

## Chapter 1 : What Drives Nonprofit Executive Compensation? - Non Profit News | Nonprofit Quarterly

*Written by a former "Big 6" partner, Reengineering Your Nonprofit Organization does for the nonprofit world what Michael Hammer and James Champy's classic, Reengineering the Corporation, does for the for-profit sector—it offers a comprehensive blueprint for radical strategic change.*

Please click button to get reengineering your nonprofit organization book now. This site is like a library, you could find million book here by using search box in the widget. But, rather than abandon a highly effective fund-raising organization, the NFIP transformed itself into an equally successful organization dedicated to children with birth defects — the March of Dimes. And while there are dozens of excellent guides on strategic transformation in the for-profit sector, until now, there have been none devoted exclusively to nonprofit reengineering. But this book goes further. It considers not only the lessons learned from the corporate world, but also the special needs and concerns of the nonprofit sector. Rather than attempt to overlay a business reengineering paradigm over nonprofit organizations, Alceste T. Pappas offers an original model designed around the unique character of the modern nonprofit organization. In place of the traditional nonprofit stopgap approach to managing change, she offers a "zero-base" approach that incorporates a host of proven techniques for assessing and radically redesigning all facets of your operation, including mission and goals, organizational structure, and business processes. She introduces some of the most innovative new strategies for establishing partnerships and forming alliances, allocating resources, and involving staff and volunteers in the reengineering process. Pappas also presents a "best practices" approach to establishing new more efficient and cost-effective systems. Pappas provides a rational framework for measuring success and sustaining growth and improvement during the years ahead. Reengineering Your Nonprofit Organization is essential reading for all those involved in strategic planning and reengineering, from executive directors and other paid staff to fund-raisers and volunteer board members. Jo Ann Hankin Language: It examines traditional treasury functions including banking and cash flow and explores investment management and strategies for managing excess cash, endowment, and long-term planned gifts. It also examines financial management strategies that impact cash flow, including borrowing, risk management, benchmarking, and long-term planning. Addresses the needs of all types and sizes of organizations, from small religious groups and community social service agencies to major cultural institutions and colleges and universities. Includes a diskette with spreadsheet solutions to common financial management problems, such as interest rate calculations, basic yield calculations, financial ratios and more. This innovative reference work will discuss how ICT enables the non-profit sector to achieve organizational efficiency, effectiveness, and, ultimately, self sufficiency, and will provide elected and appointed policymakers, managers, and planners in governments, public agencies, and nonprofit organizations with a comprehensive strategy for creating an ICT management agenda in the non-profit sector. If you need help finding volunteers, understanding new legislation, or writing grant proposals, help has arrived. This new, updated edition features expanded coverage of important issues and even more answers to all your nonprofit questions.

**Chapter 2 : reengineering your nonprofit organization | Download eBook PDF/EPUB**

*Reengineering Your Nonprofit Organization is essential reading for all those involved in strategic planning and reengineering, from executive directors and other paid staff to fund-raisers and volunteer board members.*

The original report can be accessed [here](#). These challenges relate to the professionalization of the sector, the increasing desire to measure and reward success, and the need to retain and promote the most talented managers. Due to commercialization and increased competition from for-profit and other nonprofit providers, the thinking around executive compensation practices has changed significantly over this period. Some nonprofits have shifted from fixed salaries to ones containing a variable cash-compensation component based on fundraising, cost reductions, or specific programmatic outcomes. For many nonprofits, however, increasing executive compensation remains prohibitive due to budgetary and moral constraints. So what really affects salary levels for nonprofit executives? The short answer seems to be organizational size. To better understand nonprofit compensation practices, we tested three main competing explanations. First, we considered whether executive compensation in nonprofits is a function of the size of the organization. Second, we examined the prevalence of pay-for-financial-performance in this sector. The second and third tests are particularly important in the nonprofit context: For-Profit CEO Compensation Since one of our assumptions was that nonprofit executive pay concepts are being influenced by the concepts underlying business pay, we first looked at the factors that determine CEO pay in business. The extensive body of research in this area reveals three general themes. First, compensation studies consistently find a link between the size of the company and executive compensation. Some have found a connection to profitability, although many other studies have concluded that firm performance is not a key driver of CEO compensation. In either case, the control systems designed to protect the interests of shareholders fail. Some research has also considered the relative power and influence of shareholders in an attempt to understand board decision making. And, if they adhere to this constraint, neither liquidity nor financial performance shouldâ€™in principle at leastâ€™result in higher pay. Findings We did not examine the question of board oversight in our study, focusing instead on size, performance, and liquidity. We went into the project with some conjectures, namely that 1 CEOs managing large nonprofits will earn more than CEOs at smaller organizations, 2 nonprofit CEO pay will not be based on the financial performance of the organization, and 3 nonprofit CEO compensation will not be determined by liquidity or free cash flows. The sample data used in our analysis originate from the annual IRS Form nonprofit tax filings for the period of through At the outset of our analysis, we ran pooled sector-wide regressions to understand the overall relation between compensation and the explanatory variables. The sector-wide regressions were then compared to determine if one hypothesis accounted for significantly more of the variance in compensation. To control for firm dependence, we assessed the statistical significance of individual variables using a t-test, which assesses whether the means of two groups are statistically different from each other. To assess the relative explanatory power of groups of variables, we used the Vuong test, which evaluates whether the difference in the explanatory power of two regression models is statistically significant. We chose total fixed assets as a proxy for scale of operations and total program expenses as a measure of the annual budget. This stands in contrast to the positive relation of this factor in the remaining subsectors. Greater administrative efficiency, higher liquidity, and a more extensive endowment are associated with higher compensation, but generating additional contributions is not. Overall, the organizational-size variables explain a substantially greater proportion of the variation in compensation for arts CEOs than the other two factors combined. Education While arts executive pay is closely related to program expenses, CEOs at educational institutions receive compensation that is significantly associated with fixed assets. These organizations include primary and secondary schools, as well as colleges and universities. Unlike the arts CEOs, educational leaders are better compensated when their organizations have growth in contributions but not when they are more administratively efficient. Health Due to the competition in the health subsector between for-profit and nonprofit firms, one might expect that compensation would be more heavily weighted toward the pay-for-performance variables. Instead, we found that CEO compensation in this subsector is

strongly related to organizational size. It is weakly tied to administrative efficiency, and is not significantly related to growth in contributions. From these results, we concluded that compensation in the health subsector is not closely tied to classic pay-for-performance measures. With regard to free cash flows, we found that the sensitivity of CEO remuneration to increases in the commercial revenue share is highest in the health subsector. Health CEO remuneration is also quite sensitive to the relative size of the endowment. We found no significant relation between health CEO compensation and liquidity. Overall, the organization-size variables explain a greater portion of the variation in pay in the health subsector than the pay-for-performance and free cash flow variables combined. In neither case are total fixed assets significantly associated with remuneration. CEOs in both subsectors can expect to be financially rewarded for greater administrative efficiency and when the share of commercial revenue is higher and the relative size of the investment portfolio is larger. One striking difference is that CEOs in the other subsectors receive substantially higher compensation when contributions are increased, while CEOs of human-service providers oddly receive significantly lower compensation when liquidity is higher. In both subsectors, the organizational-size variables had more power to explain compensation than the other two variable groups combined. Religion Compensation for religious leaders differs substantially from the other sectors. In the area of pay-for-performance, the regression results indicate that compensation is not directly associated with growth in contributions. More unusually, it is negatively related to administrative efficiency. In one regard, the CEOs of religious organizations are similar to their counterparts: For CEOs of this subsector, the size hypothesis was most strongly supported, but it did not dominate the other two hypotheses combined. Conclusions We found that nonprofit CEOs are paid a base salary, and many CEOs also receive additional pay associated with larger organizational size. Our results indicate that while pay-for-performance is a factor in determining compensation, it is not prominent. In fact, in all the subsectors we studied, CEO compensation is more sensitive to organizational size and free cash flows than to performance. While our analysis suggests that nonprofits may not literally be violating the nondistribution constraint, we did find evidence that CEO compensation is significantly higher in the presence of free cash flows. In only one subsector education, however, did we find evidence that free cash flow is a central factor. The IRS intermediate sanction regulations have been used to penalize nonprofits that excessively compensate executives. Our analysis suggests that strong industry-specific similarities in pay are related to free cash flows and, to a lesser extent, organizational size, rather than to performance. Hence, the existing regulations may not be particularly effective in identifying either absolute levels of compensation that are too high or organizations that are violating the spirit of the nondistribution constraint. One final implication of our analysis bears on the enduring performance-measurement quandary that confronts so many nonprofit organizations. We believe that nonprofits may rely on organizational size to make compensation decisions, drawing on free cash flows when available, rather than addressing the challenge of defining, quantifying, and measuring the social benefits that they produce. Nonprofits typically produce services that are complex and that generate not only direct outputs but also indirect, long-term, and societal benefits. These types of services often make it difficult to both develop good outcome measures and establish causality between program activity and impact. In the absence of effective metrics of social performance and mission accomplishment, many organizations rely on other factors in setting compensation. Perhaps, once better measures of mission fulfillment are developed and actively implemented, nonprofits will be able to structure CEO compensation in ways that provide appropriate incentives to managers who successfully advance the missions of nonprofit organizations, while respecting the full legal and ethical implications of the nondistribution constraint. Barbeito and Jack P. Drucker, *Managing the Non-profit Organization: Principles and Practices* New York: Balkin and Luis R. Prentice Hall, 1997; Michael C. Jensen and Kevin J. Rich and John A. Westphal and Edward J. The Vuong test indicates that compensation is most strongly related to the first hypothesis. Not only do the size variables provide more explanatory power than either the pay-for-performance or free-cash-flow variables, they explain more variation in compensation than the other two hypotheses combined. When compared to the pay-for-performance variables, the free-cash-flow metrics have higher explanatory power, meaning that compensation is more closely related to free cash flows than to incentive performance. Prior studies have generally used total assets or log of total assets as a proxy for size.

Our field experience with nonprofits leads us to believe that boards set CEO compensation based on annual budgets and scale of operations in comparison to industry peers. In nonprofits, total program expenses include cost of program services but exclude administrative and fundraising expenses. We expected CEO compensation to be positively associated with both fixed assets and program expenses. To measure administrative efficiency, we took one minus the administrative expenses to total expenses. Dollar growth in contributed revenue is a particularly observable measure that boards may correlate with CEO effort. Commercial revenues are composed of proceeds from sales of goods as well as program service fees and charges generally paid by clients, insurance companies, or some government agencies. Often, these funds are relatively free of donor oversight or externally imposed restrictions.

**Chapter 3 : Improving Quality and Performance in Your Non-Profit Organization--Chapter 3 - theinnatdunvi**

*From a non-profit organization perspective, humanizing the BPR process is consistent with values of non-profit organizations. Even for-profit companies that have reorganized find it to be good business to treat their employees humanely, and minimize the pain and suffering that often accompanies BPR efforts.*

If you do not have public membership you can skip this Article. Regular Meetings Regular meetings of the members shall be held quarterly, at a time and place designated by the chair. A membership nonprofit should hold at least one 1 member meeting each year. Some states may require more. Check with your Secretary of State to see if any state statutes apply to member meetings. Annual Meetings An annual meeting of the members shall take place in the month of October pick a month , the specific date, time and location of which will be designated by the chair. At the annual meeting the members shall elect directors and officers, receive reports on the activities of the association, and determine the direction of the association for the coming year. Special Meetings Special meetings may be called by the chair, the Executive Committee, or a simple majority of the board of directors. Notice of Meetings Printed notice of each meeting shall be given to each voting member, by mail, not less than two weeks prior to the meeting. Check with your Secretary of State office to see what quorum requirements may apply to your member meetings. Voting All issues to be voted on shall be decided by a simple majority of those present at the meeting in which the vote takes place. But they are given special responsibilities and authority. If there is one section of your Bylaws that you will be referencing frequently, this is it. The Board of Directors shall have control of and be responsible for the management of the affairs and property of the Corporation. Number, Tenure, Requirements, and Qualifications The number of Directors shall be fixed from time-to-time by the Directors but shall consist of no less than three 3 nor more than fifteen 15 including the following officers: Check with your Secretary of State to see the minimum number of board members required in your state. The members of the Board of Directors shall, upon election, immediately enter upon the performance of their duties and shall continue in office until their successors shall be duly elected and qualified. All members of the Board of Directors and Advisory Council must be approved by a majority vote of the members present and voting. No vote on new members of the Board of Directors, or Advisory Council, shall be held unless a quorum of the Board of Directors is present as provided in Section 6 of this Article. Each member of the Board of Directors shall be a member of the Corporation whose membership dues are paid in full and shall hold office for up to a three-year term as submitted by the nominations committee. Newly elected members of the Board of Directors who have not served before shall serve initial one-year terms. At the conclusion of the initial one-year term, members of the Board of Directors may serve additional three year terms. Each member of the Board of Directors shall attend at least nine 9 monthly meetings of the Board per year. No contribution credit shall be given for in-kind donations. As with many things in the Bylaws, it is your choice on what to include as criteria for your board members. Requiring a cash donation to be on the board is not uncommon and many granting organizations require it. Regular and Annual Meetings An annual meeting of the Board of Directors shall be held at a time and day in the month of September of each calendar year and at a location designated by the Executive Committee of the Board of Directors. The Board of Directors may provide by resolution the time and place, for the holding of regular meetings of the Board. Notice of these meetings shall be sent to all members of the Board of Directors no less than ten 10 days, prior to the meeting date. Special Meetings Special meetings of the Board of Directors may be called by or at the request of the President or any two members of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any location, as the place for holding any special meeting of the Board called by them. Notice Notice of any special meeting of the Board of Directors shall be given at least two 2 days in advance of the meeting by telephone, facsimile or electronic methods or by written notice. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular meeting of the Board of

Directors need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these by-laws. Quorum The presence, in person of a majority of current members of the Board of Directors shall be necessary at any meeting to constitute a quorum to transact business, but a lesser number shall have power to adjourn to a specified later date without notice. The act of a majority of the members of the Board of Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by these by-laws. Forfeiture Any member of the Board of Directors who fails to fulfill any of his or her requirements as set forth in Section 2 of this Article by September 1st shall automatically forfeit his or her seat on the Board. The Secretary shall notify the Director in writing that his or her seat has been declared vacant, and the Board of Directors may forthwith immediately proceed to fill the vacancy. Members of the Board of Directors who are removed for failure to meet any or all of the requirements of Section 2 of this Article are not entitled to vote at the annual meeting and are not entitled to the procedure outlined in Section 14 of this Article in these by-laws. Vacancies Whenever any vacancy occurs in the Board of Directors it shall be filled without undue delay by a majority vote of the remaining members of the Board of Directors at a regular meeting. Vacancies may be created and filled according to specific methods approved by the Board of Directors. Compensation Members of the Board of Directors shall not receive any compensation for their services as Directors. Directors shall use discretion and good business judgment in discussing the affairs of the Corporation with third parties. Without limiting the foregoing, Directors may discuss upcoming fundraisers and the purposes and functions of the Corporation, including but not limited to accounts on deposit in financial institutions. Each Director shall execute a confidentiality agreement consistent herewith upon being voted onto and accepting appointment to the Board of Directors. Advisory Council An Advisory Council may be created whose members shall be elected by the members of the Board of Directors annually but who shall have no duties, voting privileges, nor obligations for attendance at regular meetings of the Board. Advisory Council members may attend said meetings at the invitation of a member of the Board of Directors. Members of the Advisory Council shall possess the desire to serve the community and support the work of the Corporation by providing expertise and professional knowledge. Members of the Advisory Council shall comply with the confidentiality policy set forth herein and shall sign a confidentiality agreement consistent therewith upon being voted onto and accepting appointment to the Advisory Council. Each member of the Board of Directors must receive written notice of the proposed removal at least ten 10 days in advance of the proposed action. An officer who has been removed as a member of the Board of Directors shall automatically be removed from office. Members of the Board of Directors who are removed for failure to meet the minimum requirements in Section 2 of this Article in these by-laws automatically forfeit their positions on the Board pursuant to Section 7 of this Article, and are not entitled to the removal procedure outlined in Section 14 of this Article. And many states require that you have specific officer positions on your board. It is OK for one person to hold multiple office positions, though not always wise. And some states will have certain restriction on this. For example, Alaska will not allow the President and the Secretary to be the same person. All officers must have the status of active members of the Board. President The President shall preside at all meetings of the membership. The President shall have the following duties: Vice-President The Vice-President shall be vested with all the powers and shall perform all the duties of the President during the absence of the latter. The Vice-Presidents duties are: Secretary The Secretary shall attend all meetings of the Advisory Board and of the Executive Committee, and all meetings of members, and assisted by a staff member, will act as a clerk thereof. Treasurer The Treasures duties shall be: It shall be the duty of the Treasurer to assist in direct audits of the funds of the program according to funding source guidelines and generally accepted accounting principles. Election of Officers The Nominating Committee shall submit at the meeting prior to the annual meeting the names of those persons for the respective offices of the Advisory Board. Nominations shall also be received from the floor after the report of the Nominating Committee. The election shall be held at the annual meeting of the Advisory Board. Those officers elected shall serve a term of one 1 year, commencing at the next meeting following the annual meeting. Officers of the Executive Committee shall be eligible to succeed themselves in their respective offices for two 2 terms only. No officer of the Board of Directors shall be expelled without an opportunity to

be heard and notice of such motion of expulsion shall be given to the member in writing twenty 20 days prior to the meeting at which motion shall be presented, setting forth the reasons of the Board for such expulsion.

**Vacancies** The Nominating Committee shall also be responsible for nominating persons to fill vacancies which occur between annual meetings, including those of officers. Nominations shall be sent in writing to members of the Advisory Board at least two 2 weeks prior to the next meeting at which the election will be held. The persons so elected shall hold membership or office for the unexpired term in respect of which such vacancy occurred.

**Committee Formation** The board may create committees as needed, such as fundraising, housing, public relations, data collection, etc. The board chair appoints all committee chairs.

**Executive Committee** The four officers serve as the members of the Executive Committee. Except for the power to amend the Articles of Incorporation and Bylaws, the Executive Committee shall have all the powers and authority of the board of directors in the intervals between meetings of the board of directors, and is subject to the direction and control of the full board. Though not required, it is highly recommended that the executive director be required to attend all board meetings.

**Finance Committee** The treasurer is the chair of the Finance Committee, which includes three other board members. The Finance Committee is responsible for developing and reviewing fiscal procedures, fundraising plans, and the annual budget with staff and other board members. The board must approve the budget and all expenditures must be within budget. Any major change in the budget must be approved by the board or the Executive Committee. The fiscal year shall be the calendar year. Annual reports are required to be submitted to the board showing income, expenditures, and pending income. The financial records of the organization are public information and shall be made available to the membership, board members, and the public. Even if you do not have any paid staff members for your organization, it is good to prepare for the eventuality of your first hire. No officer, Executive Committee member or member of the Board of Directors may individually instruct the Executive Director or any other employee. The Executive Director shall make such reports at the Board and Executive Committee meetings as shall be required by the President or the Board. The Executive Director shall be an ad-hoc member of all committees. Such removal may be with or without cause. Nothing herein shall confer any compensation or other rights on any Executive Director, who shall remain an employee terminable at will, as provided in this Section. It is the language they recommend you have in your bylaws to address conflict of interest. This verbiage is not required but I recommend you include it. When you apply for your This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations. Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the health care system of which the organization is a part, he or she is an interested person with respect to all entities in the health care system. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

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Chapter 3 Business Process Reengineering If your heart stops beating and you keel over breathlessly, a professionally trained medical professional can often revive you by administering CPR. One of the reasons often given for its apparent decline in the United States is that the philosophy of slow, incremental, and continuous improvement is generally inconsistent with American culture. Perhaps this is so; American organizational leaders are perceived as more impatient to see tangible results of their business management interventions compared to their Asian, African, and European counterparts. They want to see quantum leaps of measurable improvement rather than the tortoise-paced improvement promised by TQM advocates. The tenure of many organizational leaders is short; many CEOs come and go before TQM is fully implemented and showing results. This new management technique was brought to prominence by an article in the July-August Harvard Business Review by Hammer entitled Re-engineering Work: Hammer, the President of a Cambridge, Massachusetts-based information technology company, promised revolutionary and spectacular short-term returns by abandoning continuous improvement in favor of radical and dramatic change. Hammer suggested that TQM falls short in helping companies meet the challenge of global competition in that it takes too long to see the results. The article reinvigorated a business community becoming frustrated with TQM, and heralded the business process reengineering movement. He based his article on a pattern he noticed about what some companies did to dramatically improve business processes. These ideas made sense at the time, when there was not the skilled, professional labor force and sophistication of information technology there is today. An employee could be trained to perform a single task and perform it well repetitively, coordinated by skilled managers who controlled the workers. Organizations manufacturing and selling goods found it efficient to divide themselves into bureaus and departments, with written and unwritten policies and rules providing guidance to each worker who exercised little, if any, independent decision-making authority. Typically under the conventional business organization model, an order from a customer had to be passed through a gauntlet of bureaus and workers before it was fulfilled. The concept of reengineering is not new, as illustrated by a case history related by Raymond L. Manganelli and Mark M. Klein in their book, *The Reengineering Handbook*. They tell the story of William Sowder Sims, who came up with some breakthrough, innovative ideas on improving the accuracy of naval artillery. The idea, however, threatened the existing structure and culture of the Navy, in which navigators held the most important positions. Manganelli and Klein draw several important conclusions from this story. First, reengineering is not a new concept, but the willingness of organization executives to apply the techniques organization-wide is new. Fourth, reengineering requires approval from the top to effect breakthrough change. Fifth, the change agent in reengineering is usually someone who is not part of the organizational power structure. Sixth, there are limits to benchmarking see Chapter 4 , and there still may be opportunities to find those elusive innovations that improve performance many times over existing levels. Seventh, reengineering is an effective strategy whether an organization is teetering on the brink of competitive disaster, or whether it is the top dog. Eighth, perseverance is required to implement radical change, because most proposals to implement radical change must overcome substantial organizational resistance. And finally, the point of reengineering is to find dramatic improvement rather than incremental improvement. A major strategy involved with BPR efforts is to look at a business process that has many tasks that have been performed by several specialists. Replace the specialists with generalists or retrain the specialists to become generalists who can handle all of the tasks of the process and have access to all of the information they need to perform all of the tasks. Standon , Hammer expanded upon his Harvard Business Review article. The first book became a New York Times bestseller, selling more than 1. Business leaders were not only reading it, but launching ambitious reengineering projects. Hammer points out that information technology and automation have not been used to their potential. Organizations tend to use computers to speed up existing work processes rather than redesigning the work processes to take advantage of the technology. Since the work processes usually defined in the business literature as the related tasks that achieve a particular

business outcome were designed before the new technology became available, they are inherently inefficient. Hammer calls for a radical change in the way businesses operate—start from scratch and redesign the work processes, using the advantages of information technology. BPR requires a new way of thinking. Unlike TQM, which requires the involvement of everyone in the organization, BPR is necessarily implemented from the top. It is the zero-based budgeting of business processes, asserting that, at least theoretically, the past should have no bearing on what is planned for the future. It makes the assumption that organizations have evolved incrementally, reflecting a history of culture, tradition, technology, and customer needs that may not be particularly relevant today. BPR suggests that managers step out of the constraints of their current physical plant, work processes, organizational charts, and procedures and rules and look at how the work would be performed if they were starting from scratch. BPR requires an organizational leader to step back and answer the question: If I were building this organization today from scratch, knew what I know now, had the technology and human resources that I have now, and the customer needs that I have now, would I still be doing things the same way? In many cases, new technology is available that will enable efficiencies. For example, a human service agency may receive a telephone call from a client requesting even a minimal change in service as a result of some change in circumstances. The caseworker may have to put the person on hold and check with the supervisor for a decision on whether to waive a rule, and the supervisor may have to meet with the caseworker in order to make the decision. Following BPR, the person answering the telephone for the agency may be able to pull up the case file on a computer screen and be preauthorized to approve a change in services within a constraint programmed into the computer by the agency. Another way of looking at this is that everyone in the organization is functioning solely on his or her part of a process rather than on the objective of the organization. The receptionist answers the telephone. The case manager holds the file for a particular set of clients. The supervisor makes decisions authorizing variances from agency rules. The revolutionary advance of information technology permits this. With the use of networked computers and an educated labor force, it is possible for a single person to process and troubleshoot an entire order that previously may have required being passed serially from person to person in the organization, taking many days to complete. And the probability of an error under the old method multiplies the more hands are involved. Conventional process structures are fragmented and piecemeal, and they lack the integration necessary to maintain quality and service. They are the breeding grounds for tunnel vision, as people tend to substitute the narrow goals of their particular department for the larger goals of the process as a whole. When work is handed off from person to person and unit to unit, delays and errors are inevitable. Accountability blurs, and critical issues fall between the cracks. Moreover, no one sees enough of the big picture to be able to respond quickly to new situations. For example, in the context of a non-profit human services organization, each client would receive a case manager who is responsible for all contact with the client, who is empowered within pre-set constraints to allocate resources of the organization to that client, and whose supervisor acts more as an advisor and consultant. A second principle is that those who use the output of a process also perform the process. Doing so eliminates the counterproductive situation where the cost of making a purchase can exceed the cost of the products being purchased, and it avoids delays and errors. For example, there is intense competition among mail order office supply companies. They send out catalogs offering discount office supplies and provide numbers, no-hassle returns, and immediate credit. Does it really make sense for a purchasing department to handle routine office supply purchases for an entire organization when economies of scale are minimal? Many organizations require their employees to fill out a form for routine office supply purchases, have the forms approved by someone else, and then submit the form to a purchasing department for processing. Simply permitting departments to have an office supplies budget and authorization to purchase their own office supplies from pre-approved discount supply houses is a form of business process reengineering. A third principle is that those in the organization who collect information should also be the ones who process it. For example, when the public relations department wants to send out its newsletter to a mailing list, it should be able to generate the mailing labels itself rather than having to make a request to a data processing department. Fourth, Hammer suggests that organization resources that were decentralized should be treated as centralized, utilizing information technology to bring them together. A college with several

satellite campuses, for example, could link its bursars so that a student making a payment at either the main office or a satellite campus would have the payment show up in the records of the registrars of all of the campuses. Fifth, disparate parts of an organization should be electronically linked to promote coordination. Sixth, let those who perform the work make the decisions, thereby flattening the pyramidal management layers and eliminating the bureaucracy and delay that slows down a decision-making process. Seventh, use relational databases and other technology to collect and store information only once, eliminating both redundancy and error. Many see it as an evolution of TQM rather than a repudiation of it. As pointed out in a book by T. TQM, for example, provides for incremental improvement, while BPR results in radical, discontinuous improvement. TQM involves all organizational employees and requires commitment from the bottom up, while BPR typically is a top-down management initiative. TQM involves moderate risk to the organization, but BPR involves high risk although proponents recommend that a trial run of the process occurs before completely replacing an existing process. TQM utilizes statistical process control to enable workers to judge when to intervene in a process, while BPR utilizes the benefits of information technology to empower workers. According to a article by Dr. He attributes this to three reasons: Indeed, BPR is viewed by many workers as a euphemism for organizational downsizing, since most BPR projects have as goals the elimination of layers of management and other workers. BPR suggests a radical and dramatic change in business processes. Employees are empowered to do jobs once performed by several, assisted by information technology. Why do efforts fail? Hammer and his colleagues say that there is one major underlying factor: Generally, BPR often enables a single person to perform all of the steps in a process by using information technology. One byproduct of BPR is that the need for many employees may be eliminated. This saves a lot of money for organizations. And it has the consequence of terrorizing a workforce. Organizations have invested heavily in finding and retaining these employees, and it is good business sense not to squander this resource. From a non-profit organization perspective, humanizing the BPR process is consistent with values of non-profit organizations. Even for-profit companies that have reorganized find it to be good business to treat their employees humanely, and minimize the pain and suffering that often accompanies BPR efforts. Summarizing some of the more popular strategies, a BPR implementation plan should include” 1. Larry Kennedy Non-profit management consultant Dr. Larry Kennedy, author of Quality Management in the Nonprofit World, was introduced to quality management during his many years in the aerospace industry. Prior to becoming a consultant, he held responsible management positions with the National Aeronautics and Space Administration, a federal government leader in the development and implementation of system-wide quality management. He served as an assistant pastor of the church to which Philip Crosby, one of the founders of the TQM movement, belonged, and was hired by Crosby to manage his philanthropic contributions.

**Chapter 5 : Business process reengineering - Wikipedia**

*Reengineering Your Nonprofit Organization* by Alceste T. Pappas, , available at [Book Depository](#) with free delivery worldwide.

Chapter 1 Introduction to Quality Improvement Many of those who govern and manage non-profit organizations are increasingly finding their organizations subject to many of the same economic pressures as their for-profit counterparts. Their operations often resemble their for-profit competitors in both organizational structure and corporate culture. They are increasingly led by those trained in business rather than social work, and their mentality and style of administration often reflects this. One can often find health clubs, hospitals, schools, nursing homes, and day care centers—both for-profit and non-profit—competing for clients on an equal basis within communities. Quality of service is often even more important in a decision, and those non-profits that offer high-quality products and services obviously have a competitive edge. Except under unusual circumstances, it is unlikely that another organization will sprout up to directly challenge one of these. It would be easy to jump to the conclusion that having a monopoly of this nature would mean that quality and performance are not as important as they are to those with direct, head-to-head competition for providing a particular product or service. Nothing can be further from the truth. Quality is important to all non-profit organizations, and none is immune from the consequences of neglecting quality. Charities rely on loyal customer support. Even if a non-profit is not involved in direct economic competition, there is substantial competition for things that indirectly affect the viability of organizations. Among them are—

1. Competition for government and foundation grants. Most charitable non-profits depend on grants to supplement any client fees they receive. Foundations are acutely aware of organizations with poor reputations with respect to skimping on service quality. No one wants to be associated with such an organization. It is no wonder that first-class organizations often have little trouble attracting funding, because everyone wants to be associated with them. Competition for private donations. Would you make a donation to a charity that had a reputation of treating its clients like animals? Unless that organization is the SPCA, you are more likely to look elsewhere for finding a charity worthy of your donation. Competition for board members. Why would anyone want to serve on a board of a second-class non-profit and risk being condemned or otherwise embarrassed by the media, the political hierarchy, and clients? There are only so many skilled, committed civic leaders in each community who are willing to donate their time and expertise to serve on non-profit boards, and it is clearly not attractive to serve on the board of a charity with a reputation for having poor quality. What can be said for board members goes double for service delivery and other volunteers. No one wants to be associated with an organization with a reputation for poor quality. Many volunteers see their volunteer work as a springboard for a career, and volunteering for a pariah in the community does not serve their interests. The media play an important role in helping a non-profit charity promote its fundraising, encourage clients to utilize its services, and improve employee morale. Poor quality can result in the media ignoring an organization or, worse, highlighting its shortcomings for the entire world to see. Competition for legislative and other political support. Non-profit charities have benefited from the support of political leaders, directly through the provision of government grants, and indirectly through the provision of favors such as cutting government red tape and legislation solving the problems of the agency and those of its clients. Competition for qualified employees. Particularly during the current climate of low unemployment, quality non-profits find that they have less employee turnover and find it easier to attract employees to fill vacancies and for expansion. The consequences of having poor quality, or the reputation public perception of having poor quality, can result in the board of directors throwing up its hands and deciding to liquidate the organization. Or, in extreme cases, having the government step in and liquidate the organization. Imagine the aftermath of a child care agency that failed to perform a quality background check on an employee who later was found to be a child abuser. Or the hospital that failed to adequately verify that a staff member it hired was adequately board-certified. As pointed out by Dr. Quality and community benefit are inextricably linked. In , a scandal affected international agencies that raise funds for child welfare. Who knows how many millions of dollars will not be contributed to these

agencies because some agency official did not feel it was important to inform donor sponsors that their sponsored child had died several years ago? With a public already conditioned as a result of the United Way of America scandal and the New Era Foundation scandal to be wary about charities, non-profits need to be more vigilant about not only quality issues affecting the delivery of direct service, but about those that affect fiscal accountability as well. The cost of quality, or the lack thereof, often exceeds what is perceived to be saved by neglecting quality. Read the newspapers and you can find many examples of the consequences of poor quality in non-profit organizations. Owners of personal care boarding homes have failed to see the value of installing sprinkler systems and, as a result, have seen the loss of life and of their properties. Doctors have mistakenly removed the wrong kidney from a patient. Hospital maternity ward staff have given the wrong newborn to the wrong parents. The ramifications far exceed the financial loss and loss of prestige to the organization—human suffering for the clients and potentially huge, successful lawsuits against the non-profit organization as a result of a preventable lapse in quality-related policies. It means having a newsletter without typographical errors. It means having an attractive, periodically updated Web site. It means spelling the names of donors correctly in substantiation letters. It means delivering on promises made to legislators for follow-up materials. It means assuring that each board member has the information necessary and appropriate to make governing decisions. It means that volunteers know in advance what is expected of them. And for those that deliver direct human services, it means, among other things—

a. The quest for quality improvement in organizations has been the subject of intense research. Every few years or so, a potentially transformational way of improving management outcomes—either in government or business and industry—is touted in academic journals, professional publications, and, eventually, in the popular press. Each is accompanied with its own statistical and software tools, lingo, culture, and hype. With each new program, a myriad of organizational consultants appear from nowhere, each hawking expertise and promising Nirvana—selling workshops, workbooks and computer software, and definitely improving their own organizational outcomes, if not those of their deep-pocketed clients. For many reasons that may not be completely known without further empirical research, some of these new concepts once extolled and ballyhooed as chemistry eventually become stale and are relegated to alchemy. Managers who once swore by these techniques come to swear at them. Perhaps each technique was grounded in valid theory, but when implemented over time, serious unintended consequences developed that could not be foreseen by their creators. Chapter 2 provides an introduction to TQM. He is in a position to know. Geiger is on the front lines of defending the interests of the non-profit sector, having served as the executive director of the Pennsylvania Association of Non-Profit Organizations PANO since The purpose of PANO is to monitor the opportunities and threats to the charitable non-profit sector in Pennsylvania arising through government. The organization provides coalition-building leadership to address such issues and serves as a resource to elected officials. As the principal spokesperson for charitable interests in Pennsylvania, Geiger has weathered the storms created by non-profit scandals at the state and national levels the now-defunct New Era Foundation was headquartered in Radnor, Pennsylvania, and he believes that the sector is primed for changes in how it views its role in society. He has witnessed firsthand the quality improvement revolution, and thinks that non-profits have a lot to learn from their for-profit counterparts. Some do quality improvement instinctively. Some are more formal in the approach as witnessed through agendas for board retreats and ongoing training. Geiger maintains that quality issues are important largely because non-profit organizations need efficiency, they need to treat people correctly, and they have to be accountable to their funding streams. High quality is imperative for PANO to attract the funding necessary to flourish and attract additional members. We send out feelers to collect opinions on public policy issues, what types of speakers members want for the annual conference, and other miscellaneous requests. PANO conducts weekly staff meetings with ongoing computer software training and program training. An organizational consultant comes in monthly to assist staff with projects. The consultant reviews what staff is doing and assesses how it is consistent with retreat goals. The same consultant facilitates the annual board and staff retreat. Geiger asserts that quality improvement should be high on the agenda of every non-profit organization. It also gives an opportunity to fix inevitable mistakes. I believe the attention paid to hiring an executive director with a strong experiential background has also made a difference. The resulting hiring of

quality staff ensures quality in operations and programming.

**Chapter 6 : Process Redesign & Reengineering - theinnatdunvilla.com**

*Nonprofit organizations follow many of the same best practices as for-profit organizations. This is because best practices largely have to do with good governance. Best practices for nonprofit boards include sound practices for board development, succession planning, legal responsibilities, liabilities and handling conflicts of interest.*

Ongoing continuous improvement The aspects of a BPM effort that are modified include organizational structures, management systems, employee responsibilities and performance measurements, incentive systems, skills development, and the use of IT. BPR can potentially affect every aspect of how business is conducted today. Wholesale changes can cause results ranging from enviable success to complete failure. If successful, a BPM initiative can result in improved quality, customer service, and competitiveness, as well as reductions in cost or cycle time. One department may be optimized at the expense of another Lack of time to focus on improving business process Lack of recognition of the extent of the problem Lack of training People involved use the best tool they have at their disposal which is usually Excel to fix problems Inadequate infrastructure Overly bureaucratic processes Lack of motivation Many unsuccessful BPR attempts may have been due to the confusion surrounding BPR, and how it should be performed. Organizations were well aware that changes needed to be made, but did not know which areas to change or how to change them. As a result, process reengineering is a management concept that has been formed by trial and error or, in other words, practical experience. As more and more businesses reengineer their processes, knowledge of what caused the successes or failures is becoming apparent. Otherwise, BPR is only a short-term efficiency exercise. Significant changes to even one of those areas require resources, money, and leadership. Changing them simultaneously is an extraordinary task. Since BPR can involve multiple areas within the organization, it is important to get support from all affected departments. Through the involvement of selected department members, the organization can gain valuable input before a process is implemented; a step which promotes both the cooperation and the vital acceptance of the reengineered process by all segments of the organization. Getting enterprise wide commitment involves the following: Before any BPR project can be implemented successfully, there must be a commitment to the project by the management of the organization, and strong leadership must be provided. However, top management commitment is imperative for success. By informing all affected groups at every stage, and emphasizing the positive end results of the reengineering process, it is possible to minimize resistance to change and increase the odds for success. The ultimate success of BPR depends on the strong, consistent, and continuous involvement of all departmental levels within the organization. This team will form the nucleus of the BPR effort, make key decisions and recommendations, and help communicate the details and benefits of the BPR program to the entire organization. The determinants of an effective BPR team may be summarized as follows: Team members who are selected from each work group within the organization will affect the outcome of the reengineered process according to their desired requirements. The BPR team should be mixed in depth and knowledge. For example, it may include members with the following characteristics: Members who do not know the process at all. Members who know the process inside-out. One or two members of the best, brightest, passionate, and committed technology experts. Members from outside of the organization [19] Moreover, Covert recommends that in order to have an effective BPR team, it must be kept under ten players. If the organization fails to keep the team at a manageable size, the entire process will be much more difficult to execute efficiently and effectively. The efforts of the team must be focused on identifying breakthrough opportunities and designing new work steps or processes that will create quantum gains and competitive advantage. Too often, BPR teams jump directly into the technology without first assessing the current processes of the organization and determining what exactly needs reengineering. In this analysis phase, a series of sessions should be held with process owners and stakeholders, regarding the need and strategy for BPR. These sessions build a consensus as to the vision of the ideal business process. They help identify essential goals for BPR within each department and then collectively define objectives for how the project will affect each work group or department on individual basis and the business organization as a whole. The idea of these sessions is to conceptualize the ideal

business process for the organization and build a business process model. Those items that seem unnecessary or unrealistic may be eliminated or modified later on in the diagnosing stage of the BPR project. It is important to acknowledge and evaluate all ideas in order to make all participants feel that they are a part of this important and crucial process. Results of these meetings will help formulate the basic plan for the project. This plan includes the following: The business needs analysis contributes tremendously to the re-engineering effort by helping the BPR team to prioritize and determine where it should focus its improvements efforts. This linkage should show the thread from the top to the bottom of the organization, so each person can easily connect the overall business direction with the re-engineering effort. This alignment must be demonstrated from the perspective of financial performance, customer service, associate value, and the vision for the organization. There is always a possibility that an organization may make significant investments in an area that is not a core competency for the company and later outsource this capability. Such reengineering initiatives are wasteful and steal resources from other strategic projects. These are vital factors that contribute to building an effective IT infrastructure for business processes. An effective IT infrastructure composition process follows a top-down approach, beginning with business strategy and IS strategy and passing through designs of data, systems, and computer architecture. IT strategic alignment is approached through the process of integration between business and IT strategies, as well as between IT and organizational infrastructures. Walmart, for example, would not have been able to reengineer the processes used to procure and distribute mass-market retail goods without IT. Ford was able to decrease its headcount in the procurement department by 75 percent by using IT in conjunction with BPR, in another well-known example. This, in turn, is determined by the types of activities embedded in a business process, and their sequencing and reliance on other organizational processes. As a result, there are many factors that prevent the effective implementation of BPR and hence restrict innovation and continuous improvement. Change management, which involves all human and social related changes and cultural adjustment techniques needed by management to facilitate the insertion of newly designed processes and structures into working practice and to deal effectively with resistance, is considered by many researchers to be a crucial component of any BPR effort. One of the most overlooked obstacles to successful BPR project implementation is resistance from those whom implementers believe will benefit the most. Most projects underestimate the cultural effect of major process and structural change and as a result, do not achieve the full potential of their change effort. Many people fail to understand that change is not an event, but rather a management technique. Change management is the discipline of managing change as a process, with due consideration that employees are people, not programmable machines. An important step towards any successful reengineering effort is to convey an understanding of the necessity for change. Organizational culture is a determining factor in successful BPR implementation. Culture in an organization is a self-reinforcing set of beliefs, attitudes, and behavior. Culture is one of the most resistant elements of organizational behavior and is extremely difficult to change. BPR must consider current culture in order to change these beliefs, attitudes, and behaviors effectively. Messages conveyed from management in an organization continually enforce current culture. Change is implicitly driven by motivation which is fueled by the recognition of the need for change. The first step towards any successful transformation effort is to convey an understanding of the necessity for change. Implementing BPR successfully is dependent on how thoroughly management conveys the new cultural messages to the organization. People should be the focus for any successful business change. BPR is not a recipe for successful business transformation if it focuses on only computer technology and process redesign. In fact, many BPR projects have failed because they did not recognize the importance of the human element in implementing BPR. Understanding the people in organizations, the current company culture, motivation, leadership, and past performance is essential to recognize, understand, and integrate into the vision and implementation of BPR. If the human element is given equal or greater emphasis in BPR, the odds of successful business transformation increase substantially. BPR is a successive and ongoing process and should be regarded as an improvement strategy that enables an organization to make the move from traditional functional orientation to one that aligns with strategic business processes. It is essential that the automation infrastructure of the BPR activity provides for performance measurements in order to support continuous improvements. It will need to efficiently capture appropriate data

and allow access to appropriate individuals. To ensure that the process generates the desired benefits, it must be tested before it is deployed to the end users. If it does not perform satisfactorily, more time should be taken to modify the process until it does. A fundamental concept for quality practitioners is the use of feedback loops at every step of the process and an environment that encourages constant evaluation of results and individual efforts to improve. This will also contribute to a continuous risk assessment and evaluation which are needed throughout the implementation process to deal with any risks at their initial state and to ensure the success of the reengineering efforts. Anticipating and planning for risk handling is important for dealing effectively with any risk when it first occurs and as early as possible in the BPR process. Hammer and Champy use the IBM Credit Corporation as well as Ford and Kodak, as examples of companies that carried out BPR successfully due to the fact that they had long-running continuous improvement programs. However, in order to achieve that, there are some key success factors that must be taken into consideration when performing BPR. BPR success factors are a collection of lessons learned from reengineering projects and from these lessons common themes have emerged. In addition, the ultimate success of BPR depends on the people who do it and on how well they can be committed and motivated to be creative and to apply their detailed knowledge to the reengineering initiative. Organizations planning to undertake BPR must take into consideration the success factors of BPR in order to ensure that their reengineering related change efforts are comprehensive, well-implemented, and have minimum chance of failure. Some prominent reasons include: Reengineering assumes the need to start the process of performance improvement with a "clean slate," i. According to Eliyahu M. Others have claimed that reengineering was a recycled buzzword for commonly-held ideas. Abrahamson argued that fashionable management terms tend to follow a lifecycle, which for Reengineering peaked between and Ponzi and Koenig They argue that Reengineering was in fact nothing new as e. The most frequent critique against BPR concerns the strict focus on efficiency and technology and the disregard of people in the organization that is subjected to a reengineering initiative. Very often, the label BPR was used for major workforce reductions. Thomas Davenport, an early BPR proponent, stated that: But the fact is, once out of the bottle, the reengineering genie quickly turned ugly. I was reflecting my engineering background and was insufficient appreciative of the human dimension.

**Chapter 7 : Reengineering Your Nonprofit Organization : Alceste T. Pappas :**

*A hot topic in the business world, reengineering is the radical redesign of an organization's processes, structure, and culture. The realities of the nonprofit world are not all that different from those of the corporate world.*

This reliance on information technology make it important to have a well thought out strategic plan for your IT department. This would clearly mean delivery of additional IT equipment, perhaps re-thinking how desktop support is handled and negotiating for internet and potentially other services in unfamiliar markets. It might also mean that the license levels of certain necessary software will need to be raised and that in turn may prompt a re-examination of whether that software is still the best, most economical solution to the problem. There may be processes that are currently manual which cannot be done manually at the greater volumes and so need a new solution involving greater support from technology. And linear growth is a very simple change if the future plan includes offering new services, collaborating with new partners or working with new funders, the potential impact on IT becomes much more complex. For example if the development team is planning on switching to a new grant management system at the same time as the programs team is launching 3 new services with associated data collection and reporting needs, the IT team may find itself unable to support both efforts simultaneously and the effectiveness of the organization may be compromised. This clarification can only be helpful to the organization. To plan and prepare for large investments Money is always tight in non-profits, and money for non-programmatic expenditures is hard to find and harder to justify. Not only does this help prevent nasty surprises in the form of unbudgeted expenses, but it also allows for the burden of these expenses to be spread across multiple budget years or at least to prevent them all hitting at once. For example if a new software system requires a significant investment, this can be planned for a different budget year than the year when all the server equipment needs to be replaced because it is at end of life. This is smart not only from a cash outlay perspective but also from financial statement perspective. These scores are used by individuals as an indicator of a nonprofit organizations efficiency and therefore determines for some donors the degree to which the organization is deserving of their money. To keep abreast of new technologies Even if the organization you work for plans to do the same as it has always done, at the same size and in the same way, there is still an ever changing technology landscape that should be planned for. New technologies arrive and mature at an ever accelerating rate and allow us to do things faster, cheaper, more accurately or just plain differently. A thoughtful strategic IT plan will take a look at emerging technologies and trends and anticipate when these technologies may be beneficial or even necessary for the organization to adopt or embrace. While your nonprofit may not have a desire to be a first mover in new technology, there will come a point when new ways of doing things simply HAVE to be adopted if the organization is to stay relevant imagine a fundraising organization which still did not engage in email marketing! Some nonprofits have gained significantly from aggressively adopting new technologies such as text-to-donate, while others prefer to wait until technologies are well established and stable before adopting them. Either way, they need to be on the radar and examined regularly to see if the time or technology maturity is right. When looking at these future technologies, it is useful to have an agreement at the senior management and board level as to the appetite for innovation and tolerance for risk. A written statement of guiding principles or a general philosophy regarding technology adoption can act as a guide when deciding whether to seriously investigate, pilot or implement new technologies. To raise money for technology investment All nonprofits struggle to find money to finance non-program activities. However, there is a growing awareness among some funders that investing in operational efficiency and effectiveness can greatly improve the long term success of organizations. This represents a potentially untapped source of revenue for organizations which can present a clear and cohesive long term plan, with business cases and rationales behind specific investments that need to be made. For example, a clear and compelling analysis that shows a long term cost saving plus improved communications by implementing VOIP technology across international offices may convince a funder to finance the implementation project as a one-time investment. Perhaps this would otherwise have been funded from general unrestricted operating monies, denying some other worthwhile project. In all cases, a thoughtful

and articulate strategic IT plan can help to paint a picture of a competent operating organization and increase general confidence, leading to greater giving. Without this long term backdrop i. The IT team will have a pretty clear and unambiguous prioritized list of what they are expected to achieve and therefore a good idea what they should be working on. The stakeholders will have transparency into what the IT team is working on, and perhaps why they cannot respond to what seems like a small additional request. Most of all the organization will have a much higher chance of achieving the long term objectives without nasty IT surprises or obstacles along the way.

### Chapter 8 : What Does Reengineering an Organization Mean? | [theinnatdunvilla.com](http://theinnatdunvilla.com)

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### Chapter 9 : Write your Nonprofit Bylaws - Sample Bylaws | Nonprofit Ally

*Editors' note: This article is adapted from "The Price of Doing Good: Executive Compensation in Nonprofit Organizations," an article by the authors published in the August issue (volume 29, issue 3) of Policy and Society, an Elsevier/ ScienceDirect publication. (The original report can be.*