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Lack of Money Hampers Expansion of Nonprofit Programs, Study Finds

By Nicole Wallace

Nonprofit organizations that want to spread their programs are having a hard time raising the money to expand, according to a new [report](#).

The report is based on a survey of 436 nonprofit leaders, 325 of whom said their organizations were in the process of expanding. Yet only 24 percent of those groups have started fundraising campaigns to finance their planned growth, and those that have are raising an average of only 17 percent of what they say they need to carry out their expansion plans.

The charity world lacks an effective system to support the expansion of proven solutions, says Cynthia Massarsky, co-author of the report and vice president at the Social Impact Exchange, a membership organization that aims to create a capital marketplace to help high-performing charities grow. The exchange conducted the study with Veris Consulting, a company that focuses on financial management and survey research.

“There are too many nonprofits out there—perhaps most of them—that aren’t realizing their full potential because it’s so difficult and so challenging to achieve widespread social impact,” she says.

Growth Plans

Of the 436 nonprofit leaders who completed the survey in May, only 17 leaders said their organizations have no intention of growing.

Charities that are expanding their programs are probably overrepresented in the survey sample, Ms. Massarsky acknowledges. But she says that doesn’t take away from the importance of the findings.

“We went to those we know and those who seem to already be paying attention to this subject matter, so it is likely those are the majority who responded,” says Ms. Massarsky. “But it is information that we previously did not have at all.”

Lack of Evaluation

Charities' reasons for growth varied. Of those that planned to expand, 34 percent said they were seeking to serve more people or provide more services, and 32 percent said they were expanding their programs to additional locations.

Other strategies for growth were less popular, such as establishing a social movement (12 percent) or encouraging other groups to adopt their programs (9 percent).

However, only 39 percent of charities with plans to grow have evaluated the impact of their work, according to the study. Among larger organizations, that figure is 53 percent. Of the groups that have done evaluations, 59 percent said they conducted the study themselves, while only 12 percent commissioned an outside organization to do the job.

Relatively few nonprofits conduct rigorous, third-party evaluations because donors and foundations are reluctant to pay for those expensive studies, says John Gillespie, co-author of the report and managing director of Veris Consulting.

Says Mr. Gillespie: "If we need evidence-based solutions and if nonprofits are looking to create systematic change, we need to have more people in the industry be willing to fund those studies."