

▶ CUSTOMER SERVICE IN ACTION



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The F.B. Heron Foundation was created in 1992 with the mission of helping people and communities to help themselves. The Foundation supports organizations with a track record of building wealth for low-income people and communities.

Specifically, the Foundation provides grants to and invests in organizations that promote the following five wealth-creation strategies for low-income families in urban and rural communities:



advancing
home ownership;



supporting
enterprise development;



reducing the barriers to full
participation in the economy
by providing quality child care;



increasing
access to capital; and



employing comprehensive
community development
approaches with a strong focus
on the Foundation's wealth-
creation strategies.

Additional information on these program strategies can be found in our Annual Report or on our website, www.heronfdn.org.

- ▶ **Assets as of 12/31/04:**
\$273.2 million
- ▶ **First-time Grant Range:**
\$25,000–\$50,000
- ▶ **Annual Grant Range:**
\$25,000–\$125,000
- ▶ **PRI Range:**
\$250,000–\$1,000,000
- ▶ **Insured Deposits:**
\$100,000 per depository institution
(may be higher if depository is a member
of the Certificate of Deposit Account
Registry Service™ network)
- ▶ **Market-Rate
Mission-Related Investments:**
Up to \$2.5 million per investment

Customer Service In Action

TREATING APPLICANTS, GRANTEES, INVESTEES, AND COLLEAGUES with respect is a founding value of the Heron Foundation, a value that has always been enthusiastically supported by board and staff. However, Heron board members were not satisfied just to articulate this value. They challenged the staff to go beyond respectful communication and encouraged us to think of our grantees/investees as customers. They urged us to demonstrate *customer service in action*—a charge that has resulted in some fundamental changes in how we do our work.

Heron's interest in customer service builds on a view that the Foundation's value is derived from an ability to work productively with, and in service to, our client grantees and investees. Too often, the scarcity of funds dictates the dynamic between funder and grantee/investee, perpetuating the traditional roles of "supplicant" and "philanthropist." The Heron Foundation seeks to re-frame

this relationship—to see foundations as providers of financial and other resources to nonprofit organizations who are the real agents of change. A clear emphasis on customer service should help us to do our job respectfully, thus increasing the potential of our grantees/investees to make progress. This increases our levels of professionalism and effectiveness as a funder.

Simply put, to be successful, the F.B. Heron Foundation depends on our customers—our grantees and investees. As a grantmaking foundation, it is through our customers that we accomplish our mission of helping people and communities to help themselves through specific wealth-creation strategies: advancing home ownership in low-income neighborhoods; supporting enterprise development to create wealth and jobs; providing quality, affordable child care to working families; increasing access to capital; and implementing comprehensive community development approaches.

In this essay, we want to communicate our experiences with implementing a customer service approach including: why we focus on customer service, what we have learned, and how we have improved our policies and operations.



Neighborhood Development Center (NDC): NDC receives general support from Heron for its work to build enterprises and commercial real estate. NDC staff provides follow-up technical assistance to graduates (such as the boutique owners in south Minneapolis pictured above) of their entrepreneur training program. NDC provides computer training to entrepreneurs as in the upper-right photo.



El Centro: Heron provides general support to El Centro for its comprehensive community development programs such as nationally accredited quality child care, see above.

WHY FOCUS ON CUSTOMER SERVICE?

Foundations have been talking about customer service for years and have different motivations for soliciting grantee feedback. Many are looking for ways to measure and improve their effectiveness and impact. Others want to be sure that they are responding to important needs. Further, as foundations push grantees to be accountable for a high level of performance, funders send a mixed message if we do not ask the same of ourselves.

At Heron, we quickly learned that customer service doesn't happen just by talking about it. A customer-focused approach requires discipline, systems and commitment throughout the organization. Further, the traditional customer service models had to be reconsidered within the context of a foundation which holds the purse strings. But first, before we could put new practices in place, we had to agree on what we mean by "customer service."

WHAT CONSTITUTES QUALITY SERVICE?

We defined the dimensions of quality service to be—clarity, timeliness, courtesy, respectfulness, and responsiveness. These dimensions fit well with the Foundation's core values, resonate with our grantees and investees, and are consistent with factors that other organizations such as the Center for Effective Philanthropy have found to be important.¹

Clarity—Do we communicate our mission, program areas, types of funding, procedures, criteria, and standards upfront? Are we fair and consistent in our process and communications throughout the Foundation?

Timeliness—Have we set expectations for timeliness? Do we manage our work so that we meet or exceed those expectations?

¹ Center for Effective Philanthropy, *Listening to Grantees: What Nonprofits Value in their Foundation Funders*, 2004.

Courtesy—Are we polite, for example, by being on time for meetings, responding to written communications and phone calls, speaking and behaving appropriately?

Respect—Do we show that we value the experience and knowledge of our customers? Are we mindful of their traditions and do we value different points of view?

Responsiveness—Do we listen well, address customers' concerns, anticipate issues, learn from others, share knowledge, and advance solutions?

MAKING IT WORK

Using these quality dimensions, we quickly identified some things at Heron that were already responsive to customers such as our longstanding commitment to making general support grants. From the day the foundation opened its doors, we consistently heard how valuable and rare general support is for nonprofit

▶ LEARNING FROM CUSTOMERS

El Centro, Inc.

Kansas City, Kansas
www.elcentroinc.com

Knowing who your customers are and what they need is a prerequisite to high quality customer service. El Centro, a community development corporation, found that current, locally relevant data on its customers was scarce. It set out to fill that information gap. "For the past four years, we have conducted a comprehensive survey of Latino immigrants in the Kansas City area," explains Vanessa Vaughn, Director of Communications at El Centro. "We ask our customers: What brought you here? What challenges do you face? What services do you want? What are your hopes and dreams?"

The survey results provide a rich data set on El Centro's customers including information on: demographics, employment, education, health, taxes, future plans for themselves and their

children, and more. "In the past," says Vaughn, "we were just guessing what the community needs were. Now, we can quantify the gravity of conditions in which our clients are living and their needs for jobs and education. This lends credence to our policy efforts, especially when making the case to legislators."

Information from the surveys has changed how El Centro does its own work, such as adding more English as a second language classes and computer training, at locations and times most convenient to its customers. The survey also confirmed that many Kansas City Latinos lack relationships with banks and other financial institutions—making bill paying cumbersome and expensive, and loans

hard to secure. To address this problem, El Centro organizes Ferias de Finanzas (financial fairs)—in partnership with the FDIC, area banks, and volunteer help—to provide financial information and demystify the process of setting up a bank account.

El Centro conducts its customer survey annually and has four years of data so it can document trends over time—such as the increase in the number of respondents who have bank accounts, which has grown from 28% to over 50%.

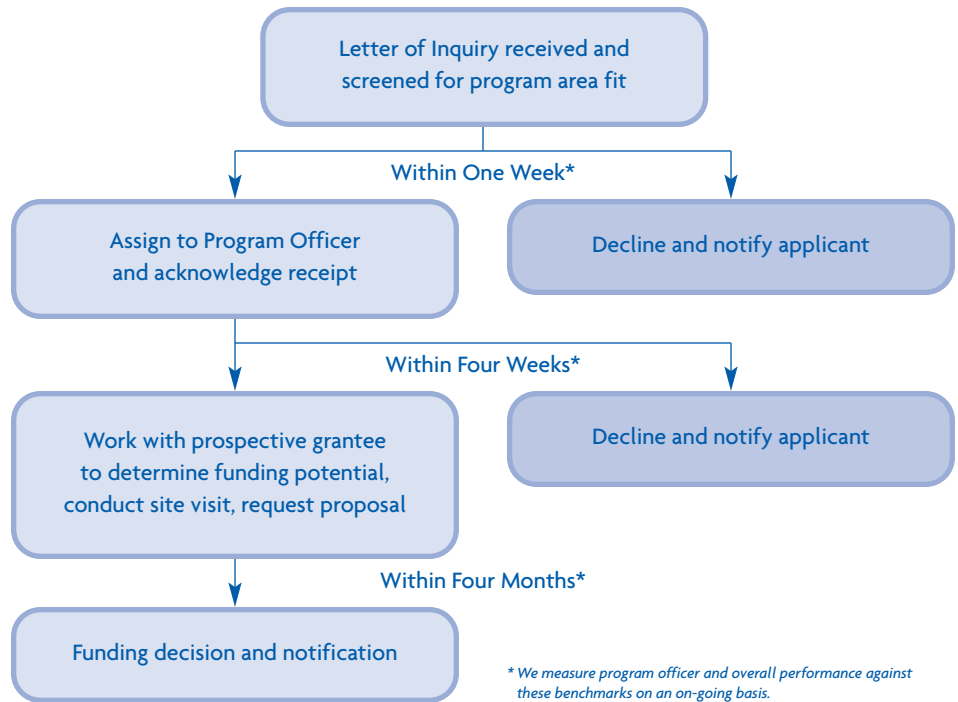


Heron provides general support funding for El Centro's comprehensive community development efforts including home ownership, enterprise development and affordable, accredited child care.

organizations. The Foundation established guidelines and procedures that reflect a clear preference for making general support grants which currently constitute nearly 80 percent of our portfolio.

We also discovered some areas that needed immediate attention. For example, in some instances, the grant application process stretched on. In a couple of cases, close to a year went by when paperwork got buried or misplaced in the files. We needed to articulate our goals clearly, define uniform standards, and measure and track our performance for responding to new grant requests. Otherwise, our response to grantseekers would continue to be inconsistent, despite good intentions. To address these delays and make the review process more efficient, we established new standards on how quickly we respond to grant requests (*see adjacent chart*) and new procedures.

Responding to New Grant Requests



▶ RESPECTING RELIGIOUS DIFFERENCES

Neighborhood Development Center, Inc.
St. Paul, Minnesota
www.ndc-mn.org

The Neighborhood Development Center (NDC) found that one group of customers was not taking full advantage of its services. “We discovered that Somalis, who are one of several immigrant groups in the Twin Cities, were not applying for financing from our loan fund,” explains Mara O’Neill, Chief Operation Officer at NDC. “The reason was that Islamic law prohibits paying interest, or reba, on debt.”

With the help of a company called Reba Free LLC, NDC set up a financing program that enables Muslims to pay a return on an investment made by NDC without paying interest on debt. Here’s how it works: NDC will purchase equipment or inventory on behalf of the entrepreneur and immediately sell it to the business owner at a price that includes the original purchase price plus a mark-up. The mark-up is the amount of interest a regular borrower would have paid on a similar loan. Another acceptable financing option is a royalty agreement where NDC purchases inventory with an entrepreneur then,

as the inventory is sold, the entrepreneur pays NDC its portion of the initial investment plus a negotiated return.

Reba-free financing has been used to finance a barber shop, a restaurant, truck purchases, and for retail businesses that sell groceries, household items, or rugs. Demand quickly exceeded the funds set aside for this program, and NDC has raised additional money from public and private sources. As of March 2005, NDC has provided over \$776,000 in reba-free financing to 49 entrepreneurs, 43 of whom are Somali immigrants, enabling them to develop their business operations and follow their religious requirements.



NDC received general support funds from Heron for its work supporting emerging entrepreneurs such as the business owner on the left, to build successful businesses that serve their community and to help community groups build stronger neighborhood economies.

When we reported on our performance, our board asked, “What would it take to reduce the time by half?” Part of the answer was that we would need to schedule more dockets. The board agreed, and they are now available to review dockets up to ten times per year (via teleconference) to ensure that we respond to inquiries on a more timely basis.

We also have learned that to be effective, customer service goals must be reinforced and incorporated into other aspects of the foundation’s operations. For example, performance against timeliness benchmarks is included in program officers’ annual performance reviews. These reviews are tied to consideration for annual merit increases, so staff pay extra attention to meeting the benchmarks.

EXPANDING THE RELATIONSHIP

In addition to grantmaking, Heron looks for opportunities for mission-related investments, e.g., program-related investments (PRIs) made at below-market rates as well as market-rate investments, in organizations that are aligned with our program areas. In order to build our portfolio of investments effectively, we found we have to take customer service to an even higher level by incorporating elements of relationship management (see chart on page 7). Relationship management means that our program officers are not just making grants. They need to seek and identify new opportunities. They have a “tool kit” of below-market-rate and market-rate solutions (i.e., grants, loans, deposits, equity investments) that respond to the increasingly sophisticated funding needs of our customers.

LISTENING TO OUR CUSTOMERS

Another important element in moving beyond talk is gauging customer satisfaction. What is going on with our customers shouldn’t be a mystery. All we need to do is ask *and listen*.

Listening to their perspective enables us to go beyond quantitative metrics (such as timeliness) and delve deeper into qualitative factors (such as responsiveness). While anecdotal feedback can be enlightening and valuable, we must be disciplined to ensure that we are consistent and not biased in our interpretation. To help us collect and analyze grantee feedback, we participated in the Center for Effective Philanthropy’s (CEP) Grantee Perception Report. Since 2003, CEP has conducted twice-yearly surveys of foundation grantees—typically surveying 5,000-6,000 grantees of 25-30 large foundations in each round. We chose to participate in this survey for several reasons:

▶ CLARITY ON INCLUSION

Easter Seals, Inc.

Chicago, IL
www.easter-seals.org

Children with disabilities are top-priority customers for Easter Seals. “We believe that children with disabilities are best served in inclusive child care programs,” asserts Bob Siegel, National Director of Easter Seals’ Child Development Network. “Inclusion means that children with special needs are educated in child care classrooms along side their typically developing peers, not segregated in a separate classroom for disabled kids. But, high-quality, inclusive child care is rare,” notes Siegel. In fact, 45% of mothers with infants who are disabled do not return to work because they can’t find child care.

Easter Seals’ Child Development Center Network is working to change that by increasing the amount and quality of inclusive child care available across the country. This summer, the Network in partnership with the

National Association for the Education of Young Children (NAEYC), will announce new standards for accreditation of inclusive child care that spell out the policies and procedures necessary to provide quality care for all children, including those with special needs. Six sites are piloting the standards and providing regular feedback on implementation. In addition, the Network is designing a self-assessment tool to help other centers establish baseline data on program and child outcomes, identify areas that need more work, and chart their progress over time.

What next? Easter Seals will spread the word. It will use the standards, implementation guide, and assessment tool throughout its own network which

provides child care to 5,000 children. Its 88 affiliates will use these tools to provide technical assistance to other child care providers. The new standards will be presented to state administrators and at NAEYC’s annual conferences. Through all of these channels, Easter Seals is promoting a more systematic approach to inclusion. Says Siegel, “A mom should be able to walk up to a center with a special needs child and not be told that the opening has been given away when they see the child has a disability.”

Heron gives priority to organizations like Easter Seals that help children with disabilities to have access to nationally accredited child care.



1. A third-party filter provides more assurance of grantee confidentiality. Some might argue that it is unrealistic for funders to expect candid responses directly from grantees who want future funding. Having a third party conducting the survey provides a shield for the respondents.
2. A multi-foundation survey provides a basis for comparison. Of course, grantees love us but do they love other funders more and why? It is critical to have a benchmark for evaluating customer feedback. Grantees from over 80 other foundations have participated in these surveys to date which provide valuable, comparative data.
3. Participating in a multi-foundation effort is cost effective. Conducting research for a single foundation can be costly. Fixed costs of the survey are shared by all participating foundations.

WHAT DID WE LEARN?

The survey results were a bit overwhelming and humbling. We received results broken out by program officers, who have geographic assignments, and by program area. There was a lot of numeric data to absorb as well as qualitative responses which provided insight and texture (see chart on page 8). Our initial instinct was to overanalyze and/or rationalize the results. After considerable review and discussion, we categorized the survey results into three major areas:

1. **Consistent with strategy**—For example, we were not rated highly for impact on public policy. This was expected as most of our funding is targeted to direct services. We also prefer that the spotlight be on the work of our grantees rather than on us.

2. **Pleasant surprise**—Some of our community-based grantees mentioned that it was helpful having Heron as a “national” funder in their efforts to raise other funds, an unexpected plus given the foundation’s traditionally low public profile.
3. **Needs improvement**—We categorized our improvement efforts into three areas: expertise, fairness and communication.

To address **expertise**, CEP has found that there is trade off between field and community understanding. They find that national funders generally do well in field understanding but not in community understanding. We want to break free of that paradigm. To that end, Heron program officers are developing deeper knowledge by working more intensively in select, key geographic areas—to ensure that we understand the economic, political, and policy environments, the funding landscape,

▶ RESPONDING TO HOMEOWNERS

Cabrillo Economic Development Corporation

Saticoy, CA
www.cabrilloedc.org

In keeping with its strong commitment to evaluation, Cabrillo Economic Development Corporation (Cabrillo) took a bold step—it asked its customers to assess its performance. “We decided to do a three-year, corporate assessment of our impact on the families we serve,” explains Jill Bangser Fioravanti, Director of Community Building and Neighborhood Revitalization. “We began with our

NeighborWorks® Home Ownership Center. We designed and sent a survey to all homeowners and a subset of renters who received services through the Center and held a series of focus groups with clients.”

“The results,” reports Bangser, “confirmed some of what we thought we knew, like the positive impact of home ownership on people’s lives. But now we actually know what residents want and need. For example, the top barrier to buying a home was lack of savings for the down payment. So, we started an Individual Development Account savings program and increased second mortgage capital funds through the Ventura County Community Development Corporation, a nonprofit affiliate.” Cabrillo also learned that its customers are at different stages in

their readiness for home ownership. It now tailors its services to be more responsive with a “fast-track” for clients ready for loan pre-qualification, and financial fitness courses and counseling for those who need more time.

Cabrillo’s customers praised the quality of its orientation and pre-purchase education courses, one-on-one counseling services, and flexible loan products. However, some clients were dissatisfied with Cabrillo’s follow-up, and Cabrillo had lost contact with some clients who, in fact, went on to buy homes. So, Cabrillo incorporated new customer service guidelines into its policies and has established new procedures to do a better job of staying in touch with clients and tracking results.

Recognizing the value of this process, Cabrillo has launched a second survey for residents living in its affordable rental properties, and is developing strategies to evaluate the impact of its Housing Development Division.



Heron has provided general support to Cabrillo since 2000 for its efforts to improve the lives of working families in California.

potential opportunities and pitfalls, and have a specific plan of action informed by local expertise for a given area.

To address **fairness**, we are reviewing our grant request and reporting requirements. Some grantees felt that we require more data than other funders but that we have only an average understanding of their organizations. We are working to reduce the data burden on our grantees without sacrificing our ability to assess their performance in meeting their objectives.

We have identified ways that even a foundation that aspires to quiet leadership can **communicate** better without making a lot of noise. We want to share our learning and experiences and also provide a forum through seminars, workshops, and publications like this one. Examples of where we are doing this include:

- **Assessing Impact:** Heron has been a long-time supporter of the Success Measures Project (SMP) which was developed by practitioners to improve and demonstrate impact in the community development field. We continue to spread the word about this approach, now available as a web-based data system, www.nw.org, and encourage grantees and other funders to get involved.
- **Mission-Related Investing.** Heron has been working to put more of our endowment to work to achieve our mission through market-rate and program-related investments. We have been sharing our approach and experiences, meeting with boards and staffs of other funders, and co-underwriting deals, see www.fbheron.org/viewbook_frontiers.pdf.

CONTINUOUS LEARNING

We depend on our grantees and investees for their work and for our inspiration. Included in this publication are a few stories that highlight their approaches to customer service. We look forward to continuing this dialogue. We want to hear your thoughts and ideas about customer service and would be happy to share more details about our lessons learned and approaches.

Patricia J. Kozu
Vice President, Finance and Administration

▶ MEETING CUSTOMERS NEEDS

Federation of Appalachian Housing Enterprises, Inc.

Berea, Kentucky
www.fahe.org

“Our communities are very rural, very widely dispersed, so we work through a network of nonprofit housing groups. While the end beneficiaries are low-income families, our customers are nonprofit, affordable housing developers” explains Sara Morgan, Chief Program Officer for the Federation of Appalachian Housing Enterprises (FAHE). FAHE concentrates on developing capital resources and providing technical assistance so that its customers can efficiently increase the supply of decent housing across four states—Kentucky, Tennessee, Virginia, and West Virginia.

For FAHE, customer service sometimes requires a big response, as big as a bulldozer even. Morgan recalls when “an executive director of a local housing group came in and said his production was stymied and he

couldn’t stay on schedule. The problem was that the guy with the bulldozer and back hoe wasn’t showing up on time.” The group wanted to own and operate the heavy equipment itself. So, FAHE’s Development Loan Fund provided the financing at a manageable 6% interest rate. Since the purchase, the organization’s housing production numbers have increased.

Sometimes customer service requires FAHE to craft creative financing. Tom Manning-Beavin, Director of Lending, cites an example in Tennessee where local housing developers did not have sufficient financial resources to take advantage of the state’s New Start Program. So, FAHE agreed to be the servicing agent for the loans. It also guarantees cash flow, makes working

capital bridge loans, and will help groups figure out other financing when the state funds are fully expended.

“This was a significant opportunity for relatively new, local or smaller groups that want to make single-family home ownership a part of their program but can’t do that without reliable financing,” explains Manning-Beavin. “We lent balance sheet strength to our member groups and the comfort of larger institutional backing to the state housing authority—knowing that together we can make this happen.”



With general support grants since 1994 and two program-related investments, FAHE provides project financing, direct mortgages and technical assistance that benefits families in the Central Appalachian region of Kentucky, Tennessee, Virginia, and West Virginia.

Incorporating Customer Service Values in a Relationship Management Organization

Elements	Customer Service	Relationship Management <i>(includes customer service elements plus these additional traits)</i>
Focus	Mission-driven Understanding of the field	Strategic, vision Longer-term, relationship focus
Staff	Program specialists Listening carefully	Advancing appropriate solutions from our funding toolkit Anticipating needs
Approach	Transaction-based Quantitative, results orientation Managing expectations	Continuity over time and across transactions spanning traditional boundaries Understanding motivations, internal dynamics, external factors of grantee/investee/partner Creating opportunities, connecting the dots Collaborative partnerships
Values	Competency Efficiency Reliability Accessibility Consistency	Creating new paradigms, risking new ideas Effectiveness Influence, networking Entrepreneurial, innovation

▶ CUSTOMERS TIMES TWO

Chicago Lawyers’ Committee for Civil Rights Under Law, Inc.

Chicago, IL
www.clccrul.org

When you function as an intermediary you have two sets of customers to serve and satisfy. Such is the dynamic for the Community Economic Development Law Project (a project of the Chicago Lawyers’ Committee for Civil Rights Under Law, Inc.) which functions as a broker, pairing attorneys who provide *pro bono* legal services with nonprofit organizations or low-income

individuals in need of legal services.

The Project takes a number of steps to ensure that both sets of customers are well served. “To make sure that all parties know what they are getting into, all of our clients and all volunteer attorneys sign legal retainer agreements,” explains Susan Kaplan, Executive Director. “We often receive requests from new organizations that want help to get their 501c-3, non-profit status. This is often a first step, and the attorney’s role expands as the organization grows.” The Project carefully screens entities that are requesting help to get established legally to make sure it’s a good use of valuable volunteer time.

At the conclusion of each legal matter, says

Kaplan, “We send an evaluation form to all parties asking: What was the outcome of your work? Were the client’s objectives achieved? How much time did you spend? Was it personally satisfying, or not? Would you do it again?” In some instances these evaluations prompt appreciative comments and praise that are gratifying for volunteers. In other instances, miscommunications or delays surface that can be addressed.

Feedback from customers also helps identify additional needs. For example, attorneys representing low-income individuals asked for more information on the various financing institutions involved in home-buying transactions. And, the Project has developed follow-on legal services for new homeowners such as help drafting wills and understanding property taxes.



A Heron grantee since 1998, the Community Economic Development Law Project provides key legal services that support our wealth-creation strategies to organizations and low-income individuals.

Responding to Our Customers

What You've Told Us You Want*	Our Response
<p>“Find more organizations in [our area] to fund. We are doing very interesting things here and believe additional funding would expand these efforts and provide another source of learning for the foundation.”</p>	<p>We are developing a more focused geographic concentration so that we can better understand the issues that are facing our customers, bring other kinds of resources to bear and learn more about productive partnerships.</p>
<p>“It is helpful when funders provide some connections between grantees... when a funder sponsors a joint conference call or strongly encourages two grantees to talk to one another that provides a good excuse to spend some time on the phone with someone who will be responsive.”</p>	<p>Our focused geographic approach has enabled us to organize meetings responsive to grantee input and create informal networks (like e-mail list serves).</p>
<p>“More referral to cross-program funds for other activities our organization undertakes.”</p>	<p>We are using more frequent electronic communications to send news like funding opportunities from other sources.</p>
<p>“Longer, more in-depth site visits would help both of us understand each other better.”</p>	<p>Our program officers will be spending more of their travel time in select areas.</p>
<p>“I accept the need for grant reports & PRI reports. However, non-profit staff are usually lean. The increased changes in reporting requirements last year was quite a drain on staff time.”</p>	<p>We continue to look for better ways to streamline our reporting requirements and yet ensure the integrity of the programs we fund.</p>
<p>“Keep increased focus on results. High performing non-profits like the chance to be recognized & welcome the comparison...”</p>	<p>This is feedback we like to hear and motivates us to continue to look at impact.</p>

*Source: The Center for Effective Philanthropy, Grantee Perception Report, 1/04.

Photography

Front cover (top to bottom):

Courtesy of El Centro, Inc.

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