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NONPROFITS: GENERAL INFORMATION

Effectiveness of Nonprofits: New Data

09.02.21 | Linda J. Rosenthal, JD

Over the past decade or two, there's been an escalating "crisis of trust" in all of the traditional institutions of society including nonprofit organizations. That pattern continued into the COVID-19 pandemic era.

Of course, "trust" is subjective; it may or may not be objectively accurate.

Nevertheless, the nonprofit sector has taken notice of unsettling polls and surveys showing a growing threat to the ability of the nation's charities to "carry out their missions, including trouble raising cash, attracting top talent, and persuading Americans to take action on social, environmental, and other key issues." See for example: *The Trust Crisis* (January 7, 2020) Ben Gose, *The Chronicle of Philanthropy*.

But a nonprofit researcher reported last month that he and his colleagues have studied this issue and found little *objective* basis for this so-called trust gap.

In *Most Nonprofits Are Highly Effective. Check the Data* (August 19, 2021) *The Chronicle of Philanthropy*, seasoned nonprofit veteran Elijah Goldberg observes: "The insulting refrains are all too familiar to those who work in the nonprofit world: Nonprofits are ineffective. They waste money on CEO salaries. They have good intentions, but they don't make much of a difference. The for-profit world is so much more efficient."

But "where," he asks, "do these frequently repeated claims come from?" "Certainly," he emphasizes, "not the data."

Six-Year Study

For the past six years, Mr. Goldberg and a team of colleagues at ImpactMatters and Charity Navigator "analyzed the effectiveness — in terms of results and cost — of more than 1,000 direct-service nonprofits engaged in areas such as school improvement, community health, work-force development, and hunger."

At least 86% of the 1,064 nonprofits that his team analyzed garnered the researchers' designation as either "cost-effective" or "highly cost-effective." Over half of those 1,064 groups achieved the "highly cost effective" label.

Anticipating skepticism about such excellent results, Elijah Goldberg briefly addresses and answers each of several expected questions.

For instance, did the team inadvertently skewer the results by reviewing too few organizations and only those known to be efficient? No, he responds: In areas like "food, emergency shelters, and scholarships," they analyzed a large and diverse number of organizations." Of 312 nonprofits engaged in food-distribution services, 293 earned the label "cost effective."

Or – critics might ask – did they design the study to include criteria that were "too generous"? No, he responds again. The ratings "were typically based on objective criteria using local data." The 293 "cost effective" food nonprofits "spent on average $2.01 to provide a meal compared with an average cost of $3.15 in those same communities to purchase a meal." And in the coveted "highly cost effective category" is Nourish Pierce County, a nonprofit in the Tacoma, Washington, region that spends just $.40 cents to feed a single person in need.

"Ineffective nonprofits are rare," he notes, "making up [only] about 15 percent of nonprofits," according to his team's data.

It's "clear" to Mr. Goldberg that the vast majority of nonprofit organizations in the United States are "highly successful — and cost effective — at improving the lives of those they serve."

This won't be any surprise, he adds, to "most people who work for nonprofits" who "have seen their effectiveness firsthand." What's different now is there's hard data to back it up.

Conclusion

Announcing that the "myth of the ineffective nonprofit is just that — a myth," Elijah Goldberg and his colleagues want to hear your "thoughts and questions" on this topic. They invite emails and letters for publication addressed to the editors of The Chronicle of Philanthropy.

— Linda J. Rosenthal, J.D., FPLG Information & Research Director