

Small Business

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Nonprofits need a business plan, too

BY ERNESTO MORALES

San Francisco Business Times

LFA Group brings business smarts to nonprofits.

Founder Steven LaFrance has grown his San Francisco consultancy by offering strategic planning, evaluation research and technical assistance services — many of the things for-profit businesses rely on to thrive — to social services organizations and foundations.

LaFrance knows how important a strong community is for a city, so he works with organizations that can contribute to that goal.

“I really wanted to pursue a vision of how to contribute to social justice in communities that I live and work in,” said LaFrance, principal of LFA Group.

Founded in 2000, the 21-employee business in San Francisco’s Mission district has enjoyed revenue growth of about 76 percent to \$2.3 million in 2008 from \$1.3 million in 2006.

Most recently, LFA developed an evaluation plan for the HOPE SF initiative to revitalize multiple public housing developments in San Francisco. The firm also measured the effectiveness of the Delancey Street Foundation’s life learning academy, a charter school for kids who are involved in the probation system.

In both projects, LFA developed the research analysis, collected the data, surveyed and provided the nonprofits with feedback to maximize the success of the program.

LaFrance attributes most of the success to word-of-mouth advertising.

“We deliver on what we say. (We’re) trustworthy, respectful and make sure clients feel understood and completely satisfied with our work. That’s why we have grown as fast as we can,” he said.

The Bay Area is fertile ground for nonprofits. San Francisco alone has 7,092 nonprofits with \$7.5 billion in expenditures and they account for 7.7 percent of all wages in the city, according to a 2009 report from the USF Institute for Nonprofit Organization Management.

LFA is working on two high-profile evaluation projects — one with the Gates Foundation’s IT initiative examining the effectiveness of computer access in libraries. LFA, which was paid \$75,000 by the Gates Foundation to do the baseline study and is receiving the same amount for a three-year follow-up, surveyed nearly 1,000 libraries asking them about their public access program.

The other project is with the Hewlett Foundation to assess its California K-12 education advocacy portfolio. Within the portfolio, a number of educational organizations were evaluated, including the California Alliance for Arts Education and the California County Superintendents Educational Service Association (CCSESA), both of which received individual grants from the foundation.

The consultancy was paid by each organization that Hewlett is supporting. In total,

the average dollar amount per project LFA evaluates for Hewlett is about \$40,000.

Julie Fry, program director for the performing arts program at Hewlett, approached LFA after learning from a colleague about the different services it provided. “They were recommended to us and were very thorough and effective,” she said.

Besides education consulting, LFA receives calls from organizations that deal with immigrants, the homeless, and children and families, LaFrance said.

First Five Sonoma County, a Santa Rosa-based agency that funds programs for children and families, looked at LFA to design, evaluate and document funds it received from the state’s Proposition 10 initiative, a tobacco tax that passed in 1997. The funds from the tax were distributed between three Northern California counties — Sonoma, Solano and Shasta — for family and children program use.

“They have the technical expertise when it comes to evaluations and they are connected to a national network of foundations,” said Edwin Ferran, project director at First Five Sonoma County.

Most of LFA’s revenue comes through signing contracts with nonprofits, foundations and public agencies. Under the conditions of a grant, a small percentage, generally 5 to 10 percent, is allocated to the evaluation research. Because the firm engages in multi-year contracts, 40 percent of the projects for 2009 were lined up at the start of the year, and more than 60 percent of the projects for 2010 are already booked.

“It makes for a relatively stable business model and a greater foresight on how we are doing,” LaFrance said.

Getting LFA up and running was a gradual process. After getting his master’s degree in anthropology at UCLA, LaFrance studied public health at UC Berkeley. He then worked as a project director at BTW Consultants Inc., a for-profit consultancy. Then LaFrance became an independent consultant, cashing out his 401(k) plan from BTW to fund the business.

“It was essentially enough to buy my first computer,” said the 40-year-old.

He hired seven contractors, who eventually became employees in his firm, to help him.

Last year, the firm added four employees. LaFrance expects to expand up to 30 people over the next five to 10 years.

To accommodate for future growth, LFA earlier this year moved its headquarters to the Mission district from its swanky Union Square offices.

“We don’t need to appear like a shiny penny,” LaFrance said. “We need to appear that we have our feet on the ground and connected to the community we work with.”

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LFA helps with research, strategy and technology

Sense of community: “I really wanted to ... contribute to social justice in communities that I live and work in,” says LaFrance.



SNAPSHOT:

LFA Group

HQ: San Francisco.

What it does: Business planning and product effectiveness work for nonprofits.

Founder: Steven LaFrance.

2008 revenue: \$2.3 million.

2007 revenue: \$1.78 million.

2006 revenue: \$1.33 million.

Three-year growth: 76 percent.

Employees: 21.

Web site: lfragroup.com.