



“Making every penny count”

Achieving excellence in the third sector

Three areas you should be considering

A report prepared by KC Change Consultants
2010



Making every penny count

Achieving excellence in the third sector

Three areas you should be considering

Introduction

“The recession is having a significant impact on confidence levels within the charity and voluntary sector. With the economic outlook looking bleak, the need for the charity and voluntary sector to make the best use of their resources and develop their entrepreneurial spirit, has never been greater”

Sir Stuart Etherington, Chief Executive, NCVO

The recent change in government has confirmed what many of us expected: the third sector is facing significant cuts in funding. Our response to this challenge will shape our sector for many years to come.

Securing new sources of funding is unlikely to solve the problem. Significant reductions in operating costs are also required. These reductions will not, however, be achieved by simply reducing departmental budgets. Instead it will be necessary to seek innovative solutions, being prepared to think differently about the way we operate our organisations and improve the efficiency and effectiveness with which we deliver services.

Leaders have a key role to play. They need to guide their organisations along a path of reducing costs whilst at the same time not destroying capability or value.

In this report we examine the drivers for change and address three of the most critical areas you should be considering. These are:

- 1. Leadership:** How clear is your direction and how well do your leaders engage with your people in achieving your aims and ambitions?
- 2. Performance measurement and improvement:** What progress are you making towards your aims and ambitions and how do you know? How sure are you that the actions your people are taking today will deliver the results to which you aspire?
- 3. Removing non value adding activities (waste):** What is your approach to reducing operating costs? How well do you understand how your core services are delivered? How innovative is your approach to improvement?

We provide you with checklists to compare your organisation against best practice and give you the opportunity for a health check to help prioritise areas for improvement and to “make every penny count”.

The drivers for change

Recent research by ACEVO identified a number of converging drivers of change, adding to a sense of urgency to address key issues in the third sector. According to ACEVO, a variety of drivers have created the need for organisations to increase their focus on performance and demonstrate value for money. The research is summarised in the diagram below.



Source: ACEVO “Valuing Performance”

The research highlights that as a third sector leader you face similar challenges to your counterparts in the commercial sector. You are impacted by changes in the economic environment, have to compete for resources in terms of people and funding, and feel under the microscope from a wide range of stakeholders including government bodies.

excellent opportunity to change and improve your organisation so that it emerges stronger, fitter and more likely to prosper as the economy improves.

During such difficult times it may be tempting to aim for survival, maintaining tight control on costs and waiting for the expected upturn. To take such an approach may, however, miss an

The focus for the leader should not just be on controlling and reducing costs, but ensuring that spending is maintained or even increased on the right things and that capability is developed and not destroyed.

Below are recent examples of the impact on some organisations, and examples of how other leaders are rising to the challenge of improving performance and achieving “excellence”.

Tougher challenges

Government funding is being cut by up to 30%, directly impacting many organisations in the charity & voluntary sector.

In a recent survey, almost a fifth of charity leaders plan to decrease the number of paid staff, with just over half maintaining staffing levels. The figures are in marked contrast to the previous quarter (October to December 2008) where over half of those surveyed planned to increase paid staff numbers.

A forecast based on responses from Chief Executives, Directors, Trustees and Senior Managers of charities and voluntary sector organisations, showed that almost nine out of ten of charity leaders believe the economic conditions in the voluntary sector will be negative over the next 12 months.

Excellent approaches

In South London the many and varied providers of advice and care to dementia sufferers have come together to view their work ‘through the eyes of their customer’. This is the first and essential step to eliminating duplication of effort and thereby reducing costs while protecting, not destroying, the capability to deliver care.

Over the life of the South Yorkshire Quality Project, running costs have been reduced by an average of £125,000 per year stimulated by introducing improved performance measurement.

Improvement teams in RNLI reduced the time needed to maintain inshore lifeboats from 47 to 17 days by removing waste and non-value-adding activities. This not only reduced operating cost by several million pounds by reducing the spare fleet requirements, but also freed up space on the shop floor so a new manufacturing facility could be established.

Our response

When exploring ways to address these issues, much can be learnt from other organisations that have faced similar challenges including organisations in the commercial and public sectors. Naturally, it is essential to discern what is considered to be 'best practice' (no one wants to pick up the bad habits from parts of the commercial sector) however, through skilful benchmarking and analysis it is possible to share insights and provide guidance for your next critical steps.

Based on KC's own experience and analysis of best practice, we believe there are three areas that as a leader you should now be addressing:

- 1. Leadership:** How clear is your direction and how well do your leaders engage with your people in achieving your aims and ambitions?
- 2. Performance measurement and improvement:** What progress are you making towards your aims and ambitions and how do you know? How sure are you that the actions your people are taking today will deliver the results to which you aspire?
- 3. Removing non value adding activities (waste):** What is your approach to reducing operating costs? How well do you understand how your core services are delivered? How innovative is your approach to improvement?

Below we discuss each of these areas and provide checklists for you to compare your organisation against best practice. You also have the opportunity to request a health check of your organisation. One of our senior consultants is available to conduct a no obligation half day appraisal and evaluation of your needs to help you prioritise target areas for improvement.

One-minute briefing: Leadership

Leadership is ultimately about creating a way for people to contribute to making something extraordinary happen. For third sector organisations, leaders must act to provide:

1. For the well-being of those being led
2. A social organisation in which people feel relatively secure, and
3. A strong set of beliefs.

Leadership is one of the most salient aspects of the organisational context and there are many theories and differing styles that can be adopted. Whatever leadership theory or method your organisation adopts, it is vital that it is consistent with the culture and values of your organisation; that leaders are clear about the direction; that they communicate well and ensure that those around them have the skills, take responsibility and have the authority to undertake their roles.



Making a real impact: Setting a clear direction and leading change

Leaders have a critical role in developing the vision, mission and values for the organisation. Leading by example and being actively involved, leaders ensure that the values are deployed and followed throughout the organisation.

Effective leadership is achieved through individual behaviour and by working in teams. Communicating with and supporting employees and volunteers enable them to contribute to the achievement of the organisation's objectives.

Leadership capability is not restricted to the most senior levels of the organisation but must be developed and deployed to all levels. With the right measurements in place, the effectiveness of leadership can be monitored, reviewed and improvement actions taken.

Leaders can achieve change through their transformational leadership style, ensuring that such change is delivered in a structured and strategic way for the benefit of all stakeholders.

How good is your Leadership?

Study the statements below and tick one box for each to reflect the level to which the statement is true for your organisation. Total the ticks in each column, multiply by the weighting factor (e.g. x10 for column 5), and add up your total score. You will then be able to plot this on the diagram in the results section.	Strongly disagree		Strongly agree		
Our leaders align the organisation's structure to support delivery of our policy and strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our leaders give our people authority to make decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our leaders build supportive relationships with peers and subordinates in order to motivate our people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our leaders are accessible, actively listen and respond to our people	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our leaders communicate the vision, live the values and inspire others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Count					
Weighting factor	x2	x4	x6	x8	x10
Score					
Total score					

One-minute briefing: Performance measurement and improvement

Performance measurement is required by all organisations in all sectors. A well designed performance measurement system will help to ensure that everyone is contributing to the overall success of the organisation and will drive improvement at all levels. It will help you to make better decisions based on sound data and to allocate resource to doing the right things and doing them right (because you are clear about what this entails).

A robust measurement system is also an essential ingredient for demonstrating accountability, impact and compliance.



Implementing performance measurement and improvement

In the cycle of never ending improvement, measurement is essential. Your measurement system will need to:

- Capture the goals of an organisation in a format that people understand
- Define the role that people will play in achieving these goals
- Track progress against the agreed goals
- Compare performance against internal standards
- Compare performance against external organisations
- Identify opportunities for improvement

A well designed performance measurement system will accurately reflect the core purpose of the organisation, its corporate goals.

The design will also consider the impact on peoples' behaviour when the measures are implemented, and will be sufficiently flexible to allow for amendments if/when unexpected changes in behaviour are observed.

There is no point measuring without taking action, so establish review mechanisms to communicate performance results back to specific areas and individuals for action, as well as facilitating review at the senior management level. Finally, an organisation's needs change over time, and so should its measures. Therefore, don't forget to regularly review and refresh the system.

How good is your performance measurement system?

Study the statements below and tick one box for each to reflect the level to which the statement is true for your organisation. Total the ticks in each column, multiply by the weighting factor (e.g. x10 for column 5), and add up your total score. You will then be able to plot this on the diagram in results section.	Strongly disagree		Strongly agree		
	Strongly disagree				Strongly agree
There are clear connections between our strategic aims, objectives and performance measures at all levels of the organisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our key performance measures comprise a balanced set of financial and non-financial indicators and outcome measures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our leaders clearly own and get actively involved in performance measurement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance is communicated in a way that is suitable for different audiences, e.g., traffic lights, charts, visual displays, intranet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance measurement informs the planning of continuous and breakthrough improvement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Count					
Weighting factor	x2	x4	x6	x8	x10
Score					
Total score					

One-minute briefing: Removing waste

Every operation that has evolved over time will have developed one or two 'wasteful' practices. These are not instilled deliberately and very often are not visible to those striving to do the best job that they can. What is needed is a technique to help leaders and employees to see things differently, to provide new insights into how the services they provide can be delivered in an even better way.

Value Stream mapping is a simple and pragmatic technique that allows waste to be surfaced in any service delivery processes, and also in support processes such as Finance and Human Resources. It allows for the identification of 'value adding' and 'non-value adding' activities with a view to maximising the former and reducing the latter.

In order to remove waste, it is essential to understand the requirements of your end users (customers) and other stakeholders, and to ensure that all activities are aligned towards meeting their needs. The objective should be to deliver your services on time, with no defects, and at the minimum possible cost. Only then will your organisation 'make every penny count'.

Making a real impact: Removing non value adding activities (waste)

When it comes to reducing operating costs it is tempting to focus on the departmental budget holders and expect everyone to 'do their part' and share the pain. This is, however, a fundamentally flawed approach as a different way of viewing organisational costs is required. The greatest opportunities for improving performance, and therefore reducing costs, often require a view from the customers' perspective. By listening to the 'Voice of the Customer', we can focus on the service delivery processes that cut across departments and across departmental budgets.

Rapid and measurable improvements in performance may be achieved by identifying and eliminating "waste". Waste is defined as any activity that does not add value, either directly or indirectly, to the end user. It follows that it is vitally important to know exactly who your end users (customers) are and what they really want as the first step in delivering improved services.

Identifying waste is a simple and straightforward activity and 'Value Stream Maps' are a pictorial way of representing the key steps in delivering service. They capture lots of information on, for example, the movement of items during delivery, the level of quality rejects and where there are any delays in providing the service. Once mapped, the entire delivery system can be examined to see which activities are adding value and which are destroying value by either adding extra cost or delays.

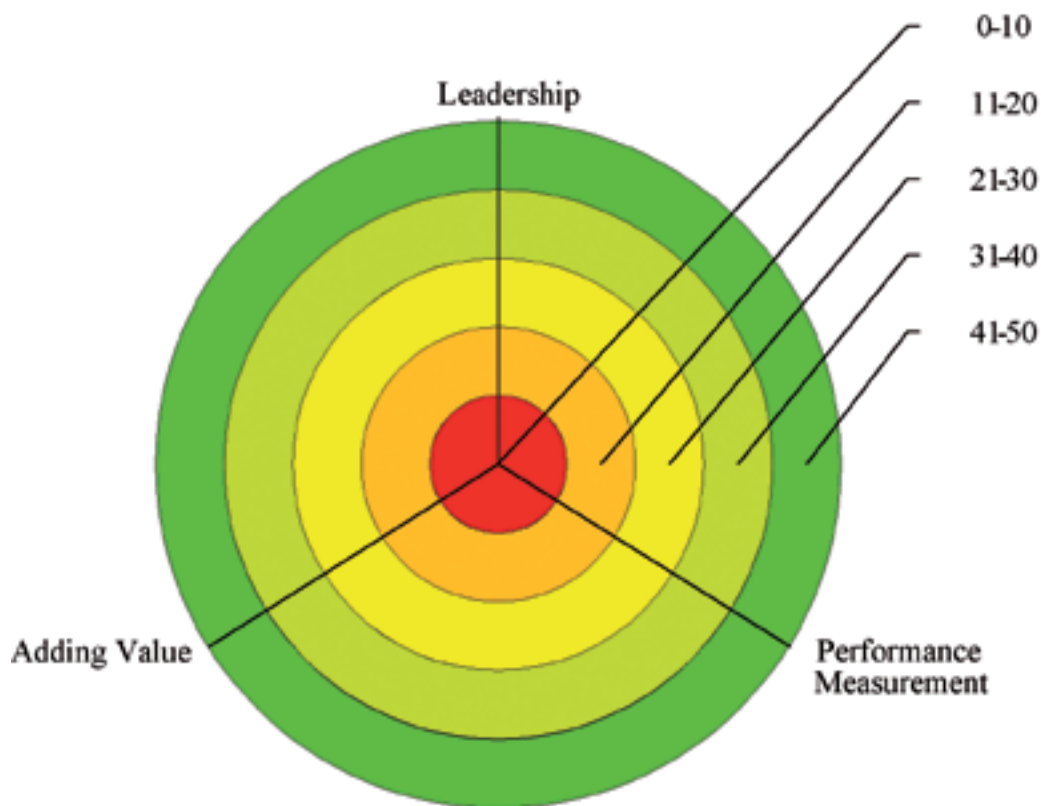
The whole focus is for your organisation to deliver its services 'On-Time', 'On-Quality' and 'On-Cost'. When waste in terms of time, material and cost are removed, there is increased capacity to deliver "On Time". Waste removal also contributes to improved consistency within the process as it becomes more robust, hence, "On Quality". Delivering at every step in the process On-Time and On-Quality will greatly support "On Cost" service delivery, helping to ensure that 'every penny counts'.

To what extent do you understand which activities add value to your operations?

Study the statements below and tick one box for each to reflect the level to which the statement is true for your organisation. Total the ticks in each column, multiply by the weighting factor (e.g. x10 for column 5), and add up your total score. You will then be able to plot this on the diagram in results section.	Strongly disagree		Strongly agree		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We fully understand the needs of those we support, those who support us and other key stakeholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have reviewed our core and support processes and have eliminated all waste and non-value adding activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
All of our people are actively involved in continuous improvement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We deliver our services right first time, on time, every time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our financial supporters believe we deliver outstanding value for the money they give us.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Count					
Weighting factor	x2	x4	x6	x8	x10
Score					
Total score					

Result: What do you score on the three dimensions?

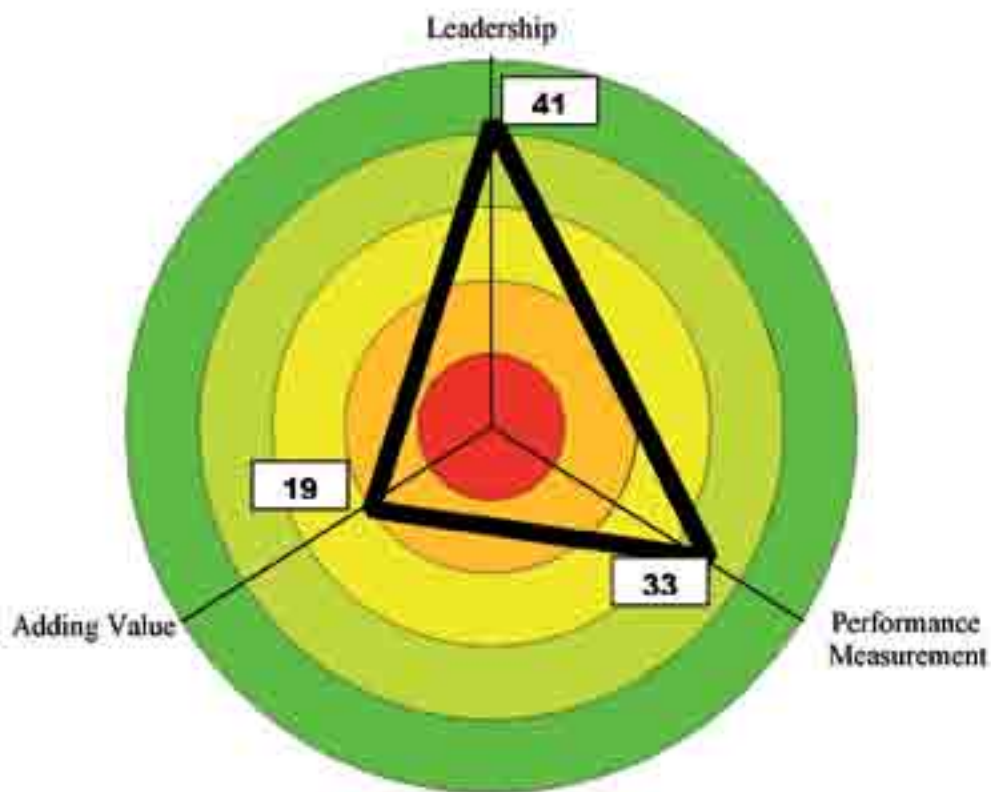
Transfer your scores from the pages above to the diagram below and see where your organisation sits.



If you are weakest in the area of leadership, study the questions in this section and consider what actions you need to take to develop your leaders and the environment in which they operate. Similarly if you are weakest in the area of performance measurement, what are the key steps you need to take to establish a framework of measures and the approaches to

drive performance improvement? Finally, if you score lowest in the area of adding value, you need to review who your key stakeholders are and what they need from you, and then establish the mechanisms and motivation to drive continuous improvement and breakthrough change.

Here's an example score set:



In the example above, leadership scores highly (41) but the score for adding value is low (19). For this organisation leaders should focus initially on adding value. They may begin by fully understanding the needs of their end users and other stakeholders and may also consider a more detailed analysis of the organisations' 'core processes'. They will also need to engage with employees and provide tailored skills training and coaching to stimulate improvement and removal of waste.

The next area of focus would be measuring performance. A review may be appropriate to ensure that current measures of progress are clearly linked to the organisations overall objectives and that they are communicated with, and understood by employees. Techniques such as "strategy mapping" can be particularly effective in pictorially identifying linkages and potential gaps in required measurements.

Health check: Take advantage of our health check

Completing the simple assessment above will provide an indication on where your organisation needs to improve. If you feel that you would benefit from a more extensive assessment and additional insight, why not take advantage of our health check?

KC has many years of experience completing diagnostic health checks for a wide range of client organisations. One of our senior consultants is available to conduct a no obligation half-day appraisal and evaluation of your needs to help you prioritise areas for improvement. The health check will focus on the alignment of your aims and objectives with your activities and supporting performance measures, and examine the strengths of the leadership within your organisation. It will also assess the scope for performance improvement by highlighting areas of waste.

We will provide you with a short report including an outline plan to improve both your organisation's efficiency and levels of end user (customer) satisfaction, whilst engaging your people and working towards your aims and objectives. The report will include a statement on the resources required from your organisation to deliver the change. You will also have the opportunity to be part of our growing network of executives from a wide variety of organisations, and gain access to our extensive database of research, networking events and special interest seminars.

For further advice on any of these areas, KC can help to fill the gaps and support you in your pursuit of outstanding performance. Read on to see how we have helped others like you.



How we have helped others

Situation

An extremely well respected and successful charity operating across the UK and Ireland with an annual turnover in excess of £140m, was seeking to improve the way in which they work and help secure their future for many years to come.

But how can you make an excellent organisation even better? How can 'commercial' thinking be introduced into a charity without compromising the core values essential to their future?

Challenge

With so much success over such a long time there's a real danger of becoming complacent, of continuing to do things the way they've always been done because it's always worked.

With foresight and awareness, the senior team set out to introduce 'commercial' thinking and create a culture of continuous improvement amongst staff and volunteers. The challenge was to engage employees, drive improvement, learn from other people in the charity, commercial and public sectors and to deliver tangible benefits, thereby helping to make every penny count.

Response

KC was engaged to support the executive team in planning the change, engaging employees, benchmarking with a range of other organisations and delivering cross-departmental improvement projects. This work included:

- Work with the top team to articulate 'why' change was needed. Three critical drivers for change were identified
- Defining the 'process model' from which all services are delivered, recognising the difference between core and support processes
- Completing an organisational assessment using the European Excellence framework (EFQM). This provided valuable insights and comparisons with best practice in many areas from leadership to measuring performance.
- Training and personal coaching of teams on a wide range of improvement tools, and the selection of the most appropriate techniques for their specific situation
- Input to the 'Emerging Leaders' programme, helping to ensure that tomorrow's leaders are at the forefront of management thinking and practice

As a result of this work all business planning, measurement and improvement activity is now clearly linked. Employees are engaged and enthusiastic about changes, the priorities for change are clear, there's reduced duplication of effort and specific benefits have been delivered by the improvement teams.

Summary

As a leader in a third sector organisation you will be aware of the pressures to improve performance and reduce operating costs. In this report we have set out to help you understand which particular areas should be your immediate focus and to provide some guidance in planning your next steps.

Every organisation is different, but there are a few themes that “excellent” organisations do have in common including: leadership, measuring performance and removing waste.

We wish you every success in your journey to excellence and in making ‘every penny count’.

For more information on KC and how we could support you, please contact:

Nigel Kippax
Managing Director

nigel.kippax@kclimited.org.uk

+44 (0) 7768 723 043

www.kclimited.org.uk

Other reports available from KC

“Strategy kept simple”

Strategy is a decision making process. It provides the link between vision and action, allowing leaders to decide what resources they need to achieve their aims and objectives.

An effective strategy is concise and easy to understand. Too often, however, these plans become overly complex and fail to provide a clear direction and basis for decision making.

In this report we provide a road map for your strategic planning process and address three key areas to help avoid unnecessary complexity.

About KC Change Consultants

KC has extensive knowledge and experience in organisational strategy, process management and leadership development. We work alongside you to help you meet your objectives while staying true to your values and purpose.

We have a strong track record in the charity and commercial sectors and adopt a highly flexible consulting approach to ensure you do not receive an 'off-the-shelf' solution, but rather a tailored response to your unique circumstances and challenges.

Our consulting team is made up of very experienced individuals with the credibility to work with you at all organisational levels.

The key skills in the team include:

- Strategy
- Performance measurement
- Improvement tools and approaches including EFQM, benchmarking; lean and Six Sigma
- Leadership coaching and development
- Internal communications and team development
- Self managed and action learning
- Environmental strategy; performance and carbon footprint reduction



The Authors

Nigel Kippax

Nigel is the Managing Director of KC Change Consultants. He has 20 years experience of consulting in strategy, people development and improving business processes, working at senior management and Board level in the UK and overseas.

He is strongly motivated by helping his customers to develop their own internal abilities and derives great pleasure from personal coaching and teaching work. He also has a passion for bringing organisations in the commercial and charity sectors together as he believes strongly that each sector can learn a great deal from each other.

Nigel has developed a deep understanding and experience on issues of quality and has written papers and contributed to several books on subjects in the quality field including EFQM; Malcolm Baldrige, Six Sigma; lean thinking; and change management. He also lectures in Operations at Ashridge Business School

Liz Barlow

Liz has extensive experience working at senior management level in complex environments. She uses her practical knowledge of leadership, management, development and training, business improvement and change to assist organisations and individuals.

Liz has been providing consultancy services to large organisations and Local and National Government; and in many industries and sectors such as Transport; Civil Engineering; Financial Services; Call Centre, Utility, Facilities since early 2000.

An effective facilitator, Liz has been an assessor for the British Quality Foundation, the Highways Agency and other organisations. She is experienced in designing, developing and delivering extensive change, communication, process improvement and development programmes to bring about business improvement.

Liz is a trustee and director of the charity Centre for Self Managed Learning and is on the editorial board of the Journal Development and Learning in Organisations. She is a Team Management Systems Master Practitioner and qualified career counsellor.

Robin Walker

Robin has 20 years experience consulting in quality improvement and organisational change. He is a member of the British Quality Foundation (BQF) and a qualified EFQM assessor & trainer. He has extensive experience applying the EFQM framework in bid, award and organisational improvement situations.

Robin is a first class workshop trainer and facilitator in the areas of continuous improvement, benchmarking & environmental performance. He has a wealth of experience in change programmes including the design & deployment of innovative & effective staff communications plans.

Robin is a strong team player and takes great pleasure in supporting the learning of his customers. He is particularly skilled in the people change issues associated with improvement.

KC Change Consultants

Contact:

Nigel Kippax
Managing Director

nigel.kippax@kclimited.org.uk

+44 (0) 7768 723 043

www.kclimited.org.uk