

OUTSOURCING IN THE NONPROFIT SECTOR:

A Strategic Approach to the Challenges of Growth and Staffing

If you're looking for skilled staff to meet your goals, consider this affordable choice.

BY EMMETT T. VAUGHN

As a nonprofit executive, one of your biggest challenges is staffing. How do you juggle the need for skilled staff with the demand for budgeting, cost-cutting, and maximizing resources? How do you provide your staff with satisfactory compensation and career growth? How do you recover when unexpected staff losses derail you from your strategic course?

Outsourcing is becoming more prevalent as a way to address such problems. More and more nonprofit organizations are recognizing the flexibility and cost efficiency of outsourcing as a management tool.

Simply defined, outsourcing is the practice of hiring specialists to address operational needs that the current organization cannot meet. These "experts" usually are grouped as industry-related technicians, functional-skills specialists, or management consulting firms. Given the typical service-related nature of the nonprofit sector, consulting firms or skills specialists would be likely outsourcing partners.

Strategic planning, accounting, and human resources are a few skill areas needed in every nonprofit. Larger nonprofits may have executives with these



skills. Even so, such managers are also accountable for other critical functions within the organization. As a result, well-intended plans often end up on the proverbial back burner. As these organizations expand their outreach and vision, their management needs become more sophisticated. The time comes for budgets to be planned, and managers find themselves asking, “Can we add staff?” After examining hiring costs, the question becomes, “Can we add staff at the skill levels necessary to reach our goals?”

At some point you will have to make decisions on how much in-house talent you need and how much you can afford. On the other hand, you must decide which staff will be potentially overloaded and which functions will become a lower priority based on the availability of skills within the organization.

This is where outsourcing can provide you with many options and answers. Outsourcing lets you hire people with more experience and com-

petency than you could afford on a full-time basis. It allows you to pinpoint problems and find someone to solve them, conceive a vision and find someone to take you there—all at an affordable cost.

When Should You Use Outsourcing?

For outsourcing to be most effective, you must hire consultants for the right kinds of tasks. Here are examples of roles in which consultants can be especially useful:

- Let’s say that your organization has problems with its human resource functions. A consultant can provide you with an organization assessment, update of policies and procedures, and training of appropriate staff to manage the new system. You will likely pay less money for the consultant than if you

hired a human resource manager at a mid-market salary with benefits.

- Likewise, you can hire a consultant to modify or even create an accounting or financial management system, and you'll probably pay less than if you hired a full-time accountant or department manager.
- Executive directors, presidents, and other operating managers often find consultants useful in developing their skills. It may be hard to find the kind or level of training they need. Rather than waste their time in inappropriate training, they can hire consultants to address issues of planning, organizational structure, or financial management. Thus, they can stay contemporary in their vision without having to sit through a series of "canned" seminars.

Being able to pinpoint the right person for the right task is one of the beauties of outsourcing.

Can You Afford It?

Some schools of thought suggest that you can acquire outsourcing services "pro bono" through your board or as "gift in kind" contributions from firms. There are problems with such "free advice," however. Such consultants aren't as accountable as they would be if you were paying them. Also, it's harder to find exactly what you need.

On the other hand, outsourcing firms will often "scale" fees for nonprofit clients as a gesture of corporate citizenship. The best solution is to find the consulting firm that's right for you and then work out a workable payment schedule.

You may also want to build consultants' fees into grant proposals. Nonprofits often do so when they undertake major reorganizations or program expansion initiatives.

How Can You Find the Right Specialist?

Making sound decisions about outsourcing begins in the planning or budgeting process. Here are the steps to take:

1. Decide on a goal or strategic area your organization plans to emphasize.
2. Choose a consulting group that specializes in this area. One place to start is the "Directory of Service and Product Providers" which appears in every issue of *Nonprofit World*. (See page 31). You may also want to ask nonprofit colleagues for their recommendations.
3. Give the consulting group a detailed outline of your needs. Ask them to look it over and estimate how much time and money it will take.
4. Negotiate fees or payment guidelines with the consulting firm.
5. Review the consultant's references and accomplishments before making a final decision.

Put time into finding the right consultant. If you have concerns, keep looking. Being able to pinpoint the right person for the right task is one of the beauties of outsourcing. You have the liberty to keep up the search till you find the perfect match. ■

Selected References

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- Staecker, Del, "Before You Hire an Executive Search Consultant," *Nonprofit World*, November-December 1995.

These publications are available through the Society for Nonprofit Organizations' Resource Center. For ordering information, see the Society's *Resource Center Catalog*, included in this issue, or contact the Society at 6314 Odana Road, Suite 1, Madison, Wisconsin 53719 (800-424-7367).

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