

OPINION
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Can We Talk?

Questions nonprofits and foundations choose not to ask.

By Antony Bugg-Levine and J McCray



Picture a common scene between a foundation program officer and a nonprofit leader.

The program officer wants to identify strong, well-led nonprofits to ensure that the foundation's money will support high-impact work.

The nonprofit CEO knows this, so she won't talk about what's really on her mind.

As at most nonprofits, she worries about cash-flow crunches caused by inflexible grant-making cycles, and she is searching for smart ways to keep her group sustainable. She also needs to develop the next generation of the organization's leaders, set up a strong technology system, and adapt to changes that could threaten the organization's longstanding approach to earning revenue.

She won't talk about any of that to the program officer, though. She knows too well that that might jeopardize a grant. So the program officer will see what the CEO wants her to see: an organization in good shape. She'll eagerly make a grant to help the nonprofit start a new program.

But that's probably not the kind of money that the CEO most wants and needs. What she really wants is money to strengthen the organization and achieve better results.

The program officer and her foundation have lost out, too — because, while they know it will take many years to make true progress, they have missed an opportunity to invest in the grantee's long-term viability.

Such disconnects between foundations and the nonprofits they support are no longer acceptable in an era when charities face more pressure than ever to adapt to changes in society and pressure on governments to be frugal.

But all too often that is exactly what happens. Our groups — Nonprofit Finance Fund and Grantmakers for Effective Organizations — have both conducted

COMMUNICATIONS GAP

When grant makers were asked whether they were willing to talk openly with nonprofits about specific needs for money, a big share said they were. But when nonprofits were asked if they would candidly discuss these needs, a far smaller percentage said yes.

Expanding programs

Nonprofits: 53%
Grant makers: 85%

General operating support

Nonprofits: 32%
Grant makers: 70%

Multi-year funding

Nonprofits: 20%
Grant makers: 65%

Acquiring or renovating a facility

Nonprofits: 19%
Grant makers: 51%

Flexible capital for change/growth

Nonprofits: 9%
Grant makers: 47%

studies that found stark divides in the willingness of nonprofits to talk frankly with their supporters about a group's financial health and in foundations' willingness to listen.

Working capital (cash flow needs)

Nonprofits: 11%
Grant makers: 40%

While many grant makers say they are willing to talk openly about the flexible support nonprofits need, nonprofits continue to perceive grant makers to be open to paying for program expansion and little else.

How can we change the dynamic?

Grant makers can start by developing more trusting relationships with the nonprofits they support. That is beginning to happen in small ways — for the first time in a decade, Grantmakers for Effective Organizations' study found that the majority of foundations now seek feedback from nonprofits and try to learn their views to help shape policies, programs, and strategies. That is a good start, but foundations and other donors can do more:

Grant makers should:

Ask good questions and listen carefully to the answers. They can signal openness to hearing what grantees really need by asking the right questions and doing that frequently. Once is not enough, because nonprofits believe that grant makers are only interested in supporting projects and short-term needs, and it's going to take work to persuade them that foundations really have their longer-term health at heart.

Look for signs that a grantee may need additional assistance. When a nonprofit gets a new leader, sets out a new strategy, and starts discussing future growth, that's an opportune time to ask if there's anything else the foundation can do to help. The more attuned a grant maker is to a nonprofit's needs, the more likely it is to offer support in ways that truly make a difference.

Understand a nonprofit's financial sustainability. Grant makers need to know how to read an organization's financial statements, including examining how deep (or shallow) and accessible its reserves are and what that portends for the ability to adapt.

Nonprofit leaders also need to make changes in how they interact with grant makers. They must:

Know what they need. Before opening a conversation with a foundation, nonprofits must understand the full cost of providing services, what the organization requires to adapt to changing circumstances and move toward financial sustainability, and what approach will support both medium- and long-term strategies. They must be clear about the ways money from foundations can best complement support from government and other sources.

Ask what organizations need. Grant makers have told us they are open to talking to grantees about their financial needs. Nonprofits should take advantage of that openness and ask foundations to talk about long-term financial issues that affect how the nonprofits operate.

A movement is growing of nonprofits, grant makers, and others focused on breaking out of the myopic focus on sharing only good news and discussing little else but grants for new programs. The Overhead Myth campaign, an effort pursued by the Better Business Bureau's Wise Giving Alliance, Charity Navigator, and GuideStar, asked nonprofit leaders to share data more openly about the true costs of providing programs that make a difference.

Share their concerns. While it would be reckless for most nonprofits to tell supporters about all of their challenges, they can take advantage of confidential opportunities to share concerns, such as the Center for Effective Philanthropy's Grantee Perception

Reports and the Nonprofit Finance Fund's State of the Sector Survey. Nonprofits can take cover in the company of their peers and be honest about the ways grant makers impede open conversation.

Foundation and nonprofit leaders all strive to turn limited resources into social good. But our discomfort at talking about the issues that matter the most too often gets in the way of holding authentic conversations. By discussing nonprofits' needs, we can help ensure that donors' generous impulses create more lasting impact and that grantees are ready to adapt to change. And the conversations between grant makers and grant seekers will leave both better able to create lasting impact in their communities.

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