

# Using Metrics to Strengthen Business Leadership

## Focus on Enrollment

by Louise Stoney and Libbie Poppick

The fact that most early care and education (ECE) businesses in the United States struggle to make ends meet is not news. Nor is the fact that ECE managers feel increasingly squeezed by higher standards (which often require more dollars), competitive markets (that make it difficult to increase prices), and few opportunities for third-party funding. The bottom line is that running a successful ECE business is hard. And while many challenges are beyond the control of site directors, owners, or administrators, some can be addressed. Thinking strategically about what leaders can influence, what fiscal and programmatic decisions matter most, and what data are most likely to help a program stay on track, are key to ensuring sustainability.

This article is the first in a three-part series that will explore the concept of early care and education business metrics. Part I focuses on why metrics matter, what metrics should be tracked, and how these data can be used to support full enrollment. Part II will continue the discussion with a focus on using metrics to boost fee collection, monitor cost per child, and guide decision-making with regard to cost containment. Part III will highlight dashboards that bring all these data together in one

place and discuss ways that data can help inform decision-making and public policy.

### Why are Metrics Important?

Business leaders concur that metrics matter. They not only help organizations focus on what is most important and drive improvement, but they tell the story of where an organization has been, where it's going, and whether or not it is on the right track. Using metrics requires three steps: **Measuring** the data to understand effectiveness, **monitoring** that data over time to see whether the situation is improving or not, and **managing** — or taking action — based on what's learned in the measuring and monitoring.

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*“Measurement is the first step that leads to control and eventually to improvement.”*

*If you can't measure something, you can't understand it.*

*If you can't understand it, you can't control it. If you can't control it, you can't improve it.”*

James Harrington,  
Management Consultant

From a business perspective, ECE managers need to know answers to such questions as:

- What are the key measures that determine our financial health?
- How well are we meeting them?



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- What keeps us from meeting them?
- Are we strong enough to be around for the long term?

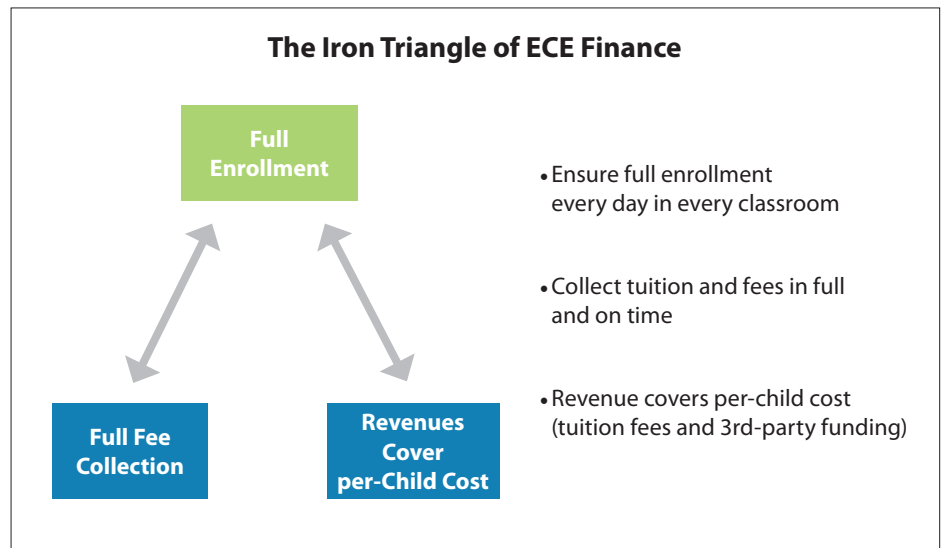
Without solid and easy-to-understand fiscal or administrative data, legitimate concerns can easily come across as toothless whining rather than a clear statement of the problem. Funders want to know what good services cost. Policy makers ought to know if the policies they establish are helping or hindering program sustainability. Business metrics enable program leaders to effectively communicate this information.

### What Metrics Should be Used by ECE Businesses?

Effective business metrics are focused and easy to understand. A busy manager doesn't have time to read a long report or analyze complex data; she needs a few measures that can guide decisions on what matters most. And those with limited knowledge of the business side of ECE (including many funders and policy makers, as well as the general public) need measures that make common sense.

Industry leaders concur that a good place to start is with metrics that define the Iron Triangle of ECE Finance; that is, the three areas required for long-term sustainability: full enrollment, full fee collection, and revenue that covers per-child cost. This article will focus on the apex of that triangle: full enrollment. A user-friendly, recorded presentation on the Iron Triangle is available on the Opportunities Exchange website: [www.opportunities-exchange.org](http://www.opportunities-exchange.org).

Full enrollment is a cornerstone of ECE finance and an essential metric — regardless of whether the program relies on public funds, privately paid tuition, or both. Even when govern-



ment funds a classroom of children (as is the case with Head Start or Pre-K), service providers must meet enrollment targets. The bottom line is that if children are not enrolled, the funding does not flow.

Some experts suggest that a well-run child development center can operate at 95% enrollment (Morgan & Emanuel, 2010). Reaching a benchmark this high might be possible in classrooms that receive contracts or grants, offer services free or at very low cost, or where demand is very high. In most cases, however, the industry standard of 85% enrollment is a more appropriate benchmark. And in classrooms where enrollment has been historically low, it may be necessary to drop the benchmark even lower. It is entirely possible, and in some cases appropriate, for enrollment benchmarks to vary by site and even by classroom.

ECE program managers use a variety of tools to track enrollment. Some have created 'dashboards' that enable them to monitor enrollment by classroom each week. Others use an automated child management system (such as ProCare) to generate weekly reports.

Any time enrollment drops below the budgeted target, an ECE program is losing money. Thus, it is essential

to set enrollment benchmarks that are informed by revenue projections, monitor enrollment on a regular basis, and be prepared to take corrective action if enrollment targets are consistently missed. The Happy Acres Child Care Center example above reports average enrollment at 75% — significantly below the 85% target — and underscores that the problem lies with older-age classrooms (enrollment is on target in the infant room and exceeding the target in the toddler room). The Happy Acres director knows (from cost metrics) that lower enrollment in preschool and school-age classrooms is a double problem because the additional revenue in these classrooms helps offset higher costs in the infant/toddler rooms. If efforts to fill vacant slots in these classrooms are not successful, the center will need to implement budget cuts and consider eliminating or combining some classrooms in the future.

One way to keep an eye on the long-term financial impact of under-enrollment is to use a tracking chart such as the Happy Kids example on the following page, which looks at the financial effects of vacancies in classrooms across two centers.

These data enable a busy director to quickly understand the problem in

Happy Acres Child Development Center Enrollment — week of 10/26/2015				
Room	Capacity	Goal @ 85% capacity	# Enrolled	% Capacity Enrolled
Infant	10	9	9	90
Toddler	14	12	13	93
3–4 AM	16	16	15	94
3–4 PM	16	16	12	75
3s	16	12	10	63
4s	16	12	11	69
SACC	20	15	11	55
<b>Total</b>	<b>108</b>	<b>92</b>	<b>81</b>	<b>75</b>

some level of detail. Although several Happy Kids Afterschool classrooms are not pulling their weight due to consistent under-enrollment, the problem is particularly serious at the Crestwood Center. Thus, efforts to boost enrollment should focus first on this site.

### Using Data to Change Practice: Focus Matters

Ensuring that all staff — including those in and out of the classroom — understand the importance of full enrollment is key. When teachers and site directors realize that keeping

their classrooms fully enrolled helps generate the income needed to support improved wages or other quality supports, they are more likely to become active partners. Additionally, identifying staff to manage the entire recruitment process — from tracking vacancies to marketing and enrollment — can sharpen organizational focus on getting families on board as quickly as possible. Regular data reports can help all staff measure progress and stay on track.

*“Vacancy reports by classroom help all staff understand the actual cost of not having every classroom full all the time.”*

Leslie Spina, Philadelphia Early Learning Alliance

### Happy Kids Child Development Center — Program Enrollment and Vacancies 1/30/15

Classroom	Ages	Licensed capacity	Staffed capacity	FTE Enrollment	FTE vacancy	% Enrolled vs. capacity	Monthly cost per vacancy	Annual projected loss/ vacancies
<b>Crestwood Center</b>								
Bumblebees	6 wks.–12 mos.	0	0	0	0	—	—	—
Grasshoppers	12 mos.–2 yrs.	0	0	0	0	—	—	—
Ladybugs	2–3 yrs.	0	0	0	0	—	—	—
Caterpillars	3–4 yrs.	20	20	18	2	90	\$768	(\$18,432)
Butterflies	4–5 yrs.	20	20	20	0	100	\$768	—
Afterschool	5–8 yrs.	24	24	12	12	50	\$512	(\$73,728)
<b>Total</b>		<b>64</b>	<b>64</b>	<b>50</b>	<b>14</b>	<b>78</b>		<b>(\$92,160)</b>
<b>Park Place Center</b>								
Bumblebees	6 wks.–12 mos.	8	8	8	0	100	\$963	\$ 0
Grasshoppers	12 mos.–2 yrs.	10	10	10	0	100	\$941	\$ 0
Ladybugs	2–3 yrs.	12	12	12	0	100	\$833	\$ 0
Caterpillars 1	3–4 yrs.	20	20	20	0	100	\$768	\$ 0
Caterpillars 2	3–4 yrs.	20	20	20	0	100	\$768	\$ 0
Butterflies	4–5 yrs.	20	20	20	0	100	\$768	\$ 0
Afterschool	5–8 yrs.	24	24	20	4	83	\$512	(\$24,576)
<b>Total</b>		<b>114</b>	<b>114</b>	<b>100</b>	<b>4</b>	<b>96</b>		<b>(\$24,576)</b>

## Next: Using Metrics to Track Costs and Collections

This is the first in a three-part series on using metrics to improve management and performance. In the July / August 2017 issue of *Exchange*, we will look at tracking tuition collections and calculating per-child costs, and conclude with a discussion of dashboards that help busy directors view key metrics in one place. The metrics and approaches described are clearly not the only way to identify gaps and track progress. Our goal is to spur thinking among leaders in the field. We believe it is essential that industry leaders carefully explore and document ECE costs, revenues, program models, and administrative structures with an eye to gathering data that can strengthen technical assistance, training and education, as well as inform industry norms and public policy.

## Resources

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