

Introducing Lean for Nonprofits

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Question: What's worse than a nonprofit that lacks what it needs to be effective? Answer: A nonprofit that wastes its meager resources because of poor process design.

Any organization that is looking to make the most of limited resources should look into "Lean" — an approach to improving daily work processes that can improve quality, reduce cost, and help your organization to achieve its mission more effectively (George 2003; Womack and Jones 1996).

Over the years, nonprofit leaders have become jaded about the numerous private industry fads that have promised to "improve" the nonprofit industry. Their skepticism is justified, since many such fads had not demonstrated widespread success in the for-profit world. Others required significant modification before they could be useful in a nonprofit setting.

But before giving up entirely on the search for help in managing limited resources, take a look at Lean. Applied effectively, the philosophy, concepts, and tools of Lean have the same power to unlock dramatic improvements in performance in the nonprofit sector as they have in a wide

variety of for-profit firms.

To date, the best-most well-known nonprofit applications of Lean are in healthcare. Take Virginia Mason Medical Center as a prime example. Since implementing Lean, this Seattle, Washington, center has:

- Saved \$11 million in planned capital investment by using space more efficiently
- Freed an estimated 25,000 square feet of space using better space designs
- Reduced the time it takes to report lab test results to the patient by more than 85 percent
- Reduced inventory costs by more than \$1 million
- Reduced staff walking distance by 60 miles per day
- Increased productivity by about 93 percent in a few targeted areas by moving the most common supplies to point of use, and creating kits containing frequently needed supplies (Virginia Mason Medical Center 2008).

Multiple visits to Toyota production facilities gave Virginia Mason the inspiration it needed. But implementing Lean wasn't just a matter of copying what Toyota was doing. After all, serving patients isn't the same as making cars, so Virginia Mason had to reinvent Toyota's Lean manufacturing approach to fit the challenges of nonprofit healthcare.

Similarly, it's likely that your nonprofit cannot simply copy

what a large healthcare provider like Virginia Mason has done. Your business is different, and you probably don't have the same scale of operations or financial resources. But Lean can help you bring a new perspective to your organization and its processes — and that can lead to a more efficient use of your limited resources.

So how do you get started? By looking at your existing processes with a fresh perspective and realizing that there are different kinds of process inefficiencies that result in wasted resources — both time and money.

Chances are, when you look at your organization now, you can't see the tremendous amount of waste in it, or the large number of quality defects created every day. Lean can help

The first step is to learn about the different kinds of waste that can affect a business (see "The Eight Types of Waste"). Then, you can evaluate your process by using "value-stream mapping" — a visual representation of work flow with quantitative data at each step of the process.

This map will show:

- How long it takes to get started or get up to speed
- How long it takes to complete the value-added work of the step
- How many items or clients get worked on at a time
- How long items or clients wait

To create the value-stream map, you will need to observe

your processes and look for the different types of waste. Here are typical examples (and the types of waste they involve):

- A worker is interrupted in order to respond to a co-worker or client. It takes time to get back into the rhythm of the previous work (waiting, unneeded processing).
- A worker must wait for the computer to boot, to load data that has been requested, or to open up additional programs needed to access data not available in the system typically used (waiting).
- Workers deal with batches of the same type of form, so that any individual form waits a long time to be processed (waiting, inventory).
- There are multiple hand-offs to different workers who each perform only a small part of the process. The work waits at each step (waiting).
- People doing the same job each do it differently. Some are faster, some slower. Some make more mistakes, some fewer. Others downstream from them find their jobs are more difficult because of the variety in the work product they receive (defects, unneeded processing).
- People spend time searching for missing files, needed supplies, or a person (unneeded processing).
- People are engaged in checking other people's work or approving routine decisions (unneeded processing).

- People spend a lot of time responding to various crises, such as clients or co-workers who are angry over mistakes or delays (unneeded processing).
- The workplace is cluttered and disorganized. People have difficulty finding things. If a worker is out, no one can pick up that person's work (unneeded processing, waiting).

Unless you have engaged in Lean redesign of your work processes, it's likely that only a very small percentage of the total amount of time the process takes is adding value. At one large corporation, for example, a purchasing function took an average of four days to place a purchase order after receiving the purchase request. Yet value-stream mapping revealed that the value-added time was only 14 minutes, or less than 1 percent of the total time. In the eyes of the customer of that process, that's over 99 percent waste.

Once you've seen the waste and have mapped your process, you're ready to engage in process redesign. To design an ideal process — or, at least, one that is much improved — use Lean principles:

1. **Value:** How can we eliminate activities that don't add value to clients or customers? If business or regulatory reasons require these activities, how can we minimize the effort involved?
2. **Value Stream:** How do we put the value-adding activities together to minimize needless movement of

people or goods?

3. **Flow:** How do we move toward a continuous flow of work, and away from separate steps each with its own queue, start-up time, and batch processing?
4. **Pull:** How can we do just as much of this work as needed, when it is needed and where it is needed?

Improvements made by Easter Seals of Southeastern Pennsylvania help to illustrate the potential of Lean. Easter Seals provides therapy and education services, including in-home services for families with children with disabilities who are less than three years old. Easter Seals applied Lean to improve the process for determining whether to accept new referrals for these services.

Value-stream mapping of their process revealed that there was a long lead-time in responding to new referrals, and that this was caused by multiple handoffs, which in turn was the result of divided responsibility. An employee team developed a new process design in which the program manager had dedicated therapy staff from all disciplines—which eliminated the divided responsibility and meant that the program manager could respond to new referrals immediately. Implementation of the new organization and process resulted in faster response to new referrals and enabled Easter Seals to increase the number of clients using the in-home services by 50 percent.

Easter Seals also provides evaluation of children under

age three to determine whether they are developmentally delayed and could benefit from therapy services. These evaluation services take place in the home. The project focused on the administrative aspects of the work before and after the home visit. Process mapping of the original process revealed that last-minute staff changes created much rework, and frequently led to lost revenue from cancelled appointments, as well as defects in documentation and billing so that payment was delayed or denied.

A new process design was built around a network-based calendar with downloadable client information (compliant with federal privacy law) and required service forms. The new process reduced overload on administrative staff, increased the ability to substitute staff at the last minute, reduced staff-caused cancellations, and improved the percentage of visit documentation and billing done correctly the first time. In the end, these Lean-inspired process changes helped Easter Seals to serve more clients more effectively.

Of course, there's much more to Lean than what is covered in this brief introduction. But if the examples of waste sound familiar to you, take a look at Lean. It's an approach that can help you avoid waste and make the most of your limited resources — so that you can do a better job of achieving your mission.

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