The Funding of Start-Up Nonprofits: An Exploration of Funder Perceptions, Attitudes, and Advice

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Overview

- Practical Problem
- Research Question
- Review of the Literature
- Methods and Findings
- Discussion
- Implications
- Future Research
Practical problem

In 2015, only 43 percent of nonprofit organizations still existed after five years

Bielefeld, 2014
Research question

Is there a relationship between perception and giving behavior?
Review of the literature

- Sustainability
- Nonprofit Organization Life Cycles
- Organizational Theories
- Donor Perception
Sustainability

- Reliance on external funding
- The nonprofit brand
- External expectations of partnerships
- Expectations of value and accountability
- Community engagement and leadership

Sontag-Padilla, Staplefoote, and Morganti, 2012
Sustainability

“due to considerable restrictions on how public funds can be utilized and the relatively large amount of time and resources consumed on complying with state and federal requirements”

Sontag-Padilla, Staplefoote, and Morganti, 2012
Nonprofit organization life cycle
What is a Start-up?

**BOARDS**
- Small
- Passionate
- Homogenous

**CHALLENGES**
- Developing a vision
- Achieving optimal persistence
- Executing through chaos

Nationals Organization Life Cycle, n.d.  
Freeman and Siegfried, 2015
Benefits of life cycle

- Stage-appropriate developmental work.
- Realistic expectations.
- Understand potential pitfalls.
- Consider weaknesses.
- Build internal support.
- Appropriate staff and board leadership.
- Leadership transitions.
Organizational Theory

“because so many small charity start-ups fail, founders need to devise strategies to overcome the challenges confronting newly established philanthropic organizations”

(R. Bennett)
Organizational Theory

LIABILITY OF NEWNESS
- Lack of time and development
- Interpersonal conflicts
- Governance and decision-making process
- Lack of support to aid in meeting stakeholder expectations

LIABILITY OF SMALLNESS
- Lack of financial resources
- Raising capital
- Recruiting and training
- Regulatory compliance

Searing, 2015; Kale and Arditi, 1998; Bielefeld, 2014
Donor Perception

PERCEPTION

- Image spillover
- Worthy causes
- More caring than for-profits
- Lack higher levels of competency
- Exploit power
- Misuse funds

COMMON MYTHS

- Unprofitable
- Run primarily by volunteers
- Should have low overhead cost
- Cannot lobby
- Primarily foundation funded
- Large with many resources
- Benefit individuals and elite institutions

Method

SAMPLE
- Purposeful sampling
- 3 female professionals
- Decision-makers

RECRUITMENT
- Google search
- Electronic mail
- Consent form
Methods

**INSTRUMENTS**
- Telephone interview
- Call Recorder by BPMobile
- Web Speech API Demonstration
- Virtual Audio Cable
- Internet web pages

**PROCEDURES**
- Recruitment emails sent
  - 12 organizations
    - 7 NPO foundations, 5 corporate funders
- Interviews conducted
  - 14 semi-structured questions
  - Length: 14 – 25 minutes
- Coding → Themes
Findings

- Mission alignment
- Life cycle stage
- Perception
- Elimination of bias
- Barriers and common mistakes
Mission Alignment

“Looking at how closely does this proposed project or even the whole organization align to our strategy for promoting the change we’re trying to be a part of in the community.”

“Mission alignment...then obviously that the work that they are doing is aligned with the priority area or approaches that we’re interested in doing and any specific requirements we might have”
Life Cycle Stage

“Historically more established sustainable organizations are funded… organizations that have transitioned into the maintaining stage have identified a gap and figured out their business model.”

“Needs to establish value.”
Perception

“Not a single nonprofit that doesn’t come from a good place…but a lot of times the foundational work hasn’t been done”

“There is sometimes pure genius in there and we want to nurture that or connect it to someone that could help keep that moving.”
Perception

“I think probably it does, again that’s not a criteria we use, but just human nature I would imagine that it must influence to some degree.”

“Take it with a grain of salt”

“Yes!”
Elimination of Bias

- Decisions never made by a single person or party.
- External review committees
- Detailed guidelines
- Required criteria
Barriers and Common Mistakes

- **Barriers**
  - Lack of financial statements
  - Lack of financial history
  - Lack of experience
  - Specific criteria

- **Common Mistakes**
  - “Jump the gun”
  - Inexperience
  - Overpromise
  - Unrealistic “ask”
  - No clearly articulated strategy
Implications: Nonprofit Organizations

- Clearly articulated mission
- Do your research
- Be practical in your “ask”
- Get proper training
Implications:
Foundations & Corporate Funders

- Clear framework
- Minimize errors
- Save time

- Reduce criteria restrictions
  - Alternate forms of verification
    - Bank statements
    - Accounting software
    - Form 990 EZ
    - Impact report
Implications for Theory
Future Research

- Further data collected and analyzed
- Extended to other donor populations
  - Individual donors
  - Government grants
  - Fiscal sponsors
  - Other organizations
Conclusion

Research  Mission  Expectations

SUSTAINABILITY

Internal Support  Resources  Partnerships  Marketing/Outreach

Making Your Case for Support
Thank you!

Grad School
New Year’s Resolutions:

- Eat better
- Sleep more
- Get more exercise
- See friends

or
Graduate.

pick one

My resolutions need a better solution.

WWW.PHDCOMICS.COM
Q&A