

White Paper:

Manufacturing Sector Lessons for Non-Profits

Non-profit organizations present some of the most vexing issues of management science. While invested with tremendous stature and responsibility in our society, they deliver, virtually all close observers agree, too few results for too much money.

Silicon Valley and America's advanced manufacturers have long practiced such disciplines as Continuous Improvement Process, Time to Market and Copy Exactly production methods. These have been perfected at companies like Intel and Toyota and are directly transferrable to non-profit organizations to help make American non-profits work more cost-effectively and efficient.

In 2009, sixteen major American food companies created the Healthy Weight Commitment Foundation (HWCF) as a vehicle for attacking obesity – particularly childhood obesity – in America. Much like Intel's manufacturing under Dr. Craig Barrett -and Toyota under Dr. Shoichiro Toyoda, the HWCF employed a continuous process of designing deliverables to maximize commonalities, routinizing all related functions and focusing management attention and resources on the sharply reduced number of variable factors that remained.

The result has been high performance for an extremely low cost.

The Challenge

In 2007, Indra Nooyi, CEO of PepsiCo, told a meeting of food and beverage industry CEOs that it was time for them as a group to take leadership in combatting the national epidemic of obesity, particularly childhood obesity.

By 2009, it had become clear to Nooyi and her colleagues that they needed to accelerate the process of change. So they set up a standalone foundation, one independent of the industry's established trade associations and reporting directly to a board made up of the CEOs themselves. They appointed Lisa Gable President, who created the foundation with a small staff that has never exceeded five.

Ms. Gable came from Silicon Valley and had worked directly with Craig Barrett when he turned around Intel's manufacturing. She was the point person for developing a corporate brand and trademark management program in anticipation of the company's unprecedented consumer campaign, the Intel Inside® program.

The Method

The heart of Dr. Barrett's success was a rigorous process of quality control and output measurement -- identifying all tasks that could be standardized and reducing waste. He focused management attention and resources on variable factors,

breaking down and standardizing as many of them as possible, examining, monitoring and preventing problems.

Two decades later as U.S. Ambassador for the Aichi World Expo -, she worked alongside Dr. Shoichiro Toyoda, the honorary chairman of Toyota Motors, and Toyota executive teams to employ the same disciplines in building and managing the 2005 Aichi World EXPO.

While working with these two giants of manufacturing, she began to think about how to apply manufacturing processes to public and non-profit sector programs.

Here is how HWCF applied simplification and standardization to their two major challenges: adjusting product composition and increasing customers' physical activity.

Products – Standard Metric; Public Feedback:

HWFC's first challenge was the products themselves. What were the right metrics and how could success or failure be reliably verified?

Working with the McCormick Idea Lab and its corporate members, HWCF focused on a simple metric, one with no room for variation that was standard across all product lines – calories. Our members resolved that:

- As producers of about a quarter of the food sold in the United States, they would remove 1.5 trillion calories from their products compared to their sales in 2007. Combined with modest increases in daily activity, these cuts were enough to stop the climb in national obesity rates – if all –suppliers of food - followed proportionately.
- The goal would be achieved by January 2015.
- The Robert Wood Johnson Foundation would serve as the independent outside evaluator.

In May 2010, the companies made these goals public in a pledge to First Lady Michelle Obama.

In January 2014, Robert Wood Johnson Foundation announced that the Healthy Weight Commitment Foundation's 16 companies had sold 6.4 trillion fewer calories into the United States marketplace in 2012 than in 2007.

This deliverable was more than 400 percent over target and a year ahead of schedule.

Physical Activity – Simplified Distribution; Direct Motivation

The second challenge was to achieve increases in young people's physical activity – boosting energy out while decreasing energy or calories in?

We wanted to develop energy balance programs for schools. But the normal process of working them through all approval levels in all 50 state-education bureaucracies would be impossibly complex, time consuming and expensive.

The simplifying answer was to partner with the country's largest provider of digital curriculum, Discovery Education. Discovery's products conform to national standards agreed upon among the states, so we sidestepped state-by-state bureaucratic hurdles. Teachers can access the program directly from their classrooms.

Discovery Education designed a flexible, open source curriculum, with modules and tools that could be used in a wide variety of courses and was offered over a single website. Contests with prizes like a new playground for winning schools gave teachers and principals the incentive to make a significant, sustainable change in their school environment.

Currently over 13 million pre-K to 5th grade students are in classes that use the Discovery/HWCF Together Counts program.

The Lesson

Business people often lament that government and non-profits do not act like businesses, but rarely define what they mean.

By intense focus on identifying repeatable processes and simple metrics, a small non-profit with a handful of employees has produced oversized results. Those processes were combined with mechanisms (including public pledges and review from independent experts) and incentives (like contests with significant rewards given for significant change) to impel active engagement.

The elements to simplify, streamline and standardize will vary from non-profit to non-profit. So will the metrics and incentives. But the need for this kind of process and follow-through is universal. It is essential to making the non-profit sector of our society more productive.