



Fund Raising Day in New York 2008

“Working with Consultants – What You Need to Know”

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INFORMATION SOURCES

- Referrals from colleagues and board members
- Association of Fundraising Professionals – www.afpnet.org – Consultant’s Directory
- Women in Development, New York – www.widny.org – Resource Directory
- Nonprofit Central NY/NJ – www.npocentral.net
- Foundation Center – Community Resources
http://foundationcenter.org/newyork/ny_commres.html#small
- Giving Institute (formerly American Association of Fund Raising Counsel)
www.aafrc.com
- Nonprofit Coordinating Committee of New York – www.npcc.org
- Office of the NYS Attorney General Charities Bureau
<http://www.oag.state.ny.us/bureaus/charities/about.html>

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HOW TO CHOOSE COUNSEL

(Source: Giving Institute – www.aafrc.org)

Step #1 – Identifying Prospective Consultants

Once the board and staff leadership has affirmed the desire to investigate fundraising consultants or consulting firms, they can identify a pool of candidates via three main avenues:

- Referrals – Ask board members or colleagues
- Directories of Professional Associations
- Ads – Respond to ads in trade publications or place your own

Step #2 – Preliminary Screening

Basic Information – Request basic information from each firm. Find out generally what kinds of services they provide.

Detailed Information – Narrow the field to three or four candidates and arrange a face-to-face meeting with each.

Step #3 – Request for Proposals

Proposal Content – After the meetings, request proposals from each of the firms with whom you met. Proposals should clearly state the costs, fees, services and a preliminary schedule.

Step #4 – Check References

Calling References – Always ask for references; always check them carefully. Ask the clients if they would hire the firm again.

Successful and Unsuccessful Campaigns – Ask for three references from satisfied clients and one reference from a client whose goal was not achieved or where the firm or the organization resigned from the contract. Firms should treat the request for a reference from a less-than-satisfied client as standard operating procedure.

Step #5 – Chemistry

There are many ways of understanding a subject and applying that knowledge when making a decision:

- Impressions – Your personal impression of key staff people will influence your decision.
- Objectivity – The search for a consultant should be as objective as possible, de-emphasizing where possible preferences about such factors as attire.

- Being Realistic – On the other hand, personal preferences are part of every professional relationship and every hiring decision. If you really do not relate well to someone when he or she is trying to impress you, chances are the relationship will not improve.
- Professional Judgment – Instincts sometimes arise from wisdom. You should trust them but not allow them to overshadow the facts.

Step #6 – Notifying Candidates

Notify Everyone – Notify all candidates of your decision. It is considered a courtesy to explain briefly the reasons for your choice to the consultants you did not select.

Step #7 – Contracts

The contract is very important and should be specific and detailed. This is the best time to uncover and iron out expectations or potential misunderstandings. Legal counsel should be consulted regarding appropriate terms and their use in the document. The following matters, as well as others recommended by the organization's board or legal advisor, should be elucidated in detail in a contract or a letter serving as a contract:

- Services – What services will be provided? When and how often will you receive reports, and what will they contain?
- Schedule – Time period. If the period is expressed in days, how many hours is the day? If it is a planning or feasibility study, when will it start, and when will it be finished?
- Fees – What specific professional fees will be billed? What is the billing schedule? What additional expenses will be reimbursed by the client, up to what amount? Fees should always be based upon services rendered. Never allow fees to be based upon the goal of the campaign. Contingency fundraising is prohibited by premier firms and eschewed by ethical consultants.
- Custody of Funds – All funds raised for your organization should go directly to you. Do not permit counsel to maintain custody of funds.
- Termination Clauses – Under what conditions may the agreement be terminated by either party?
- Personnel – Which people from the firm will provide direct services, and what other professionals may be called upon to support them?
- Fiscal Responsibility – Who in the organization is responsible for contractual discussions, and who is responsible for rendering payment?
- Location – Where will the services be rendered, on site or off site?

Step #8 – State Regulations

Compliance – Most states require both charities and fundraising professionals to register and follow certain procedures before commencing a campaign. Make sure both the organization and the fundraiser are in compliance.

Summary of State Laws – A summary of the state laws, including the addresses and telephone numbers of state regulatory entities, is available from the Giving USA Foundation.

(www.givingusa.org)

Bad Consultant Confidential

How charities cope when outside help isn't helpful

By Peter Panepento

When Kristy Gibbs accepted a fund-raising job last year at a social-services charity in Washington, she was pleased to learn that the organization had hired a consulting firm to advise her. The consultants' job was to complete an audit of the charity's fund-raising practices and help Ms. Gibbs manage a campaign to raise \$420,000.

Ms. Gibbs says she thought the arrangement would help her learn new skills from more-experienced fund raisers, but what she got instead was a painful lesson in how poor relations between charities and consultants can damage morale, create unnecessary work, and stall fund-raising efforts.

The consulting firm her group hired traditionally works with large charities that have big development staffs. Ms. Gibbs's charity had an \$11-million budget, but most of that came from fees and government aid, and when she took the job, she was the only person handling fund raising. (Ms. Gibbs declined to allow the name of the consultant or her organization to be used in this article. Her version of events was corroborated by another person who worked at the charity at the time.)

The consultants grew frustrated by the fact that Ms. Gibbs had to shoehorn their requests into a crowded schedule that included recruiting donors and planning special events. In communications with the consultants, she says, she was routinely talked down to in meetings and received condescending replies to her e-mail questions. Ms. Gibbs says that the consultants also demanded that she work overtime to create fund-raising materials that they ultimately rejected.

"They never treated us like we were a client," she says of the consultants. Worst of all, Ms. Gibbs says, the firm charged her charity more money than the \$100,000 it helped the organization raise — a figure that was well short of its campaign goal.

Avoiding Trouble

Ms. Gibbs's experience is not uncommon — especially at a time when charities increasingly rely on outside experts to help them complete key fund-raising projects. But her troubles could have been avoided, experts say, if the organization had hired a firm with experience working with charities that hadn't previously tried to raise much money. It hired a consultant recommended by one of its key grant makers.

While most consulting relationships are productive, a bad marriage between a charity and a paid consultant or other expert can harm both parties' reputations and set a charity back in terms of time, money, and missed opportunities.

"I don't care how much money you have, a bad consultancy has to be avoided. It's too important," says Annemarie H. Riemer, director of the Nonprofit Support Program at the Hartford Foundation for Public Giving, in Connecticut, which works with local charities to help them hire effective consultants. "I don't think anyone can afford to miss the mark."

Beyond lost time and money, a fund-raising consulting relationship that misses the mark can hurt an organization's reputation with its biggest donors — a factor that could hamper the charity's fund-raising efforts for years, says George Ruotolo, who runs a Cresskill, N.J., fund-raising consulting firm that bears his name. "It can be a failed enterprise, a failed campaign, a failed study. In any case, you lose face with your constituents," Mr. Ruotolo says. "That major prospective donor could say, 'He's made a bad choice.' They're questioning your judgment already."

Attaining Milestones

Charities often rely on consultants to help them develop fund-raising approaches that are beyond the expertise and limits of their staff. When the relationships work, they enable charities to reach milestones they could not otherwise attain.

Mary Brown, executive director of Life Pieces to Masterpieces, a Washington group that helps boys from low-income families stay in school and get tutoring and other help from adults, says her charity would not have been able to move beyond its start-up phase without consultants. She and her former husband started the organization a decade ago with \$2,000. Today, it has a \$600,000 budget and helps 150 boys a year.

Ms. Brown attributes her organization's growth to working closely with a consultant who evaluated the charity's operations and outlined a plan for delivering services more efficiently. She says she couldn't have come up with the plan on her own, having never led a nonprofit organization before.

"A lot of nonprofits are run by people with no formal background in business," Ms. Brown says. "All of a sudden, you realize you need people with business expertise to help."

But not all the advice that Ms. Brown has received from consultants she sought out to shore up her organization's operations has been helpful. In fact, Life Pieces to Masterpieces has squandered time and money on consultants who don't understand its needs.

In one case, a management consultant recommended that the charity raise money by turning artwork created by boys in its programs into mass-produced greeting cards. However, the consultant failed to recognize that the small organization needed to invest considerable money and hire additional staff to pull off the project. Only after spending additional money to study the

recommendation did Ms. Brown conclude that her charity was not ready to produce and sell merchandise.

"Maybe if I had a few million [dollars] and a seasoned board and more relationships in the for-profit arena," Ms. Brown says. "But it was not feasible at that time to have a microenterprise."

Jacob Harold, a program officer at the William and Flora Hewlett Foundation, which monitors the consulting relationships of its grant recipients, says paid fund-raising experts sometimes recommend pie-in-the-sky solutions that are beyond the grasp of charities.

For example, a nonprofit group that Mr. Harold advised hired a management consultant who suggested a plan for the charity to replicate its services in other locations. The consultant, however, did not fully consider how the additional sites would fit into the charity's existing operations.

Likewise, charities sometimes make the mistake of hiring consultants who do not have enough experience or skill to push them to improve.

"I've seen failure when a sophisticated organization hires a consultant that is not particularly sophisticated," Mr. Harold says. "The client is spending so much time educating the consultant and not enough time getting educated."

In one case, an advocacy group hired a fund-raising consultant unfamiliar with the group's mission to help it create a new fund-raising approach. The organization became so frustrated teaching the consultant about its mission and goals that it ended up firing the person before the consultant could begin devising new ways to raise money.

As Ms. Gibbs learned from working with a consulting firm that had limited experience with charities like hers, mismatches are the most common source of friction between charities and fund-raising consultants.

Indeed, an evaluation of 180 consultant-charity relationships, conducted by the Eugene and Agnes E. Meyer Foundation, found that most problems arise when charities hire experts who haven't worked with nonprofit groups of a similar size or mission. A consultant, for example, might have experience with cultural institutions, but little background with social-services groups.

Another type of problem arises when charities cannot turn a consultant's recommendation into reality. "Consultants sometimes don't recognize the strain they put on an organization," says Richard Moyers, director of the Nonprofit Sector Fund at the Meyer Foundation. "A lot of organizations, particularly small organizations that don't have a lot of experience with consultants, think the consultant is going to take things off their plate, when a lot of times a consultant is going to put more on their plate."

Failure to Deliver

Other consulting relationships suffer when the consultant fails to follow through on an important project or deadline, Mr. Moyers says.

"The consultant has too many things going on and shouldn't have taken on the work in the first place," he says. "When a consultant misses a deadline and doesn't deliver, it means compressed deadlines for the staff to do its work."

Such consultants have caused charities to scrap an important project and, in some cases, fire the consultant.

Maureen Peckman, a business owner who serves on the board of three nonprofit organizations in Las Vegas, recalls her experience with a public-health charity that agreed to pay a consultant \$40,000 to complete a strategic plan, which included developing new goals and timelines for fund raising.

The consultant conducted a series of cursory interviews with board members and put together a final report that relied almost entirely on printouts and other materials found on the Web sites of other charities that had undergone similar planning exercises.

"There was no in-depth analysis of our own operations, our accountability, the environment we operate in," Ms. Peckman says. "We went back to them and said this is completely unacceptable." The consultant, she adds, was paid part of the fee at the start of the arrangement, but the charity's board of directors was so angry at the outcome that it refused to pay the rest of the money. Attempts to recover some of the original payment were unsuccessful.

Marcia Selva, president of Global Community Service Foundation, in Fairfax, Va., hired a consultant to help her young charity raise \$30,000 to build a cultural center in Vietnam during the mid-1990s. At the time, her organization, which works to improve living conditions in poor areas of Southeast Asia, had little experience in running fund-raising campaigns and trusted the consultant to help it identify donors while the charity focused on the logistics of setting up the new center.

Ms. Selva became nervous when, three months before the campaign's closing date, nothing had been contributed. While the charity ended its agreement with the consultant and paid no fees, the organization still got hurt, says Ms. Selva, who had publicized the project in advance. "I lost face, because I had made this promise, and I had to go back and say we couldn't do this," she says.

Charity Shortcomings

Problem relationships often signal a failure on the part of the charity — not the consultant — and nonprofit groups often have an unclear idea of what they need, says Andrew Grumet, a New York lawyer who handles nonprofit cases.

"A lot of it results from miscommunication early in the process," he says. "I don't think it's intentional. One person is speaking about apples. The other is speaking about oranges. There are buzzwords in the nonprofit world and a lot of people have no idea what they mean." In other cases, "people call us and think they're ready for a capital campaign, but they don't have a well-thought-out strategic plan," says Leo Arnoult, a Memphis fund-raising consultant. They need funds, he adds, but they haven't put the planning and other internal systems in place to support their ability to raise money.

Other problems stem from charity officials' impatience, he says. Effective fund raising doesn't happen quickly and requires time for relationships with donors to develop, especially when an organization is seeking big gifts. But in some cases, nonprofit leaders believe the mere presence of a fund-raising consultant should guarantee quick results, which places unrealistic pressure on a consultant and sours the relationship.

Some charities sever their relations with consultants too fast, without giving the expert enough time to learn about the organization and its supporters, says Michele Dombach, development director of York Rescue Mission, in Pennsylvania, and a former consultant at Grizzard Performance Group, an Atlanta firm that advises charities on direct marketing.

"You need to stay with a consultant for at least two years," she says. "One year is not long enough for them to know how your donors work. If you are going to pay money and be serious about doing it, you have to commit and communicate."

Ms. Dombach likens the process of hiring a consultant to finding — and keeping — a spouse.

Charities, she says, should take time to ensure they will get what they pay for before signing an agreement with a consultant. They also need to make sure the communication continues once they exchange "I do's" to create a formal partnership.

"If you are going to pay the money, you have to commit and you have to communicate at every step," Ms. Dombach says. "You can't expect consultants to be mind readers."

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