



Funder-Intermediary Relationships: Promise & Pitfalls

*Survey Report
March 2008*

Introduction

A growing body of work is being undertaken by foundations with the help of intermediary organizations. For a funder, working with an intermediary has the potential to greatly enhance the funder's impact with their constituents, bringing needed expertise, skills, connections, infrastructure, and objectivity. For an intermediary, working with a funder can expand impact and reach, provide a financial base, and increase visibility and credibility. Win – win, right? Well, these relationships can also be difficult to manage for both the funder and the intermediary, and in the worst case, contribute to ineffectiveness of the joint work.

Fieldstone Alliance hoped to learn more about critical success factors that lead to positive, mutually beneficial relationships between funders and intermediaries. An online survey was used to gather experiences from both funders and intermediaries. These success factors could then be used by both funders and intermediaries as a guide when developing contracts or grants, and as a tool to manage the ongoing work of the partnership.

The survey responses highlight several key points. First, the majority of respondents are generally satisfied with both the relationships and the results they've experienced through funder and intermediary relationships. Second, the majority of respondents intend to do at least the same amount of work in the future, if not more, through funder – intermediary relationships. Third, the main challenges each group has experienced are somewhat similar and manageable: lack of clarity about goals, roles, and deliverables; underestimation of costs; the amount of funder oversight required; and communications with grantees.

The following report includes highlights from the survey. Throughout the report the terms “Funders” and “Intermediaries” have been shortened to “F-I” or “F & I” for ease of reading.

About the Survey...

F & I organizations were invited to participate in the online survey through a variety of Listservs from F & I membership organizations, including GEO (Grantmakers for Effective Organizations), NNCG (National Network of Consultants to Grantmakers), the PCBR (Philanthropic Capacity Building Resources) Database, the Alliance for Nonprofit Management, and Nonprofit Allies.

100 organizations with experience in F-I relationships participated in the online survey – 57 funders and 43 intermediaries. (Funders and intermediaries identified themselves based on the following definition:

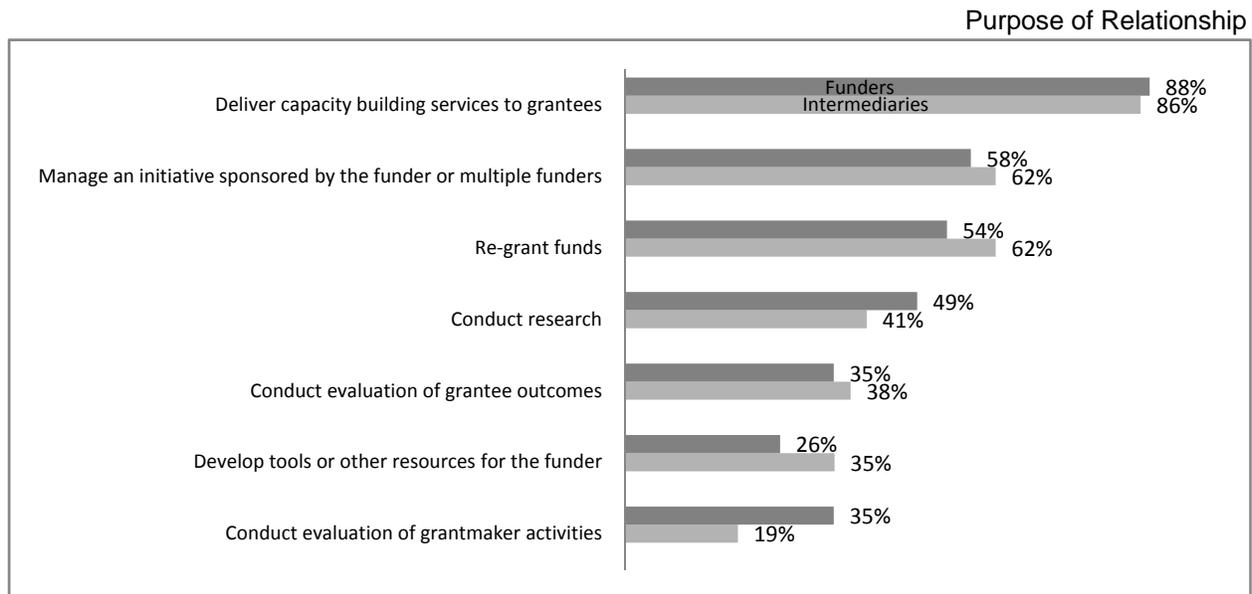
INTERMEDIARY refers to a nonprofit organization that provides products and services to strengthen nonprofits and/or the sector, and works in partnership or affiliation with a foundation or group of funders to do so .

Intermediaries typically do some grantmaking or re-granting on behalf of their foundation partners.)

F & I Relationships – The Experience

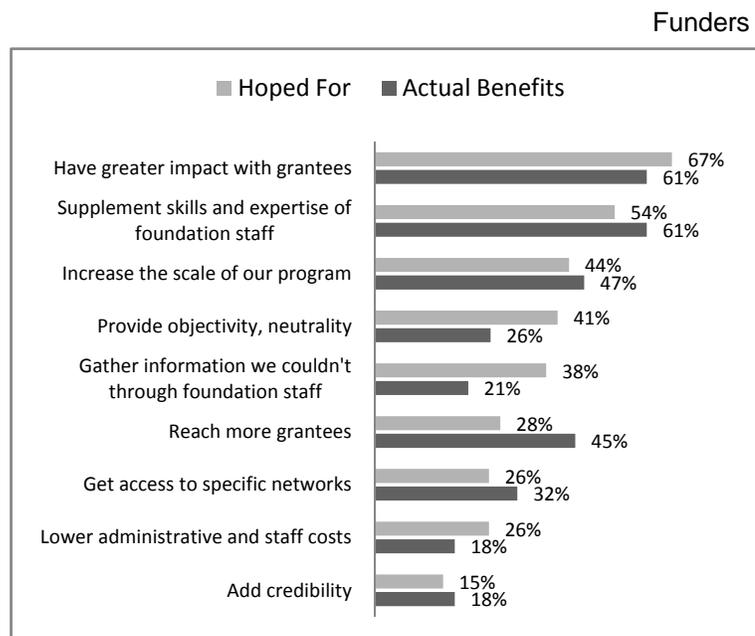
Purpose of F & I Relationships

Most funders and intermediaries surveyed indicated that they enter into relationships with each other in order to deliver capacity building services to grantees. Since respondents could select as many reasons as applied, more than half also indicated that the purposes of their relationships are to manage funder-sponsored initiatives and re-grant funds. *See graph for details*

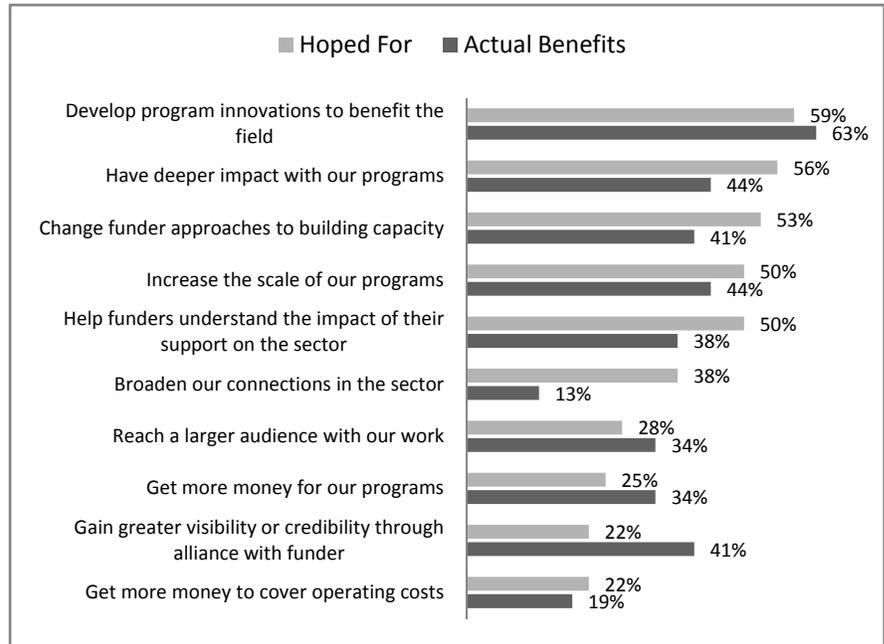


Funders – Intentions versus Realities

Overall, funders appear to have accomplished much of what they hoped for, at least for their top goals. Funders were asked what they had hoped to accomplish when deciding to work with intermediaries in the past (up to three goals), then what they had experienced as the actual benefits of the relationship. There was a strong correlation between the two sets of responses, with the same three goals rising to the top of both lists. There were also some interestingly broad splits in scores for lower-ranking goals. *See chart for details.*

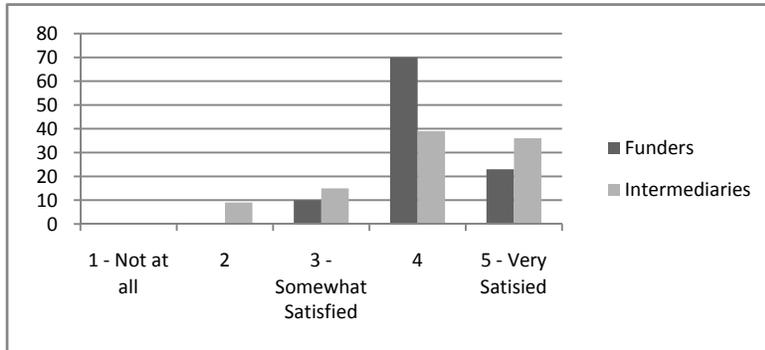


Intermediaries did slightly better than hoped in meeting their top goal – developing program innovations to benefit the field. For the next few goals on the list, actual benefits scored somewhat below hopes. One strong exception was gaining greater visibility or credibility through an alliance with a funder. Only 22% identified this as something they had hoped to gain going into the relationship, but 41% cited it as an actual benefit. *See graph for details.*



F & I Satisfaction

Overall, both groups indicated a similar and fairly high level of satisfaction with their relationships with one another.



On a scale of 1-5 (1 = not at all satisfied, 3 = somewhat satisfied, and 5 = very satisfied), funders averaged 4.13 and intermediaries averaged 4.03. There was, however, a marked difference in the score ranges for this question, with 68% of funders rating it a 4 but only 39% of intermediaries giving that score. *See chart.*

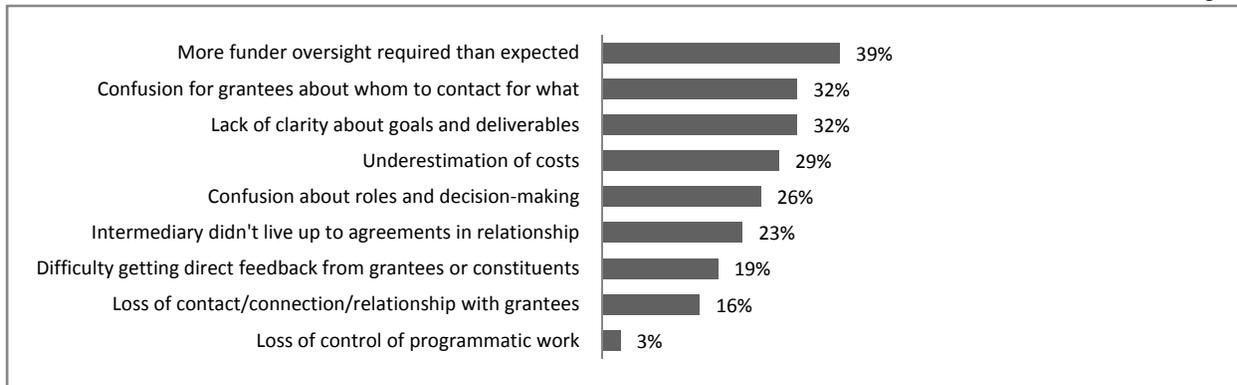
Satisfaction with the Relationship

There were also some notable differences in satisfaction levels among funders which correlated with foundation size, with smaller foundations indicating a higher level of satisfaction than larger foundations.

Relationship Challenges

Funders and intermediaries rated the challenges in their relationships very differently. Each reviewed lists of possible challenges, choosing up to three challenges they had experienced in their F-I relationships. For funders, no strong lead issue emerged; there was a relatively even distribution of responses, with several falling in the 20-30% range. *See chart.*

Funders' Challenges



A majority of intermediaries, on the other hand, clearly identified two key challenges in their relationships with funders: 1) Underestimation of costs associated with the initiative - 62%, and 2) Confusion about roles and decision-making - 59%. *See chart below for additional responses.*

Intermediaries' Challenges

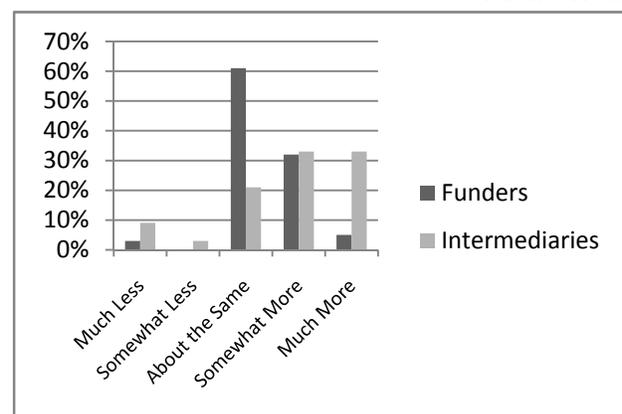


Disconnect in Expectations of Future Work

Both groups were asked whether they expect to do more or less work with each other in the next two or three years, and a marked difference in expectations emerged. Overall, a majority of funders (60%) predicted that the level of work with intermediaries would remain about the same, while a majority of intermediaries (67%) expected to do either somewhat more or much more work with funders. *See chart for details.*

Interestingly, there was a notable difference between groups of funders correlating with foundation size for this question. 54% of the smaller foundations, which also indicated the highest levels of satisfaction, expect to do somewhat or much more with intermediaries in the future. Among the largest foundations, only 21% expected to do more.

Future Work



Advice for Other F & I

Respondents were each asked to give advice to others who were thinking of entering into F-I relationships – funder-to-funder, funder-to-intermediary, and vice versa. Comments across the groups were surprisingly consistent. The primary theme in every category revolved around the importance of clarifying mutual expectations for the relationships. All of the emerging themes were considered, along with previous findings, as a basis for the success factors in the following section.

Success Factors in F-I Relationships

The following success factors clearly emerge as the most important factors to ensure effective F-I relationships in the future. Some are relevant for both funders and intermediaries; others are more specific to either group. These can be used as a guide when initiating relationships, developing contracts or grants, and as a tool to manage the ongoing work of the partnership.

1. **Clarify mutual expectations** – including goals, deliverables, timelines, costs, roles, and decision making. Use a written MOU or contract.
2. **Build and maintain trust.** Take time to get to know each other, and then communicate regularly through scheduled meetings and calls.
3. **Anticipate all costs** – marketing, evaluation, publications, overhead – and fund them.
4. **Foster transparency and accountability** on both sides.

For Funders

1. **Hire the right intermediary** – make sure they have the expertise you need and you have confidence in them.
2. **Don't micro-manage** the process – focus on deliverables.
3. **Take a long-term approach.**

For Intermediaries

1. **Make sure** the funder's **goals are understood**, achievable, and aligned with your values.
2. **Be honest.** Don't over-promise, postpone dealing with issues, or withhold opinions.

For Further Information...

Working with Intermediaries: Global Grantmaking through Partner Organizations (2007), www.grantcraft.org

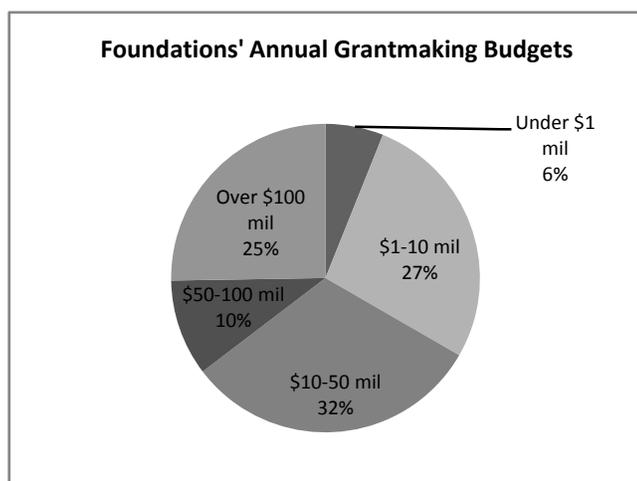
Aggregating Impact: A Funder's Guide to Mission Investment Intermediaries (2007), www.fsg-impact.org

Working with Intermediaries to Build Nonprofit Capacity (April 2007- GEO Impact Newsletter), www.geofunders.org

F-I Relationships – Just the Facts

Funders' Profiles

The 57 funders who responded represented private (45%), family (30%), and community/public (26%) foundations from the East (23%), Midwest (40%), and Western (36%) regions of the United States. (No funders identified themselves as based in the South, Southeast, or Southwest regions.) Foundation size was assessed by asking the size of the funder's annual grantmaking budgets. Responses fell across the range, with the largest percentage (32%) landing in the \$10-50 million category. (See chart)



Intermediaries' Profiles

The 43 intermediaries who responded represented the East (45%), Midwest (33%), South (33%), and Western (36%) regions of the United States (organizations with multiple locations could choose more than one region). 74% of these organizations described themselves as primarily focusing on capacity building, while 16% focus on financial issues, 8% are educational organizations, and 3% are research focused. 44% serve a national audience – with an additional 8% working internationally; 26% have a regional focus, and 23% serve their local communities.

Number of projects

Most surveyed funders and intermediaries engaged in several F-I projects during the past year, with the largest number – 42% & 36% respectively – involved in 2-5 projects. 12% of funders and 19% of intermediaries were involved in more than 20 projects in the last year.

Grants v. Contracts & Length of Relationships

Respondents reported that their F-I relationships are most commonly structured through grants rather than contracts and extend for multi-year periods. About 70% of respondents indicated that their work was at least 80% grant-based. 93% reported that these relationships last more than 12 months on average, with 73% lasting more than 3 years, and 30% lasting more than 5 years.

About Fieldstone Alliance...

Fieldstone Alliance is a national nonprofit intermediary that works to strengthen the performance of the nonprofit sector. We work with organizations, networks and systems throughout the sector to effectively change practices and measurably improve results. We offer four product lines – consulting, training, publishing, and research and demonstration projects – that strengthen leadership, enhance organizational performance, increase foundation effectiveness, and build the capacity of networks and intermediaries that support the nonprofit sector.

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