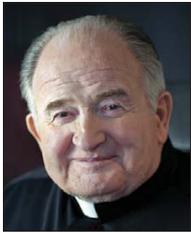


Business System Gives Nonprofits a Guide to Making Progress on the Processes

MANAGEMENT: Lean Six Sigma Translates Well To the Nonprofit Sector

■ By TOM YORK

Seven years ago, **Father Joe's Villages** faced what was best described as a perfect storm. Father **Joe Carroll**, the founder of the nonprofit that serves the central San Diego's downtrodden with meals, shelter and other critical social services, had stepped down due to poor health.



Joe Carroll

Everyone knew it was going to be a challenge replacing such a gentle soul who displayed such dedication, energy and focus.

When the community learned that Father Joe was retiring, the steady flow of cash donations began to slow, threatening the agency's many programs.

Father Joe's costly free-meal program serving an average of 3,000 plates a day was one of the prime programs that might have to be cut.

Vince Kasperick, the board chairman at the time, knew that Father Joe's needed to act — and act quickly.



Vince Kasperick

Kasperick recognized that Father Joe's needed to pare expenses at the agency to stave off cutbacks in operations and employee layoffs.

So, he reached out to **Rich Pietras**, a friend and fellow graduate from the University of San Diego, who was a manager at **Solar Turbines**.

Removing Waste, Reducing Variations

He was an expert in Lean Six Sigma, the business improvement system widely used in the corporate world to boost sales and profits by removing waste and reducing variations in such areas as manufacturing.

"We knew it worked in business, but would it work in the nonprofit world, and if so, how well?" Kasperick asked Pietras.

Pietras said he didn't know but was willing to give it a try.

"Vince was just trying to keep the ship afloat. We didn't know how dire the situation was," said Pietras.

Kasperick asked Pietras to hold a series of weekend workshops with employees, board members and other interested parties, such as food banks, to determine where they might be able to streamline and save.

Cost Cutting

During the so-called "rapid improvement workshop" using the techniques gleaned from Lean Six Sigma, Pietras and



Volunteers prepare meals for the homeless at Father Joe's Villages.

Photo courtesy of Father Joes Villages

two of his associates at **Solar Turbines** discovered that Father Joe's was spending \$1.5 million annually to buy supplies needed to maintain free meal program.

The food banks participating said Father Joe's could dramatically reduce that spending if it bought fresh produce and frozen foods from them rather than commercial food distributors.

"They told us that for pennies on the dollar — even for free — we could get the supplies we need provided we showed up with trucks and freezer blankets," said Pietras.

"The food banks did not have freezer capacity, but we had plenty," said Kasperick.

Over the course of the next several days, Kasperick said Father Joe's "redesigned its food spend."

The agency started planning its menus with what the food banks could offer.

After making the switch to purchase more supplies from the food banks, the nonprofit was able to cut its budget in half or by more than \$750,000 annually.

The cost reduction meant that Father Joe's could continue serving up those 3,000-plus meals daily to those who needed the service the most while avoiding major layoffs and other program cutbacks.

"When we started out on Friday, we faced a lot of nonbelievers," said Pietras. "By early Saturday the people were starting to buy into it."

The Private Sector

Many of the methods used in Lean Six Sigma (actually two distinct programs rolled into one) were first developed by **Toyota Motor Corp.** to increase auto production while reducing defects and waste,

and introduced into the U.S. at **GE**.

The system generally uses what is called DMAIC (Define the Problem, Measure What's Important, Analyze Data, Improve Processes and Control to Sustain the Gains).

Teams trained in the system use a "fishbone" or step-by-step process to find the root causes of inefficient processes.

Having experienced success with what Lean Six Sigma accomplished at Father Joe's, Kasperick and Pietras spent several years brainstorming how they could expand the system to the rest of the nonprofit sector in San Diego.

Today they are credited as the driving force behind a semester-long Lean Six Sigma workshop taught at the **Nonprofit Institute at the University of San Diego**.

The workshop, titled "Leading Your Organization to Greater Social Impact with Lean Six Sigma," graduated its first class of five nonprofits in May. Another five are taking the workshop this fall.

Leonard Perry, an associate professor in USD's **Shiley-Marcos School of Engineering** and an expert in Lean Six Sigma, leads the workshops.



Leonard Perry

"We teach them how to make a lot of small improvements, and making those small improvements has a big impact on an organization," he said.

Kasperick, founder of **AimLoan.com**, one of the first internet-based, consumer-direct mortgage lenders in the U.S., has contributed \$30,000 or 75 percent of the cost for each of the first two groups

chosen for the workshops.

Each of the nonprofits brings a project to solve though the Lean Six Sigma process to the 15-week set of class workshops.

Participants say they are already putting in place positive changes at their nonprofits based on what they have learned from the first workshop.

Kasperick said the goal is to help nonprofits pursue their mission better, faster and cheaper.

"If you can do that, you can bring your mission to that many more people," he said.

Consuelo Aguilar, an analyst at **San Ysidro Health**, which operates 17 clinics countywide, said her agency has been able to streamline the re-ordering process for medications.



Consuelo Aguilar

Previously, the agency's nurses did most of the restocking chores, which was a waste of their time, said Aguilar. Using Lean Six Sigma techniques, San Ysidro Health calculates that nurses at two clinics have been able to redirect 800 hours away from dealing with medicines back to treating patients.

The health clinic is now expanding the change to its 17 locations, said Aguilar.

"The workshops made us stop and look at our processes differently. We came to understand what our problems were," said Aguilar. "We now have a standardized process for this part of our operations."

Another participant **Stephanie Segal Ortega**, chief operating officer at **Promises2Kids**, said her nonprofit is also seeing immediate results from the workshop. ■