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Automating Work Systems in Nonprofit Organizations: Building the Business Case

THE ECONOMIC UPHEAVALS OF RECENT years have given philanthropic foundations ample reason, and in some cases urgent cause, to rethink how they do business. The dramatic financial market collapses that bracketed the first decade of the 21st century, beginning with the bursting of the dot-com bubble and culminating in the Great Recession that reverberates today, had a significant impact on the nonprofit sector, constraining the financial resources of endowed foundations and other giving organizations while redoubling the needs of the constituencies they serve. This confluence of circumstances has spurred nonprofits of all types and sizes to reevaluate not just how we run our organizations, but how we actually do our work—the daily systems and routines that underlie our efforts. For some of us, this review sparked a process that yielded significant gains in efficiency and productivity, helping to both preserve our remaining resources and allocate more time to the mission of serving grantees.

Yet for all the potential benefits to be gained from retooling internal practices, those attempting it must overcome powerful barriers. Large-scale organizational change can be a complex and costly undertaking. Nonprofits with reduced resources may not feel that they can afford the time and money required. They may lack the expertise to orchestrate such a significant transformation or fear that the energy it consumes will divert attention from their core work. In the face of such factors, some might decide to move forward without making a full organizational commitment, thereby raising their risk of failure. Others may forgo the idea entirely, opting instead for simple

belt-tightening through cuts to their grant or operating budgets.

Recently, the California HealthCare Foundation (CHCF) took on the challenge of automating key work processes and integrating what had been a fragmented set of internal systems, and we believe our experience yielded insights that could help others avoid such pitfalls. For instance, we learned that developing a business case (a formal qualitative and quantitative justification for the project), engaging an experienced and knowledgeable project manager, and creating multi-level, cross-functional leadership teams to manage the process are important steps to minimizing the burden of these large projects and increasing the likelihood of success.

A full account of our project—from conception through execution—is captured in the CHCF report *No More Paper Chase: Automating the Workflow Process at the California HealthCare Foundation*. This essay is focused on the behind-the-scenes role of the business case, and what the exercise taught us.

Background and Context

The California HealthCare Foundation works as a catalyst to fulfill the promise of better health care for all Californians. We support ideas and innovations that improve quality, increase efficiency, and lower the costs of care. CHCF has an endowment of approximately \$700 million, pays out approximately \$48 million each year, and maintains a staff of 50 people. The system and process improvement project we completed

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in 2009, which we labeled our “workflow automation project,” was essentially an overhaul of our core business function—our grantmaking systems and processes.

In early 2005, after much internal discussion, we made the decision to explore different, and hopefully better, ways to execute our core business of making, administering, and evaluating grants—from start to finish. Our former grantmaking process, a cobbled-together hybrid of electronic systems and paper—mostly paper—was functional, but also slow and cumbersome. We spent a lot of time moving file folders around the office and entering the same data into multiple systems: one for approving grants, another for managing them, and a third for the financial accounting. During our management team discussions we recognized we were spending a significant amount of time simply administering the process of grantmaking, time which could be better spent developing strategy and improving the quality and effectiveness of the grants themselves. As a result we began thinking about how we might change our work routines and systems to overhaul the entire process, from one end to the other. However, unlike past large-scale, mostly IT-driven projects, this time we committed to developing a business case at the very beginning.

Making the Business Case

While most for-profit organizations are accustomed to developing a formal business case to justify projects which require large capital outlays, the practice is far less common among nonprofits. CHCF’s experience proved to be an interesting and important exercise for our organization, and was crucial to the overall success of our workflow redesign.

A business case, as generally defined, is the logic that justifies a project. Business cases are developed in advance and typically include: the reasons for the project; the expected business benefits; the options considered; expected costs; potential performance gains; and any expected risks. Business cases essentially lay out all

the important aspects of the project and provide an early roadmap for implementation. The challenge for nonprofits is that the business case process is oriented toward the profit-and-loss, bottom-line concerns of commercial organizations—a calculation that does not apply, at least not in the same way, in the nonprofit setting.

In developing our business case, we too focused on the potential cost savings, but only as a secondary objective. Our primary concern was the qualitative implications of the project, as measured by its potential for improving the quality of our work. The target outcomes defined in our analysis were: to increase operational efficiency; improve time-to-market in our publishing and communications; improve work quality; and, finally, reduce long-term costs. It is important to note that while we didn’t focus on dollars, the project did in fact end up saving our foundation money. Increasing our work efficiency has significantly reduced the amount of paper we consume and manage and, to a lesser extent, allowed us to pare back the number of staff devoted to administrative roles.

The other element of our business case that, in retrospect, proved crucial for our project was the performance, or gap analysis. This exercise is equally applicable to both for-profits and nonprofits. It essentially defines what needs to be done—the gap—if an organization is to move from its current state to where it wants to be. For our project, the analysis required several important steps. The first was to clearly capture and document our “as is” state. This included using flow charts to map CHCF’s entire grantmaking process, identifying the systems involved, and defining their roles and interrelationships. Second, we had to define what we wanted our future to look like—the “to be” state. We quickly learned that this was not as simple as drawing up a list of tasks that could be automated, but rather a unique process that required a fair amount of brainstorming in order to create a vision of how we wanted to work. In other words, instead of just automating the paper-based system we

had, which included a lot of inefficiencies, we focused on what we could do if we started from scratch, without the constraints of our current process and systems. We then translated this into a document that became the starting point for developing the requirements for constructing the new systems and processes.

Leadership

In addition to the benefits derived from developing the business case, our workflow automation project both taught and reinforced some important lessons about organizational leadership.

Through our prior experience with other large-scale technology-oriented projects, we knew that such efforts cannot succeed without upper-management consent, involvement, and support. Perhaps more crucially, we also learned that having an experienced project manager and functional leadership groups is also essential, if not equally so. Identifying, developing, and supporting multi-level leadership at the early stages of the project was instrumental to satisfying our project objectives, particularly during the design-build-test-deploy stages.

Here's why: All projects involve multiple stages, from concept through implementation. Multi-level leadership on our project meant identifying the individuals and groups who would own and drive all the different aspects of the project. While it is important to enlist the support of upper management, they generally do not have the time, knowledge, or skills to orchestrate the individual stages of the process. Conversely, those responsible for the project need decision-making authority, autonomy, and support to meet their objectives and timelines.

For us, the solution was multi-level leadership teams. At the highest level was a management group, composed of our chief financial officer, chief program officer, director of research and evaluation, and the director of IT. The director of IT was given primary responsibility for the implementation aspects of the project, while

the broader management group was involved in conceptualization—reviewing and approving the initial project scope and budget, day-to-day monitoring, and final approvals.

The second level of leadership was the designated project manager—an outside individual with significant knowledge of our organization, the technology, workflow process, and project management principles. (In our case, we were able to enlist a former employee, which provided a helpful head start.) The project manager reported to the director of IT and was a critical linchpin in the process. While there are many ways to approach large-scale projects, we found that although a designated project manager does add a layer of expense, the benefits outweigh the cost. By expanding skills and knowledge, experienced project managers increase an organization's bench strength, while also relieving some of the pressure on core staff, allowing them to continue focusing on their usual responsibilities. The project manager, meanwhile, can be charged with keeping the project on track and on budget.

A group of functional leaders and IT staff that worked with the project manager on ground-level details formed the third formal layer: the project team. This group was made up of the director of grants administration, the director of IT, and the senior database analyst and software engineer. The team in turn led a user group, where the details were systematically vetted.

Each of the three groups had specific roles and responsibilities and there was a continual free exchange of information between them. While the management group wasn't involved in all project details, it received frequent progress updates and could be consulted about important decisions along the way. The key element of this leadership dynamic, and what made for a true multi-level leadership structure, is that the delegation of responsibility and authority was designed into the project itself. Once the initial scope and budget were approved,

the project manager and project team were allowed discretion to manage the process as they saw fit. Top management was periodically updated on progress, but except for significant project scope or budget deviations which required executive leaders to weigh in, the project was entirely run by the project manager and project team.

Conclusion

No More Paper Chase details the organizational and technical mechanics of CHCF's workflow automation project, and describes the ways in which the new process improves upon the old, along with the benefits it has yielded. Yet amid all the particulars of navigating systems and budgets and contractors, one of the most valuable lessons from our endeavor was how to approach large-scale technology projects—of this or any kind. We are eager to pass this knowledge along in the hope that it might give courage and confidence to other nonprofits that find themselves in similar circumstances, and share the desire to pursue new approaches to their work.

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ABOUT THE FOUNDATION

The California HealthCare Foundation works as a catalyst to fulfill the promise of better health care for all Californians. We support ideas and innovations that improve quality, increase efficiency, and lower the costs of care. For more information, visit us online at www.chcf.org.