

Lean working in charities

Achieving savings while protecting capacity

July
2011

During challenging economic times it is perhaps not surprising that many leaders in the charity sector focus their attention on raising funds or cutting services. However, there may be another option. So called 'lean' approaches can help leaders to eliminate wasted effort, time and costs from their organisations while protecting core services.


For the past two years many leaders in the charity sector have been facing the challenges of severe reductions in funding which threaten the core services they provide. What has been the response to these challenges?

During 2010 employee recruitment figures in the UK showed that commercial and public sector opportunities fell sharply. In the charity sector, however, recruitment increased. Further analysis of the figures showed that over 80% of all recruitment within the sector was targeted at fund raising. It would appear that many sector leaders believed that raising more funds was the solution to their problems. Unfortunately, as we now know, striving for a larger proportion of an ever decreasing pot cannot satisfy every charity. A more balanced approach is required which includes a focus on reducing operating costs.

Cost reduction can be considered broadly within two major categories which I will refer to as a) salami slicing, and b) activity centred cost reduction.

Salami slicing places the responsibility for reducing costs firmly on each head of department. It fits well with current lines of authority and control, enabling rapid deployment from the senior team. This approach, however, will drive functional thinking and will often fail to realise major opportunities for improvement which lie between, not within, departments.

Activity centred cost reduction is more difficult to implement. It requires different departments to work together towards a common goal and is unlikely to be the responsibility of a single manager. It starts with the customer or beneficiary and seeks to fully understand the way in which core services are delivered. An activity centred approach will often identify opportunities for improvement that a departmental approach cannot.

Approach	Pros	Cons
Salami slicing 	<ul style="list-style-type: none"> • Easy to understand • Quick to implement • Fits with current structures and line of control 	<ul style="list-style-type: none"> • Silo thinking • Inward facing • Will miss opportunities for improvement • Risks destroying capability
Activity centred 	<ul style="list-style-type: none"> • Driven from the core purpose of the organisation • Outward facing • Brings departments together • Identifies improvements that don't destroy capability 	<ul style="list-style-type: none"> • Requires cross department team working • Often not a single person's responsibility • Requires leaders to think and act in 'two dimensions'

During the first half of 2011 I have sensed a growing interest in exploring activity centred approaches to cost reduction, and in particular the so called 'lean' techniques.

Lean thinking has its origins in the commercial sector, specifically in the motor industry with Toyota. It is rooted in five key principles:

- 1.** Understand your customer: The value your organisation delivers is defined through the eyes of your customer or beneficiary
- 2.** Take an holistic approach: View service delivery as a continuous chain running through your organisation, and not restricted by departmental boundaries
- 3.** Eliminate wasteful steps: Seek to eliminate stops; starts; checking or doing things more than once. Reducing time and effort will lead to reduced costs
- 4.** Think 'outward-in': The timing and nature of delivered services is driven by the needs of your customers or beneficiaries.
- 5.** Improve continuously: However good your organisation is today, it must be better tomorrow

At a recent UK charity leader's conference delegates explored areas of potential waste, adapting the language and terminology of manufacturing to their own service organisations. The results were hugely encouraging. Each leader recognised that the principles are transferrable and was able to quickly identify opportunities for improvement, including:

- Avoiding the need to check/reconcile information if the original task was completed 'right first time'
- Activities completed for historical reasons for which the customer/beneficiary is unlikely to perceive any value
- Materials, brochures and leaflets which have been in storage for so long that they've become obsolete
- Areas of service delivery which require time and effort, but for which the customer has never asked for and may not need

Delegates agreed that this really is something that, as leaders of UK charities, they should be looking at more closely.

Getting started

With any initiative for change there is a balance to be struck between the big bang and slow burn approaches. The big bang may have a rapid impact but may also run the risk of lower long term engagement of employees and volunteers. The slow burn approach may not deliver such rapid results, but can often become more deeply rooted in people's thinking for the longer term benefit. No two organisations are the same, so it's best to avoid off-the-shelf solutions. Instead, design an approach appropriate for your own culture, challenges and required timing.

A major lesson learned in the commercial sector has been to avoid 'sheep dip training'; putting swathes of employees through standardised training courses in the hope that their new found skills will, in themselves, lead to improved organisational performance. Beware! Simply training in a given tool rarely achieves the desired benefits and, worse still, can lead to negative feelings if these tools are not implemented in a timely manner. Far better to focus training on those areas of greatest need, and on those employees or volunteers who will be able to use their new found skills immediately.

In conclusion, when it comes to reducing operating costs an activity centred approach will uncover opportunities that departmental approaches, or salami slicing, will not. Working across departments can be fraught with challenges, and external facilitation is often a cost effective option at this point. Furthermore, we have seen that a methodology with its origins in manufacturing such as 'lean' can be successfully adapted for charity services.

Perhaps a good place to start would be an introductory session with your senior leadership team. This would help to increase understanding, raise awareness and identify the most appropriate next steps for your specific organisation.

It worked for delegates at the recent leaders' conference. It could work for you.

To discuss these and other options in more detail, please contact Nigel Kippax.

Nigel Kippax



Nigel is Managing Director of KC Change Consultants who support organisations in charity and voluntary sector. His team provide advice, coaching and training on change management and performance improvement.

He graduated in engineering from Imperial College London, holds an MBA from Ashridge Business School and is a Fellow of the RSA.

E: nigel.kippax@kclimited.org.uk

W: www.kclimited.org.uk

T: +44 (0) 1296 63 10 10

M: +44 (0) 7768 723 043