



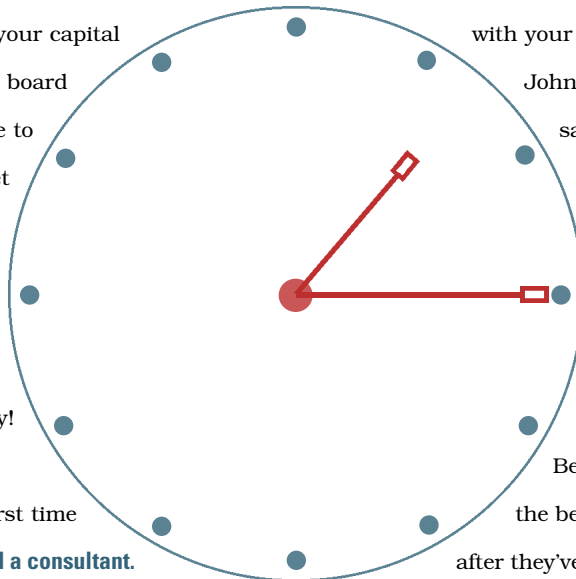
A Catalyst for Community Health

The Right Stuff:

Using Consultants to Build Organizational Capacity

It's 1:15 a.m. You're burning the midnight oil because you have to **rewrite** the budget for your capital campaign before tomorrow's board meeting (today's meeting, come to think of it). **If only** you'd never let that well-meaning board member's friend set up your organization's computer system, you might not have **lost vital data** when the system **crashed** yesterday!

If only you'd done it right the first time and **hired a consultant.**



Of course, **finding** a qualified consultant who's a good fit with your nonprofit and who **doesn't charge** Johnnie Cochran's hourly rate is easier said than done. But with a little **preparation**, clear objectives and careful consideration, you'll avoid outsourcing pitfalls and **maximize** the value of your consulting dollars to **expand** organizational capacity.

Best of all, you and your staff will **reap** the benefits of **consultants' expertise** long after they've **finished** their work. ■

A Way of Life

In this issue of Community Connect, we explore the subject of using consultants in a nonprofit setting: the why, how, where, when – and even the so what – of getting the most out of a consulting relationship to improve your bottom line.

The increasing use of consultants is standard practice in today's business world. Outsourcing – contractual relationships with a wide range of consulting organizations and providers of specialized knowledge and services – provides the kind of flexibility and financial incentives companies need in an increasingly ad hoc, just-in-time world of shifting consumer demand and business alliances.

But using consultants is more than just a growing trend in nonprofit organizations, which often don't have the financial and staff resources for functions like IT (information technology), accounting, fund development, strategic planning and the like. When you have a staff of four people and a volunteer board, consultants are a way of life. They allow you to become more effective without making a long-term commitment you might not be able to afford.

The trick is to find and retain consultants with "The Right Stuff" for your special situation. That's what this issue is about.

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Do You Need a Consultant

The first step is to determine whether you need a consultant in the first place:

- **Honestly assess your organization's resources.**

These include staff's knowledge and skill sets, as well as financial and structural resources. If something needs to get done, and you don't have the internal resources for it, consider a consultant.

- **Consider the time factor.** According to Brad Harper, president of Scottsdale-based Trigon Executive Assessment Center and a consultant since 1983, "You may have the [internal] resources, but no staff time due to other issues you're facing."

- **Look at your organization's history.** You may have staff working on the problem, but the needle hasn't moved. Sometimes a consultant can help get you over an impasse, whether it's technical, structural, financial or managerial in nature.

- **Ask the "perception question."** Would it be helpful to have someone from outside the organization tell your board something you already know? "Sometimes you need a consultant just to 'certify' that what your staff or volunteers are saying is correct," says Jerry Balsler, a consultant with 30 years of experience working with and for nonprofits. "Because a consultant is from outside your organization, his recommendation often seems to carry more weight and can help the organization get moving." Politics can be a factor as well. The CEO may use up too much political capital by leaning hard on a particular issue. A consultant can be helpful here.

- **Consider whether your organization is too vested in the outcome.** Luz Sarmina-Gutierrez, president and CEO of Valle del Sol, says consultants are helpful because they don't have a vested interest in the organization. Valle del Sol uses consultants for strategic planning, about once every 18 months. "They don't care about the outcome, which provides a more objective session," she says. Another factor is her role during the planning meeting itself. "I want to be a participant, but I don't want to drive the whole process." ■

Finding the Right Consultant

Finding the right consultant is as complicated as you make it. For a simple job, your search and selection process might be as easy as picking up the phone and getting a referral from a trusted colleague. For complicated or lengthy projects, a request for proposal (RFP) process might be necessary.

Ask – Then Verify

The best way to learn about potential consultants is to ask your peers and board members. Many of them have been down the same road and can recommend specific consultants in your area, or know people who can. Also, don't make your selection in a vacuum, says Michelle Keel, executive director of Parents Anonymous.

"I would encourage nonprofits to make sure their board members are involved in making final selections," says Keel. "If you're in doubt, don't work in isolation. Ask your board to help interview or be part of the process of bringing on a consultant."

Be careful about using a consultant without a referral from a trusted source. In addition, don't hire somebody who can't provide references for specific project experience similar to the job you need done. If possible, make sure the consultant has experience working with nonprofits and their special needs.

"The term 'consultant' often is a euphemism for 'well, you know I'm out of work and I'm looking for something to do,'" says Brad Harper. "If they're three months into [working as a consultant] you might be a little suspect."

Word of Mouth

Good consultants don't need to do a lot of marketing. Word of mouth helps spread their reputation for excellence, and referrals are a major source of new business as well as repeat business. "Word of mouth gets around," says Keel. "People know who's good in what areas and which consultants should be on a short list."

Foundations can also offer help finding consultants.

"Many times I've looked to foundations that have supported our organization for their input on who they think is good at what we're specifically looking at doing," says Michelle Moorhead, executive director at Teen Lifeline.

Depending on the project's scope and size, consider a bid process, says Moorhead. "When we decided we wanted to get a consultant, we had several people put together proposals with the criteria 'this is what we're looking for; what is it that you're going to teach us and in what timeline?'"

Moorhead also recommended taking advantage of programs like SLHI's technical assistance partnership (TAP), where agencies are grouped with other nonprofits that want to learn how to do the same thing.

"You get a consultant who walks you through the process, as opposed to just coming in and doing it for you," Moorhead says. "They are actually training you how to do it so that you can sustain whatever it is that you're doing down the road."

Moorhead says Teen Lifeline has participated in two different TAP programs. "The nice part about TAP is that it also creates a support system for you so that when the consultant is gone, there are people that you can pick up the phone and call and say 'I'm having a problem with this,' or ask 'have you run into this?' because they have already gone through the process with you."

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Associations

If you can't get a direct referral, consider trade associations as another source for qualified consultants. Associations like the Institute of Management Consultants and the Association of Fundraising Professionals can refer members. Another resource is accreditation bodies.

Linda Volhein, executive director of Florence Crittenton Community Services, secured strategic planning help through the Child Welfare League of America. As an accredited member, her organization is entitled to a certain number of consulting days each year. Even so, Volhein interviews the consultants before making a hiring decision.

"With consultants from the League, I usually fly them out here first," says Volhein. "I won't turn them loose on my board until I've actually met them, and I'm sure that they know what I need from them."

It's All About Chemistry

Once you've found a consultant who can do the job, it's vital to ensure he or she has a good rapport with you and your staff, especially if the job is high profile and/or could be a lengthy engagement. Personalities and philosophies that mesh well create healthier, more productive working relationships. On the other hand, individuals who have conflicting agendas or character traits will hinder your work and eat up a lot of 'psychic energy,' as one consultant put it.

"Good chemistry is critical," says Balser. "Once you're satisfied somebody is technically competent, spend some time with them to find out how easy they are to work with." Hildy Gottlieb, president of Help For Nonprofits and Tribes, says chemistry is not just rapport; it's also how the

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consultant approaches a job. “There’s a difference between a consultant who is really helping the organization as a whole to get better, versus simply a technician,” she says. “One of the questions that I would add to an interview list is: Does the consultant do for his own practice what he’s recommending for the client?”

In addition, a consultant who understands and believes in your organization’s mission can make all the difference, according to Moorhead.

“If the consultant truly seems to understand what it is that you’re doing, and they really ‘get it,’ it makes the work that you have to do in a nonprofit much easier because you don’t have to try to sell what you’re doing,” says Moorhead. “If they already understand that what you’re doing is valuable, you can focus on whatever it is that you’re trying to learn.

“I think it also makes [consultants] more willing to be flexible, because if they care a lot about what’s at stake, then they’re more willing to work with you to ensure that what you get is really what you want.”

A Matter of Ethics

Like chemistry, ethical considerations are an important part of the agency/consultant relationship. One request the agency should make up front is a list of other clients for which the consultant works. Do any of those customers pose an inherent conflict of interest?

Gottlieb recommends printing out the code of ethics of the Association of Fundraising Professionals (www.nsfre.org/) for use in developing interview questions for consultants.

“When an agency is creating a questionnaire for hiring a consultant, in terms of ethics the thing to focus on is what they are worried about,” she says. “And the things that they’re worried about are the things they should ask about.”

Gottlieb warns nonprofits not to be intimidated by consultants. Instead, interview consultants as you would a potential staff member.

Balser agrees. “Ask [consultants] if they belong to professional societies and if they follow its code of ethics,” says Balser. “The hiring nonprofit ought to familiarize themselves with that code of ethics, so if the consultant suggests things outside the code, then they know that.”

Confidentiality is Key

For many nonprofits, confidentiality is an ethical priority. Stephie O’Neill, executive director of Scottsdale Prevention Institute, makes all consultants sign a confidentiality agreement as a standard practice.

“Our rules of confidentiality apply to anybody who works here,” says O’Neill. “Consultant or volunteer, it doesn’t matter. We outline that up front. Even if the person will have no direct contact with our kids or families, they still have to abide by the rules for confidentiality.”

“Confidentiality is a major concern,” agrees Sarmina-Gutierrez, especially when it comes to fundraising. Valle del Sol typically does one major fundraiser each year so she wants the event to be unique and worries about others copying her organization’s ideas.

“It’s a competitive business we work in,” she says. “That motivates me for wanting [the event] to be really great, and I don’t need the whole world knowing what my game plan is.”

“In terms of fundraising, if our board of directors has given the consultants some names of potential donors, we would certainly expect those names to not be shared with any other client,” says Keel, who adds that confidentiality goes both ways. “Likewise, if the consultant gave us the names of some people she was pursuing for potential funds, she wouldn’t want these people’s names put in our board minutes.” ■

A Little Levity:

The Contrarian Definition of a Consultant

Someone who dispenses advice for money at least 30 miles from home. Someone who prescribes a course of action but doesn’t have to stick around to face the consequences of following it. Anybody who is unemployed and needs to put something on a resumé. ■

SO WHAT?

Consultants:

SLHI uses consultants regularly. Until recently, we outsourced our accounting function through a long-term contract with a CPA consultant. We've used consultants for strategic planning, information technology, meeting facilitation, investment policy, insurance, program evaluation, health assessment studies – we even use consultants to write and design this publication.

So what have we learned? Here's a slightly skewed take on consultants:

- Consultants are easier to hire and fire than employees. Plus you don't have to provide them with benefits. With proper oversight, they're cost effective and efficient.
- The quality of consultants can vary hugely. Let the buyer beware, as we've learned the hard way.
- Using board members for consulting expertise is not a good idea. Using board members for ideas and contacts is a good idea.
- Yes, finding good consultants is primarily word of mouth, but it's also a function of solid research. Don't skimp on background research and references.
- The trick to a good consulting experience is to specify exactly what the scope of work is, who's going to do what, the nature of the deliverable(s), timeline, cost and regular reporting. Where we've been burned, it's been our own fault for not paying attention to the details.
- Consultants will go away, but you won't. Use consultants, but understand that you're the one who's ultimately hanging on the line if things don't work out.
- Consultants can be strategically useful. If the board has to kill someone, let it be the messenger, not you.
- Good consultants are worth their weight in gold. Long-term consultants are part of the family, and we treat them as such. ■

Bang for the Buck *Getting the Most from your Consultant*

So, you've found the perfect consultant for that organizational development project. How do you ensure your expectations and the consultant's are the same? How best to negotiate payment? And when it's all over, how can you be sure you got your money's worth?

Follow these tips to maximize the value of your consulting relationships:

- 1. Get it in writing.** Use as many quantifiable benchmarks as possible. Make sure you and the consultant agree up front on goals and objectives, budget, timelines, performance measures, deliverables and confidentiality terms.
- 2. Manage expectations.** Yours and theirs. Will consultants have direct access to your board and staff, or must they work through you? If the consultant is from a large firm, will the person who "sold" you the services be performing the actual work, or will a junior team member do it?
- 3. Negotiate a sensible fee-structure.** Find out if the consultant offers a nonprofit rate. Want a fixed cost? Pay by the project. If you pay hourly or daily, be sure to put a cap on fees. Make sure you know if you will be paying for travel time, transportation, food, lodging, telephone expenses, etc. Fees for these items vary greatly from one consultant to the next.
- 5. Be flexible.** Projects can and do evolve. Decide on the project's scope of work, but recognize when that scope changes. Gain consensus on new objectives and fees if the project becomes a moving target. Consider a built-in assessment period, such as a quarterly review on an annual contract, to ensure both parties are happy.
- 6. Be prepared.** The more organized you are, the more efficient the consulting engagement will be. This is especially important if you're paying by the hour.
- 7. Get buy-in.** Unnecessary delays or even stonewalling can occur due to lack of information or hurt feelings. Make sure your board and staff understand and embrace the work you've asked the consultant to do.
- 8. Evaluate.** Did the consultant's work exceed your expectations? Has the experience increased organizational capacity? Consider an "exit interview" with the consultant to gain perspective on your organization's strengths and weaknesses. Share these valuable external assessments with your board and staff. ■

A Slippery Slope: Consultants vs. Board Members

Organizations that are strapped for cash may consider asking board members to volunteer their time to handle duties that staff aren't able to do. Your board may have access to experts who can provide everything from information technology (IT) counseling to legal advice.

"Some of our board members were really helpful in getting IT [information technology] people from their company to work with us," says Michelle Keel, executive director of Parents Anonymous. "That's a good use of your board, particularly those in bigger corporations, to get their internal support."

"Our board has been helpful in getting pro bono consultants to work with us. I think that's another good role to use, where the board finds consultants to donate their time," Keel added.

The Balance of Power

However, some say using board members in place of consultants may not always be appropriate.

"The board's job is to lead the organization," says Hildy Gottlieb, who heads up Tucson-based Help For Nonprofits. "By asking the board to do what is in essence free staff work, you're asking them to micromanage."

Gottlieb says the situation can sometimes throw off the balance of power on a board, because the board member who is helping out may be seen to know more about the organization. This "prestige factor" can make that board member's input carry more weight than perhaps it should, she says.

Not an Expert

Stephie O'Neill, executive director at Scottsdale Prevention Institute, discusses a different experience.

"I think it's fine to use the expertise on your board," she says. "One of our computer consultants we have on retainer was referred by a board member who consulted with us about technology. When we wanted more work done, we asked who he recommended."

O'Neill concedes it's not always a perfect arrangement. "If the board member is a volunteer, they can do a lot to help you. It works okay, but then there may be a time they should not be involved," she says.

"The problem can be when somebody thinks they are an expert and they're not. They may be trying to be helpful in a well-meaning way, but you may not want that."

That's a scenario Bob Hoyt has seen all too often. Hoyt, who is president of Computer Support Group and has also served on several nonprofit boards, says well-meaning board members might cause more problems than they solve.

"Many times nonprofits have board members that have some connection to the IT field. They'll come in and either micromanage or find a cheaper way to do it," he says. Hoyt says jury-rigged software solutions intended to save money are common, but often cost more in the long run because they don't have the support, features and ease of use of professionally designed software.

"The situation is easily avoided," Hoyt says, "because software publishers such as Microsoft give away millions of dollars in software to nonprofits every year. Corporate IT workers aren't likely to know that."

Bottom line: "The lines need to be drawn between being a board member and the duties of a board member versus a staff person," says Hoyt.

Besides information technology, free legal help is often available through board members who are attorneys. Tread carefully here, says Gottlieb. "If an attorney is on the board of directors and providing legal assistance to that organization, that attorney has an inherent conflict of interest," she says. "Also, it is rare to find an attorney that understands nonprofit law. There are very few of them. We highly recommend that folks do not recruit board members for that purpose. If you need expertise, hire the best you can get."



The Expert Board Member

But what if you have a board member who really is an expert at something you need done?

“I think it can get sticky if you’re utilizing people on your board to be consultants, especially if there’s money that’s changing hands,”

says Michelle Moorhead, executive director at Teen LifeLine. “If the person on the board is willing to volunteer their time to assist you, I think that is probably less of a conflict.”

Moorhead recommends that if you are looking for services that an organization typically would pay for, you should look outside the organization and hire a consultant. Board members can then be used to guide the selection of the consultant or to advise staff if they have questions about project management.

“When it’s a matter of training or something that the board needs to be involved in, I think it’s smart to go outside of that group and maybe to involve [the board member] in the process on a committee,” she says. “Then it’s just clear on what it is everybody is doing.”

The Cost of Free Help

Joyce Millard-Hoie, executive director of Raising Special Kids, said using the board for pro-bono work amounts to quasi-employment. “It’s a conflict of interest,” she says. “I would not go that route.”

Linda Volhein, executive director of Florence Crittenton Community Services, said she once tried to get free help through her board, and never will again.”

“I’ve never asked anybody to do anything for free, except one time ten years ago, when a board member’s colleague was going to help us with a strategic workshop to look at our mission. He was donating his time, but he came in with his own way of doing things and didn’t listen to what I wanted.” Volhein said board members ended up getting very confused after the meeting, which she termed “a disaster.” ■

P ay for performance

Some fundraising and grant-writing consultants take a percentage of the money raised as all or part of their fee. Is this ethical?

The Association of Fundraising Professionals (AFP) code of ethics, Standard No. 16, states: *Members shall not accept compensation that is based on a percentage of charitable contributions; nor shall they accept finder’s fees.*

We asked agency directors and consultants for their views on percentage-based fees.

“The knee-jerk AFP response is that it’s not ethical, so you can’t do it. I’ve come up with all kinds of scenarios just for theoretical arguments with AFP members as to how it can be done where there isn’t an ethical problem. My bottom line is that it is bad business for a nonprofit to hire on a percentage because of accountability. The consultant has zero power over whether a job gets funded or not. The only ‘carrot’ you have is money. Look at the flip side of that: what the contract doesn’t do then is hold them accountable for any of the things they do have power over. If you can hold them accountable for doing the research for writing X number of grant proposals to X number of candidates, now you have concrete things you’re asking them to do. Hold the carrot out there and pay them for that.”

—Hildy Gottlieb,
Help For Nonprofits, Tucson

“I don’t think it is ethical. If you subscribe to the philosophies of the NSFRE (National Society of Fundraising Executives), they will say that it is unethical to do so. It’s smarter to pay somebody to do the job than it is to pay him or her by the hour, in terms of using consultants or by percentages. You say, ‘this is what the job is.’ The consultant’s challenge is to figure out how many hours it’s going to take them to do that.”

—Michelle Moorhead,
Teen Lifeline

“We’re going to be doing that [paying a percentage-based fee] for the first time this year. The consultant I used last year did such a fantastic job and increased the net revenue and gross revenue significantly. Therefore, [the consultant] wanted to increase his fee. I said, ‘I’ll tell you what. I’ll give you the same amount as last year and anything over that we’ll do a percentage.’”

—Luz Sarmina-Gutierrez,
Valle del Sol

“No, that’s not ethical. The expectation of the donor is that the donor is giving the money to the nonprofit, and that the money is going to be used for the purposes that have been explained to them. That’s the reason it doesn’t seem right to me. However, you could do a bonus system to meet benchmarks. We have a grant writer and development director on staff. We could say, ‘If you meet the benchmark, you get your salary. If you get 25 percent more, you get a bonus of, say, \$1,000.’ So it’s not connected to the donation. I think that would be ethical. It’s internal and not related to any certain gift.”

—Linda Volhein, Florence Crittenton
Community Services

“I could make a case for both sides of that. I know there are some ethical standards with fundraisers [that forbid the practice]. I’m not a fundraiser, but I can look at that and say, ‘Well, that’s a nice way of not being held accountable.’ And yet, they’ve got reasons for doing it. They’re trying to preserve the integrity of the operation.”

—Brad Harper,
Trigon Executive Assessment Center

Toolbox

Consulting Associations

- Association of Fundraising Professionals (formerly the National Society of Fund Raising Executives) – www.nsfre.org/
- Institute of Management Consultants – www.imcusa.org/
- Professional and Technical Consultants Association – www.patca.org/
- International Alliance of Grant and Nonprofit Management Consultants – www.iaogwanc.org/

Help Finding/Using Consultants

- Technical Assistance Partnership for Child and Family Health – www.air-dc.org/tapartnership/
- Alliance for Nonprofit Management – www.allianceonline.org/
- The Society for Nonprofit Organizations – <http://danenet.wicup.org/snpo/>
- Child Welfare League – www.cwla.org/

Books, Web Sites, Etc.

- *Nonprofit Consultants: How to Choose Them, How to Use Them* – Published by the Center for Nonprofit Management – www.cnmsocal.org/
- Just Grants! Arizona Directory of Nonprofit Consultants – <http://www.azgrants.com/cons/consult.cfm>
- Getting and Working With Consultants, by Carter McNamara, MBA, Ph.D. – <http://www.mapnp.org/library/staffing/outsrcng/consult/consult.htm> ■

Community Connect is published three times a year as a resource for nonprofits to use in increasing organizational capacity and community development.

Community Connect seeks to provide information, perspectives, tools and techniques on issues that all nonprofits face in becoming better at what they do. Whether it's board development, strategic planning, fund raising, program evaluation or a host of other topics, all of us profit from sharing ideas about what works and what doesn't, and where we can go to find relevant information and improve our skills. *Community Connect* is one forum in which this learning can take place.

SLHI awards grants on a quarterly basis to increase organizational capacity and community development, with a specific focus on improving the health of people and their communities in Arizona, especially our most underserved citizens. A complete listing of recent grants is found on our web site at <http://www.shli.org>, along with more information about grant guidelines and how to apply. All of SLHI's publications, reports, conference information and links to other organization capacity and community development resources are also available on our web site.

Community Connect is designed to meet the needs of Arizona's nonprofit community. We encourage your comments, suggestions and ideas on how to make it better. ■

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