

# Implementing Lean For Nonprofits

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What is “lean” and how can it help your organization?

**I**n today's economy, donors, the community, and grantmakers look carefully at whether every dollar your organization receives is well spent. If your goals are to create change and serve others, wasting resources won't help achieve these goals.

“Can you break the rules of your own past behavior?”

Paying attention to how you use resources goes hand in hand with how you treat your staff. Your organization is at its best when your employees are energized by the organization's mission, activities, and people they serve. Employee engagement is strongest when staff members believe their work is highly valued and positively impacts others.

So, how can you enhance the quality of your services while also engaging employees and managing people and financial resources effectively? One answer can be found in the principles of lean enterprise.

Lean enterprise or lean thinking — often shortened to “lean” — encompasses practices that create value for customers with the least waste. “Value” is determined by the customer and is defined as “any action or process that a customer would be willing to pay for.” Through the lean philosophy, you can eliminate waste and create better workflows that ultimately enhance the quality of your products and services.

Virginia Mason Hospital, Seattle's Woodland Zoo, and Big Brothers/Big Sisters are examples of nonprofit organizations that identified and adapted lean tools to fit their environments. In doing so, they enhanced their services and resource use.

“Culture is the fabric of an organization.”

At the core of your mission are customers in need of services. Applying lean principles sets the stage for:

- **smart use of financial resources** and personnel
- **a high-quality experience** for people served
- **an engaging work environment** for employees.

## Don't Forget These Two Important Keys

A lean transformation can be a powerful process to experience. But it requires dedication, commitment to change, and engagement across all levels of your organization. Two important success factors are sometimes overlooked:

### 1. CULTURE

Why is culture so important? Culture is the fabric of an organization. It's the set of shared attitudes, values, goals, and practices that characterizes the group. These shared attributes result from behaviors that are encouraged or discouraged in the organization.

Under the principles of lean, investing time to foster a vibrant, positive culture has immense benefits. According to Shawn Parr in his *Fast Company* article “Culture Eats Strategy for Lunch” (<http://www.fastcompany.com/1810674/culture-eats-strategy-lunch>), nurturing a proactive culture leads to greater:

- **Focus.** It aligns the entire organization toward achieving a unified vision, mission, and goals.
- **Motivation.** It creates higher employee motivation and loyalty.
- **Connection.** It forges team cohesiveness among departments and divisions.
- **Cohesion.** It builds consistency and encourages coordination and shared control.
- **Spirit.** It shapes employee behavior, enabling the organization to be more efficient and energetic.

According to Parr, culture is the environment in which a strategy and brand thrives or dies. Culture can't be coerced. It has to be genuinely nurtured by everyone at every level. Ignoring the health of an organization's culture can create a toxic environment.

Before deciding whether to implement lean, consider:

- **Does your organization's culture reflect** its values and mission?
- **Does the culture encourage open and honest communication** across all levels of the organization?
- **Is work done through collaboration** with others?
- **Are ideas and feedback welcomed** during problem-solving and creating new initiatives?
- **Are mistakes and learning opportunities celebrated** and encouraged?
- **Is disrespectful or inappropriate behavior addressed** throughout your organization?
- **Does your culture emphasize** that everyone adds value?

Deep and honest reflection is required when considering whether your culture will support lean principles and practices. Empowering every person in the organization to participate in creating a healthy culture is critical to a successful lean transformation.

## 2. LEADERSHIP

Developing and fostering culture begins with leadership. Leadership is practiced every day, often when leaders aren't even aware that people are paying attention. One of the roles of a leader is to create an environment where people can do their best work. A leader also removes obstacles and barriers that prevent people from being successful in carrying out the work of lean transformation. Most important, a leader serves people in the organization who are on the front line of service to stakeholders.

The following leadership behaviors will ensure that your organization empowers employees to participate in lean transformation:

# What Are the Principles & Practices of Lean Enterprise?

Lean enterprise is used to describe management practices rooted in the Toyota Production System. "Lean" focuses on eliminating waste while enhancing the quality of service in the eyes of the customer. Lean practices have been applied in manufacturing (production, product design, and administrative functions) and a variety of service industries, including nonprofit management, health care, banking, and government.

## TWO FOUNDATIONAL PRINCIPLES OF LEAN THINKING

Lean has two parts:

### 1. Eliminate waste and non-value-added activity through continuous improvement.

- Key "wastes" that are the target of lean enterprise are:
- transportation
  - inventory
  - motion
  - waiting
  - overprocessing
  - correction
  - people.

The first six wastes all lead to the waste of a person. The seven wastes can contribute to an environment where employees are not engaged or energized by their work. This in turn impacts focus and quality.

### 2. Practice respect for people.

Create an environment where people are empowered to grow professionally and personally. Hold them accountable for improving processes.

The lean environment allows individuals to take pride in their work. The concept of "kaizen" or continuous improvement, requires constant thinking about improvements on the part of all employees.

Much of the "people side" of lean was adapted from the teachings of the American professor and consultant W. Edwards Deming, who worked with Toyota and other Japanese companies after World War II. Lean was also adapted from Toyota's study of the early practices of Henry Ford and the Ford Motor Company. (See *The Toyota Way* by Jeffrey Liker and <http://www.leanblog.org/about/what-is-lean/>)

## THE MOST VITAL PRACTICES OF LEAN THINKING

Here are the most important practices to follow as you make your organization leaner:

- **View your organization as a whole that's larger than the sum of its parts.** Never make a major change without thinking about its impact on everything and everyone associated with your organization. Consider every decision in terms of increasing value for your stakeholders.
- **Organize the workplace according to the "five S's" of project management,** which increase efficiency, raise employee morale, and reduce waste:

**1. Sorting.** Get rid of any unneeded tools, materials, and other items to keep the workplace tidy. Store or discard anything that doesn't need to be in a worker's space.

**2. Straightening.** Arrange workers' materials so those they use the most are the closest at hand and quickest for them to find.

**3. Systematic cleaning.** Keep the workspace and all equipment clean.

**4. Standardizing.** Make sure all employees doing the same job have exactly the same tools, instructions, and materials. Systemize as many processes as possible. (For example, post instructions on how to use, clean, and fix the copying machine so everyone will perform these routine tasks in the same way.)

**5. Sustaining the practice.** Monitor these practices to assure that people don't fall back into their old ways.

- **Get to know your employees and what's important to each one.** Only then can you provide them with the rewards that will most motivate, fulfill, and inspire them. Make full use of everyone's passion and talents.
- **Continually improve on the status quo,** using the SOCA (Standardize-Do-Check-Act) and POCA (Plan-Do-Check-Act) sequences.
- **Eliminate all unnecessary work** and barriers to efficiency.

- **Create and foster a culture of respect for others** in which everyone adds value.
- **Use every opportunity** for a coaching moment.
- **Embrace the difficulty of change** in yourself and others.
- **Meet people at their level of engagement.** Coach, direct, and mentor them when needed.
- **Teach others how to fish.** Don't solve every problem.
- **Be the change.** Model desired behavior.

To create a culture that supports lean transformation, you need to practice leadership and accountability for your actions when faced with change, adversity, and success. This is not only the CEO's role. It takes leaders across the organization to build the culture and support implementation of lean principles.

Lean transformation is a little like whitewater rafting. Leaders establish the course and guide the paddlers through the journey. They pull team members back on the raft when the ride gets choppy. They offer encouragement to keep everyone moving forward in the right direction.

Leaders are the voice of reason and encouragement when change is difficult and frustration gets in the way of the work. Encouraging team members to continue to try new things and apply what they learn from their successes and mistakes is important throughout a lean transformation journey. 

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## Leaning Closer to "Lean"

See these articles at [www.NonprofitWorld.org/](http://www.NonprofitWorld.org/) members for more on lean principles and tools for nonprofits:

**Collaboration and Leadership: Secrets of Success** (Vol. 24, No. 1)

**Organizational Culture: It's in the Walk, Not Just the Talk** (Vol. 29, No. 6)

**The Best Ways to Increase Efficiency** (Vol. 27, No. 1)

**Critical Shift: The Future of Quality in Organizational Performance** (Vol. 18, No. 6)

**25 Ways to Cut Costs** (Vol. 26, No. 2)

**Manage for Today, Mentor for Tomorrow** (Vol. 23, No. 5)

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