

Working with Consultants

From the Association of Small Foundation's Fall 2007 Newsletter

Many small foundations use consultants at one time or another to manage investments, prepare tax returns, or facilitate board retreats. A consultant might also respond to grantseeker inquiries, write your annual report, or evaluate your grant program.

With such variety, how do you find the right consultant for you?

Types of Consultants

Consultants range from individuals working from home offices to “soup-to-nuts” firms with consulting expertise in all facets of foundation work. Many consultants play a variety of short- and longer-term roles.

“In many cases, our staff ‘drives the bus,’ enabling our clients to ‘enjoy the scenery,’ shares Mary Phillips of Grants Management Associates, a firm that provides staff for multiple foundation clients. “Our staff handles the routine work that keeps the foundation moving.”

Examples of consultants used by ASF members include:

- **Attorneys and accountants.** It’s important to have an attorney to whom you can turn throughout the life of your foundation. You will also need an ongoing relationship with someone skilled in accounting to manage the budget and cash flow, keep the books, and prepare your tax returns. Some foundations have one accountant; others use different people for different tasks.
- **Financial managers and consultants** can help your board to follow a prudent investment process and fulfill its fiduciary duty. See the Essentials archives at www.smallfoundations.org (subject area: Investments) for more on the specialized due diligence required to hire and monitor financial managers and consultants.
- **Foundation management firms** handle the “back office” details that keep a foundation running – everything from returning phone calls to reviewing grant reports.
- **Retreat/meeting facilitators** work with trustees to create an agenda and guide the process at the meeting – helping the group stay focused, draw conclusions, and determine action items.
- **Strategic planning consultants** help your foundation improve its current operations and plan for the future.
- **Evaluation consultants** can assess your community, evaluate your current grant programs, or examine your foundation’s operations. They offer expertise and a neutral perspective.

Is a Consultant Right for You?

The advantage in using consultants is clear: They allow your foundation to gain expertise on a parttime basis, without the cost and commitment of hiring staff. Depending on the task at hand, consultants can bring proficiency and objectivity that you may not have available otherwise.

“The obvious part of my job is to bring knowledge and experience to the table,” shares Mally Cox-Chapman, principal of Benefactory, a consulting firm that works with family foundations. “But sometimes just serving as a caring outsider means that everyone behaves better. There are many ways for trustees to get stuck, but there are just as many ways for the same trustees to meet on high ground and do great work together.”

Yet, consultants aren’t the answer for every foundation. With a consultant handling your operations or fronting major projects, it could mean less visibility for the foundation. It means giving up some control over the final product, and letting an “outsider” in on foundation business. Using consultants also requires an investment of time and money, varying by the type of project and the consultant’s level of experience.

If your board decides that a consultant is the best way to go, consider these questions:

- Should the consultant be located within your geographic area, or would you feel more comfortable with someone outside your local circle?
- What will you expect of the consultant? Of each other?
- How will you measure success?

At this point, it helps to draft an informal “job description” for your consultant-to-be. Job descriptions outline the consultant’s role and give candidates a clear idea what your foundation wants to accomplish.

Selecting Your Consultant

When looking for consultants, here are some places to start:

- The Professional Directory of Foundation Advisors www.smallfoundations.org
- Alliance for Nonprofit Management www.allianceonline.org
- Council on Foundations www.cof.org
- Foundation News & Commentary and other trade publications www.foundationnews.org
- Local community foundations www.cflocate.org
- National Network of Consultants to Grantmakers www.nncg.org
- Regional Associations of Grantmakers www.givingforum.org

Prospective consultants will submit a proposal (also called a “bid”) for your project. Proposals aren’t necessarily long or formal, but they do need to be clear. As the hiring foundation, you can identify the areas that candidates should address in their proposals, typically including:

- Consultant's background and approach
- Timeline and deliverables
- Fees and expenses
- Contact information
- References

Before you hire a consultant, consider his or her experience with projects or foundations similar to yours. Look for someone with a respected track record and expert knowledge in the subject area or service. "Experience is hugely important in this business," shares Frank Merrick, foundation trustee and principal of Foundation Management, Inc., a firm that helps families form and manage their foundations. "There's just no cookie cutter to working with foundations."

Also look for someone with a working style and sensitivity that fits well with your foundation. Merrick never takes a job without meeting the key foundation leaders in person: "I talk about the 'karma' necessary for a good working relationship.

There has to be a mutual respect – a camaraderie – between the consultant and others at the table."

Setting Expectations

Once you've selected a consultant, the success of your relationship depends on the expectations you set in the beginning, and how well both parties communicate during the working relationship.

- If you haven't done so already, establish one person to be the primary contact for the consultant.
- Communicate your expectations in a written letter of agreement. Include specific tasks, timelines, fees and payment schedule, ownership of work product, and a termination clause. Most consultants have standard letters of agreement, to which you can make additions or changes. Be sure that both parties sign the letter of agreement – and are willing to stick to the terms.
- Co-develop a work plan with the consultant. Include the roles and responsibilities of all parties and the desired outcomes, tasks, and deadlines. Discuss the flexibility of the plan, and what will happen if deadlines aren't met.

Develop a well-defined reporting system, including written reports, verbal reports at meetings, or status reports by telephone or e-mail.

- Keep the board informed of the consultant's progress, or make it easy for the consultant to communicate directly with the board.
- If necessary, be open to renegotiating the contract throughout the course of the consultant's work.