

Implementing Quality Programs In the Not-for-Profit Sector

The role of intermediaries

by

Daniel Lowery

INTERMEDIARY ORGANIZATIONS CAN BE critical to the success of a not-for-profit organization's quality program. They can serve a catalytic function that includes elements of encouragement, support, cajoling and mandate.

In the private sector, this function is minimized in the immediacy of the purchaser-supplier relationship. Purchasers of industrial goods and services require suppliers to develop and implement formal quality programs and often assist them in this process. Indeed, this is the primary reason W. Edwards Deming promoted long-term supplier relationships.¹

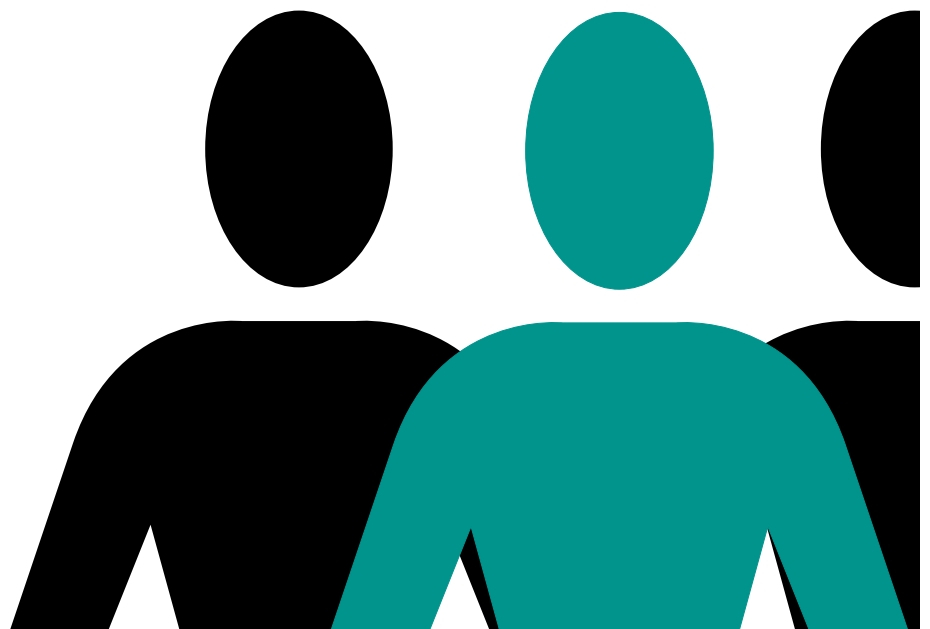
Frank M. Gryna, the associate editor of *Juran's Quality Control Handbook*, also emphasized the importance of joint planning by purchasers and suppliers and the need for supplier certification programs.²

The criteria of the Malcolm Baldrige National Quality Award promote partnerships with suppliers for the purposes of education and training. Finally, the ISO 9000 series of quality management standards requires firms to certify the efficacy of suppliers' quality programs.

The cascading advance of formal quality programs that has been achieved in recent years is attributable, in part, to these various kinds of purchaser sponsored initiatives.

In the public and not-for-profit sectors, comparable relationships may or may not exist. In some cases, the catalytic function can be performed by intermediary organizations.

Of course, rigorous quality systems are maintained for some very specific kinds of services.



Todd R. LaPorte and Paula M. Consolini, for instance, have written about the importance of documentation and audit based quality systems in certain high reliability organizations such as air traffic control and nuclear power generation.³ In these cases, government acts as an intermediary of sorts between customers and service providers.

In an earlier article, I examined ways in which the Office of Management and Budget and departmental inspectors general could perform the functions of a quality intermediary in the case of federal programs that do not meet the strict definition of high reliability organizations.⁴ The method that was described was modeled on the ISO 9000 quality system.

Some not-for-profit organizations, most notably those in health care and education, are also subject to rigorous documentation and audit based quality systems. National organizations may encourage their local affiliates to adopt various kinds of formal quality programs. Some are based loosely on the criteria of the Malcolm Baldrige National Quality Award. Others more clearly reflect the documentation and audit based technology of the ISO 9000 quality system.

Acknowledging these applications of quality, *Quality Progress* has extended its focus to the not-for-profit sector in recent years. The July 1997 issue was devoted to a wide variety of community institutions and not-for-profit organizations. In a particularly useful article, Madhav N. Sinha used survey results to identify 11 challenges not-for-profits face in developing and implementing formal quality programs.⁵

In the October 1999 issue, Renee Oosterhoff Cox recounted the ways in which Anixter Center, a rehabilitation agency in Chicago that serves individuals with disabilities, confronted each of these 11 challenges in qualifying for a bronze-level Excellence in Service Quality Award from United Way of America.⁶

This article expands on this focus with an assessment of the role intermediary organizations can play in promoting quality principles and practices in the not-for-profit sector. More specifically, it describes how one United Way organization developed and implemented a formal quality program and extended its reach to its member agencies.

As in the case of government, however, few not-for-profit organizations are ever pushed from the outside to develop and implement formal quality programs. As we shall see, United Way organizations are unique-

ly positioned to perform this function. They can serve as catalysts in the development of formal quality programs in a broad range of not-for-profit organizations.

Background

In December 1996, Louis Martinez, the president of Lake Area United Way in Griffith, IN, contacted Indiana University Northwest's Center for Management Development for assistance in developing a staff retreat. Three issues prompted him to engage staff, volunteers, the Board of Trustees and other community stakeholders in a conversation about Lake Area United Way's future.

Most importantly, the organization's fund-raising capacity had plateaued in recent years, even as the need for financial support in the not-for-profit community had grown. The steel industry suffered deep setbacks in the early 1980s; as a result, industrial employment in Lake County declined precipitously.

And donor contributions from this historically important source fell sharply.

Even though northwest Indiana's economy had substantially recovered by the mid-1990s, contribution levels remained stagnant. Virtually all of Lake Area United Way's 48 member agencies could have benefited from more generous allocations. Additionally, many other worthy organizations aspired to membership but could not be

accommodated due to a lack of funds.

Given this situation, two alternatives—both daunting—presented themselves. The not-for-profit organizations that depended on United Way funding could become more productive, thus extending the reach of every donor dollar. Or the appeal for contributions could be delivered in a more persuasive fashion, allowing additional funds to be raised.

The second issue that led Martinez to reassess Lake Area United Way's strategic position involved the term "customer." Like many United Way organizations, Lake Area United Way had long considered its member agencies to be its primary customers in that it provided a fund-raising service for these various organizations and was accountable to them.

Over the course of the 1990s, however, United Way of America and many of its local affiliates experienced a change in perspective with respect to this view. Under the influence of W. Edwards Deming, Joseph Juran and other quality experts, United Way of America and its affiliates gradually began to view donors as their primary customers.

United Way seeks to enter into and maintain highly interactive and supportive relationships with its member agencies over extended periods of time.

In this alternative perspective, donors expect United Way to assess and monitor the performance of its member agencies and to allocate contributions to those that can best meet the social needs of their communities.

Furthermore, member agencies assume the position of vendors and suppliers in the private sector model. The term “stakeholder” is preferred, however, because United Way seeks to enter into and maintain highly interactive and supportive relationships with its member agencies over extended periods of time. This change in perspective would prove critical to the subsequent development of Lake Area United Way’s quality program.

The third factor that prompted a strategic reassessment pertained specifically to northwest Indiana. Lake Area United Way’s diverse community includes the older industrial cities of Gary, Hammond and East Chicago; suburbs that are connected economically to neighboring Chicago; and rural communities in south Lake County. The county lacks a political center.

Additionally, like many urban areas, the community experienced deep divisions in the 1970s and 1980s based on race, culture and economic status. Martinez and the agency’s Board of Trustees recognized a need to strengthen the few integrating institutions in northwest Indiana, and the catalytic role that Lake Area United Way could potentially play in this regard.

This additional mission element extended beyond the narrow role that most United Way affiliates had staked out for themselves. But this new role could entail certain political risks and, at a minimum, would place demands on Lake Area United Way’s scarce human and financial resources. It was recognized that key stakeholders would have to be consulted before the organization could extend its mission to encompass this additional function.

Together, these three issues—the twin needs for improved agency productivity and additional funding, a dramatic change in the orientation of its customer focus and the need for Lake Area United Way to serve as a catalyst for change in the community—suggested the need for a formal quality program.

The Center for Management Development at Indiana University Northwest thus proposed a retreat based on the criteria of the Baldrige Award. Conducted in February 1997, the two-day retreat provided staff with the opportunity to assess Lake Area United Way’s performance against a world-class set of criteria. It also introduced staff to the principles and practices of total quality management (TQM).

Development and implementation

Subsequent discussions with the organization’s management team and members of the Board of

Trustees led to the implementation of a formal quality program beginning in January 1998.

The organization’s quality program would eventually assume two related tracks, one directed to the organization itself and a second toward its member agencies. The internal program would be based, in turn, on two strategies, using United Way of America’s outcomes measurement program and ISO 9000.

In 1996, United Way of America developed an outcomes measurement program and promoted it to all of its affiliate organizations. Because United Way affiliates are independent entities, some have moved aggressively to implement outcomes measures; others have not. Additionally, the ways in which United Way of America’s outcomes measurement program has been implemented across the country have varied.

United Way’s outcomes measurement program revolves around a technique called logic diagramming. A logic diagram graphically illustrates the relationships that exist between the various levels of an organization and includes:

1. **Inputs**—the financial, human, technological, programmatic and informational capacities that are required for an organization to perform critical operational tasks.
2. **Core activities or programs.**
3. **Program outputs**—units of services or the traditional measures of quantity, quality and timeliness—and client satisfaction.
4. **Immediate outcomes**—changes in customer or client perception, understanding or commitment.
5. **Intermediate outcomes**—changes in behavior that accrue from the immediate outcomes that are produced.
6. **Long-term outcomes**—improved life chances for the client or changes in a client’s or a community’s quality of life.

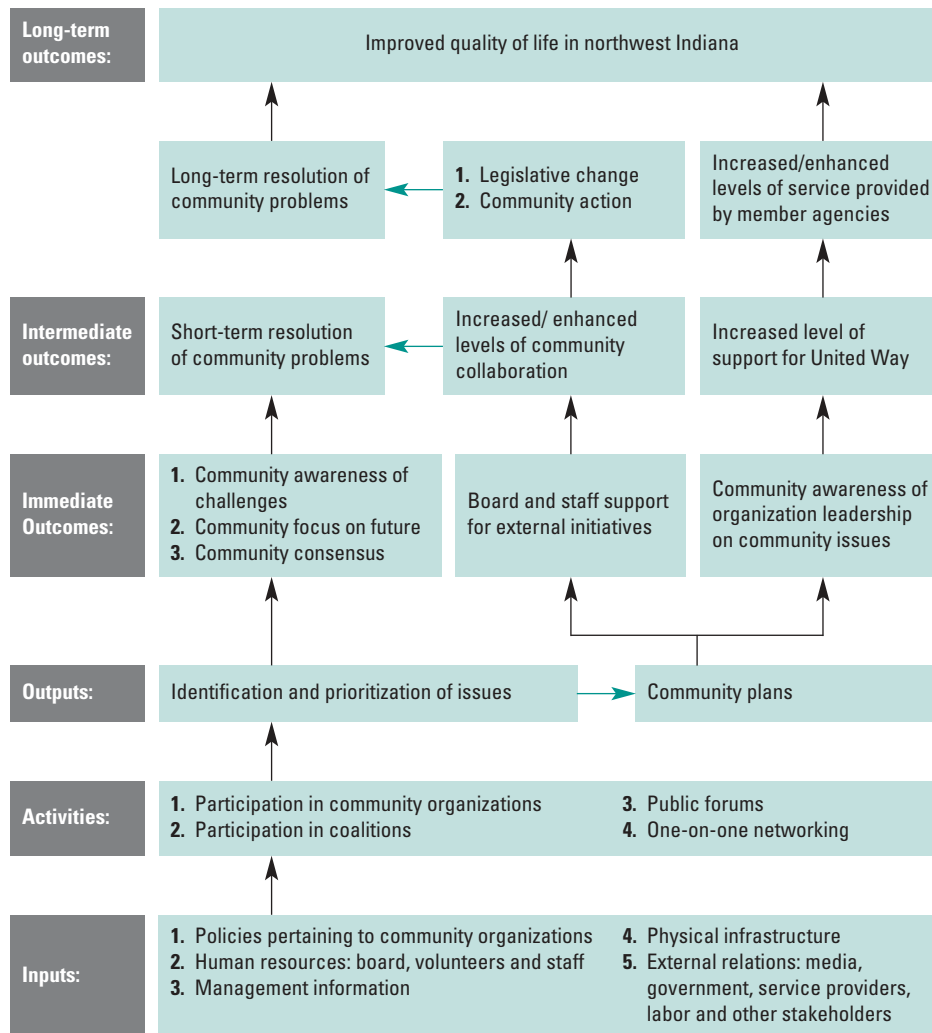
Logic diagramming reflects the Japanese concept of *hoshin kanri*, which is best translated as policy deployment or policy alignment. This technique has been employed in the formal quality programs of such notable private sector firms as Florida Power and Light, Hewlett-Packard and AT&T.⁷

Completed logic diagrams can be used in at least four ways:

1. They can be used to identify data needs.
2. They can be incorporated into an organization’s tactical and quality improvement planning processes and can thus be used to identify improvement needs.
3. They can be used in communications with external parties. In the case of not-for-profit organizations, these parties can include various kinds of funders.
4. They can be used as planning tools.

Lake Area United Way developed four logic dia-

FIGURE 1 Lake Area United Way Logic Diagram



grams. The first three corresponded to the three elements of its traditionally conceived mission—fund-raising, the allocation of funds to member agencies and a limited number of direct services that are provided either to member agencies or to the community at large.

The fourth logic diagram was developed to clarify Lake Area United Way’s proposed role as a community catalyst. It is reproduced in Figure 1.

Like all of the organization’s logic diagrams, this fourth diagram was developed in collaboration with members of the management team, staff, the Board of Trustees and volunteers. This process provided an opportunity for everyone involved to think through the very serious implications that were associated with this new mission element.

Modeling on ISO 9000

The second part of Lake Area United Way’s internal quality program involved the development of a documentation and audit based system modeled on the ISO 9000 family of quality standards. At first glance, ISO 9000 may seem to ill fit the needs of not-for-profit organizations. It is more closely associated in the management literature with manufacturing firms. However, similar documentation and audit based systems are used in human services, most notably health care. The Joint Commission on Accreditation of Healthcare Organizations employs a well-respected documentation and audit based quality program, and similar systems are also used by accrediting organizations in education.

A generic set of standards that can be effectively employed in a wide variety of organizations, ISO 9000 is a particularly useful standard in northwest Indiana because of the large number of manufacturing firms that continue to thrive in the area. ISO 9000 terminology is well-understood by these firms and their employees.

The ISO 9000 model is thus meaningful to the customers (donors) who require the essential services performed by the Lake Area United Way. Given this, it is anticipated that Lake Area United Way's ISO 9000 based quality system will communicate quality in a way that could lead to increased contributions.

The development of Lake Area United Way's documentation and audit based quality system involved six distinct steps:

1. A quality manual—or tier one document in the ISO 9000 terminology—was developed. Its 20 elements reflect the organizational structure of the ISO 9001 quality standard.
2. Essential operational and support service data were identified using the organization's logic diagrams. A business plan and performance reporting process were then developed for this purpose.
3. Critical work processes were analyzed and documented in appropriate policy and standard operating procedure formats. In several cases, including the processing of contribution pledge cards, these processes were streamlined or otherwise improved.
4. A formal quality improvement planning process was developed.
5. A control system designed to identify and track the resolution of process nonconformances was developed and implemented.
6. An annual audit process was developed to assess ongoing conformance with the requirements of Lake Area United Way's quality program.

Introducing quality to member agencies

The organization adopted a more circumspect approach in introducing quality principles and practices to its member agencies. Although Lake Area United Way now recognizes its member agencies as vendors or contractors rather than customers, it has eschewed heavy-handed tactics in promoting its approach to quality.

This deliberate strategy reflects the partnership ethic that the organization labored to engender with its member agencies for many years. Lake Area United Way also recognized that many of the organi-

zations that it funds answer to national organizations, some of which have adopted quality programs of one kind or another.

The strategy further recognized that not-for-profits reflect widely varying degrees of organizational capacity. Some are highly sophisticated. Others are small, volunteer-driven "mom-and-pop" operations. Given this, an aggressive one-size-fits-all approach could not be expected to succeed.

This is not to say that Lake Area United Way does not possess leverage in this regard. Agency allocations decisions are based on on-site reviews. The incorporation

of outcomes measures into this biannual process enabled Lake Area United Way to introduce the logic diagram technology to all of its member agencies.

The instruction that was provided to the member agencies extended beyond the United Way of America training package to include several elements that are generally

believed to be helpful to the development of formal quality programs, including:

- The development of mission, vision and values statements.
- An inventory of the data that is now collected in each member agency.
- A quality assurance inventory that documents specific activities of each agency with respect to the control of key inputs and programmatic activities.
- The formal development and documentation of at least one outcome measure.

Agency representatives also received training on the development of improvement planning processes. After the initial training session, consulting support is provided to the member agencies on a continuous basis over the course of the next year.

The participating agencies further developed their outcomes measures programs in different ways. Several conducted strategic planning retreats for their boards of directors using their logic diagrams. Some have designed pre- and postservice client surveys that capture data pertaining to the immediate outcomes—that is, those changes in client perception, understanding and commitment that are essential to many different kinds of human services.

Some others now use their output data in formal improvement planning processes. The local meals-on-wheels program, for instance, established optimum meal temperatures, tracked data pertaining to this variable, identified a need for improved performance

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and initiated action to improve performance. Several other agencies requested and received training on the administration and documentation of focus groups. Others requested and are being provided with training on the development of formal quality programs.

Over time, each of these activities can be expected to improve the organizational capacity and, eventually, the overall performance of these several member agencies. In this way, it is expected that scarce United Way contributions will be extended to cover a broader range of human services.

Assessment

Lake Area United Way's quality program remains a work in process. Its efforts to date testify to the validity of the 11 challenges Sinha identified in his article about TQM in the not-for-profit sector.⁸

At least three general lessons can be gleaned from the progress achieved thus far:

1. Quality principles and practices are as applicable—and potentially as beneficial—to not-for-profit organizations as they are to private sector firms. The Baldrige Award criteria and the ISO 9000 quality system can provide useful frameworks for developing quality programs in not-for-profit organizations. More specifically, they can facilitate the integration of planning and operational performance.
2. Logic diagramming is a useful technique that can be employed in a variety of ways, including the development of measurement needs and identification of quality improvement needs, as well as in planning.
3. Logic diagramming can be a useful for introducing quality principles and practices to an audience that lacks much formal management training.

Most importantly, intermediary institutions can play a role in introducing quality principles and practices. This fact can escape notice in the private sector because the leverage afforded in the purchaser-supplier relationship is such an integral part of many business relationships. In many cases, it does not stand out as anything to be remarked upon.

Without this leverage, however, we cannot expect that quality principles and practices, in general, and ISO 9000, in particular, would have achieved their widespread acceptance in the manufacturing sector in recent years. While this same kind of leverage is often lacking in the not-for-profit sector, it can be provided by United Way organizations, foundations, and, in the case of some grants and contracts, government.

If intermediary organizations such as United Way affiliates choose to play this role, additional lessons follow from the Lake Area United Way experience:

- Lake Area United Way's success in developing its own logic diagrams, outcomes measures, and a doc-

umentation and audit based quality program produced an attractive model for its member agencies. Lake Area United Way did not mandate any steps that it was unwilling to test and implement to completion itself.

- Its deliberate and flexible approach in dealing with member agencies has paid dividends in terms of agency interest and compliance. Lake Area United Way introduced logic diagramming and other quality practices to its member agencies in the context of long-term relationships, which have been based on trust.
- Lake Area United Way backed its quality program up with consultant support. In doing so, it engendered good will among the participating agencies.
- In each of these several ways, Lake Area United Way developed a model that may be potentially useful both to a wide variety of not-for-profit organizations and to the intermediary organizations that work with such agencies.

ACKNOWLEDGMENT

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DANIEL LOWERY is a lecturer in Indiana University Northwest's School of Public and Environmental Affairs in Gary, IN. He is a doctoral candidate in the University of Illinois at Chicago's public administration program. Lowery is a member of ASQ.