Contents

Integrating Lean Management Principles in Nonprofit Organizations........2
Running a Lean Ship .................................................2
  Establish a Vision and Plan...............................2
  Clarify the Return .............................................3
Rethinking Staffing Models .....................................4
Transparency is Key .................................................4
Conclusion ..............................................................5

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Integrating Lean Management Principles in Nonprofit Organizations

How is it possible to do any more with any less? That’s what nonprofit organization leaders have been asking themselves since the economy took a sharp downturn in 2008. During difficult economic times, donors and funders often reduce giving, making it more difficult for nonprofits to serve clients. For this reason, nonprofits are compelled to identify new or innovative ways to keep service levels up and costs down.

Nonprofit leadership and employees have found numerous creative ways to maintain operations as well as service delivery – from increasing the number of volunteers to expanding employees’ job responsibilities. Now is the time for nonprofit organizations to consider longer-term solutions that will preserve their sustainability and set them up for future success.

Running a Lean Ship

In the 1940s, Toyota introduced a new approach to manufacturing designed to eliminate waste in the production process. The “lean” methodology encourages companies to evaluate processes, activities, inventory and personnel to determine ways in which to cut back on unnecessary steps or other elements that create waste. The premise lies in the goal of serving the client as efficiently as possible.

More than a decade ago, Seattle-based Virginia Mason hospital began taking a look at a new management philosophy focusing on patient care at sustainable costs. Hospital leadership became interested in Boeing’s lean practices, which significantly reduced the number of days it took to build a 737 airplane. The result of Virginia Mason’s efforts, which involved a redesign of their emergency department to reduce waiting time, included saving millions of dollars in planned capital investment, reducing inventory costs by millions of dollars and reducing insurance premiums. Now Virginia Mason is a top-ranked hospital in terms of quality and efficiency.

Establish a Vision and Plan

For nonprofit organizations, lean manufacturing principles can serve to help staff and volunteers reduce needless effort, as well as assist in redefining job duties in better support of the mission. Agencies interested in lean operations should start by defining what they want to accomplish. Often, the goal is to tighten up spending to improve cash flow. Occasionally, organizations might be considering sweeping changes in how they do business. It is important to outline the end game, and create the path to get there.

With a path in mind, lean practices can be implemented in numerous ways and customized to fit individual nonprofits with varying protocols and needs. Consider the following processes common to nonprofit groups:

Client intake and evaluation – Nonprofits that provide direct service to clients likely have an intake system whereby staff or volunteers...
collect information from the client. Through this process, the organization determines client needs, eligibility for services and other required data. Organization personnel have a prime opportunity within the intake process to identify ways in which to minimize waste. For example:

- List all steps in the intake process and determine if every step is necessary. Is there any duplicative work, such as filling out forms by hand, then typing them into a computer?
- Assess how many people are involved in the intake process and whether that number can be reduced by working more efficiently.

Volunteer recruitment and training – Nonprofits know that volunteers can be critical to keeping the organization running smoothly. The recruitment and training process itself offers great possibility in pursuit of increased efficiency. Consider the following:

- Employ repetitive process, a key ingredient to eliminating excess. For example, ensure there is consistency in how volunteers are screened. Develop a streamlined process that is applied to each volunteer and, if possible, always have the same fully trained person conduct the screening.
- Determine if there is room for improvement in conducting volunteer training. Creating a training video might be more productive than hosting a training session requiring several personnel to manage it.

Donor management – Without funders, nonprofits would not be able to operate. Board and management, as well as fundraising staff, spend a great deal of time and energy cultivating donors and managing the development program. But it is imperative to evaluate the program to ensure the most effective use of everyone’s time. Assess elements such as:

- Ensure optimum use of technology to reduce manual activities. Does your donor management software track communication with donors? This tracking system could reduce duplication of efforts in outreach to donors.
- Gain a solid understanding of donor preferences and patterns. It is wasteful to continually reach out to donors to fund programs in which they are not interested. Instead tailor giving opportunities strategically.

Other lean efforts might include reducing the amount of office supplies agencies have on hand to reduce overstocked inventory and unnecessary cash outlay; grouping similar staff functions together to facilitate information sharing; or reducing the number of meetings staff are required to attend.

Implementing lean principles means taking a hard look at your organization and sometimes making tough decisions.

Clarify the Return

When developing a plan for incorporating lean practices, analyze and illustrate the improvements and cost savings that will be associated with the changes. Just as the old adage says, “You have to spend money to make money,” there will likely be an investment associated with implementing lean procedures. If an organization decides to utilize more volunteer assistance, it may require the hiring of a volunteer manager. Or, there may be costs associated with the upgrade of a donor management software system.

Implementing lean principles means taking a hard look at your organization and sometimes making tough decisions. But with a solid plan in place, and a
demonstrable return on investment, the agency will likely function more productively in the long run.

Rethinking Staffing Models

Megan Shultz, executive director of Court Appointed Special Advocates (CASA) of Lane County, says the organization saw the economic recession on the horizon in 2008 and began taking actions to ensure services to children were not negatively impacted. In doing so, the board of directors began looking at efficiencies in their service delivery model. The result was a strategic plan, which led to an organizational transformation. CASA of Lane County shifted its focus back to its original intent of being a volunteer-driven agency, with staff supporting service rather than driving it. Through this change, the organization is able to serve more children without significant increases in staff or budget. Instead, more seasoned volunteers act as mentors to the volunteers working with children directly.

With this shift in thinking, CASA of Lane County has realized tremendous success. The agency expects to serve all children in need of their services by 2016, while reducing the per-child cost by half. This is an increase of 138 percent over their current reach.

While CASA was able to redesign their service model and maintain staffing levels, other organizations may need to reconsider staffing. It may be appropriate to assess roles and responsibilities to determine if positions require full-time or part-time employee status. Could responsibilities be handled in some other way, such as by a volunteer? Or would it be appropriate to consider converting some employee functions to a consultant position?

These days, many employees are open to the possibilities of launching consulting careers to have more control over their time, or to be able to work with a variety of companies. Employers may pay a higher hourly fee for services, but the conversion allows the flexibility to limit hours, specify narrowly focused duties and tasks, and avoid the cost of benefits.

When evaluating job functions, it’s important to take a critical look at whether employees are in the best positions for their skill sets. It is smart to consider realigning staff positions to leverage people’s skills and abilities.

Because repeatable process is a key component of efficient operations, nonprofit leadership may want to consider cross-training employees to ensure more than one person knows how to perform various job functions. This approach allows staff to easily ramp up to cover job duties if someone is out of the office or is needed in another capacity. Cross training also affords employees the opportunity to learn and grow, thus increasing the chances for higher employee satisfaction.

Another option for nonprofits is looking into contracting with firms that offer administrative management services, often referred to as “backroom” functions, for a fee. These firms offer numerous services, such as bookkeeping, technology management or human resources, and they have expertise in working with charitable organizations.

Transparency is Key

Although moving toward lean operations can result in many benefits for a nonprofit, introducing change can be challenging. It is essential to
keep employees and stakeholders informed of new directions and the impact on everyone involved. Communications can include:

**One-on-one meetings** – Consider meeting with donors, staff and others one-on-one to demonstrate that you value their contributions and opinions. Individualized attention can go a long way toward garnering support.

**Town hall meetings** – Conduct meetings at regular intervals to alert stakeholders about changes and the progress thereof. Allow for opportunities to discuss and ask questions.

**Surveys** – Implement a mechanism for stakeholders to give feedback (allow for anonymous responses, if possible). Those affected by the changes will appreciate the ability to give their honest viewpoint. And it’s possible they may offer viable alternatives.

**Written updates** – Ongoing communication via newsletters, websites, FAQs, Intranet sites, etc., will help keep interested parties informed about changes being implemented. Keep the messages concise, but give background to create buy-in.

Approaching change in this way may help to alleviate concerns, reduce speculation and ensure more support for new ways of doing things.

**Conclusion**

At the heart of lean manufacturing principles is the motivation to produce quality products as efficiently as possible. Doing so reduces the expenditure of time, energy and resources for both the producer and the consumer. Nonprofit organizations can apply lean practices to increase service delivery by working smarter, not harder. A well-researched and thoughtful plan can guide the approach and implementation, while open communication can generate support and good-will. By putting these methods in place, the challenge of trying to do more with less can become a new philosophy of doing more by doing less.
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Pacific Continental Bank maintains a strong connection to the communities where we operate. The bank empowers its employees to actively engage in fostering an environment where all community members can flourish. We endeavor to work with local nonprofit organizations and community-based businesses, ensuring more dollars stay close to home. The bank supports hundreds of nonprofit organizations in achieving their missions – both philanthropically and through direct participation.

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