

common good ventures

the business of nonprofit performance

Engaging Your Board Case Study: When is ok not good enough?

The board of a local soup kitchen had long exercised discipline in maintaining the financial viability of the organization. The board knew how much it cost to operate the soup kitchen and set development targets to cover these expenses. Jennifer, a board member who worked in operations for a telecommunications equipment manufacturer, had experience applying activity-based costing to her company's assembly line and routinely uncovered areas for improvement in her company's production. She had not engaged the soup kitchen in such an exercise, however. There had been no need to because the organization had always hit its development targets, covered its expenses, and fed hungry people.

At the last board retreat, the board chair had charged members with brainstorming ways to help the staff feed more people. The natural inclination was to raise more money; however, most board members had exhausted their fundraising prospects. Although Jennifer thought about applying her experience from work – on multiple occasions, she had helped a business unit produce more output within the same cost structure – she was hesitant to bring this up. The board's approach had served the organization well in the past, and she did not want to appear critical of the way the staff was organizing the kitchen. Furthermore, what if the follow-up landed on her plate? Participation at board meetings already took up most of the volunteer time she had to give.

The thought nagged at Jennifer, however, and at the next board meeting she brought up her idea in a non-threatening way as possible. Emphasizing that the board had done a great job of staying on top of finances, she pointed out that if there were any inefficiency in the kitchen, it would not come through in total cost numbers. She also mentioned that, having seen the soup kitchen floor in action, she understood that staff worked extremely hard in a hectic environment, and that it would be difficult for there *not* to be some room for improving how things were done. She suggested that the board work with staff to examine the cost of serving each individual fed. Bob, a fellow board member, offered to help out. They agreed that they would work with Scott, the Executive Director, and report on what they found at the next board meeting. Offline, Jennifer explained that this was a very busy couple of months for her, and asked Bob if he could take the lead in data collection with staff. Jennifer volunteered to help organize the information afterwards.

The team did some basic computation to arrive at the variable cost to serve each individual. However, when they multiplied these numbers by the number of people served by the kitchen, the total was significantly less than the organization's total variable costs. Bob and Jennifer reported these findings to the board, along with a report that staff seemed to be working hard and were in command of running the kitchen.

As she listened to the report, Christine, a local caterer on the board, remembered that she had wasted a lot of food when she first started her business. When she asked Scott if he had had the same problem, he agreed and said he would welcome her help in planning food purchases and taking inventory. After working with Christine, Scott happily reported at the next board meeting that less food was being thrown away. The next set of financials revealed lower food costs without any decrease in the number of people served. The final result: the board could reach out to more people in need in the next year without increasing its fundraising goals.