Introduction

No, the title is not an oxymoron: consulting to large Not-For-Profit’s (NFP’s) can be profitable, both psychically and financially. However, the crossover, from For-Profit’s (FP’s) to NFP’s and back again, requires a resilience few consultants possess. This might account for the specialization that is common. Some consultants fish only one stream and that is probably more sensible. I prefer to vary the adventure. Trout one day, bass the next, and shark the day after. I have observed several critical differences between the NFP’s and the FP’s that can make or break a consulting engagement. This article identifies these differences and approaches to managing them; but we begin with a few similarities.

Similarities

The similarities between Not-For-Profit’s and For-Profit’s are few but worth noting. First, the consulting roles don’t change very much. We are called upon to facilitate, to problem-solve, to manage projects, to advise and counsel, to teach, to research, and so on. The many different hats a consultant might wear in the FP arena fit just as well in the NFP arena. It’s in the execution of the role and the selection of processes and methodologies that the differences are important – as we’ll explain later. Essentially, then, a consultant might perform all the same functions for NFP’s as for FP’s – but how those functions are performed will likely be different.

The second similarity is simple: both types of organizations are trying to accomplish goals through an organized approach to grouping people and performing tasks. In the end, the consultant confronts a similar mix of variables – maybe a classic 80/20 Pareto match – that includes (a) people working together (b) across different functions (c) in some organized fashion (d) through a set of processes (e) to accomplish goals. But these five, which might be the 80% match with the For-Profit’s environment, are not sufficient for the consultant to succeed. It’s the other 20% we need to understand and adapt to.

The Differences

My focus in this article is on the differences between NFP’s and FP’s that directly affect the consultant. Though we might be able to list a dozen important differences between the two arenas, I am interested here in just three issues I believe a consultant must take into account in executing an engagement. These three are 1) Governance, 2) Passion, and 3) Money.

After a brief description of each difference, I’ll suggest approaches to managing engagements with Not-For-Profit organizations.

Governance

Board level influence in the NFP is far greater than in the FP. Board members typically drive decisions and behaviors at far deeper levels in the Not-For-Profit’s. There are several reasons for this:

- Trustees are usually not hand-picked by or personally loyal to the CEO. I find board members in NFP’s highly independent. They tend to be driven by their own passion for the organization’s mission and their own personal view of “what’s right” – and far less by a feeling of needing to support the executive team.
• Board trustees have real, tangible clout. Many are independently wealthy and can directly affect the fundraising efforts of the organization. Some are large contributors themselves; others provide access and influence to large contributors. These members, then, directly affect the financial health of the NFP organization – and all its employees know this.

• Organizational sensitivity to the board. Employees at all levels understand that real power resides at the board level (in contrast to most For-Profit organizations). In some cases, it’s the wealth factor; in others, it’s because the board member comes from the For-Profit world and is, therefore, anointed with some magical knowledge-dust about the right way to do things. “He’s from the real world; they know this stuff cold,” one department manager said to me when I asked why he was so concerned about what a particular board member would think of his project plan.

• Board orientation toward the organization’s leadership is parental. Many board members, notably those from the FP world, see the NFP world as the "minor leagues; they’re playing the ‘home version’ of our real game, and so they need a lot more operational and strategic guidance than corporations do," as one trustee described it to me. Another explained, "if you leave them to their own devices, they lack discipline. They’ll overspend on too many low-value projects. They just don’t have the profit-driver as a controlling force, so we have to be the force."

Regarding a board, the dilemma for a Not-For-Profit is this: they want members who are objective, knowledgeable, and don’t have narrow personal interests; but they also need people who are passionate advocates for the organization’s mission and goals and who, out of a narrow personal interest, are willing to invest their time and efforts. This is a conundrum not faced by the For-Profit’s, who do not invite board members based upon their passion for the organization’s mission and goals.

In my engagements with NFP’s, I regularly see a slowness in forward movement, if not outright paralysis due to the board. This comes in the form of multiple revisits and debates over many months as individual board members cling to their personal interests and passions. Most, after all, have joined the board out of some deeply held personal commitment to the mission and goals of this hospital, university, community group, or church. They do not surrender those personal beliefs easily. Again, we’ll discuss implications for consulting in a summary section at the end.

Passion

The passion we find among board members goes double for the institution’s employees. The level of dedication, passion, and commitment across the employee base leads to decisions that we who reside mostly in the For-Profit world must take time to understand. Programs are run and projects are undertaken that offer no financial return. Some performers might be a poor fit with the job requirements but have the passion for "the cause" and so are kept in place. Why? “This is the right thing to do: it fits our mission” is a response you can expect.

In the best of Not-For-Profit’s we find a passion for "the cause" that surpasses a commitment to a discipline (i.e. Information Systems, Finance, Marketing), to a process, or to financial goals. This is their greatest strength and their greatest weakness. To business people, many things inside a NFP organization are simply not logical. However, we cannot consult effectively if we are intent on altering this dynamic. Instead, we will need methodologies for succeeding within it.

Money

"The rich are different from you and me." The quote is quite right when applied to the FP corporations compared to the NFP’s. For-profit corporations pay great attention these days to cost structure and spending patterns; but, in this area, they are the amateurs.
The influence of cost in the decision-making process is far greater in the NFP world. When a For-Profit sees a high-value payoff down the road, it will take on debt, sell stock, or move large sums of money and other resources from one division to another with ease. The NFP does not consider financial "payoff, or return" as the driver – and so the cost itself stands nearly alone as the major driver for a "go/no-go" decision.

This is not surprising. NFP funds typically have been hard-won and, consequently, they are well guarded. Anyone who wants to pry loose some of that treasure must present truly compelling evidence of hardship, or significant enhancement to the execution of the mission.

In the day-to-day operating environment, stoicism and a poor-man’s-martyrdom are the personae of choice. People wear as a badge of courage their ability to perform without the appropriate resources. The consultant might be expected to do the same. Manual processes, PC’s dating back to 1992, and three people doing the work of five – these are not unusual circumstances.

One NFP client said, "We suggest you fly in and out of Milwaukee and then drive to Chicago, rather than flying directly into Chicago. Our people do this all the time and it saves us a lot of money." Typically NFP clients will pay closer attention to the consultant’s time and expenses. It fits with the culture.

There is a paradox here: the "big project." Those same frugal NFP’s who won’t invest in process development, systems, and manpower will let loose of millions of dollars at a clip for the "big project." The grand event, which "directly supports our mission," will go forward with relative ease. It might be an arts center, a new specialty wing of the hospital, or a field house for the university. Whatever form it takes, you can be sure it has strong support among a few high-influence, high net-worth board members. Operational issues generally don’t – they’re not "sexy," nor are they visibly mission-connected.

Is this different from the For-Profit corporations? I think so. Being so profit oriented, the FP’s recognize the short and long-term value of operational efficiencies. Lean processes, appropriate head counts, and first-rate systems generate greater long-term profits and sustainable competitive advantages. Conversely, the big, sexy event (new buildings, acquisitions, new product line launches, etc.) presents a higher risk/reward ratio, and so is approached with great caution and skepticism.

**Implications and Approaches**

As you’ve been reading, you might have already identified these implications for the management consultant assisting Not-For-Profits:

1. Whatever you plan to do, plan on it taking 30-50% longer than it would in a FP environment.
   - Generally, you’ll need to get greater advance buy-in and consensus than you might be used to. This simply takes legwork, one-to-one conferences, and recycling efforts.
   - The decision-making process is slower. Even with advance work done, getting decisions made will take longer. This is most often because of the greater involvement of the board, either in total, or selective members who seem to be particularly visible around the decision process.

2. Whichever methodology you might choose for an engagement, ensure it allows for the influence of history, emotions, and relationship-maintenance "dances." These might be time consuming and distracting from your critical path, but they are essential to the engagement’s success.
   - Relationships are important in any organization, but nowhere more so than in the NFP. People seem to have stronger bonds due to the passion-for-mission dynamic. The
consultant, in his/her zeal to move along the critical path to "the solution," must take care
to help preserve the positive relationships, if not enhance them, as a byproduct of the
engagement. At a minimum, as with the physician, the consultant should "do no harm."

- It might be just a coincidence, but most of the NFP’s with which I’ve worked have very
long, storied histories. In NFP project planning and project management, it’s important to
understand this history of relationships and events. We need to know which closets hold
skeletons and which cows are sacred. This means additional up-front time for interviews
and study but it pays off big when you’re able to side-step land mines later on.

3. Do your homework. Yes, good consultants always do their homework; but in the NFP arena one
element of preparation is often unnecessary in the FP world: persuasive arguments for use with
people of passion. A reliance on logic and numbers will often be inadequate to make your case.
Invest time to truly understand the mission, the goals, the passions, the history, and the
relationships. Use this knowledge to shape your persuasive arguments.

4. Embrace frustration. Okay, learn to live with it. If most of your time is spent in the FP world, the
NFP world will present higher frustration levels. In some engagements it’s the heat of the
passions, in others it’s the slowness of action, and in others it’s ill-formed processes and systems
that make it difficult to get things done. These do not prevent a consultant from succeeding; but
they do extend the time and heighten the frustration of the journey.

Conclusion

By far (i.e. 80/20), Not-For-Profit organizations are like their For-Profit counterparts: an organized group
of people managing their available resources in the pursuit of identifiable goals. For a consultant called
upon to help in that pursuit, there are a few noteworthy differences in the NFP world that will affect what
you do and how you do it. In my experience, the role of the board and its members is paramount. This
tends to be the single greatest influence on the shape and execution of consulting engagement processes.

The second is the level of passion, or emotion, that participants bring to the problem solving and decision-
making processes. Your logic, quantitative analyses, and color charts should not be your first line of
defense or offense. Instead, know the history, the people, and the emotional triggers, and use those to
drive progress.

The third differentiator is the orientation toward—and the role of—money. In many large corporations,
project cost might rank toward the bottom of the top five in influencing decisions; those five being
marketplace positioning, growth imperatives, Wall Street’s reaction, personal agendas, and competitive
activities. All these might have greater import than "project cost" in a for-profit, but in NFP’s cost is
usually #1 or 2 in the decision criteria hierarchy.

Finally, there is a decided psychological dynamic I’ve found in working with Not-For-Profit’s: you are
clearly an interloper, an outsider who is there to get something done and get out of their midst before you
"taint the culture or warp the processes" with too much pragmatism, capitalism, and cynicism. This might
sound harsh, but I believe it.

It’s not unusual for consultants to form long-lasting relationships with FP corporations; it’s less common
in the NFP arena. Why? The outside consultant simply doesn’t have the emotional intensity for "the
cause," and the client knows it. The consultant might be seen as "passion-less." In the corporate world,
this rarely matters because the majority of employees inside the corporation have no such intensity either.
In the NFP environment, this matters – as it should – but it does make the psychology of helping a bit
more complex.
For me, I focus on getting the task accomplished within the framework of the NFP’s culture, style, and processes, and on drawing out my own high-value feelings of having contributed to the worthy mission. I also plan to move on. Though I am open to follow-on engagements, I do not aggressively pursue an ongoing relationship the way I ordinarily would with an enjoyable For-Profit corporation. The best NFP’s I’ve encountered succeed with minimal outside interference to their well-developed ecosystems and, consciously or unconsciously, they know this too.

About the Author
Harvey Bergholz is president of Jeslen Corporation, a consulting company he has headed for 25 years. His for profit clients range from small ($100 million) companies to multi-billion dollar global giants. His nonprofit clients include health care, religious, and educational institutions. His practice centers on providing senior executives with counsel and assistance in shaping and implementing large-scale, high-impact initiatives. Harvey also numbers among his clients some of the world’s largest consulting firms. He may be reached by phone at (630) 455-9944 and by e-mail at Harvey@jeslen.com.