

Arc Herkimer: Transforming the nonprofit business model

Welcome change with open arms, but hang on to your basic values.

— Dr. Spencer Johnson, author of “Who Moved My Cheese”

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HERKIMER — It’s 8:30 a.m. on June 17, and the new Mohawk Valley Region Accessible Park (Arc PARK) is officially open. The recreational park, a partnership between Arc Herkimer and the Village of Herkimer, is the only fully accessible recreation park in a nine-county area providing special playground equipment and surfaces, age-designated play areas, a bandstand, pavilion, fitness trail, concession stand, baseball field, and basketball court.

The park is the brainchild of Kevin Crosley, president/CEO of Arc Herkimer (formerly Herkimer Area Resource Center). The agency was incorporated in 1969 as the Herkimer chapter of New York State ARC, a 501(c)(3) entity.

“Our mission hasn’t changed,” notes Crosley. “Our goal is to empower people with developmental and other disabilities who live in Herkimer County and enrich the lives of others throughout the community. Arc Herkimer provides our constituents with support information and services, educational opportunities, the choice to live in their own homes, and work options. The park does both and more, since it is serving not just the 63,000 people living in Herkimer County, but also eight neighboring counties.”

He continues, “I started thinking about the park seven years ago: The original idea was to create a playground for the 2,900 kids in the region who couldn’t access the equipment typically found in a conventional playground. That idea morphed into creating a regional asset built for everybody.”

What also morphed is the price tag, which now exceeds \$1.5 million. Crosley is still in the process of raising funds to cover the initial construction and wants to create a \$250,000 endowment to support the park’s maintenance.

Arc PARK is just the latest change that has bubbled up from the organization since Crosley took the reins in September 2005. He stated his embrace of change in transforming



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Justine O’Dell is in the process of packaging product for a New York State Industries for the Disabled contract order. O’Dell works for Herkimer Industries, the vocational division of Arc Herkimer. Arc Herkimer is a \$25 million-a-year business whose goal is empowering people with developmental and other disabilities who live in Herkimer County. The company has been successful in replacing declining government funds with multiple revenue streams typically seen in the private sector.

the organization’s mindset in the organization’s 2005 annual report: “Change is difficult for many, but if executed properly, it is very rewarding and invigorating. One thing we know about change, it’s inevitable ... [W]e need to provide outstanding programs and services to our consumers, while maintaining a healthy financial base. We need to be flexible ... and dynamic in our approach to developing opportunities on the business side of our agency. We must maximize our existing funding streams and find new and creative ways to enable our consumers to live full and enriched lives. Diversification is critical to our long-term strategy ... [We will] expand ... [services while] generating revenue streams through non-traditional sources.” That year, the agency posted \$15 million in revenue, of which more than 90 percent came from government payments, according to Crosley.

The Arc Herkimer president is a classic example of the social entrepreneur. He doesn’t call the organization a nonprofit en-

ty — that’s just a tax designation. He operates with a for-profit mindset found in any high-performing organization. Crosley runs a social-impact organization that disrupts the status quo in order to improve the lives of its constituents. That means thinking big and employing robust marketing that builds brand awareness, generates support, and increases the flow of resources. It also means innovating.

“I always ask the staff, are we delivering on our promise? To do that, we can never stop innovating,” Crosley says. “We need to understand and respond to what is and isn’t working. And we need to think about the return on our investment from a long-term perspective ... To have impact ... [a social-impact] organization needs to focus on its purpose, employ talented people, and constantly innovate.”

And innovate he has. By the 40th anniversary of the organization in 2009, Arc Herkimer (then called Herkimer ARC) generated \$20.6 million in revenue with a net surplus of \$1.13

million; added 10 new site-based facilities; increased fundraising more than 300 percent; grew Herkimer Industries (HI), the vocational work center and sub-contracting division, 250 percent; and added 15 new programs. The next year, Crosley created a business park in a 120,000-square-foot building in Herkimer donated by a local family.

"I saw the building both as a new source of real-estate revenue and as a community resource for industrial and commercial use. It can be a springboard for community development, fostering new businesses, and helping to guarantee employment in the county. The building required a substantial investment to upgrade the facility, but today we lease space to 17 tenants and are transforming the industrial side of the building to accommodate the future relocation of HI's industrial work center that will employ 100 individuals, most with disabilities.

"In addition, Arc Herkimer, in partnership with Herkimer College (formerly Herkimer County Community College), has reserved 15,000 square feet as a START-UP NY site." In 2014, the Slocum-Dickson Foundation donated its property at Central Plaza in Ilion to the agency. Now dubbed the Arc Herkimer Mall, the building includes 70,000 square feet of office space currently housing five tenants. The current profit-and-loss statement projects income of about \$500,000 from leases.

Changes in 2016

The pace of change at the agency hasn't slowed. Last year, Crosley undertook a number of new initiatives. "September 28, 2016, was 'B-Day' (for branding) at Arc Herkimer," asserts the indefatigable president. "The agency unveiled its new name and logo to 200 people at a picnic here in Herkimer, along with the new mission, vision statement, and tagline. The reason for the change was to show unity with 650 other Arcs across the country [that service those with disabilities]. The re-branding also serves to increase awareness of the agency's mission, programs, and services. It's an opportunity to strengthen relationships and develop new partnerships, open avenues for new-product and innovative-program development, and engage in contemporary promotional strategies. The new tagline sums up what we're all about at Arc Herkimer — 'building community.'"

In June, the agency also moved its Goodwill-Arc Herkimer Store and Donation Center to a new and expanded location on Caroline Street in Herkimer.

"Arc Herkimer and Goodwill Industries of Greater New York and Northern New Jersey opened our first joint venture, retail store back in 2008," notes Crosley. "Our success at the old location prompted the move to the new location which has 8,000 square feet. Area residents donate items to the store, and the proceeds from the sales support our programming and services at the agency."

Add a restructuring process to Arc Herkimer's changes in 2016.

"The impact of New York State budget cuts

to fund our programs and the fact that Medicaid payments were flat for the preceding seven years forced us to reevaluate how we delivered our services," says Crosley. "Like every business, we focused on being more efficient and eliminating duplication of services. We also made a concerted effort to share best practices and technology between our programs. It was, in effect, a cultural shift that broke down traditional thinking. We integrated the residential group with the day-support group in order to consolidate responsibilities. This is a major change that will take some time to complete, but we're already seeing dramatic changes in better communications and lower costs."

Arc Herkimer also initiated "Project SEARCH," a new program with Herkimer College to create a 40-week internship program for young adults with disabilities, ages 18-34. The objective is to prepare the interns for competitive employment and maximum independence. Interns participate in daily classroom instruction and gain hands-on experience while rotating among various sites at the college and in the community. Five interns graduated in May of this year. In addition, Arc Herkimer joined with other area organizations to form Center Information Services (CIS). CIS provides computing and information services to member organizations, who can't afford to hire qualified IT professionals on their staffs. The year 2016 also included a decision to establish a satellite clinic in Herkimer administered by the Arc of Madison Cortland.

"New York State mandated that clinical services must be delivered at sites certified by OPWDD (Office for People with Developmental Disabilities)," avers Crosley. "It didn't make sense to recruit a cadre of health professionals in order to provide a full spectrum of services when a neighboring agency was already well-positioned. So Arc Herkimer retained its nursing services for residential and day-support programs, psychiatry and psychology services, along with pre-school assessments. The Arc of Madison Cortland now provides services in clinical disciplines such as dietetics/nutrition, occupational therapy, podiatry, physical therapy, social work, and speech pathology. We think this arrangement better serves our clients and makes better use of our resources."

Eleven years after Crosley joined the agency, Arc Herkimer posted \$25 million in revenue in 2016, a \$10 million increase since his arrival, despite cutbacks in state funding. The agency employs between 350 and 400 people serving 680 county residents and utilizes 375,000 square feet in 39 locations, most of which it owns. Arc Herkimer is the second-largest employer in the county. "When I arrived in 2005, we were more than 90 percent Medicaid [funding] dependent," Crosley stresses. "Today the ratio is 69/31 [dependent]. By 2022, the goal is to reach a 50/50 ratio."

Herkimer Industries

Much of Arc Herkimer's success in wean-

ing the organization off government support is due to the growth of Herkimer Industries (HI).

"HI is the vocational division of Arc Herkimer," says Michael Lamb, VP of industrial operations. "We provide contract packaging, industrial sewing solutions, package and product-design services, ISO-compliant quality assurance, and worldwide distribution. HI also offers a full line of safety products, including law-enforcement and military supplies. We are an affiliate of the U.S. Ability One Program and a Preferred-Source Vendor for NYSID (New York Industries for the Disabled).

HI also supports a long list of commercial enterprises. "For the past four years, we have had a strong relationship with Walmart," continues Lamb, "assembling and packaging displays for 700 stores from Maine to Virginia. Regionally, we provide services to customers such as Indium Corp., Otis Technology, PIP (Protective Industrial Products), Revision, Taylor Made Products, Cece's Wool Products, and ZMedica. Currently, HI also has 350 products on state contract as a preferred source. We are partnering with Fiberdyne Energy in Frankfort to provide a wide range of LED solutions for their indoor and outdoor lighting needs. The vocational arm employs more than 150 workers, including individuals with disabilities. When I joined the agency in 2006, HI was generating \$1.25 million [annually]. Last year, we posted \$6.5 million in sales. Five years from now, the goal is to generate \$10 million to \$12 million."

Crosley earned his bachelor's degree in mass communications from Bloomsburg University (Pennsylvania) in 1981 and a master's degree in sports management in 1982 from Ohio State University. From June 1984 through August 2005, he served as the VP of sales for the J. M. Murray Center in Cortland before assuming the role as president/CEO at Arc Herkimer in September 2005. Lamb is a 1989 graduate of Clarkson University with a bachelor's degree in chemical engineering. He worked at General Electric, Honeywell, and Park Electrochemical Corp. before joining Arc Herkimer in June 2006 as VP of industrial operations.

To quote the author of "Who Moved My Cheese," Crosley welcomes change with open arms, but hangs on to his basic values. The fact that he has devoted his professional career to, and is passionate about, helping the disabled, their families, and the community is no impediment to running Arc Herkimer like a for-profit business. Arc Herkimer under Crosley keeps expanding its services to assist the developmentally disabled perform productive work, enhance day and clinical programs, and support residential alternatives by re-investing surpluses and thinking out of the box. It's one thing to be creative; it's another to create financial stability, confirmed by the agency's \$9.38 million in net assets through 2016.

Crosley's tenure at Arc Herkimer has made the agency a business model for other social-impact organizations. ■