Status

VQA has raised $500,000 for half the startup funding

Initial participants have their share of the startup funds

All boards have approved proceeding with project

Software contract has been with DonorDirect

Hosting contract has been signed with DonorDirect

Three staff have been hired

Training starts late September

Initial participants will be operational by summer 2004

Begin adding new participants in July 2004

Benefits to Clients

The DonorDirect –JDE suite of integrated software is available to all NA missions agencies under $25 million per year revenues

Small and midsize mission agencies now have access to the same robust, professional systems capability that only large corporate users have had until this concept was developed

Shared Ministry Services

- Currently four organizations served
  - GEM, UWM, IAB and VQA
- Services provided in VQA Offices
  - Receipting
  - Payables
  - Financial and Management Reporting
  - General Ledger
  - Payroll
  - Regulatory Compliance

SMS Benefits

- IAB realizes 12.5% savings and improved services
- GEM reduced overhead costs and implemented improved processes
- UWM realized (fiscal year just ended) a 35% ($75,000) savings (compared to in-house costs for same work)
- UWM was able to downsize and, with improved processes and policies, has realized a year on year improvement of $400,000 for all HQ operations
- All organizations are now "in compliance"

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