



CEP

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## A TIME OF NEED: NONPROFITS REPORT POOR COMMUNICATION AND LITTLE HELP FROM FOUNDATIONS DURING THE ECONOMIC DOWNTURN

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As the U.S. economy climbs out of the recession sparked by the collapse of Wall Street, prospects for a 2010 recovery in the nonprofit sector remain dim. Given this continued stress, it is an important moment to examine what nonprofits think about how foundations have communicated with and supported them during the downturn. Results from our surveys of foundation grantees paint a bleak picture.

### NO RECOVERY YET FOR THE NATION'S NONPROFITS

Although foundation funding, at about 13 percent of total charitable giving, represents a small proportion of most nonprofits' budgets, the decline in foundation giving has certainly contributed to tough times at nonprofits.<sup>1</sup> Foundation Center reports that foundation giving in 2009 declined by an estimated 8.4 percent – the largest decline the organization has ever tracked. And despite foundation assets having shown modest growth since last year, giving is still not forecasted to pick up until 2011.<sup>2</sup>

Nonprofits on the receiving end of foundation funding are facing significant challenges. A recent Nonprofit Finance Fund survey of nonprofits found that 50 percent expect 2010 to be worse than 2009, while “only 12 percent expect 2010 to be financially easier for their organizations.”<sup>3</sup>

### LOW MARKS: THE GRANTEE PERSPECTIVE ON THE FOUNDATION RESPONSE

Given the tough present and future facing nonprofits, we at the Center for Effective Philanthropy (CEP) have sought to understand how grantees perceive their funders' reactions to the downturn to date.

Specifically, we have examined how communicative and helpful funders have been to grantees in response

to the economic downturn. We added, in the summer of 2009, a new set of questions to our ongoing survey of grantees. Since that time, we have collected data from over 6,000 grantees of 37 foundations across the country.

What we found is sobering:

- Nonprofits do not perceive funders to have communicated their responses to the economic downturn clearly, if at all
- Nonprofits report that funders have offered them little useful help in responding to the challenges of the downturn

### POOR COMMUNICATION

When asked how clearly, if at all, foundations had communicated with grantees about their response to the economic climate, 30 percent of grantees indicate that *no* such communication had occurred. Of those grantees that did report receiving communication, 22 percent indicate that their funder's response to the current economic climate was unclear. This is almost three times the number of grantees that rate other communications from their funders as unclear.<sup>4</sup>

Grantee comments about funder communication during this difficult time highlight the importance of, as one grantee says, “candid discussions of [foundation] priorities during the economic downturn.” Another grantee comments that “with guidelines changing, I feel a need for more frequent communication and reassurance. I fear that our funding could be swept away as the economy changes.”

Good communication matters. The less clear grantees find their funders to be in communications about what they are doing in response to the downturn the more likely they are to indicate that their funders have not helped them respond to the current economic climate.

## LITTLE HELP TO NONPROFITS

Grantees do not find their funders to be very helpful to them in responding to the economic climate. A third of grantees indicate that their funders have not helped them at all, and only 51 percent indicate that their funder helped them respond to the current economic climate at least somewhat (see chart below).<sup>5</sup>

Grantees find their funders to be more helpful to them in responding to the economic climate when their funders help them consider changes they can make in response to the economy. But of the 56 percent of grantees who report having made or considered making changes to the work directly funded by the grant, almost half reported that their funder was not at all involved in the consideration of those changes.<sup>6</sup>

### BUILDING STRONGER RELATIONSHIPS WITH GRANTEES: UNDERSTANDING THE GOALS AND STRATEGIES OF GRANTEE ORGANIZATIONS

In CEP's research, we have found that funder-grantee relationships – the quality of interactions and clarity and consistency of communications between foundation staff and grantees – are strongly related to grantees' satisfaction with foundations, as well as the extent to which they experience the foundation's impact on their organizations.<sup>7</sup> The strength of these relationships is no less important when it comes to helping grantees respond to the current economic climate: Grantees who have found their funders to be more helpful in responding to the economic climate have stronger relationships with their funders. As one grantee notes, "The downturn in the economy makes it hard for organizations to feel like they

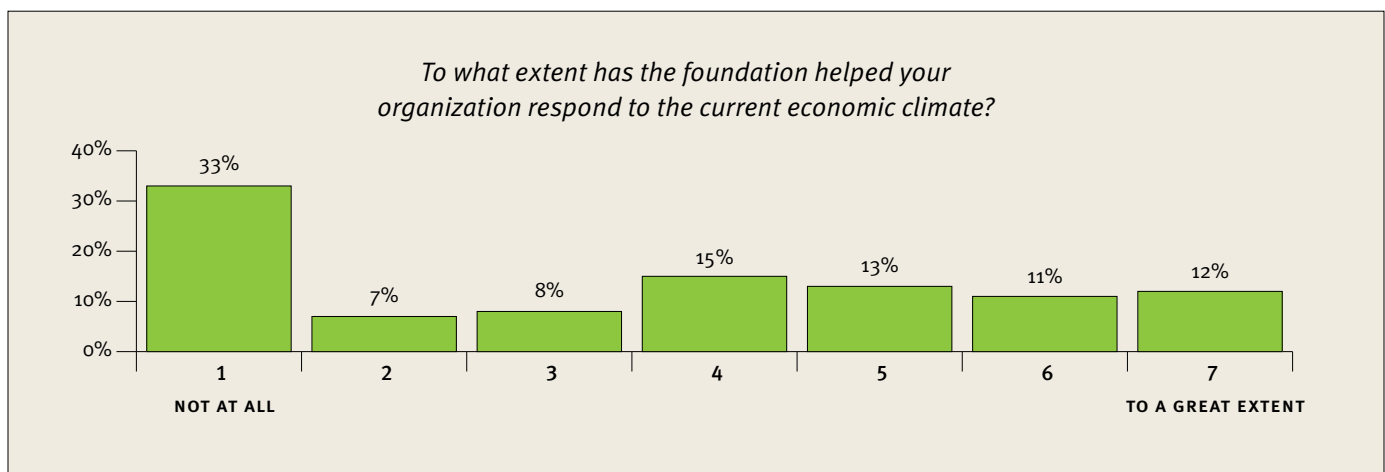
have the support of the foundation at the very time it is most needed."

In order to foster stronger relationships between foundations and grantees, we have found that foundation staffs' understanding of the goals and strategies of grantee organizations they fund is essential.<sup>8</sup> This is even more important in the context of the current economic climate, as grantees face significant demands while coping with the reality of fewer resources. Grantees who have found their funder's response to be helpful tend to perceive their funder as having a better understanding of their organization's goals and strategies. It is important that nonprofits have, as one grantee points out, "the help of the foundation staff in understanding the impact [of the current economy] and interpreting what that will mean for the [foundation's] grantmaking."

### HOW TO BETTER HELP GRANTEES

These grantee survey results suggest that, in general, foundations have not been very communicative or helpful to nonprofits in responding to the economic downturn. Our analyses indicate that foundation staff can better help grantees respond to the current economic climate by:

- Clearly communicating with grantees about their own responses to the economic climate
- Being involved in helping grantees consider changes they are making in response to the economic climate
- Working to build better relationships with grantees, particularly by taking the time



to understand the goals and strategies of grantee organizations

While the overall findings are bleak, some foundations among the 37 whose grantees we have surveyed about these issues have done better by making concerted efforts to communicate with and be helpful to grantees during this difficult time. The Cleveland Foundation was among the top ten funders on grantee perceptions on these dimensions. CEP interviewed the Cleveland Foundation's Robert E. Eckardt, senior vice president for programs and evaluation, and Kathleen Hallissey, director of community responsive grantmaking, to learn more about the Foundation's response.<sup>9</sup>

*CEP: What were your first steps in responding to the economic downturn?*

RE: We had a board retreat in October 2008 – right when the market was going south. So we explained what we wanted to do: Talk to agencies and have more flexibility in our grantmaking based upon what we heard in our outreach to the community. Engaging our board right away was helpful in having them understand what we were going to do so that staff felt empowered to do it.

KH: After that meeting we began a series of community conversations, most held off-site in our public libraries, and we invited anyone from the community to come in and talk. The meetings attracted a total of about 250 people from lots of different agencies both small and large. Practically every sector was represented.

The meetings took place in a small group setting where we assured confidentiality. We asked grantees what issues were impacting the community the most and what changes their agencies were facing with the economic downturn. We then asked what the foundation should do – what things should we change or keep steady, for example. We really wanted to hear what they thought.

*CEP: What did they tell you?*

KH: The community asked us to be flexible in terms of who was a vulnerable population and what kind of services we could provide. For example, to consider those middle-class professionals who have lost their jobs as a vulnerable population. They also asked us to think broadly about capacity building and to include

what we ended up calling bridge funding – to help people change their service delivery model and/or funding structure – and to be open to all different kinds of requests.

*CEP: What did you do in response to some of the things that they told you?*

RE: It's intimidating to approach a foundation and feel like you have to have every "T" crossed and "I" dotted. During the public meetings, we sent the signal that we were open to meeting with grantees who wanted to talk about problems, but were not necessarily clear about what the solutions were. That was an important step.

We indicated we'd have that conversation at the public meetings, but very few people were willing to stand up and air their dirty laundry in front of everyone who was there. But there was a lot of willingness on the part of grantees to schedule some time and meet one-on-one to say, "We're losing money from this, or we thought we were going to do that and it's not going to happen, or we need more time to reinvestigate."

The other point we tried to make was that we recognized that we were in a period where it wasn't necessarily about growth and new and exciting projects, but rather about sustaining. That we had invested a lot of money building things up, and we had an interest in sustaining what was important. So they didn't have to come up with something brand new and untried because we recognized that we were in a period of sustainment as opposed to growth.

KH: We got the message out that we were here, willing to listen to what was going on, and help problem-solve. We also shared that we were going to take all the information we were gathering directly to our board so they could understand what was going on in the community.

Another point we made was that we needed their expertise, that we were partners, that we needed to hear from them, and that we were in this together.

*CEP: What information did you share at these meetings about the foundation's situation?*

RE: We tried to be as transparent as we could. I think even the tone of, "We don't necessarily have the answer. We want to hear from other people and try to come up

with what makes sense for us and for the community” conveyed a sense of transparency.

We also wanted to send a reassuring signal that although we aren’t immune to the economic downturn, we aren’t going to shutter the doors or take all of our flexibility and just put it into basics like food. We told them that although we were going to change over time, we wouldn’t do so precipitously, but would work with organizations in a partnering, thoughtful way.

We did discontinue a major capital grants program that would have totaled \$1.5 million annually because we needed more flexibility. We explained that it was hard to justify that much money going out in three grants at a time when money was tight. We shared that like corporate and individual donations our grants would be down, but in a way that was designed to say, “It’s a response to a changed time,” rather than, “It’s a major catastrophe.”

CEP: Did you share these messages in other ways beyond the meetings?

RE: We shared the same message in our quarterly newsletter to grantees. The Ohio Grantmakers Forum also arranged meetings between foundations and grantees. We provided the same, consistent messages at those meetings as well.

In some ways, however, the messages were heard more clearly in the smaller meetings. And going into the neighborhoods and holding meetings in the libraries sent the signal that we were reaching out to the community by going into the community.

CEP: What kind of balance did you try to strike between dealing with the effects of the downturn on the foundation, while at the same time helping grantees?

RE: Keeping a future orientation and recognizing that we do need growth and change, while at the same time recognizing the current need for short-term capacity building, bridge support, and flexibility is the balancing act we’ve had to work through. We don’t want the message to be that we’re not open to new and different things. But on the other hand, we don’t want to send the message that that’s all we’re interested in.

CEP: What have you learned from this experience?

KH: Looking back, it was really important that our whole team went out into the community. There are four program officers on our team, and we were all at these meetings so that the community could see who we were and find the right connection with one of us to have those conversations. It was helpful to hear their perspective because there was this fear that we were only going to focus on basic needs and not think about the more mid- and long-term range for some of the organizations that perhaps were in a different place.

- 1 Giving USA Foundation. *Giving USA 2009: The Annual Report on Philanthropy For The Year 2009* (June 2009).
- 2 Noelle Barton and Ian Wilhelm. “Despite Asset Gains, Most Grant Makers Will Keep Purse Strings Tight in 2010.” *The Chronicle of Philanthropy* (March 21, 2010); Steven Lawrence and Reina Mukai. “Foundation Growth and Giving Estimates Current Outlook.” Foundation Center (April 2010).
- 3 Nonprofit Finance Fund. *Nonprofit Finance Fund Survey: America’s Nonprofits Brace for Tough 2010* (March 2010). [www.nonprofitfinancefund.org](http://www.nonprofitfinancefund.org).
- 4 Grantees were asked, “How clearly, if at all, has the foundation communicated to you its response to the current economic climate?” and, “How clearly has the foundation communicated its goals and strategy to you?” Both of these questions were asked on a 1–7 scale, where 1 indicates “Not at all clearly” and 7 indicates “Extremely clearly.” The proportion of grantees rating between a 1 and 3 on clarity of foundation’s response to the economic climate is 22 percent, while for the clarity of a foundation’s communications of its goals and strategy it is 8 percent.
- 5 When grantees were asked, “To what extent has the foundation helped your organization respond to the current economic climate?,” 51 percent rated a 4 or above on a 1–7 scale, where 1 indicates “Not at all” and 7 indicates “To a great extent.”
- 6 Grantees were asked “How helpful was the foundation in your consideration of these changes?” This question was asked on a 1–7 scale, where 1 indicates “Not at all helpful” and 7 indicates “Extremely helpful,” with an additional option to indicate that the foundation was not involved at all. Forty-five percent of grantees indicate that the foundation was “not involved.”
- 7 Ellie Buteau, Phil Buchanan, and Tim Chu, *Working with Grantees: The Keys to Success and Five Program Officers Who Exemplify Them*. Center for Effective Philanthropy (May 2010); Kevin Bolduc, Phil Buchanan, and Judy Huang. *Listening to Grantees: What Nonprofits Value in Their Foundation Funders*. Center for Effective Philanthropy (April 2004).
- 8 Ibid.
- 9 Interview conducted and written up by Judith A. Ross.