



Pro Bono Strategic Consulting: The \$1.5 Billion Opportunity

BY JAMES W. SHEPARD, JR. AND ALETHEA HANNEMANN



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About the Taproot Foundation and this paper

This paper represents the views and opinions of the Taproot Foundation. It is based on our data and analysis, and we alone are responsible for its content. This report does not necessarily reflect the views of the Taproot Foundation's funders or supporters.

The Taproot Foundation strengthens nonprofits by engaging business professionals in service. Our core Service Grant program leverages the best practices of professional services firms to provide reliable Marketing, Information Technology, Leadership Development & Strategic HR, and Strategy Management services directly to nonprofits in the United States at no cost to them. We also create and manage pro bono programs for leading corporations, and advocate to make pro bono an integral part of the business sector culture. For more information about the Taproot Foundation and its activities in your community, please visit www.taprootfoundation.org.

Table of Contents

2	Executive Summary
6	Introduction
8	The Strategic Management Challenge Facing the Nonprofit Sector
11	Corporate America Offers Consulting Services Pro Bono
15	The Potential of Pro Bono Services
24	Conclusion
24	Recommendations and a Call to Action
26	Appendices
28	Selected Bibliography



Executive Summary

To create a great nation, we need strong businesses to fuel our prosperity, but we also need first-rate schools, clean air, and great healthcare—challenges that we increasingly rely on the nonprofit sector to address.

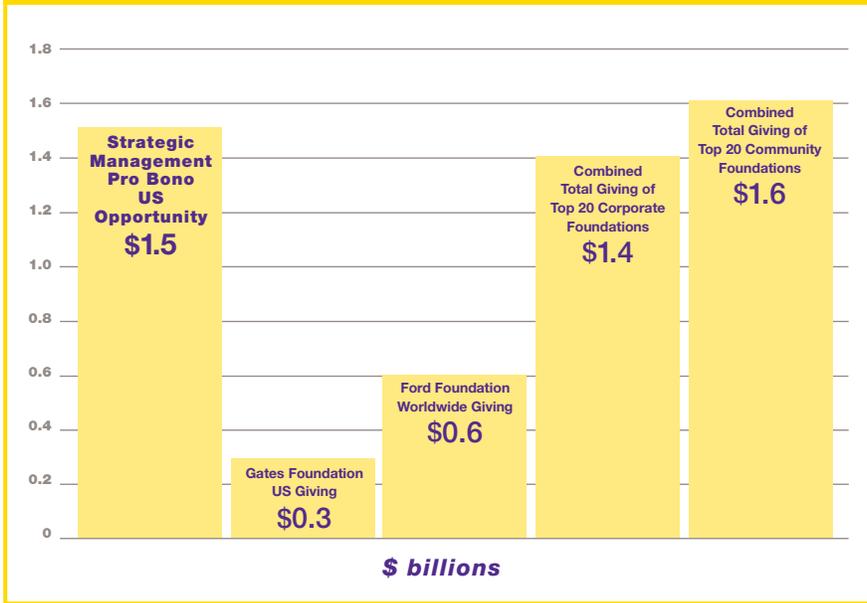
Yet the nonprofit sector faces a quickly changing and ever more complicated strategic environment—double-digit growth, frequent changes in government regulations and funding models, growing reliance on capital-intensive technology in a sector that is chronically undercapitalized, and increasing demands on the sector as the federal government outsources many of its traditional direct service functions.

To help nonprofits meet these strategic challenges many major for-profit consulting firms, such as McKinsey & Company, the Boston Consulting Group, and Deloitte, are doing excellent work providing pro bono strategic management services. They are joined in this effort by a range of nonprofit intermediaries, including those associated with leading business schools such as Stanford and Harvard, that also seek to channel the strategic management prowess of the corporate sector to help nonprofits thrive. Unfortunately, the current scale of these pro bono activities does not come close to meeting the social sector's needs. McKinsey's nonprofit practice, for example, serves roughly 100 organizations each year—out of hundreds of thousands that could benefit from thoughtful strategic planning help. Moreover, while much pro bono work is of high quality, not all is.

In 2007, the Taproot Foundation embarked on a study to see if this situation represented an opportunity. The question we posed:

Can we bring pro bono strategic management support to nonprofits at a scale and quality that will significantly enhance the social sector's overall impact and performance?

THE \$1.5 BILLION POTENTIAL FOR PRO BONO STRATEGIC MANAGEMENT COULD TRANSFORM THE NONPROFIT SECTOR



SOURCE [HTTP://FOUNDATIONCENTER.ORG/FINDFUNDERS/TOPFUNDERS/TOPT100GIVING.HTML](http://foundationcenter.org/findfunders/topfunders/top100giving.html) AND [HTTP://WWW.GATESFOUNDATION.ORG/UNITEDSTATES/GRANTS/DEFAULT.HTM?SHOWYEAR=2007](http://www.gatesfoundation.org/UnitedStates/Grants/default.htm?showYear=2007)

**KEY FINDING:
Pro Bono Strategic Management—
More Than a Billion Dollar Opportunity**

We estimate that fully realized pro bono strategic management would unleash more than \$1.5 billion of services per year in the United States alone. To put this in perspective, this is more than the total annual combined giving of the 20 top corporate foundations¹, more than the very largest foundation gives annually in the U.S.², and about the same as the combined annual giving of the 20 largest U.S. community foundations.³ \$1.5 billion of services each year would strengthen the nonprofit sector, not on the margin, but fundamentally.

**KEY FINDING:
200,000 Nonprofits Face Significant
Strategic Management Challenges**

Many strategic decision-making practices have been widely accepted by the nonprofit sector as established best practices. One strategic management practice, strategic planning, provides a good lens into this dynamic: most institutional funders consider a strategic plan a prerequisite for grants. Nonetheless, many nonprofits lack even a simple strategic plan, and those that do have plans often create them without the data and analysis needed for informed strategic decision-making. In general, nonprofits are hampered by a lack of resources and insufficient skills for such activities.

Not all of the nearly 1.5 million nonprofits in the United States, however, need professional pro bono strategic management support. The segment most in need—around 200,000 organizations—are nonprofits with annual revenues over \$250,000. This segment includes the majority of the social service agencies—day care centers, after-school programs, elder-care services and job training programs—that often come to mind when one thinks “nonprofit”.⁴

¹ <http://foundationcenter.org/findfunders/topfunders/top50giving.html>

² <http://foundationcenter.org/findfunders/topfunders/top100giving.html> and <http://www.gatesfoundation.org/UnitedStates/Grants/default.htm?showYear=2007>

³ <http://foundationcenter.org/findfunders/topfunders/top25giving.html>

⁴ For more information about the distribution of organizations in the nonprofit sector, see the Internal Revenue Service *Exempt Organizations Business Master File (2007, Sep)* and *The Urban Institute National Center for Charitable Statistics, Nonprofit Almanac 2008*.

**STAGES OF NONPROFIT STRATEGIC PLANNING AND
FIT WITH THE SKILLS OF CORPORATE STRATEGISTS**

	Define Mission and Vision >>	Data Collection and Analysis >>	Define Strategy >>	Monitor and Measure >>
Typical Activity	<ul style="list-style-type: none"> • Facilitation among board, staff, key funders and donors, and community stakeholders 	<ul style="list-style-type: none"> • Benchmarking • Competitive/collaborative assessment • Managerial cost analysis • Market assessment • Analysis 	<ul style="list-style-type: none"> • Facilitate decision-making among key stakeholders • Make tradeoff decisions • Gain stakeholder buy-in 	<ul style="list-style-type: none"> • Implement strategy • Define metrics and reporting • Track results • Adjust as necessary
Ability for most corporate strategists to provide quality service	WEAK	STRONG	WEAK	STRONG

SOURCE: TAPROOT FOUNDATION ANALYSIS

**KEY FINDING:
Nonprofits Want Pro Bono Strategic Management Support**

Most nonprofits would welcome pro bono strategic management services from skilled corporate professionals. In 2007 we surveyed more than 225 nonprofits across the country, across a broad range of issues and sizes.⁵ Our key finding:

87 percent of nonprofits indicated there was at least one strategic management challenge for which they would “definitely” or “probably” seek immediate pro bono support if available.

**KEY FINDING:
Pro Bono Services Can Be Delivered With Quality**

Quality in pro bono services is both essential and attainable. As a nascent movement, pro bono strategic management is not yet mature enough to have established quality standards or norms. Most service providers do not specify quality standards for their pro bono services or implement the array of policies needed to ensure quality. Strategy consulting firms, however, use a range of tools to ensure quality for their paying clients, and these tools can inform and be adapted to create quality practices for pro bono. A key step, we believe, is to adopt the same client-centric philosophy in pro bono as exists in a commercial environment, and to adapt existing quality standards and processes for the particular conditions of pro bono engagements.

One quality issue is worthy of particular attention: ensuring a fit between the skills of the pro bono professionals and the requirements of a particular client engagement. While this seems obvious, the complication is that, due to inherent differences in the for-profit and nonprofit sectors, not all aspects of strategic management are the same in the two sectors. For example, looking through the lens of strategic planning, we find the challenges of defining vision and mission and facilitating actual strategic decision-making are significantly different in the nonprofit sector. Providing quality services requires pro bono providers to be aware of such differences, and to either address the skills gap (through training or guidance by nonprofit sector experts) or focus their efforts on the services most aligned with the skills and experiences of their corporate professionals.

⁵ For more information about the survey, including response rate and analysis, see footnote 9.

Recommendations and a Call to Action

Pro bono strategic management is an enormous opportunity that has the potential to dramatically strengthen the nonprofit sector. Companies, foundations, educational institutions, the media, and nonprofits all have a part to play in making pro bono strategic management services a fundamental cornerstone resource for the nonprofit sector. The Taproot Foundation offers the following recommendations:

A range of organizations have a part to play in making pro bono strategic management services a fundamental cornerstone resource for the nonprofit sector.

Strategic Consulting Firms

- » Make pro bono service as integral a part of the strategy consulting profession as it is in the legal profession.
- » Establish firm standards for pro bono service, including for total giving, quality, and professional participation. Report out each year.
- » Advance the field's understanding of effective strategy consulting for nonprofits—including both what works and what doesn't.

Corporations

- » Complement existing volunteerism efforts by developing and implementing pro bono programs that leverage the skills of employees to help nonprofits with key strategic planning tasks.
- » Include pro bono contributions in corporate social responsibility (CSR) reports—citing the actual dollar value of provided services in addition to hours and the percent or number of employees doing pro bono work.
- » Leverage the work of the professional services firms to set standards for pro bono including methods and measures of quality.

Foundations

- » Support the infrastructure that is needed for successful delivery of pro bono strategic planning services, including service delivery providers and intermediaries.
- » Support research and information dissemination to improve understanding of pro bono as a potential solution to nonprofits' strategic planning needs, including efforts to gauge the quality and impact of such services.

Nonprofit Organizations

- » Recruit at least one board member with significant strategic management skills.
- » Work with corporations and consulting firms to develop pro bono initiatives.

Management profession, including schools, media, and associations

- » Ingrain pro bono into the profession as an assumed opportunity and responsibility.
- » Make pro bono a core component of the curriculum in business schools and continuing education programs.
- » Report on the pro bono initiatives of strategy consulting firms, noting best practices, key contributors, and amount of giving relative to organization size.

Introduction— Strategic Management and Nonprofit Success

The nonprofit sector has embraced strategic planning. From agencies providing care and shelter to families with special needs, to environmental groups protecting our drinking water, to after-school programs educating our children, nonprofits have sought to create strategic plans and make better strategic decisions. Nonprofit leaders increasingly believe that organizations will be more successful in achieving their social missions if board and staff are working toward clearly defined and thoughtfully selected goals and objectives, and if organizations can clearly track progress towards these goals.

Yet even as nonprofits are seeking to be more strategic, and even as the challenges they face make strategic planning and decision-making ever more an imperative, most nonprofits are unable to complete even a simple, solidly fact-based strategic plan.⁶

Corporate America has lent support. Deloitte, for example, provides about 100 pro bono engagements for nonprofits in the U.S. each year—but that is only a small fraction of the nearly 200,000 U.S. nonprofits that need such help.⁷ Several nonprofit organizations—including the Stanford Graduate School of Business Alumni Consulting Team and Executive Service Corps—have also sought to channel business skills into the nonprofit sector, but these efforts have not had the necessary scale or reliability to constitute an effective solution to the strategy challenge facing the sector.

In 2007, the Taproot Foundation sought to answer the following question:

Can we bring pro bono strategic management support to nonprofits at a scale and quality that will significantly enhance the social sector's overall impact and performance?

Our research led us to focus specifically on one key strategic management practice—strategic planning—and through that lens we sought to understand:

- » The nature of the strategic planning and management challenges facing the social services sector
- » The scope and quality of current corporate sector efforts to provide pro bono services to nonprofits to meet these challenges
- » What would be necessary for the corporate sector to provide quality pro bono strategic management services to nonprofits
- » The scale of the opportunity pro bono might provide, given the number of corporate professionals with the necessary skills and demand from nonprofits with relevant needs

⁶ About half of nonprofits have a strategic plan, as described in Renee Berger and Liz Vasille, *Strategic Planning: A Review of Grantee Practices*, David and Lucile Packard Foundation, April 2002, p. i.

⁷ There are 200,000 nonprofits in the U.S. with annual revenues over \$250,000. Organizations with smaller budgets are typically small and focused enough to have limited strategic management needs; many are all-volunteer organizations with highly simplified scopes of work. These organizations rarely need sophisticated business practices, and could likely be overwhelmed by a pro bono project offering these practices. "A lot of organizations need very basic things," said Dave Sherman, of Blu Skye Sustainability Consulting, in an interview with the Taproot Foundation. "Either they're so small that their planning needs are also small, or they can complete the planning process with little to no help." For a breakdown of U.S. nonprofit organizations by size, see "The Nonprofit Sector in Brief, Facts and Figures from the *Nonprofit Almanac 2007*", from the National Center for Charitable Statistics (available at the Urban Institute's web site at <http://www.urban.org/publications/311373.html>).

DEFINING TERMS—STRATEGIC MANAGEMENT, STRATEGIC PLANNING, AND PRO BONO

Strategy is a word used so often and in so many ways as to often become meaningless. For us, **STRATEGIC MANAGEMENT** encompasses a range of management activities that foster decision-making and resource allocation to maximize the intended organizational outcome, whether mission or profits.

STRATEGIC PLANNING is a disciplined effort to make and galvanize support for decisions that define why the organization exists, what it does, how it does it, and how to measure its success. Strategic planning relates an organization to its environment and focuses its attention and resources on the crucial issues. Nonprofit strategic planning differs from that in the for-profit sector due to several factors including more numerous stakeholders, more diffuse power dynamics, public accountability, mission focus, greater inclination to view competitors as partners, and less easily defined criteria for performance assessment.⁸

In the context of this paper, **PRO BONO** means the provision of professional services to organizations servicing the public good, without the expectation of a fee or at such a nominal fee as to make them accessible to the client. Pro bono engagements may be long or short, large or small, provided by teams or individuals, but must leverage the core competencies and expertise of the professionals engaged to meet the client's need.

RESEARCH METHODOLOGY

In 2007 we undertook a four-part research effort. We engaged in an extensive literature review to investigate the strategic management challenges facing the nonprofit sector, best practice in both the nonprofit and for-profit sectors, and services available to nonprofits via paid or pro bono service. We conducted in-depth interviews and focus groups with more than 60 strategic management experts, leaders of pro bono strategic management programs, and nonprofit leaders (see Appendix for a complete list). We conducted an online survey of more than 225 nonprofit organizations nationwide.⁹ And finally, we piloted select pro bono strategic management services with more than 20 nonprofits starting in 2007; these services leverage our earlier experiences providing pro bono services to more than 700 nonprofits in the areas of marketing, human resources, and technology.

Though our research touched on a variety of strategic management challenges and practices—including benchmarking, logic model development, and evaluation—we focused most of our effort on strategic planning in particular. Strategic planning is more easily defined than other management practices, and is a reasonable proxy for the larger and more amorphous strategic management category.

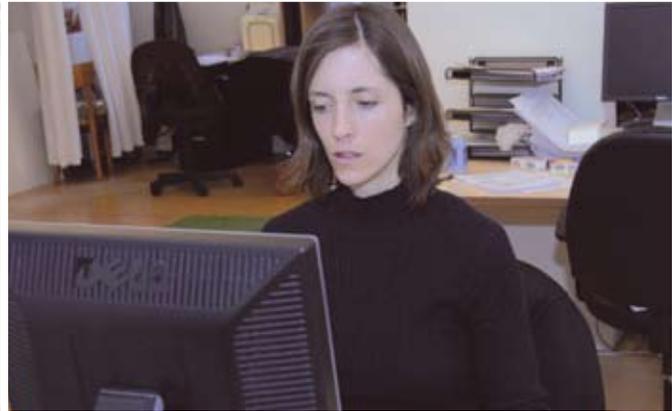
“When our teams help nonprofits with strategic planning, we find that the organizations are often not as far along as they believe. Even when they think they have done an environmental scan and a capacity assessment, they will often not have something our teams feel meets the need.”

APRIL GILBERT • Former director, Stanford Alumni Consulting Team¹⁰

⁸ “Relationship between Organizational Characteristics and Strategic Planning Processes in Nonprofit Organizations,” *Journal of Managerial Issues*, Summer 2000.

⁹ We contacted 1779 organizations and received a total of 226 responses, a response rate of 13%. The original sample included both organizations who had worked with the Taproot Foundation and those who had not. We did not perform any additional research to determine if our responses were proportionally representative; however, analysis of the responses showed no significant differences based on the organization's revenue trends, length of existence, number of sites, or geography, or the role of the responder. We did find that interest in pro bono was slightly lower among organizations with budgets over \$10 million; this is consistent with our understanding that larger organizations have greater resources to pay for paid consultants and more complicated challenges.

¹⁰ Taproot Foundation interview.



The Strategic Management Challenge Facing the Nonprofit Sector

¹¹ A 1999 Harvard Business School report noted a proliferation of suppliers offering consulting services to nonprofits. Many of the consulting firms identified in the report focus on providing strategic planning and related services. See Heiner Bauman et al., *Consulting to Nonprofits: An Industry Analysis*, Social Enterprise Field Study, Harvard Business School, April 30, 1999, p 7.

¹² For more information, see www.allianceonline.org.

¹³ Among the recent titles of note are *The Field Guide to Nonprofit Strategic Planning and Facilitation* (Authenticity Consulting, 2003), *Strategic Planning for Nonprofit Organizations* (Wiley, 2003), and *Strategic Planning in Smaller Nonprofit Organizations: A Practical Guide for the Process* (Western Michigan University, 1999).

¹⁴ For more information see Renee Berger and Liz Vasilie, p. i. This analysis of a Packard Foundation program designed to strengthen the organizational capacity of nonprofits found that more than a third of nearly 500 grants made by the funder supported some aspect of planning. See also Paul Light and Elizabeth Hubbard, *The Capacity-Building Challenge: A Research Perspective*, Foundation Center, 2006, p. 35-36 which describes a Foundation Center review of 16 capacity-building programs sponsored by eight institutional funders. The review found that strategic planning and organizational assessments and related activities represented about a third of engagements.

¹⁵ For example, the Minnesota Council of Nonprofits *Principles and Practices for Nonprofit Excellence* states that nonprofits have a duty to engage in sound planning, define a clear vision for the future, and specify strategic goals and objectives for plan implementation. Minnesota Council of Nonprofits, *Principles and Practices for Nonprofit Excellence*, 2005, p.9.

¹⁶ *Strategic Planning in Smaller Nonprofit Organizations: A Practical Guide for the Process*, Western Michigan University, 1999, p1.

Strategic planning is widely accepted as a best practice among nonprofits, and this has become even more the case in recent years. One can see evidence of the sector's embrace of strategic planning in several trends:

- » Growth in the number of nonprofit consultants offering strategic planning¹¹
- » Rapid growth of the Alliance for Nonprofit Management, the leading organization focused on supporting the work of nonprofit consultants, many of whom focus on strategic planning and management issues¹²
- » Countless new books on strategic planning for nonprofit leaders¹³
- » Increased support for strategic planning by institutional funders¹⁴
- » Increased attention by nonprofit associations on strategic planning as best practice¹⁵
- » Increasing number of funders that now require prospective grantees to submit a strategic plan with their grant proposals¹⁶

Despite the sector's embrace of strategic planning practices, the growing ranks of nonprofit consultants, and the growing body of literature on strategic planning for nonprofits, several studies indicate

STRATEGIC MANAGEMENT PROBLEMS FACING NONPROFITS

The Taproot Foundation's 2007 survey of 226 nonprofits across the country showed that a significant portion of organizations do not follow many of the nonprofit sector's best practices for strategic planning.

Management Initiative	% of respondents indicating having spent <i>no time</i> on this in the last year
Analyzing competitors or potential partners	78%
Evaluating earned income opportunities	64%
Learning from those considered "best" at one of your organization's key functions (benchmarking)	63%
Evaluating and defining mitigation approaches to key organizational risks	58%
Systematically gathering external data on clients, markets, and demographics to inform strategic decisions	55%
Defining and tracking key strategic metrics (strategic scorecards)	25%
Defining or clarifying the social outcome you are seeking to achieve, the means of achieving it, and the metrics of your success	25%
Evaluating where to make strategic investments in your organization's capacity	20%

SOURCE: TAPROOT FOUNDATION 2007 SURVEY OF 226 NONPROFITS ¹⁷

that only about half of nonprofits have taken even the simple first step of creating a strategic plan, let alone leveraging other strategic management practices.¹⁸

Moreover, even when nonprofits do create strategic plans, they do not consistently engage in planning to the degree suggested as best practice. In the Taproot Foundation's 2007 survey of 226 nonprofits around the United States, 78 percent said they spent no time in the previous year analyzing competitors or potential partners. 55 percent had spent no time systematically gathering data on clients, markets, and demographics to inform strategic decisions.¹⁹

"I've worked with many organizations," said Greg Dees, professor at Duke University's Fuqua School of Business, in a conversation with the Taproot Foundation. "And I've commonly found that organizations do not have much of the data they need to make truly informed decisions."²⁰

The gap between best practices and actual strategic planning activity in the nonprofit sector is not surprising when one considers the challenging context in which these organizations operate. Three factors stand out for our attention: a lack of resources, a lack of skills, and the pressure to keep overhead costs down.

Lack of Resources for Strategic Planning

Strategic planning takes time and money. With budgets stretched and demand for services high, many nonprofits cannot find the time or money for strategic planning. Rather, many nonprofit leaders feel compelled to focus on fundraising simply to sustain operations.²¹

Only about half of nonprofits have a strategic plan.

¹⁷ For more information about the survey, including response rate and analysis, see footnote 9.

¹⁸ For more information, see Renee Berger and Liz Vassile, p. i., and Denise Gammal et al., *Managing Through Challenges: A Profile of San Francisco Bay Area Nonprofits*, Center for Social Innovation, Stanford Graduate School of Business, 2005, p. 38-39.

¹⁹ Taproot Foundation survey. For more information about the survey, including response rate and analysis, see footnote 9.

²⁰ Taproot Foundation interview.

²¹ In fact, a 2005-2006 survey found that three of the top five issues executive directors face relate to generating income. The study, commissioned by Accenture, noted that challenges increasingly drive nonprofits into survival mode, scrambling to secure ever-more funding so they can continue to deliver services and programs. Accenture, *Identifying Enablers of Nonprofit High Performance*, 2006, p. 6.

VOICES FROM THE FIELD— WHY NONPROFITS DO NOT DO STRATEGIC PLANNING

“Lack of time and limited dollar resources are major limitations that keep us from looking in-depth at certain activities.”

JUDY SLEETH • Executive Director,
Art in Action, Menlo Park, CA

“Getting outside research and feedback from stakeholders takes someone outside the agency; paying for that is always challenging.”

MARGARET JERENE • Executive Director,
Florence Crittenton Services, San Francisco, CA

“We don’t do very much contextual analysis for our strategic planning. We just don’t have time.”

ALEC LEE • Executive Director, *Aim High,*
San Francisco, CA

“We shortcut a lot of process planning in our sector simply because we’re short of money. We plan by the seat of our pants rather than planning by thoughtful evaluation of strategy.”

JUDY ALNES • Executive Director,
MAP for Nonprofits, St Paul, MN

SOURCE: TAPROOT FOUNDATION INTERVIEWS

When nonprofits do seek support specifically for strategic planning they find the resources surprisingly small, with grants of \$10,000 being quite common.²² Such small sums are typically only enough to facilitate decision-making; funds to support effective data collection and strategic analysis are rarely available.

Lack of Strategic Planning Skills among Nonprofit Leaders

Given this environment, it is hardly surprising that many nonprofit leaders lack extensive experience with comprehensive strategic planning. Moreover, executive directors are often promoted from programming departments without formal management training, and nearly two-thirds of nonprofit executive directors are in an executive leadership role for the first time.²³

One might expect board members to provide nonprofits with strategic management experience, but, surprisingly this is not generally the case. A recent Packard Foundation study found that most board members’ careers, even if in the corporate sector, had not provided exposure to strategic planning.²⁴

Irrational Pressure to Keep Overhead Costs Low

A third reason for a lack of strategic planning investments is the pressure to keep overhead costs low. Many funders’ practices are explicitly designed to curtail overhead spending. And organizations like Charity Navigator evaluate nonprofits not by the efficiency with which they deliver results, but by the percentage of funds spent on overhead. This focus on overhead, rather than the efficiency of results, leads to under-investment in activities like strategic planning even when the investments would strengthen the organization’s ability to achieve mission and do so more efficiently.

Impact of the Strategic Management Shortfall

The lack of strategic planning and management resources limits the ability of nonprofits to achieve their missions; it is an opportunity lost. When nonprofits have the capacity and expertise to make strategic planning a priority, they consistently report a significant positive impact on their performance.²⁵

²² For example, one of the largest recent foundation programs designed to support capacity building and organizational development provided grants averaging only \$35,000. Even this overstates the case, as each grant typically supported many activities in addition to strategic planning. See Renee Berger and Liz Vasille, p. i. Another study found that strategic planning grants from institutional funders were most often relatively small grants of \$10,000 or less. See Paul Light and Elizabeth Hubbard, p. 35-36.

²³ Jeanne Peters and Timothy Wolfred, *Daring to Lead: Nonprofit Executive Directors and Their Work Experience*, CompassPoint Nonprofit Services, August 2001, p. 3.

²⁴ Renee Berger and Liz Vasille, p.13.

²⁵ See, for example, a study of 240 YMCA organizations by Julia Siciliano, “The Relationship between Formal Planning and Performance in Nonprofit Organizations”, *Nonprofit Management and Leadership*, 7 (4), 1997, p. 387-403. See also Paul Light and Elizabeth Hubbard, p. 39-41, which reports that nonprofit leaders overwhelmingly believe that efforts to encourage more strategic planning have positively impacted their organization’s performance.



Corporate America Offers Consulting Services Pro Bono

Many for-profit consulting firms and individual business strategists have seen and responded to the nonprofit sector's strategic management challenges. But these efforts, while mostly positive, do not have the scale or reliable quality needed for a sector-wide impact.

Too Small to Make a Difference

Most major for-profit management and strategy consulting firms, such as McKinsey & Company, the Boston Consulting Group, Deloitte, and Accenture, provide some pro bono counsel across a range of strategic management services. For example, Deloitte, one of the larger firms, serves roughly 100 organizations in the U.S. each year pro bono.

Placed in the context of the nearly 200,000 U.S.-based nonprofit organizations in need of such services, it is clear that existing pro bono and reduced-fee services, though laudatory, do not come close to meeting the social sector's overall needs.²⁶ In fact, recognizing this shortfall, several firms have sought to broaden their impact by providing tools and best practices rather than just direct consulting services. Of course, as a partner at one such firm noted, this approach depends on the sector having the resources to implement these best practices effectively and independently.²⁷

Uneven Quality

Judging the quality of strategic management consulting is challenging. In a corporate environment, consulting quality is linked to customer satisfaction and likely a client's resulting improved bottom line. Among nonprofits quality should be similarly associated with the satisfaction of the pro bono client and the enhanced ability to achieve mission. However, we found no established best practices for providing pro bono strategic consulting to nonprofits, and no established mechanisms for gathering honest client

"I'm not questioning the skill or dedication of nonprofit managers and staff, but very often the leaders came up through the ranks—a health professional, educator or social worker. They may not have developed strong strategic planning skills."

GREG DEES • Fuqua School of Business, Duke University²⁸

²⁶ For an explanation of how we arrived at the 200,000 figure, see footnote 7.

²⁷ Taproot Foundation interview with Robert Searle, the Bridgespan Group.

²⁸ Taproot Foundation interview.

To date, 23 companies and organizations have pledged more than \$406 million in pro bono services and skilled volunteering over the next 3 years. ²⁹

CASE STUDY: PRO BONO STRATEGIC MANAGEMENT CONSULTING FIRM

Boston Consulting Group/The Chicago Community Trust

DESCRIPTION

The Chicago Community Trust (CCT), with assets of more than \$1 billion, is the third-largest community foundation in the United States. It awards grants totaling approximately \$40 million annually to organizations that promote Chicago's well-being—such as neighborhood social-services agencies, museums, and educational institutions.

CHALLENGE

CCT was facing a difficult fundraising environment and declining endowment income—its traditional source of funds for grant making. It wanted a strategy to address the challenging donor landscape, in particular the challenging donor-advised-funds segment.

RESULTS

A team from BCG's Chicago office segmented the market and interviewed a broad set of donors to understand their preferences and needs, benchmarked comparable charitable institutions, analyzed CCT's internal costs, and developed measures of accountability for its donor "products." On the basis of this work, BCG developed strategic recommendations for customer segmentation and targeting, channels, pricing, and organizational design. CCT implemented many of these recommendations. The result should be an improved fundraising capability and growth in new development areas that will help build assets for years to come.

SOURCES: THE BOSTON CONSULTING GROUP, "MAKING A DIFFERENCE: BCG AND ITS PRO BONO CLIENTS," OCT. 2004.

CASE STUDY: PRO BONO NONPROFIT INTERMEDIARY

Stanford ACT/Girls' Middle School

DESCRIPTION

Girls' Middle School (GMS) nurtures, empowers, and educates girls through a project-based, hands-on curriculum that encourages girls to collaborate, think critically, and experience the joy of learning. Through practice, girls grow to value their voices, develop empathy, and set and reach their personal goals.

CHALLENGE

The GMS board posed the following questions:

- » What is our local competition?
- » What can be learned from peer schools nationwide?
- » What is the local support for a school like GMS?
- » What are the implications for GMS's strategy from the answers to the first three questions?

RESULTS

The Stanford Alumni Consulting Team recruited a group of seven Stanford MBAs for the project. The team researched competitive schools locally, examined girls' middle schools in other geographies, and analyzed education trends that would affect GMS. Stanford ACT's final report produced a competitive analysis of six peer schools, including recent successes, media attention, technology offerings, curriculum, and diversity practices. These key learnings, along with best practices for communicating mission and building community support, made GMS better prepared for the strategic planning process; the compiled information ensured GMS saw the full competitive landscape before making key decisions.

²⁹ USA Freedom Corps press release, "Corporate Pro Bono Volunteering Campaign Tops \$400 Million," September 8, 2008. http://www.usafreedomcorps.gov/about_usafc/newsroom/announcements_dynamic.asp?ID=1990.

[HTTPS://ALUMNI.GSB.STANFORD.EDU/ACT/](https://alumni.gsb.stanford.edu/act/); TAPROOT FOUNDATION INTERVIEWS.

EXAMPLES OF CONSULTING FIRMS AND CORPORATIONS OFFERING PRO BONO SERVICES

DELOITTE

Deloitte, a leading professional services organization, defines pro bono work as a donation of professional services to generate social good. The “client” is typically a not-for-profit entity, with no fees charged to them. Pro bono work is the essence of their community involvement strategy at work. In 2006 alone, Deloitte spearheaded nearly 100 pro bono projects for national and local nonprofits, ranging from the development of market entry and financial plans to technology implementations, and more. In 2008 Deloitte announced a three year \$50 million commitment to pro bono service, and establishment of a dedicated budget and formal policies to institutionalize its pro bono program.

http://www.deloitte.com/dtt/section_node/0,1042,sid%253D2255,00.html and http://www.americorps.org/about/newsroom/releases_detail.asp?tbl_pr_id=958

GAP INC.

Through a partnership with the Taproot Foundation, Gap Inc. employees have the opportunity to use their professional skills to help strengthen nonprofits in their community. Employees participate on Marketing, IT, Leadership Development & Strategic HR, and Strategy Management pro bono projects. Employees work on teams with their fellow Gap Inc. employees, as well as industry peers from other local companies. The Taproot Foundation provides support for the program as well as the project management and tools to ensure a high-quality engagement that is rewarding for both the participants and the nonprofit organizations.

<http://gapinc.taprootfoundation.org/>

MCKINSEY & COMPANY

McKinsey, a leading international strategy consulting firm, devotes at least 5 percent of its labor hours to pro bono work each year and typically serves more than 100 organizations annually. Its pro bono program is decentralized, enabling local offices to select projects that have the greatest potential impact in their community. According to the firm, “Approximately half of our consultants will work on one or more nonprofit studies over the course of their career at McKinsey.”

www.mckinsey.com/client-service/nonprofit

SOURCES: ORGANIZATIONS' WEBSITES, AND PROCEEDINGS OF THE SUMMIT ON CORPORATE VOLUNTEERISM, TOWARD A NEW DEFINITION OF PRO BONO, FEBRUARY 2008.

EXAMPLES OF NONPROFIT INTERMEDIARIES OFFERING PRO BONO SERVICES

THE TAPROOT FOUNDATION

The Taproot Foundation strengthens nonprofits by engaging business professionals in service. The Foundation's Service Grant program leverages the best practices of professional services firms to provide reliable, professional-quality pro bono services to U.S.-based nonprofits. The Taproot Foundation recruits, screens, and manages skilled professionals with expertise in Marketing, Information Technology, Leadership Development & Strategic HR, and Strategy Management. Engagements are highly structured and have garnered customer satisfaction ratings that rival those of leading consulting firms. Since its founding in 2001 the Taproot Foundation has awarded nearly 1,000 pro bono Service Grants that represent nearly \$50 million of professional services; the foundation will award more than 400 Service Grants in 2009 alone.

www.taprootfoundation.org.

STANFORD ALUMNI CONSULTING TEAM

Since 1987, the Stanford Alumni Consulting Team (ACT) has provided San Francisco Bay Area nonprofits with pro bono management consulting services. Since the program's inception, more than 1,020 Stanford Graduate School of Business alumni have given their time to 375 Bay Area nonprofits on projects aimed at supporting organizational development and strategic planning.

<https://alumni.gsb.stanford.edu/act/>

HARVARD COMMUNITY PARTNERS

The Community Partners program was established in 1986 by the Harvard Business School Association of Northern California. Since 1986, more than 500 alumni, working in teams of two to four volunteer consultants, have provided pro bono assistance in the areas of strategic planning, financial management, organizational development, and marketing to more than 200 nonprofit organizations throughout the Bay Area. These consulting services are valued at approximately \$1 million each year. Community Partners has served as a model for similar HBS alumni programs across the country.

http://www.hbsanc.org/community/community_partners.asp

“It is the capacity for strong performance in organizations—the ability to develop, sustain and improve the delivery of a mission—that provides the foundation for lasting social benefits.”

CHRISTINE LETTS, WILLIAM RYAN, and ALLEN GROSSMAN, *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*³⁰

feedback in an environment clouded by the power dynamics of the firm-pro bono client relationship. We were unable to find any research on the subject. The anecdotes we heard were mostly examples of excellent work that significantly contributed to the mission effectiveness of the nonprofit client, but we also heard stories of weak and even detrimental consulting interventions. Strikingly, nonprofit clients were adamant about keeping their names private so that they could maintain a positive relationship with the consulting firm in question and the wealthy consultants they employ.

Nonprofit Organizations Use Corporate Professionals to Provide Pro Bono Strategic Management Consulting Support

A number of nonprofit organizations seek to channel skilled business professionals into pro bono service. Organizations associated with leading business schools, such as Harvard and Stanford, focus on recruiting business school alumni to provide nonprofits with pro bono management consulting services. For example, over the past 20 years the Stanford Alumni Consulting Team (ACT) has provided pro bono management consulting services to more than 375 nonprofits. Another group of nonprofit organizations, including the Full Circle Fund and Social Venture Partners, recruit business professionals and provide nonprofits with a combination of pro bono consulting and financial grants; the focus of such organizations is often on developing the next generation of philanthropists. Other organizations focus on channeling the management skills of seniors (e.g. Executive Service Corps), current business school students (e.g. NetImpact), and corporations (e.g. CommonImpact). Such organizations provide an eclectic mix of services including, for example, IT and mediation.

Our review of the activities and results of these organizations revealed a few tentative conclusions:

- » Providing nonprofits with pro bono management consulting services by nonprofit intermediaries can work.
- » The combined effect of the strategic planning pro bono services offered by these organizations is relatively small in comparison to the nonprofit sector’s need.
- » Quality, whether defined as impact or as nonprofit satisfaction, is occasionally excellent, but not uniformly or reliably so.

A Foundation for Progress

The efforts of major for-profit consulting firms and nonprofit intermediaries underscore both the promise and the current limitations of pro bono services in addressing the nonprofit sector’s strategic management challenges. In its current state, pro bono strategic management services can help particular nonprofits, but pro bono service as a whole does not have the scale, the quality, or the consistency needed to make a sector-wide impact.

What we ask in the next section is, what is the true potential of such pro bono services? Can we build upon current ad hoc activities and initial success stories to deliver a solution that significantly strengthens the nonprofit sector?

³⁰ Christine Letts et al. *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*, Wiley, 1998, p. 4

The Potential of Pro Bono Services

To determine the potential of pro bono strategic management services, and address how to reach that potential, we posed two questions:

- » Is the opportunity big enough to warrant significant attention and investment?
- » Can pro bono be delivered with consistent quality?

In short, our answer to both questions is: yes.

Pro Bono Is an Enormous Opportunity

Pro bono work by corporate strategy professionals has the potential to deliver more than \$1.5 billion per year in services to the nonprofit sector.

To reach this conclusion, we:

- » Estimated the size of the potential labor pool of corporate professionals with appropriate skills, and the size of their pro bono service potential
- » Sized and segmented the nonprofit market
- » Gauged nonprofit demand by conducting interviews and focus groups with more than 30 different nonprofit leaders and conducting a survey of more than 225 nonprofits nationwide, and then applying our findings to the total market ³¹

More than half a million professionals are available to provide pro bono strategic management services

We estimate that between half a million and two million business professionals have the skills to support nonprofits with pro bono strategic management consulting.

We derived this estimate in three ways. First, according to the Bureau of Labor Statistics approximately 3 million business professionals, including CEOs, management, and financial analysts, have roles that would typically require strategic management skills.³² (See Table 2.) An additional 1.5 million professionals work as credit analysts, accountants, and market researchers; these roles demand strategic management skills less directly, but it is likely some of these professionals have the required skills.³³ Of course, many professionals otherwise classified or retired are also likely qualified. Second, in just the past decade nearly 1 million business professionals have earned their MBAs in U.S. universities.³⁴ We estimate that MBA alumni, including current employees and retirees, total at least 3 million professionals, most of whom should have appropriate skills. And third, the top 50 consulting firms alone employ an estimated 200,000-300,000 professionals.³⁵

Will these people engage in pro bono work? Evidence suggests that they would welcome the opportunity. For example, more than 10,000 business professionals per year apply to the Taproot Foundation to do pro bono consulting for nonprofits. The work of other organizations that engage business professionals in pro bono engagements shows a similar interest (see sidebar: Pro Bono Service in Action Today).

Pro Bono strategic management services have the potential to contribute more to the U.S. nonprofit sector than any foundation, more than the 20 largest corporate foundations combined, and almost as much as the 20 largest community foundations.

³¹ For more information about the survey, including response rate and analysis, see footnote 9.

³² Department of Labor, Bureau of Labor Statistics, National Occupational Employment and Wage Estimate, May 2006.

³³ Ibid.

³⁴ <http://www.csmonitor.com/2004/1102/p11s02-legn.htm>.

³⁵ Tech Republic, Mar 02, 2001.

U.S. CORPORATE PROFESSIONALS WITH HIGH LIKELIHOOD OF CROSSOVER STRATEGY SKILLS

<i>Roles</i>	<i>Number</i>
Chief executives	299,520
General and operations managers	1,663,280
Financial managers	468,270
Management analysts	476,070
Financial analysts	196,960
TOTAL	3.1 million

SOURCE: DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS,
NATIONAL OCCUPATIONAL EMPLOYMENT AND WAGE ESTIMATE, MAY 2006.

Business professionals could provide more than \$1.5 billion in pro bono strategic management services per year

This pool of half a million to two million professionals could generate more than \$1.5 billion in pro bono strategic management services annually.

To reach this conclusion we:

- » Assumed average hours of pro bono service per person at 1 percent or an estimated 20 hours per year. This is less than half the amount suggested for lawyers by the Bar Association, and less than a third of the benchmark set by the Pro Bono Institute, to which many of the largest law firms belong.³⁶
- » Assumed a conservative billing rate of \$150/hr. This is at the lower end of the scale of many nonprofit consulting firms we interviewed and significantly lower than the billing rates of the major strategy consulting firms.
- » Calculated that (20 hours per year) x (half a million to two million professionals) x (\$150/hr) = between \$1.5 and \$6 billion worth of pro bono services per year.

Even the most conservative amount of \$1.5 billion could dramatically strengthen the nonprofit sector. By comparison, the largest capacity-building program in recent years was led by the Packard Foundation which, at its largest, provided for less than \$20 million per year in services.³⁷ \$1.5 billion is more than is given by any foundation in the United States³⁸, more than is given by the largest 20 corporate foundations combined³⁹, and just less than the combined giving of the 20 largest community foundations in the U.S.⁴⁰

Targeted nonprofits want this help

Most nonprofits of the target size—more than \$250,000 in annual revenues—would welcome this support. In the Taproot Foundation survey of more than 225 nonprofits nationally, 87 percent indicated there was at least one strategic management problem for which they would “definitely” or “probably” immediately seek pro bono support.⁴¹

The survey included nonprofits with budgets ranging from under \$350,000 to more than \$10 million across a wide range of issues areas, including health, environment, and social services. Interest was somewhat higher

³⁶ Model Rule 6.1 of Professional Conduct of the American Bar Association, a lawyer should aspire to render at least fifty (50) hours of pro bono publico legal services per year. The Pro Bono Institute recommends a commitment of between 60 and 100 hours per lawyer. See: <http://www.probonoinst.org/challenge.php>.

³⁷ Barbara Blumenthal, *Investing in Capacity Building, A Guide to High Impact Approaches*, Foundation Center, 2003.

³⁸ For 2006, the largest foundation, the Bill and Melinda Gates Foundation, gave out grants totaling \$2.8 billion; however, just \$0.3B was targeted in the U.S. The second largest foundation is the Ford Foundation; its total grant outlays in 2006 were \$0.5B. See <http://foundationcenter.org/findfunders/topfunders/top100giving.html> and <http://www.gatesfoundation.org/UnitedStates/Grants/default.htm?showYear=2007>.

³⁹ <http://foundationcenter.org/findfunders/topfunders/top50giving.html>.

⁴⁰ <http://foundationcenter.org/findfunders/topfunders/top25giving.html>.

⁴¹ To reach this conclusion and assess the nonprofits' interest in pro bono strategic management services, the Taproot Foundation built a list of potential service offerings based on best practices in strategic management consulting, our understanding of the pro bono talent pool available, and our assessment of which types of consulting projects could be done by small consulting teams, a model of engagement that experience has demonstrated works highly effectively in pro bono engagements.

The survey presented eight potential project offerings for nonprofits to consider:

- Benchmarking
- Capacity-building plan
- Competitive and partner analysis
- Earned income analysis
- Environmental scan and an analysis of strengths, weaknesses, opportunities, and threats (SWOT)
- Logic model articulation
- Risk identification, analysis, and mitigation strategy
- Strategic scorecard

For more information about the survey, including response rate and analysis, see footnote 9.

among organizations with budgets of less than \$5 million (89 percent) and slightly lower among those with budgets higher than \$5 million (76 percent). This is consistent with expectations that larger nonprofits are more likely to have budgets to address problems using paid consultants, and often have problems that are more complicated than they expect pro bono professionals to be able to address effectively.

Quality in Pro Bono Services

The topic of quality in pro bono strategic management consulting raises many more questions and issues than we were able to address fully given the scope of this project:

- » What is quality and how is it measured?
- » Within the wide scope of strategic management, which kinds of engagements lead to the greatest quality?
- » What form of engagement—teams, individuals, short or long projects—lead to the greatest quality results?
- » How exactly is pro bono defined? Where are the dividing lines between pro bono and reduced fee services, and free but unprofessional services?
- » What principals and guidelines must firms follow in order to consistently deliver quality pro bono services?

These are all topics requiring additional research. We limited our efforts to addressing two questions:

- » Are there general principals that appear to lead to quality pro bono services?
- » Are there any particularly difficult obstacles to providing quality services?

General Principals for Quality Pro Bono Service

As a starting point, we define quality as a level of service that enables the client nonprofit organization to better achieve its mission. Our research suggests that that pro bono services can achieve professional quality if practitioners adopt the same impact focus and customer orientation common at top professional services firms in their work for paying clients. In fact, this same general tenor—treating pro bono clients like paying clients—is at the core of the policies adopted by the legal profession to ensure pro bono quality.

Quality is addressed forthrightly in and for professional service firms. As one expert comments, “Many professional services firms have procedures and mechanisms to assure the quality of the work they produce: review committees, senior-partner oversight, and documentation of working papers.”⁴² Another notes that the first line of focus for quality in professional services is the alignment between the skills needed for the project and the skills of the professionals.⁴³ In defining success and the means to achieve it, McKinsey says, “We believe we will be successful if our clients are successful. We believe that solving the hardest problems requires the best people.”⁴⁴

The primary challenge, then, is to adapt and apply these known quality practices to pro bono strategic management consulting. With this framework in mind, we offer these general guidelines for achieving quality in pro bono service:

- » Make the delivery of quality services central to the philosophy of a pro bono program. Define quality around client impact and satisfaction and document quality policies.
- » Ensure that the pro bono consultants’ skills match the needs of the project.

⁴² *Managing The Professional Service Firm* by David H. Maister, p76.

⁴³ See for example, *The Professional Services Firm Bible* by John Baschab and Jon Plot p.323.

⁴⁴ <http://www.mckinsey.com/aboutus/whatwebelieve/>.

Eighty-seven of surveyed nonprofits indicated there was at least one strategic management challenge for which they would 'definitely' or 'probably' immediately seek pro bono support.

PRO BONO NO-NOS: TOP FIVE REASONS WHY ENGAGEMENTS FAIL

- 1 The nonprofit does not really need the project. This can happen if the nonprofit is really using the engagement as a means to cultivate individual or corporate donors.
- 2 No commitment to finish. The pro bono volunteers view the engagement primarily as a learning opportunity, ask "big-picture questions", and then fail to follow through to completion.
- 3 The pro bono provider lacks the necessary skills because volunteers incorrectly self-assess their skills or purposefully venture into areas beyond their expertise.
- 4 The pro bono provider is condescending and overly critical. Even potentially useful recommendations are ignored.
- 5 The pro bono provider does not have the necessary skills because it fails to appreciate the structural differences between the for-profit and nonprofit sectors, such as variations in purpose, power, finances and competitive dynamics.

- » Ensure proper oversight by senior partners.
- » Diagnose the client's situation and challenges before beginning any pro bono engagement to ensure that the proposed pro bono engagement is both suitably scoped and timed.
- » Set, communicate, measure, and deliver on standards for reliability. Do not, for example, drop pro bono clients midway through an engagement because resources are needed for a "real client".
- » Gather confidential feedback. Recognize that unlike paying clients in the open market, pro bono clients are understandably reluctant to provide critical feedback on work provide for free from potential donors.

These general principals are a good start but would be much improved by more concrete recommendations as to how best to implement them; we suggest that as an area for further research. Unfortunately, even as philosophy these principles are not universally accepted by pro bono service providers. When quality standards are defined, and policies are codified and followed, quality is possible. As one example, the Taproot Foundation has completed more than 550 consulting engagements in the past five years; confidential evaluation data indicate high levels of client satisfaction and assessment of impact on mission achievement.⁴⁵

Ensuring Pro Bono Providers Have the Necessary Skills— A Key to Quality

As previously noted, a key to achieving quality is to ensure a match between the skills of consultants and the requirements of the pro bono engagement. Even if an organization has a quality focus, and takes steps to recruit and deploy only highly qualified professionals, it is all too easy to fail, we found, because many organizations fail to appreciate the distinctions between the skills required for strategic planning in the two sectors. In this section we attempt to shed some light on where the skills of corporate strategists are, and are not, adequate preparation for doing similar work for nonprofits.

⁴⁵ 2006 post-project data collected confidentially from nonprofit service recipients reported that 92% were satisfied with the final deliverables, 90% were satisfied with their team of pro bono professionals, and 93% would recommend the Taproot Foundation's Service Grant program to a colleague. For more information on Taproot Foundation evaluation results, please visit www.taprootfoundation.org.

STAGES OF NONPROFIT STRATEGIC PLANNING AND FIT WITH THE SKILLS OF CORPORATE STRATEGISTS

	STAGE 1 <i>Define Mission and Vision</i> >>	STAGE 2 <i>Data Collection and Analysis</i> >>	STAGE 3 <i>Define Strategy</i> >>	STAGE 4 <i>Monitor and Measure</i> >>
Typical Activity	<ul style="list-style-type: none"> Facilitation among board, staff, key funders and donors, and community stakeholders 	<ul style="list-style-type: none"> Benchmarking Competitive/collaborative assessment Managerial cost analysis Market assessment Analysis 	<ul style="list-style-type: none"> Facilitate decision-making among key stakeholders Make tradeoff decisions Gain stakeholder buy-in 	<ul style="list-style-type: none"> Implement strategy Define metrics and reporting Track results Adjust as necessary
Skills fit for most corporate strategists	WEAK	STRONG	WEAK	STRONG

SOURCE: TAPROOT FOUNDATION ANALYSIS

For simplicity we conceived of strategic management practices as falling into four stages of a planning process. The stages and activities are almost never undertaken in such a rigidly linear fashion, but the framework is useful nonetheless.

The four stages are:

>> **STAGE 1: Define Mission and Vision.** Unlike in a company, where the mission is to make profits for shareholders, a nonprofit needs to define its own North Star. Often this can be captured as a “one day...” sentence such as: “One day we will end the scourge of cancer,” or “One day women will have equal rights in all nations.”

>> **STAGE 2: Data Collection and Analysis.** Like a company, a nonprofit needs to gather external data about the challenges it faces, including competitors, potential changes in legislation, technology trends, funding trends, and other market data that will shape the context of its strategy to achieve its vision. The nonprofit also needs to look inward to understand its own capacities, costs, strengths, and weaknesses.

>> **STAGE 3: Define Strategy.** A nonprofit needs to analyze this data in the context of the organization’s vision and mission, and facilitate strategic decisions so as to gain buy-in from major stakeholders such as the board, staff and key funders.

>> **STAGE 4: Monitor and Measure.** The organization needs to implement these strategic decisions and then monitor and measure progress towards defined strategic objectives.

Corporate strategists have the strongest preparation to provide pro bono services to nonprofits in the second and fourth stages, but often lack key skills required to seamlessly transition from a corporate to nonprofit setting in the first and third stages. Providers can address this skills deficit in several ways—through training, adding nonprofit strategy experts to a consulting team, or choosing not to provide services in these areas. For pro bono service providers, therefore, the biggest challenge appears to be gaining an appreciation of this skills deficit. Others, however, doubt the strong correlation between the skills of corporate strategists and the needs of nonprofits, and it is to that topic we turn next.

“A pro bono program should strive to assure that all clients served through the program receive high quality legal services.”...
“A pro bono program should strive to determine that representation and advice are provided by volunteers who are competent and sensitive to clients.”

American Bar Association Standards for Pro Bono Services⁴⁶

Aspects of Nonprofit Strategic Management That Fit with Skills of Corporate Professionals

Many of the strategic management practices in the nonprofit sector should be familiar to private-sector practitioners. These practices were usually pioneered, in fact, in the corporate sector, and have crossed over to the social sector through corporate membership on nonprofit boards, crossover consultants, and the continuous inclination of nonprofits to look to the business sector for management solutions.

A common theme that runs through these projects is a focus on gathering and analyzing data to provide the basis for decision-making. This is consistent with the focus of many strategy consulting firms; L.E.K, for example, stresses that the most valuable service they provide is to “gather, distill, and analyze vast amounts of data and information in order to develop clear, actionable recommendations.”⁴⁷ Jim Collins, author of the bestselling *Good to Great* and the companion volume for nonprofits, *Good to Great and the Social Sectors*, emphasizes that outstanding organizations have a knack for confronting the “brutal facts”. The following strategic management practices help an organization identify the “brutal facts” that should inform decision-making and guide implementation efforts.

The list in this section is not exhaustive, but it is illustrative.

STAGE 2: Data Collection and Analysis

Environmental scan and SWOT analysis

Of all the best practices in strategic planning, a thoughtful exploration of an organization’s environment as well as its own internal strengths and weaknesses is the most commonly recommended practice for nonprofits. The Alliance for Nonprofit Management’s website argues that, “Strategic planning must include an assessment of the organization’s environment because no organization operates in a vacuum.”⁴⁸

The Drucker Foundation suggests a list of environmental factors nonprofits should consider that would be familiar to any corporate strategist: “changing demographics; changing community conditions; cultural or social trends; trends in the economy or funding environment; politics, legislation or regulation; competition; new technology, models or methods.”⁴⁹

Competitive landscape analysis

Many nonprofit sector changes—rapid growth, for-profit competition, changing government funding patterns—have greatly increased the importance of competitive monitoring for nonprofits. The fundamental tools of competitive analysis for nonprofits are often borrowed directly from the corporate sector. In fact, one of the sources cited most often in nonprofit literature and among nonprofit consultants on this issue is Michael Porter’s classic text, *Competitive Advantage: Creating and Sustaining Superior Performance*, which offers a uniquely private-sector take on how one organization gains advantage over others.

Capacity assessments

Whether for-profit or nonprofit, strategic plans need to be grounded in a realistic assessment of what an organization has the capacity to achieve. There are several tools to help assess a nonprofit organization’s capacity. One of the most popular was designed by McKinsey & Company in partnership with Venture Philanthropy Partners and adapts many corporate sector best practices.⁵⁰

⁴⁶ American Bar Association, *Standards for Programs Providing Civil Pro Bono Legal Services to Persons of Limited Means*. www.abanet.org/legalservices/probono/standards.html.

⁴⁷ <http://www.lek.com/about/approach.cfm>.

⁴⁸ www.allianceonline.org.

⁴⁹ Peter F. Drucker Foundation for Nonprofit Management, *Drucker Foundation Self-Assessment Tool*, p. 18.

⁵⁰ McKinsey & Company, *Effective Capacity Building in Nonprofit Organizations*, published for Venture Philanthropy Partners, August 2001. <http://www.vppartners.org/learning/reports/capacity/capacity.html>.

Benchmarking

Benchmarking enables organizations to learn from the best practices of others, leading to lower costs, increased quality, and higher revenues. Taking another cue from the private sector, many nonprofit leaders advocate the use of benchmarking as a cornerstone of nonprofit strategic planning. TCC Group, a leading consulting firm to the nonprofit sector, offers benchmarking services and states that “many comprehensive planning processes include a survey of comparable organizations’ experiences in dealing with similar challenges.”⁵¹

Earned-income opportunity analysis

Earned-income ventures have become an integral aspect of many nonprofit strategies.⁵² In response, several nonprofit consultancies, such as Community Wealth Ventures, “help nonprofit organizations design and build revenue-generating ventures with the goal of increasing their financial self-sufficiency and capacity to deliver services.”⁵³ An assessment of a potential earned income venture should include the elements any venture investor requires: market opportunity, competition, skill requirements and fit with existing competencies, financial risks, and opportunity.

STAGE 4: Monitor and Measure Strategic scorecards

The “balanced scorecard” approach to monitoring organizational performance was originally created in 1992 by Kaplan and Norton for the corporate sector to address the common complaint that strategic plans often get written and then ignored. Likewise, many nonprofit leaders have launched a push in recent years to create strategic scorecards as a way to monitor execution against plans. The balanced scorecard in particular has been successfully adapted for the nonprofit sector, and nonprofit consulting firms offer a range of scorecard programs.⁵⁴

Aspects of Nonprofit Strategic Planning That Require Skills Not Held by Most Corporate Strategists

Not all aspects of strategic planning are the same in the nonprofit and for-profit sectors. The following projects require skills not typically developed by corporate strategists.

STAGE 1: Define Mission and Vision

Many corporations have vision statements, and perhaps even statements regarding their values. Nonetheless, crafting vision statements as nonprofits use them is not a commonly used skill for most corporate strategists.

Leading texts highlight the lack of focus on this topic. In Porter’s *Competitive Advantage*, the word “vision” occurs only three times and never in reference to a vision statement or anything similar. Even texts that do include reference to the topic pay it relatively little attention.⁵⁵ While a select number of strategic consulting firms do offer mission and vision services, many do not, and even within the select firms that do offer such services, interviews with those familiar with such firms suggest that the work is relatively rare. In addition, whether by cause or effect, the curriculums of most strategy courses at business schools do not emphasize “vision” or “mission”.⁵⁶ The end result is that the vast majority of corporate professionals with strategy expertise do not have expertise in developing corporate visions.

Even corporate professionals who have worked on visions are likely to find themselves ill-prepared in a nonprofit setting. Nonprofits’ vision statements generally focus on a future intended state of the world: “every child in our

The primary challenge is not a lack of understanding of what is required to achieve quality; rather it is a failure to adapt and apply such practices to pro bono strategic management consulting.

⁵¹ Richard Mittenenthal, *Ten Keys to Successful Strategic Planning for Nonprofit and Foundation Leaders*, TCC Group, 2002.

⁵² Community Wealth Ventures and the Social Enterprise Alliance have created a database of nonprofits with for-profit business ventures (see <http://208.254.27.232/>).

⁵³ See www.communitywealth.org.

⁵⁴ See, for example, Paul Niven, *Balanced Scorecard Step-by-Step for Government and Nonprofit Agencies*, Wiley, 2003.

⁵⁵ See for examples: *Contemporary Strategy Analysis: Concepts, Techniques, Applications* by Robert M. Grant; *Harvard Business Review on Corporate Strategy* by David J. Collis et al.; and *The Future of Competition: Co-Creating Unique Value with Customers* by C. K. Prahalad and Venkat Ramaswamy.

⁵⁶ See for example the strategy curriculum at Harvard Business School: <http://www.hbs.edu/mba/academics/coursecatalog/>.

“The key to taking advantage of corporate expertise is for nonprofit groups, corporations, and the volunteers themselves to redefine philanthropy and volunteering, and focus on the intersection between the business challenges facing nonprofit groups and the deep expertise that lies within corporate America.”

EVAN HOCHBERG • National Director of Community Involvement, Deloitte Services⁵⁷

community will be a wanted child”; “a stronger America by mobilizing our communities”; “eliminating cancer as a major health problem.”⁵⁸ In contrast, best practice in corporate vision statements is to focus on the future state of the organization. Corporate vision statements assume that profits are the organization’s underlying raison d’être and are created within that context.

In addition, crafting vision statements within the nonprofit sector requires a focus on facilitation amongst key stakeholders, much as in the process of making strategic decisions: key funders, board members, managers, staff, and others need to be engaged in the process, and to find the results emotionally engaging. This form of facilitation is not central to the training of most corporate strategists as discussed in the following section.

Program evaluation

Fitting less neatly in our four phase strategic planning framework, some of the most important decisions made in nonprofit strategic plans regard program strategy and ways to evaluate a program’s impact. For most corporate business professionals, this is unfamiliar territory; developing meaningful evaluations often requires deep sector experience. According to Jill Blair, founder of BTW informing change, a consulting firm that works with nonprofits and philanthropy, the metrics, while similar in some respects, are different for nonprofits and for-profit organizations. As a result, a pro bono team might transfer business metrics inappropriately and produce not just a less-than-helpful result but a potentially damaging evaluation or analysis.”⁵⁹

STAGE 3: Define Strategy

While the process of defining a nonprofit’s strategy may appear the same as defining strategy in a corporate environment, there are important differences.

First, the strategic decisions of nonprofits are focused on mission, rather than profit—a seemingly small difference that can be quite profound. The calculus of tradeoffs, in fact, must be made with a full understanding of the organization’s vision and the level of passion for the mission among key stakeholders.

In *Good to Great and the Social Sectors*, Jim Collins addresses the challenge of making strategic decisions in light of a mission focus: “In business, money is both an input (a resource for achieving greatness) and an output (a measure of greatness). In the social sectors, money is only an input, and not a measure of greatness.”⁶⁰

Ruth Norris, senior program officer with the Skoll Foundation, commented in an interview that, “The hardest part to get used to is the mission aspect, which is really hard to quantify. Business people are used to having harder targets.”⁶¹

Guided by experience, business professionals can often under-emphasize the mission focus in favor of the organization’s finances. Even at the board level those “with business degrees frequently err on the side of profit and loss at the individual program level,” explains Guidestar.org, a highly respected national resource for information on the nonprofit sector.⁶² Similarly Greg Dees, of Duke University’s Fuqua School of Business, noted, “There is a bias among my MBA students to favor earned income, for example, because they tend to think philanthropy is not sustainable.”⁶³

Cynthia Massarsky, executive director of SocialReturns and former co-director of Yale University’s Partnership on Nonprofit Ventures, has seen the results of this misalignment in action: “Sometimes what nonprofits will say about a business person is, ‘They just don’t get it. They’re trying to fit their model into who we are and it doesn’t fit.’ They don’t necessarily get how the culture of our organization differs and how important mission is to what we do.”⁶⁴

⁵⁷ Chronicle of Philanthropy, October 12, 2006.

⁵⁸ In order, Planned Parenthood of Pasadena, the United Way, and the American Cancer Society.

⁵⁹ Taproot Foundation interview.

⁶⁰ Jim Collins, p. 5. *Good to Great and the Social Sectors*, Harper Collins, 2005, p. 1.

⁶¹ Taproot Foundation interview.

⁶² Cheryl Gidley, *Strategic Planning: Cutting Through the Buzz*, www.guidestar.org.

⁶³ Taproot Foundation interview.

⁶⁴ Taproot Foundation interview.

EXPERTS SUPPORT FOCUS AS PATH TO QUALITY PRO BONO SERVICES

“If you tailor and scope these specific strategic services as you’ve suggested, they’re all totally doable by pro bono professionals; they’re discrete and manageable.”

JASON SAUL • Managing Director, *Mission Measurement*

“[A pro bono corporate professional’s] job is to bring more data to the table so that organizations can make better decisions. You are not redesigning an organization’s strategy; you are bringing more data to the table.”

SARAH DITROIA • Director of Strategic Partnerships, *New Profit Inc.*

“It would be great if we were doing a whole planning process with an organization and we could refer them to [a pro bono resource] to get the more in-depth market data and analysis”

RANDALL QUAN • Managing Director, *CRE*, a leading provider of nonprofit consulting services in New York City

A second major difference is that the actual human process of decision-making is often different between the two sectors. The nonprofit sector tends to rely on a facilitative approach encompassing a wide range of stakeholders. This process is a natural outgrowth of the power dynamics in the sector, with its plentiful stakeholders and emphasis on achieving broader social goals (versus maximizing profits for the organization). In fact, one could argue that executive directors must use a facilitative process for decision-making to gain the meaningful buy-in of stakeholders over whom they have limited formal authority, but from whom they need enthusiastic support.

The challenge for many corporate executives working pro bono is that they often see the social sector’s facilitative decision-making model as a sign of dysfunction. Given that business executives are used to top-down management structures where decisions are made quickly (and, the perception goes, more efficiently) by executive fiat, this assumption is understandable; but it is still flawed, and can create problems.

“Social sector leaders are not less decisive than business leaders as a general rule; they only appear that way to those who fail to grasp the complex governance and diffuse power structures common to the social sectors,” writes Collins. The nonprofit sector, he adds, is characterized by “a governance and power structure that render[s] executive-style leadership impractical ... most non-business leaders simply do not have the concentrated power of a business CEO.”⁶⁵

There is an art to the sector’s facilitative process, and the process is intensive, time-consuming and politically sensitive—as a result, in most cases it is not well-suited to strengths of corporate professionals providing pro bono service.

Implications of Limited Crossover Skills on Quality Pro Bono Services

That corporate strategists’ experiences prepare them to do some but not all aspects of nonprofit strategic planning is not a problem. Failing to recognize and respond to this reality, however, is what causes quality problems. To address the crossover skills gap, a number of leading strategy consulting firms have built nonprofit practices and draw experts from those practices into their pro bono engagements to augment the skills of their corporate strategists. For example, Monitor’s nonprofit and social sector group “works with nonprofit and social sector organizations that are engaged with some of the biggest and most complex social issues of our day.”⁶⁶ The Taproot Foundation has chosen to tailor its strategic management services to those where the skills crossover is strongest; it partners with appropriate experts

“Why invest considerable time and resources in benchmarking, particularly in the cash-strapped nonprofit world? Because nonprofits must maximize the value of what they do with the resources they use.”

CHRISTINE LETTS, WILLIAM RYAN, and ALLEN GROSSMAN, *High Performance Nonprofit Organizations: Managing Upstream for Greater Impact*⁶⁷

⁶⁵ Jim Collins, p. 10.

⁶⁶ http://www.monitor.com/expertise/industries/non_profit.php

⁶⁷ Christine Letts, William Ryan, and Allen Grossman, *High Performance Nonprofit Organizations*, Wiley, 1998, p. 96.

“For organizations that do not have the time or resources to hire a consultant for a big project, they could use pro bono services like these to get the background info, then hire a [nonprofit] consultant to do the actual strategic planning process.”

DAVID LA PIANA • *President,*
La Piana Associates

in order to provide clients with an integrated solution. The Stanford Alumni Consulting Team requires consultants to gain experience in the nonprofit sector before leading an engagement and mentoring newer members.

The bottom line on quality

Quality can be achieved if service providers make it a priority. The biggest challenges lie in establishing quality standards and ensuring a fit between the skills of the pro bono professionals and requirements of the strategic management engagement.

Conclusion

Pro bono strategic management service is an enormous opportunity. By building on existing pro bono service efforts, an effectively scaled and quality-driven initiative could touch tens of thousands of nonprofits each year, helping them to make high-impact decisions with clarity and conviction. The building blocks for a scaled solution are in place: a vast need among nonprofits for such services, and a large supply of business professionals with cross-over strategic management skills. The steps for achieving quality services are also in place: codifying quality standards, implementing the quality measures used by professional services firms, and recognizing applicability of corporate strategists' skills to nonprofit strategic management. If fully realized, pro bono strategic management professionals could provide more than \$1.5 billion worth of services to the sector.

Recommendations and a Call to Action

Realizing the potential of pro bono strategic planning services for nonprofit organizations will require significant effort. Companies, foundations, nonprofits, and other entities all have a part to play in making pro bono a cornerstone of the nonprofit sector's efforts to build a stronger strategic management capacity.

The Taproot Foundation offers the following recommendations for the key players:

Strategic Consulting Firms

Professional services firms, already structured to deliver strategic planning services on a consultative basis, can make a tremendous contribution by setting company-wide expectations and standards around the amount of work that will be done pro bono each year.

KEY PRIORITIES:

- » Report the volume of pro bono services provided on an annual basis, noting what services are provided free versus at reduced rates.
- » Make pro bono as integral a part of the strategic consulting profession as it is in the legal world.
- » Advance the field's understanding of effective strategy consulting for nonprofits—including both what works and what doesn't.
- » Set standards for pro bono, including methods and measures of quality.

Corporations

As the largest source of strategic planning talent, corporations play a pivotal role in the success of pro bono service delivery.

KEY PRIORITIES:

- » Develop and implement pro bono programs to leverage the skills of employees to help nonprofits with key strategic planning tasks.

- » Move beyond generic commitments to volunteerism and actively encourage and enable employees' pro bono work.
- » Include pro bono contributions in corporate social responsibility (CSR) reports—citing the actual dollar value of provided services in addition to hours and the percent or number of employees doing pro bono work.
- » Leverage the work of the professional services firms to set standards for pro bono including methods and measures of quality.

Foundations

Grantmaking foundations in the United States can play a crucial role in ensuring that nonprofit organizations have the resources they need to engage in effective strategic planning. Foundations also can help to generate and advance learning about effective pro bono practices.

KEY PRIORITIES:

- » Support the infrastructure that is needed for successful delivery of pro bono strategic planning services, including service delivery providers and intermediaries.
- » Support research and information dissemination to improve understanding of pro bono as a potential solution to nonprofits' strategic planning needs, including efforts focused on the quality and impact of such services. This paper has highlighted a number of questions requiring additional research.
- » Provide nonprofits with the flexible funding they need, at the appropriate levels, to leverage the potential of strategic planning for organizational results.

Nonprofit Organizations

The nonprofit community has embraced strategic planning as a priority; now the challenge is to adopt proven planning practices that improve performance.

KEY PRIORITIES:

- » Incorporate strategic planning into operating plans and budgets—and seek dedicated funding for this work.
- » Make strategic management a required skill set among board members by recruiting strategic planning talent.
- » Work with corporations and consulting firms to develop pro bono initiatives.

Management Profession

Above all other groups, it is the business management profession as a whole that can light the fire for a long-term pro bono movement. By ingraining pro bono into the profession at its deepest touch points—graduate schools and trade associations and publications—the professional community holds the key to the sustainability and scalability of addressing the nonprofit sector's strategic planning needs through pro bono work.

KEY PRIORITIES:

- » Make pro bono a core component of the curriculum in business management graduate school programs, following the model of the legal profession.
- » Reinforce pro bono as an expectation in the management profession through trade association initiatives, publications, awards and more.
- » Sponsor research into the most effective methods for the delivery of pro bono strategic planning services, as well as forums for advancing best practices.

“We must reject the idea—well intentioned, but dead wrong—that the primary path to greatness in the social sectors is to become ‘more like a business.’”⁶⁸

JIM COLLINS • *Good to Great and the Social Sectors*

⁶⁸ Jim Collins, *Good to Great and the Social Sectors*, Harper Collins, 2005, p. 1.

Appendices

Taproot Foundation Interview and Focus Group Participants

SERVICE PROVIDERS

1. Alnes, Judy. Executive Director, MAP for Nonprofits.
2. Blair, Jill. Principal, BTW Consultants, Inc.
3. Gilbert, April. Former Director, Stanford Alumni Consulting Team.
4. Hochberg, Evan. National Director of Community Involvement, Deloitte Services LP.
5. La Piana, David. President, La Piana Associates, Inc.
6. Lew, Steve. Senior Projects Director, CompassPoint.
7. Massarsky, Cynthia. SocialReturns, Inc.
8. Maw, Liz. Executive Director, Net Impact.
9. O'Flanagan, Maisie. Partner, McKinsey & Company.
10. Quan, Randall. Managing Director, Community Resource Exchange.
11. Salmanowitz, Kathy. Executive Director, Harvard Business School Community Partners.
12. Saul, Jason. Managing Director, Mission Measurement, LLC.
13. Searle, Robert. Partner, the Bridgespan Group.
14. Sherman, Dave. Consultant, Blu Skye Sustainability.
15. Silverstein, Amy. Senior Manager, National Community Involvement, Deloitte Services LP.

FOUNDATIONS

16. DiTroia, Sarah. Director of Strategic Partnerships, New Profit Inc.
17. Golshani, Farnaz. Director of Programs and Services, Tides Center.
18. Harold, Jacob. Program Officer, Philanthropy, The William and Flora Hewlett Foundation.
19. Houston, Amy. Senior Manager, Strategy, Robin Hood Foundation.
20. Kim, Esther. Portfolio Manager, REDF.
21. Norris, Ruth. Senior Program Officer, The Skoll Foundation.
22. Pandey, Anjana. Associate Manager, Operations, Robin Hood Foundation.

23. Stein, Jenny. Executive Director, Draper Richards Foundation.
24. Whisnant, Steve. Vice President, Development and Investor Relations, Venture Philanthropy Partners.

NONPROFITS

25. Aune, Benjamin. President and CEO, Operation Access.
26. Browne, Ruth. Executive Director, the Arthur Ashe Institute for Urban Health.
27. Bushey, Gisela. Executive Director, Child Advocates of Silicon Valley.
28. Chakravarty, Atashi. Executive Director, Narika.
29. Dew, Yuri. Executive Director, Jobs for Youth.
30. Din, Grant. Former Executive Director, Asian Neighborhood Design.
31. Garrett, Jan. Executive Director, Center for Independent Living.
32. Gok, Forrest. Development Director, Chinatown Community Development Center.
33. Goldstein, Elizabeth. President, California State Parks Foundation.
34. Hentschel, Kristina. Executive Director, GirlVentures.
35. Hutton, Catherine. Executive Director, The BizWorld Foundation.
36. Jerene, Margaret. Executive Director, Florence Crittenton Services.
37. Kennedy, Darragh. CEO, Hearing and Speech Center of Northern California.
38. Knapik, Michelle. Executive Director, Peninsula Volunteers.
39. Kostmayer, Peter. Executive Director, Citizens Committee for New York City.
40. Kushner, Mark. CEO and Founder, Leadership Public Schools.
41. Lawson-North, Pat. Executive Director, Vision Literacy.
42. Lee, Alec. Executive Director, Aim High.

43. Lukin, Melissa. Executive Director, CORA—Community Overcoming Relationship Abuse.
44. Patterson, Mary. Executive Director, Project Cornerstone.
45. Quirke, Kelly. Executive Director, Friends of the Urban Forest.
46. Renner, Rona. Executive Director, Childhood Matters.
47. Rizzo, Jeanne. Executive Director, Breast Cancer Fund.
48. Sing, Rachel. Executive Director, McCullum Youth Court.
49. Sleeth, Judy. Executive Director, Art in Action.
50. Sweeney, Mary Kay. Executive Director, Homeward Bound of Marin.

THOUGHT LEADERS

51. Dees, Gregory. Professor of the Practice of Social Entrepreneurship and Nonprofit Management, Duke University's Fuqua School of Business.
52. Sanders, Trooper. Domestic Policy Advisor, Clinton Foundation.
53. McClurg, Jim. Vice President, Social Enterprise Alliance.

CORPORATE

54. Buchert, Frederick. Operations and Derivatives, Lehman Brothers Inc.
55. Greenspan, Brent. Vice President, Chief of Staff, Citigroup Inc.
56. Isaac, Mathew. Consultant, Bain & Company.
57. Jackson, T. Hardy. Management Consultant, Accevero Consulting.
58. La Belle, Toni. Managing Director, Lehman Brothers Inc.
59. Lamb, Sandra. President and CEO, Lamb Advisors; former Managing Director, Lazard Freres & Co. LLC.
60. Tworetzky, Brent. Associate, Shasta Ventures.
61. Wilson, Denzil. Manager, Strategy and Operations, MTV Networks.

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