

# FIELDforum

JULY 2009

ISSUE 23

*This FIELD forum is the fifth in a series of case studies highlighting strategies microenterprise programs use to increase the sustainability of their organization. Previous cases profiled organizations pursuing sustainability through: social enterprise, building development capacity, implementing more rigorous pricing strategies, managing multiple earned revenue streams, and increasing efficiency.*

## THE ORGANIZATIONAL FOUNDATIONS OF SUSTAINABILITY

### Introduction

The declining economy, and concomitant tightening philanthropy, has only increased the concerns of nonprofit CEOs everywhere about how to maintain a solid financial footing for their organizations. This worry is not new in the U.S. microenterprise development field, which has always found operating dollars scarce. While many microlenders have made progress using business models that aim at self-sufficiency – covering the costs of operations through earned revenues – leaders in the field still have not achieved total success. At the end of 2007, those with the highest levels of self-sufficiency reported rates between 34 percent and 54 percent.<sup>1</sup> Getting lending volumes, pricing and operational efficiencies right has been challenging. And generating revenue for training and technical assistance services has been even more difficult. This has complicated the task for microlenders, and made it even more daunting for training-led organizations. This does not mean that leading CEOs have given up the pursuit of self-sufficiency. But, recognizing that this may be a longer-term goal, most practitioners have acknowledged that they

must focus on sustainability first – securing their organization's present and future operations through a mix of earned revenues and subsidies, and building an organization that is capable of generating both. The paths that organizations have taken in doing this are many, and this series aims to capture the range of what is being tried, and what has been learned so far.

### Focus of This Case Study

This *FIELD forum* takes a look at the organizational foundations of sustainability, and profiles an institution that has thoughtfully and systematically built a corporate culture and capacity that supports security, quality and growth. As the Nonprofit Finance Fund has noted, an institution's sustainability is a balancing act, and depends on keeping mission, organizational capacity and capitalization in line.<sup>2</sup> ACCION New Mexico•Arizona•Colorado<sup>3</sup> was an organization that found that a loss of balance – in this case, between its pursuit of scale and its quality – forced a return to fundamental values and a re-examination of its business in many aspects. Building on

<sup>1</sup> These figures represented the top 20 percent of values reported by 57 microenterprise programs to MicroTest, with respect to their FY2007 performance. (MicroTest is a national data collection system managed by FIELD.) Total self-sufficiency relates earned revenues from all sources (interest and fees on loans, interest on invested capital, training and technical assistance fees, etc.) to total operating costs. In addition to this measure, the highest performing microlenders with respect to covering the costs of their lending operations (alone) reported rates between 40 percent and 58 percent.

<sup>2</sup> Clara Miller, "Linking Money and Mission: An Introduction to Nonprofit Capitalization" (New York: Nonprofit Finance Fund, 2001), 5; available from [www.nonprofitfinancefund.org/docs/Linking\\_MissionWebVersion.pdf](http://www.nonprofitfinancefund.org/docs/Linking_MissionWebVersion.pdf); Internet.

<sup>3</sup> ACCION New Mexico was established in 1994; in 2008, it extended operations into Arizona and Colorado. The formal name of the organization is now ACCION New Mexico•Arizona•Colorado. For ease, the organization will be referred to as ACCION New Mexico throughout the balance of this document.

## ACCION New Mexico•Arizona•Colorado Accomplishments

- 4,133 cumulative loans, totaling \$26.1 million
- 2,505 micro and small businesses served
- 4,008 jobs created/retained
- 723 clients in FY2008
- 216 loans (196 microloans) disbursed, valued at \$2.87 million in FY2008

what was working well, changing what was not, and innovating in operations and capitalization, the institution commands a solid balance sheet, a substantial loan fund, a strong list of supporters, and a quality portfolio. It also has restarted a focus on volume lending that had been put on hold when it began its organizational re-engineering for scale.

### The Cause for Pause

It does not take long in any interview with staff or board to reach the point where reference is made to 2005. In that year, ACCION New Mexico was at its highest scale, and its highest level of self-sufficiency. At the end of that year, the organization made 458 microloans, had \$8.5 million in outstanding loans, and achieved a total self-sufficiency ratio of 67 percent and a 60 percent recovery of its microlending expenses. But its portfolio at risk and loan loss rates were also creeping up to levels that made ACCION New Mexico's leadership uncomfortable.<sup>4</sup> At the end of 2005, they stood at 9 percent and 5 percent, respectively, and were higher than the previous years (between FY2002 and FY2004, portfolio at risk ranged between 5.45 percent and 6.78 percent and loan loss rate ranged between 2.97 percent and 3.42 percent.) There was a sense that this upward trend had both external and internal causes. Already the organization's staff

was observing a change in the indebtedness levels of their applicants and borrowers. At the same time, there also was the feeling that the organization's strong focus on scale had created laxness in its loan underwriting and management. There was a tendency to take on more risk than situations called for, and systems had not kept up with the growth of the institution. Underwriting was too subjective, and collections were not pursued with sufficient intensity. Incentive systems were designed to reward the staff as a team, and while team work is a prized value at ACCION New Mexico, this approach allowed individual performance to be obscured.

While the numbers above may not seem dire to many U.S. microenterprise practitioners (during that same year, the median portfolio at risk rate reported by microlenders to MicroTest was 11 percent, and the median loan loss rate was 4 percent<sup>5</sup>), ACCION New Mexico's leadership took them as a wake-up call. Management and board believed that the key to the organization's long-term sustainability was its quality. It was that quality that had led many leading New Mexicans to serve on ACCION New Mexico's board, had built a growing individual donor base, and had led many banks to provide operational grants and lend money to its loan fund. The decision was made to slow down microlending, assess systems and the way

<sup>4</sup> Portfolio at risk measures the dollar value of loans (principal outstanding) with payments past due as a proportion of total dollars outstanding. The measure includes all loans past due greater than 30 days. The loan loss rate measures the dollar value of loans declared nonrecoverable as a proportion of the average amount outstanding over a fiscal year.

<sup>5</sup> This data is based on submissions to MicroTest by 50 microlenders documenting their program performance activities in FY2005.



staff worked, and correct any deficiencies uncovered. The leadership wanted to build on core values and those components of its structure that were working well, such as its board and its development capacity. The pause started in October 2005 and lasted through May 2006.<sup>6</sup> As part of the re-engineering, job descriptions for a number of positions were changed. And, as expected, changed expectations had implications for staffing. By the end, the organization experienced a complete turnover of its lending staff, and found it hard to get lending flowing again. Still, ACCION New Mexico believed that its transformed institution would remain solidly sustainable, and could now renew its pursuit of scale. As of 2009, it has:

- -A restructured loan underwriting and management system built to enhance both production and quality;
- -A staff that understands and is committed to the organization's goals and values;
- -An innovative financial structure that can support its current and future capitalization needs;
- -A healthy balance sheet and loan capital to lend;
- -A structure that is supporting penetration into the Arizona and Colorado markets;
- -A development capacity that is successfully growing the number of supporters and their commitment to the institution; and
- -An engaged board that is active in governance, oversight and development, and offers its creative talent across a wide array of institutional needs.

It is important to emphasize that a number of these components – balance sheet, board, development capacity and leadership – were

strong even before the pause. What the pause did, however, was support operational improvements that got all components in alignment, and allowed each part to move to a higher level of accomplishment. What follows is a discussion of the most noteworthy elements of ACCION New Mexico's organizational work, and how they contribute to sustainability.

### **A Lending Operation Consonant with Institutional Values and Goals**

ACCION New Mexico believes that its strength lies in its values *and* in execution that matches its values. But by 2005, there was a disconnect between its value of “Excellence,” and its emphasis on growth. When the escalating delinquency rate forced senior managers to take a closer look at operations, they were encouraged by their board to stop lending if necessary. Board members' corporate experiences had demonstrated to them the long-term negative consequences of not addressing issues when they arose, and they offered their expertise to examine the problem. One offered an independent bank reviewer to take a close look at the portfolio pro bono. That individual has done quarterly loan audits since then, providing feedback to management and fiduciary oversight to the board. Staff's own examination of operations found that there was an erosion of culture. With a focus on production, members of the lending staff had relaxed their standards when making loans. There was some discomfort with collections; the focus on growth resulted in insufficient checks and balances to ensure that policies were being followed. In addition, policies for underwriting, loan management and collections were not sufficiently standardized. Finally, team-oriented incentives did not foster personal accountability as strongly as they had hoped.

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<sup>6</sup> During the pause, although ACCION New Mexico did not make any new loans, the organization continued to serve its current customers and engaged in refinancings.

## ACCION New Mexico•Arizona•Colorado Values

### PASSION

- Leads with energy, humility, joy and fun
- Tenaciously overcomes obstacles
- Enthusiastically encourages and celebrates the success of all stakeholders
- Practices random acts of compassion

### PIONEERING SPIRIT

- Actively recognizes and rewards innovation
- Embraces change with agility and humor
- Craves learning, from failures as well as successes
- Inspires others to think outside the box

### INTEGRITY

- Exemplifies ACCION values
- Builds trust by continually exhibiting honesty and respect
- Demonstrates personal commitment to organizational transparency
- Role models initiative, responsiveness and skill in crucial conversations
- Actively maintains appropriate boundaries and professional relationships

### EXCELLENCE

- Consistently seeks opportunity for improvement
- Enthusiastically strives to exceed expectations
- Exercises personal discipline and rigor to achieve outstanding team results
- Demonstrates extraordinary execution, delivering quality work products that are accurate and on time or ahead of schedule
- Takes responsibility for personal well-being

### ACCOUNTABILITY

- Holds oneself and others accountable for behavior, actions and results
- Proactively and appropriately takes responsibility to be informed and inform others
- Seeks and embraces feedback
- Owns mistakes and works to carefully and rapidly repair and learn from them

In response, management decided to make several key changes. These changes were designed to ensure that the organization's operations sustained, and even increased, their client centeredness, considered the fundamental hallmark of its approach, while also exemplifying its other core values.

- - The organization developed detailed underwriting and collections policies that were designed to be clearer, more objective, and applied in a standard way across the team.
- - It developed an incentive system for loan officers that valued production and loan quality. Pay, in part, depended on loan officers' ability to achieve lending targets on a monthly basis, and to make good quality loans. This system, coupled with training, has served to create a sales culture within the lending staff that focuses both on the sale and the maintenance of client relationships.
- - It contracted with ACCION Texas to use its new Microloan Management System (MMS), a loan application and underwriting system that offered important features for ACCION New Mexico's purposes. It offered an Internet-based loan application process that would allow the organization to expand to neighboring states, and made all loan officers more efficient in their interactions with clients, and in pulling together relevant documentation. The technology increased accessibility and transparency of data to all users in the organization. It helped drive greater standardization of ACCION New Mexico's underwriting processes. The MMS credit-scoring model (built on ACCION Texas' large portfolio) provided an additional helpful tool in underwriting. ACCION New Mexico is currently working with ACCION Texas to build a statistical model based on its own historic loan portfolio activity.<sup>7</sup>
- - It developed systems that ensured that the organization did not have just "a single point of success and failure" for functions critical

<sup>7</sup> For more information on ACCION Texas' Microloan Management System, please go to [www.acciontexas.org](http://www.acciontexas.org).

## ACCION New Mexico•Arizona•Colorado Incentive Structure

- All loan officers are expected to make a minimum of six loans and disburse \$70,000 monthly.
- Loan officers receive between 1.5 percent and 3.5 percent in commission for loans above that amount, depending on base pay.
- Additional incentive awards are provided for the tenth loan in a month (\$100), and in varying amounts (between \$25 and \$45) depending on location.
- Commission and incentive awards earned in one month are paid out over four months (40 percent, 20 percent, 20 percent, 20 percent).
- Loans must be current at the end of each month. Unpaid commission and incentives are forfeited on any loans delinquent at that time.
- Payments also are held back if documentation is missing or incomplete.
- Lenders with two consecutive months below the minimum of six loans and \$70,000 disbursed will be put on a two-month probation, unless the average of the last four months production meets the minimum threshold.

to the organization's integrity. In this respect, ACCION New Mexico has maintained its own underwriter to review the results produced by the Microloan Management System. It also has brought multiple staff into the collections process. In addition to two assigned staff, the Vice President of Lending and Client Service has collections experience and can step in as needed, and loan officers now also expect to participate in this process in the early months.

- -It has reinforced ACCION New Mexico's philosophy of using collections as an educational process for clients, using the opportunity to help clients strategize regarding their businesses, and providing technical assistance on how to better manage their own receivables.

The result is a system that is scalable with the organization's growth, and offers greater quality assurance than in the past. It is now beginning to yield fruit in terms of the organization's portfolio. The decline in loan production bottomed out in 2006. Micro and small business loans increased from 104 that year to 216 by the end of 2008, and the organization reports increasing volume in the first part of 2009. This increase in production is

due both to more loan generation in New Mexico, as well as the beginning of production in its two expansion states.

### **An Organizational Culture that Fosters Staff Commitment**

But it is not just in the mechanics of lending that ACCION New Mexico works to ensure that the organization lives its values. Across the organization, there is a conscious effort to develop a corporate culture that exemplifies them. This starts with hiring practices that place as much attention on assessment of "values match" as "skills match." Management says that it hires to values and supervises to values, using regular opportunities to reinforce them in big and small ways:

- - The leadership mentions values regularly in its discussions internally with staff, and externally with stakeholders and the public.
- - Quarterly reviews/feedback to staff are based on values.
- - Management regularly acknowledges staff actions that reflect institutional values.
- - Small and large successes are celebrated in public ways, including with the ringing of a bell in the office when new funding or performance milestones are achieved.

- -The organization hired a management consultant in 2007 to help train new staff, and retrain ongoing staff, to ensure that all had the coaching needed to apply their skills in alignment with ACCION New Mexico goals and values.

Staff commitment is grown through this explicit focus on mission and values, and on the positive reinforcement staff receives for efforts that support the team and the team's success. And the results are manifest not only in institutional performance, but in other measures of staff commitment: almost 100 percent of staff contributes financially to the organization, and in 2008, ACCION New Mexico was recognized as one of the top 25 places to work in the state by *New Mexico Business Weekly*. The rating is based on staff assessments of work quality and satisfaction.

### **A Financial Structure that Supports Sustainability and Growth**

ACCION New Mexico has a healthy balance sheet. As of the end of 2008, the organization's financial statements showed \$15.4 million in assets, of which \$6.7 million were net assets. Its cash position was \$3.65 million. Included in its assets is an endowment valued at \$1,856,306, a fund that the board decided to create in 2004, and land valued at \$996,254. The land has been purchased as the site of ACCION New Mexico's future headquarters and a building campaign is currently underway, guided by a committee of the board. Although the Nonprofit Finance Fund has cautioned that investments in buildings and endowments can cause strain on nonprofits, ACCION New

Mexico has developed strategies to navigate the challenges. Among the Nonprofit Finance Fund's concerns are that such investments tie up funds and can demand skills that go beyond management's capabilities. For instance, owning buildings, especially those with tenants, places the organization in the "second business" of landlord and building manager, which are not usually its expertise.<sup>8</sup> ACCION New Mexico, however, has developed strategies that navigate the challenges. A strong development capacity has created a steady and growing contributor base that has allowed it to add an endowment to its giving opportunities without jeopardizing current needs. The future building is planned to house only ACCION New Mexico, and strong board (and volunteer) engagement has taken the burden of the building project off management. Furthermore, no debt was incurred in the purchase of the land.

In addition, ACCION New Mexico has developed an innovative mechanism for growing its loan fund that avoids the limits inherent in debt financing. ACCION New Mexico's loan capital is largely composed of loans made to the organization by the CDFI Fund and a number of banks with whom it has had strong and positive relationships.<sup>9</sup> Those loans, and additional credit lines, are valued at \$8,443,495.

When the organization was in its previous growth mode, and seeking more opportunities to increase its lending capital in anticipation of even greater loan growth, management realized that the size of its net assets in relation to total assets made additional debt financing not only risky, but unlikely from lenders' perspectives. At that time, however, one of the organization's board members thought that EQ2 investments

<sup>8</sup> Clara Miller, "Truth or Consequences: The Implications of Financial Decisions," *The Nonprofit Quarterly* (Summer 2008): 14-15.

<sup>9</sup> Those bank relationships have not only provided substantial capital for the institution, but also have resulted in partnerships in which bank staff has helped extend ACCION New Mexico's loans to a broader market by introducing ACCION New Mexico to applicants that the banks cannot serve, and by assisting with applications and loan closings. For more on this, see Elaine Edgcomb and others, *Scaling Up Microenterprise Services* (Washington, D.C.: The Aspen Institute/FIELD, May 2002), 31-36.



might provide another opportunity for growth, which could improve the organization's equity position.<sup>10</sup> To that end, ACCION New Mexico created a limited liability company (ACCION LLC), a 15-year structure in which ACCION New Mexico owns a 51 percent voting interest and First Community Bank, which made the EQ2 investment of \$1.2 million, owns 49 percent. When ACCION New Mexico's financials are consolidated, these funds are booked as contributions from the LLC, which the organization controls, and add to the institution's net assets. Because ACCION New Mexico can leverage net assets to secure more debt financing, the \$1.2 million allows an additional \$4.8 million to be leveraged.

ACCION New Mexico can access the funds for lending over the course of the year, by borrowing money from the LLC. The organization pays the LLC an interest rate and charges it a management fee, effectively canceling out the transaction. Because ACCION New Mexico's lending slowed after the formation of the LLC, there has been no effort to raise additional investments yet. At this time, the LLC is sufficient in size to achieve its original goal of shoring up the organization's equity position, and adding to its loan capital. But it also serves as another mechanism through which ACCION New Mexico can mobilize resources as needed.

Finally, it is important to note that while these components represent real strengths for the institution, ACCION New Mexico is not as self-sufficient as it wants to be. ACCION New Mexico's operating costs are sustained by both earned and contributed revenues. At the end of FY2008, the organization reported earned revenues of \$1,029,717 against total operating expenses of \$2,435,614 for a total cost recovery

of 42 percent.<sup>11</sup> This is down from a high of 67 percent achieved in 2005 when loan volume was at its peak. The drop in self-sufficiency is due both to the decline in loan volume and to the costs of a staffing structure that is designed, as discussed previously, to ensure adequate checks and balances – and controls – in all key operational areas. At the same time, the institution wants to be lean, and management would like to spend up to \$500,000 less than its approved budget for 2009 in pursuit of greater self-sufficiency. But how to do that without risking what has been built over the last couple of years is described as a conundrum. The organization doesn't want to risk the organizational culture it has built over the last few years, it doesn't want to burn staff out by overworking them, and it doesn't want to be so lean that it risks quality and integrity. To some extent, the team recognizes that greater use of technology, coupled with growth, might help resolve this problem, and sees the use of Internet-based application platforms as part of the solution. In the expansion states of Arizona and Colorado, the organization is using this approach to support a lean operation. (See below.)

Challenging as it is, self-sufficiency is described as a goal that drives discipline, creativity and continued innovation, and to which the institution remains committed over the long term. For now it is content to maintain sustainability, which it defines as the capacity to continue to offer a service that meets a need and a demand in the marketplace.

What enables it to maintain this posture is a strong development capacity that has helped grow the organization and give it a secure footing.

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<sup>10</sup> EQ2 or an equity equivalent investment is "unsecured debt that has some of the same advantages of equity because it is subordinate to all other debt and carries a rolling term, the investor has a limited right to accelerate payment, and interest is not tied to income. The investing bank also received advantageous CRA credit." See the CDFI Data Project, *Providing Capital, Building Communities, Creating Impact*, Fiscal Year 2006, Sixth Edition (Philadelphia, Pa.: The Opportunity Finance Network) 17; available from [www.fieldus.org/publications](http://www.fieldus.org/publications); Internet.

<sup>11</sup> Less in-kind expenses (including imputed interest), total expenses equal \$2,133,417, and total cost recovery is 48 percent.

## A Lean Structure for Geographic Expansion

ACCION New Mexico's expansion into the neighboring states of Arizona and Colorado was driven by intertwined motivations: to deploy its capital across a broader marketplace and, in doing so, increase the self-sufficiency of the organization, thereby strengthening its capacity to serve New Mexico as well. New Mexico is a state small in population but large in geography. Achieving economies of scale is difficult. And while the organization continues to pursue scale within the state, staff felt that a more rapid increase in loan volume, while maintaining a vigilant eye on portfolio quality, could only help the institution. Further, staff's assessment of market demand in Arizona and Colorado showed that opportunities existed for the financial products and services that ACCION New Mexico offers.

But could this be done in a sustainable way? ACCION New Mexico decided the launching power could be provided by a small staff supported by an Internet lending platform and backstopped by headquarters in Albuquerque. Arizona has two staff in Tucson (one dedicated to the Arizona market, the other, half time, dedicated to marketing for the three-state region), and is hiring a second loan officer for Phoenix. The organization has two half-time staff (or one FTE) in Denver to support the Colorado program. Staffing will only increase as the lending volume allows.

In addition, these staff will receive both administrative backstopping from Albuquerque and fund-raising assistance. The organization plans to use the same development strategy that has been so successful in New Mexico. While leadership recognizes that it will be more challenging in the new states, given that they are starting with fewer contacts and history, they expect to achieve similar results ultimately.

To that end, a management team member will regularly spend time in each location to develop its relationship-based funding strategy.

## A Development Function that Builds a Growing Donor Base

From its inception, ACCION New Mexico has focused on developing a donor base built on corporate and individual contributions. While it has successfully competed for federal grants and philanthropic awards, it always has worked to build individual supporters for the institution. This strategy was fostered at the start by mentoring that ACCION New Mexico's CEO received from the head of a family foundation, and was encouraged by early board members who did not want the institution dependent on federal dollars and recognized that the most consistent source of contributions would come from individuals. ACCION New Mexico's current Vice President of Advancement notes that individuals remain the best source of support for a nonprofit: "In hard times, they may not give as much, but if they love what you're doing, they'll continue to support you."<sup>12</sup> And ACCION New Mexico's funding has been built on this premise. Currently 50 percent to 60 percent of the organization's private dollars come from individuals, 30 percent from corporate sources and 20 percent from foundations. Private dollars have represented between 28 percent to 63 percent of all revenues over the last several years.

The organization now has:

- - An endowment fund of \$1.8 million and growing;
- - A group of supporters giving at the \$50,000 and above level, called the 20-20 Vision Funders (a campaign that was planned to span 2½ years and raise \$1 million from contributors giving at this level succeeded in 18 months);

<sup>12</sup> In 2008, philanthropic giving in the U.S. was reported at \$307.65 billion. Of that amount, five percent came from corporations, 13 percent from foundations and 75 percent from individuals. See Giving USA Foundation press release, June 10, 2009; available from [http://www.givingusa.org/press\\_releases/gusa/GivingReaches300billion.pdf](http://www.givingusa.org/press_releases/gusa/GivingReaches300billion.pdf); Internet.





- -Heritage of Hope, a planned giving program that six joined in 2008;
- -A growing list of individual donors of all sizes, 348 in 2008 alone, a 13 percent increase from 2007.

This development capacity has been significantly and methodically expanded and deepened over the organization's history. Led at first by the CEO, and strengthened by the addition of an experienced fund-raiser, the organization has made a serious investment in its development function and has seen substantial, measurable returns in response. While the Vice President of Advancement notes that New Mexico is an intimate state where "there's fewer than six degrees of separation" among most people, and that New Mexico is the 23rd most philanthropic state in the union, it is clear that these contextual advantages would be meaningless if it were not for the effort the institution has placed on development. Over time, it has built a full infrastructure for fund-raising that includes:

- -Leadership experienced in playing a role in fund-raising;
- -A strong fund-raising professional comfortable with all aspects including: board and donor cultivation, event planning, and the administration of a fund-raising program;
- -A board that has the expectation that all members will contribute financially, as well as ask for contributions from others;
- -A fund-raising database that manages a large number of individual donors and supports regular contact with them;
- -The capacity to create and run events (e.g., workshops, dinners, and other celebrations); and
- -The ability to produce polished supporting materials internally using high-quality equipment (such as high-quality printers, paper, etc.), and externally, with donors often willing to underwrite production costs.

The next challenge for ACCION New Mexico will be extending this fund-raising capacity to Arizona and Colorado, where new relationships need to be built and grown.

### **An Engaged Board**

ACCION New Mexico's board is composed of 19 individuals drawn from many sectors (entrepreneurial, corporate and professional), who commit their time and talents to the institution. As discussed earlier, all members make substantial financial contributions to the organization, recruit other contributors, and provide their expertise in key areas that support staff. Active board committees include: executive, governance, audit, loan review (for larger loans), regional development and advancement, and building. Board members were crucial in a number of critical issues that have made (or are making) a substantial difference for the institution:

- - Board members encouraged ACCION New Mexico's leadership to re-strategize and restructure in 2005, gave permission for a lending hiatus, and provided advice and guidance during the restructuring.
- - Board members conceived and endorsed the geographic expansion of the institution during a 2007 planning retreat (and a board member served as the facilitator for that retreat).
- - Board members have championed the idea of ACCION New Mexico having its own property and building, and have taken on leadership of the building initiative.
- - A board member conceived the LLC financing structure described earlier and guided its setup.
- - The board's development committee, working closely with the Vice President of Advancement, has spearheaded the organization's fund-raising strategy and worked in myriad capacities to make it successful.

- - Board members also helped craft ACCION New Mexico's relationship with the Small Business Investment Corporation in New Mexico, which now provides \$5 million in participation capital.

Clearly, a well-placed, active and committed board like this does not happen overnight, and ACCION New Mexico's CEO has devoted considerable time to both board cultivation and board engagement (estimated at about 50 percent of her time, although it varies across the year). But this investment has been paid back multiple times in the financial support that the board both provides and acquires, and in the high quality talent that has been channeled to critical issues for the organization. Importantly, neither ACCION New Mexico's fund-raising success, nor its board strength, developed overnight. Rather, the board was built over time, starting with a few visionary leaders in the New Mexico community, and slowly attracting other talent. The result is that the board not only provides leadership around critical issues or challenges as they emerge, but its commitment to the financial sustainability of the organization also has enabled ACCION New Mexico's CEO and staff to feel that they are not alone in their efforts to attract the financial resources necessary to maintain quality staff, to implement core programs, and to innovate. This sense of community that has developed between board and staff also has made navigating the challenges resulting from the financial downturn much easier.

## Lessons Learned

**I**n addition to the many lessons highlighted above that emerge from ACCION New Mexico's experience, there are several others that stand out for other practitioners pursuing sustainability:

- - ***The importance of attention to small changes in critical indicators, and the need for quick action.*** ACCION New Mexico's tracking of the shifts in its loan quality led to the discovery of both internal and external conditions that, if not addressed, could have led to the undoing of all that the organization had achieved up to that time. Other institutions might not have perceived these upticks in portfolio at risk and loan loss when still small, compared to broader industry performance, and waited too long before making changes. ACCION New Mexico's early intervention meant that it maintained its credibility with its stakeholders for quality performance, and increased its reputation as an institution that was transparent in its operations.
- - ***The importance of living values.*** Many organizations have strong mission statements and equally strong values. ACCION New Mexico's experience reinforces how valuable these are in strategic decision-making and day-to-day operations. The regular reference to values infuses staff with a sense of mission, and strengthens the team orientation.
- - ***The critical importance to sustainability of creating and fostering a fund-raising board and a strong development capacity.*** Without giving up on self-sufficiency as the institution's ultimate goal, its attention to developing a fund-raising board and a strong fund-raiser with experience in individual contributions has enabled the organization to sustain a quality operation while pursuing growth. The development of these capacities takes years, as well as a long-term commitment to investing in their development, before results show. ACCION New Mexico's Vice President of Advancement has noted that in the beginning, an institution must expect that such expenses will need to be increased (sometimes up to 15-20 percent of operating

costs), and then as success is achieved, costs will decline and proceeds will increase. These efforts also need time to mature, which could take two to four years.

- - ***The recognition that sustainability depends on an organization that is healthy across all its key components.***

In a recent presentation at a conference on microfinance, ACCION New Mexico's CEO indicated that sustaining a microfinance organization in the United States depended on seven factors: vision, corporate structure, funding, people, products and services, processes and the market. All of these are under the control of the organization except for the market, of course, but the organization's understanding of and interaction with the market provides the guide star for its decisions in all other areas. While ACCION New Mexico staff members would consider their efforts to understand and connect to the market as less than perfect, their market research efforts over the years, along with their careful assessment of client behavior in reaction to their products and services, have helped shape an institution that is regularly fine tuning offerings and adjusting structure to remain relevant to market demand. In this relevance, it demonstrates its legitimacy as an essential service provider, and captures the commitment of all its stakeholders, internal and external alike. While it will certainly face future challenges (there is no institution that does not), so long as it continues to work toward excellence across all the dimensions of organizational capacity, it should continue to strengthen its sustainability.

## Credits

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**Acknowledgments:**

The author would like to thank ACCION New Mexico•Arizona•Colorado, its President and CEO Anne Haines Yatskowitz, Vice President of Finance Greg Henderson, Vice President of Advancement Lynn Trojahn, Vice President of Lending Leslie Hoffman, and Marketing and Communications Specialist Marisa Barrera for their support in the development of this case study.

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This publication is made possible by a grant from the Charles Stewart Mott Foundation.