Finding a Nonprofit Strategy Consultant

A guide for Nonprofit Leaders

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Finding a Nonprofit Strategy Consultant: Guide Summary

"Lots of nonprofit leaders want help with their organization's strategy but a confusing diversity of consultants all claim to be 'strategic'. So we created a guide that explains the different things 'strategy consultants' do, the issues they address, and when each is the right fit for what you need now. We hope this will help you find the best fit for you."

Ben Mahnke, Room40 Group Founder

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Top 3 Reasons for a Strategy Update

Strategy is about making the best possible decision regarding *what* to focus on with your limited time and money and *why* that's better than the alternatives.

- You'd like your organization to raise more money.
- You'd like your organization to have more impact.
- You'd like the talent in your organization to work together more effectively & efficiently.

If you need help...	Look for consultants who do:
• Developing a donor base and prospect pipeline • Understanding how to raise more philanthropic revenue • Embarking on a larger, more complex campaign	**Fundraising, Campaigns & Revenue Analysis** *They help development staff, improve processes, introduce better practices, identify and qualify prospects and foundations, and more.*
• Understanding what's working well and what could improve • Clarifying and improving decision making • Improving team performance and efficiency • Aligning organizational, team and individual goals, targets and metrics • Clarifying roles and improving processes	**Organizational Effectiveness** *They'll help you identify opportunities and changes that will enhance performance or revenue.*
• Benchmarking and learning from peers and competitors • Sizing and understanding the external opportunity for greater revenue or impact • Prioritizing opportunities for growth • Understanding in more detail those you serve	**Peer & Market Analysis** *Find out what is important about the world outside and around your organization.*
• Understanding the economics of your organization as it is, and as it could be • Organizing staffing capacity, costs or structure for maximum impact and sustainability • Prioritizing internal improvements based on the greatest return • Help with implementation and making this happen	**Internal Analysis** *They'll help you understand and act on the highest-return ways your organization can improve*
• Understand your talent needs • Assisting with the hiring process • Recruiting top talent • Writing job descriptions	**Talent & Executive Search** *A neutral party takes over the hiring process to the extent that your organization desires.*

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Introduction

So— you've taken a look at the work your organization is doing and think there is room for improvement.

Perhaps you want to grow your impact, but staffing is tight? Maybe it feels like you could be generating more revenue, but from where? Or you have big plans for the future but aren't sure about that first step. For any of these reasons, you could use a hand from someone who can help you see a bit more of the path.

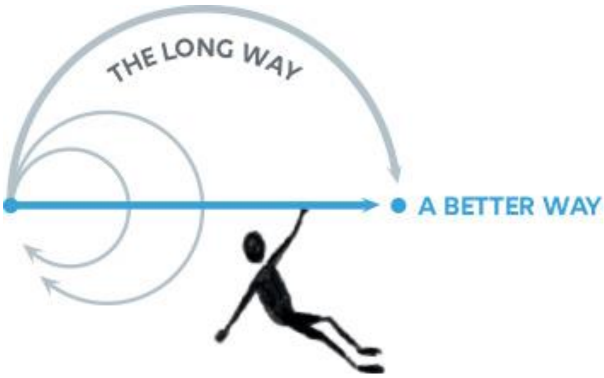
When people go looking for a strategy consultant, they often want to achieve one (or more) of three outcomes:

- They want their organization to **raise more money**
- They want their organization to **have more impact**
- They want the **talent** in their organization to **work well** together

Most strategy consulting engagements seek to accomplish some combination of these things.

When it comes to how you achieve these three outcomes, there is good news and bad news.

The bad news is: there will always be more things worth doing than you can possibly tackle with the limited time, information, and money you have on hand. The good news is: not everything is equally worth doing. Strategy is about making the best possible decision about what to focus your limited capacity on and why, given all the known alternatives. Your strategy should address what you're going to prioritize, how you are going to do it, and how confident you are about the different things that need to happen.



With that in mind, we have observed that people and firms offering ‘strategic’ assistance to nonprofit organizations usually offer some combination of the following five kinds of services:

1. **Fundraising, Campaigns & Revenue Analysis**
2. **Organizational Effectiveness**
3. **Peer & Market Analysis**
4. **Internal Analysis**
5. **Talent & Executive Search**

These services are very different from each other, but they all can be part of a ‘strategic’ engagement. To help you decide which you’d benefit most from, we’ve included descriptions of each of these services and what they assist their clients with in this first section.

Once you have clarity about which combination of these five services you’d most benefit from, you’re in a solid position to consider the specific firms that do them well.

Looking around, however, you’ll likely find that there is still a fair amount of diversity in the kinds of people you could hire to help you out.

So, in addition to the first section of this guide that describes the five services listed above, we have included a second section that suggests four additional characteristics of consultants and consulting firms.

Here are those characteristics which we’ll explain in more detail:

A. The **Experience** and **Expertise** that the people at the firm bring with them,

B. The **Reputation** the firm has with stakeholders that are important to you,

C. How aligned their **Culture** and **Values** are to yours,

D. How much **Flexibility** they have to work in the way you prefer

Put your preferred list of services and characteristics together and you’ll be a long way towards identifying the right people to work with.

Why Write This Guide?

Before starting The Room40 Group at a dining room table, the founders spent many years as nonprofit executives– often overworked, isolated from our peers at other organizations, pulled in multiple directions by competing priorities, crises, and opportunities.

We know the last thing you and other nonprofit leaders probably need is to add the burden of a consultant search to your plate.

Earlier in our careers, we also spent many years at large strategy consulting firms like Arthur D. Little and The Bridgespan Group. We've seen consulting engagements that were good fits for what the client really needed and engagements that were less so. We wrote this guide to help you make informed decisions about the kind of strategic assistance you'd most benefit from. And to help identify the people who can best help you out.

Ben

Ben Mahnke

Co-founder of The Room40 Group

Part I: Types of Strategy Consulting

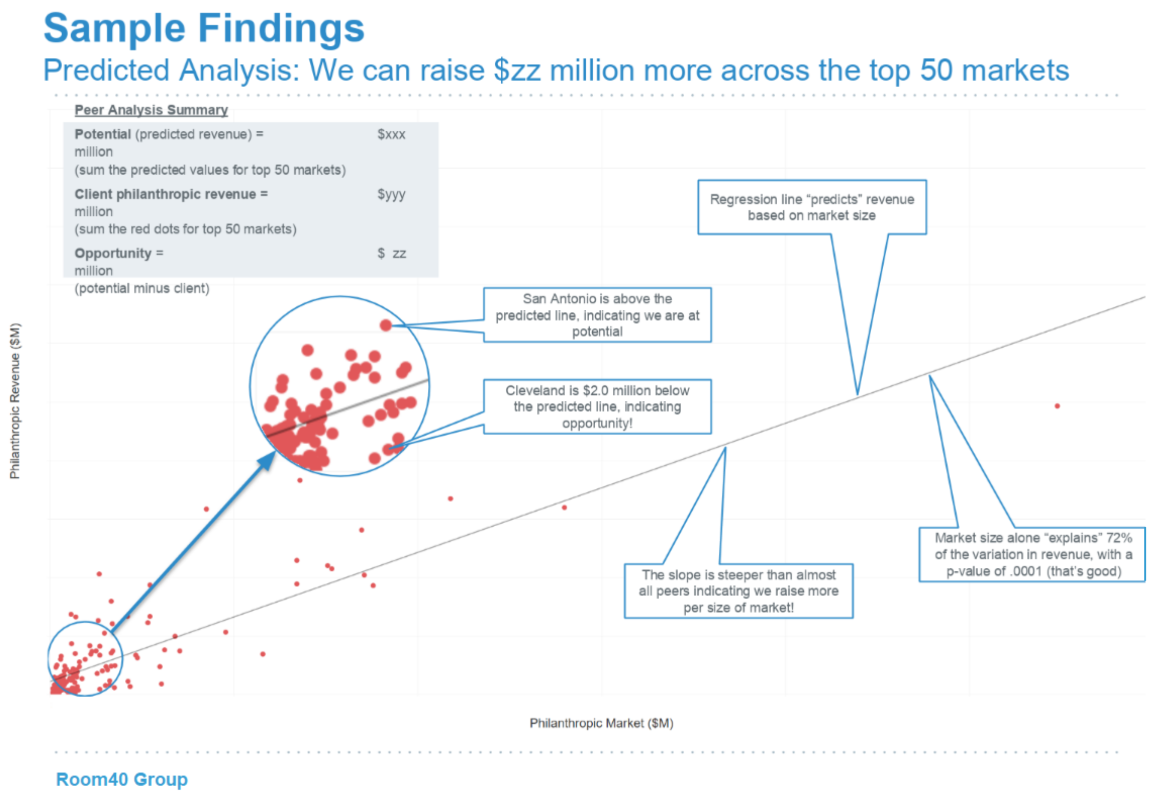
1. Fundraising, Campaigns and Revenue Analysis

The consultants who provide this service seek to improve how much money nonprofits raise-- both for operations and large campaigns. They help development staff, improve processes, identify and qualify prospects and foundations, and more.

A consulting engagements supporting fundraising, campaigns, and revenue analysis are different yet often complementary in the ways they help nonprofits raise money. The table below explains what we mean by each.

Fundraising, Campaigns	Revenue Analysis
What gets improved?	
Fundraising consultants will help you develop a blueprint of a campaign and then assist in its execution. You'll receive direction on how to expand your donor base and pipeline. You'll gain the confidence to embark on larger, more complex development campaigns.	Depending on how you scope the engagement, you'll understand how much money you could raise, from whom/where, how best to raise it, and/or what kind of staffing and other resources are needed to pull this off.
Examples of services and deliverables:	
Prospect profiling, database optimization, wealth screening and analysis, fundraising metrics, grant writing, feasibility studies, campaign planning, annual giving assessments, major gift plans, post-campaign assessment, event management and implementation, digital campaigns, CRM management, cultivation and solicitation strategies, operational assessment, and interim staffing.	Analysis of existing revenue-raising activities, the external potential of philanthropic giving in different geographies, benchmarking how much similar organizations raise, assessment of current or potential fee revenue / earned income, return on investment, revenue per FTE benchmarking, prospect research, and implementation planning.

Revenue Analysis Example



The graph above shows one type of analysis you would expect from a Revenue Analysis engagement

For larger engagements such as a capital campaign, the consultant might embed in the nonprofit for months or years at a time. A number of fundraising consultants come out of some of the largest nonprofits (e.g. large universities, museums, and certain hospitals) where they were part of raising hundreds of millions in philanthropy. Part of their value proposition is bringing to their clients the professional best practices they learned and implemented earlier in their careers.

The kind of Revenue Analysis shown here often happens 'upstream' of capital campaigns. The Room40 Group helps nonprofits with how fundraising fits into the larger revenue strategy. A fundraising campaign consultant might then come in and assist with the implementation.

2. Organizational Effectiveness

Identifying the strengths and challenges of how the talent within an organization works together that surface ways to help the team be more effective or efficient

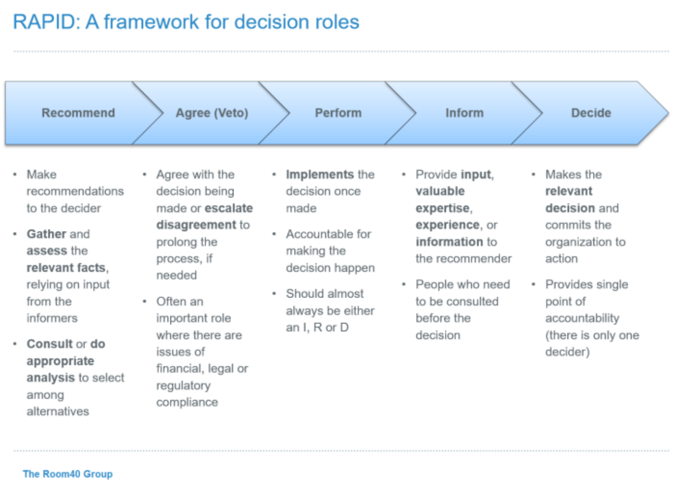
What gets improved?

At the end of an Organizational Effectiveness engagement, key stakeholders should work together more smoothly and efficiently because everyone is clear on each other's roles and processes are established to facilitate effective teamwork.

Examples of types of services and deliverables:

Recommendations on organizational structure, governance structure, team roles and responsibilities, performance measurement, updated and more precise job roles/descriptions, decision-making resources, building culture and values, and improved processes and policies.

Many strategy consultants offer team building and facilitation, along with organizational effectiveness.



Just like it sounds, you can hire someone to facilitate discussions around working together. This could be at your office or a company-wide retreat off-site somewhere. We've done these in warehouses, hotels, coworking space rented rooms, a zen dojo, and one time: Disney World! Some consultants will take care of logistics for you.

The most significant benefit is you have a neutral third party to manage the process and any challenging conversations.

The slide shown here illustrates the five groups of people involved in a decision-making process and the role they play. When used well, the tool creates accountability, allows power to be shared within boundaries that are understood in advance and makes explicit who is involved in a way that lets people focus on the right things. After using this framework for making critical decisions during the engagement, our clients can add this to the toolkit they use to solve problems and effectively run their organization.

3. Peer & Market Analysis

Both Peer & Market Analysis (also sometimes called External Analysis) help you understand what is important about the world outside and around your organization

The goal of both is to better understand the external opportunities at this time, how you might address them, and where to have the most impact.

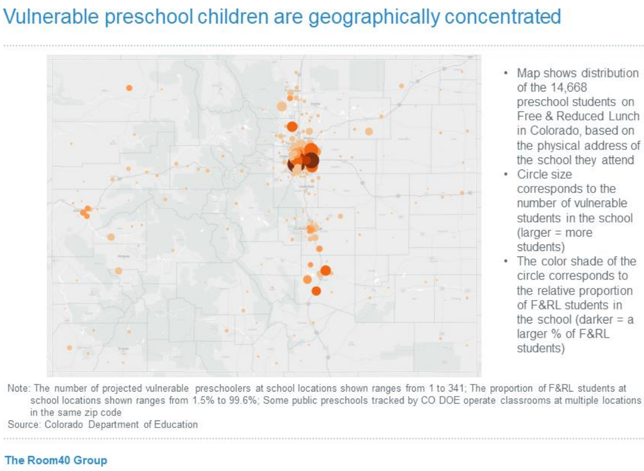
Market Analysis will help you gain clarity of where you might serve more beneficiaries, which channels or potential partners might best give you access to them, and what the tradeoffs of a narrow or wide approach might be. With empirical evidence, you can gain a confident understanding of where you should focus and why, which you can then plan around and communicate internally and externally.

Peer Analysis helps you avoid reinventing the wheel by investigating how other organizations have addressed the challenges you now face. Trial and error is sometimes expensive and often a time-consuming way to learn. Peer Analysis helps you avoid certain potholes by talking to people who have been down that road before.

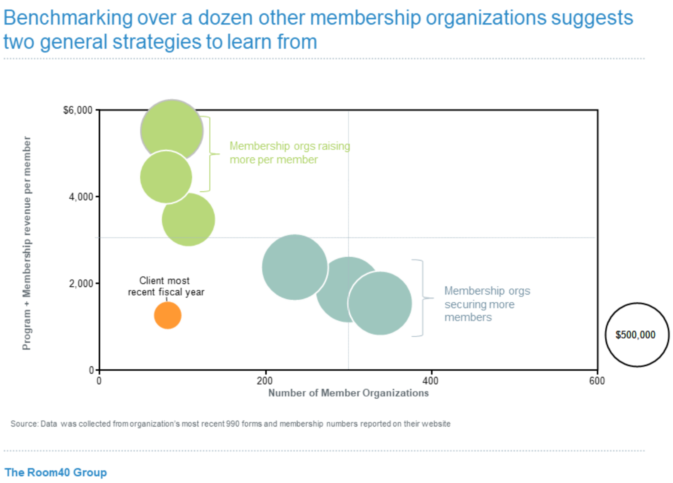
Peer Analysis	Market Analysis
What gets improved?	
You can see clearly where and how others have been successful as well as what they found challenging. You can make an intentional decision on whether to follow or strike out on a different path. Rather than trial-and-error you can make decisions knowing their likely risks and rewards.	You gain increased insight, and therefore confidence, about the important things to know about the environment your organization operates in, the people it's trying to serve, and the best partners and channels to reach them through. This makes decision-making easier and moves you from hesitancy to action.
Examples of services and deliverables:	
Benchmarking, key differentiators, expert and researcher interviews, peer interviews, secondary literature reviews, program comparisons, revenue approaches, recommendations and implementation plans.	Market segmentation, market trends, market growth rates, what it takes to be successful in this market, potential partners and channels, beneficiary demographics, beneficiary geographic concentration and distribution.

Market Analysis Example

Here's an example from an early page of a larger market analysis we conducted for a client. It shows the concentration and geographical distribution of beneficiaries our client was trying to reach. With it, they accurately identified which schools and districts to approach, which other organizations to partner with, where to locate offices, and they raised the money to pay for it all.



Peer Analysis Example



This example of peer benchmarking revealed two successful strategies others in their field had used to solve the problem our client faced. By interviewing and collecting data from and on their peers, we were able to identify the likely consequences for this nonprofit if they decided to grow using either of these approaches.

Part I: Types of Strategy Consulting

4. Internal Analysis

Internal Analysis assesses an organization's current functioning and what it would take to successfully increase its impact.

Internal Analysis often involves looking at what's needed to effectively deliver the organization's programs, the staff and systems capacity/utilization/bottlenecks, and the economics (cost/revenue drivers) of getting the work done.

Good Internal Analysis will review these things both as they are and as they might be, with an eye towards helping leadership understand the consequences of the decisions they might make.

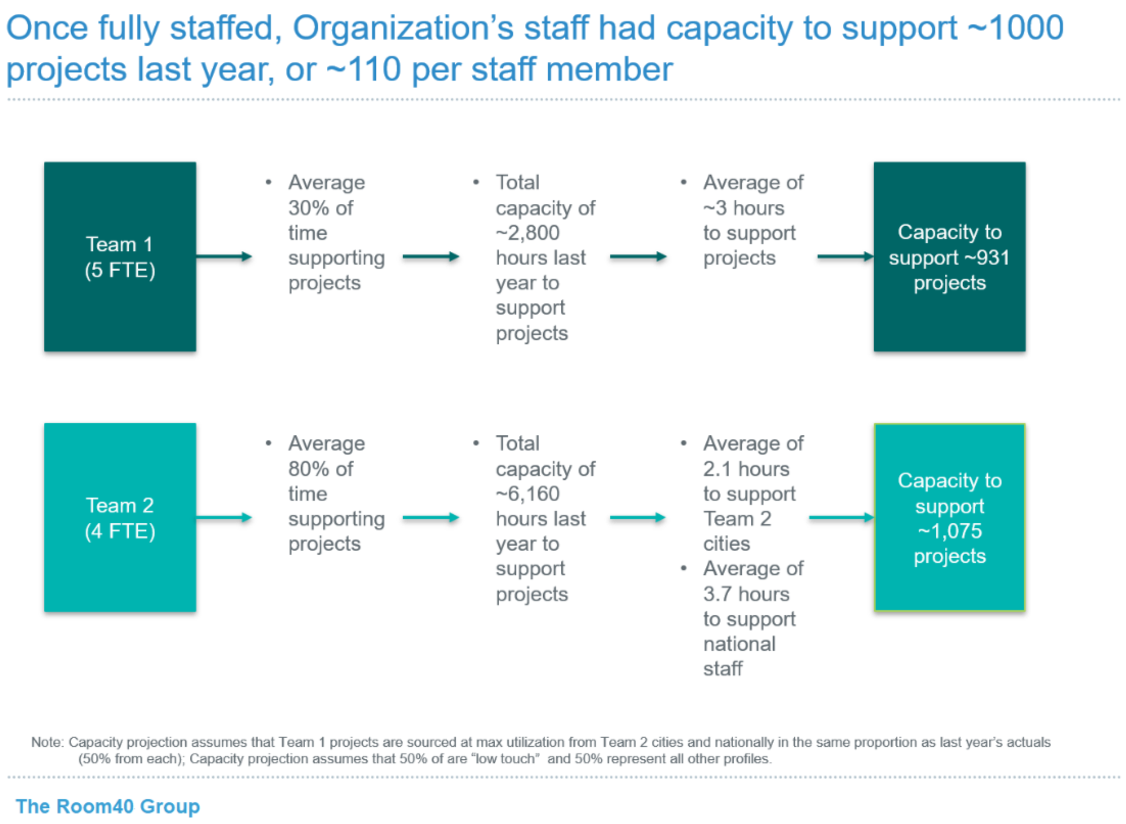
While the subject and emphasis of this analysis can change from one organization to the next– depending on their situation and circumstances– the process of useful Internal Analysis often follows a familiar pattern:

1. Understanding what's true and important about the work as it has been
2. Understanding the costs and benefits, and cause-and-effect, of different ways the organization might change
3. Prioritizing which improvements to start with, and why
4. Helping with the implementation and operationalization of all this

Three examples of common kinds of Internal Analysis include:

Program assessment	*Staffing*	*Economics*
Understanding of how the organization's programs have impact, where and what you place your focus on, tools for communicating the future of the organization to others	Report on what positions, teams, skills and assets are needed to be successful, staffing capacity models, staffing cost models	Cost modeling, profitability by functional area, pro forma financials, and understanding of what the best options are for securing revenue

Internal Analysis Example



A question many nonprofits wrestle with is "How many Full-Time Equivalents (FTEs), and in what roles, would allow us to have the most impact?"

In the above example, Room40 was able to estimate the amount of program work ("projects") two of our client's teams could complete based on current practices. The analysis revealed that the first team, despite being larger, was about to hit the limit of what it could accomplish. Effective growth would be stalled unless something changed about how the work was done.

5. Talent & Executive Search

A neutral party takes over the hiring process to the extent that the organization desires

For our purposes, talent searches can be broken down into two phases. First, the consultants will work with you to clarify the organization's talent strategy - this is the strategic part! This first stage, while often briefer than the second, is critical for ensuring you find candidates that align with the organization's objectives, challenges, culture, and values. The second phase of a talent search involves attracting, assessing, and hiring.

Hiring the right people for mission-critical positions will significantly increase the organization's impact and overall performance

Mission-critical positions	Often concentrated in a few key functions	• Strategic impact • Performance variability • Top talent hard to attract and retain • Create wealth / impact • Mistakes and missed opportunities are costly • Poor performance is immediately detected • Not determined by hierarchy
Core positions	Often majority of the organization	• Support mission-critical positions • Mistakes can destroy wealth / impact • Hiring mistakes easily remedied • Specific processes or procedures must be followed • Performance beyond meeting the standard has little value • Job level is the best predictor of compensation
Additional positions	Often small percent of the organization	• Less economic / mission impact • Mistakes not costly • Hiring mistakes easily remedied • Poor performance often tolerated • Little discretion • Market is best predictor of compensation

The Room40 Group

The Room40 Group has used the "mission critical" framework to guide client conversations about talent strategy. Mission-critical positions are those that have a dramatic effect on the overall performance of an organization. Identifying the mission-critical positions for a particular organization helps managers focus their time and resources on hiring the best people for key positions.

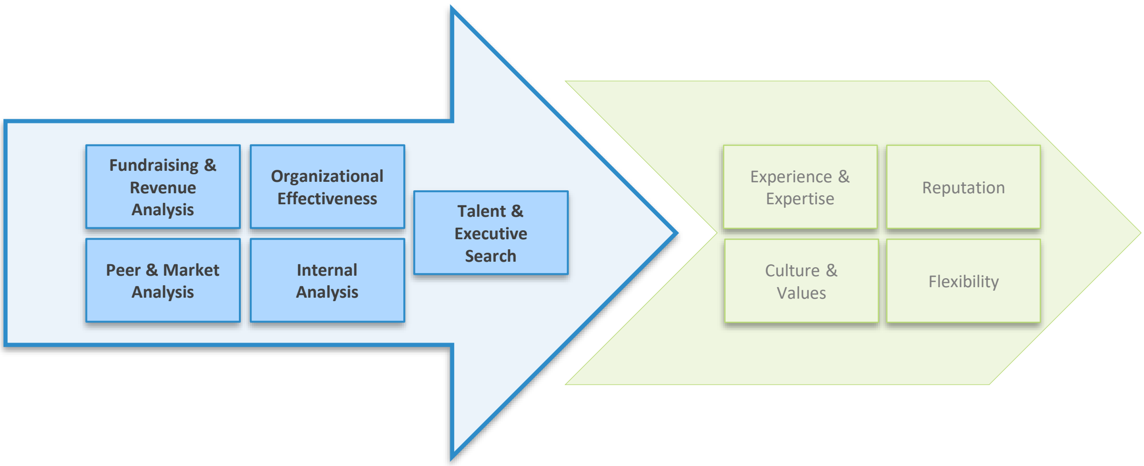
Executive search firms have the experience and networks to effectively communicate your organization's unique brand and the specific position so that you attract high quality talent. Executives' time is freed up because a third party becomes responsible for the brunt of the work involved with hiring someone. Some companies offer services to support onboarding with the goal of improving employee retention.

Additional Examples include:

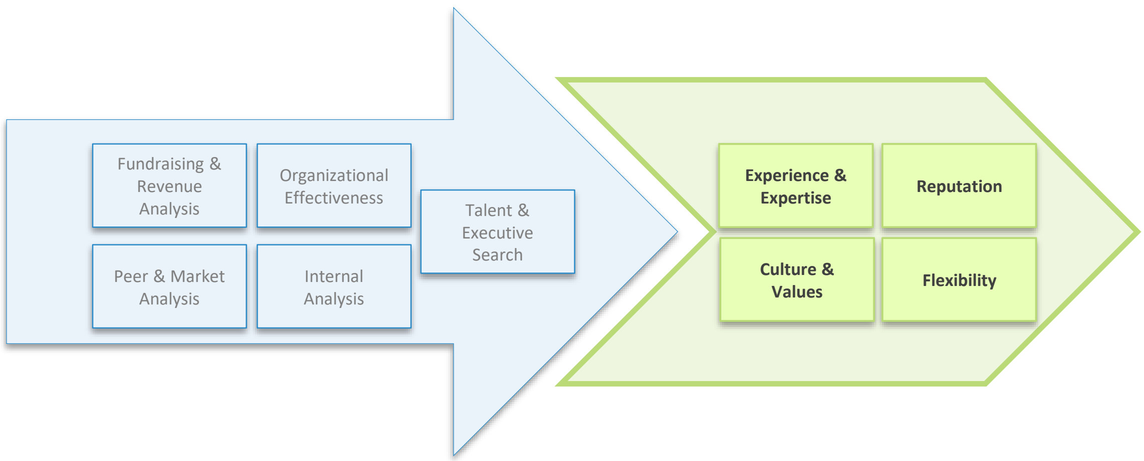
A report about the status of the organization 'as is'. An effective talent strategy. A clear job description and timeline. Managed interviews, advertisement. Networks with access to high quality candidates. Identifying and screening candidates, while providing updates to the organization's hiring committee. Post-hire integration.

Part II: Characteristics of Strategy Consultants

After identifying the specific consulting service you are seeking, you still need to find an actual consultant



We believe four characteristics are particularly relevant to that research. In the next section, we include a few guiding questions along with examples and options to direct your decision-making process.



A. Experience & Expertise

Consider what kind of experience a consultant should have to be able to address your organization's needs. What is necessary and what is just nice to have? Take a moment to think about the following questions to better guide your search:

Professional background

How significant is the consultant's professional background to you or your search team? For example: Does the consulting company hire people who have previously led nonprofits? Do they conduct research in your industry? Does the company hire graduates with specific academic backgrounds or graduate degrees? Do the consultants have firsthand experience working in your sector? Let's say you are seeking advice on implementing new technology in classrooms, would it be helpful to have someone on the consulting team who is a former teacher?

Past Clients and Expertise

What sorts of organizations has the company served? What problems have they focused on solving? Does the company seem to have a "specialty" or focus area? While some strategy consultants are generalists, many come with expertise in specific parts of the nonprofit sector. Some may be well qualified for international development work, while others may have spent their years focused on health care in the US.

We suggest you reflect on the types of experiences that are most relevant to your organization at this moment in time. Then consider the kinds of expertise that will be most useful in tackling the challenges you face.

B. Reputation

Going with the most prominent name is one option, but it's far from a guarantee you'll be happy with the results

Instead, look at the reputation a consultant has with their past clients and other stakeholders important to your organization. Unless they are just getting started, consultants should be able to provide references and ideally be known in your field. The easiest way to learn if the client got what they were looking for and if they would hire them again is to ask. How smooth was it to implement the recommendations? How much did the consultants' work benefit them once the engagement was over?

C. Culture and Values

You may be working with this team for many months so how they do their work is just as important as what job they do

Mid-engagement is not a great time to find out there's a mismatch in values! Investigate how the consultant approaches conflicts, setbacks, or the general unpredictability innate to problem-solving. Do they fundamentally care about the same things that you and your team do?

D. Flexibility

Some consulting companies offer clients standardized services while others are more customized

A one-size-fits-all approach may be more predictable but might not take all your needs into account. It can be difficult to determine how flexible a company is without speaking to them. In conversations, most will be upfront about whether they use specific methods and analysis every time regardless of the client or if they are comfortable wading through uncertainty to find the best fit for your organization's needs. Also, how much can they tailor the timing of their work to your calendar?

How much help do you need?

A key question to ask yourself is: what 'dosage' of consulting do you need?

This could range from an occasional phone call with a trusted advisor to full-time embedded staffing. Consider as part of this: what amount and kind of assistance can your organization manage and act on?

As you probably already know, consultants and the project they initiate will need to be managed. To maximize the benefits of whoever you hire, be honest with yourself about how much time you and your team can dedicate to this project and to implement their recommendations after they've moved on.

Executive coaching is likely the smallest dosage you could seek. The consultant and executive (or small team) decide how frequently to speak and what the content of the conversations is. Executive coaches usually don't produce deliverables. Instead, they listen to the challenges you are facing and offer ideas based on their experience. Services range from establishing goals, structured problem solving, accountability, help with supervision and leadership, and general advice.

You can also hire an **independent consultant.** This is often a solo operator who specializes in a particular type of consulting and will produce deliverables. Their services tend to be at a lower price point because they have minimal overhead. In the nonprofit sector, many of these are former Executive Directors with their share of educational and/or amusing war stories.

In between solo operators and large consulting teams are small teams. **Small teams** of 2-3 people usually means a lower price tag than larger teams. Often each team member dedicates 30-50% of their time to your organization throughout an engagement which can run 3-6 months. A topic is more likely to be addressed with a 10-20-page PowerPoint deck instead of an 80-100-page deck.

There are also **large consulting teams** of 4-5. This size team may work at a firm that specializes in nonprofit strategy consulting or a corporate consulting company that offers pro bono services. As part of a large team, each member may dedicate 50% of their time to your organization with engagements that can span from 6 months to a year. The larger team and time frame means a larger price tag.

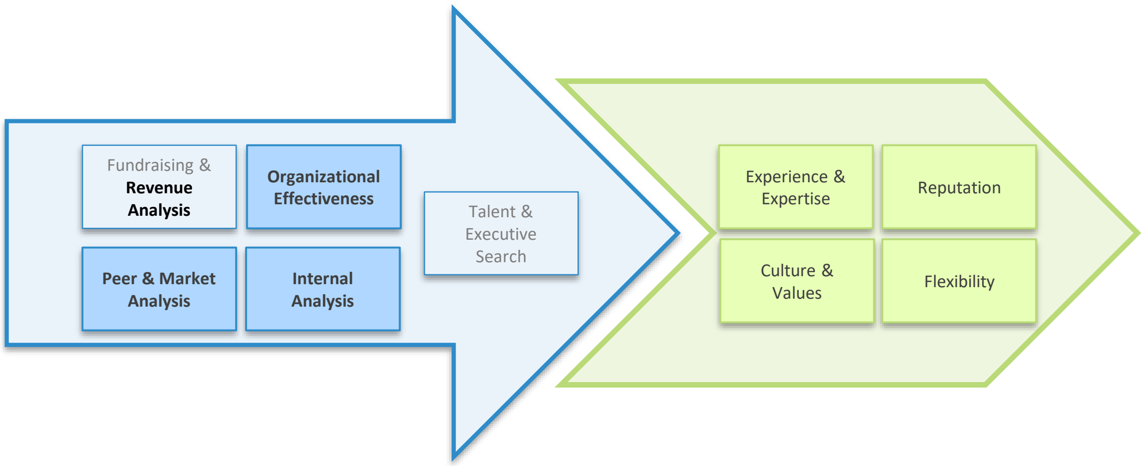
The most involved consulting available is **embedded** or **interim staffing**. Companies provide employees to work temporarily at your organization. If you need significant help in the short term with day-to-day operations, this can be a good option as you will get 100% of an experienced individual's time.

The people who wrote this thing: About The Room40 Group

Thanks for reading our guide to “Finding a Nonprofit Strategy Consultant”!

The Room40 Group is a consulting and advisory group that works with the leadership of nonprofits to help organizations improve, grow, and change. We were founded by Ben Mahnke and George Chu, experienced nonprofit executives and strategy consultants. We took our inspiration from a real place, created during World War I, to understand how to use intelligence to make better decisions, faster. Like its namesake, Room40 is a place where talented, nonprofit leaders – our clients and peers – come together to analyze data, uncover meaning, and progress toward a greater good.

The combination of the strategy consulting skillset and executive experience enables us to focus on the key questions quickly, zero in on the relevant data, and use established relationships for important benchmarking. The result is the ability to generate insights and inform decisions faster.



Here at the Room40 Group, we help nonprofits identify and implement the right decisions and direction for them, using

- **Revenue Analysis**,
- **Organizational Effectiveness** analysis
- **Peer & Market Analysis**, and
- **Internal Analysis**

We also have a large supply of cute pictures of our dogs and kids. Sometimes both.

Final Thoughts

Here at Room40, we believe in helping nonprofits confidently change the world and make better decisions, faster.

We hope we've helped you gain clarity on what you want from a strategy consultant.

We believe in your potential to change things for the better more than almost anything in this deeply flawed but lovable world. And just as the world deserves people like you, you deserve to have that work made easier.

Good luck– we're pulling for you!

What did you find useful and effective about this guide? What did it get wrong or is missing? We'd like to make the next version better, and would love to hear your thoughts on how to do that.

Please contact us at: info@room40group.com

If you are looking for additional resources, ruminations, and occasional cute dog pictures check out the blog on our website at room40group.com