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Newsletter | Vol. 1 | No. 3

COVID Survival Strategies for Child Care Programs: Business Coaching and Automation

Over the past few years Opportunities Exchange has focused growing attention on the key role that automation and data-driven decision-making play in business success within the early childhood education (ECE) sector. These tools proved to be invaluable in helping providers address the economic challenges posed by the COVID19 pandemic. Three examples—in Atlanta, San Francisco and Philadelphia—offer important lessons.

Atlanta

In 2019, Atlanta-based Quality Care for Children (QCC) launched a pilot to provide 40 child care programs (both family child care homes and child care centers) with grants coupled with business and automation coaching in order to help child care program leaders:

• purchase and implement new, or strengthen existing, automated Child Care Management Systems (CCMS);

• pull reports and financial data generated by the automated systems and use these data to inform reporting and accountability; and

• build the knowledge, tools and resources needed to effectively manage their business with a focus on the Iron Triangle of Early Care and Education Finance, e.g., full enrollment, fees paid in full and on time, and sufficient revenue covers cost per child.

Preliminary results from the Atlanta pilot are very promising. Comparisons of Iron Triangle business metrics at project initiation and 6-to-9-months later reveal that programs increased revenue, reduced bad debt, and reached and maintained optimal enrollment. While all programs reporting data showed improvement, for some the impact was dramatic. For example, when the pilot began, participating programs were carrying, on average, over $52,500 of bad debt per program. By the end of the pilot, the average bad debt was $877 per program. Vacancy rates also varied among participating programs and systems to track and boost enrollment were not in place. Automation, coupled with coaching and focused attention to the Iron Triangle, led to increased program revenue. Overall revenue among participating programs increased by 24%—with two programs more than doubling their revenue, and one almost tripling it by the end of the pilot.

When the pandemic hit, QCC shifted the focus of its business and automation coaching to support programs applying for Small Business Administration (SBA) funding. Because programs had automated systems that could produce the financial data needed for applications, e.g., profit and loss statements, balance sheets, and payroll reports, they were well-positioned to apply for SBA funding. Thirty-six (90%) of the 40 programs QCC supported applied for SBA funding and twenty-six (or 89% of those that applied) received loans or grant awards.

San Francisco

Wonderschool, a virtual Shared Services network for home-based child care based in San Francisco, offers support on a host of business and program quality issues. Approximately 76% of the home-based child care directors that participate in Wonderschool are women of color and about a third speak a primary language other than English. The Wonderschool technology platform makes it easy for these directors to keep tabs on finances and automate their businesses. Wonderschool makes higher wages for early childhood educators a priority, and their data underscore success.

Support for COVID recovery was offered via a Wonderschool online community and accelerator cohorts that helped identify banks participating in SBA lending, encouraged directors to apply again if denied, let them know when the next round of funding opened up and if funds were still available. On-line peer support systems made it possible for directors to ask each other questions, share successes (or setbacks) with banks, and offer steady encouragement.

Wonderschool reports that directors in their network were twice as likely to apply, and much more likely to be approved, for a federal Payroll Protection Program (PPP) loan than nationally reported averages. Almost 48% of Wonderschool directors applied for PPP, compared to the national average family child care application rate of 25%. And over 70% of the Wonderschool directors who applied for PPP were approved, compared to a national family child care approval rating of only 45%.

Philadelphia

In Philadelphia, the Public Health Management Corporation (PHMC) tapped the infrastructure and consultant networks of two existing ECE business support programs—the Fund for Sustaining Quality and the ECE Fiscal Hub, to deploy a centralized system of tiered business technical assistance (TA) that has helped over 200 child care programs. This work pivoted after the pandemic hit, and a webpage dedicated to ECE COVID-19 resources was added and continually updated. A dedicated email address was created to accept questions from providers who may not need one-on-one TA. Weekly two-hour "Office Hour" sessions made it possible to reach an even broader group of providers.

Given that PHMC elected to tap the expertise of many individuals and organizations that provide business TA, they developed a standard Action Plan template to ensure consultants were working collaboratively and collecting data consistently. In addition to COVID loan and grant application assistance, business TA focused on: preparing for re-opening, including projection of re-staffing and re-enrollment; short-term staffing decisions (lay off, retention, benefits, unemployment impact, etc.); systems for tracking and quantifying total losses during closure and recovery; and, immediate reduction of operating costs while closed. Data included in the Action Plans will inform local ECE system response and policy going forward. For more information on the Philadelphia experience, press here.

Skilled business leadership has never been more important for child care center owners and directors. As we enter a new world, challenged by both a pandemic that requires new, and costly, health and safety procedures and an unpredictable recession economy, child care leaders will need to sharpen their ability to generate, analyze and use key metrics to keep their businesses afloat. Automation and business coaching are not only essential to that process, but also critical to helping business owners access the capital needed to ensure sustainability. In Phoenix, San Francisco, Atlanta and Philadelphia intermediary organizations are stepping in to provide these services and collect impact data to support replication and scaling of business leadership over time.