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Accenture/NYU Wagner School Roundtable White Paper

Achieving Operational Efficiency: A Means to Bridge the Gap Between Mission and Aspirations

Panel Participants

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Introduction

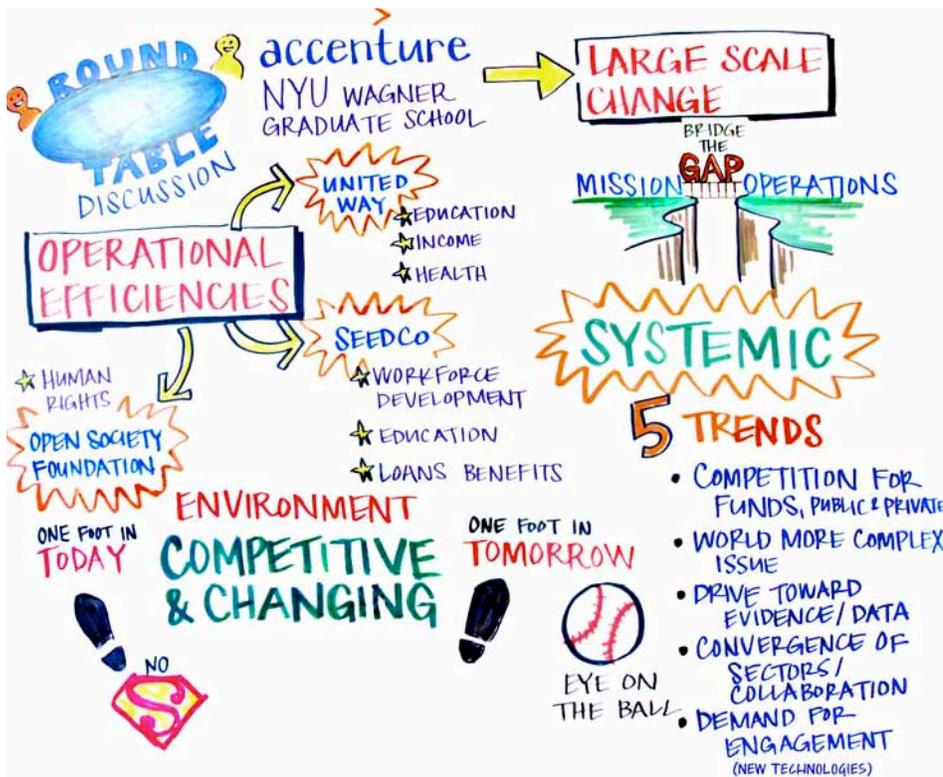
Nonprofits have always had to achieve more with less. While these organizations face perennial challenges navigating economic cycles, competing for funds and talent, and satisfying technology demands, recent lean years have highlighted the importance of achieving operational efficiencies to grow and thrive in a difficult environment. How are successful nonprofits identifying and attaining operational efficiencies throughout their organizations?

To answer this question, Accenture and NYU's Robert F. Wagner Graduate School of Public Service convened a group of nonprofit leaders to discuss how their organizations are working to bridge the gap between mission and operations. This paper presents the highlights of the roundtable, focusing on how nonprofits can make operational efficiencies a reality.

What is Operational Efficiency?

Operational efficiency is the measure of an organization's ability to achieve desired results while maintaining a healthy balance between costs and productivity. In today's world, there is more competition than ever and organizations have to fight for budget and resources. With the pace of change increasing, how can nonprofits develop the agility within their organizations to respond? If they do not, where will they be? How will they survive in today's environment?

Driven by a changing, competitive environment, successful nonprofit organizations understand that spending wisely on the right people, processes and technology allows them to support their missions as fully as possible.



Trends Impacting the Pursuit of Operational Efficiency

Reflected in business concepts such as Lean Six Sigma, which is designed to reduce waste in end-to-end business processes, the pursuit of operational efficiency has long been a goal in the private sector. There has never been a more urgent need for nonprofits to adopt these leading practices. NYU Wagner identified five trends that drive this need in the nonprofit sector.

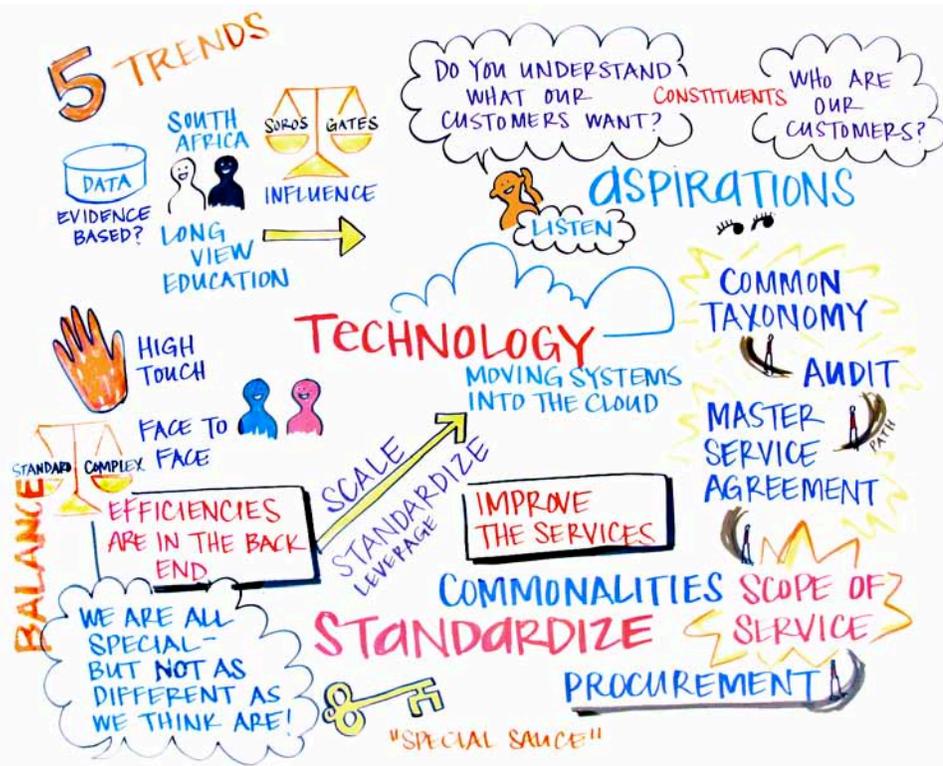
- 1. Competition for Funds:** Even though charitable giving has been slowly increasing overall, demand for services is rising and nonprofits continue to compete for limited funds to meet it.
- 2. Increasing Complexity:** The world is complex, and constituents face multiple interrelated challenges that organizations need time and resources to effectively address.
- 3. Evidence and Data:** There is a drive towards evidence and data to both understand challenges and measure success.
- 4. Convergence and Collaboration:** We are witnessing a convergence of sectors and a push towards collaboration among them.
- 5. Engagement:** There is an increased demand for engagement among a variety of stakeholders (i.e. donors and clients, constituents and organizations), and a need for technology to facilitate it.

Competition for Funds

There is greater competition among nonprofits for fewer resources. It is increasingly becoming a "high touch" market—meaning nonprofits need to tap into the human element and build enduring relationships with their funders and donors (from the smallest to the largest levels of giving). At the same time, nonprofits should look at their back office and determine where they can seek efficiencies.

Increasing Complexity

The backdrop in which we are operating is changing. According to the Nonprofit Finance Fund's 2012 *State of the Sector Survey*, 87% of organizations said their financial outlook won't get any better in 2012, 85% of nonprofits experienced an increase in demand for services in 2011, and 57% have 3 months or less cash-on-hand. Despite larger positive economic indicators, these numbers speak volumes about the concerns of the sector. Complicating matters further, many people have begun embracing causes rather than organizations. Younger people are effectively moving from issue to issue through social media channels—without needing to actually engage an organization to feel they've been active or supportive. For example, if an individual shares your organization's blog post or program



website in their Facebook or Twitter feed and you don't notice it, you've lost an opportunity to connect with a potential supporter, employee, donor or friend.

With complexity increasing and resources contracting, nonprofits need to ask themselves who their customer is, what it is they want, and how the organization can deliver it. It is a critical time for nonprofits to listen to constituents and sort out these questions.

Evidence and Data

Although there is a push toward metrics-based reporting, data fanaticism does not make sense for everyone. Nonprofits need to balance the influence of data with a traditional, qualitative understanding of what their organization has been able to achieve, always remembering the bottom line of the mission.

Convergence and Collaboration

While the idea of unrelated nonprofit organizations sharing IT or accounting services might not be a possibility for everybody, innovative partnering models have been making a difference for some organizations. For example, in New York, a three-way partnership between the city, the Human Services Council, and the United Way of New York City collaborated on a group purchasing contract providing savings across both the city and nonprofits. There are many other examples of nonprofits collaborating to take advantage of shared services opportunities.

Engagement

The question of engagement is not only internal. Related to the increasing complexity noted above, for many nonprofits it is a new challenge to think of their constituencies as customers—individuals and groups who both consume their services and who must be understood as having wants and needs. Nonprofits need effective methods for listening to customers and even engaging them as collaborators, and those methods need to be transparent and streamlined to the greatest extent possible. Conferences and web-based platforms including social media and webinars offer opportunities for engagement, but require focus and alignment to the mission to produce real dividends.

Other Trends

Standardization

Standardization is a key step in achieving operational efficiency, but is surprisingly lacking in many organizations. Even though many nonprofits see themselves as inherently individual organizations, there are still opportunities for them to benefit from standardization and scale by innovating in their business processes areas. Popular cloud-

based CRM applications such as Salesforce.com can be easier for a small nonprofit to administer because they do not necessarily require significant investment. Other examples include: adopting a common taxonomy, implementing a consolidated audit, using Master Service Agreements, and simplifying procurement by standardizing contracts with vendors. By taking steps as simple as acquiring the same A/V equipment, computers or phone systems across the enterprise, nonprofits and their employees can avoid the frustration of navigating overlapping processes and technology. For nonprofits organized into an affiliate model, having a network of equivalent operations,—as well as a headquarters—can provide a ready support structure available for troubleshooting problems.

We are all special, but not as different as we think we are

While many nonprofits are special organizations that do important work, they may not be as different as they think they are when it comes to the basics of running a business. While missions, constituencies, funding mechanisms and performance metrics may all differ drastically from one enterprise to another, there is a remarkable degree of commonality in the processes supporting those functions. Constituent relationship management, finance and accounting, human resources (including performance management and compensation and benefits),

IT and computing, procurement and office management have less reason to vary from organization to organization.

There are other examples we can look at. Take universities as an example. The Common Application, piloted in 1975, is now accepted by 456 education institutions. Since most colleges want to capture the same basic information about their applicants, only a handful of questions are tailored for each institution. Can't grant makers have a common application for grantees?

Building the Bridge

Changing Culture Starting with Leadership

How can nonprofits begin to make these changes? Standardizing services and processes can lead to quick wins, but, oftentimes, a pairing of culture and funding drives innovation. While people can be naturally resistant to change, the organization that is most likely to innovate will encourage its people to take risks, think independently and take ownership of the future. When leaders model a behavior of empowerment, create a formal avenue to share ideas, and genuinely internalize the feedback they receive, innovation will naturally bubble up. Simple conversations both with program staff and outside constituents—such as the people who navigate a grant application process—can yield important insight. Nonprofits need to build a culture that allows stakeholders to be heard—internally and externally.





Making the Case for Funding

Even the best ideas will flounder when the right resources aren't available to see them through. To fund change it is critically important to cultivate trusting relationships with funders. Making the case for a grant can rely on those relationships, but will need to be supported by data, demonstration projects, user testimonials, and, when a deliverable is complete, results. The foundation program officers who fund your nonprofit are just as accountable to their leadership as you are to yours. Nonprofits need to know how to make a case for funding and how to demonstrate to stakeholders that it was worthwhile.

Recognizing and Measuring Results

It can be difficult for nonprofits to understand what they've gained after pursuing an agenda of change, so it is important to begin the process with metrics—and key outcomes—in mind, both with external constituents and internal stakeholders. Start by establishing a baseline and monitor throughout the process with a digital dashboard. Avoid the pitfalls of data paralysis by focusing on a few clear indices of improved efficiency, including: cost, time and outcomes—if there aren't measurable results in any of these areas, develop a plan for adjusting course.

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Conclusion

It is hardly surprising that the challenges of a rapidly changing world demand more and more of nonprofit organizations. But the old cliché about challenge-as-opportunity could hardly be truer: integrated cloud-based platforms, actualized social media platforms, standardized processes and systems, optimized data gathering, and an engaged workforce and constituency are all attainable tools and features of the ideal to-be state. For those nonprofits who understand how to pursue these efficiencies while honoring their mission and identity, the rewards can be great.

About Accenture Nonprofit

Beyond our commitment to our clients is our dedication to improving the way the world works and lives. To learn more about how Accenture can help your nonprofit organization connect its vision to its practice to improve outcomes and lives, contact nonprofitgroup@accenture.com or visit www.accenture.com/nonprofit.

About Accenture

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Overcoming the Challenge of Change

A perennial challenge for nonprofit organizations—and one the roundtable group discussed at length—has been technology and its impact on staff. Back-end technology improvements—particularly in HR, IT, and procurement—including the movement of systems into the cloud, stand to radically simplify operations and push additional cost savings. However, these transformations are not without their own challenges. Migrating systems into the cloud can require IT staff to be re-trained, re-purposed, or possibly transitioned. The same risks apply to process improvement efforts.

In both cases, nonprofits can position themselves for success by transparently undergoing change, involving employees in the improvement process to diffuse the possible sense that an individual is responsible for a problem when it might instead be a structure or a process. A successful transformation could include cross-training staff to prepare them for shifts in organization alignment or responsibility. For example, subscribers of Lean Six Sigma will practice a Kaizen, a "Rapid Process Improvement" session that involves employees themselves identifying improvements and taking ownership of changes, seeing improvements as opportunities to change or evolve their roles to add more value. This has a combined effect of improving operational efficiencies while engaging staff who may otherwise feel marginalized.