



www.perspectivesonyouth.org

May 2006 Highlights

Nonprofit Consulting Goes Upscale

Agencies love Bridgespan's business approach. Does it improve youth work?

By Martha Nichols
Boston

It's a long way from the wood-paneled offices of consulting firms like Bain & Co. to the yard-sale decor of a youth-serving nonprofit. Yet the Bridgespan Group, a nonprofit consulting spinoff of Bain, is trying to connect those worlds.

Only six years old, Bridgespan's clout in the youth-services field is growing, as funders like the Edna McConnell Clark Foundation steer grantees its way for business-planning help. Bridgespan's impressive client roster includes Harlem Children's Zone, Larkin Street Youth Services, Communities in Schools and Outward Bound.

If you want to join that list, good luck. The consultants are booked through the fall, and co-founder Jeffrey Bradach warns, "We say 'no' a lot."

But do managing partners like Bradach, with their six-figure salaries, hold a key to the perennial challenges of running bare-bones youth organizations?

"I had real preconceived notions of business consultants," says Barbara Duffy, executive director of MY TURN, a youth employment and training agency based in Brockton, Mass. "I thought it would all be very lofty, pie-in-the-sky."

"But they never imposed what they thought we should do. They pulled out of us who we are."

Even with the proliferation of consulting practices for nonprofits in recent years, says Clark Foundation President Nancy Roob, "I think what they offer is unique, marrying the hard analytical side with strategy."

Far from clear is how much Bridgespan or its approach can improve the delivery of youth services. Even if more agencies could afford such help, how many of them need it?

"Many foundations believe nonprofits aren't well run," says Gary Yates, CEO of the California Wellness Foundation. "But I worked in nonprofits for a long time without business plans, and many of those nonprofits were very effective."

What's more, ambitious business plans can turn into measurements of alleged failure. One Boston agency, BELL (Building Educated Leaders for Life), did not have its Clark funding renewed after it was unable to hit most of the targets on a plan created in consultation with Bridgespan five years ago. Although the agency has since grown to provide after-school and summer programs for more than 7,000 youths in four cities, its CEO, Earl Martin Phalen, says Clark "thought BELL was a losing stock."

Who's Behind Bridgespan?

Bradach's office overlooks the Back Bay near Boston's Copley Square, but it's not large or showy by consultancy standards. When Bridgespan opened in 2000, it had 10 employees, including Bradach, a professor at the Harvard Business School. His co-founder and board chairman, Thomas Tierney, is the former CEO of Bain.

Today Bridgespan has about 80 employees at offices in Boston and San Francisco. Its home page headlines its mission as "Breakthrough results in promoting vital social change." That means working with nonprofits to develop "a coherent and compelling strategy, capable leadership and staff, sufficient and appropriately structured capital" – the same kind of help that for-profit clients get from consultants.

Bain and countless other consulting firms have long provided some pro bono services to nonprofits, mostly on a per-project basis. Bradach and Tierney set out to create a nonprofit enterprise that could provide more significant help. Bridgespan says its "client engagements" generally last six to eight months.

Bridgespan can devote all its resources to that task because it is enormously well-funded. Its major contributors have included The Atlantic Philanthropies (at least \$10 million), the Omidyar Network, and the following foundations: Clark (which has supported Bridgespan from the beginning), David and Lucile Packard, Bill & Melinda Gates, Ewing Marion Kauffman, Surdna and Boston. Bain contributes \$200,000 a year and provides access to its consultant training programs and internal research base.

But Bridgespan's high fees initially turned off prospective clients, according to a Harvard Business School case study of Bridgespan's first year (2000). Back then, Bradach said the fees were 20 percent to 30 percent of Bain's, which could run to \$100,000 or more.

An initial plan to bring in Bain consultants for rotating six-month "externships" didn't work as well as expected, because the consultants got a cut in pay and didn't have enough time to learn about nonprofits. The externships now often last for a year and rarely involve senior consultants.

The bills are still steep. Bridgespan's director of marketing, Carol Trager, wouldn't cite specific fee amounts, saying only that they're "based on the client's ability to pay and the scope of the work." In its most recent annual report, covering fiscal 2004, Bridgespan listed its total revenue in consulting fees at \$7,587,000.

In practice, foundations often cover the costs of the consulting projects, sometimes directly as part of their support for specific nonprofits. That can make Bridgespan's work more complicated. "Managing the triangle of clients, funders, and the firm can be tricky," Bradach is quoted as saying in the Harvard Business School case study. "Questions arise, like, 'Who is the client?' ... Sometimes having funders in the mix can make that difficult."

The case study notes that by the end of 2000, "Bridgespan partners were thinking through the implications of having an unexpectedly large proportion of projects funded by foundation partners."

"We have no illusion that we've somehow figured this out, that we have a secret blueprint," Bradach says now.

His honesty is refreshing, and his energy is surely one reason that Bridgespan's clients are happy. For all the emphasis on "structured capital" and "hard data," the process of talking through the issues probably matters most. Bridgespan consultants engage in organizational therapy, giving nonprofit leaders time to breathe and think.

The question is, do nonprofits need therapists with MBAs?

The "Client Engagement"

Barbara Duffy would say yes, given the challenges that faced her growing regional organization three years ago. MY TURN (Massachusetts Youth Teenage Unemployment Reduction Network) was a \$1.3 million organization, drawing an increasing amount of funding to its successful programs. Duffy and co-founder Paul Protentis (now the board chairman) were eager to grow MY TURN but unsure which direction to take.

When the Clark Foundation awarded it a \$250,000 unrestricted grant in 2003, Bridgespan, which Duffy hadn't heard of, entered the picture. Duffy says MY TURN's "portfolio manager" (program officer) at Clark made clear that business planning with Bridgespan would be the first step for her organization. Bridgespan was described to her as the foundation's partner in business-planning work for all its grantees.

In August 2003, MY TURN leaders, along with portfolio manager Jamie McAuliffe of Clark, attended the first meeting with Bridgespan's two project managers, Duffy says. She says that for about six months, a team of five Bridgespan consultants met weekly with her and other senior managers. In January 2004, Duffy presented a new business plan to her board. Duffy says of the labor-intensive process: "I would be so excited it would make my pulse race."

The Bridgespan team included everyone in the process, from board members to front-line staff, Duffy emphasizes. "Our organization was significantly different before we were 'Bridgespanned,' " she says.

MY TURN has grown into a \$2.8 million-a-year organization with programs in 13 cities in Massachusetts and New Hampshire. It has restructured its board, reorganized its senior managers and upgraded its information technology systems. It has reconfigured the staff job of case manager and – most important to those on the line with youth – added more youth workers.

Of course, MY TURN might have grown like that anyway. Duffy is one of those executive directors who have been with an organization for years and risen through the ranks. Such leaders are typically good at juggling resources and motivating staff – everything the Harvard Business Review says they should be.

"It's not that business has the answer," counters Nan Stone, a Bridgespan partner who directs its knowledge initiatives. "Lots of nonprofit organizations have been unbelievably flexible and nimble in responding to changes, but then they're just responding, not planning. They're always in a reactive mode."

There's plenty of work out there for consultants, says Shelly Kessler, vice president and director of the nonprofit practice at TCC Group in Philadelphia. TCC is among a host of consulting firms that have been working with nonprofits and foundations longer than Bridgespan has. TCC began in 1980 as The Conservation Co. The nonprofit Executive Service Corps (ESC) of New England has been

around since 1982, providing a sliding scale of services through about 150 volunteer consultants. Fees range from \$1,500 to \$20,000, according to its website.

The invisible hand of foundations still guides the choice of whether to hire a consultant and whom to pick. Jeanne Waldinger, vice president of consulting services at ESC of New England, says her firm doesn't have one foundation that provides all referrals to it alone. But foundations do fund specific ESC programs and client engagements. "In any given year, there may be several foundations with which we work in that type of partnership," Waldinger says.

Rick Cohen, executive director of the Washington-based National Committee for Responsive Philanthropy, concurs that a number of foundations fund business planning and other "management capacity-building" projects for nonprofits.

"Bridgespan is very insightful," Cohen says. "That doesn't undo my basic question about foundations setting the direction of capacity-building support and pre-selecting the providers."

Wooing Foundations with Outcomes

While youth-serving nonprofits are famously passionate about their missions, many are infamously averse to making and sticking to long-range business plans. William Foster, a Bridgespan partner whose clients have included Communities in Schools and Tennessee's Youth Villages, says that a nonprofit's mission "has to be inspiring," but there's "nothing wrong with having an objective extend longer than one strategic planning cycle. We've had clients that have a 100-year plan."

Critical to those plans is measuring outcomes. "Let's not deny current reality," says Peter Goldberg, CEO of the Milwaukee-based Alliance for Children and Families and a member of Bridgespan's board. "Donors want outcomes now."

Many clients balance outcomes they can measure in the near future with what they hope will happen to at-risk youth a decade or more later, such as entering college or starting a career. Bradach describes one of Bridgespan's core tasks as "helping nonprofits sharply frame how they define success – what they will hold themselves accountable for." Short-term targets, such as improving scores on standardized tests, can be linked to a program's longer-range goals.

But as nonprofits struggle to describe their "theories of change" on grant applications, outcomes are often reduced to what's easy to measure. Bruce Sievers, former executive director of the Walter and Elise Haas Fund and founding CEO of the California Council for the Humanities, criticizes the "rush toward proactivity in the foundation world. All this emphasis on effectiveness and efficiency narrows the vision."

Bridgespan's close relationship with the Clark Foundation – the firm's first client – demonstrates how outcomes have infused foundation thinking.

Working with Michael Bailin, who was Clark's president at the time, and Nancy Roob, who was chief operating officer, Bridgespan helped reinvent the foundation's grant-making strategy. In 2000, Clark began replacing its old system of funding in broad program areas like child welfare and student achievement with the Youth Development Fund. The foundation now provides business-planning grants and unrestricted operating funds to a few carefully vetted grantees, much as venture capital firms do for promising for-profits. Bridgespan, in turn, picks up the consulting work for Clark clients.

Roob points out that the Clark Foundation doesn't require all grantees to go through strategic planning: "It's not, 'If you want this, have this.' " She says Clark grantees that need help with a

business plan can use a firm besides Bridgespan, but that none of the Youth Development Fund grantees have done so.

“It is unusual for one foundation to have one firm work exclusively with all of its grantees,” says Kessler of TCC.

Her firm is on lists of preferred providers that a foundation might give to grantees. “The grantee doesn’t have to choose from that list, but it is a useful starting point,” Kessler says. “However, the grantee still has the choice. So much of consulting is about chemistry.”

For her part, Duffy was thrilled that Clark had pre-selected Bridgespan. If “MY TURN had ventured into those waters,” she says, “who knows how long the process would have taken.”

This set-up didn’t initially pay off for BELL, an early Youth Development Fund grantee. Phalen, BELL’s CEO, praises the Bridgespan consultants he worked with, even though BELL failed on four out of six performance measures that he and they devised. These included rebuilding its board and increasing the number of children served in its New York program.

Phalen says he and Bridgespan had “some mutual blind spots. Now I wouldn’t agree to deliver on quality and a massive build-up in a two-year period.”

Clark didn’t renew BELL’s funding after 2003, but Phalen went on to tap federal Title I dollars through the No Child Left Behind Act. BELL received a “Social Capitalist Award” this year from Fast Company magazine and the Monitor Group, another Boston-based consulting firm. In Fast Company’s January 2006 issue, BELL is listed as one of “25 Groups That Are Changing the World” by “using the disciplines of the corporate world to tackle daunting social problems.”

The Winner’s Circle

Sometimes a consulting firm really is just a consulting firm. In the end, the appeal is the same for nonprofit and for-profit clients: Months of attention from bright, charismatic people is flattering. The discussions about plans and strategies imply that whatever is broken can be fixed, that there are new revenue streams, and that research and evaluation are the answers.

For some, Bridgespan’s high-octane mix of Bain and Harvard credentials is worth the price. The word you hear most often about these consultants is “smart.” By all reports, their work is tailored to each client.

And they know the nonprofit world. Bradach and Tierney are “power players who understand us,” Goldberg says.

For Duffy of MY TURN, “the new attention to our field has enhanced our credibility. Having a business plan when you approach other private funders is like a commercial that you have your act together.”

Yet pleasing funders shouldn’t be the driving force behind nonprofit organizational development. The California Wellness Foundation (TCWF), for example, doesn’t steer grantees to particular consultants. TCWF has more than 450 active grants with California organizations for core operating support. Clark has 20 active grants.

Describing TCWF grants, CEO Yates says, “It’s not a blank check, but our philosophy is that the nonprofit on the ground knows best how to use those dollars, not foundation staff.”

Cohen, of the National Committee for Responsive Philanthropy, also believes that “putting money into the hands of those on the front lines of social change is more effective.”

While successful nonprofit management might be about executives delivering “impact,” it’s also about money. In business and politics, informal power networks have long been taken for granted. Evasiveness about who’s influencing whom, no matter how benign, is standard operating procedure.

Now that business thinking has penetrated the nonprofit field, some of the same processes apply. The winner’s circle is filled with consultants, private foundations and the nonprofit leaders they choose, all speaking the same language.

But few nonprofits get into that circle. It’s no accident that a class divide exists here as it does almost everywhere else. Many youth programs don’t attract private foundations like Clark. Meanwhile, the millions of dollars that go to Bridgespan do not go to direct services for youth.

Bradach knows that running a nonprofit can be more complex than for-profit businesses. “Sometimes it’s humbling,” he says. “It takes a lot of effort to affect the trajectory of a child in crisis.”

He’s right. Whether Bridgespan can do more than help agencies that are already winners is an open question.

Martha Nichols is a freelance writer based in Cambridge, Mass. Contact: marthan@earthlink.net.

##

Does Business Talk Resonate for Youth Agencies?

The Bridgespan Group isn't the only purveyor of business attitude among nonprofits. Yet Bridgespan has a special allure among donors who love business talk.

"I wish there were another label for a nonprofit business plan," co-founder Jeffrey Bradach says. "But at the moment, people seem to understand it intuitively."

The Bridgespan website offers free downloads of such reports as "Business Planning for Nonprofits" and case studies about selected clients. "Growth of Youth-Serving Organizations," a white paper commissioned by the Clark Foundation, has been one of the most viewed articles on the site, according to Marketing Director Carol Trager.

By emphasizing business concepts like knowledge sharing and leadership development, Bridgespan is branching out beyond its consulting practice. Bridgestar, a head-hunting spin-off for nonprofit executives, provides access to job listings and board openings on its site. In 2005, Bridgespan consultants participated in more than 80 nonprofit conferences and "convenings."

Bridgespan partner Nan Stone cites other possibilities, such as Webcasts, to reach a wider audience.

The limitations of such business mind-sharing, however, are illustrated by a March 2006 paper, "The Nonprofit Sector's Leadership Deficit," by co-founder Thomas Tierney. Based on Bridgespan research, Tierney claims that within the next decade nonprofits will have 640,000 job openings for senior managers.

Whether or not you believe this number, it's good news for high-flying baby boomers who may want to pursue an encore career after 50. It's also an advertisement for Bridgespan's services.

All consulting firms generate research to help with public relations, but here Bridgespan's Harvard Business School biases show. Just find bodies for all those executive jobs, the thinking goes, and nonprofits will shape up.

"When you scrub underneath business lingo," says Bridgespan's Stone, a former editor of the Harvard Business Review, "management is what's really being described: How do we get all these human beings pulling in the same direction? The best we can do is to show what good management looks like at nonprofits and to take it seriously."

Many executive directors would agree. Yet business talk tends to focus on program performance rather than broader advocacy work. Therein lies a culture clash between many grassroots organizers and the mostly white, privileged world of foundations and consultants.

A survey of about 100 local advocacy groups in the metropolitan Washington area, published by the National Committee for Responsive Philanthropy in 2003, found that many of them resisted the consultants offered by funders. The groups wanted help from those who were more culturally and racially connected to their communities, often turning to peers for technical assistance.

As for studies and papers, few nonprofit managers have time to read them. Past tomes describing best practices sit on shelves and gather dust. Jeanne Waldinger, vice president of consulting services at the Executive Service Corps of New England, points out, "You have to be aware that some nonprofit leaders turn off to business jargon."

For Bruce Sievers, former executive director of the Haas Fund, business talk does more than spread annoying jargon. "The very act of disseminating this information changes the vocabulary and

orientation of the field,” says Sievers, now a visiting scholar at the Haas Center for Public Service at Stanford University. “If nonprofits could multiply their products like Microsoft, they’d be a lot like Microsoft. But they’re a different animal.”

Sometimes youth work makes a difference regardless of how many kids you can prove you have saved or whether the program can be scaled up. The work might involve talking a homeless teen out of the next score on the street. Even if she later ends up in jail, the help offered wasn’t worthless. It simply can’t be quantified as anything other than a response to human need.

– *Martha Nichols*

Resources

Jeffrey Bradach, Managing Partner
The Bridgespan Group
Boston, Mass.
(617) 572 2833
www.bridgespangroup.org

Nancy Roob, President
Edna McConneell Clark Foundation
New York, N.Y.
(212) 551-9100
www.emcf.org