

**THE FOURTH SECTOR:
An Opportunity for Entrepreneurship and Advancing Social Change**

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Entrepreneurs, by nature, are dreamers. Successful entrepreneurs are those people who seek and find ways to implement those dreams. Increasingly, that path leads to partnerships which, in many instances, are necessary to ascertain a need and to identify the potential marketplace. Partnerships are also helpful in seeking and obtaining funding, producing a product or service and marketing the product or service.

At F.E.G.S. Health and Human Service Systems, Inc. ("F.E.G.S."), this is referred to as "Partnerships For A Changing World". It is increasingly clear that the only constant in today's world is change.

We are witnessing a new emerging sector in our economy which I will refer to as the Fourth Sector. The three established sectors are government, the for-profit sector and the not-for-profit sector. The Fourth Sector represents the public/private partnership which creates the synergy of profit for the investor while enhancing the opportunity for the not-for-profit organization to achieve the provision of cost efficient, quality services.

The Fourth Sector presents great opportunities for entrepreneurs and investors as well as for government regulatory and funding agencies, foundations and philanthropists, all of whom constantly seek better and more efficient ways of providing vital services in health, education and social services to persons with disabilities, the elderly, new immigrants, youth-at-risk and other segments of our population in need. Successful Fourth Sector partnerships require access to cutting edge technology. Those who operate programs and services without understanding or having access to cutting edge technology will find that their programs are not competitive in cost, efficiency or quality.

Increasingly, government at the federal, state, city and county levels, foundations and private philanthropists are seeking better and more efficient ways of providing health, education and social services with higher accountability and certified deliverables. Government entities are increasingly utilizing a pay for performance method of funding which cannot be accomplished without the full integration of technology.

Grants are a form of social investment and the grantors expect positive returns on their investment in the form of measurable improvements in the state of the art of what is being funded, be it a replicable model or a service to a community.

An example of such a social investment is the Bronx (N.Y.) Lab School. This is a partnership between the New York City Department of Education and F.E.G.S. with funding from The Bill and Melinda Gates Foundation. The partnership planned, established and operates the High School and offers students a rare opportunity for "education plus". The student agrees to a "contract" assuring cooperation with

faculty, administration and other students and commits to make every effort to succeed. By making this agreement the student becomes the enabler or gateway for every member of his or her immediate family to obtain needed social and health related services such as employment assistance, special needs education referral, mental health, developmental and other needed assistance from the social service agency partner, in this case F.E.G.S. All three partners, The New York City Department of Education, F.E.G.S. and The Gates Foundation provide resources both financial and in kind services to the students and their families thus insuring the highest quality of an enriched education. One example of the type of support for the school and the students was obtained by F.E.G.S. through a grant from the Mazer Family Foundation to provide music education through the creation of a jazz band at the school which includes music instruction, the purchase of instruments, and concert attendance with help from Jazz at Lincoln Center. Over \$1,000,000 was made available to the school through other grants obtained by F.E.G.S. to enhance in-school, after-school and year round programming, providing computers, software, special instruction, internship opportunities, college preparation and to meet other student needs. No one organization or government entity could accomplish the extraordinary success rate of the school without the creative partnerships that made it happen.

The need for technology as an integral partner in the creation and operation of services affords massive opportunity for those in the field of technology to find new markets through partnerships with not-for-profit corporations.

We must deliver a message to persons with disabilities, students, new immigrants and others that they can achieve much more than their current expectations when technology becomes their "enabling partner". The use of e-learning, virtual environments, digital games and computer driven group interaction interventions can produce positive results.

Let me provide some examples:

F.E.G.S. started out as a small not-for-profit organization in 1934 seeking to find jobs for individuals out of work, and had an initial budget of \$30,000. The organization had basically maintained its original mission for the next thirty years and had a budget of \$300,000 when I joined F.E.G.S. in 1963. Today, F.E.G.S. has a budget in excess of a quarter billion dollars, fourteen subsidiary corporations including both for-profit and not-for-profit entities. It provides a vast array of services in the health, behavioral health, education, rehabilitation, residential, vocational and social services arenas, serving 120,000 individuals and families each year in over 350 locations. F.E.G.S. has managed to create this growth while maintaining the highest quality services at the most efficient cost per unit of service through an array of partnerships that enable F.E.G.S. to harness technology and marry that technology to the development of health, education and social services programs.

In 1987, it became clear to us that globalization was on the horizon and that we could benefit from the outsourcing of infrastructure services such as technology, human resources, staffing, on-line education, purchasing, real estate and other infrastructure services. F.E.G.S. decided, however, not to outsource to India or Ireland, but rather to outsource to "ITSELF". This was accomplished by creating

for-profit infrastructure corporations such as AllSector Technology Group, Inc., Extreme Behavioral Risk Management, LLC – XBRM, HR Dynamics, Inc. and Staff Resources, Inc.

AllSector Technology Group, Inc. (“AllSector”) is a private for-profit corporation and a subsidiary of F.E.G.S.

F.E.G.S. contracts with AllSector to provide all of its technology services. In addition to F.E.G.S., AllSector provides, in full or in part, technology services to 120 for profit, not-for-profit and government entities.

AllSector believes as reflected in its marketing materials and evidenced by its customer satisfaction that “Quality, efficiency, profitability and customer satisfaction are the core values that make an organization successful. In today’s fast-paced economy, success also depends on the effective use and management of technology. Technology is the catalyst which translates your values into reality.

AllSector provides a complete range of IT and systems integration services, including but not limited to:

- Desktop and Network Management and Help Desk Support
- Project management – short term or long term
- Applications and Software Development

These resources have given F.E.G.S. a massive competitive edge and the ability to create new service delivery systems and programs that are both cost effective and of the highest quality.

HR Dynamics, Inc. (“HR Dynamics”) another for-profit corporation and subsidiary of F.E.G.S., offers

- Complete spectrum of HR services
- Specific Projects/Programs- Short term and Long term
- Technical Assistance and Consultation

Once again, having many customers in addition to F.E.G.S. creates economy of scale, an intimate knowledge base of industry and the ability to give an organization a competitive edge in the marketplace.

Extreme Behavioral Risk Management LLC (“XBRM”) is a for-profit corporation and also a subsidiary of F.E.G.S. It is a multi-disciplinary consulting firm that helps businesses and organizations prepare for, manage and recover from potentially dangerous conflict, violence, disasters and other crises in the workplace. As XBRM states, “From natural disasters to disastrous acts of terror... from hostage taking to hostage takeovers... from employee rage to employee injury... the range of risks in today’s world that can affect your business and your people is staggering”.

XBRM offers services to corporate America in

- Vulnerability assessment and Disaster Management Planning
- Threat management software
- Corporate Crisis Intervention

By creating this synergistic relationship between not-for-profit and for-profit corporations, F.E.G.S. knew that it would be in an enviable situation, having at its disposal the highest quality, most cost efficient infrastructure services and products, including state-of-the-art technology, access to a skilled workforce and a public/private partnership.

The not-for-profit sector is one of the fastest growing sectors of the economy. It contains endless opportunities for entrepreneurs. The vast scope of the not-for-profit sector ranges from small not-for-profit organizations known as Community Based Organizations (CBOs) to multi-million dollar corporations, some of which exceed a billion dollars in annual revenue. It is a massive purchaser of products and services exceeding 100 billion dollars annually. The sector is a source of employment for millions of individuals - in some cases it is the largest employer in the community where it is located. Often not-for-profit service providers are part of national systems and have affiliated or cooperating not-for-profit agencies in many cities; some have national and/or international networks.

Despite the size, scope and geographical reach as well as the vast economic impact of this sector of the economy, most business leader's relationships with the not-for-profit sector consists of serving on a Board, making a contribution or being honored at a fundraiser. Many fail to see the synergy of partnerships that can create very significant business opportunities that also create social value.

A basic rule of a successful business almost always starts with being the first to recognize an unmet need, understanding how to address that need and recognizing a potential large marketplace waiting to have its needs successfully and cost efficiently addressed.

The nature (not necessarily the mission) of many not-for-profit organizations is rapidly changing. Government and other major funders are increasingly seeking more efficient providers of services and these providers need to develop new service delivery systems. In order to do this, they will need to find partners in the private sector through which they can obtain state-of-the-art technology and other infrastructure services. This presents new and expanded opportunities to for-profit start-ups as well as large publicly traded corporations.

These partnerships of for-profit corporations with not-for-profit corporations have the potential for excellent profitability for the participating for-profit corporations and increased efficiency and quality of programming for the not-for-profit corporations. The beneficiary of these joint efforts will be the people receiving these products and services and the taxpayers, government and foundations who fund them.

It is important to note that there are strict laws and IRS regulations regarding interactions of not-for-profit organizations with for profit entities and legal advice must be obtained prior to establishing such partnerships.

There is much talk today about the Baby Boomer generation coming of age. These folks will require a variety of new and enhanced services. They will require health and related products and will continue to seek education and special education - and they are knowledgeable and comfortable in the use of technology and are open to new approaches to manage and enrich their lives.

Fourth Sector partnerships can create the products and services the Baby Boomer generation will require and in doing so, will find investment opportunities and expanding markets while at the same time advance charitable and social service resources. It is important to note that many in the Baby Boomer generation will become persons with disabilities at some time as they continue to age and will require some form of special assistance.

It is necessary to understand that infrastructure services to any organization, including not-for-profits, are pure cost centers that do not produce income for the provider of those services but are an absolute necessity in order to provide a product or service.

To the degree that a not-for-profit corporation can obtain infrastructure services cheaper and of higher quality, its programs and services will excel, the cost of its overall operations will be reduced, its competitive edge will be enhanced and its market share will increase. To accomplish this, not-for-profit organizations need to seek out for-profit or other large not-for-profit corporations with whom they can partner and from whom they can obtain infrastructure services, especially technology at an affordable cost. For a more detailed description of this, I refer you to an article I have just published entitled *Broadening The Revenue Stream For Jewish Communal and Other Not-For-Profit Organizations Through The Creation of For-Profit and Other Joint Ventures*. Copies can be obtained by going on-line to www.fegs.org. Click onto "News and Events", scroll down to Broadening The Revenue Stream and print – or call Karol Scaccia at F.E.G.S. (212) 366-8401.

Most not-for-profit organizations around the United States have not yet fully recognized the value of technology and need to understand how to harness it and make it part of their initial and integral planning.

The potential business opportunity for technology companies and other for-profit enterprises in harnessing and leveraging the possibilities to be found in Fourth Sector partnerships can best be described by a quote from Sir Winston Churchill, who was the Prime Minister of England during WWII, (1939-1945).

The Prime Minister commented after a long series of defeats and immediately after the first successful allied victory in North Africa:

"This is not the end, this is not even the beginning of the end. This is, perhaps, the end of the beginning."

In other words, the majority of not-for-profit organizations current use of technology and shared infrastructure is at best in the initial stages of recognizing the opportunities that entrance into the fourth sector and public/private partnerships afford them and the vast benefits that can be derived from the incorporation of technology during the initial stages of planning and the use of shared infrastructure. The current state of the art can best be described as "The end of the beginning".

There is a marketplace waiting for those who can recognize and know how to create the synergy that results from Fourth Sector partnerships. This is, indeed, a new opportunity for enterprising entrepreneurs and for conscientious, entrepreneurial not- for- profit executives and their organizations.