

(Non)billable hours

Two start-ups try to make management consulting affordable for nonprofit organizations **BY GABRIELLE GURLEY**

MOST NONPROFIT ORGANIZATIONS run lean, if not mean, operations, with only the largest able to afford luxuries like contracting out a new database design to private management consultants. But even in the nonprofit world, performance matters more than ever, and engaging expert consultants is no longer a frill, but a necessity. What's a shoestring operation to do?

Two young Boston area social entrepreneurs think they've found the answers, one in universities and business schools, the other in private companies that have talent to spare. At New Sector Alliance, Carly Janson recruits college and MBA students to work under expert mentors on projects for nonprofits, while Common Impact's Theresa Ellis enlists corporate employees to serve as pro bono consultants in their areas of professional expertise.

Both Common Impact and New Sector Alliance "harness the energy of volunteer labor, whether those are students, corporate volunteers, or management consulting volunteers, that the average nonprofit would not have access to otherwise," says Kristen McCormack, director of Boston University's School of Management Public and Nonprofit Management Program. With the boundaries between the for-profit and the nonprofit worlds increasingly blurred, she says, these social enterprises pursue a "double-bottom line" of fulfilling a social mission and generating income to support their mission by selling products or services.

The two organizations strive to satisfy the nonprofit sector's yen for problem-solvers with 21st-century skill sets at a fraction of the cost. But can either of them, in bringing these coveted, but typically costly, services to their clients, also sustain themselves?

BEYOND INTERNSHIPS

In Massachusetts, more than elsewhere, the nonprofit sector is growing. A March 2005 MassINC economic profile documented a 23 percent increase in 501(c)(3) nonprofit organizations statewide from 1999 to 2004. More than 420,000 people are em-

ployed by nonprofit groups here. That's 13 percent of the Massachusetts workforce, nearly double the national rate of 6.9 percent. Among these nonprofits are large, established institutions, like Harvard



The New Sector Alliance's Ravi Patel (left) worked with Jobs for the Future's Carmon Cunningham and Oracle's Faisal Anwar to boost JFF's Web capabilities.

University and major hospitals, but most are small entities that compete vigorously for a limited pool of philanthropic dollars and service contracts. That reality makes aligning social goals with smart business practices not only acceptable but essential.

"It has become increasingly clear that nonprofits have to be as efficient and effective as possible," says Janson, New Sector's president and founder.

At the same time, says Janson, the nonprofit ethos—especially in its bottom-line-oriented form—holds increasing appeal for young people. The "millennials," or the generation born between 1980

and 2000, have a new respect for and commitment to social responsibility due in part to 9/11, she says. Many also grew up with Baby Boomer parents they saw burn out from devoting their time and energies to corporate jobs. They want to get ahead, but they also want to make a difference.

So Janson puts idealistic but business-minded young people to work solving nonprofits' problems, teaming them with consulting groups or other professional mentors. That makes for a more structured experience than they could have as a volunteer or as an intern at the agency itself.

"Sometimes students looking for nonprofit opportunities end up at dead ends," says Nan Li, an Amherst College senior majoring in political science and economics who worked with Somerville Community Corp. this past summer through New Sector, developing a new program to help people use individual development accounts to save for education. "They can't find an opportunity they really like."

During the past academic year, teams of undergraduates and MBA students partnered with consultants from Accenture, the Boston Consulting Group, Bain & Co., and McKinsey & Co. to advise nonprofits on marketing, performance management, and the like. In the summer, local professionals

supervised students from top colleges and universities who took on projects for nonprofit agencies in Massachusetts. This year, thanks in part to a three-year, \$140,000 Massachusetts Service Alliance grant, New Sector expanded its summer fellows program nearly fivefold, enrolling 47 students—seven MBA candidates, and the rest undergraduates from Harvard, Brown, MIT, Duke, and other schools. New Sector is expanding into Connecticut this fall, sending Yale School of

'Nonprofits have to be as efficient as possible.'

Management students to assignments with United Way of Connecticut and the Connecticut Housing Investment Fund.

Jobs for the Future, a Boston-based national organization that works on education and workforce development issues, was looking for a way to communicate to large employers the potential benefits of giving low-skilled applicants a shot at entry-level jobs. That task fell to New Sector summer fellow Ravi Patel, an MIT senior. The mechanical engineering and public policy major helped the group create a "webinar," or Web-based seminar, for more than 200 human resources executives around the world, scheduled for this fall.

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“Our experience with Ravi clearly exceeded expectations,” says Carmon Cunningham, JFF’s vice president for technology and communications. And not only did Patel, working with Oracle senior applications engineer Faisal Anwar, gain valuable research-and-development experience on a challenging project, he also learned about the advantages to employers of tapping an underutilized labor force. “If you train and hire low-skilled workers, you get a high retention rate, get more positive PR, [and] solve the labor shortage pending in the next five to 10 years,” he says.

FORMS OF IMPACT

Janson launched the Boston-based New Sector Alliance in 2001. A 1998 Princeton graduate, she came to the nonprofit sector by way of Accenture, the management consulting firm that she joined in the midst of the Internet boom. In her spare time, she started recruiting friends and colleagues to volunteer at charitable organizations to help with marketing, Internet strategies, and other business planning.

Her efforts came to the attention of Michael May, then the global managing partner of Accenture’s strategy business, and when she decided to strike out on her own, May persuaded Accenture to contribute most of New Sector’s seed funding, while kicking in some money of his own.

The New Sector model, which taps eager young talent and the expertise of professionals at the same time, “satisfies multiple constituencies in terms of what they are looking to accomplish,” says May, now a lecturer in management at Babson College. “I’ve never seen anything that combines professional consulting firms with students and does work for not-for-profits.”

Common Impact also looks to bring business savvy to social enterprise but relies primarily on the talent of working professionals. Located in Cambridge, it matches 150 corporate volunteers, currently from five corporate partners—BEA Systems, Cisco Systems, Computer Associates, Fidelity Investments, and State Street Corp.—to technology, marketing, and human resource projects at nonprofit organizations.

“You have to see business and the nonprofit sector come together to address social issues,” says Ellis, founder and CEO of Common Impact. She understands that the business of business is to make a profit, she says, “but you can do that and be involved in the community in a way that really has meaning and really returns value to both the nonprofit sector and to the business.”

Fidelity has worked with Common Impact for about two years. Dennis Duquette, the firm’s vice president of community relations, says Common Impact’s skills-based volunteer model is one that allows employees to embrace roles, such as project or team leader, that go beyond their current job descriptions.

“It allows people to stretch themselves professionally, which is a huge benefit, I think, not only to the nonprofits, but to Fidelity and its employees,” says Duquette. Indeed, it is the kind of opportunity that Fidelity employees have increasingly come to expect. “[For] younger employees and folks coming into corporate America out of grad school, the position of the company in the community is very important to them,” he says. “We’ve seen that in studies and we are starting to see that in our employee orientations.”

Finding a way to use his technology skills to give something to the community was important for Raman Tallamraju, a Fidelity software engineer. Roxbury’s Hattie B. Cooper Community Center wanted to get beyond the Excel spreadsheets they’d used to track contributions, donor contact information, and fundraising activities and move up to a sophisticated donor-tracking database. Tallamraju worked with seven other Fidelity employees to build one.

Over a six-month period in 2005, the Fidelity team worked nights and weekends creating a user-friendly Access database. Particularly gratifying to Tallamraju was the response of executive director Deb Ansourlian to the presentation



Common Impact’s Theresa Ellis brings the business and nonprofit sectors together.

introducing their new product to the Cooper Center’s staff.

“She was stunned by the capabilities we could offer to her in such a short time,” says Tallamraju. Her reaction, he says, was “priceless.”

After graduating from Dartmouth in 1997, Ellis worked on school organizational development and policy issues for a for-profit boutique consulting firm in Washington, DC, and served as a board member for the local branch of Literacy Volunteers of America. She started Common Impact (orig-

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INNOVATIONS

inally calling it Impact Builders) at her kitchen table, and out of her own pocketbook, six years ago.

Volunteer time and labor are important to community groups, as anyone who directs a food pantry or soup kitchen can attest. Ellis realized that many professionals want to put not only their labor, but also their expertise, to work in the nonprofit sector. The problem is that small agencies struggling to meet immediate needs may not know how to get the most out of, say, a volunteer IT expert.

"What has been missing in this equation is someone who straddles both worlds effectively, translating the language, mediating the questions, guiding both parties forward," Ellis says.

BU's McCormack agrees. "We have lots of volunteer opportunities for people who want to go paint the rec room or build the playground or serve the food," she says. "There are very few organizations that know how to harness the [professional] skills of corporate volunteers who might be lawyers or architects or finance [or marketing] people."

What is Common Impact's impact on its nonprofit clients? Ellis says she can boil it down to dollars and cents: The \$750,000 invested in Common Impact by donors and foundations over the past six years has generated \$5 million in new resources for about 80 nonprofit clients so far. In addition, 33 percent of corporate volunteers stay involved with the client after they finish a project.

For its part, New Sector Alliance has completed 133 consulting projects for more than 80 nonprofit clients, providing more than \$10 million in services to date.

THEIR OWN BOTTOM LINE

New Sector and Common Impact may not be high-priced outfits like McKinsey, but they do have to make ends meet. And, eventually, both want to become self-sustaining, by reducing their reliance on philanthropic dollars and increasing income from fees.

New Sector hopes to break even by 2009. Initially, the firm offered its services pro bono. While that's still the case for very small nonprofits, today New Sector charges fees of up to \$10,000, depending on the length of the placement and the types of people involved, though it hopes to raise funds that will enable it to lower prices. For a summer fellow's services, New Sector clients paid \$2,000. A private sector consultant would have billed clients up to \$150 an hour, making the market value of a summer fellow's services as much as \$60,000, according to New Sector.

To move Common Impact closer to being self-sustaining, Ellis plans to rely more on fees-for-services from nonprofit clients and corporate partners, and to a lesser extent on contributions from individuals. She envisions that revenue helping to underwrite the costs of expanding the group's efforts to cities beyond Boston.

Common Impact, two-thirds of whose clients are small organizations with annual budgets under \$2 million, charges fees ranging from \$900 to \$3,100. Using private sector consultants or hiring new staff to provide commensurate services would average between \$25,000 and \$40,000.

Even so, for the organizations Common Impact and New Sector serve, these services aren't exactly cheap. "Everybody understands that nonprofits need management con-

Consultants ordinarily charge up to \$150 an hour.

sulting services, and that [these services are] going to be quite important for them in terms of operating as efficient organizations," says Harvard sociology professor Christopher Winship, who, like BU's McCormack, sends students through New Sector's programs. But finding the money to pay for these services is a "huge issue" for nonprofits, he says.

Some organizations, like JFF, can cover the fees out of their operating budgets. Others appeal to an individual donor, such as a board member, or seek foundation grants to underwrite all or part of those costs. But has a truly viable model for paying for these services emerged?

"That's a really tough one," says Geeta Pradhan, nonprofit sector program director for the Boston Foundation. Most individual, government, or foundation funding goes to the delivery of services and programs, not toward organizational development, she says, but a few national funders are in the early stages of studying organizational investments, based on the theory that if a group is effective and is well-organized, it will provide better programs and services. The drawback to that approach is that a funder can usually afford to invest that heavily in only a handful of organizations. Still, nonprofits do, from time to time, have to rethink structures and operations, just like any business or other entity, says Pradhan.

A consultant doesn't always have all the answers, but if no one in-house knows how to build a better database, contracting out for that skilled individual could help a nonprofit turn a corner. For the moment though, JFF's Cunningham says the onus is on nonprofits to make the case to funders for that type of support. "That may change over time," he adds, "as more organizations are able to improve their effectiveness and their bottom line through the advice and support of good consulting help." **CW**

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