



THE CENTER FOR  
EFFECTIVE PHILANTHROPY

# Nonprofit Challenges

## WHAT FOUNDATIONS CAN DO



**ONLY**

**52%**

of nonprofit leaders believe their  
foundation funders are aware of the  
challenges their organizations face

page 7

## About the Center for Effective Philanthropy

### MISSION

To provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness—and, as a result, their intended impact.

### VISION

We seek a world in which pressing social needs are more effectively addressed. We believe improved performance of philanthropic funders can have a profoundly positive impact on nonprofit organizations and the people and communities they serve.

CEP seeks to contribute to the achievement of this vision through the data—primarily comparative data—we develop and draw on in our research, assessment tools, and programming and communications. This data helps funders understand how they can improve their performance and provides insight on key elements of foundation effectiveness. We recognize that many other institutions and organizations dedicated to improved funder effectiveness must also play a role for the vision we seek to become a reality—and we seek partnerships with these organizations when they will help us to better achieve our shared goals.

Although our work is about measuring results, providing useful data, and improving performance, our ultimate goal is improving lives. We believe this can only be achieved through a powerful combination of dispassionate analysis and passionate commitment to creating a better society.

For more information on CEP, please visit [www.effectivephilanthropy.org](http://www.effectivephilanthropy.org).

### AUTHORS

Ellie Buteau, Ph.D.  
Andrea Brock  
Mark Chaffin

For more information, contact:  
Ellie Buteau, Ph.D.  
Vice President—Research  
617-492-0800 ext. 213  
[ellieb@effectivephilanthropy.org](mailto:ellieb@effectivephilanthropy.org)



THE CENTER FOR  
EFFECTIVE PHILANTHROPY

© 2013. The Center for Effective Philanthropy, Inc.  
All rights reserved.

## TABLE OF CONTENTS

Introduction	4
Key Findings	6
Conclusion	16
Reflection Questions	17
Appendix: Methodology	18

**Less than one third**  
of nonprofit leaders  
believe foundations  
take advantage of their  
myriad resources to  
help them address their  
challenges.

# INTRODUCTION

Nonprofit organizations face a long list of challenges that starts with fundraising and can include everything from meeting increasing demands for services to utilizing technology most effectively. Who do they turn to for assistance as they grapple with these issues? One source of assistance and support can be foundations, which have a vested interest in nonprofits' success—and the resources to help.

To help foundations understand whether nonprofits feel their challenges are well-understood and to raise awareness of the areas in which more foundation assistance could be beneficial, we surveyed our panel of 296 nonprofit executive directors. (See Sidebar: *Who Are The Grantee Voice Respondents to This Survey?*) We asked these leaders to reflect on how challenging each of 25 issues is to their organizations. For issues not related to contributed revenue, they were asked to indicate

whether or not they believe foundations are in a position to help, and whether they are looking for more help from foundations.

The data clearly show that nonprofits are not looking to foundations to solve *all* their problems. But in some crucial areas, they are looking for more help and do not believe foundations are doing all they could.

## Findings

- Only half of nonprofit leaders believe foundations are aware of the various challenges their organizations face, and most do not think foundations are using their resources and knowledge to help them address their challenges.
- Nonprofits are looking for more foundation help in a) meeting the demand for their programs and services, b) using technology to improve their effectiveness, and c) developing their leadership skills.
- Among nonprofits that rely on earned revenue, the majority find that maintaining, or growing, earned revenue is challenging—and most would like more help from their foundation funders.



# The Grantee Voice: Feedback for Foundations

In 2012, about 300 nonprofit leaders from across the county agreed to serve on the Center for Effective Philanthropy’s (CEP) *The Grantee Voice* panel. (See “Appendix: Methodology” for more information about how the panel was created.) By joining the panel, these nonprofit leaders agreed to complete short surveys about topics relevant to their experiences working with foundation funders. Surveys of grantees conducted for *The Grantee Voice* panel are separate and distinct from the surveys of grantees that CEP administers for individual foundations as part of the Grantee Perception Report (GPR)<sup>®</sup> process.

The goals for *The Grantee Voice* are to

---

Collect timely data to inform foundation practices;

---

Gather nonprofit perspectives on working with foundations broadly;

---

Further contribute to foundations’ knowledge of how they can work most effectively with nonprofits.

---

Through brief publications based on surveys from this panel, we aim to contribute data, as well as new questions, to further important conversations that are happening—or need to be—for foundations and nonprofits to work most productively together. Findings from the first survey of *The Grantee Voice* panel were shared in the 2012 report, *Room for Improvement: Foundations’ Support of Nonprofit Performance Assessment*, and findings from the second were shared in the 2013 report, *Foundation Transparency: What Nonprofits Want*. These publications are available at [www.effectivephilanthropy.org](http://www.effectivephilanthropy.org).

## Who Are *The Grantee Voice* Respondents to This Survey?

The organizations on *The Grantee Voice* panel are representative of the annual expenses and issues areas of organizations with between \$100,000 and \$100 million in expenses. All of these organizations receive some funding from foundations that give at least \$5 million annually. (See “Appendix: Methodology” for more information on how this panel was formed.)

The response rate for this survey was 41 percent. The 121 nonprofit leaders (i.e., those people holding titles such as executive director, president, or CEO) who participated in this survey represent a mix of nonprofits. The nonprofits vary widely in size, age, and dependence on foundation money, as shown in the table below. In addition, these nonprofits are located across the country and represent a range of issue areas, including human services, the arts, health, community development, the environment, and education.

ORGANIZATIONAL MEASURE	RANGE	MEDIAN VALUE
Staff size (in full-time equivalents, FTEs)	< 1 FTE to 1,600 FTEs	11 FTEs
Annual expenses	About \$100,000 to \$45 million	\$1.2 million
Age	< 5 years to > 180 years	29 years
Proportion of revenue coming from foundation grants	< 1 percent to 99 percent	20 percent

## FINDING 1

Only half of nonprofit leaders believe foundations are aware of the various challenges their organizations face, and most do not think foundations are using their resources and knowledge to help them address their challenges.

The data indicate that only 52 percent of nonprofit leaders believe their foundation funders are aware of the various challenges their organizations face. (See Figure 1.) This may be partly a result of the strength of relationships that grantees have with their funders and, in particular, their degree of comfort with being open and honest. The more likely nonprofit leaders are to feel that they can be open with their funders about their organizations' challenges, the more likely they are to report that their funders are aware of their challenges.<sup>1</sup> One nonprofit leader said foundations could "initiate conversations about [our] overall organizational health and ask about our challenges—not in grant applications, where we feel a need to gloss over problems, but during the course of our relationship." Another commented that foundations should "take the time to learn more about what we are doing and what our challenges are."

Less than one third of nonprofit leaders believe foundations take advantage of their myriad resources to help them address their challenges. As one said, "My foundation funder could offer technical assistance or identify a select pool of resources that we could use. Many resources are generally available, but identifying the right resource at the right price can be time consuming, expensive, and ultimately disappointing." Another suggested that their funders "bring us together to meet other grantees doing similar work in other areas so we can all learn from each others' experiences."

Only 36 percent believe that foundations share their knowledge about what other nonprofits are doing to address challenges similar to those that their organization faces. One nonprofit leader said foundations should "provide knowledge of best practices and additional resources that are avail-

<sup>1</sup> A statistically significant relationship was found between ratings on the items "I can be open with my foundation funders about the challenges my organization is facing" and "My foundation funders are aware of the challenges that my organization is facing." This relationship was of a large effect size.

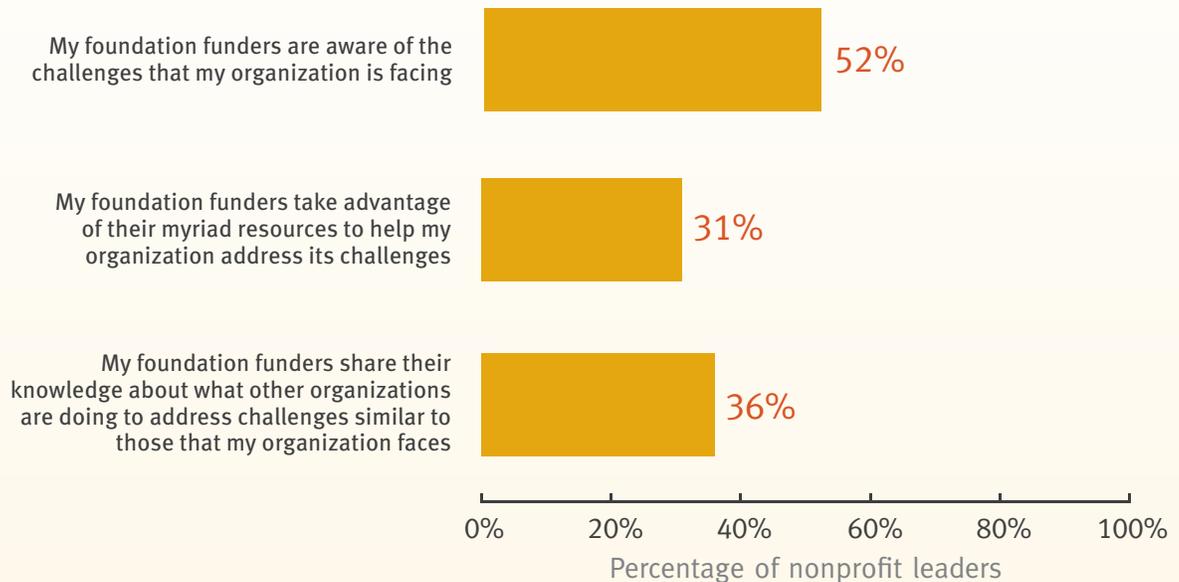
“Take the time to learn more about what we are doing and what our challenges are.”

able to supplement the work they are funding.” Another said, “Foundation funders can serve as valuable resources in offering advice on how other similar non-profits have been successful in weathering challenging economic times.”

Although nonprofit leaders appear frustrated that foundations are not more aware of their challenges, they are not looking to foundations to solve *all* their problems. On a variety of frequently cited

challenges—including productively engaging their boards of directors and developing and training their staff—most nonprofits are not looking for foundations’ help. (For a complete list of challenges asked about in the survey, and responses, see Tables 3 and 4 in “Appendix: Methodology.”)

**Figure 1: Nonprofit Leaders’ Views of What Their Funders Can Do**



Note: The percentages in this chart reflect ratings of 5-7 on a 1-7 scale where 1 = “Strongly disagree,” 4 = “Neither agree nor disagree,” and 7 = “Strongly agree.”

## FINDING 2

Nonprofits are looking for more foundation help in a) meeting the demand for their programs and services, b) using technology to improve their effectiveness, and c) developing their leadership skills.

The areas in which nonprofits are seeking more help are ones that have been much discussed in the past. However, our survey responses show that these challenges persist and that nonprofits do not believe foundations are doing all they could to help.

### MEETING DEMAND

The inability of many nonprofits to keep up with increasing demand for their services in recent years has been well documented. The Nonprofit Finance Fund's annual survey revealed that in 2012, 52 percent of nonprofits could not meet demand

for their services, which is up from 44 percent in 2009.<sup>2</sup> Stories about nonprofits' difficulties in meeting rising demand have also appeared in the mainstream media and been discussed by prominent sector leaders.<sup>3</sup>

More than three-quarters find this challenging, and the majority would like more help with this issue from their foundation funders. (See Figure 2.) One leader shared an example of how a foundation did help her organization meet demand during a difficult time, saying, "A local foundation not only filled the gap of funding lost from a governmental funding source, but it extended such funding to a second year, allowing us to truly

<sup>2</sup> "2013 State of the Nonprofit Sector Survey Results," *Nonprofit Finance Fund* (March 2013), [http://nonprofitfinancefund.org/files/docs/2013/2013survey\\_nat\\_summary.pdf](http://nonprofitfinancefund.org/files/docs/2013/2013survey_nat_summary.pdf).

<sup>3</sup> Susan Johnston, "Nonprofits Face Challenging End-of-Year Giving Season," *U.S. News and World Report*, November 12, 2012, <http://money.usnews.com/money/personal-finance/articles/2012/11/12/nonprofits-face-challenging-end-of-year-giving-season>. Susan Livio, "Morristown Nonprofits Merge to Meet High Demand, Declining Dollars," *The Star-Ledger*, June 18, 2013, [http://www.nj.com/politics/index.ssf/2013/06/morristown\\_nonprofits\\_merge\\_to\\_meet\\_high\\_demand\\_declining\\_dollars.html](http://www.nj.com/politics/index.ssf/2013/06/morristown_nonprofits_merge_to_meet_high_demand_declining_dollars.html). Diana Aviv and Antony Bugg-Levine, "Social-Service Groups Won't Survive Without New Sources of Revenue," *The Chronicle of Philanthropy*, July 14, 2013, <http://philanthropy.com/article/Social-Service-Groups-Won-t/140225/>.



assess programming and the time to regain the funding lost from the government. Without these funds, we would have had to displace 150 seniors from our services.”

## TECHNOLOGY

In 2010, a report from the Johns Hopkins Listening Post Project indicated that one-third of nonprofit organizations did not have enough computers to meet their needs, one-fifth still relied on “basic”

technologies, and one-third “described their use of information technologies for program/service delivery as ‘limited.’”<sup>4</sup> The state of nonprofits’ technological capacity and resources has been well documented for years by the NTEN annual survey.<sup>5</sup> Yet, despite the fact that the needs have been studied and discussed, only about five percent of nonprofits report receiving assistance beyond the grant from foundations to help with information technology.<sup>6</sup>

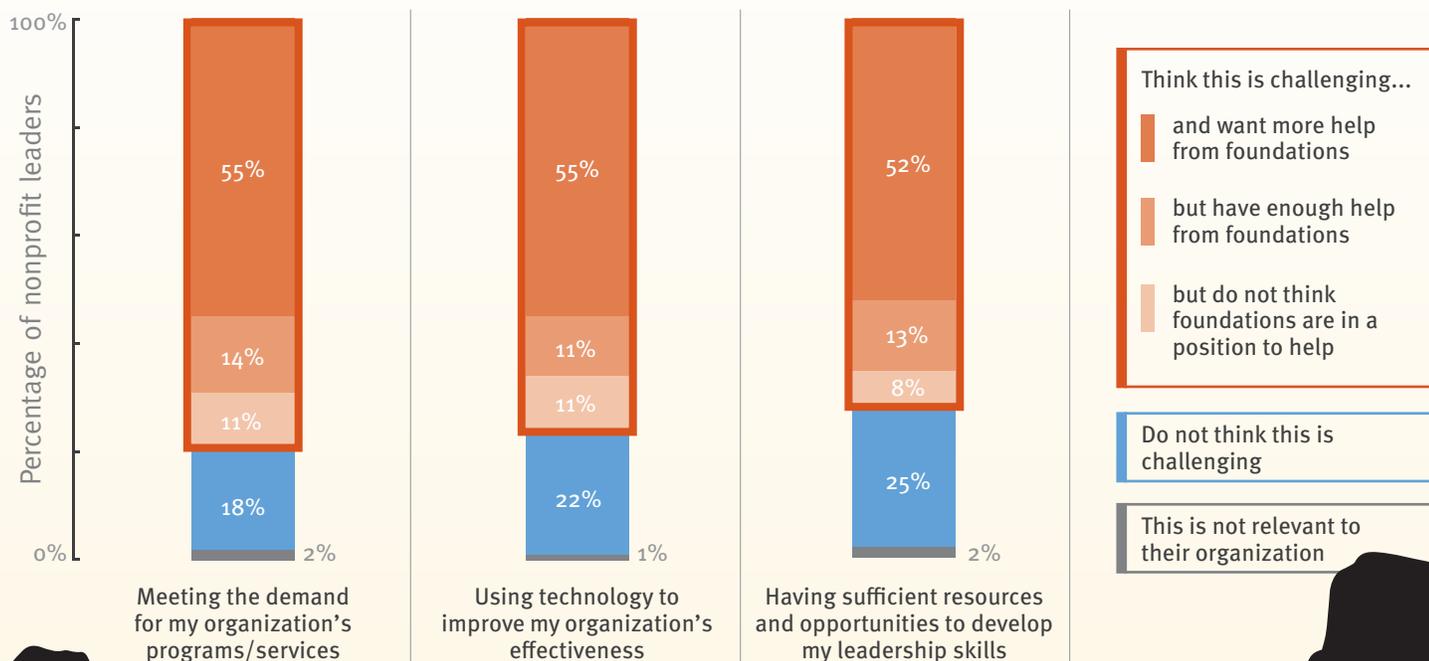
Of the 77 percent of nonprofit leaders who find using technology to increase their effectiveness to be

<sup>4</sup> Stephanie L. Geller, Alan J. Abramson, and Erwin de Leon, “The Nonprofit Technology Gap—Myth or Reality?” *Johns Hopkins Center for Civil Society Studies* (2010), [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/LP\\_Communique20\\_2010.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/09/LP_Communique20_2010.pdf).

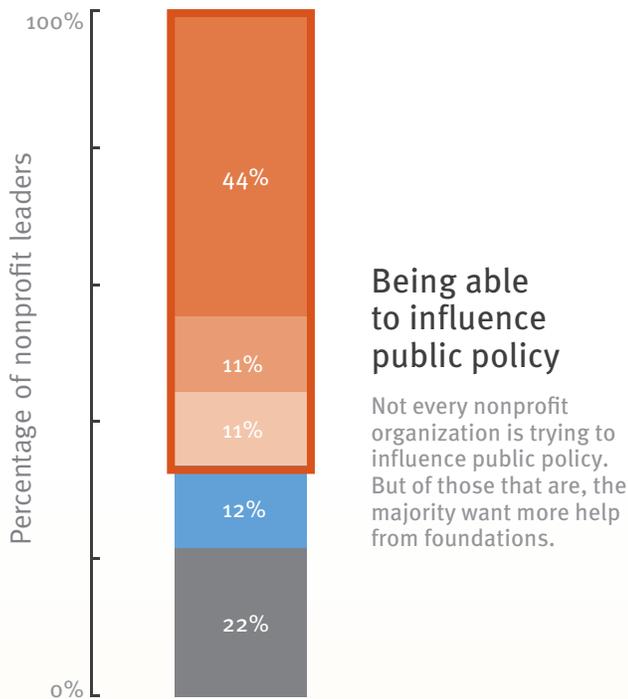
<sup>5</sup> Annaliese Hoehling, “The 7th Annual Nonprofit Technology Staffing and Investments Report,” *Nonprofit Technology Network* (April 2013), [http://www.nten.org/sites/default/files/staffing\\_report2012\\_final\\_1.pdf](http://www.nten.org/sites/default/files/staffing_report2012_final_1.pdf).

<sup>6</sup> Ellie Buteau and Phil Buchanan, “Working Well With Grantees: A Guide for Foundation Program Staff,” *Center for Effective Philanthropy* (June 2013), [http://www.effectivephilanthropy.org/assets/pdfs/Working\\_Well\\_With\\_Grantees.pdf](http://www.effectivephilanthropy.org/assets/pdfs/Working_Well_With_Grantees.pdf).

**Figure 2: Top Challenges for Which Nonprofits Want More Foundation Help**



**Figure 3:**  
**The Challenge of Influencing Public Policy**



**Being able to influence public policy**

Not every nonprofit organization is trying to influence public policy. But of those that are, the majority want more help from foundations.

a challenge, two-thirds want more help from their foundation funders. One nonprofit leader requested that their foundation funders “provide technological tools and resources for capacity-building such as skilled volunteers in addition to funding.” Another said, “Unrestricted dollars would provide us with the ability to invest in our infrastructure: technology, staff development and retention, and advocacy.”

**LEADERSHIP**

There has been much talk of leadership challenges during the past decade: the difficulty of attracting talent to the sector, a potential “leadership deficit” as baby boomers retire, and the need to develop upcoming generations of leaders.<sup>7</sup>

Yet, many nonprofit leaders—73 percent—feel they lack sufficient resources and opportunities to develop their leadership skills. With more than 40 percent of respondents reporting that they have been in their position for ten years or longer, this is clearly not only an issue for leaders who are new to their roles. As Bridgespan cofounder Thomas J. Tierney writes in the *Stanford Social Innovation Review*, leadership capacity is crucial to the effectiveness of nonprofit organizations, and without it, the “deepest suffering will be visited upon the millions of people who rely, directly and indirectly, on the services that nonprofits provide and the social value they create.”<sup>8</sup>

**Think this is challenging...**

- and want more help from foundations
- but have enough help from foundations
- but do not think foundations are in a position to help

Do not think this is challenging

This is not relevant to their organization

<sup>7</sup> Marla Cornelius, Rick Moyers, and Jeanne Bell, “Daring to Lead 2011: A National Study of Nonprofit Executive Leadership,” *CompassPoint Nonprofit Services and the Meyer Foundation* (2011), <http://daringtolead.org/wp-content/uploads/Daring-to-Lead-2011-Main-Report-online.pdf>. Frances Kunreuther and Patrick Corvington, “Next Shift: Beyond the Leadership Crisis,” *The Annie E. Casey Foundation and The Building Movement Project* (2007), <http://www.aecf.org/~media/Pubs/Other/N/NextShiftBeyondtheNonprofitLeadershipCrisis/Next%20Shift.pdf>.

<sup>8</sup> Thomas J. Tierney, “The Leadership Deficit,” *Stanford Social Innovation Review* 4, no. 2 (2006): 26–35.

As one leader who benefited from foundation assistance in this area said, “One of the foundations that supports my organization invited me to participate in a leadership and executive director skill-building course that met several times during the year. I gained much-needed information to develop my skills.”

Although there are certainly foundations that have invested in leadership development, it is clear that nonprofits are looking for more.<sup>9</sup> One leader said, “I wish we had more opportunities for training other than what is offered locally. Unfortunately, even though local training may be good we normally interact with the same trainers and other nonprofit leaders over and over and don’t get new and fresh ideas. Most of us cannot afford the travel and registration expenses connected to larger out-of-region trainings.”

<sup>9</sup> Linda Wood, “More Truth-Telling and Candor?” *The CEP Blog, Center for Effective Philanthropy*, July 21, 2010, <http://www.effectivephilanthropy.org/blog/2010/07/more-truth-telling-and-candor/>. “HELP has Arrived,” Hawaii Community Foundation, <http://www.hawaiicomunityfoundation.org/community-impact/help-has-arrived>. Timothy J. McClimon, “American Express Foundation: Investing in the Organizational Capacity of Non-profits and Social Institutions,” *Forbes*, February 2, 2013, <http://www.forbes.com/sites/skollworldforum/2013/02/13/american-express-foundation-investing-in-the-organizational-capacity-of-non-profits-and-social-institutions/>.

“One of the foundations that supports my organization invited me to participate in a leadership and executive director skill-building course that met several times during the year. I gained much-needed information to develop my skills.”

## FINDING 3

Among nonprofits that rely on earned revenue, the majority find that maintaining, or growing, earned revenue is challenging—and most would like more help from their foundation funders.

There has been increasing attention paid to earned revenue sources for nonprofits over the past decade, with many asserting that nonprofit “enterprise” initiatives are on the rise and accounting for a greater share of revenue.<sup>10</sup> The facts belie the assertions, however: Earned revenue has not increased its share of total revenue.<sup>11</sup> But the pressure to consider how to grow or develop earned revenue streams has only increased as government funding has been cut and the competition for contributed revenue increases. So, while earned revenue may not yet have grown as a proportion of

total revenue, the effort to maintain or grow it is on the minds of nonprofit leaders.

According to our survey, of the 85 percent of nonprofit leaders for whom maintaining earned revenue is a relevant issue, an overwhelming proportion finds it challenging. (See Figure 4.) One nonprofit leader said, “Support bridge grants that allow organizations to transition to different business models so they can self-generate more income.” While 18 percent do not believe foundations are in a po-

<sup>10</sup> William Landes Foster, Peter Kim, and Barbara Christiansen, “Ten Nonprofit Funding Models,” *Stanford Social Innovation Review* 7, no. 2 (2009): 32–39. William Foster and Jeffery Bradach, “Should Nonprofits Seek Profits?” *Harvard Business Review* 83, no. 2 (2005): 92–100.

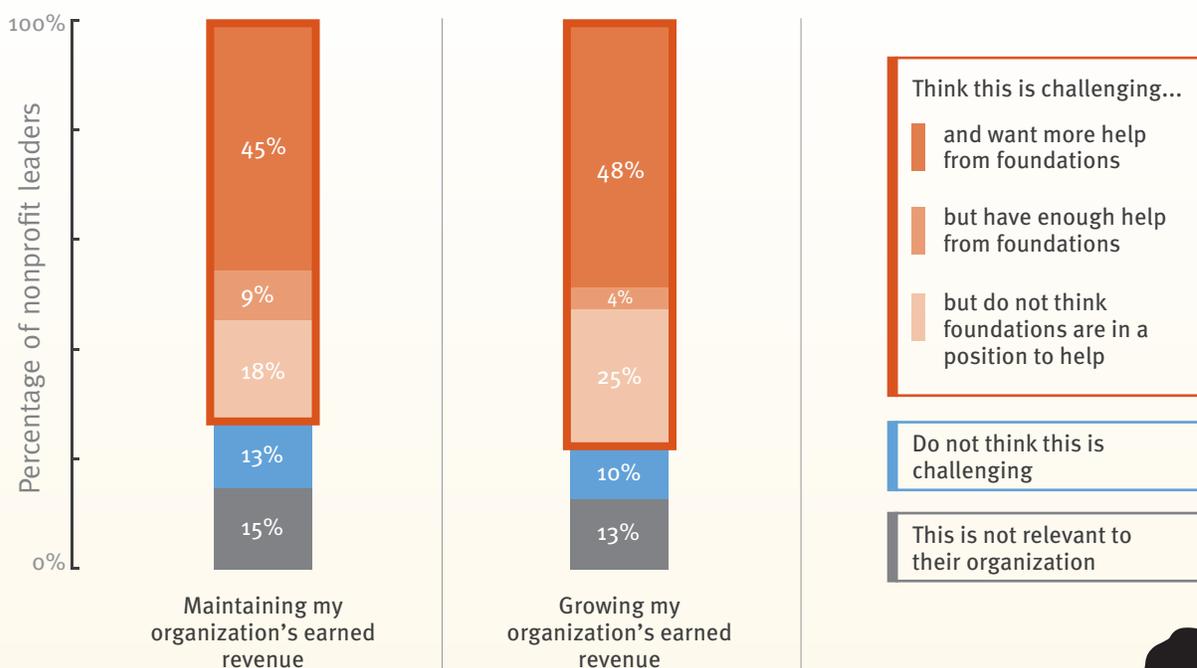
<sup>11</sup> Phil Buchanan, “Don’t Believe the Hype, Believe the Data,” *The CEP Blog, Center for Effective Philanthropy*, April 5, 2011, <http://www.effectivephilanthropy.org/blog/2011/04/dont-believe-the-hype-believe-the-data/>.

sition to help, the majority are, in fact, looking for more help from foundation funders in this area.

The majority of nonprofits also find it challenging to increase their earned revenue, although 25 percent of them do not believe foundations are in a position to help them with this issue. One leader who did receive foundation help that led to growth in revenue explained, "One major foundation came through with a three-year commitment, now renewed twice, to support a programmatic expansion. This allowed a significant increase in programming and has helped increase revenue."

Of the 85 percent of nonprofit leaders for whom **maintaining earned revenue** is a relevant issue, an overwhelming proportion finds it challenging.

**Figure 4: The Difficulties of Earned Revenue for Nonprofits**



# The Toughest Money to Raise?

Nonprofits' challenges with fundraising have been well documented, and it has been widely noted that total charitable contributions have remained relatively constant as a proportion of GDP.<sup>12</sup> The methods used for raising funds from individual donors have sometimes been the subject of significant debate as well as negative press attention.

So what is the toughest money to raise? The source that respondents most frequently cited as an extreme challenge from which to raise funding is foundations: 99 percent of respondents said this is challenging. Almost three-quarters—72 percent—reported that these efforts are *extremely* challenging.

Qualitative comments from nonprofit leaders indicate that one way foundations could help them attract new foundation funding is to connect them with other foundations. One leader whose funder did just this said, “The foundation’s president has taken me to several lunches and meetings as a speaker to make other [potential] funders aware of our work.”

But, comments from nonprofit leaders indicate that the difficulty of attracting new foundation funding is exacerbated by the parameters placed on potential funding. As one leader said, “Stop designing programming and opportunities for which capacity must be created. Start with what each of us has the capacity to do and help us grow... as opposed to ‘Don’t drop anything and add this if you want funding.’” Another said, “One of our biggest challenges is that funders often want to support something ‘new’ or a specific project. If the project is not fully funded, it actually ends up costing us money.”

**TABLE 1. THE CHALLENGE OF ATTRACTING FUNDING**

	Total percentage of leaders who find this challenging	Percentage who find this extremely challenging	Percentage who find this somewhat challenging
Attracting new foundation funders	99%	72%	27%
Attracting new individual donors	94%	59%	35%
Attracting new government funding	72%*	51%	21%
Maintaining funding from current foundation funders	89%	21%	68%
Maintaining funding from our current individual donors	75%	20%	55%
Maintaining current government funding	64%**	25%	39%

\* 23 percent of nonprofit leaders do not find attracting new government funding relevant to their work. Of those who do find attracting new government funding relevant to their organization, 93 percent find it challenging.

\*\* 23 percent of nonprofit leaders do not find maintaining current government funding relevant to their work. Of those who do find maintaining government funding relevant to their organization, 84 percent find it challenging.

<sup>12</sup> Suzanne Perry, “The Stubborn 2% Giving Rate,” *The Chronicle of Philanthropy*, July 17, 2013, <http://philanthropy.com/article/The-Stubborn-2-Giving-Rate/139811/>.

## The More Things Change, The More They Stay the Same

Securing multiyear support and securing general operating support continue to be serious challenges for the majority of leaders who responded to this survey. There has been little change in the frequency of provision of these types of grants over many years.<sup>13</sup>

Each of these issues is identified as a challenge by 95 percent of respondents. Specifically, 68 percent experience securing multiyear funding as extremely challenging, and 62 percent find securing general operating support to be extremely challenging.

One nonprofit leader expressed his frustration about short-term funding by saying, “Offer more multi-year funding. [Foundations] always ask the very dumb question of how we will maintain the programs after their funding has ended and, of course, the truth is that we will keep doing the grant-to-grant search, but we have to come up with some answer that really isn’t true. The time spent just to write renewals for our funding could be drastically cut and used better to find the real long-term funding solutions.” Another said, “[Foundations should] provide more stable (multiyear) commitments. [They should] care about the organization, the big picture, and the long term.”

When it comes to the desire for general operating support, one leader said, “The most helpful thing a foundation has done recently was to offer a grant specifically for general operating support. This allows us to continue to put out the fires and also look to the future to bring about transformative changes in a sustainable way.” Another said, “The biggest challenge is finding operating support. We often create projects with an eye toward helping our bottom line.”

TABLE 2. THE CHALLENGE OF SECURING CERTAIN TYPES OF FOUNDATION FUNDING

	Total percentage of leaders who find this challenging	Percentage who find this extremely challenging	Percentage who find this somewhat challenging
Securing multi-year funding	95%	68%	27%
Securing general operating or unrestricted funds	95%	62%	33%

<sup>13</sup> See J McCray, “Is Grantmaking Getting Smarter?” *Grantmakers for Effective Organizations* (2011), [http://issuu.com/geofunders/docs/2011\\_geo\\_field\\_study\\_final/5?e=3006942/3389112](http://issuu.com/geofunders/docs/2011_geo_field_study_final/5?e=3006942/3389112), Andrea Brock, “General Operating Support Remains the Exception,” *The CEP Blog, Center for Effective Philanthropy*, December 6, 2010, <http://www.effectivephilanthropy.org/blog/2010/12/general-operating-support-remains-the-exception>, Niki Jagpal and Kevin Laskowski, “The Philanthropic Landscape: The State of General Operating Support 2011,” *National Committee for Responsive Philanthropy* (May 2013), <http://www.ncrp.org/files/publications/PhilanthropicLandscape-StateofGeneralOperatingSupport2011.pdf>.

# CONCLUSION

These findings indicate how much opportunity still exists for foundations to help nonprofits with some of their most difficult and persistent challenges. Past CEP research has shown that, although foundation staff tend to be interested in providing assistance beyond the grant, they often do little to understand what their grantees truly need.<sup>14</sup> This survey shows the consequences: nonprofit leaders who do not believe foundations understand their challenges and who are looking for foundations to do much more to help them in specific areas.

The findings also point to an issue that underlies much of CEP's research about the work that foundations and nonprofits do together: the need for foundations and grantees to form strong relationships.<sup>15</sup> It is difficult to imagine that nonprofit leaders would be comfortable being open about the various challenges their organizations face if their relationships with their foundation funders do not feel strong enough to withstand that honesty.

Clearly, foundations cannot do everything, and it is likely the case that nonprofits will always be looking for more help from funders than can be provided, given limits on staff time and resources. But the data also show that nonprofits are not look-

ing for their foundation funders to help them with everything they find challenging. They are looking for more help to deal with some of their most pressing challenges.

If foundations depend on their nonprofit grantees for the work they do to achieve their shared goals, then they will benefit from working to better understand nonprofits' challenges and from doing more to help nonprofits address them. While there are examples of this happening, these findings indicate that they remain relatively few and far between. If foundations and nonprofits are to maximize their chances of success in pursuit of their shared goals, then these examples must become the rule and not the exception.

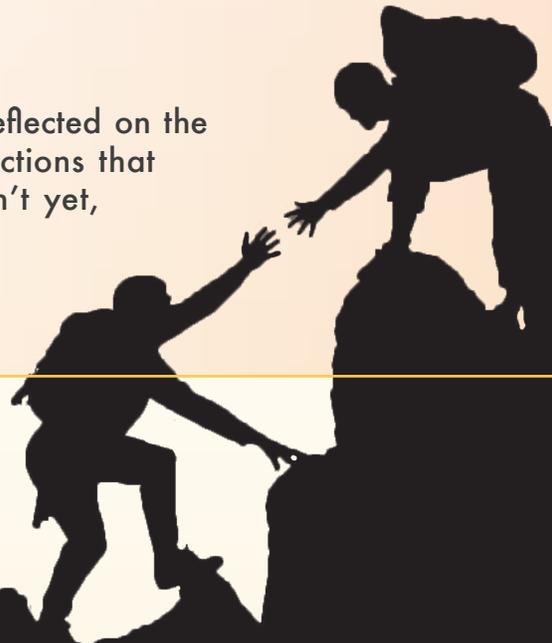
<sup>14</sup> Ellie Buteau et al., "More Than Money: Making a Difference with Assistance Beyond the Grant," *Center for Effective Philanthropy* (December 2008), [http://www.effectivephilanthropy.org/assets/pdfs/CEP\\_MoreThanMoney.pdf](http://www.effectivephilanthropy.org/assets/pdfs/CEP_MoreThanMoney.pdf).

<sup>15</sup> Ellie Buteau, Phil Buchanan, and Timothy Chu, "Working with Grantees: The Keys to Success and Five Program Officers Who Exemplify Them," *Center for Effective Philanthropy* (May 2010), [http://www.effectivephilanthropy.org/assets/pdfs/CEP\\_Working\\_with\\_Grantees.pdf](http://www.effectivephilanthropy.org/assets/pdfs/CEP_Working_with_Grantees.pdf). Buteau, "Working Well With Grantees: A Guide for Foundation Program Staff."

It is difficult to imagine that nonprofit leaders would be comfortable being open about the various challenges their organizations face if their relationships with their foundation funders do not feel strong enough to withstand that honesty.

## Questions Foundation Staff Should Ask Themselves

- > How confident are you and your colleagues that you understand the challenges grantees are facing? How do you develop that understanding?
- > What are staff members doing to build relationships with grantees in which grantees feel they can be open with you about their challenges?
- > Have you and your colleagues reflected on the resources, knowledge, or connections that the foundation could be, but isn't yet, using to help grantees?



## APPENDIX: METHODOLOGY

Data for this report were collected through *The Grantee Voice: Feedback for Foundations*, CEP's panel of nonprofit leaders.

### PANEL

The *Grantee Voice* panel was established in the initial months of 2012. Several steps were taken in order to create this survey panel. First, a database from the National Center for Charitable Statistics (NCCS), which consisted of information from more than 365,000 registered 501(c)(3) organizations with a Form 990 filed between 2007 and 2010, was used to randomly select nonprofits with annual expenses between \$100,000 and \$100 million. To ensure that the randomly selected sample was representative of this full range of expenses, a stratified sample containing 25 percent of nonprofits from each quartile of this expense range was created. The Foundation Center's Foundation Directory Online was used to determine whether or not each of the nonprofits in this random sample had received any funding since 2008 from independent, community, or health-conversion foundations giving at least \$5 million annually in grants. Only leaders of nonprofits that had received such funding were invited to join the panel. The steps in this process were repeated until we reached a sample of approximately 1,000 nonprofits.

Ultimately, 1,049 nonprofit leaders were invited to join *The Grantee Voice* panel, and 300 accepted the invitation, resulting in an acceptance rate of 29 percent. We statistically tested for, and saw no differences between, the annual expenses and issue areas of the organizations that did and did not accept the invitation to join this panel. The geographical region of the organizations for these two groups differed only very slightly.<sup>16</sup>

For this panel, we use the word "leader" to refer to the individual who is responsible for running the

nonprofit organization, typically referred to as the executive director, president, or CEO. For more information on the panel, please visit CEP's website [www.effectivephilanthropy.org](http://www.effectivephilanthropy.org).

### SURVEY SAMPLE

During the course of the 2012 surveying process, two nonprofit leaders were removed from the panel because they left their respective organizations after joining the panel, and one nonprofit leader was removed because he no longer wanted to participate. One additional panel member was added after a delayed response to our original invitation. As a result, a survey on nonprofit challenges was sent to the 298 nonprofit leaders who comprise *The Grantee Voice* panel in December 2012. Ultimately, two additional nonprofit leaders were removed from the panel because they had left their respective organizations after the previous surveying cycle. The result was a final panel of 296 nonprofit leaders for this survey. Completed surveys were received from 121 leaders, for a response rate of 41 percent.

Nonprofits represented by leaders who responded to the survey did not differ from nonrespondent organizations by staff size, program area, age of nonprofit, location, or annual expenses. They also did not differ by the proportion of revenues coming in the form of foundation funding. Statistics on staff size, age, and proportion of revenues coming from foundations are based on self-reported data.

### METHOD

The survey was fielded online. Panel participants were sent a brief e-mail including a description of the survey, a statement of confidentiality, and a link to the survey. Four reminder e-mails were sent to panel participants who had not yet responded to the survey.

<sup>16</sup> A chi-square analysis of geographic region was conducted. A statistically significant difference of a less than small effect size was found between nonprofits in the south and northeast regions. Nonprofits located in the south were slightly less likely to accept the invitation, and nonprofits located in the northeast were slightly more likely to accept the invitation.

The survey consisted of six questions, many of which contained several items. These questions covered the degree to which various issues are a challenge to nonprofits, nonprofits' perspectives on which challenges foundations can help with most, and nonprofits' perspectives on foundations' current role in addressing nonprofits' challenges

in general. (See Tables 3 and 4.) Nonprofit leaders each were asked to explain, in open-ended comments, an example of when a foundation was particularly helpful in addressing one of their challenges and one step that foundations could take, beyond additional funding, to help nonprofits with their greatest challenge.

TABLE 3. DEGREE OF NONPROFIT CHALLENGES				
Respondents were asked: "Please indicate how challenging each of the following is for your organization:"	Percentage of respondents indicating "This issue is <u>not relevant</u> to my organization"	Percentage of respondents indicating "This issue is <u>not challenging</u> for my organization"	Percentage of respondents indicating "This issue is <u>somewhat challenging</u> for my organization"	Percentage of respondents indicating "This issue is <u>extremely challenging</u> for my organization"
Attracting new foundation funders	0%	1%	27%	72%
Securing multi-year funding	3%	2%	27%	68%
Attracting new individual donors	3%	3%	35%	59%
Securing general operating or unrestricted funds	2%	3%	33%	62%
Attracting new government funding	23%	5%	21%	51%
Maintaining funding from our current foundation funders	2%	9%	68%	21%
Growing our earned revenue	13%	10%	29%	48%
Being able to influence public policy	22%	12%	41%	25%
Maintaining our current government funding	23%	13%	39%	25%
Maintaining our earned revenue	15%	13%	52%	20%
Meeting the demand for our programs/services	2%	18%	53%	27%
Maintaining funding from our current individual donors	7%	18%	55%	20%
Using technology to improve our effectiveness	1%	22%	59%	18%
Developing effective external communications	1%	22%	62%	15%
Engaging my board of directors productively	1%	24%	54%	21%
Having sufficient resources and opportunities to develop my leadership skills	2%	25%	52%	21%
Being innovative in our work in order to improve our effectiveness	1%	29%	61%	9%
Demonstrating my organization's impact to potential funders	1%	35%	42%	22%
Developing and training staff	2%	35%	51%	12%

**TABLE 3. DEGREE OF NONPROFIT CHALLENGES**

Keeping up with best practices in the area(s) in which my organization works	3%	38%	50%	9%
Attracting and retaining qualified staff	3%	40%	43%	14%
Developing programmatic strategies for my organization	2%	40%	50%	8%
Distinguishing my organization's work from the work of similar organizations	3%	41%	44%	12%
Pursuing collaborations or partnerships with other nonprofits	1%	52%	40%	7%
Building the general public's trust in my organization	1%	57%	40%	2%

**TABLE 4. DESIRED HELP FROM FOUNDATIONS WITH CHALLENGES NOT RELATED TO FUNDRAISING**

Respondents were asked: "Compared to what your foundation funders are currently doing to help your organization address its challenges, please indicate how much help, either financial or non-monetary, you want from your foundation funders in addressing each of the challenges below:"*	Percentage of respondents indicating "My foundation funders are <u>not in a position</u> to help address this challenge"	Percentage of respondents indicating "My foundation funders provide <u>enough</u> help to address this challenge"	Percentage of respondents indicating "I want <u>a little more</u> help from my foundation funders to address this challenge"	Percentage of respondents indicating "I want <u>a lot more</u> help from my foundation funders to address this challenge"
Using technology to improve our effectiveness	15%	15%	40%	30%
Being able to influence public policy	17%	17%	36%	30%
Meeting the demand for our programs/services	14%	18%	40%	28%
Growing our earned revenue	32%	6%	38%	24%
Having sufficient resources and opportunities to develop my leadership skills	11%	18%	51%	20%
Developing effective external communications	29%	19%	35%	17%
Engaging my board of directors productively	31%	20%	32%	17%
Maintaining our earned revenue	26%	12%	46%	16%
Being innovative in our work in order to improve our effectiveness	21%	23%	43%	13%
Building the general public's trust in my organization	22%	31%	35%	12%
Keeping up with best practices in the area(s) in which my organization works	23%	23%	43%	11%
Pursuing collaborations or partnerships with other nonprofits	23%	27%	39%	11%
Developing and training staff	33%	10%	47%	10%
Attracting and retaining qualified staff	44%	17%	30%	9%
Developing programmatic strategies for my organization	29%	27%	36%	8%

\*Only respondents who reported that a particular issue was challenging were allowed to rate that issue in this table.

## QUANTITATIVE ANALYSES

To analyze the quantitative survey data from non-profit leaders, descriptive statistics were examined and a combination of correlations, independent samples t-tests, paired samples t-tests, chi-square analyses, and analysis of variance tests were conducted. An alpha level of 0.05 was used to determine statistical significance for all statistical testing conducted for this research. Effect sizes were examined for all analyses. Only findings reaching at least a medium effect size are discussed in this publication.<sup>17</sup>

## QUALITATIVE ANALYSIS

Two open-ended survey items were asked in the survey. The questions were as follows: “Please provide a brief example of a time when a foundation funder was particularly helpful to your organization in addressing a challenge you faced” and “Beyond providing more funding, what is one thing your foundation funders could do to help you confront your organization’s greatest challenges?” Selected quotations from these questions are included in this publication. These quotations were selected to be representative of the themes seen in the data.

<sup>17</sup> See Jacob Cohen, “A Power Primer,” *Psychology Bulletin*, 112, no. 1 (1992): 155–159.

## CEP FUNDERS

CEP's foundation funders are crucial to our success, supporting research initiatives and the development of new assessment tools. Foundation funders (listed by level of annual support) and individual contributors include the following:

### \$500,000 or more

Robert Wood Johnson Foundation

### \$200,000 to \$499,999

Ford Foundation

The Rockefeller Foundation

W.K. Kellogg Foundation

The William and Flora Hewlett Foundation

### \$100,000 to \$199,999

The David and Lucile Packard Foundation

The James Irvine Foundation

Lumina Foundation for Education

The Wallace Foundation

### \$50,000 to \$99,999

The Edna McConnell Clark Foundation

Gordon and Betty Moore Foundation

The Kresge Foundation

MacArthur Foundation

Stuart Foundation

### \$20,000 to \$49,999

Conrad N. Hilton Foundation

The Duke Endowment

Realdania

Rita Allen Foundation

Rockefeller Brothers Fund

Surdna Foundation

### Up to \$19,999

Assisi Foundation of Memphis

California HealthCare Foundation

The Colorado Health Foundation

The Commonwealth Fund

Doris Duke Charitable Foundation

Evelyn and Walter Haas, Jr. Fund

The Gaylord & Dorothy Donnelley Foundation

Goizueta Foundation

Houston Endowment

The Jacob & Valeria Langeloth Foundation

The John A. Hartford Foundation

Lawson Foundation

McKnight Foundation

New Hampshire Charitable Foundation

Nina Mason Pulliam Charitable Trust

The Pittsburgh Foundation

Richard M. Fairbanks Foundation

Toledo Community Foundation

Vermont Community Foundation

Wilburforce Foundation

William Penn Foundation

### Individual Contributors

Michael Bailin

Kevin Bolduc

Phil Buchanan

Ellie Buteau

Alexa Cortes Culwell

Alyse d'Amico

Bob Eckardt

John Davidson

Kathleen Enright

Phil Giudice

Crystal Hayling

Paul Heggarty

Stephen Heintz

Bob Hughes

Christine James-Brown

Amanda King

Latia King

Jim Knickman

Patricia Kozu

Joseph Lee

Kathryn E. Merchant

Alex Ocasio

Joel Orosz

Nadya K. Shmavonian

Nan Stone

Joyce and Larry Stupski

Valerie Threlfall

Anne Warhover

## ACKNOWLEDGMENTS

We are very appreciative of the support that made this work possible. See previous page for a list of CEP's funders.

We are grateful to Aaron Dorfman, Patricia Koza, Dara Munson, and Kathy Reich for their feedback on a draft of the survey used for this research. We appreciate that Andrea Cohen Barrack and Aaron Dorfman provided feedback on an earlier draft of this publication. This paper is based on CEP's independent data analyses, and CEP is solely responsible for its content. The report does not necessarily reflect the individual views of the funders or others previously listed.





THE CENTER FOR  
EFFECTIVE PHILANTHROPY

675 Massachusetts Avenue  
7th Floor  
Cambridge, MA 02139  
T: (617) 492-0800  
F: (617) 492-0888

100 Montgomery Street  
Suite 1700  
San Francisco, CA 94104  
T: (415) 391-3070  
F: (415) 956-9916

[www.effectivephilanthropy.org](http://www.effectivephilanthropy.org)

Better Data. Better Decisions. Better Philanthropy.