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Hire, Fractional, Contract, or Outsource?

A Decision Framework for Nonprofit Leaders

CEO | Executive Director | Board Member Edition

Full-Time, Fractional, Contract, or Outsourced? How to Make the Right Call for Your Nonprofit

Every nonprofit leader has been there: a critical function is understaffed, a key person just left, or growth is creating pressure that your current team can't absorb. The instinct is often to hire — but is that actually the right move?

The reality is that "hire a person" is just one of several options available to you. And depending on your organization's size, budget, timeline, and strategic stage, any one of four paths might serve you better.

Here's how to think through it.

The Four Paths

Before we get to the decision framework, let's clarify what we're actually choosing between:

- **Permanent/Full-Time Hire:** A benefited, ongoing employee in a defined role — your most significant long-term investment.
- **Fractional Leader:** A senior professional who works with your organization part-time on an ongoing basis — typically 10–20 hours per week — embedded in your team and culture but not full-time.
- **Contract/Interim Leadership:** A skilled professional engaged for a defined project, transition period, or scope of work — time-limited with a clear deliverable or end date.
- **Outsourced Function:** Handing off an entire functional area — like bookkeeping, IT, marketing, or HR — to an external firm or provider who manages the work on your behalf.

None of these is inherently better than another. The right answer depends entirely on your specific situation.

Why This Decision Is Harder for Nonprofits

For-profit companies have the luxury of leading with cost and speed. Nonprofits are navigating a more complex set of considerations:

- Budget constraints that make a \$90k salary feel very different from a \$25k fractional arrangement
- Mission alignment — especially for leadership roles, the person in the seat carries your culture
- Governance expectations from boards that may have strong opinions about staffing structure
- Capacity to manage: a full-time hire requires HR infrastructure, onboarding time, and managerial attention but a fractional or consultant hire also require oversight and support from the internal team
- Urgency: some needs can't wait 12–14 weeks for a search to close

The framework below is designed to help you navigate these variables with clarity — not more complexity.

The Five Questions That Drive the Decision

Work through these before you default to posting a job description.

1. How permanent is the need?

Is this a function your organization will always need at this level? Or is this tied to a specific initiative, a period of transition, or a growth phase you haven't fully committed to yet? If the need is situational or unclear, a permanent hire creates long-term obligations you may not be ready for.

2. How much leadership does this role require — and how much can you manage?

There's a meaningful difference between a function that needs oversight and one that needs strategic leadership. Senior leadership capacity is often the most cost-efficient case for fractional or outsourced models — you get the expertise without the full-time cost. But you also need to be realistic about how much management bandwidth you have to supervise a contractor or external partner versus an embedded team member.

3. What's the timeline?

A full-cycle executive search takes 12–14 weeks on average. If you have an immediate operational need, a fractional or contract solution can bridge the gap — and in some cases, become the long-term answer. Don't let urgency push you into a permanent hire you're not ready to make.

4. What is this function worth to your mission?

Some functions are so core to your organizational identity that they need to be staffed by someone fully embedded in your culture. For others — payroll processing, grant writing support, marketing execution — the function matters more than the person's physical presence in your building.

5. Are you able to implement and sustain recommendations and strategic direction?

Strategic consulting is notorious for creating great strategies and direction and then walking away when it comes time to execute. Fractional leadership can fall prey to a similar dilemma if the leader is hired but then expected to implement their recommendations with little to no internal support. This is why it's critical to understand your goals and intended outcomes from the outset which can be best articulated through an assessment or audit to guide the scope of work for your fractional leader or consultant.

6. What's the total cost comparison?

A full-time hire at \$80,000 often costs \$100,000–\$120,000 when you factor in benefits, payroll taxes, training, and management time. A fractional leader at 15 hours per week might run \$3,000–\$4,000 per month — or roughly \$36,000–\$48,000 annually — for significantly more experience. Run the full numbers before you decide.

When to Choose Each Path

Hire full-time when:

- The role is core to your organizational identity and culture
- You need day-to-day presence, full institutional knowledge, and team leadership
- You're ready to make a long-term investment and have the HR infrastructure to support it
- The function is permanent and will only grow with your organization

Go fractional when:

- You need senior-level expertise but can't justify (or fund) a full-time salary
- The function needs strategic leadership, and have the internal capacity to execute with support of the leader
- You're in a growth or transition phase and need to "try before you buy"
- You want to build the function before hiring someone to run it

Use contract/interim when:

- You have a defined project, gap, or time-sensitive need
- Someone is on leave and you need temporary coverage
- You're between hires and need to keep the function running
- You want to test a new role or function before committing to a permanent hire

Outsource the function when:

- The function is transactional and doesn't require deep institutional knowledge
 - The work is highly specialized and better handled by experts (e.g., IT, legal, audit)
 - You want a managed service with accountability built in
 - The cost of building internal capacity doesn't match the volume of need
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The Bottom Line

The best nonprofit leaders aren't the ones who hire the most — they're the ones who build the right team for the mission they're on right now. That means being honest about what you actually need versus what feels safe or familiar.

Use the decision framework and checklist below to think it through before you commit.

RIGHT STRUCTURE FOR RIGHT NEED: THE DECISION FRAMEWORK & CHECKLIST

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A Practical Decision Guide for Nonprofit CEOs, EDs, and Board Members

Before making any staffing decision, work through Section 1 to score your situation. Then review Section 2 for the options-based checklist.

SECTION 1: Situation Scoring Tool

For each factor below, circle or note the number that best describes your situation. Add up your total score and refer to the scoring guide at the end of this section.

Scoring Factor	1	2	3	4
Duration of Need	1 Temporary	2 Short-term	3 Ongoing	4 Permanent
Seniority / Strategy Required	1 Task execution	2 Project mgmt	3 Team leadership	4 C-suite / strategic
Mission / Culture Embeddedness	1 Back-office admin	2 Operational	3 Client-facing	4 Culture-critical
Budget Availability	1 < \$30k/yr	2 \$30–60k	3 \$60–100k	4 \$100k+
Internal Mgmt Capacity	1 Overstretched	2 Limited	3 Moderate	4 Strong
Timeline / Urgency	1 Immediate (< 4wks)	2 < 3 months	3 3–6 months	4 Flexible
Specialization Required	1 General/trainable	2 Skilled	3 Expert	4 Highly specialized

Score: 7–13	Lean toward: Contract/Interim support or Outsourced function. Your need is likely time-limited, lower-seniority, or operational, and a permanent hire may be premature.
Score: 14–19	Lean toward: Fractional Leadership or a contract-to-hire arrangement. Senior expertise is needed, but a full-time commitment may not yet be warranted.
Score: 20–28	Lean toward: Full-Time/Permanent Hire. Your need is ongoing, mission-critical, and senior enough to justify a permanent investment. Begin your search with a clear profile and realistic timeline.

SECTION 2: Options-Based Decision Checklist

Use this checklist to pressure-test whichever path your score suggests. Check any statement that applies to your situation.

OPTION A: Full-Time / Permanent Hire

Consider this path if most of the following are true:

- ☐ This role is expected to be needed indefinitely — it is not project-based or transitional.
- ☐ The person in this role will directly manage staff, lead a team, or carry out organizational culture.
- ☐ The role requires deep institutional knowledge that takes significant time to develop.
- ☐ Your organization has the HR infrastructure to onboard, manage, and retain a full-time employee.
- ☐ The budget is confirmed and includes benefits, taxes, and management overhead — not just base salary.
- ☐ You are not in a period of significant organizational uncertainty (restructuring, leadership turnover, funding gaps).
- ☐ Your board and leadership team are aligned on the scope, title, and salary range for this role.
- ☐ You have time for a thoughtful search process (a minimum of 3–4 months).

Caution signals:

- You're considering this because it "feels more legitimate" — not because the work requires it.
- The role was vacated, and you're replacing reflexively without asking whether the structure still serves you.
- You haven't modeled the total cost of employment beyond base salary.

OPTION B: Fractional Leadership

Consider this path if most of the following are true:

- ☐ You need senior-level strategic leadership in this function, but not 40 hours per week.
- ☐ Your budget supports 10–25 hours per week of engagement rather than a full-time salary + benefits.
- ☐ You are in a growth, transition, or build phase where the function is still being defined.
- ☐ You want access to senior expertise — a CFO, CDO, or COO-level thinker — without a full-time commitment.
- ☐ Your organization can benefit from someone who brings an outside perspective and cross-sector experience.
- ☐ You are open to this becoming a permanent hire once the need and capacity justify it.

- You have a designated internal point of contact who can collaborate effectively with the fractional leader.

Caution signals:

- The role requires daily team management — fractional leaders are most effective when the function has operational capacity below them.
- You expect full institutional loyalty and availability without offering a full-time relationship.

OPTION C: Contract / Interim Support

Consider this path if most of the following are true:

- You have an immediate operational gap — a departure, a leave, or a surge in growth — that must be addressed now.
- The scope of work is defined (a project, a period, a specific deliverable).
- You are in between permanent hires and need continuity while a search progresses.
- You want to evaluate a role or function before committing to a full-time hire.
- The work is skilled but doesn't require deep, long-term institutional knowledge to execute well.

Caution signals:

- You've been using the same contractor for 12+ months in a role that functions like a full-time position — this creates legal and HR risk.
- The work involves managing full-time employees in an ongoing capacity — this is more appropriate for fractional or permanent leadership.

OPTION D: Outsourced Function

Consider this path if most of the following are true:

- The function is largely transactional and does not require deep knowledge of your mission or culture.
- The expertise required is highly specialized and the volume of work doesn't justify a dedicated hire.
- You need consistent execution, not strategic leadership, in this area.
- A managed service model (where the vendor is accountable for outcomes) is a better fit than an individual employee.
- You've done a cost comparison, and outsourcing is more cost-effective than staffing in-house.
- The function is well-defined enough to be governed by a clear scope of work and contract.

Caution signals:

- The function touches your major donors, key stakeholders, or external community relationships — these often benefit from an internally embedded person who carries your voice.
- You're outsourcing because you don't want to manage it — that's not a strategy. Make sure you still have an internal owner who oversees the relationship.

SECTION 3: Before You Decide — Final Questions to Ask Your Leadership Team

Walk through these together before bringing any staffing decision to your board or putting a job description out into the world.

- ☐ Can we articulate the outcomes we desire for this role at 3, 6, and 12 months?
- ☐ If we hire full-time, can we sustain this salary in our budget for the next 3 years — even in a down year for fundraising?
- ☐ What does the person in this role need to know about our culture, history, and relationships that an outsider couldn't learn quickly?
- ☐ If we go fractional or contract, who internally will own the relationship and be accountable for this person?
- ☐ Are we replacing this role exactly as it was — or do we have an opportunity to redesign it for where we're going?
- ☐ What is the cost of doing nothing for 90 days? Is that better or worse than a premature hire?
- ☐ Does our board need to approve this decision? Do they have relevant input or do we have the authority to move?
- ☐ Have we modeled the total compensation cost — salary, benefits, taxes, management time, onboarding — against the alternatives?

NextGroup works with nonprofit organizations across all four of these paths. Whether you're conducting a full executive search, placing a fractional CFO, or filling a contract gap with someone from our Reserves Network, we can help you make the right call — and then execute it well.

Schedule a complimentary discovery conversation: candance@nextgroupus.com | nextgroupus.com