GuideStar®

HOPE CONSULTING

Money for Good II

Driving Dollars to the Highest-Performing Nonprofits

Findings and Implications for Foundations

2012

The lynchpin of an effective social sector

Agenda

① **Context & Objectives**

② **What We Found**

③ **Foundations as a Solution**

④ **Upside for Foundations**

Context

Our goal is to make the philanthropic sector more effective

Over the last year, we have completed research on what donors, foundations, and advisors want when it comes to making decisions on nonprofits to support, and what will lead them to be more engaged funders of the sector

- Supported by the Gates Foundation, Hewlett Foundation, and Liquidnet for Good

We have done this by:

- Examining existing research
- 7 focus groups
- Survey completed by 5000+ individuals, 875 advisors, 725 foundation grant-makers
- Market tests on four distinct platforms within the industry

This document distills those findings for foundations. We hope this will lead to:

- **Benefits to foundations**: better, consistent information, more informed decisions
- **Benefits to their grantees**: better information, strategic clarity, fundraising support
- **Benefits to the philanthropic sector overall**: free flow of high quality information

Our Objectives

Our Overall Objectives

Our overriding goal is to help create **a more effective philanthropic sector**

While that involves many facets, the areas where we are focused is on how to make **grant-making and charitable giving more effective**

And to make grant-making and giving more effective, we need to make **it more informed** than it is today

Today We Want to Answer 2 Questions

1. **Is there an opportunity to shift behaviors** if more information on nonprofits is made available in a consumable fashion?

2. **What are the tangible actions foundations can take** that can improve the effectiveness of their organization, their grantees, and the philanthropic sector overall?

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The Challenge: We want more informed giving, but donors and nonprofits show limited demand for information

Donors Are Not Informed

1. Give to a variety of organizations
2. Rarely research
3. Spend limited time researching (when they do)
4. Don't "shop" or compare to find highest performing nonprofits

Nonprofits Don't See Value

1. Gathering info seen as a burden
   - Time consuming to collect
   - Difficult to collect
   - Painful to format for the varied asks
1. Tangible benefits are not apparent, such as an increase in donations or operational efficiencies
2. Lack internal capacity to utilize information (even if they had it)

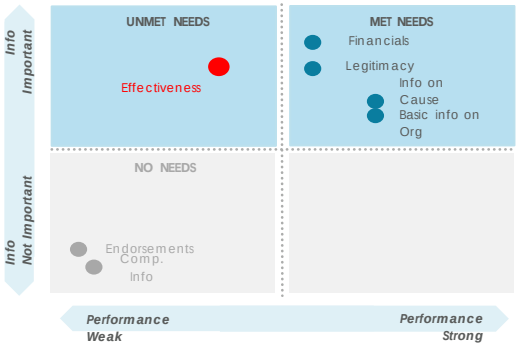
What do we know about donors' wants and needs…
…. And the solutions that will meet their needs as well as those of nonprofits?

What Can Be Done: There is a chance to influence behaviors through better quality information, distributed effectively

What **INFORMATION** do they want?

Full picture of the nonprofit

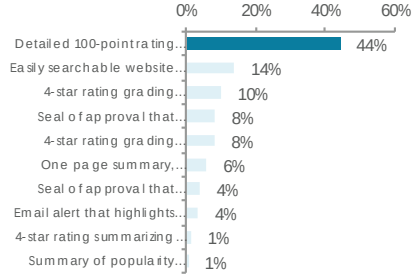
- Financials
- Legitimacy
- Basic information
- Cause
- **Effectiveness → the unmet need**



How do they want it **PRESENTED?**

Transparent, clear, comprehensive

- Like Consumer Reports
- Info portal like GuideStar
- Self reported like Charting Impact
- *NOT* simple ratings



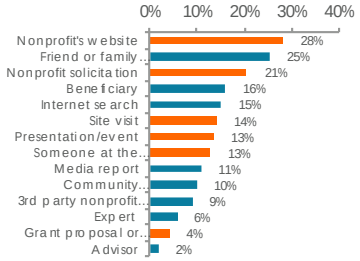
Where do they want to **GET THE INFORMATION?**

Tomorrow's preference is:

- NPO info / evaluation orgs
- Consumer brands

But Today they go to:

- Nonprofit itself



The Opportunity: $15,000,000,000

- Nonprofits receive $300B annually from donations and grants
- Based on our research, we believe that there is an opportunity to shift ~5% of that – or $15B – through better information
- This implies a wonderful opportunity to shift more money to the best nonprofits

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How foundations fit in

Foundations play a critical role

- Influential and a catalyst
- Can take actions in their own interest while helping NPOs, donors, sector

In our research we saw foundations willing to make changes. Here we provide suggestions on what foundations can do that will be the greatest help to all parties

We feel these actions will lead to better information, and thus

- Better funding
- Better interventions
- A more effective sector

Three suggestions for foundations

1. **Encourage and promote better information.** Request standardized and new information from grantees that is useful for nonprofits, donors, and foundations
   A. Standard information on nonprofit strategy/activities ***(Charting Impact)***
   B. Standard core information on nonprofits ***(GuideStar Exchange)***
   C. Beneficiary insights ***(Great Nonprofits)***

2. **Help grantees use information productively.** Help grantees connect better with their funders, and use information to inform decision-making
   A. Share insights of what donors needs, behaviors ***(More Money for More Good)***

3. **Support effective philanthropy.** Invest in increasing the supply and use of high quality, timely, accurate information on the social sector
   A. Join in the Markets for Good community, come October ***(Markets for Good)***

Promote Charting Impact

Clarity for NPO and Funders

Five powerful questions that encourage strategic thinking and promote a common vehicle for sharing information

- **Integrate Charting Impact into your application or reporting processes**
  - In lieu of other elements
- **Help grantees understand how utilizing Charting Impact can build organizational capacity**
- **Publish your own Charting Impact Report**

Why? Because it benefits:

- Foundations: can compare how nonprofits describe their organization and programming, consistently across nonprofits
- Sector: fills important gap in the nonprofit knowledge base
- Funders: donors and others want:
  - This type of information
  - This type of format
  - Self reported OK
- Nonprofits: process helps nonprofits sharpen their mission and strategy
  - *"Charting Impact helped us get to the essence of what we do."*

Incorporate GuideStar Exchange

Single Source for Core NPO Data

An electronic means for nonprofits to share a wealth of core data, reducing redundancy and leading to scale

- **Encourage nonprofit to complete GuideStar Exchange profile**
- **Allow a link from GS Exchange Report as an acceptable substitute for information in grant applications and reports**

Why? Because it benefits:

- Foundations: get simple and easy access to core information on wide range of nonprofits
- Sector: enhances information on organizations
- Funders: donors and others want:
  - This type of information
  - This type of format
  - From a trusted third party
- Nonprofits: allow them to report information in one place. Less redundancy

Feedback via Great Nonprofits

Feedback & Impact

Mechanism to collect feedback from beneficiaries and other stakeholders: "Yelp for nonprofits"

- **Encourage grantees to get feedback from beneficiaries via GreatNonprofits**
  - Data is a substitute / complement to impact data – useful in grant reports
  - Use information to vet nonprofits applying for funding (e.g. nonprofits need to have reviews to be considered)
- **Encourage grantees to act on what they hear from the beneficiaries**

Why? Because it benefits:

- Foundations: provides direct line of sight into impact grantees are having on those they serve
- Sector: beneficiary feedback a key missing piece of nonprofit information
- Funders: donors and others want Information on effectiveness. This provides vivid and compelling content
- Nonprofits: can understand how beneficiaries use services, and design/improve solutions they will use. Need constituent voice for effective design!

Share "More Money for More Good" with grantees

The Guide Includes:

- **Info:** In-depth findings on how individual donors, advisors, and grant-makers use information today, and are likely to use information tomorrow
- **Insights:** How nonprofits can increase fundraising and help create a more effective sector
- **Applications:** Case studies of organizations that use information to drive donor engagement
- **Tips**: 10 tips to help nonprofits **collect** better information, **communicate** their story, and **connect** with donors
- Document will soon be available at www.guidestar.org/moneyforgood
- Questions? Email Lindsay at lnichols@guidestar.org

Sign up for the upcoming "Markets for Good" website

markets FOR GOOD

Without data that is standardized and easy to analyse, change in the social sector will remain a slow process.

This website is intended to engage audiences in a real debate about how we can create this active "information marketplace."

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The website will be launched in early October, 2012
Contact Greg at greg@hopeconsulting.us to be informed of launch
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This can build efficiency for foundations and others in the system

*I can make **more informed funding decisions** based on **better information***

*I can **manage my organization better** because I have **better information on programs and impact**.*

*I **have a voice** am receiving **better services**!*

☑ *Greater **supply** and **use** of **information***

$ *More informed **giving** and **programmatic decisions***

♥ *More **impact***

Thank you for your time

For more information, please:

download: http://bit.ly/MFGFoundationsToolkit - toolkit for foundations

visit: www.guidestar.org/moneyforgood - more information, infographics, etc.

email: Greg Ulrich at greg@hopeconsulting.com - project lead

email: Lindsay Nichols at lnichols@guidestar.org - GuideStar lead

Also, please let Greg or Lindsay know to be updated on launch of:

More Money for More Good guidebook: lnichols@guidestar.org

Markets for Good website: greg@hopeconsulting.us

www.guidestar.org | www.hopeconsulting.us

Twitter: @GuideStarUSA | http://www.facebook.com/GuideStarUSA | Google+: GuideStar | http://pinterest.com/guidestar/

Appendix

Overview of the Money for Good research

Money for Good I

- Surveyed 4,000 affluent Americans[1]
- Created a baseline of Americans' giving and impact investing behaviors and preferences
- Analyzed:
  - What donors want
  - How donors research
  - Whether donors are willing to change how they give (increase or shift giving to new organizations)
- Found that donors *say* that how well a nonprofit performs is important, but *few actively try* to fund the highest performing nonprofits

Money for Good II

- Partnered with GuideStar
- Surveyed 6,500+ individual donors, advisors, and grant-makers[2]
- Goal of determining the opportunity to increase funding to high performing nonprofits, and what various organizations can do to support that
- Established these groups' current research behaviors and unmet needs around:
  - Information
  - Format
  - Channel/source

1. Nationwide survey of Americans with HH income of $80K+, with over-sample of Americans with HH income of $300K+.
2. Nationwide survey of 5,075 donors, 875 donor advisors, and 795 institutionally-affiliated grant-makers

Research Behaviors: Individual donors rarely research, while for advisors and foundations, research is the norm

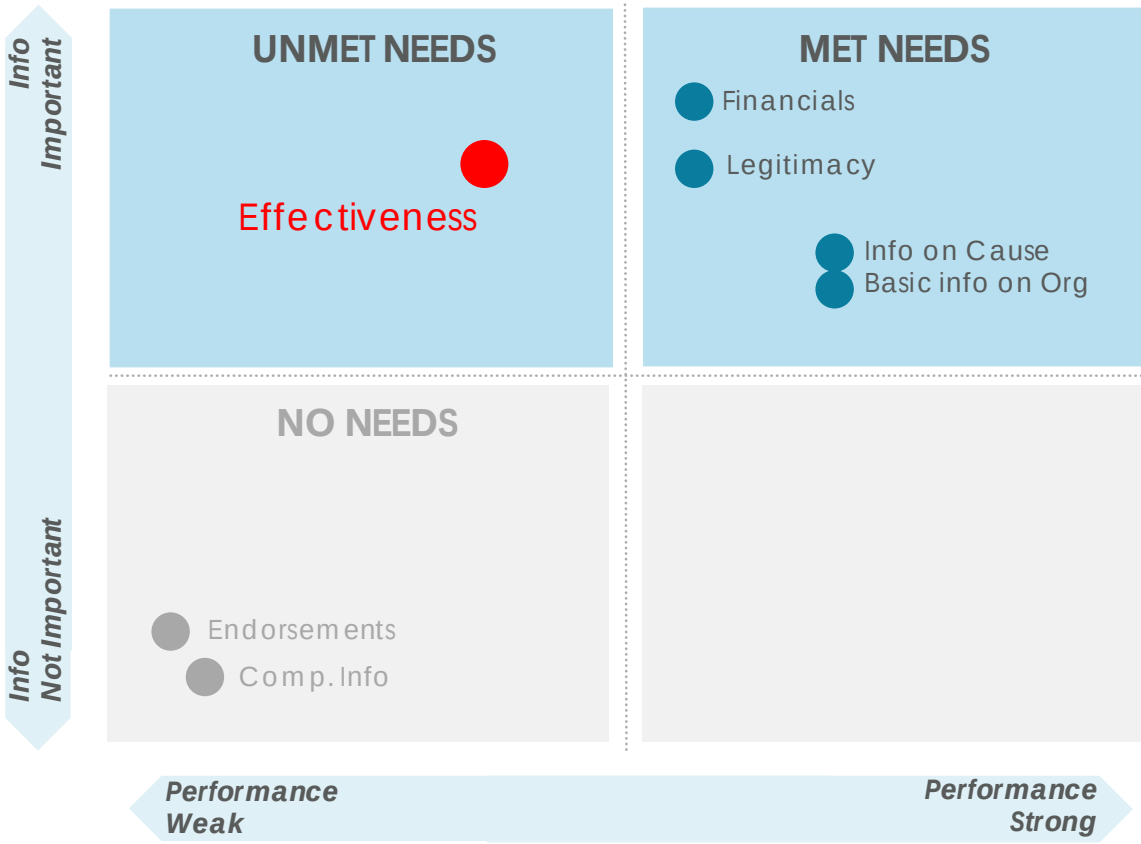
	ACTION	RESEARCH	COMPARE
	*Went to **any** source of information before donating*	*Self described as doing '**research**' before donating*	*Researched to **compare** nonprofits*
Individual Donors	*69%*	*33%*	*6%*
Advisors	*97%*	*80%*	*27%*
Foundations	*98%*	*89%*	*38%*

Note: Individual donor behavior varies significantly based on their familiarity with the nonprofit, what sector the nonprofit is in, and the type of donor

Note: Conducted at the donation, not respondent level

Information: Donors want a full picture of a nonprofit – and better information on effectiveness – than they have today

Donor's Information Needs



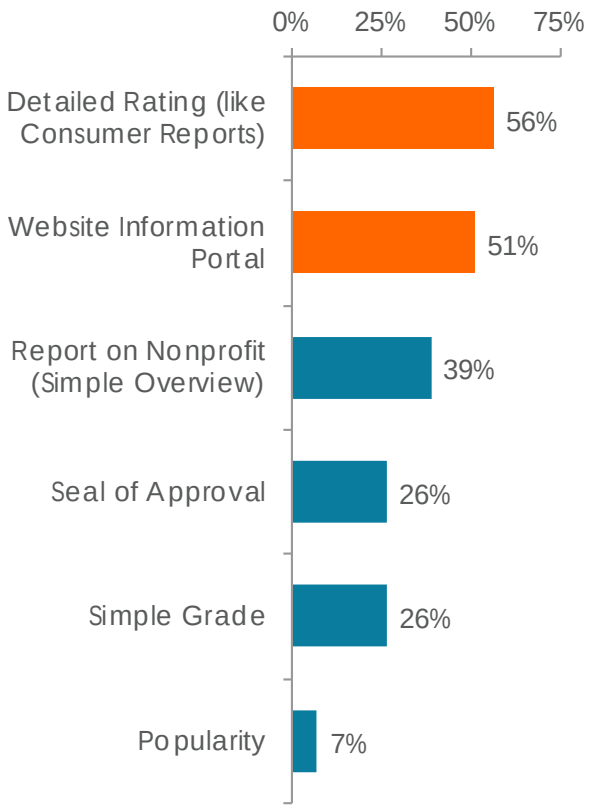
Donors look for info on:
- Financials
- Legitimacy
- Cause
- Organization
- Effectiveness

Donors don't find info on:
- Effectiveness

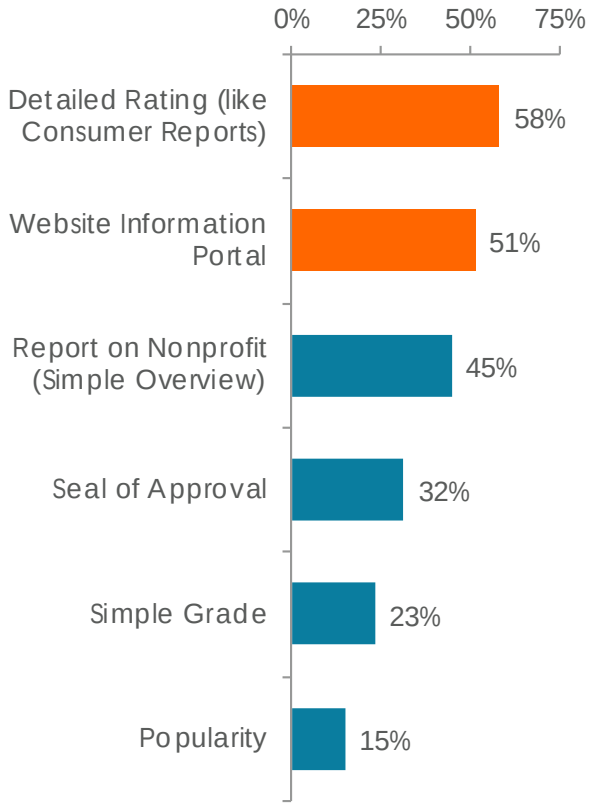
Donors say they don't care as much about:
- Endorsements
- Information comparing nonprofits

Presentation: Donors want information presented in a format that provides them with the 'full picture'

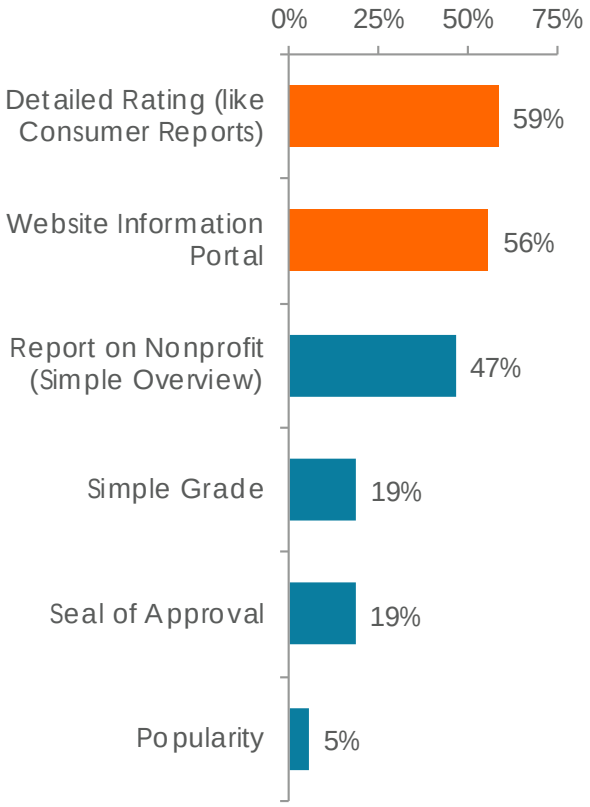
Individual Donors



Advisors



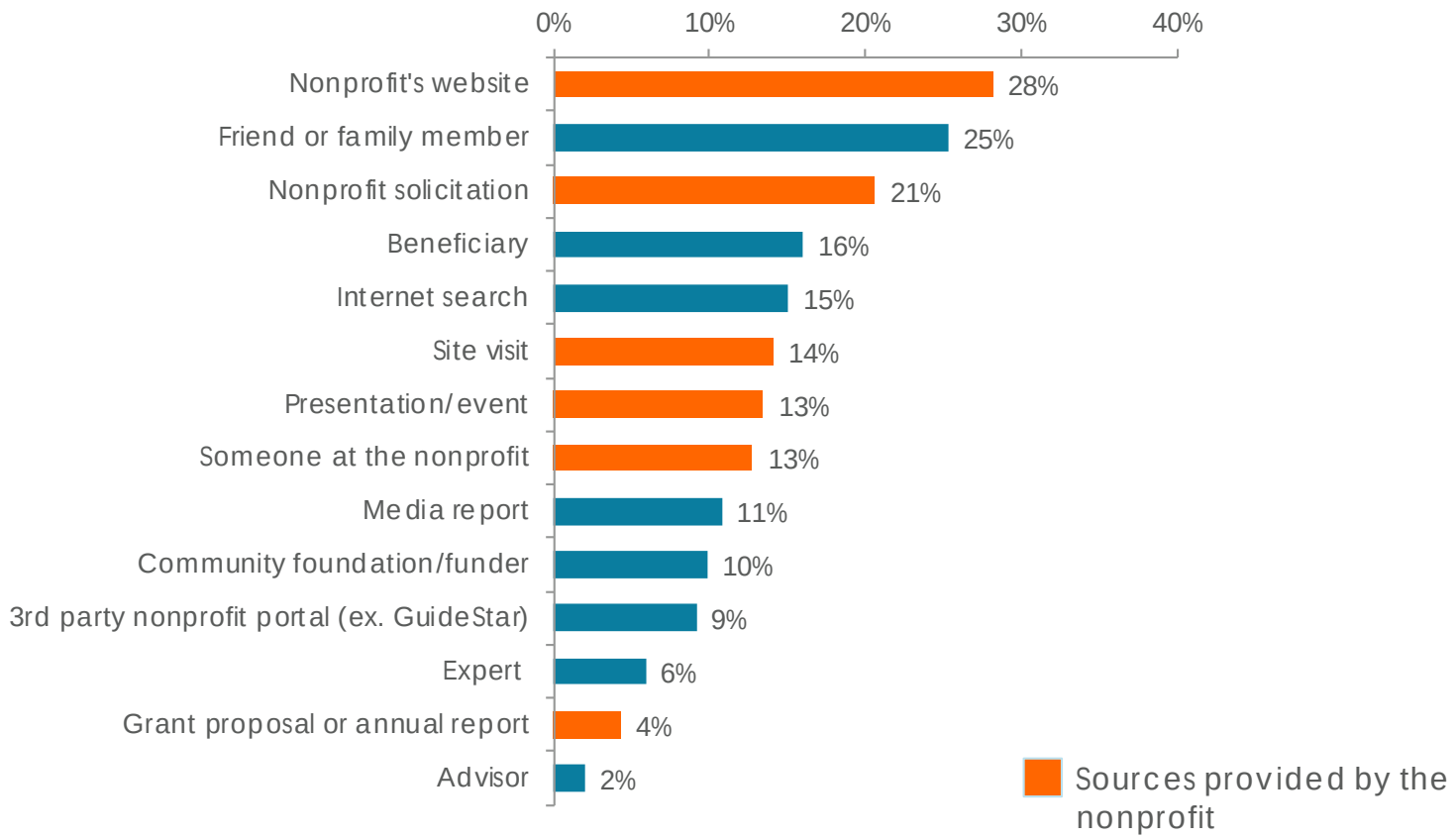
Foundations



MFGII. Q: "Information could be provided in different ways. Which of the following are most appealing?" %'s reflect % of respondents rating choice as a 5 or 6 on 1-6 scale. Note: Images were provided for each of these categories

Today's Source: Today, the nonprofit itself is the donor's leading source of information

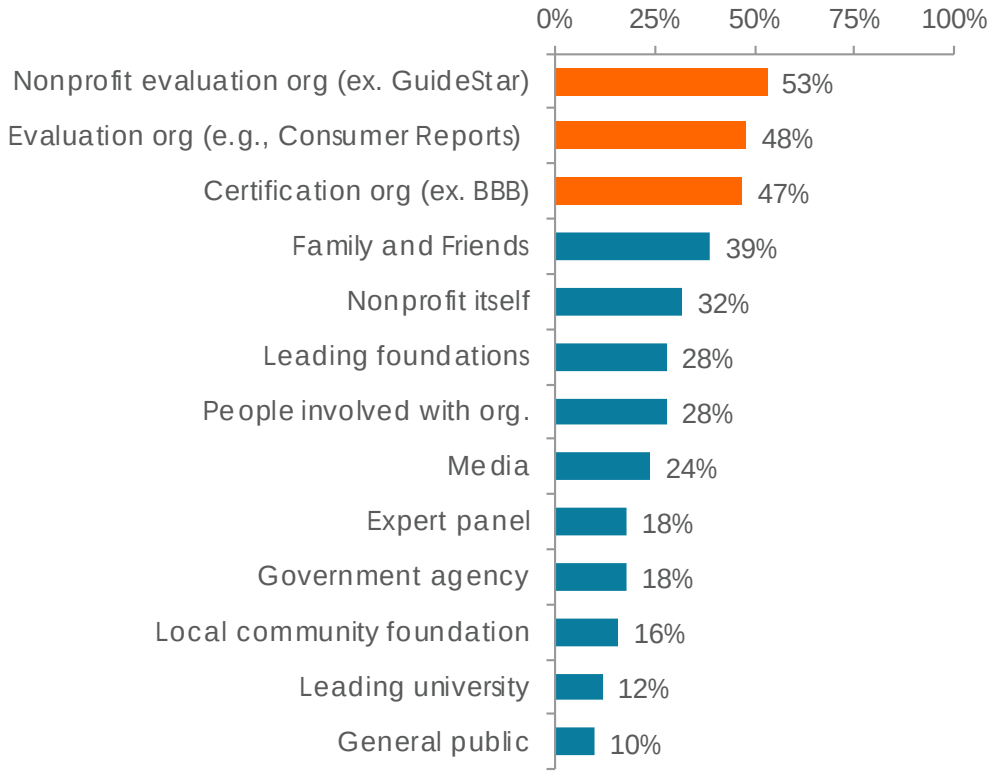
Sources Donors Use Today (check all that apply)



Source: MFGII

Tomorrow's Preference: But donors would prefer to use third-party portals or organizations

Sources Donors Would Prefer to Use



MFGII. Q: "Who would you trust to provide the information that you are looking for?". %'s reflect % of respondents rating source as a 5 or 6 on 1-6 scale

About GuideStar

GuideStar's Mission

To revolutionize philanthropy and nonprofit practice by providing information that:

- advances transparency,
- enables users to make better decisions, and
- encourages charitable giving.

About Hope Consulting

What We Do

Customer insights and strategy consulting

Identify opportunities for clients to drive growth and social impact

Focus on:
- Global health
- Financial services
- Impact investing
- Philanthropic effectiveness

Who We Are

Experienced consultants from top-tier strategy firms

Supported by specialists with deep expertise in brand, technology, and industry

How We're Unique

Deep Customer Insights Capabilities

Comprehensive discovery
predictive approaches
quantification of
market opportunity

Strategy Expertise

Powerful Analytics

Experience on the Ground
(50+ countries)