

BY JOE KEENEY

How to Achieve a High-Performing Back Office

Editor's Note: This is the first in a two-part series on the importance of investing in and achieving an efficient back-office operation.

“Add just one more student per class schoolwide, and ... we can afford headhunters to find the best principals in the country, business managers to handle the non-instructional administration that would otherwise distract these great principals from driving high-quality instruction, ample professional development for teachers, museum trips for students, etc.”

– Eva Moscovitz, *The Washington Post*, March 27, 2011

Although this passage taken from a recent editorial by Eva Moscovitz, founder and chief executive of the Success Charter Network in New York, specifically addresses class size, her appreciation of the value of strong business managers is notable. Hire principals who want to be great building managers and you might get great charter school buildings but lackluster student achievement. Hire principals who want to be great instructional leaders and complement them with strong business managers, and you have a good chance of creating high-performing charter schools.

For our purposes, we will use the generic term “business manager” to encompass several charter school business titles, including chief financial officer, chief operating officer, director of finance and/or operations, school operations manager and business services manager.

Although the notion of hiring strong business managers may seem simple, time and time again we see boards and principals hire under-qualified

business managers who cannot manage the complexity of charter school business and operations needs. These under-qualified staff often burn out and resign at a high rate; they miss deadlines and fail to comply with grant requirements risking hundreds of thousands of dollars for their schools; and they are sometimes bulldozed by principals who have perverse agendas.

The consequences can be profound. The Center for Education Reform estimates 68 percent of charter schools that closed did so because of financial reasons or mismanagement, compared to only 14 percent attributed to academic performance. In addition, the National Association of Charter School Authorizers recently reported that fiscal issues were the top reason large authorizers closed charter schools outside the renewal process.

To avoid these pitfalls, there are several key actions you can take to get your back office to be a high-performing part of your charter school operation.

First, **pay up**. If you are a single-site, independent charter school, your business manager should be the second highest paid employee after the principal, although their salaries also can be on par with each other. Business managers may report to the principal but should have access to the board. Ideally, they should meet monthly with the board chair or treasurer and present at board meetings.

Everyone loves the principal on the first day of school, but board members should recognize that some principals will spend more time hiding things from the board than observing teachers in the classroom.

Second, **hire the right number of people**. A rule of thumb is that you should have at least one finance or operations staff member for every 150 students. This obviously puts enormous pressure on small and start-up charter schools that need to find people who can multitask across finance, operations, human resources, technology and compliance demands. The accompanying chart on [page 32](#) shows some typical back-office organizational structures.

Third, **hire the right kind of people**. I have yet to meet a business manager who is great at both operations and finance. Charter schools that have complex operational needs, such as their own facility management, security, transportation and/or foodservice, need to have strong operations

personnel. Those operational tasks are incongruent with cranking out financial statements, cash flow forecasts, budget revisions and grant reports. If you are lucky enough to have a district or third party manage your operations, you should consider hiring a person with more finance and accounting skills and experience.

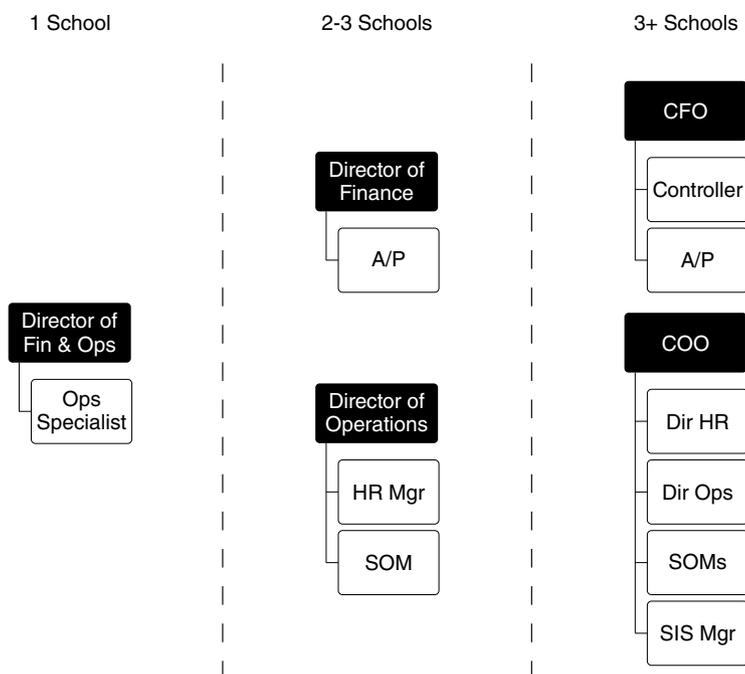
Fourth, **ensure proper financial controls are in place.** Board members should meet annually with the school's independent financial auditor and follow up on any comments noted in the management letter. They should ensure their monthly financial reports are timely, accurate, clear and consistent. They should understand the differences between actual results and the budget, and

the forecast for the balance of the year. They should know how student activities funds and other cash on campus are controlled. Most importantly, they should ensure that bank reconciliations are performed regularly by an independent person (preferably the board treasurer).

The stakes here can be high. A business manager with a gambling problem recently embezzled \$600,000 in small checks from a charter school that should have been performing independent reconciliations of bank statements. Fortunately, the school had \$300,000 of insurance coverage against employee theft, which it collected. All charter schools should have this type of protective coverage.

Organizational Structures

Rough Rule of Thumb: 1 "back-office" staff per 150 students



Abbreviations: A/P - Accounts Payable; SOM - School Operations Manager; SIS - Student Information Systems

Finally, if these important back-office hires cannot be staffed internally, consider **outsourcing**. If there is a proven provider in your market, outsourcing can be the most effective strategy to charter school finance and operations management, offering many advantages that can be leveraged.

Proven providers should be able to demonstrate knowledge of state education department and authorizer requirements, and have existing relationships with those officials. These pre-existing relationships can help solve problems or get questions answered quickly. Proven vendors will know when to push back on random requests and how to prioritize multiple deadlines.

A provider's financial experience also can be advantageous, including delivering reports on time and successfully completing audits. I reviewed a recent authorizer report that showed only 10 percent of charter schools that did their own financial management and reporting were in compliance, while the majority of schools that outsourced were in compliance.

Outsourcing providers also should offer operational expertise, and not just in making the buses run on time. Proven providers should be able to help fine tune school operations so that fewer instructional minutes are lost to inefficiencies, such as lunch transition times, or burdensome reporting by instructional staff.

One high-performing charter organization even includes operational efficiency references in two of its four key strategic elements:

- “Optimized use of every minute of the school day together with a longer school day and year.”
- “Highly developed and ingrained operational systems that enable teachers to focus on instruction.”

Another advantage to outsourcing can be leveraging experience in maximizing categorical and grant revenue. Many times these are dollars school directors or the board would never know were missed. Charter schools often leave

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money on the table by under spending in reimbursable grant categories and failing

to make adjustments based on actual spending.

Outsourcing providers also offer independence from the school principal and are accountable to the board for financial management. This independence is particularly important for new schools or expanding networks because there is a significant probability that a brand new charter school leader is not going to work out. These situations can cause enrollment to drop, expenses to rise, student funds to disappear, and adverse contractual commitments to be made before the board recognizes it is time to find a replacement.

In addition, the efficiency of proven outsourced providers likely means they can deliver their services for less than it would cost you to hire, train and retain or rehire your own staff. Many schools, for example, don't need a full-time chief financial officer, but they likely could use the expertise of a full-time CFO a few hours or days each month.

Outsourcing providers can typically work on a percentage-of-revenue basis, charging from 3 percent to 10 percent of revenue, depending on the scope of services and whether they employ school-based staff. They also can be hired on a flat-fee or retainer, or even on an hourly basis. I recommend the percentage-of-revenue model because it gives the provider an incentive to maximize the school's revenue and automatically reduces your cost if there is an enrollment or funding shortfall. A list of providers is available at www.charterschooltools.org/businessmanagers.

Part two of this series will appear in the June issue of *Charter Schools Insider* and examine performance management frameworks and contractor evaluation and feedback. In the meantime, please recognize that great charter school business managers are some of the unsung heroes of the charter school movement. If you have them, nurture them. If you don't, you need them now. Don't wait until it's too late. 

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