

Donors:

5 Things Nonprofits Want You to Know



CEP

THE CENTER FOR
EFFECTIVE PHILANTHROPY

YOU WANT TO MAKE A DIFFERENCE THROUGH YOUR GIVING,

so you provide significant support to the nonprofit organizations that matter most to you. However, you may not truly know what those nonprofits need to do their best work. The power imbalance that exists between donors and nonprofits means important things are often left unsaid. At the Center for Effective Philanthropy (CEP), we've collected candid, anonymous feedback over 15 years from more than **100,000 nonprofit leaders that can help.***

Based on our research, here are five things that nonprofits want their donors to know but may not be telling them directly:

- 1** Understanding the needs of the constituents that nonprofits are serving is essential for donors and nonprofits alike.
 - 2** Strong relationships between donors and nonprofits are grounded in understanding and openness.
 - 3** Generous, unrestricted financial support best enables nonprofit leaders to strengthen their organizations.
 - 4** Most nonprofits want to assess their performance so they can learn and improve, and they could use more support to do this.
 - 5** Providing support beyond money can help nonprofit staffs strengthen their skills, make important connections, and better pursue their missions.
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*For more information about our research, please visit cep.org/research.

1

Understanding the needs of the constituents that nonprofits are serving is essential for donors and nonprofits alike.



You may give toward causes that are near and dear to your heart. Perhaps it's support for an organization that helped you at some point in your life. Or maybe it's one that works on an issue that has affected a loved one. Whether you're giving to organizations working on a familiar issue or one that is newer to you, learning from constituents — the people you are seeking to help — to understand their experiences and needs is important and necessary work.

Because most nonprofits collect and use feedback from constituents, some donors might believe it is enough to rely on nonprofits' knowledge of their constituents, rather than develop an understanding on their own. But most of the nonprofit leaders we've surveyed disagree. A deeper personal understanding of constituents can help shape donors' giving priorities and strategies.

Donors with a strong understanding of their constituents' needs share several common practices. They are eager to develop a deeper connection to the issues or communities they fund — while being humble, open, and collaborative in their approach. They listen to and learn from nonprofit leaders who do the work on the ground.



WHAT NONPROFIT LEADERS SAY

“It is fundamental [for donors] to understand the needs of the people we're serving because, otherwise, they cannot make informed decisions about the best priorities for where to spend their money.”

“[The donors] who best understand our beneficiaries' needs are the ones who visit us during our programs, meet the youth served by our organization, spend time talking to them and being with them. They also stay involved with us throughout the year, and some even volunteer with our organization.”

“[They] have spent time with the intended beneficiaries and have realistic expectations about what we can do to help the students.”

? QUESTIONS FOR REFLECTION:

How are you learning about or interacting with those you seek to help?

How familiar are you with the needs and realities of those you seek to help?

2

Strong relationships between donors and nonprofits are grounded in understanding and openness.



Building strong relationships with nonprofit leaders that are based on trust and clear expectations is crucial to making a difference together — and can create opportunities to help nonprofits achieve even greater impact. Our research finds that understanding and openness are the two most powerful predictors of a strong relationship between a donor and nonprofit.

WHAT DO WE MEAN BY UNDERSTANDING?

Understanding the nonprofits you support means you know what they are trying to accomplish, the challenges they face, and the larger context of their work. You can strengthen this understanding by initiating conversations with a nonprofit’s leadership and asking them about their organization’s needs. Build trust so that they feel comfortable discussing with you the challenges they are facing.

WHAT DO WE MEAN BY OPENNESS?

When you’re clear, open, and honest with the nonprofit leaders you support, it benefits your relationships with them. As one nonprofit leader describes it, “Transparency means clarity of purpose, expectations, outcomes, and financial commitment.” Provide clear and consistent information about your interest in a nonprofit’s work. Be open about whether you’ll give to a nonprofit again and provide its leaders reasonable notice if you will not.

“ WHAT NONPROFIT LEADERS SAY

“They form a true partnership with us....They truly care not just about the program they are funding but about the entire organization, and they want us to succeed.”

“Openness — which they require of us — would be very helpful in creating a good working relationship.”

“They call and encourage ongoing interaction with us — send articles of interest and ask a lot of questions.”

“[They] take the time to learn more about what we are doing and what our challenges are.”

? QUESTIONS FOR REFLECTION:

How would you characterize the relationships you have with the nonprofits you support?

How do you communicate with them and vice versa?

3

Generous, unrestricted financial support best enables nonprofit leaders to strengthen their organizations.

While nonprofits appreciate your financial contributions, what they may not tell you is that the type of support they receive varies in importance. Our data show that the financial contributions nonprofits find most valuable are large and unrestricted, providing them flexibility to use funds as they see fit to best serve their missions. Despite the importance of this type of support, 62 percent of nonprofit leaders tell us that they find securing unrestricted support to be extremely challenging.

While you should of course be discerning when deciding where to give, when a nonprofit's work truly aligns with your goals and strategies, consider large, unrestricted gifts. If nonprofits have financial security and aren't spending most of their time fundraising to keep their doors open — or agonizing over project budgets to fit narrowly specific gift parameters — their leaders and staff can focus on the mission.

Ask the leaders of the organizations you give to what kind of support — how much and for what purpose — they believe their organizations need to do their work effectively.

Perhaps you are reluctant to fund nonprofit administrative and fundraising costs, which is commonly referred to as “overhead.” However, over the past decade, research by Bridgespan, Indiana University, and Urban Institute has shown that there is no relationship between percentage of overhead and effectiveness — and, in fact, nonprofits need support that covers overhead to sustain and improve their work.¹ Such support covers measurement and evaluation, technology, and other investments essential for impact.

1 *Getting What We Pay For: Low Overhead Limits Nonprofit Effectiveness*, Center on Nonprofits and Philanthropy, Urban Institute Center on Philanthropy, Indiana University; *What We Know About Overhead Costs in the Nonprofit Sector*, Center on Nonprofits and Philanthropy; Urban Institute Center on Philanthropy, Indiana University; *Nonprofit Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform*, The Bridgespan Group, April 2008.



WHAT NONPROFIT LEADERS SAY

“Unrestricted dollars would provide us with the ability to invest in our infrastructure: technology, staff development and retention, and advocacy.”

“Crazy as it sounds, many times a general support grant can do more for our programs and services than a program grant. General support grants free up time for our staff to be able to focus on the actual delivery of our services.”

“[Unrestricted support] gives us the flexibility to put the money where it is most needed at any given time. It shows trust in our expertise and faith in our ability to steward funds toward a mission.”

“General support helps to make all of our programs possible, not just those that are project driven or fresh ideas. I sometimes lament what I call ‘The Disease of the New,’ in which too many [donors] are not interested in supporting a meaningful, successful, and mature program that is making a difference in the lives of our constituents just because it isn’t new.”

? QUESTIONS FOR REFLECTION:

Do you provide support to nonprofits to use as they see fit? If not, why not?

Do you feel the nonprofits you support have the resources they need to be effective?

4

Most nonprofits want to assess their performance so they can learn and improve, and they could use more support to do this.

You're giving generously to nonprofits to make a difference, but how do you and the organizations you support know if you are succeeding?

Our research shows that almost all nonprofits are making efforts to assess their performance. They mainly use performance information to improve their programs and services, inform their strategic direction, and communicate about their progress. But 71 percent tell us that they would benefit from having more detailed data, a larger volume of data, or more frequently collected data to help them better understand the difference their work is making.

The typical nonprofit allocates just two percent or less of its budget to performance assessment, and few dedicate any full-time staff to measuring performance. Often, nonprofits have no room in their budgets for more performance assessment, or their donors indicate that their gifts may only be spent executing programs. Unrestricted dollars can help support nonprofits' ability to pay for this work, as can gifts specifically for evaluation activities, if requested.

If you're supporting an organization at a significant level, talk with its leaders about how they evaluate performance and inquire about the data collection and metrics they use. Ask them what they want to know that they don't know already, and how they might go about getting answers. Your support can help make it happen.

? QUESTIONS FOR REFLECTION:

Do you know how the nonprofits you support measure success?

Is this something you discuss with them?

What challenges do they face in understanding the progress of their work?



WHAT NONPROFIT LEADERS SAY

“[The donor] is very interested in how, what, and how often we measure how we’re doing and [has] always been willing to fund endeavors related to data collection and analysis.”

“[The donor] spent a considerable amount of time helping us think through the best methods for assessing performance and then allocated funds [to] carry out the assessment.”

“Provide additional funds with each [gift] specifically to measure outcomes rather than just require that we identify and measure the outcomes as though it can be done without cost.”

5

Providing support beyond money can help nonprofit staffs strengthen their skills, make important connections, and better pursue their missions.



You can do more to help nonprofits beyond donating money. You might have connections, resources, or expertise from which nonprofits could benefit. This kind of support is often called “capacity building” because you are building up a nonprofit’s abilities and resources to do its work, and the support can be from you or from a third party that you introduce to the nonprofit. Our research finds that nonprofits that receive intensive support — in addition to a check — have a more positive experience than those who don’t.

However, the power dynamic between donors and nonprofits can get in the way of a nonprofit asking for what it really needs. When asking for capacity-building support, nonprofits tell us they tend to ask for what they think donors want to provide, rather than for what they truly need to strengthen and sustain their organization. Ask a nonprofit’s leadership about the challenges the organization is facing, so you can provide needed capacity-building support that will make a difference.



WHAT NONPROFIT LEADERS SAY

“Provide knowledge of best practices and additional resources that are available to supplement the work [you] are funding.”

“One of our [donors] is the most amazing connector... continually introducing us to individuals, companies, and foundations that should know more about our work.”

? QUESTIONS FOR REFLECTION:

Do you ask nonprofits if there’s anything beyond money that could be helpful to them?

Are there individuals and organizations in your network that could help the nonprofits you support do their work better?

What does this type of support look like? It can take many forms, but assistance could include help with:

Management

- General management advice
- Strategic planning advice
- Financial planning/accounting
- Developing performance measures

Field-Related Support

- Facilitating collaborations
- Understanding the field
- Introductions to other leaders
- Research or best practices
- Seminars/forums/convenings

Other

- Board development/governance assistance
- Information technology
- Communications/marketing/PR
- Meeting spaces that can be used for free
- Staff/management training
- Securing funding from other sources

Different nonprofits need different forms of support, so it’s important to first ask nonprofit leaders what would be most helpful to them before diving in. Whether it’s volunteering your time and talents, making connections and introductions for those who might not have an “in” with people in your network, or connecting them with outside resources, your giving can be about more than money.



THE CENTER FOR EFFECTIVE PHILANTHROPY

ABOUT THE CENTER FOR EFFECTIVE PHILANTHROPY (CEP)

Foundations and major donors can take on solving pressing challenges that other actors in society cannot or will not. They can further capitalize on this unique opportunity by taking steps to maximize their effectiveness.

For more than 15 years, CEP has led the movement to improve philanthropy *through a powerful combination of dispassionate analysis and a passionate commitment to improving lives.* Today, more than 300 foundations and philanthropic entities have used CEP's assessments to gather honest feedback from their stakeholders in an effort to learn how to be even more effective. Foundation leaders, trustees, and staff, as well as major donors and philanthropic advisors, have come to rely on our research for insights into philanthropic effectiveness on a wide range of topics, from assessing performance to developing strategy to building strong relationships. Our highly regarded programming — including our biennial conference — gives these leaders an exclusive and unprecedented opportunity to connect with their peers. CEP is funded through a mix of earned revenue, foundation grants, and gifts from individuals and families. We have offices in Cambridge, Massachusetts, and San Francisco, California.

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MORE RESOURCES FOR DONORS

Visit cep.org/donors for more data-based resources from CEP.

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