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The Role of Process Improvement in the Nonprofit Organization

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Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania.

Advisor: Lawrence Starr

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Abstract

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This thesis examines basic process improvement principles that can be implemented by nonprofit organizations. Guidance is provided on process improvement activities appropriate to the current state of the organization's process as well as frameworks for action. A primary goal of process improvement is to develop organizational commitment and energy to facilitate continued process improvement. The strategies discussed for nonprofit organizations in this thesis borrow from a variety of well respected, scholarly sources, and are supported from the author's experiences in the nonprofit sector.

Disciplines

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Comments

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NONPROFIT ORGANIZATION

by

Vikki C. Lassiter

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in the Graduate Division of the School of Arts and Sciences
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University of Pennsylvania

Philadelphia, PA

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THE ROLE OF PROCESS IMPROVEMENT IN THE
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Approved by:

Larry Starr, Ph.D., Program Director

ABSTRACT

Nonprofit organizations are an integral part of our communities, providing a vast array of services, fostering civic participation, and building social cohesion. Although operating models and economic drivers vary across the nonprofit sector, unlike for-profits the drive of competition may not provide the impetus for organizational change models such as process improvement. Nevertheless, in order for any organization to be efficient and effective, it is generally necessary to strive for the development of processes that track and document why organizational changes are necessary; why the changes mark improvement within the organization; and how to continuously refine and re-evaluate what the organization is doing to achieve its mission.

This thesis examines basic process improvement principles that can be implemented by nonprofit organizations. Guidance is provided on process improvement activities appropriate to the current state of the organization's process as well as frameworks for action. A primary goal of process improvement is to develop organizational commitment and energy to facilitate continued process improvement. The strategies discussed for nonprofit organizations in this thesis borrow from a variety of well respected, scholarly sources, and are supported from the author's experiences in the nonprofit sector.

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LIST OF TABLES

| TABLE | | Page |
|-------|---|------|
| 1 | Steps to Implementing Process Improvement | 21 |

LIST OF FIGURES

| FIGURE | | Page |
|--------|--|------|
| 1 | Deming's Plan-Do-Check-Act Cycle | 7 |
| 2 | Single Loop Learning | 13 |
| 3 | Double Loop Learning | 14 |
| 4 | Information and Referral As Is Process Map | 25 |

TABLE OF CONTENTS

| | Page |
|--|------|
| ABSTRACT | iii |
| ACKNOWLEDGEMENTS | iv |
| LIST OF TABLES | v |
| LIST OF FIGURES | vi |
| CHAPTER | |
| 1 Introduction | |
| Background | 1 |
| 2 Understanding Process Improvement | 6 |
| 3 Organizational Learning | 11 |
| Defining a Learning Organization | |
| 4 Creating a Process Improvement Culture | 16 |
| Levels of Culture | |
| Dimensions of Culture | |
| 5 Process Improvement: Execution and Evaluation | 21 |
| Strategies for Implementing Process Improvements | |
| Process Improvement Tools | |
| Avoiding Setbacks to Process Improvement | |
| Monitoring Process Improvement Efforts | |
| 6 Conclusion | 35 |
| REFERENCES | 37 |

CHAPTER 1

INTRODUCTION

Background

An organization in which no owner, stockholder or trustee shares in profits and losses, and which exists not to earn revenue but to promote a mission that typically but not necessarily enhances the public welfare is considered a nonprofit. Generally there are four categories of nonprofit organizations:

1) voluntary organizations which are driven by creating social missions from values; 2) Public Service Contractors or PSCs that work as businesses that are built to serve the public and the economy without gaining profit; 3) People's Organizations, or POs, which are interested in helping members with specific interests; and 4) Government Organized Organizations or NGOs, which provide public policies that serve and benefit the community (Lewis, 2001).

Today's nonprofit organizations are confronted with a variety of challenges: demographic changes that are expanding the market for the services that nonprofits provide; commercial pressures that are pushing nonprofits into greater reliance on fee-for-service income; expanded competition from for-profit providers; opposition to nonprofit advocacy activity; increased accountability pressures; rapidly changing communications technology; and many more that require consistent evaluation of ongoing organizational effectiveness (Brooks, 2003). These challenges demand innovation—in services, and in nonprofit management.

Although organizations such as the American Diabetes Association, a national health organization and the Diabetes Resource Center, Inc., a regional based health organization are both voluntary nonprofit organizations the resources and operating structures of the organizations are quite different. The variation between the organizations includes internal capacity, organizational reach (numbers served), hierarchy and operating budgets. The differences observed in these nonprofits, however, also lead to differences in how outcomes and performance are assessed. It would seem that evaluation and accountability plans need to allow nonprofits to enjoy their autonomy and yet ensure that high standards are met to meet the needs of their constituents.

In the nonprofit sector, as in business and government, performance is the ultimate test of an organization. A high-performing organization is the one that can create a balance between performance, quality, customer relations, and profitability. High-performance organizations are thus defined as groups of employees that produce desired goods or services at higher quality with the same or fewer resources. Their productivity and quality improve continuously, from day to day, week to week, and year to year, leading to the achievement of their mission (Holbeche, 2005).

An organization's response time to internal or external challenges can affect its survival. Organizations confront challenges in one of four ways: (1) absolute denial or avoidance; (2) change some processes but only enough to deal with immediate problems or threats; (3) Change many processes in an effort to optimize changes and control the problem; or (4) redesign in order to eliminate

the source of the problem or create a new system where the problem cannot exist (Ackoff, 1990). Every time an organization takes advantage of an opportunity or addresses an organizational challenge, it has an opportunity to learn and grow from the experience.

Organizational growth is a process that occurs by adding new content and organizing old content. When organizations are attempting to grow, develop and keep pace with a changing marketplace, successful outcomes often require an ongoing process that alters the way people interact with the external forces, perform their jobs, and relate to each other. Organizations must ensure that individual and organizational behaviors are aligned with the overall business strategy. These specific behavioral requirements are the capabilities and skill sets required to achieve individual and overall organizational success.

Every organization, whether it is large, medium, or small, profit-driven or not-for-profit, has one thing in common: their operation requires processes. Processes represent a fundamental way of thinking about, operating, and managing an organization. The human issues of teamwork, communication, and leadership are also vital to achieving performance excellence. However, it is essential to have a planned and systematic approach to measure, analyze, and improve overall organizational performance.

Achieving performance excellence within an organization starts with defining core processes. The ability of an organization to improve and integrate their processes, as well as link these integrated processes to the organization's strategy, are critical aspects of performance management. My experience in the

nonprofit sector has shown that nonprofits are consistently striving to improve performance. However, improvement is often marked by attention to arbitrary factors such as expansion in services, new funding sources, and increasing the organization's employee or volunteer base. All of these areas may in fact be improvements to the organization. But without having a mechanism to determine the efficiency of these areas of marked improvement and the processes that allow for the improvement to occur, I question how nonprofits can truly reach their mission and fullest potential in serving their customers or constituents.

This thesis describes the application of process improvement generally and in nonprofit organizations specifically. I examine and outline strategies for how nonprofits can implement process improvement, as well as the challenges that these strategies must overcome, including internal resistance by employees and leadership. I also describe the importance of monitoring process improvement initiatives to determine the effectiveness of the change implemented within the organization.

This thesis does not address how computer systems can be used for process improvement, nor do I describe specific systems such as Total Quality Management, Lean Sigma, or Six Sigma (George, 2003). I have omitted these advanced systems of process improvement since they actually "sit on top" of the actual processes in an organization in order to bring about additional change. These methods and tools are also somewhat limiting, since they tend to examine only individual processes rather than integrating these processes into an examination of the complete system at work within an organization.

In today's competitive environment, organizations need to assess and evaluate the efficiency and effectiveness of business processes across the organization. Therefore, I have focused on improving and monitoring organizational performance processes.

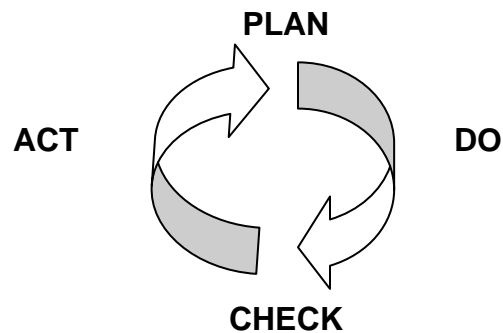
CHAPTER 2

UNDERSTANDING PROCESS IMPROVEMENT

Process improvement concerns the methods that are used to improve the way that activities and business practices in an organization are organized and carried out. The aim of process improvement is to ensure operations are performed as efficiently as possible, relative to the goals of the organization and with respect to the customers that are served by that organization (Cook, 1998). Whether an organization needs to improve current processes, or develop new ones, process improvement can assist in designing and implementing steps to increase efficiency.

The Plan-Do-Check-Act (PDCA) Cycle, described by W. Edwards Deming (1986) creates a continuous helix of process improvement (Figure 1). PDCA operates as follows: An organization identifies and evaluates a process's possible areas for improvements. It then plans how to improve the process, implements a plan of action, checks the improved process in comparison with expected results, and then acts to correct or amend the process. The cycle repeats by continuously identifying new areas for improvement.

Figure 1. Deming's Plan-Do-Check-Act Cycle



Continuous improvement, or *Kaizen*, is the process of creating incremental improvements, no matter how insignificant (Liker, 2004). Liker (2004) suggested that apparently insignificant improvements amount to an overall big difference:

Kaizen teaches individuals skills for working effectively in small groups, solving problems, documenting and improving processes, collecting and analyzing data, and self-managing within a peer group. It pushes the decision making down to the employees responsible for the task or process and requires open discussion and a group consensus before implementing any decisions. (p.15).

True process improvement requires discipline within the organization. Ongoing communication, trust, and commitment must be apparent throughout the organization in order for process improvement to take root. When management as well as employees on every level are involved in process improvement, collectively they can focus on eliminating waste—of money, materials, time, and opportunities. Process improvement can promote a lean organization in nonprofit entities, just as it does in the for-profit sector. Lean organizations do more with less while providing the customer exactly what they want (Womack & Jones, 1996).

However, process improvement isn't a specific tool; rather, it is a philosophy that focuses on changing the mindset of the organization toward that of enhancing customer or constituent service through understanding, and improving how processes integrate with each other and the organization's strategy. Process improvement must address strategic organizational imperatives if it is going to be successful.

In many ways I believe there is connectivity in nonprofit and for-profit sectors in the value they create, the financial tools they use and stakeholders they manage. However, the differences in the use of process improvement in the for-profit and nonprofit sectors can primarily be seen in each entity's motivating factors. In the for-profit sector, process improvement is commonly implemented to gain a competitive advantage, increase revenues and hence attain market leadership. Although nonprofit organizations compete for financial resources and donors, they are not driven by competing to fulfill the needs of their market. This is not to say that nonprofits serving the same target population do not position themselves to engage greater numbers year after year but rather that each nonprofit's mission to serve its constituent is the primary objective of the organization.

Nonprofit organizations also differ from the for-profit sector in its overall management - how the operating procedures of the organization occur. This is mainly related to the nonprofit's focus on securing contributions to meet societal needs, rather than the overall management and procedures of the organization (Ott, 2001).

Although many nonprofits follow strict guidelines and procedures in carrying out daily activities that help them achieve their mission, I have also observed nonprofits that due to numerous factors (e.g., lack of human resources, or personnel expertise) have very few documented internal operational practices.

As Deming (1986) pointed out, all work is accomplished through processes. Thus, advancement for any organization entails improving those processes. Process improvement initiatives employed by the nonprofit sector can be seen as opportunities to perform an organization's mission more effectively and efficiently.

Nonprofit organizations are being seen more as an instrument of government policy and an integral part of the "mixed economy of welfare" (Harris, Rochester & Halfpenny, 2001). As nonprofit organizations continue to evolve and expand public services, opportunities will be presented to access new funding streams and to engage in a variety of partnerships. However, with this enhanced role, nonprofit organizations are faced with growing demands to demonstrate accountability, transparency, efficiency, and effectiveness. The pathway to meet these objectives is process improvement. The challenge is to leverage effective process improvements to allow nonprofit organizations to spend more time on their missions and less on administration.

According to a 1994 editorial in Fortune magazine, "the most successful corporation...will be something called a learning organization, a consummately adaptive enterprise." However, being adaptive is only the first stage in becoming a learning organization.

The desire to learn goes deeper than responding and adapting to environmental change. The desire to learn, at its heart, is a necessity to expand capabilities.

CHAPTER 3

ORGANIZATIONAL LEARNING

According to Senge (1990), organizations have the capacity to learn and to change in specific ways based on processes and techniques focused on learning to learn. His seminal book, The Fifth Discipline, provides an in-depth discussion of “the core disciplines” for building a learning organization, namely: (1) mental models, (2) personal mastery, (3) systems thinking, (4) shared vision, and (5) team learning.

Defining a Learning Organization

Organizational learning is the ability of an organization to gain insight and understanding from experience through experimentation, observation, analysis, and a willingness to examine both successes and failures. As Senge (1990) points out, “A learning organization is a place where people are continually discovering how they create their reality. And how they can change it” (p.13). In short, devolving responsibility to the organization’s employees and involving them in the decision-making processes is very much the ethos of the learning organization. A consistent theme to emerge in these discussions is how power is transferred from the company to its employees. Senge proposed that the “most successful corporations of the 1990s will be something called the learning organization. The ability to learn faster than your competitors may be the only sustainable competitive advantage” (p.4).

Learning organizations have also been described as resource oriented. They are constantly determining what is available to them, and everyone in their

market, but also what resources are unique for them that cannot be duplicated by other organizations. This allows the organization to become more adaptable than the competition, which in turn can help the organization to continue to succeed (Bass, 2000).

Garvin (1993) noted that “a learning organization is an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights” (p.80), while Pedler, Burgoyne and Boydell (1991) suggest that “the learning company is an organization that facilitates the learning of all its members” (p.1). These conceptions emphasize that a necessary feature for an organization to label itself a learning one is that mechanisms are put in place to optimize the transfer of knowledge between all levels of employees.

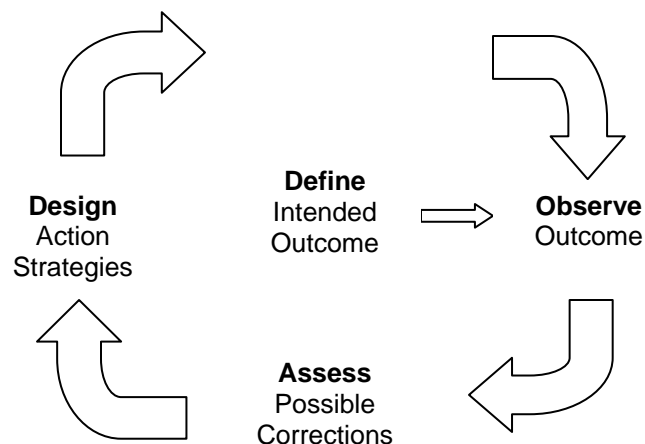
More insight into the meaning of the learning organization can be gained by looking at the type or level of learning within an organization: individual, organizational, adaptive, and generative. At its most basic level, the learning organization facilitates individual learning processes, and cultivates new capabilities by either teams or individuals (Schein, 1997). The more controversial concept is organizational learning. Most agree that individuals can learn in an organization, but some question whether organizations themselves can learn.

According to Lawson and Ventriss (1992), organizational learning is based upon individual learning, which is then shared with other members of the organization by capturing the individual learning in organizational policies,

standard operating procedures, cultural norms, and organizational stories and ceremonies.

Adaptive learning can occur at either the individual or organizational level, but is usually associated with organizational learning. Adaptive learning takes the existing system of organizational values and action frames as given (Argyris & Schon, 1996), and relies on continuous experimentation and feedback to produce change within that framework (Senge, 1990). Argyris and Schon (1996) refer to this as "single-loop" learning (See Figure 2).

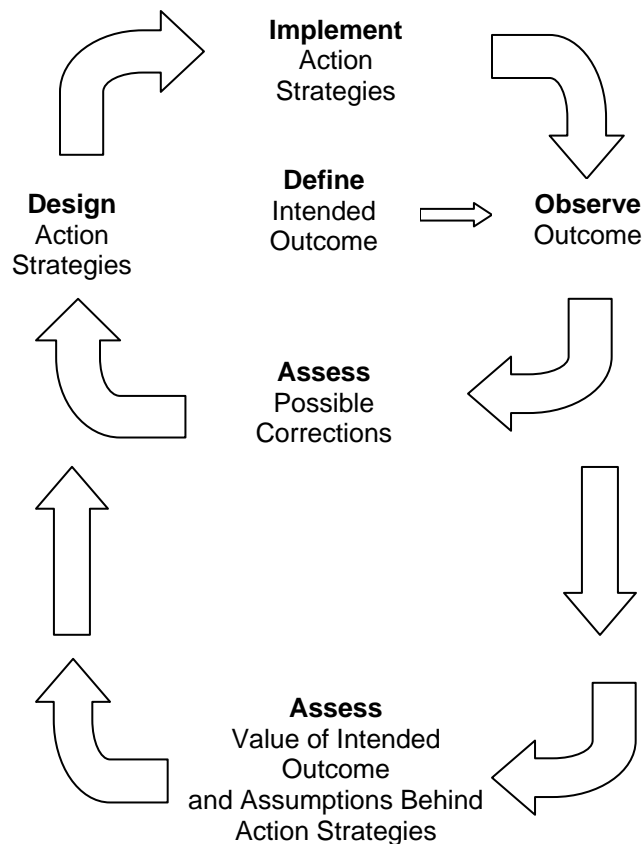
Figure 2. Single Loop Learning (Argyris & Schön, 1996)



Generative learning, unlike adaptive learning, requires new ways of looking at the world and entails change in the organization's values and implicit mental models of how the organization works (Senge, 1990). Generative learning requires seeing the systems that control events. When we fail to grasp the systemic source of problems, we are left to "push on" symptoms rather than eliminate underlying causes.

Whereas adaptive learning involves specific activities and behavior within existing cultural norms, generative learning's aim is to adjust the overall rules and norms (Lawson & Ventriss, 1992). This is what Argyris and Schon call "doubleloop" learning (see Figure 3).

Figure 3. Double Loop Learning (Argyris & Schön, 1996)



Typically, a combination of approaches involving both reflective learning (observing and assessing) and action learning (implementing learning interventions) is recommended (Roth & Senge, 1995). However, it is action learning that has received primary attention in the learning organization approach. In single loop learning, the governing framework is not challenged;

improvements are attempted within the existing framework. Possible corrections are assessed, new actions strategies are developed, and new actions are implemented—which leads them back to seeing whether those actions achieved the desired outcomes. Eventually, if the desired outcome is not reached after several (single loop) learning cycles, a group will have further incentive to go deeper.

In double loop learning, the governing framework itself is assessed. Then, when the new values, assumptions and structures are articulated, new action strategies can be designed. These new strategies are developed under a new framework, and therefore will be different from single loop action. Not only must the group design action strategies that address the tangible business problem itself, but also they must design action which cements the new framework (new vision, mental model, and structures) in place. Action, as well as assessment of outcomes, must be done at both a single and a double loop level (Argyris & Schön, 1996).

Double-loop learning expands on the principles of the plan-do-check-act cycle. The plan-do-check-act cycle only utilizes single loop learning and doesn't challenge individual's beliefs or framework. Double loop learning enables individuals to reevaluate their beliefs as well as obtain feedback therefore broadening their perspective. Double loop learning also allows individuals to identify processes that change not only what they manage but also how they manage it (Fraser, 2002).

CHAPTER 4

CREATING A PROCESS IMPROVEMENT CULTURE

Culture is composed of behavioral norms that members of an organization follow as they perform their work (Marcoulides & Heck, 1993). These norms are influenced by the behaviors that leaders model and reinforce. Consequently, bringing about a cultural transformation requires that leaders are capable of exhibiting and reinforcing behaviors that are essential to the desired culture (Barriere, Anson, Ording & Rogers, 2002). Within an organizational frame, culture includes common goals, creating a sense of responsibility.

The fit between culture and strategy is a critical determinant of the success of an organization's plans and initiatives. Too often, an organization espouses one culture but in reality, practices another. Deeply-held beliefs, shared values, and unspoken assumptions develop over time to become the foundation of an organization's culture. They are visible in the behaviors of individuals, as well as in the practices and structures that determine the way that work gets done on a day-to-day-basis. As a result, an organization's culture has a significant impact on its ability to execute a chosen strategy.

Alignment among the leaders within an organization, especially around the meaning of the strategy, i.e., what it implies for decisions and actions within the organization, is essential. It is important for leaders to understand their organization's culture and determine how it is affecting strategy implementation and ultimately performance.

This knowledge can be used to target necessary changes to the culture of the organization and to ensure that alignment necessary for effective implementation of strategy is achieved. For example, an organization that wants to implement a strategy that is entrepreneurial and aggressive may have difficulty if its culture values low risk-taking, hierarchical decision-making and positional power.

Strategy helps to define the business, the position that the organization hopes to hold in the industry or market, and the means by which it is to compete. The strategy defines and explains ways of dealing with Porter's (1980) Five Forces: suppliers, buyers, substitutes, potential entrants, and the industry competitors. These are aspects of business that an organization needs to address and, through their strategy, turn to the organization's favor.

Levels of Culture

Culture is extremely difficult to change, being one of the strongest elements within a corporation. In Schein's (1997) model there are three cognitive levels of organizational culture. The first and most visible level is behavior and artifacts, an observable level of culture consisting of behavior patterns and outward manifestations of culture such as the way people dress, the level of technology utilized or the layout of work spaces. The second level is more profound and refers to values that determine behavior. Company slogans or mission statements are often expressed at this level. The deepest level is the third, the one of assumptions and beliefs.

Values are the basis for assumptions, but they become integrated in an individual's thinking pattern and often drop out of awareness. The elements of culture at this level are unseen but they function as unspoken rules. All three levels influence and determine culture (Fincham & Rhodes, 1999).

Dimensions of Culture

In order to properly analyze the culture of an organization, one has to thoroughly discern between different aspects of it. Ricardo and Jolly (1997) suggest that there are a number of dimensions that can be used to evaluate organizational culture. These include: (1) communications (what information is communicated and how, the direction of communications, whether the communications are filtered or open, whether conflict is avoided or resolved); (2) training and development (new skill acquisition, management's focus on education); (3) rewards (what behaviors are rewarded and the types of rewards used, performance feedback); (4) decision making (how decisions are made); (5) risk taking (whether creativity and innovation are valued, openness to new ideas); (6) planning (long-term vs. short-term, proactive vs. reactive); (7) teamwork (the amount, type, and effectiveness of teamwork within the organization); and (8) management practices (the fairness and consistency with which policies are administered).

It is through an organization's concepts and practices that the dimensions of culture are created within that area. These are usually done through creating future-oriented or present-oriented ways of development within this organization.

Through this basis, there is the ability to initiate changes as well as learning, allowing for the culture to be created through the focus of the organization. These presentations and orientations hint at including diversity, leadership and research in order to initiate changes and dimensions of culture within the organization.

The result is to ensure change as a part of the dimension of culture, which will reinforce consistent abilities to succeed within the environment (Mclagan, 2003).

Understanding the culture within an organization and how to change it is crucial for the successful evolution of any organization. A customer focus and internal precision are key components in creating a process improvement culture within an organization. This must be related to the overall development of knowledge and building an environment that is transformational, resourceful and has the ability to produce outcomes from the culture (Gilley & Maycunich, 2000). The best way to understand the development of this environment is to identify behavioral patterns located in the organization. In my experience, it has been important to identify behaviors that support or discourage process improvement within an organization. For example, if managers need to make a decision about a project they could choose to make a decision based on their gut feeling which could impede process improvement efforts within the organization or they could make the decision based on data which would support process improvement efforts.

At the heart of each cultural trend is behavior—what people do and say (Schein's (1997) first cognitive level). For an organization, whether nonprofit or for-profit, to successfully integrate process improvement into the lives of

employees, it must first change how it motivates the employees, structure its decision-making, and changes how it deals with information.

Creating a process improvement culture within an organization means changing the pattern of behaviors that are reinforced and punished (Conner, 1998). Informing individuals what behaviors are appropriate or not will change organizational culture. Organizations could begin the change process by asking the following questions:

- 1) What behaviors are needed to support process improvement?
- 2) How will they consciously reinforce those behaviors via personal interactions and formal systems?
- 3) How will they consciously discourage behaviors that support a process improvement culture via personal interactions and formal systems?

The answers to these questions will vary, depending on the current culture of the organization. However, based on my experience, creating a process improvement culture for an organization requires ongoing communication with individuals involved in the process improvement initiative, regular follow-up and appreciation for individuals doing the things that support the process improvement strategies you have implemented.

There needs to be more positive consequences across time and for everyone within the organization to encourage behaviors that support the process improvement culture you want; and performance review measures.

CHAPTER 5

PROCESS IMPROVEMENT: EXECUTION AND EVALUATION

The key elements of process improvement include a focus on processes, the selection of strategic projects, the use of metrics and data, clear leadership, rigorous project management, and teamwork. Fryman (2002) suggests that there are 10 steps to implementing a process improvement initiative (see Table 1).

Table 1. Steps to Implementing Process Improvement (Fryman, 2002)

| Step | Process Improvement Activity |
|-------------|---|
| 1 | Select the process to be improved and establish a well-defined process improvement objective. The objective may be established by the team or come from outside tasking. |
| 2 | Organize a team to improve the process. This involves selecting the "right" people to serve on the team; identifying the resources available for the improvement effort, such as people, time, money, and materials; setting reporting requirements; and determining the team's level of authority. |
| 3 | Define the current process using a process map. This tool is used to generate a step-by-step map of the activities, actions, and decisions which occur between the starting and stopping points of the process. |
| 4 | Simplify the process by removing redundant or unnecessary activities. People may have seen the process on paper in its entirety for the first time in Step 3. This can be a real eye-opener which prepares them to take these first steps in improving the process. |
| 5 | Develop a plan for collecting data and collect baseline data. Data will be used as the yardstick for comparison later in the initiative. This begins the evaluation of the process against the process improvement objective established in Step 1. The process map in Step 3 helps the team determine who should collect the data and where in the process data should be collected. |

| | |
|-----------|--|
| 6 | Identify the root causes which prevent the process from meeting the objective. The team begins the Plan-Do-Check-Act Cycle here, using the cause-and-effect diagram (i.e., a graphic tool that helps identify, sort, and display possible cause of a problem or quality characteristics) to generate possible reasons why the process fails to meet the desired objective. |
| 7 | Develop a plan for implementing a change based on the possible reasons for the process's inability to meet the objective set for it. The planned improvement involves revising the steps in the simplified process map created after changes were made in Step 3. |
| 8 | Test the changed process and collect data. |
| 9 | Assess whether the change improved the process. The team determines whether the process is closer to meeting the process improvement objective established in Step 1. If the objective is met, the team can progress to Step 10; if not, the team must decide whether to keep or discard the change. |
| 10 | Determine whether additional process improvements are feasible. The team is faced with this decision, following process simplification in Step 7 and again after initiating an improvement in Steps 8 through 9. In Step 10, the team has the choice of embarking on continuous process improvement or simply monitoring the performance of the process until further improvement is feasible. |

Strategies for Implementing Process Improvement

Successful process improvement requires systematic implementation. The first step to implementing process improvements is identifying the processes most critical for the success of the function or department and pinpointing the need for improvement. Unfortunately, many organizations struggle with poorly defined and communicated processes.

Multiple stakeholders, often with little consensus as to what constitutes success, exert powerful forces that can easily cause an organization to fragment its services and not document how functions within the organization occur. Processing an invoice, handling a customer complaint, or approving a new program, in many organizations depends more on who does it and what day of the week it is completed rather than on documented processes that are followed by everyone involved in the delivery of the service or function.

Over the years, I have observed organizations fall into the trap of only implementing the “plan” and “do” elements of the PDCA Cycle. Unfortunately, these organizations fail to realize the importance of checking their results against their original plan documenting their “as-is” processes and developing future “to-be” processes. Decision making often occurs within these organizations with minimal information in hand to support a case for change.

Sometimes the need for improvement is self-evident (e.g., decreases in the organization’s service utilization and fluctuations in project funding, etc.). However, when the need for change is less clear, organizations can identify key performance metrics, collect data and identify gaps in the performance of the process.

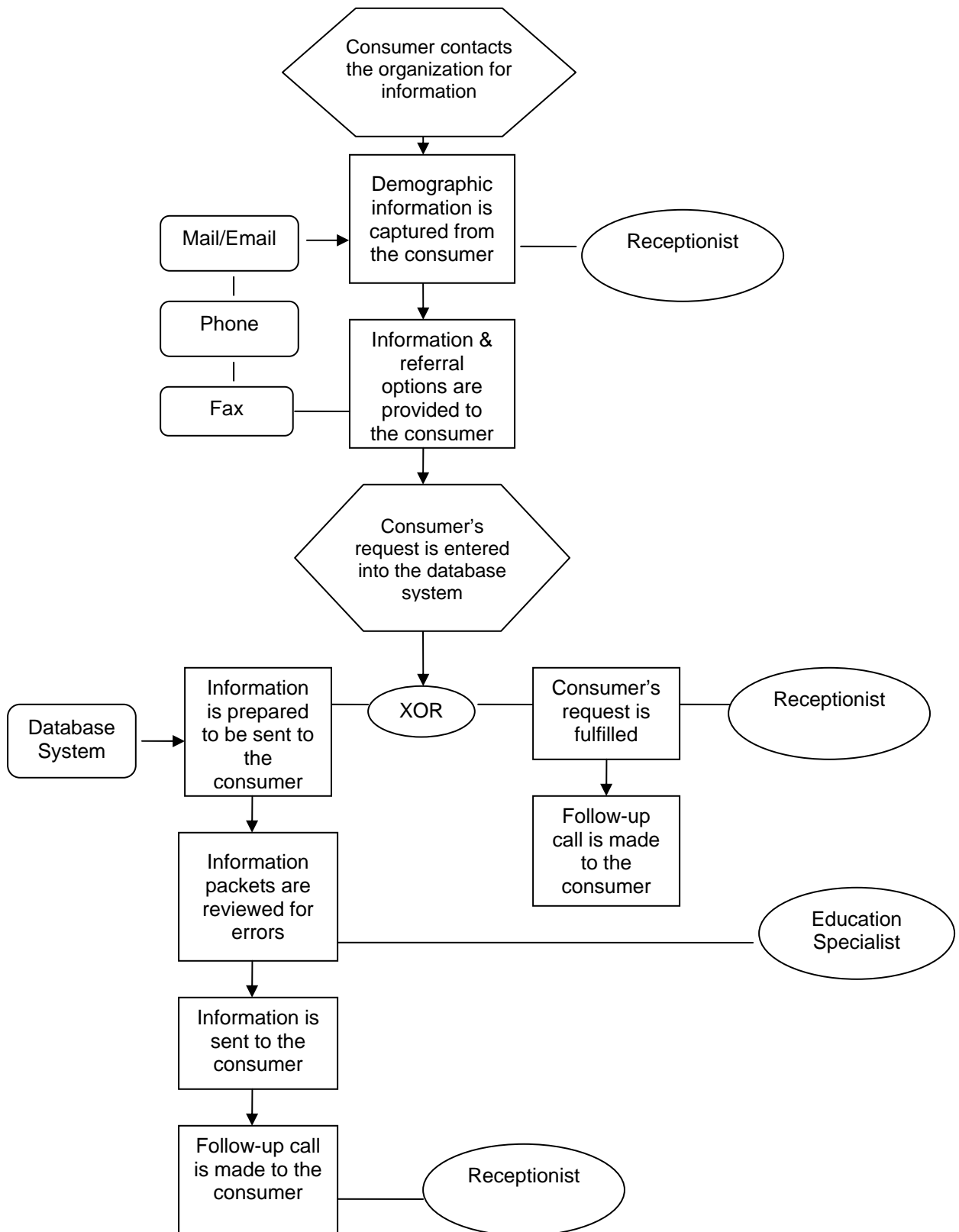
For example, most nonprofit organizations provide information and referral services to callers or drop-in visitors on an ongoing basis. Sometimes this function is carried out by multiple individuals within the organization making variation in the process plausible.

An organization could decide to engage in a process improvement project to further explore ways to improve services for their constituents.

The process improvement objective (step one in Table 1) for this project could be to provide prompt information and referral services by decreasing the reply time to constituents by 48 hrs. within a three month timeframe. Once the project and objective are selected the organization must identify the right team to facilitate the process improvement initiative (step two in Table 1). I recommend that a least one team member be skilled in process improvement methodologies or root cause analysis as well as team facilitation.

The organization' s information and referral process may include capturing demographic information from the constituent requesting information, documenting what services or referrals (e.g., literature, directory of services, etc.) were provided, entering the constituents' information in a database and a follow-up call to the constituent (see Figure 4).

Figure 4. Information and Referral As Is Process Map



As described in step four (Table 1) documenting each step in the organization's information and referral process the organization may determine that certain steps are duplicating individuals' efforts or are unnecessary.

A guiding principle is to measure what matters most. Key performance metrics for the organization's information and referral process could include the length of time the organization takes to respond to a constituent's initial inquiry (e.g., 24 hrs); and the satisfaction of the constituent with the information and referral services they received from the organization. In order to capture the organization's information and referral performance data, tracking systems could be deployed to monitor how many information and referral calls are responded to within the benchmark timeframe (e.g., 24 hrs.) the organization established. By incorporating customer service satisfaction questions as part of their follow-up procedures the process improvement team could document their constituents' experience with their information and referral services.

Once the organization's information and referral current processes are documented and baseline data is collected (step five in Table 1) the process improvement team can begin to monitor their process against the process improvement objective they established in step one (Table 1) as well as determine if gaps in the process occur.

If individuals periodically respond to constituents' information and referral requests within a 72 hour timeframe instead of the benchmark 24 hour timeframe the process improvement team must determine what is causing the process not to meet the objective (step six in Table 1).

The organization will then engage in the PDCA Cycle. As outlined in steps seven through ten (see Table 1) the process improvement team must develop a plan of change by creating their “To Be Process Map” and then putting it into action.

Once the new process is tested and data is collected the determination must be made if the team needs to continue to refine the process, embark on continuous process improvement or monitor the performance of the process they changed.

The completion of one project can also lead directly into the first phase of another project.

Individuals should be mindful that determining that a particular task needs improving, changing how that process is performed, and then informing employees that they are going to change how they work, especially when they may have worked in a certain way for years or even decades, is unlikely to result in positive change. Typically after the introduction of a new initiative, management’s attention to the change process decreases significantly. However, this is the time management needs to show unwavering and visible commitment to the organization’s process improvement initiatives. I believe it is important to remember that implementing process improvement in an organization is a learning process, requiring continuous adaptation. Improvement in an organization’s core processes requires making change but not all change results in improvement.

Individuals involved in process improvement efforts must also be prepared to show how performance gaps adversely affect operational performance, the bottom line, and other relevant measures, demonstrating what is possible and

how improvement will benefit management, employees and customers or constituents. In the example provided, the constituent's first encounter with the organization may occur by calling for information or a referral. Depending on the caller's positive or negative experience with the organization, the constituent could choose to access the organization's services again; refer someone else to the organization; choose to become involved in the organization as a volunteer; or donate funding to support the organization. In essence, this one function – providing information and referral services within the organization – can affect the way the organization cultivates their constituents into donors.

Without a clear understanding of how the information and referral process occur on a day-to-day basis the organization's bottom line could be affected. If the organization is unable to successfully cultivate potential new donors and demonstrate to current donors that they are meeting the needs of their constituents, funding that supports individuals' salaries could be jeopardized. However, by utilizing the process improvement steps outlined in Table 1 the organization could achieve and sustain improvement in core functions such as information and referrals services.

Process Improvement Tools

For a nonprofit, and especially for one that is a newly formed organization, an internal time utilization study is a recommended process improvement tool. A **utilization study** should ask all employees how they spend their time and what they do during that time. The purpose of these questions is to learn how much time is spent on each task, in order to appreciate which tasks receive the

most and least attention or activity (Dobbs & Ligouri, 2002). Information obtained from a time utilization study may determine that individuals are engaged in activities that are duplicating efforts or that may not add value to a project.

In tandem, the leaders of the organization should develop a **skill chart**. This should list and explain the skill sets that are required at the organization and how those skills are perceived to be beneficial to employees and customers or constituents. A realistic evaluation of skills can help to bridge the gap between where staff members are spending their time and whether or not the time used meets the skills that are needed. This will begin the process of determining if the skills that are being used, versus those that are present, are in the best interest of the customers or constituents that the organization serves or will be serving (Dobbs & Ligouri, 2002).

Mapping an organization's processes helps one to see the big picture, but there is also always a need for a specific, measurable and challenging target condition for any process one wants to improve.

Mapping processes entails documenting all of the steps from beginning to end required to complete the process. For each process, it is essential that the organization clearly identifies the start and end of the improvement project. If a process improvement team neglects this important step at the start of each mapping session, it is possible for extra activities to quickly creep into the picture until the process becomes unmanageable.

Once the processes are documented, **identifying process owners** is another helpful tool when implementing process improvement initiatives.

Process owners are responsible for the management of the process from beginning to end. The advantage of assigning process owners is it doesn't require nonprofit organizations to restructure its organizational chart, thus eliminating one of the few things feared by most employees—organizational change through organizational restructuring. The process owners, instead, take on informal responsibilities for the management of cross-functional, interdepartmental processes (Eckes, 2003). In turn, these process owners can facilitate a team that is responsible for improving effectiveness and efficiency of the processes they are responsible for within the organization.

Another very important part of the process improvement tool kit is establishing **benchmarks** for what the organization seeks to achieve for its customers or constituents, and how these achievements should occur. An organization can understand the skills that are present and how time is spent, but it must also have a systematic plan for achieving its goals.

This process should involve all stakeholders and is designed to create written guidelines for what is considered success in terms of the type of service or outcomes for customers or constituents (Milakovich, 1995).

Once the goals of the process improvement initiative are established and the differences that exist between what is taking place and what needs to take place are clear, all stakeholders (e.g., management and employees) should be provided the necessary resources to make the change. Allocating additional money or staff is not always possible within an organization. Therefore, creativity in implementing change is often necessary.

Reengineering workflow and enhancing processes with existing technology can help to reallocate existing resources within the organization.

The *Kaizen* approach is very applicable for a nonprofit organization embarking on a process improvement initiative. Employee commitment in an organization—nonprofit or otherwise—is necessary because people are the most important factor in a process. Involving employees through *Kaizen* encourages employees to perform their tasks a little better every day, no matter how small the improvement is that they are making. The employees who are responsible for the organizational processes are the best individuals to inform the organization how to improve them. In my experience, as individuals implement *Kaizen* and build on their successes in implementing change they increase their confidence which builds its own momentum.

Kaizen events usually take four to five days; therefore they can be a cost-effective way for the organization to attain a gradual process improvement effect that is substantial (Liker, 2004).

Avoiding Setbacks to Process Improvement

As an organization charts a course to improve their process capabilities, they should be aware that they can be faced with many challenges that will impede their progress. For example, random acts of process improvement can occur when decisions are made to change part of a process without having the data to support the change. However, not only must the proper data be collected, the data must be represented in the right context as well. The probability of successful implementation of a process improvement initiative increases

dramatically if the organization is aware of possible problems that can occur and makes plans to deal with them immediately. Possible pitfalls include the management systems required to administer and monitor the overall improvement program; and the selection and management of individual improvement projects. The pitfalls that can undermine management systems include: (1) minimum leadership from top management, including deployment plans—strategy, goals, etc; (2) poor or infrequent management reviews; (3) top talent not used. Projects are staffed by whoever is available and accountability tends to be passed from person to person; (4) the organization's focus is on training, not improvement; (5) poor communication of initiative and progress; (6) engaging in random acts of process improvement; and 7) lack of appropriate recognition and reward. The most common pitfalls of project selection and management include: (1) projects not tied to business goals and financial results; (2) poorly defined project scope, metrics, and goals; (3) projects lasting more than six months; (4) the wrong individuals being assigned to projects; and (5) infrequent team meetings (Cassidy & Guggenberger, 2000).

In my opinion, the successful implementation of a process improvement initiative within an organization requires the synergistic interaction of several elements. Begin with committed and trained employees and managers who can work together effectively. Consistent management leadership and expectations help grow a culture that shares a focus on quality, with honest appraisal of problem areas, clear improvement goals, and the use of metrics to track progress. Time must also be provided for the team members to identify, pilot, and

implement improved processes with every member becoming involved in the improvement effort over time.

Monitoring Process Improvement Efforts

While the work of process improvement should be about bringing people together and listening to various ideas, once goals and process changes are put into place, there has to be a level of accountability and process monitoring. Process improvement should not stop after the first improvement effort. It requires the effort of each individual within the organization to ensure that the process under his or her control continually improves. Continuous improvement should be an integral part of process improvement initiative. The process must be monitored and analyzed continually to discover any opportunities for improvement.

The way to monitor the process improvements that have been put into place is to determine the new roles that employees in various positions or departments within the non-profit will play in the change process. There must be guidelines and benchmarks created for actual performance by employees. This will help everyone to understand their new roles, or at least adjusted roles, under the process improvement efforts (Cutt & Murray, 1998).

Current management theory now emphasizes performance monitoring as a tool to promote desired change and help responsible entities determine for themselves how to improve what they do. With this approach, attention is given not only to outcomes but also to process—to the actions that are expected to contribute to achieving desired outcomes. Experience suggests that performance

monitoring used as a tool for learning and process change is more effective in achieving improvements than is monitoring used as a basis for inspection and discipline of those not producing as expected (Osborne & Gaebler, 1992).

CHAPTER 6

CONCLUSION

Nonprofit organizations have responded to the performance improvement imperative with a variety of approaches .The research literature shows that some have focused on evaluating individual programs or projects; some have implemented self-evaluation or self-monitoring systems (Ball, 1998); and some have taken a broader organizational learning or capacity-building approach (Blumenthal, 2003). However, the importance of process management doesn't seem to be linked to other performance management tools in the nonprofit sector.

To support this sector achieving its potential, there will have to be greater awareness of different approaches to, and the tools for implementing, process improvement. Engaging in process improvement in nonprofit organizations will require organizations to maintain continuity between the existing and evolving organizational cultures and management processes, and implement process improvement efforts that ultimately affect all of these elements and the people involved.

The challenge of every organization is to constantly modify itself to serve its customers or constituents and respond to internal and external challenges. Organization change and improvement planning call for systems, processes, and discipline. These are often top-down, organization-wide approaches.

Developing change champions and supporting process improvement initiatives take leadership. Management plays a pivotal role in the success or failure of any organization change or improvement effort. The leadership component of the change within an organization involves managing the vision, values and focus; and identifying customer or constituent gaps to be closed and cultivating the environment for organizational learning and innovation.

As nonprofit organizations continue to determine how their structure is impacting their ability to make significant progress toward their mission, process improvement can play a significant role in helping organizations become more efficient. Changing consumer needs, new technologies, increased competition for funding sources, and experience remind those of us in the nonprofit sector that we cannot continue to conduct business as usual. By taking a broad and integrated approach to process improvement, a more coordinated and effective response can be developed. Fortunately, the nonprofit sector is well suited for the task at hand, given that innovation is one of its strengths.

Since many nonprofits work to address social concerns that have resisted traditional interventions, they bring a supply of creative ideas to the forefront (Kardamaki, 1999). By engaging in process improvement, nonprofit organizations can begin to internally leverage the importance of being able to react to reality, adapt to change, and seize opportunities.

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