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Nonprofit Resource Development from Individual Donors for General Operating Expenses

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Abstract

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MBA, Walden University, 2011

AAS, ECPI Technical College, 2006

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Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy PPA-

Nonprofit Management and Leadership

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Abstract

The Virginia Community Action Agency (VCAA) provides several programs to meet the needs of low-income families and individuals. There are 31 community action agencies in Virginia. Each agency is independently governed to meet the needs identified within its respective community. For example, if food insecurity is an issue, low-cost food subsidy programs are provided for local community constituents. Since 1965, the mission of the organization, has been to provide the means necessary to enable those who have fallen on hard times to receive assistance and lead quality lives. The purpose of the agency is to provide this assistance, and the core value is centered on human rights. The problem explored in this study was the lack of funding from individuals for operating expenses. The theoretical framework used to understand and analyze data was the narrative policy framework. Five out of 31 VCAAs were randomly selected for this qualitative study. Interviews were conducted with 10 agency representatives which consisted of one Executive Director and one Board Chair from each of the five organizations used to gather data. Interview results were coded and analyzed for themes and patterns. The study found that the primary challenge was donors' lack of knowledge of how agencies work; more specifically, agencies' inability to communicate important information on how operations funding affected the overall processes and impact of the agency. The study also revealed a lack of ability to monitor activities due to a lack of resources. These findings can lead to improved policy development and implementation, resulting in positive social change from nonprofit sustainability and the continuation of services to the public.

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Chapter 1: Introduction to the Study

Introduction

Community action agencies (CAAs) have taken the step to represent and serve the needs of the low-income community. According to Virginia Community Action Partnership (VCAP, 2015), "The approach to fighting poverty is to provide a range of services addressing poverty-related problems" (para. 6). There is no typical CAA as each locality is governed by an independent leadership body to address the needs identified in respective communities. As in any organization, there are challenges that must be addressed for the organization to remain viable. As the economic climate changes, the efforts of CAAs to fund operating expenses requires attention. I explored these efforts. I documented information on the effects of the lack of operating expense funding from individual donors and explored CAA executive directors, development directors, and board chairpersons' perceived challenges in raising operating expense funding. Currently, many individual donors are unaware that funding dedicated to CAA programs alone leaves organizational leaders struggling to find support for organizational operating expenses. The purpose of this study was to explore and document the challenges of three CAAs in raising operating support from individual donors.

Background of the Study

Nonprofit organizations provide resources and services to the community. In some cases, resources may not be accessible due to individual-level barriers. For example, lack of transportation, language hurdles, and unawareness of resources can all hinder a constituent from receiving aide. Because of the funding support on behalf of

individuals and other organizations, nonprofits remain equipped to provide resources and close barriers to service. While direct service programs are valuable to constituents, it is the infrastructure of nonprofit organizations that encompasses the tools to produce the services. Failure to promote the need for operating expenses is not due to lack of need; rather, donors tend to frown upon operating costs. "The focus on overhead is unfortunately reinforced by Charity Navigator, the largest charity "watchdog" (Glassman & Spahn, 2012, p. 75).

Overhead ratio, the measurement of operating costs of doing business compared to the company's income is, for some donors, significant to measuring an organization's effectiveness. The overhead ratio is calculated by dividing the overhead cost by the total of sales and multiplying by 100. "Presumably, as the overhead ratio is more readily available for most charities because it is straight forward to calculate, it becomes easier to choose a charity based on this aspect" (Caviola et al., 2014, p. 304). However, without overhead, an organization may not be able to provide programs and services. The breakdown starts with unrealistic expectations regarding operating costs.

Funding reduction due to a misconception of overhead ratios is called nonprofit starvation. As the name nonprofit starvation cycle suggests, an organization lacking in funding can go out of business if ample funding is not provided for overhead costs. Gregory and Howard (2009) stated that this cycle is "leaving nonprofits so hungry for decent infrastructure that they can barely function as organizations - let alone serve their beneficiaries" (p. 49). There is a tension between direct and operating costs, which will not have an end unless CAAs report accurate information.

The nonprofit sector is a large part of the economy that provides critical services, which affect the health and survival of many people. Without adequate funding, nonprofits are unable to sustain their mission. Given this, analysis of donor giving and development strategies could result from researching why individuals are compelled to donate. Most nonprofits are heavily reliant upon donations, so it is very important to understand what motivates individuals to give charitable gifts. This study provided a better understanding of the challenges CAA leaders face in raising operating funds from individual donors as their contributions are critical to the survival of the organization.

Problem Statement

The Virginia Community Action Agency (VCAA) plays a vital role in filling the gap of social services where public and private sectors fail to serve. The VCAA provides several programs and services meeting the needs of families and individuals with low incomes in two counties. Each location has a mission constructed by the needs identified in its respective community. VCAA, like most nonprofit organizations, faces operational challenges and barriers. These challenges include financial, structural, and procedural barriers. Every nonprofit organization relies on its board of directors for oversight, policy development, community representation, and funding. To maintain the integrity of said functions, the structure of the board of directors comprises "at least one-third low-income community members, one-third public officials, and up to one-third private sector leaders" (Capital Area Partnership Uplifting People [CAPUP], 2015). This board structure is defined by federal statute.

The formation of a CAA starts with a group of individuals committed to providing a service or need to their community. There must be an understanding of what operations will look like in order to generate funds to provide services. Strategic plans are developed to assist in the generation of funds. Leaders and development professionals implement fundraising campaigns and look for charitable contributions from donors of all types, including individuals.

The spending of CAAs has two components, which include direct and indirect costs. Direct costs are money that is associated with projects and programs that are designed to fulfill the mission of an organization. Indirect costs, also referred to as operating expenses, are money spent in supporting the operation of the CAA that cannot be traced back to the provision of projects and programs. In other words, the operating cost is the sum of administrative and fundraising expenses.

To some donors, the overhead ratio is the key measurement of efficiency. Potential and current donors may have a negative impression that because the operating expense cannot directly help the beneficiaries, funding operating costs is not valuable. However, a misconception of overhead ratios as always negative may result in reduced functioning by nonprofits because operating expenses are the backbone of nonprofits. This funding reduction due to a misconception of overhead ratios is called nonprofit starvation (Lecy & Searing, 2014). In other words, without overhead, an organization may not be able to provide services.

In academia, the study of nonprofit starvation, a reduction in funding due to a misconception of overhead ratios, overlaps with many other disciplines, including

economics and sociology because the topic encompasses the efficiency of the CAAs and

people's perception of the CAA. The nonprofit starvation cycle can create unnecessary

pressure for CAAs to reduce operating costs, even though nonprofits have to build on

administrative infrastructure in order to take more donations (Gregory & Howard, 2009;

Lecy & Searing, 2014; Liket & Maas, 2015; Lu & Zhao, 2019; Schubert & Boenigk,

2019). Instead of fulfilling their mission, CAAs may have to switch some of their focus

to minimize operating expenses. The attempt to lower this cost can lead to unrealistic

expectations as the industry standard is lowered and can cause misleading reporting. "The

underspending and underreporting of overhead fuels donors' unrealistic expectations,

causing them to reduce the amount of overhead funding that accompanies the programs

they sponsor" (Glassman & Spahn, 2012, p. 75).

Nonprofit leaders can better inform funders about the need of CAAs, and the first

step to doing that is to better define organizational effectiveness. Liket and Maas (2015)

conducted a study based on what nonprofit practitioners identified as important in

evaluating organizational effectiveness. They believed that financial ratios should not be

the sole determinant of organizational effectiveness. They proposed a multidimensional

approach to evaluating organizational effectiveness financially and practically. In

addition to the actual organizational effectiveness, Bodem-Schrötgens and Becker (2020)

identified that individual context also matters; a universal standard of trustworthiness

does not exist. As Liket and Maas pointed out, a qualitative measure of organizational

effectiveness can be vulnerable when it is misused; it is nearly impossible to objectively

assess a nonprofit's effectiveness.

The same applies to the research of Bodem-Schrötgens and Becker (2020). They determined the sociodemographics of contributors largely affect their perception of trustworthiness; for example, "older, female, and low-income people and those from larger households" tend to have more trust (p. 204), hinting that nonprofit organizations can take advantage of different appeals to attract different contributors. These researchers showed that the issue of nonprofit starvation is interdisciplinary because it is more than finding an alternative approach to measure efficiency but also how different types of donors perceive the trustworthiness of CAAs. The multidimensional nature of the issue indicates a single approach cannot break the vicious cycle; in the organizational context, nonprofits need to increase efficiency and to effectively communicate operating expenses with donors and any organizational development plan. The purpose of this study was to explore and document the challenges associated with a lack of financial operating support from individual donors. Because "most individual donors want as much of their contribution as possible to go toward the mission of the organization, not toward raising additional donations" (Hager et al., 2004, para. 10), this study is vital to highlighting the overhead that ballasts the fulfillment of that mission.

Individuals consider abundant program support to be the crux of success for nonprofit organizations. They are unaware that funding dedicated only to direct services leaves organizational leaders struggling to find support for operating expenses. "Research shows that people attribute a puzzling and disproportionate degree of importance to charities' overhead ratio (administrative expenses), even though overhead ratio is a poor predictor of cost effectiveness and, with that, how much good can be done per dollar

donated" (Caviola et al., 2014, p. 311). Nonprofit organizations contribute to this dilemma by failing to communicate operational needs (space, staff, utilities, supplies, etcetera) to their donors, especially as these needs translate to the delivery of critical services. Information demonstrating the correlation between operational donations and program impact can initiate a change in the giving trend.

Turning attention to the amount of time invested in establishing donor trust may reveal the reasons behind the lack of operational donations. Sargeant et al. (2006) quoted Gounans in stating that there is a great deal of evidence in support of the role that trust plays in donor relationships, thus, a significant level of donor trust must be attained by the nonprofit organization when soliciting funds. In addition, previous studies have concluded that "higher levels of trust increase the likelihood that a relationship will be entered into" (p. 156).

Purpose of the Study

To contribute to the knowledge of the challenges associated with raising financial support for operating expenses from individuals, I conducted this qualitative study. To reiterate the problem statement, failure to properly understand overhead ratios may result in reduced functioning by nonprofits because operating expenses are the backbone of nonprofit organizations. In this study, I documented the role of operating expenses as it relates to an organization's ability to successfully carry out its mission. The qualitative inquiry involved three nonprofit CAA organizations whose focus is serving low-income individuals in the state of Virginia. I explored and documented information from CAA

staff interviews regarding individual donor behavior related to funding operating

expenses.

Research Question

RQ: What do CAA executive directors and board chairpersons perceive are

challenges in raising operating expense funding from individual donors?

Theoretical Framework

Anfara (2008) explained that "the theoretical framework affects every aspect of

the study, from determining how to frame the purpose and problem, to what to look at

and for, to how they make sense of the data that are collected" (para. 9). The theory that I

utilized in this research was the narrative policy framework (NPF). According to Sabatier

and Weible (2014), "The NPF looks at how narratives influence public opinion, how

these narratives are structured, and how they reflect policy beliefs" (p. 368).

In this research, I examined human behavior closely in a quest to investigate

issues associated with a decrease or lack in donations. This method worked well in

supporting the basis of the study. Caviola et al. (2014) implemented a study to assess why

people have a bias towards organizations with low overhead versus those with practical

outcomes. Making donations to a nonprofit agency is a matter of choice. Based on the

literature review, knowing which organization to give donations to is a behavior affected

by the information presented to the donor. "Measuring cost effectiveness, on the other

hand, can be extremely difficult and requires extensive empirical research, as well as

cognitive resources" (Caviola et al., 2014, p. 304).

The NPF approach supported this study, although staff challenges from the perspective of the leadership team are being discovered. NPF assisted in continuing the discussion initiated by those who uncovered the overhead issue as well as those who created the term "nonprofit starvation cycle." Continuing to research this issue and educate donors and executives alike is a step forward in balancing the paradox between organizational input and output. Shanahan et al. (2017) asserted that there are three levels of analysis when utilizing the NPF approach: (a) micro, (b) mezzo, and (c) macro. For this study, I applied the micro level approach to categorize the data and recorded commonalities in the code. From common groups, a theme emerged.

Narrative content functions to further establish generalizability. Content in this instance refers to the theories being used to explain ways of thinking, also known as the belief system. According to the NPF, narratives contain narrative strategies, which are methods of persuasion used by policy actors to influence decision makers or the public. Belief system theories can be thought of as ways of thinking that are used to frame the narratives being told (Shanahan et al., 2017).

Nature of the Study

The study is qualitative and involved three CAAs in Virginia. I conducted interviews with agency executive directors, development staff, and board chairs to gather data. The study topic required that the sample interact to suggest the appropriate method of data collection (see O'Sullivan et al., 2017). The types and sources of data included the implementation of face-to-face interviews with executive directors, development staff, and board chairs of VCAAs to establish themes and patterns in research.

Definitions

Nonprofit starvation cycle: A cycle that slowly starves nonprofits. The first step in the cycle is funders' unrealistic expectations about how much it costs to run a nonprofit. At the second step, nonprofits feel pressure to conform to funders' unrealistic expectations. At the third step, nonprofits respond to this pressure in two ways. They spend too little on overhead, and they underreport their expenditures on tax forms and in fundraising materials. This underspending and underreporting in turn perpetuate funders' unrealistic expectations. Over time, funders expect grantees to do more and more with less and less (Gregory & Howard, 2009).

Operation expenses: The common costs necessary to operate an organization, including but not limited to staff salaries, rent or mortgage on space, computers and printers, and supplies such as paper and pens (Huang et al., 2006).

Overhead ratio: A measure of overhead expenditures as a percentage of total expenses (Lecy & Searing, 2014).

Virginia Community Action Partnership: Virginia Community Action Partnership (VACAP) is the statewide membership association for Virginia's thirty-one non-profit private and public community action agencies (VCAP, 2015).

Virginia Community Action Agency: a local organization with the mission of reducing poverty through locally designed and delivered programs and services that are targeted to the specific needs of the community (VCAP, 2015).

Assumptions

As a mainstay of qualitative data collection, in-depth interviews are at the center of many qualitative studies because "they provide deep, rich, individualized, and contextualized data that are centrally important to qualitative research" (Ravitch & Carl, 2016, p. 146). Throughout the process of recruiting, setting up, engaging in, and following-up on the interview, a superlative level of rapport and communication is occurring between individuals that should be effectively managed. I assumed that CAA1, CAA2, CAA3, CAA 4, and CAA5 would provide enough data in the interview to be representative of all Virginia CAAs. Erickson (2012) wrote that qualitative inquiry is used to discover and to describe in narrative reporting what particular people do in their everyday lives and what their actions mean to them. I assumed that those interviewed would be truthful in their answers. An unwillingness to divulge information could skew the data results. I assumed that CAA staff would feel a level of comfort, which would support their willingness to speak freely on the topic and have their voices heard.

Furthermore, I used customized replication during interviews. According to Ravitch and Carl,

> This means that while similar questions are asked across study participants since they are vital to collecting data that can answer the research questions, they are not all asked the exact same questions in the same order; this requires that the interviewer create individualized follow-up questions and contextualizing probes both prior to and during the interview. (p. 147)

I assumed that this strategy would relax the participants and compel them to go back to questions previously answered to expound upon them. I assumed that participants would have a welcoming experience. According to Ravitch and Carl:

> If planned for and approached well, the interview becomes a forum and process by which you can explore people's perspectives to achieve fuller development of information within and across individuals and groups while keeping similar lines of questioning that help you to look within and across experiences in ways that help decipher meaning, experience, similarity, and difference. (p. 145)

I assumed that I would develop my interview skills by following best practices such as

- audio recording several interviews that I conducted and listening to them with peers and advisors to refine and improve my approach;
- observing experienced interviewers engaging in a set of interviews and debriefing with them about their strategies; and
- in a group, taking turns interviewing each other while the other group members observe (Ravitch & Carl, 2016, p. 154).

Limitations

Patton (2015) stated that the three qualities that matter include being nonjudgmental, authentic, and trustworthy (p. 271). The limitation is the possibility that the interviewee answers the question with information that they believe sounds good, rather than what is truthful. The outcome would be detrimental to the validity of the results. Thus, it is critical to ensure that the integrity of the interview process is protected.

Good interview skills include being clear so that the person being interviewed understands what is being asked; communicating open-ended questions; asking follow-up questions and probing, as appropriate, for greater depth and detail; and making smooth transitions between sections of the interview or topics. I assumed that the interview would be performed with the utmost professionalism and care. I also assumed that all participants would understand the questions being asked.

An issue that could possibly arise is exposing confidential information communicated through an interview as well as failing to be prepared to follow proper interview techniques, thus, compromising the information gathered from the participant. The purpose of the research must have been effectively communicated in addition to exactly how the participants' carefully generated data by means of individual interviews or focus groups were utilized in the culmination of results of the study. Members should be legitimately educated that they will not be recognized throughout the study and would not be caused any harm. The data that they supplied were protected according to the rules and standards of the institutional review board (IRB).

Significance

The current trend in individual donor giving demonstrates the strain inflicted on CAA operations. This study provided a better understanding of the challenges CAA leaders face in raising operating funds from individual donors. A long-range goal is to educate philanthropic foundations about nonprofit donor giving in addition to informing foundations. CAA leaders may use this information to improve how they cultivate and solicit existing and new individual donors. The result of the interviews is meant to fill a

gap in current research and serve as an example to nonprofit organizations that individual giving as it relates to operating expenses must be taken into careful consideration. "Often neglected, however, is the fact that some charities use more effective interventions than others and therefore have a much higher impact even though less money reaches the destination" (Caviola et al., 2014, p. 304).

Summary

Nonprofit organizations provide various programs and services that can be inaccessible to constituents due to a lack of program and organizational funding. There is often an unstable infrastructure behind these human service organizations that can impact the operational foundation of nonprofits and impact the overall effectiveness of the organization. There is a need for continued research on how a lack of operating funds can impede program effectiveness. This information is also vital to stimulate awareness and inform donors who may not realize how their contributions to programs alone can leave executive directors struggling to find support for the organization's operating expenses. Recent nonprofit literature takes a deeper look into the context of how funds are properly allocated within organizations and successful strategies often used by nonprofit leaders seeking committed individual donors.

Chapter 2: Literature Review

Literature Search Strategy

The scope of this dissertation consisted of examining the complexities involved in securing and maintaining operating funds for nonprofits, specifically as it relates to operating support from individual donors. I located literature for this review through accessing databases available through the Walden University Library including the Thoreau database, EBSCOhost, and Business Source Complete: dissertations, journals, and previously assigned course readings. I accessed Charity Navigator to examine the validity of the phrase *nonprofit starvation cycle*. I used the following keyword search terms: *operation expenses, overhead, leadership and overhead, nonprofit performance measures,* and *philanthropy*.

Theoretical Foundation

The goal of this study was to provide an understanding of how CAAs are affected by individual donor giving. Personal reflections expectedly varied between each nonprofit's executive director. To properly develop an understanding of the issue, the study includes participants' narrative details and the meanings they ascribe to the experiences. The theoretical framework for this study was based on "a quantitative, structuralist, and positivist approach to the study of policy narratives" called NPF (Jones & McBeth, 2010, p. 330). Jones and McBeth (2010) described NPF as a story with a temporal sequence of events unfolding in a plot (Abell, 2004; Somers, 1992) that is populated by dramatic moments, symbols, and archetypal characters (McBeth et al., 2005) that culminates in a moral to the story (Verweij et al., 2006).

The constructs that I used as the theoretical framework consist of factors that influence human behavior, staff perceptions, donor bias, and the nonprofit starvation cycle. This framework is similar to the one used by Caviola et al. (2014) to assess why people have a bias toward organizations with low overhead versus those with practical outcomes. Making donations to a nonprofit agency is a matter of choice. Deciding on which organizations to give to, as seen through the literature review, is a behavior that can be affected by information that is presented or is available to the donor at the time of giving. To illustrate this, Caviola et al. put it this way:

Presumably, as the overhead ratio is more readily available for most charities because it is straight forward to calculate, it becomes easier to choose a charity based on this aspect. Measuring cost effectiveness, on the other hand, can be extremely difficult and requires extensive empirical research, as well as cognitive resources. (p. 304).

In light of this, I examined the affinity donors hold for nonprofit organizations to which they donate funds vis-à-vis their subsequent financial contributions to their organizations of choice. It is for this reason that the NPF approach thoroughly supported this study. I took into consideration the difficulty imposed on donors due to lack of consistent measurement to evaluate the success of nonprofit organizations. Inconsistent information makes it challenging for donors to correctly assess if they would like to support the organization and make knowledgeable investment decisions.

The NPF was significant to this study in that it helped me continue the critical exchange of dialogue that started with those who coined the term nonprofit starvation

cycle and uncovered this as an issue. Publicizing this issue and teaching benefactors and nonprofit guard-dogs alike will be a step forward in changing the methods that are currently used to study nonprofit organizations. A pivotal starting point to approach the nonprofit starvation cycle would be to begin at what research highlights as its antecedent, "funders' unrealistic expectations" (Gregory & Howard, 2009, p. 50), biased due to unreliable representations of the need for nonprofits to fund operations.

<div align="center">**Literature Review Related to Key Variables and/or Concepts**</div>

I reviewed the literature available in the databases accessible through the Walden University Library for contemporary articles relating to operating expense funding, challenges related to operating expense funding in nonprofit organizations, fundraising and donor preference, and transparencies and fundraising effectiveness. In this section, hardships faced by nonprofits due to overhead stigma, inaccurate reporting of operating expenses by nonprofit leadership, the perpetuation of stigma by universal watchdogs, and operating with an inefficient universal metric system are highlighted.

Hardships Faced by Nonprofits Due to Overhead Stigma

Operating expense highlights the idea that nonprofit organizations separate what is spent on programs and services versus what is spent on staffing, function costs, administrative costs, infrastructure, and systems. A lack of operating expenses can produce a destructive outcome in the nonprofit sector. In support of this notion, Froelich (1999) opined, "At stake are all of the operating privileges currently enjoyed by nonprofit organizations" (p. 265). To have exceptional programs and services, exceptional staff must be in place because staff productivity improves with the proper tools in place. The

impacts of such a restricted overhead venture are felt a long way past the workplace; nonfunctioning computers cannot follow program results and show what is and what is not working, and ineffectively prepared staff cannot convey quality administrations to recipients (Gregory & Howard, 2009).

Between 1986 and 2007, the average operating expense ratio decreased from 23% to 19% (Lecy & Searing, 2014). With the support of data, Lecy and Searing concluded that the nonprofit starvation cycle is valid. Because operation costs are not the spending that directly fulfills the mission, it is often considered unnecessary. Like Gregory and Howard (2009), Lecy and Searing also concluded that the cause of the starvation cycle comes from donors. When the public became more concerned with how their donations were spent and developed a negative impression on overhead costs, nonprofit organizations had the incentive to decrease their operating cost, "but the reliance on overhead ratios also create[d] the condition for an excessive pursuit of administrative efficiency that may cause a steady and self-perpetuating practice of cost-cutting, which in turn may harm the nonprofit" (Lecy & Searing, 2014, p. 540).

Media and charity watchdogs promote basing these crucial decisions on an overhead-to-program expense ratio; however, this type of thinking comes with a price to the organization's staff (Lecy & Searing, 2014). Without a better approach to giving, nonprofit operations are bound to suffer. Without suitable and adequate managerial help, programs cannot work, or cannot work successfully, staff cannot be prepared, and new projects cannot be created (Byrd & Cote, 2016).

Donors dislike giving to organizations with high administrative costs. Instead, there is an affinity for donating to directly support program costs (Wong & Ortmann). Essentially, the idea is that volunteers should run nonprofits, and if it is necessary to employ staff, payment should be minimal. Scaling up requires the right people in the right roles, and without appropriate funding to handle this demand, noble causes are probably going to underinvest in data frameworks, requiring over the top labor to amass budgetary reports and make the following of interior execution and assets less productive (Glassman & Spahn, 2012).

In order to accomplish ambitious objectives, nonprofits must be able to invest in people. The nonprofit sector has not quite embraced this shift in internal culture. Traditionally, donors depended on the organization to apply their donation as they saw necessary; currently, many donors seek more information as to how their donations are utilized (Wong & Ortmann, 2015). This cultural misperception requires a rebranding of the sector. Nonprofit organizations are unable to scale up if there continues to be operational funding limitations placed on them. It follows that "if scaling-up is the dominant criterion for funding NGOs, then those that produce an easily replicated product or service will be funded and other organizations won't" (Byrd & Cote, 2016, p. 59).

Keeping this in mind, it is imperative to consider that one common challenge in getting key donors to understand indirect cost patterns is that there are no specific lists of costs that are required to be classified as indirect. If the contrary were the case, it would enable the company or organization itself to classify which costs are to be designated

direct or indirect, and thus empower that organization to present a compelling case for

indirect cost funding to donors. As a corollary to this status quo, due to the absence of a

standard method of defining and distinguishing between direct or indirect costs,

organizations are rendered incapable of explaining how they classify their expenses to

donors, which in turn negatively impacts donation volume. This further exacerbates the

discussion about how many activities add cost burdens to the organization such as

general and administrative, and overhead that organizations or companies use to collect

and divide costs as stated by Duarte (2016). A key distinction to note is that the term

general and administrative cost is used to explain the costs that come with running the

organization while "overhead" cost refers to those that come with managing and

operating program offerings. These generally contribute to the indirect costs of the

organization.

Conversely, direct costs are those that can be connected to an ultimate cost

objective such as the organization's programs. Organizations can count direct and

indirect costs separately even though they both ultimately contribute towards covering

the cost of providing an organization's intended service and in some cases are of similar

magnitude. Organizations in this predicament must deal with the difficult challenges of

scarce indirect cost funds availability.

In cases where procurement is a direct charge to an organization's program, the

indirect expense rate drops, while the total direct charges appreciate. The opposite is true

for cases where procurement is taken as a separate expense with some cases where the

overhead rate drops following the addition of a marginal subcontractor. This implies that

the exact cost can be treated in three different ways, each with different impacts to the

indirect expenses of the organization.

There is no doubt that the different methods discussed contribute significantly to

the stigma negatively impacting indirect expenses. According to Lopes (2021), in budget

presentations and preparations to donors including federal agencies, indirect expenses are

usually presented as a rate such as the percentage of the expense. From a donor's

perspective, there is a huge deal of survey involved in conducting analysis of the direct

expenses of an award, and also, at the end of the budget, there is a percent of expense, at

times considerable, which has a minimal connection with the aim of the award. This

makes many donors believe that indirect costs are a form of tax imposed on program

expenses.

In the context of the United States, organizations have an active oversight agency

that reviews an organization's indirect expense rate every year. However, the company

that runs this rate is not the one that will review and give funds and contracts According

to McDonald (2016), companies with complex nonfederal and federal funding mixes are

tied to their federal indirect expense rates for the entirety of the organization, thus making

oversight by their private donors nearly impossible. Further he added that, very limited

private foundations have a verification process of indirect cost rates. Worse yet, some

donors commit to indirect expense recovery, or negotiate a lesser rate than the initial

indirect recovery rate of the organization, hence bringing about the starvation cycle for

organizations. If the organization is federally funded, this could also result in a

noncompliant application of their indirect cost methodology as stated by Keogh (2021).

For organizations to overcome the overhead stigma, they need to implement money saving measures to cut down indirect cost services to reduce their indirect cost rates, hence making them more competitive on their activities.

Reconsidering the organization's structure, many well-established organizations have several segments with different rates, or many consolidating activities enabling them to have multiple rates to comply with the varying activity needs and donor requirements. Organizations should consider adding in service center allocations, which will move costs from the indirect costs column to the direct expenses column. The impact would be a reduction in the overall indirect cost rate. Additionally, organizations can look for different methodologies with which to allocate costs. Some organizations have different tactics for a more evenhanded distribution of indirect costs, which helps in the evaluation of indirect costs by the donors. While some donors have limitations on indirect cost, many do not. It follows then that a strategy an organization can implement to mitigate this challenge is, while coming up with a proposal, to simply explain the application and composition of the organization's rate vis a vi applying the rate in order to provide transparency regarding the necessity of indirect cost funding for the seamless provision of an organization's service.

Operating With an Inefficient Metric System

The metric systems currently being provided to potential donors for them to decide on which organizations to donate to, generously supplies data that identify a nonprofit organization's operating costs compared to the organization's income. On the other hand, data reflecting the overall success of the organization are severely undercut.

This in turn influences the way individuals think about nonprofits in a way that inhibits

nonprofits from generating adequate overhead funding to tackle the very challenges in

humanity that they aim to solve. In other words, "the measures applied to nonprofits are

unclear, imprecise, and do not have accepted, consistent definitions that can be

communicated to stakeholders" (Glassman & Spahn, 2012, p. 72). The metric applied

provides no indication of whether an organization is making gains towards its mission. In

polarized fashion, "people often donate more to charities with lower overhead ratios (i.e.

administrative expenses), irrespective of their cost-effectiveness" (Caviola et al., 2014, p.

303). Consequently, each time the metric is used to consider what charity is worthy of a

donation, the overhead myth is fed. Without a useful meaning of what it implies for a not-

for-profit to be viable, the issue of properly assessing hierarchical viability remains

(Mitchell, 2013).

Based on nonprofit practitioners' responses to questionnaires, transparency,

organizational characteristics, and programs in combination with financial ratios should

be the key indicators of organizational effectiveness. They argued that traditional

measures like financial ratios are still reliable because they are scalable, collectible,

objective, and comparable, but it is also important to evaluate the quality of programs and

governance. In addition to organizational effectiveness, it is important to understand how

a donor's decision is affected by the metrics made available to decide on which

organizations are worth donating to.

Nemon et al. (2019) explored the different theories of individual charitable giving

drawn to find out to what extent the amount of overhead compared to program costs are

correlated with the amount of donation. They discovered that, regardless of the overhead ratio, highly committed individuals tend to donate more to the nonprofit than less committed individuals showing that intention is more significant than the outcome in donors deciding on an organization to donate to. The findings of their study imply that a charitable donation is not all about the outcome because emotional attachment to the cause should also be taken into consideration. With this finding in mind, CAAs should take advantage of different appeals in fundraising, such as increasing donors' commitment by emphasizing the mission and efficiency of the organization in question. In an individual context, Newman generalized that more established, female, and low-pay individuals and those from bigger family units tend to have more trust in nonprofit organizations; however, wealthy people tend to donate more.

Bodem-Schrötgens and Becker (2020) based their research on a combination of attribution theory and social identity theory, aimed to increase the understanding of the trust-building process empirically. They identified the individual and organizational context as determinants of trust building. They found that how well the public knows an organization, in terms of transparency and trustworthiness, affects the trust level positively. In the organizational context, applying for certifications that can prove their trustworthiness and making financial information and the status of an organization's holistic financial state's accessibility can also positively affect trust evaluations. The authors implied that instead of only increasing trustworthiness by improving effectiveness and efficiency, the sociodemographic of potential donors is also important. They concluded that nonprofits should prepare different communication strategies and

materials for different groups of stakeholders; however, the authors' focus on the

individual context failed to capture other personal attributes that can affect an

individual's level of trust.

Misleading Reporting of Overhead Expenditure

Donors tend to value those organizations that report a lower operating expense

(Byrd & Cote, 2016). In many organizations, the overhead ratio may not be a true

measure of the organization's performance, and this reinforces further neglect of

infrastructure needs. This is the beginning phase of the starvation cycle, as it compels

organizations to meet donor's expectations while neglecting overhead expenditures,

which leads to inadequate investment in organizational capacity and fundraising (Byrd &

Cote, 2016).

In response to the demand to keep operating expenses low, nonprofit leadership

has taken on the practice of mispresenting actual expenses (Lecy & Searing, 2014). It is

therefore imperative that charities should then talk truth to control, offering their genuine

numbers to their boards and afterward captivating their boards' help in speaking with

funders (Gregory & Howard, 2009). Nonprofits should retrofit the measurement trend

donors utilize to make donation decisions. Lecy and Searing additionally noted that

researchers announce that the steady underreporting of charitable working costs will have

adverse impacts. The outcome of underreporting the operating expenses is that donors do

not get to see the true cost of running operations to support the programs. The practically

unbelievable certainty of zero raising support costs announced by a critical extent of

enormous not-for-profits recommend that organization consumptions were misallocated

or deliberately controlled to give contributors what they needed to see (Byrd & Cote,

2016).

Perpetuation of Stigma by Charity Watchdogs

Charity watchdog organizations have a reputation of serving as nonprofit

accountability controls. One such watchdog organizations is Charity Navigator, which is

"itself a nonprofit," that "rates some 5,000 other nonprofits by analyzing their financial

disclosures (IRS Form 990) and applies a standard methodology to produce a rating

anywhere from zero to four stars" (Glassman & Spahn, 2012, p. 73). The ratings are

published and have a large impact on the fundraising of the rated charities. These

watchdog organizations score and rate nonprofits to predict long-term sustainability by

analyzing the financial information the nonprofits transparently make available by fiat.

The goal of the charity watchdogs was to put this information into one publicly accessible

repository for convenience. Byrd and Cote (2016) stated that as of 2012 these charity

watchdogs include Candid, CharityWatch, Charity Navigator, and the Wise Giving

Alliance. The organizations collect annual reports and tax returns from donor websites to

analyze and present data to the public through a rating system. There is a formula that

goes behind the rating system. To illustrate the scrutiny and attention nonprofit

organizations deal with in executing their missions, even for profit organizations, Forbes,

U. S News and World Report, Worth, and Money ranked nonprofits according to

spending ratios, asserting that organizations that spend more on programs or less on

fundraising are more worthy of donations (Hager et al., 2004). This also feeds into

perpetuating the stigma that it tied to nonprofits being authentic about much needed operational funding to fortify the efficacy of the programs they stand for.

History and Background of U.S. Community Action Agencies

To help low-income communities gain access to making provisions for themselves, Virginia came up with a plan to initiate organizations called VCAPs, which operate under one governing umbrella. The mission of the VCAPs since 1964 has been to stamp out the poverty epidemic. Since initiation, the VCAPs have generated a large system of CAAs and are a long-standing case of open private association that offers significant exercises with respect to government devolution and against neediness endeavors (Nemon, 2007) with a focus grounded in giving community members a hand-up instead of a hand-out.

Thirty-one agencies across Virginia work together on a common vision to fight poverty and build self-sufficiency for strong families and communities throughout the Commonwealth of Virginia. Each agency focuses on its unique local needs while also being part of the community action network, coming together to discuss common issues, share ideas, experiences, and strategies for success. VCAP is the statewide membership association for Virginia's 31 nonprofit private and public CAAs (VCAP, 2015). VCAP serves its members with state and federal legislative representation and advocacy, member training and education, public relations and marketing, resource development, facilitating collaboration, and statewide efforts to increase public awareness of Virginians in poverty.

VCAP hosts several programs that meet the needs of families' children and individuals with low incomes. Each organization is governed by independent leadership that identifies the needs in its respective community. There is therefore no model agency. The underlying principle for all CAAs lies in their approach to fighting the causes of poverty as to provide a range of services addressing poverty related problems (VCAP, 2015). Listed are just a few of the programs offered by the organizations:

The Volunteer Income Tax Program allows those who make less than approximately $50,000 per year the opportunity to have their taxes done for free. Each year, members of the staff go to a special training provided by the IRS to learn how to prepare taxes correctly. Volunteers are deemed certified upon completion of the training. Many people benefit from this free service.

The Cars to Work program is supported by individuals donating vehicles. These vehicles are towed from the owner's property in exchange for a tax write-off. The vehicles are then prepared for individuals previously on welfare, who had established employment, and needed transportation to get to and from work.

Project Discovery is a partner agency, which operates as a high school-to-college pipeline program. They state that their vision is "to see that every student graduates from high school and every student who has the desire and demonstrates the ability, be able to attend post-secondary education" (Project Discovery of Virginia, 2020, para. 5). Participants receive guidance on college applications, financial aid form preparation, and also receive the benefit of all expense paid college campus tours. A majority of the

participants in the Project Discovery Program attend college, while some choose to enter a skills training facility.

The Emergency Services program serves as an aid for any needs a person may encounter, most importantly those needs that may render the person homeless, including rent/mortgage assistance, utility bill assistance, clothing, food, and transportation to name a few. Although the program may not be able to pay the entire bill, clients do appreciate the partial payment assistance. In addition, clients are made aware that a financial literacy course must be taken if they choose to accept the funding assistance.

Virginia Cares is a statewide service program which is housed in the CAA. They state that they "strive to provide our participants with a complete program that assists them with all of their reentry needs. Our program offers support and educational opportunities for all participants" (Virginia Cares, 2016, para. 10).

The Childcare Food Program provides the opportunity for those that would normally provide child care for fees illegally to run a legitimate business. The program provides training on the correct method for taking care of children, and it requires participants to receive certification in cardiopulmonary resuscitation (CAPUP, 2015). Participants are also required to abide by the United States Department of Agriculture standards for feeding children.

Sources of Community Action Agency Funding

Currently, CAAs rely on their board of directors to be a mouthpiece for the agency. Not only is the board tasked with communicating the positive impact of the deeds of the agency, but also maintaining a positive perception amongst the public.

Donations as little as $1 are recognized as a charitable gift and allow the organization to

claim 100% support from the board of directors. Aligned with the notion that most of the

nonprofit organization's financial coffers are filled by individual donations, Hammerman

(2012) stated that "Per Giving USA, in 2010, 73% of all charitable giving in the United

States was made by individuals" (para. 1). It is clear that turning the focus toward

individual giving is one of the most profitable methods of fundraising. Sargeant and Jay

(2014) stated that contributor improvement is in this manner the primary salary stream

for not-for-profits, and ought to be the territory wherein the most significant levels of

speculation are made.

To aid in focusing on motivating individual donations, a relationship could be

cultivated through the attendance of conferences. Additionally, requesting leads from

members of the board or an invitation to any network events where they would be

comfortable having a representative from the organization would be a great start. These

small steps in meeting people could turn into large opportunities to make big donation

asks.

Community Action Agency Operating Expenses

Historically, CAAs have been heavily dependent on government support and

federal grant funding. Given this, despite the fact that the structure and financing systems

of this relationship have changed after some time, CAAs still keep on getting the greater

part of their incomes from government programs (Nemon, 2007). In the 2007 fiscal year,

the federal government, through the Department of Health and Human Services, spent

630 million dollars on aiding CAAs. That amount was 654 million dollars for fiscal year

2008, which is a 3.9% increase in federal funding. Funds freely flowed towards CAA, which in turn allowed them to expand services and look for ways to exhaust the windfall of funds that were coming their way each year.

However, in 2008, President Obama recognized the need to make federal funding a competitive process. Perry (2014) stated:

President Obama's proposal last week to slash the budget for the Community Services Block Grant, which helps a nationwide network of community-action agencies pay for antipoverty projects, is just the latest attempt by political leaders to rein in one of the War on Poverty's signature efforts. (para. 1)

In early 2011, for the FY 2012 United States Budget, President Obama proposed 350 million dollars in reductions to the Community Service Block Grant Program, cutting its allocation in half. This action placed CAAs in a crisis. Those that did not resourcefully build their own method of sustainability now faced the imposition of cutting jobs just to continue operating. To date, CAAs engage in the resource diversification method since it is a viable strategy that allows for better planning and less vulnerability to economic shocks" (Sacristán López de los Mozos et al., 2016, p. 2643).

Relationship cultivation happens over time as prospects are identified and rapport is strengthened between the individuals. Sargeant and Jay (2014) defined relationship fundraising as an approach to the management of the process of donor exchange based on the long-term value that can accrue to both parties. Eventually the ask is made through appeal letter, by phone, or face-to-face.

Challenges in Obtaining Operating Funds from Individual Donors

To adequately highlight the challenges nonprofits face in attempting to generate operating funds from individual donors, it is important to understand the spending structure nonprofits deal with in providing services. Said spending structure has two components, which include direct and indirect cost. Direct cost is the money that is associated with projects and programs, which is designed to fulfill the mission. Indirect cost, also referred to as an operating expense, is the money spent in supporting the operation of the CAA that cannot be directly traced back to the provision of goods and services to the beneficiaries. In other words, the operating cost is the sum of administrative and fundraising expenses. Because to donors, overhead ratio is the key measurement of efficiency, the problem arises when the negative impression that the proportion of funds devoted to services, vis-à-vis operating expenses, is misunderstood due to the fact that operating expenses cannot be directly linked to the aid beneficiaries receive. This misconception of overhead ratios will inevitably damage the nonprofit sector, considering that the operating expenses are the backbone of CAAs.

In academia, the study of nonprofit starvation overlaps with many other disciplines, such as economics and sociology because the topic encompasses the efficiency of the CAAs and people's perception of the CAA. The nonprofit starvation cycle is a devastating issue to the nonprofit sector because it creates unnecessary pressure for CAAs while neglecting the fact that nonprofits have to build on administrative infrastructure in order to take more donations (Gregory & Howard, 2009; Lecy & Searing, 2014; Liket & Maas, 2015; Lu & Zhao, 2019; Schubert & Boenigk, 2019).

Instead of fulfilling the mission, CAAs bearing the risk of inefficiency, have to switch

some of their focus to minimize operating expense. The attempt of lowering operating

costs can lead to unrealistic expectations because it leads industry standard being lowered

and even causing misleading reporting. The nonprofit starvation cycle suggests it will not

be resolved unless funders are provided with more holistic data and are encouraged to

analyze it more realistically. Still, the nonprofit sector should be responsible to better

inform the funders of the need of CAAs, and the first step is to better define

organizational effectiveness.

To aid in informing donors regarding organizational effectiveness, Liket and

Maas (2015) conducted a study based on what nonprofit practitioners identified as

important in evaluating organizational effectiveness. They believed that financial ratios

should not be the sole determinant of organizational effectiveness (Liket & Maas, 2015).

They advocated for a multi-dimensional approach to evaluating organizational

effectiveness financially and practically. In addition to the actual organizational

effectiveness, Bodem-Schrötgens and Becker (2020) also identified that individual

context also matters; a universal standard of trustworthiness does not exist. As Liket and

Maas (2015) also pointed out, a qualitative measure of organizational effectiveness can

be vulnerable when it is misused; it is nearly impossible to objectively assess a

nonprofit's effectiveness. Bodem-Schrötgens and Becker discovered that the

sociodemographic of contributors largely affect their perception of trustworthiness. More

seasoned, female, and low-salary individuals and those from bigger family units tend to

have more trust (Bodem-Schrötgens & Becker, 2020). Nonprofit organizations can take

advantage of different appeals to attract different contributors. These researchers showed

that the issue of nonprofit starvation is interdisciplinary because it is more than finding an

alternative approach to measure the efficiency, but also how different types of donors

perceive the trustworthiness of CAAs. The multi-dimensional nature of the issue

indicates that a single approach cannot break the vicious cycle of nonprofit starvation; in

the organizational context, nonprofits need to increase efficiency and to effectively

communicate operating expenses with donors.

      In the individual context, understanding why donors give to charitable

organizations is necessary and can lead to the successful implementation of donor

retention programs within nonprofit organizations. Belongingness, trust, and personal

connection have been identified as themes contributing to donor behavior. Understanding

these three themes, as well as many other unique variables established by analyzing

donor behavior benefits those at nonprofits seeking to increase operating expenses.

Belonging and identity are critical to nonprofits understanding donor trends.

      Belonging, social connections, and cultural influence were all found to influence

trends in philanthropic giving (Clerkin et al., 2012). The way an individual feels when

they connect to the social issue and community will influence their intention to donate.

Consequently, this may reveal that donors are less obligated to donate when unaffiliated

with surrounding engagements. However, a deeper understanding of motivation will only

help nonprofit organizations understand its target audience further.

      Personal identity and salience are also variables in understanding a part of the

surrounding environment and issue at hand. High correlations were found among donor

identification, salience, and loyalty (Boenigk & Helmig, 2013). Donor identification will

lead to them returning and becoming loyal to the same organizations. Both are reasonings

on an individual basis; however, this also influences organizational involvement.

Organizations' contribution is significantly correlated with donors having a drive

to donate with connections to the nonprofit. Wang and Ashcraft (2013) uncovered that

organizations were more motivated by engagement with the organization than tax

deductions. Understanding the personal connections of an individual and organizational

level will increase nonprofits' ability to generate donor intake. This study is beneficial to

nonprofit organizations' understanding the importance of engaging their donors.

However, with donors who give primarily for tax reasons, they may need to implement

more programs to retain donations.

Trust plays a major role in donor motivation, as well as effecting donor intention

to become a returning donor. An individual's positive experience with a nonprofit

organization is very important. Expanding one's support base is also very important, in

addition to maintaining donors who are currently loyal to the organization for funding

consistency and safety. For funding consistency and safety, nonprofits are charged with

the responsibility to maintain transparency and trust concerning all the activities that go

into providing services. If a situation involving fraud or deceit occurs, the loss of the

donor base is devastating to the organization. The main variables found to be helpful in

such situations are: "(a) understanding target audiences, (b) knowing what will make

supporters stick, (c) seeing crises as an opportunity for change and renewal, and (d) being

honest and apologizing sincerely" (Kinsky et al., 2014, pp. 280–282). Being honest may

appear obvious, but if done incorrectly the public may see this as an insincere gesture, which in turn affects the nonprofit's donor funding bottom line.

Personal connections to the social issue supported by the nonprofit is a high motivator in charitable giving as Hopkins et al. (2014) found by focusing on advertisements and how this personal connection may influence opinions. It was found that a negative passionate reaction to the promotion, social duty of the support, and demeanor toward the advertisement all impact gifts (Hopkins et al., 2014). The authors made a connection between social responsibility and intent to donate. Religion does influence the individual's opinion of the advertisement, perceived corporate social responsibility of the nonprofit, and intent to donate to the nonprofit.

The article also suggested based upon the study's results that nonprofits who are targeting donors with emotions and possibly negative situations should use real victims in order to create realistic empathy. Being aware of this may lead to increased donations from diverse religious populations. Because donors may become disconnected, maintaining connections and developing strong and stable relationships with them is a necessary expectation. With the fears of spying on smart communication gadgets and the increasing exposure to data security risks, donors retain control when it comes to brand-consumer relationships. This makes it challenging for the fundraiser to communicate with the donor as they tend to block advertisements regarding the fundraising and thus, makes it doubly important for organizations to build and maintain strong relationships with their donors.

Currently, there is an increasing level of competition when it comes to finding the right nonprofit individual donor stemming from a plethora of fundraisers soliciting donations, which in turn makes getting the donor's approval an even bigger challenge. This situation, however, tends to favor well-organized and well-known organizations as donors tend to have a higher probability of switching the organization, they support given the many options available per Landreth Grau (2016). To catch up with the competition, fundraisers tend to carry out many fundraising events and present bigger asks.

The high rising popularity of socialism is also a challenge being faced when securing operational funds from nonprofit individual donors. This is because the donors are now looking at the government to handle all social issues. Hence, it will be less likely that the donor is to put in private efforts to solve the societal issues. The individual donor may at times fail to meet the deadline set for the fundraising. This seriatim causes the fundraising to be postponed, which further disrupts the scheduled activities. Donors may also fail to meet the deadlines because of various reasons such as lack of immediate funds, proposal letter delivery delays, or forgetfulness due to busy schedules. This, however, can be avoided if there is constant communication between the donor and the fundraisers.

Uncertainty about the future is also a big challenge. This is because of the economic challenges being faced around the world due to the pandemic and political insecurities being witnessed and experienced in different parts of the world. Such political conditions discourage donors from spending resources on charity projects to protect their own wellbeing.

Another issue when dealing with donors is a lack of trust. According to Lopes (2021), winning the trust of an individual donor is not an easy task. This is driven by the rise in the number of fraudsters who use fundraising tactics to swindle funds from innocent donors. Donors carry out a lot of research before engaging in a fund drive, causing the process of convincing a donor to contribute to take significantly more time and effort. This also brings about the importance of drafting a clear and convincing proposal galvanized by solid evidence of the project the organization intends to undertake.

Some of the individual donors prefer fun fundraising drives, which can be expensive to plan and execute. This causes the organization to sink deeper as funds meant for other activities are used to perform fundraising events. At times, the funds collected from such events may not reach the targeted amount.

Cutbacks and withdrawal of existing nonprofit individual donors is also a challenge. In many cases, donors withdraw their funding due to several reasons such as lack of resources, uncertainty about the future, delayed project impact, and a lack of trust. This affects the operation of the organization in a very significant way since funds are needed to run the day-to-day activities of the organization or charitable group.

Writing a fundraiser story to the donor is also a challenge faced by many organizations. The challenge show up when the fundraiser story fails to captivate the donor because it may not be what the donor is intends to be associated with. Some of the donors are religiously affiliated and therefore tend to only respond to stories that are not only religiously based, but directly connected to their religion.

In addition, some donors tend to have highly unrealistic expectations they donate to the organization. The challenge would is to meet their unrealistic expectations and keep them up to date with personalized information to retain their support. The evidence of the project's impact and personal connection to the cause is what makes donors contribute to the project. This, however, affects the planned list of activities as organizations are thus compelled to include the donor's ideas to satisfy some donors' want to have a sense of ownership inside of the program offerings and projects.

An additional challenge for organizations is the restriction of funding available for program delivery. This often occurs when donors overwhelmingly prefer to direct their support solely towards the delivery of programs and services while often allocating a small amount towards the cost of delivering services as stated by Ignacio Sacristán López de Los Mozos (2016). This drives some organizations to use funds meant to cover other activities to deliver programs.

A final challenge to consider is the reduction in the number of donors. To overcome these challenges, fundraisers need adequate time to plan for their proposals and get to know what their donors' preferences are to avoid being turned down. Moreover, proper communication and developing money-making activities outside of fundraising campaigns is increasingly important to protect donor trust and loyalty.

Trends in Operational Funding for Nonprofit Operating Expenses from Individual Donors

CAAs rely heavily on grant funding and donor support. Garecht (2013) stated that relying heavily on grant funding is not the best plan to ensure future sustainability for the

organization. "Grant making foundations often change priorities and most have fairly arbitrary rules that are subject to change at any time' (Garecht, 2013, para. 5). Instead, current stakeholders, volunteers, and individual donors should be utilized to grow the organization's donor base. In support of this notion, Hammerman (2012) stated, "Per Giving USA, in 2010, 73% of all charitable giving in the United States was made by individuals", illustrating the need for focusing on generating donations from individuals (para. 1). Turning the focus toward individual giving is a positive for CAAs and has proven to be one of the most profitable methods of fundraising. According to Sargeant and Jay (2014), benefactor improvement is accordingly the principle pay stream for philanthropies, and as such ought to be the region wherein the most significant levels of speculation are made. A relationship could be cultivated through the attendance of conferences. Also, requesting leads from members of the board or an invitation to any networking events where they would be comfortable having a representative of the organization would be a great start. These small steps in meeting people could turn into large opportunities to make big asks in support of operating expenses.

Many organizations shifted to the appeal of matching individual donor gifts. When an organization offers to match donor giving, the individual may feel more compelled to give. Anik et al. (2014) found 75% to be the best number to propose over the other given numbers when offering an incentivized matched gift. The researchers also concluded that asking donors to upgrade to a monthly recurring donation was not motivational. This can reveal to nonprofits that gaining loyal and recurring donors is not

easy. Donors must be motivated and offered something in return. This is helpful data to nonprofits seeking a way to turn one-time donors into recurring givers.

Organizational social responsibility is also demonstrated to influence donor giving. Not all individuals seek out organizations, but some are motivated by the behaviors of others. Kajackaite and Sliwka (2017) found that employees choose to make higher donor contributions when an organization's employers donate. Social responsibility may also be influenced by age. Younger volunteers are more instructed about the social issue, are more included, and give a higher level of their salary (Allred et al., 2014). Recruiting efforts should include young adult marketing strategies. This is beneficial to nonprofits as they can target specific audiences. It was also found that donors are more likely to give when the population is in need due to uncontrollable external issues, and therefore not a result of their own actions (Allred et al., 2014). While it is not possible to control all variables, understanding target audiences and how their personal connection to the organization influences their motivation will help in marketing strategies and volunteer retention.

Multiple studies show that investment in operating expenses is inevitable if the nonprofit organization aims to expand the goods and services provided to their beneficiaries (Lecy & Searing, 2014; Lu & Zhao, 2019; Schubert & Boenigk, 2019). Nemon et al. (2019) suggested that both operating expenses and the cause of an organization affect the willingness of donors to donate. Donors tend to accept a high overhead ratio as justifiable if they are committed to the organization's mission. Nemon et al. (2019) implied that the overhead ratio is not the only determinant of donations.

Bodem-Schrötgens and Becker (2020) found that both sociodemographics and organizational contexts matter, indicating that nonprofit organizations could be more efficient in communicating their operational expense needs by using different appeals to different groups of donors. A study by Liket and Maas (2015) provided insight into how CAAs can effectively and objectively evaluate organizational effectiveness.

In the nonprofit sector, reputation is rooted in honesty and ethical behaviors. To enhance fundraising effectiveness, it is important for CAAs to make information pertaining to overhead expenses available and understandable for stakeholders. It is important to listen to feedback because the dialogue is a two-way communication. The financial scandals in the nonprofit sector increased the awareness of donors regarding organizational efficiency, and as a result, the competition between CAAs for funds has become more rigid. The financial scandals might lead to the misinterpretation of operating expenses; therefore, it follows that for CAAs to break the nonprofit starvation cycle, they must learn to effectively communicate with prospective donors by educating them on nonprofit financial literacy and respond to donors' concerns**.**

Summary and Conclusions

The literature review provides a broad perspective on why people give to nonprofit organizations and how reliant the operating expenses' data are on influencing individual gifts. Trends in donor decision-making sets the tone for how individuals decide on which organization to support. Research demonstrated that people tend to judge nonprofits based on the amount they spend on operating expenses. The research question was:

RQ: What do CAA executive directors and board chairpersons perceive are

challenges in raising operating expense funding from individual donors?

Answering the research question helped provide an understanding of why focusing on the

nonprofit's dependence on the allocation of resources is a problem. The NPF is utilized to

assess why people have a bias toward organizations with low overhead versus those with

practical outcomes.

Chapter 3: Research Method

Introduction

In Chapter 3 I describe the qualitative research methodology employed to collect and analyze the challenges nonprofit organizations face when endeavoring to raise operational expense donations from individual donors. In this chapter I outline the qualitative study steps used to examine three nonprofit CAAs serving low-income individuals in the state of Virginia. The methodology initially was to perform individual interviews with CAA executive directors, development staff, and board chairs. However, after finding that several CAAs did not employ development directors, I performed individual interviews with CAA executive directors and board chairs.

Research Design and Rationale

The research question used to guide the study was:

RQ: What do CAA executive directors and board chairpersons perceive as challenges in raising operating expense funding from individual donors?

With this question in mind, a qualitative approach was germane to carefully highlight the relationships between the variables that affect a nonprofit organization's effectiveness when attempting to generate operational funding from individual donors. The main phenomenon of this study was individual donor giving and the importance in supporting the ability of the organization to fund its operating expenses. The goal of the research was to determine how donor giving affects the organization's ability to fund needed operating expenses.

Role of the Researcher

Through individual interviews, I collected data from research participants and provided them with a review of the results to eliminate personal bias that could be introduced in my interpretation of the gathered data. This ensured I properly understood, coded, and analyzed the data. In addition, I reviewed the findings of the research with peers who were not involved in the research process. Involving peers who have not been part of the research process enabled the discovery of information that was not presented clearly and parts of the discussion not properly addressed. In addition, the questions used to interview participants were vetted to eliminate leading questions that may polarize the participants' responses in any specific way. This enabled a collection of authentic feedback from the participants. I examined what CAA executive directors and board chairpersons perceived as challenges in raising operating expense funding from individual donors. I explored how this behavior directly impacts the CAA program's ability to raise funds for operating expenses.

I controlled my own bias during the data gathering and analysis allowed the research and findings to speak for themselves. I conducted the coding process with an open mind to ensure the confirmability and credibility of my findings while seeking to be enlightened through the use of the narrative framework approach. Operating through a narrative framework helped me to take all aspects of the interviews into account without the interruption of my biased position. I assumed this position to ensure the transferability of accurate content was protected. By adhering to best practices and the use of the best

methods to capture and record information, I ensured the dependability of the data. I did not foresee or encounter any other ethical issues.

Methodology

The qualitative design used for this study assisted me with producing reliable "knowledge of interpretations on organization and management accounting processes and understandings, with an emphasis more on uniqueness and contexts" through the lens of the NPF (Wahyuni, 2012, p. 77). I conducted field work at CAA organizations in Virginia that are executing similar programs and services. Some organizations can operate with a skeletal staff and provide efficient services while other organizations falter under these conditions. To understand the discrepancy in the outcomes between organizations facing marginalized operational funding from individual donors, I used the NPF to examine human behavior associated with a decrease or lack in donations.

A qualitative strategy of inquiry "employs different philosophical assumptions; strategies on inquiry; and methods of data collection, analysis, and interpretation" (Creswell, 2009, p. 173). According to Creswell, the qualitative method encompasses a precise approach to achieving an outcome. In the qualitative process, the researcher must be open to the fact that outcomes may change the development of the data. The role of a researcher as an agent of positive change is to make sure that all information researched is carried out in a proficient manner. There are circumstances that decrease the reliability of the method; it is necessary to report results regarding the research that are true to the outcomes, and not just what the researcher assumed to be true. Creswell stated that the

focus of qualitative data is to understand and interpret the information communicated by participants in the study.

There are several ways in which research can be compromised before it is complete. The researcher must be trusted to report true evidence, as well as perform research without bias. It is vital that past experiences and beliefs do not skew analysis or compromise the rapport with participants. Wahyuni (2012) explained:

> The main feature of an interview is to facilitate the interviewees to share their perspectives, stories and experience regarding a particular social phenomena being observed by the interviewer. The participants, who are the practitioners in their field, will pass on their knowledge to the researcher through the conversations held during the interview process. (p.73)

The study was qualitative and involved three CAAs throughout Virginia. I used interviews with CAA executive directors and board chairpersons to gather data as well as to establish themes and patterns in research.

Participant Selection Logic

To obtain participants from the target population, I sought out staff from three Virginia CAAs to interview. I interviewed a total of three individuals from each agency. Patton (2015) recommended that qualitative sampling designs specify minimum samples based on expected reasonable coverage of the phenomenon given the purpose of the study and stakeholder interests. For this study, I met with the executive director and board chair from each CAA to perform the interview using a specific protocol with interview questions that address the research question. I started with this number with the

intention to reach saturation. Patton described data saturation as "analyzing patterns as fieldwork proceeds and continuing to add to the sample until nothing new is being learned (especially with snowball or response-driven sampling)" (p. 271). I informed participants about confidentiality of their identities and what would happen to the information they provided. I then processed the information to get an understanding of their responses to the interview questions. The theoretical framework helped in the coding and analyzing of the interview findings.

Instrumentation

The basis of development for the interview questions was a product of the literature review and the study of theoretical frameworks. For this reason, it was beneficial to share the interview questions with committee members and colleagues to look for inadequacies and inconsistencies in the questions. This process led to a stronger set of interview questions that allowed me to gain the information I sought through my research.

A good contextual interview entails "a skilled, reflective interviewer understanding that the interview happens in a complex ecosystem of someone's life and that the job of the interviewer is to understand the responses (as data) in individualized and contextualized ways" (Ravitch & Carl, 2016, p. 148). A good qualitative interview with content validity and credibility includes characteristics that are relational, contextual/contextualized, nonevaluative, person centered, temporal, partial, subjective, and nonneutral.

Procedures for Recruitment, Participation, and Data Collection

I had the opportunity to perform prestudy interviews, which tested the

effectiveness of the research interview questions as well as individuals' understanding

and connection to the topic. This is in alignment with the assertion that "prior to

conducting the formal interview, the researcher should hold pre-study interviews with

colleagues to fine-tune the research instrument" (Wahyuni, 2012, p. 74). I conducted

three to four prestudy interviews by phone as the participants live at long distance from

me. Before conducting interviews, participants were informed about the background and

meaning behind the research prior to receiving the interview questions. An invitation to

participate was emailed as well as an informed consent agreement before the process

began. After the interviews, participants were thanked and reminded that they would not

be identified throughout the process, would not be caused any harm, and that the

information they supplied would be safeguarded according to the rules and standards of

the IRB.

For some researchers, information that is shared will be based upon a more

sensitive topic, thus causing the researcher to collect ideas of a delicate nature. With the

intent to show reciprocity to a participant, Ravitch and Carl (2016) stated that the

research should (a) give assurance that the data will be treated ethically in terms of

confidentiality and anonymity as well as respect for how participants are portrayed, and

(b) affirm or validate people's experiences in contextually appropriate ways (p.357).

Being aware of these key elements encourages participants to freely share

thoughts and ideas. In support of this, Patton (2015) stated that "naturalistic inquiry calls

for ongoing openness to whatever emerges in the field and during interviews" (p. 492). I

intended to boost the participants' confidence in my knowledge of the process and

display my professionalism in the manner I wanted to be depicted. The interview guide

appears in the appendix.

Shenton (2004) pointed out that the opportunity for peer review is also a crucial

facet in ensuring quality research. This gives others the chance to share their valuable

opinions and insights with the researcher, enabling problems to be seen through a clear

lens. "The fresh perspective that such individuals may be able to bring may allow them to

challenge assumptions made by the investigator, whose closeness to the project

frequently inhibits his or her ability to view it with real detachment" (Shenton, 2004, p.

67).

This method entails communicating the purpose of the study and how the answers

given will affect the outcome. I gained information on the executive director, the staff,

and the method in which donor funds are used. This method was most appropriate for

answering the research question because it was the interaction with the actual staff of the

organization that could bring about the most valuable data.

Data Analysis Plan

It was critical to create an effective data analysis plan to account for all the

variables related to the data analytics process. Considering this, Wahyuni (2012)

indicated that "data management in such qualitative research involves three important

aspects: data storage, transcribing audio sources, and cleaning the data" (p. 75). While

working inductively, the analyst looks for emergent patterns in the data. These patterns,

as noted in the preceding sections, can be represented as dimensions, categories, classification schemes, and themes (Ford, 2017; Patton, 2015).

To analyze the data collected, I employed a method of coding which "…is a process of assigning meaning to data" (Ravitch & Carl, 2016, p. 248). Initial coding took place manually to capture any higher-level impressions, prior to moving forward with the more focused coding. Wahyuni (2012) described coding as the assignment of a code representing the core topic of each category of data. Coding transitions the information into categories and themes for presentation in visual and descriptive forms. In forming categories, commonalities in the code are discovered and recorded employing "connecting strategies [that] seek to develop the context of the data and not isolate excerpts of the data in the way that coding does" (Ravitch & Carl, 2016, p. 259). From these common groups, a theme will begin to emerge.

For the more focused coding, NVivo was utilized to better organize and analyze the data entered from the transcripts. The intention was that this process will also make insights into the data and final analysis more efficient and accurate, with the manual coding to provide a touchpoint for first impressions and early insights as a crosscheck. Being an exploratory study, using NPF, analyzing the data is more about capturing the insights and analyzing if and how they are important to the field of knowledge. Therefore, this approach should allow for the most effective and aligned ability to complete that work in a manner that is professional and acceptable.

Issue of Trustworthiness

As I embarked on my dissertation, I recognized that I needed to effectively convey the purpose of the analysis and how exactly the carefully produced data of the participants could be used in the culmination of the study results through individual interviews or focus groups. I continued to use Informed Consent Agreements, just as in the pre-study interview, to remain open in the interview and study process. Peter (2015) pointed out:

> A number of specific features of qualitative research that require additional ethical attention and awareness also need to be understood, including the following: (a) participants are frequently quite vulnerable and require protection because the data collection methods, such as in-depth interviews, can delve into personally and politically charged matters; (b) naturalistic observation can raise concerns regarding privacy and consent; and (c) the potential for the identifiability of the results of this research may require extra efforts to maintain confidentiality. (p. 2626)

Ethical Procedures

I understood that I had to effectively communicate the purpose of the research and how exactly the participants' carefully generated data by means of individual interviews would be utilized in the culmination of results of the study. Participants were properly informed that they would not be identified throughout the process, would not be caused any harm, and that the information they supplied would be safeguarded according to the rules and standards of the IRB.

As qualitative interviews were conducted, it was important to understand what makes a proper interview so that unnecessary issues did not arise. Throughout the process of recruiting, setting up, engaging in, and follow-up on the interview, a relational exchange was used to build rapport that occurs between individuals. Especially since the interviews took place online, the relational exchange was carefully managed. Some of the techniques I utilized to build rapport were smiling when I began the Zoom interface, establishing and maintaining eye contact, sincerely greeting each person by their name.

I took a nonevaluative approach by trying to understand the participants' thoughts and views without casting judgment during the interview. By repeating phrases already expressed, the respondent may have felt comfortable expanding on details on a relevant issue. A succinct summary of information from time to time not only allowed for clarity in the communication process but also gave a mirror of what occurred. Sarcasm or obscure humor were avoided as the interviews required a careful consideration of the thoughts, feelings, comfort, and ideas of participants in order to be person centered. I performed non-neutral interviews by remaining free of bias and personal opinions. Furthermore, I worked to ensure that the reputation of the agency was left intact upon completion of the research.

The ethical and trustworthiness considerations were essential with respect for the interviewees were discussed. The transparency of nonprofit organizations required by the IRS were noted, which assisted in the ethical and trustworthiness evaluation. However, the identities of the interviewees were not revealed if they were uncomfortable with such.

The criteria for choosing the subjects were established: (e.g., a CAA, senior staff, and chair board member in place and willing to perform an interview).

The goal of this chapter was to outline qualitative research methods and provide the best available knowledge to analyze the challenges nonprofit organizations face in raising operational expense donations from individual donors. Individual interviews were conducted with five Virginia based CAA executive directors and board chairs from diverse nonprofit agencies. The interviews followed the NPF for specific protocol in examining human behavior and asked evidence-based questions to investigate issues associated with the decrease in donations from individuals. An invitation was sent to all participants including the purpose of the interview, consent form, and contact information. One interview was conducted for each participant through the use of Zoom technology. The data analysis plan explained data storage, transcribing audio sources, and cleaning the data, the issue of trustworthiness supports the validity of generated data collected from all interviews, and the ethical procedures covers anonymity, confidentiality, and informed consent.

Summary

The goal of Chapter 4 is to document the data provided as a result of the individual interview. A summary of themes and patterns found across interviews will be provided at the end of the chapter. In Chapter 5, the interview findings will be integrated and synthesized with the results of the literature review to identify themes, patterns, and/or differences found across both.

Chapter 4: Research Findings

Introduction

The fourth chapter of the study contains the results of 10 participant interviews. The purpose of this study was to explore and document the challenges associated with a lack of financial operating support from individual donors. Because "most individual donors want as much of their contribution as possible to go toward the mission of the organization, not toward raising additional donations" (Hager et al., 2004, para. 10), this study is vital to highlighting the overhead that ballasts the fulfillment of that mission. One central research question guided the study:

RQ: What do CAA executive directors and board chairpersons perceive are

challenges in raising operating expense funding from individual donors?

To address this research question, I thematically analyzed the 10 interviews and coded them in such a way that themes were formed based on the assigned meanings. NVivo12 by QSR was used to systematically code and identify the hierarchy of the study themes. In this chapter, I present the demographics of the participants, a complete review of the findings, and a short summary.

Setting

At the time of the interviews, the Covid-19 pandemic was well underway. The impact of the pandemic on the financial standing of some of the organizations was beginning to cause distress. Clients needed service and the organizations were working hard to meet their needs. The shortage of donors at the time of this study can be attributed, to some degree, to the vast economic impact of the COVID-19 pandemic.

Demographics

Study participants were 10 leaders from CAAs in Virginia, United States. They comprised five board chairpersons and five executive directors from five CAP agencies. Each had various years of experience in the agency and their current positions. Table 1 provides information on participant affiliation as well as the percentage of agency restricted and unrestricted funding.

Table 1

Display of the Participants' Background and their Agencies' Funding Source Information

Participant code	Years affiliated with community action agency	Years in current position	Restricted funds	Unrestricted funds
Board chairperson 1	1 year	2 months	80%	20%
Board chairperson 2	4 years	1 year	40%	60%
Board chairperson 3	8 years	4 years	5%	95-100%
Board chairperson 4	22 years	5 years	Not Available	Not Available
Board chairperson 5	10 years	5 years	5%	90-95%
Executive director 1	35 years	3 years	25%	15%
Executive director 2	1 year and 7 months	1 year and 7 months	60%	40%
Executive director 3	30 years	7 years	1%	99%
Executive director 4	3 ½ years	11 ½ years	90%	10-15%
Executive director 5	6 years	4 years	95%	5%

Data Collection

The methodology initially was to perform individual interviews with CAA

executive directors, development staff, and board chairs at three agencies. However, after

finding that several CAAs did not employ development directors, I performed individual

interviews with five CAA executive directors and five board chairs. There were no

unusual circumstances encountered in the data collection. The interviews followed the

NPF for specific protocol in examining human behavior and asked evidence-based

questions to investigate issues associated with the decrease in donations from individuals.

An invitation was sent to all participants including the purpose of the interview, consent

form, and contact information. One interview was conducted for each participant through

the use of Zoom technology.

Data Analysis

Each interview was coded and assigned themes based on the meanings of the

participants' shared responses. NVivo12 by QSR was also a useful tool in determining

the hierarchy or order of significance of the study themes. Through manual and electronic

data coding and analysis, a total of eight themes were generated. Table 2 contains a

description of the study themes.

Table 2

Breakdown of the Total Number of Themes

Research question	Major themes	Minor themes	Subthemes	Total
What do CAA executive directors and board chairpersons perceive are challenges in raising operating expense funding from individual donors?	1	4	3	8
Total	1	4	3	8

Evidence of Trustworthiness

I effectively conveyed the purpose of the analysis and how exactly the carefully produced data of the participants could be used in the culmination of the study results through individual interviews. The trustworthiness of the executive directors was demonstrated in the study through their transparency and willingness to discuss CAA financial matters. Participant's identities were not reveled in the data results.

Results

RQ: What do CAA executive directors and board chairpersons perceive are challenges in raising operating expense funding from individual donors?

The main research question asked about what the CAA executive directors and board chairpersons perceive are challenges in raising operating expense funding from individual donors. From the thematic analysis of the interviews, it was revealed that the primary challenge was the lack of knowledge and awareness of donors on how agencies actually work. Specifically, the majority of the participants reported the agencies' inability to communicate important information on how operations funding affects the

overall processes and impact of the agency. Meanwhile, another significant and unique finding was the participants' acknowledgment of the trust and confidence donors have given them in terms of maximizing and using the funds based on the agencies' needs. Further, another challenge discovered was the lack of capacity to closely monitor operational expenses due to the limited resources available. Two other challenges with limited references were generated. However, these may need further research to solidify their trustworthiness. They were experiencing a shortage of donors as part of the economic consequences of the pandemic and the growing number of agencies with better marketing abilities. The final challenge was the presence of donors who are more focused on the impact of donations versus the process of making an impact. Table 3 contains study themes in response to the research question.

Table 3

Breakdown of the Study Themes

Themes	Number of references	Percentage of references
Lacking knowledge and awareness of donors on how agencies actually work ** Inability to communicate and convey important information on how operations funding affects the overall processes and impact of the agency*	7	70%
Appreciating the trust and confidence donors have given them in terms of maximizing and using the funds based on their needs	5	50%
Lacking the capacity to closely monitor operational expenses due to the limited resources available	3	30%
Experiencing a shortage of donors **Experiencing the economic consequences of the pandemic* ** Needing to keep up with the growing number of agencies with better marketing abilities*	2	20%
Having donors who are more focused on the impact of donations versus the process of making an impact	1	10%

Major Theme 1: Lack of Knowledge and Awareness of Donors on How Agencies Actually Work

The first major theme of the study identified the lack of knowledge and awareness of donors on the actual processes of the agencies or the work needed before achieving the impactful goals of the organizations. The theme was mentioned by 70% of the sample. For these participants, the most pressing challenge is the donor's lack of adequate information on the actual systems and processes of the agencies where funds are not only needed to achieve the impact alone but also for the hardworking staff members implementing the programs and projects. Executive Director 1 admitted that they were having difficulties in obtaining funding for the staff. The participant found it interesting that organizations and donors want to see the members working but refuse to pay the staff to perform their duties accordingly. At the same time, the participant noted that the amount received for the staff's salaries is too low to be able to hire quality and capable staff members, making it even more difficult to hire and compete with the rest of the organizations and businesses. The participant noted:

> So, I think mostly is in staffing. We've been able to get funding to support the programs. But a lot of times, organizations and funders don't want to fund the staff, which is really interesting to me they want you to do the work, but they don't want to pay for the person to do the work. As with most community actions, the amount that they allow you to set aside to cover the staff is low, so you are not able to always hire quality staff. Because you can't offer the salary it's hard to compete with the rest of the world when you can't offer comfortable salaries.

A subtheme that emerged under the major theme was the issue of the inability of agencies to communicate and convey important information on how operations funding affects the overall processes and impact. Board Chairman 1 narrated how the key challenge is the articulation of the agency's processes and management. The participant shared the following sentiments during the interview:

I think the challenge would be just being able to articulate how that leads to impact. Right now, yes, your donation goes to a salary, but programs don't run themselves. I think that really is the challenge in all nonprofits is, programs don't run itself, you know, it's a business and has to stay afloat, we have bills, we have to keep the lights on.

Without overhead, there's no Mr. ***** who's running senior connections day in and day out. There is no Mrs. ***** who is helping you out in the computer lab. Heck, there's no computer. And so, the biggest thing, I think, for community action agencies and nonprofits in general is that, how are you communicating your impact to the community at large?

You know, are you doing sound like marketing, it's not always about the billboards and things along those lines if someone goes to your website can they see what you're about, what you do with your programs because its easily accessible. Are you putting out a quality newsletter, are you encouraging community meetings as a Community Action Agency? Are you around town, are you advocating on behalf of local issues, are you seen as a leader in the

community? So, I really think you can do all the good work you want to do but if

no one knows you're doing it, that's just the nature of the beast.

Board Chair 2 added that donors indeed need more information on how they are

serving the community. The participant believed that the impact must be known in order

for them to be recognized by the donors, saying:

Our current donors need more information on how we're serving the community.

If they see the impact, they recognize the efficiency. We never had any historical

evidence that it's been questioned, so it hasn't come up. The question isn't about

operating expenses, it's about impact.

Executive Director 1 also shared how the donors are aware of the mission of the

agency but continue to lack specific knowledge on the other expenses that entails the

management and operations of the agency as a whole. The participant added how the low

amounts of donation could be linked to the low awareness of the donors on the actual

systems and processes of agencies, saying:

I would say that it's probably roughly about 25%. It's a low percent because I

think the donors have a heart for the agency because they know that we are

helping the community, but they don't know enough about how we're helping the

community to know how to earmark the funds that they donate. And also, I would

say that our donors give low amounts and I think that's also related to the fact that

they don't understand just how the agency helps the community to be able to be

comfortable giving a large amount.

Furthermore, Executive Director 1 also admitted that they are lacking marketing efforts from the agency to inform the community about their mission and vision. The participant explained:

I also think that's also related to we're not really doing the marketing that we need to be doing. So, I know that for number of years we used the slogan, quietly helping people to help themselves. So, I've said to stay around we need to stop being quiet. We really got to start making some noise.

For one thing, back in 1965, when community action was started, we were quiet, and we we're huge supporters of the Social Services department. That was one of our goals and objectives was to be a support system for Social Services to do the things that Social Service at the local Social Services department, could not do to fill in the gap for those local social services department. Over the course of those last 50 to 60 years if you look out at the community, everybody's trying to do what Community Action does. Everybody wants to have a food pantry, everybody wants to do a clothes closet, everybody wants to help someone with the homeless. Everybody wants to improve the living situations for seniors, everybody wants to help with rent.

Similarly, Executive Director 2 added the need to communicate the agencies' basic needs more clearly to the donors. For this participant, donors must understand that there are many areas and aspects that must be considered before successfully reaching their mission and making concrete influences on the community. The participant narrated:

I think that our donors need more information about the work that we do, our organization has three impact areas or focus areas that should help us communicate more directly with donors about how their dollars are being used, whether that's administratively in terms of operating expenses. I don't think that matters if impact and data convey that the organization collectively creates the kind of changes and lasting impacts across the region. So, I think the shifts that we've made in the last 17 months in regard to impact areas and data focused, both decision making and reporting, will help us to convey to donors, how their dollars are being utilized to create impact overall.

So, a percent of my time, a percent of finance time, a percent of HR time is all dedicated to each of our three impact areas by program anyway, so it's easy for us to report on how the agency is making a difference. And it would be remiss I think of donors to suggest that the agency should operate without human resources or financial management resources. All of those pieces contribute to organizational success and employee qualification training, development advancement to see those impacts through to fruition in the communities. Ultimately, in response to the direct question you asked what challenges, I see the agency needing to communicate more clearly and more specifically about needs in the community, about how funds are being utilized, and about how those funds are creating direct immediate and lasting impacts.

Meanwhile, Executive Director 3 admitted that there is currently a lack of discussion on operating expenses. With this, the theme on the lack of information and

understanding on the actual operating needs of the agencies again emerged. The

participant stated:

> We simply don't do it. You know I know when I'm solicited whether it's from
>
> ***** where I'm an alumnus of ********* that I'm the chairman of the board.
>
> You know, they don't talk about operating expenses, I don't ask about operating
>
> expenses and I just give them because I want to support the initiatives that they've
>
> got going forward. If we ever were questioned, let's flip it a little bit and say, if a
>
> donor called and said, you know, I really don't want to support admin costs, or I
>
> don't want to support paying the salary of your finance people, then they would
>
> just fall in the bucket of restricted donations and we would handle it that way. The
>
> one thing we never want to do and as long as I'm at the helm and in that this
>
> leadership position we will never go against a donor's wishes, that would be the
>
> kiss of death. You know it's somewhat like a shell game, in all honesty, if you put
>
> donor A donation who was unrestricted in one shell and you put donor B under a
>
> second shell and that is restricted only for the homeless, well, all the money goes
>
> into one big pot anyway. So, so as long as we're spending money over and above
>
> what we would have gotten from a service contract or a grant from DHCD for
>
> homeless, then we have met that restricted donor request.

Executive Director 4 believed that there is a lack of information on how agencies

work, there is a need then to inform the audience about the interconnectedness of the

aspects and areas related to community action. This is to say that without the presence of

the agency staff members, the mission and vision of the agency could not be implemented accordingly. The participant shared:

> Well, I think, again, it goes back to telling our story of community action, what we do as a whole. And to say to them, what's the impact on the community, and try to sell our organization, just based on if Community Action were not there, if we didn't provide the span of services, we didn't provide all the things that we that we do, including with the administrative support, what would happen to the community? How would populations of individuals, how would they be able to move forward If we weren't there to help them.

> So, I think that's going to be a big challenge, because if you say, we need to raise money for this homeless shelter. Then we can do that. Or if we need to have resources to support a food program. Yeah, then we can get that support, we can get grants for tax preparation for low income. But when it comes to saying what community action does overall, I think there's, there's a little bit of a well, what would you call it, people not being informed. And so, we would have to come up with a language, we would have to come up with the data that would support what we do overall, to tell that story.

Finally, Executive Director 5 stated that there is a requirement for donors to see the impact of their donations without fully understanding that there are actions and processes needed to be made and addressed before actually making a substantial impact to the community. Hence, donors do not see the need for or the importance of providing for the operational expenses, saying:

It's significant because most funding is restricted funding therefore, the

opportunity to raise unrestricted revenue is a challenge. The requirement is they

would like the donations to go to program efforts. Often, they do not take into

consideration that program efforts require capital to be able to reach the intended

recipient. And so, while the donor is certainly wonderful, donors are charitable

individuals who seek good with their community charitable donations, however

sometimes they do not understand what it takes to actually have the impact that

they see, and that requires an unrestricted operating program.

Minor Theme 1: Appreciating the Trust and Confidence Donors Have Given Them in

Terms of Maximizing and Using the Funds Based on Their Needs

The first minor theme that followed received five references or 50% of the

sample. According to these participants, operations funding could be challenging but they

have started to manage and address them given the continued trust and confidence of

their respective donors. Board Chairperson 2 noted that the majority of the current donors

have entrusted them with the funds and their ability to make use of them correctly. This

has then helped them greatly, saying:

Most of the donors that we have, it really depends on where or what strata of the

community the donor resides or come from. What I mean by that is the 60%

generally are the altruistic donors who are just giving us the funds trusting that we

will make good decisions and obviously we have done so, or we wouldn't have

the increase that we had in 2020 in terms of numbers of donors and funding. The

40% predominantly comes from our community base donors. IE, if we have a

family that has some sort of experience with our head start program. When they

give us the funds, they're the ones that are more apt to request that the funds be

restricted to support our head start program.

Board Chairperson 3 echoed that receiving trust from donors will maximize the

donations and use appropriately. The participant shared from experience:

Most folks donate to support the overall mission and trust that we're going to

allocate where their donation is most needed. So, oftentimes it kind of goes to the

bottom line and then it's divided out as whatever area has the greatest need.

Further, Board Chairperson 4 stated that there was no issue with their operational

expenses funding from donors as they have been entrusted with the funding and how to

allocate them accordingly. The participant explained during the interview:

Those who give, any individual or any company, who gives to ********* being

that ********* is the only agency that provides so much here in the city of

******** and the surrounding area, they have no issue with that if we're happy.

And that's why we're gonna put in place maybe with the new director coming and

covid leaving, we can put a more active fundraising event in order.

Board Chairperson 5 echoed that there are no issues encountered in their agency

as they are strict with transparency and accountability measures. The participant indicated

that they have documentation processes in place; with this, they have never experienced

problems related to funding their operational expenses as they have acquired their

donors' confidence over the years. The participant shared:

I don't know of any individual donors that would be complaining because the auditor commented when we had our audit that we use 14 percent of our funding toward operating expenses. So, we are not spending the money on staff and luxuries and whatever and we have a blessed wonderful woman. We have a CFO that will not give you a dime unless it's triple documented. We are not spending money unnecessarily. And the board chair has a phrase that we laugh at but we take very seriously, it is your fiduciary responsibility to know how the funds are being spent. So, we don't have problems with folk complaining about spending too much money on things that are not in the operating expenses.

Executive Director 2 stated that donors have been generally supportive of them where most of the donors have given their trust on how to make use of unrestricted funds and the other resources available. The participant shared during the interview:

I think in our organization there's, there's been little concerned about that we haven't had much conversation, a lot of donors have spent from with simply say the work you're doing is important and we want to fund it. Most donors are not looking for a very specific thing in terms of a very specific program or very specific initiative, more donors are looking at I want to impact kids, or I want to impact families or individuals experiencing poverty, the end. Right, and they are trusting us to make good decisions with those unrestricted dollars. So those restrictions, if they are restricted to serving children often or Head Start which happens to be our largest program. But I think most are understanding that the

needs of communities continue to evolve and they are encouraging the

organization to make the best use of the resources available to meet those needs.

Minor Theme 2: Lacking the Capacity to Closely Operational Expenses Due to the

Limited Resources Available.

The second minor theme that emerged discussed the challenge of lacking the

ability to focus and keep track of the operational expenses and presence of funds due to

their lack of manpower. The theme was shared by three participants or 30% of the

sample. As Board Chairperson 4 admitted, they are lacking a designated staff member or

leader to manage and keep track of operational expenses needs and allocation. The

participant explained:

Well, just like anything else, with the times that we are in now, there's the have

been, and the have nots and the have to be. And once again, once we put a person

directly in charge of that area of development, I think we will see a change. We

haven't really approached it that way through the years, you know we'd go out and

I wouldn't say solicit but we're going to need that person in place that

development person in place and not only to secure grants, but also more personal

donations to word the agency. So, I think that's going to be put on the plate of the

new director to, not that this one didn't, but to pursue that in a heavier form.

Executive Director 4 also echoed that they are currently finding it very difficult to

pay and provide for their staff members. The participant explained:

And so, it's very difficult because now when we look at staff raises, unless it's tied

to some outcome of some program outcome, it's very difficult for us to pay people

what we should pay them and it's sad that our community action has to be struggling to … for its employees be struggling and to be low income, and we serve low-income people, but that's the nature of where we are.

Executive Director 5 shared that there is a challenge in being able to build the capacity of their team and respond to the overall needs and requirements for the agency's processes to be successful. The participant commented during the interview:

The challenge is building capacity which means building a team to be able to send your message, to respond to donors, to follow up and to have the equipment, the tools and the resources in order to provide your clients with tools that they need to be successful.

Minor Theme 3: Experiencing a Shortage of Donors

Two participants or 20% of the sample indicated that another challenge is the shortage of donors which was believed to be due to the economic impact of the pandemic as well as the presence of countless agencies in the community. The first subtheme or experiencing the economic consequences of the pandemic, Board Chairperson 5 stated that almost all agencies now are facing a shortage of donors where their fundraising programs and plans were all halted due to the pandemic. The participant narrated:

I think part of the problem that all agencies are facing is the shortage of donors. There are so many agencies out here at this point that everybody is seeking the donor dollar and it look like the economy is going to be bouncing back and that should help in soliciting donors. We were scheduled to have Susan Taylor who is the former editor of Essence Magazine last year but the pandemic hit and it was

going to be a great fundraising opportunity. We ended up having to reschedule it,
we were able to get her rescheduled for June 3rd but it's gonna be virtual. The
challenges that we are having now is with the economy and the pandemic.

We don't break it down as operating expenses when we're soliciting funds
for our program. Usually, we ask businesses if they would like to donate and also
discuss programs we want to support. We have students that are in our Project
Discovery program. These are the first-generation high school students, and we
take them to different colleges. And so, there's always extra money that we can
use because if you are a first-generation prospective college student you know
that they don't have any money for some of the things and so you want to make
sure that they feel as comfortable as they can when you take them to different
places. In that instance you are soliciting funds for a program and we have to have
staff to operate that program. It has not been my experience that there have been
concerns for agency operating expenses while soliciting.

The second subtheme reported the need to keep up with the growing number of
agencies with better marketing abilities. As Executive Director 1 shared, the presence of
growing agencies with better marketing has negatively affected the donors coming into
their agency. The participant explained:

The fact that there's so many agencies out there, now they do what we do. And it's
unfortunate to say, but because they've always had marketing as one of their
important roles. They have better marketing, so they're better recognized. CAPUP
has survived for 50 years but I think we will not survive another 50 if we don't do

something about our marketing piece. And that's one of the things that we are currently working on.

Minor Theme 4: Having Donors Who Are More Focused on the Impact of Donations Versus the Process of Making an Impact

The fourth minor theme of the study emphasized that there are donors who prefer to allot their donations to the impact of the program alone. Board Chairperson 3 believed that there are donors who would want to see their donations go to the impact and not the operations expenses of the agency. This has since caused the inability to access additional funds for their operating expenses, saying:

> We do not solicit donations for operating expenses specifically, we focus on impact… I would think that the greatest challenge would be individuals would be concerned about making donations for daily operating expenses; that they would rather see their donation go to support a program.

Summary

In summary, this chapter presented interview results via participant themes. The purpose of this study was to explore and document the challenges associated with a lack of financial operating support from individual donors. Through a thematic coding and analysis of the interviews, eight key themes or challenges were generated. These themes will be integrated and synthesized with the related literature in the final chapter of the study. Chapter 5 also includes recommendations for research and action as well as study implications, and conclusions.

Chapter 5

Introduction

The purpose of this qualitative study was to contribute to the knowledge of the challenges associated with raising financial support for operating expenses from individuals. This study was conducted to turn research attention to the amount of time invested in establishing donor trust and how it may explain the lack of operational donations. In the final chapter of this study, I integrate, synthesize, and evaluate the related literature and interview findings as they relate to the foundational research question. Research evidence supports the significance of trust in donor relationships necessary for nonprofit organizations to successfully solicit funds (Sargeant et al., 2006). However, research into how donor trust and other challenges affect the process of raising financial support for operating expenses from individuals is limited.

For this study I employed a qualitative methodology. Participants were five CAA executive directors and five board chairs from five CAAs in Virginia, United States. Participants' years of experience in the agency and current positions varied. Participants took part in semi structured interviews to provide information about their relevant perceptions and experiences. I subsequently coded and thematically analyzed the interview responses to highlight the meanings of participants' responses. I used NVivo12 by QSR software for organizing and determining the study themes. Eight themes were developed as a result of the thematic analysis process.

In this chapter I interpret study findings within the context of existing literature and the theoretical framework of the study. I also note the limitations of the study,

followed by recommendations that are informed by the results. In addition, I provide study implications and offer conclusions.

Interpretation of the Findings

The findings of the study are documented and interpreted in this section in relation to relevant existing literature and the theoretical framework of the study. The theoretical framework that guided this research was the NPF. The NPF centers on how public opinion is shaped by discourse and narratives, as well as the structures of influential narratives and their relationship to policy beliefs (Sabatier & Weible, 2014, p. 368). The NPF has been used in numerous studies and research contexts to identify strategies contained in narratives that are used by policy actors to persuade and influence decision-makers and the public. Overall, the NPF and other belief system theories are useful for discerning the paradigms and worldviews that frame influential narratives (Shanahan et al., 2017).

One central research question guided the study:

RQ: What do CAA executive directors and board chairpersons perceive are challenges in raising operating expense funding from individual donors?

The primary challenge that was found in the thematic analysis process was donors' significant lack of knowledge of how action agencies operate. Specifically, the majority of the participants reported the agencies' inability to communicate important information on how operations funding affects the overall processes and impact of the agency. Additionally, participants acknowledged the trust and confidence donors have that their action agencies would maximize the impact of their donations and use the funds

to effectively address agency needs. The inability to closely monitor operational expenses due to resource limitations was also cited as another significant challenge. While two other lesser challenges were also identified, further research may be necessary to solidify the trustworthiness of the findings. These lesser challenges were (a) a donor shortage as a result of the economic consequences of the pandemic, and (b) the growing competition among agencies to enhance marketing efficacy. The last significant challenge that was identified was the presence of donors who are more focused on donation outcomes than the process of making an impact. The following subsections involve discussion and interpretation of the major theme and subthemes that address the central research question.

Major Theme 1: Lack of Knowledge and Awareness

The first major theme of the study identified the lack of knowledge and awareness of donors of the operations and processes enacted by action agencies and the efforts necessary for them to have meaningful community impact and achieve organizational goals. This theme was the most significant, as 70% of the sample mentioned it. Participants who contributed to this theme noted that the most pressing challenge for fundraising was donors' lack of adequate information on how action agencies use funds and take action to have a positive impact, particularly the individual roles and contributions of hardworking staff members who collectively implement programs and projects. Participants noted that donors wanted evidence that agency members were working towards goals but were hesitant to adequately compensate the staff to perform their agency duties. Even when funding is secured, participants indicated it is often not

enough to fund staff salaries in a way that facilitates hiring quality and capable staff members; thus, action agencies can struggle to hire staff members and compete with organizations and businesses offering higher salaries. Participants also indicated that the inability of agencies to effectively communicate important information on how operations funding affects action agency outcomes and impact contributed to the issue.

Operational challenges, including fundraising, are frequently cited issues in existing literature among action agencies and other nonprofits (Lecy & Searing 2015; Liket & Maas, 2015; Lu & Zhao, 2019; Schubert & Boenigk 2019). Donors' lack of knowledge in this area can hinder their trust in action agencies, and thus, their likelihood of donating (Bodem-Schrötgens et al., 2020). A lack of funding that is indirectly caused by poor awareness of donors perpetuates the nonprofit starvation cycle, making it even less likely that donors will see their contributions lead to large-scale changes and community impact (Lu & Zhao, 2019; Schubert & Boenigk 2019).

From a theoretical perspective, this theme highlights the critical role of trust in persuasion and influencing the beliefs of donors in the interest of pursuing agency goals (Shanahan et al., 2017). Donors' perceptions of action agencies and their members inform how they interact with and regard them. However, when donors' perceptions of action agencies are informed by misinformation or false premises, misalignment between their expectations and lived experiences can have a negative effect on their beliefs about action agencies (Caviola et al., 2014). Further, as was noted by Caviola et al. (2014), donors' knowledge of the financial aspects of nonprofits and how donations contribute to

agency outcomes are often based on biased or limited information, such as overhead ratio calculations.

Minor Theme 1: Appreciating the Trust and Confidence Donors Have Given Them in Terms of Maximizing and Using the Funds Based on Their Needs

The first minor theme was referenced by 50% of the participants. These participants noted that while funding agency operations was challenging, agencies' ability to manage and address operational challenges enhanced the continued trust and confidence of donors. At the time of the study, some of the participants indicated that most of their current donors communicated their trust in how their funds would be used and the agency's ability to make use of them efficiently. This theme echoed Nemon et al.'s (2019) notes concerning the theoretical association between financial overhead and charitable donations, as the researchers determined that factors outside of financial ratios, including donors' own characteristics, also influence their donations and perceptions of donating. Thus, regardless of strategies or marketing tactics that are employed by action agencies for fundraising purposes, ultimately, some prospective donors are inherently more likely than others to be committed to supporting agency operations and goals. Bodem-Schrötgens et al. (2020) came to similar conclusions and emphasized the role of both organizational and individual factors in shaping trust between donors and agencies.

Minor Theme 2: Lacking the Capacity to Closely Operational Expenses Due to the Limited Resources Available

The second minor theme that emerged highlighted the challenge of agencies having an inability to focus on and accurately report operational expenses and available

funds because of a lack of manpower. Three of the 10 participants, or 30% of the sample,

mentioned this theme. Existing research indicates that aside from employees who would

be responsible for expense tracking, many action agencies also lack a designated leader to

manage employees and keep track of operational expenses, resource needs, and resource

allocation (Bodem-Schrötgens et al., 2020). A lack of employees, infrastructure,

leadership, and other operational issues can contribute to the nonprofit starvation cycle,

as these issues render action agencies less capable of achieving significant positive

outcomes and community impact (Caviola et al., 2014). In the case of the specific

challenge cited for this theme, lacking the operational capacity to accurately monitor and

report operational expenses is detrimental to donors' perceptions of an agency's financial

transparency and trustworthiness (Byrd & Cote, 2016).

Minor Theme 3: Experiencing a Shortage of Donors

Two participants reported that another challenge associated with action agency

funding is the shortage of donors at the time of this study that can be attributed, to some

degree, to the vast economic impact of the COVID-19 pandemic. A more long-term

cause of donor shortages that was reported by some participants was the saturation of

action agencies in the local community. Thus, pressure was felt at some participants'

agencies to enhance marketing efforts and strategies to improve donor recruitment and

compete more effectively with other agencies.

Considering that the vast majority of charitable donations are made by individuals

rather than organizations (Hammerman, 2012), it is unsurprising that the far-reaching

economic consequences of the COVID-19 pandemic rendered many prospective

individual donors suddenly unable to make large charitable contributions. However, because relationship cultivation is a long-term process, agencies may still retain a large pool of potential future donors that will be viable once economic conditions improve if agency marketing and communication are effective (Sacristán López de los Mozos et al., 2016). By using marketing and communication techniques that foster belonging, personal connection, and trust, action agencies can increase their likelihood of attracting trusting donors who will fulfill donations and remain committed to agencies in the long term (Boenigk & Helmig, 2013).

Minor Theme 4: Having Donors Who Are More Focused on the Impact of Donations Versus the Process of Making an Impact

Lastly, the fourth minor theme indicated that some donors prefer to allocate their donations to the impact of one program or project alone to increase their likelihood of seeing the positive impact or outcome of their financial contribution directly. This theme was referenced as a challenge because action agencies then have less flexibility to allocate money within their agency in a way that could potentially have a larger positive impact. One participant indicated that they often encountered donors who were only interested in donating to specific agency projects, programs, or causes, and were not interested in contributing to the operational expenses of the agency.

This challenge can, again, contribute to the nonprofit starvation cycle (Caviola et al., 2014). Several reasons help to explain why donors want to donate in a specific and targeted manner and are more hesitant to broadly contribute to operational expenses. Trustworthiness, transparency. Additionally, because personal and interpersonal factors

and characteristics such as social connection, belonging, and culture influence charitable

donations, it is also likely that some donors have a vested interest in contributing to

positive outcomes associated with specific causes, populations, and forms of charity

because they feel more personally connected to them than others (Clerkin et al., 2013).

Donors may, for instance, have a vested interest in helping underserved populations that

share their demographic characteristics, or contributing to philanthropy or outreach that

they benefitted from in their youth. However, when donors do not give charitable

organizations the flexibility to allocate donations as needed, they may be operationally

depleted to the extent that they cannot effectively fulfill the routine operations necessary

to continue operating. (Lu & Zhao 2019; Schubert & Boenigk 2019).

Limitations of the Study

The primary limitation of this study is associated with the qualitative interview

data that guided the analysis process. Patton (2015) stated that the three qualities that

characterize effective interviews include being nonjudgmental, authentic, and trustworthy

(p. 271). This limitation that is associated with interview processes involving verbal and

visual interaction between the research and participants is the possibility that participants

answer an interview question with information that they believe is favorable to the

researcher, rather than what is truthful. Specifically, the concern in this study was

participants might downplay challenges experienced at their agencies or over-emphasize

their ability to address or surmount challenges. Thus, the researcher took deliberate action

to conduct interviews effectively and ethically to lessen the likelihood of this limitation

being an issue, include being clear so that participants understood the interview

questions, communicating open-ended questions, asking follow-up and probative

questions, and transitioning smoothly between interview topics. It is an assumption that

the interview will be performed with the utmost professionalism and care. It is also an

assumption that all participants will understand the questions being asked.

Another way I attempted to mitigate the likelihood of participants providing

inaccurate interview responses was by addressing the risk of exposing confidential

information communicated through an interview and making participants aware of

confidentiality procedures. The purpose of the study was clearly communicated to

participants, as was the process through which participants' responses would be utilized

to produce the results of the study. Participants were distinctly made aware that they

would not be recognized throughout the study, that their responses would have no effect

on their employment, and that their data would be protected according to the rules and

standards of the IRB.

Recommendations

Several clear recommendations for future research and practice have emerged

from this study. A clear need for future research that has emerged from this study is the

need to ascertain the most effective strategies to improve donors' awareness and

knowledge of action agency funding processes and operations. Without this knowledge

and awareness, donors are more likely to make contributions that do not have their

desired impact or use irrelevant criteria to evaluate action agencies (Bodem-Schrötgens et

al., 2020; Liket & Maas, 2015). This research would be beneficial in multiple ways;

namely, it could help donors make more comprehensive and informed decisions about

charitable donations while simultaneously increasing the likelihood that donors will

financially contribute to action agencies without restrictive conditions or distrust

(Bodem-Schrötgens et al., 2020). The specific recommendation is for additional

qualitative research that is guided by the perspectives and experiences of employees and

leaders of action agencies that are effective communicators and fundraisers, as indicated

by a long-term history of consistent donations.

An additional, closely related recommendation is qualitative research aimed at

exploring successful strategies for improving donor trust and confidence in action

agencies. Many researchers have explored nonprofit fundraising strategies, however, the

nuances of the fundraising process have been explored less frequently. Namely, it is

important to note that fundraising is not a dichotomous process whereby obtaining

funding ensures a successful outcome, though a lack of funding is likely to cause failure

(Caviola et al., 2014). Rather, a donation can be more or less useful and impactful

depending on if or how donors restrict the ways action agencies can utilize their

donations (Lecy & Searing, 2015). Thus, additional research that contributes to improved

strategies for facilitating donor trust in confidence could have the dual benefit of

increasing the number of donations while also decreasing restrictions placed on donations

that hinder the potential positive impact of action agencies.

The last recommendation for future research that has resulted from this study is

for additional research, likely qualitative, on the best means of fostering longstanding

donor relationships that withstand changing contextual conditions and large-scale social

or economic events. Perhaps more than any other event in the past decade, the COVID-19

pandemic has served as a reminder that, in the United States and globally, large-scale health crises and other concerns to the lives and well-being of entire populations can unexpectedly paralyze financial donations. However, through careful relationship building, communication and marketing strategies, and transparency, charitable organizations can help to ensure that donors that are affected by temporary hardship will be willing to contribute once the challenges they are facing subside (Sacristán López de los Mozos et al., 2016). While the significance of relationships between donors and charitable organizations is known, further studies are needed to reach a consensus about best practices for building and maintaining relationships with donors through significant economic events and hardships.

Implications

This study was conducted in an effort to reveal a better understanding of the challenges CAA leaders face when they are raising operating funds from individual donors. Unfavorable trends in individual charitable contributions giving have placed significant strain on operations at the CAA and many other action agencies (Lecy & Searing 2015; Liket & Maas 2013; Lu & Zhao 2019; Schubert & Boenigk 2019), thus necessitating new strategies to increase donations and make the most of limited resources until donation trends improve. The findings of this study may inform the communication and marketing efforts of philanthropic foundations that are intended for prospective donors and other nonprofit foundations. Specifically, in the context of this research, CAA leaders may utilize recommendations and findings from this research to improve how they cultivate and solicit existing and new individual donors.

Further, the results of the interview and data analysis processes exemplify considerations and issues that affect the organizational effectiveness of nonprofits, thus lending more awareness to factors that predict the success of nonprofits that should inform donors', members', and leaders' decisions alike. Many nonprofits fail to properly communicate their processes and charitable efforts effectively to donors, however, many donors also enter into relationships with philanthropic agencies based on misguided information about how they operate or how their donations will be utilized (Caviola et al., 2014). By lending direct insight into the subjective perspectives of individuals working at or leading nonprofits, this research has contributed to narrowing the gap in communication and understanding between CAA donors and representatives.

Certain practical recommendations have also emerged as a result of this study. First, it is recommended that action agencies periodically evaluate their fundraising, communication, and marketing practices in relation to emergent research and credible information about best practices. While none of the challenges represented in the themes of this study were cited by every single participant, many of the challenges they mentioned have been identified and addressed, to some extent, in the existing literature. Thus, comparing current fundraising efforts to seminal and emergent literature on fundraising best practices could lead to significantly improved outcomes over time.

An additional recommendation is for action agencies like the ones that were the subject of this study to implement innovative strategies to increase transparency and give prospective donors a clear understanding of the process by which agencies utilize charitable donations to enhance the community and contribute to positive outcomes. By

providing potential donors with a clear understanding of the agency's pathway from donation to outcomes, donors may be more generous and less likely to impose obstructive limitations on donations (Mitchell, 2013; Nemon et al., 2019). However, as was noted in an earlier section, it is important to note that many detrimental issues of financial transparency and expenditure reporting are a consequence of the nonprofit starvation cycle, and thus, many agencies do not have the resources to meaningfully improve their financial transparency to increase donor contributions.

Conclusion

In conclusion, this study was intended to address how failure to properly understand overhead ratios may result in reduced functionality among nonprofits, as operating expenses are the backbone of nonprofit organizations. Thus, this research was aimed at contributing to the knowledge of the challenges associated with raising financial support for operating expenses from individuals. Qualitative methods were used to gather and analyze interview data from ten participants that worked for different CAAs.

Thematic analysis of the interview data revealed one major theme and four minor themes that lent insight into what CAA executive directors and board chairpersons perceived as challenges that affect the process of raising operating expense funding from individual donors. The major theme was a lack of knowledge and awareness among donors, while the minor themes were (a) appreciating the trust and confidence donors have given them in terms of maximizing and using the funds based on their needs, (b) lacking the capacity to closely operational expenses due to the limited resources

available, (c) Experiencing a shortage of donors, and (d) having donors who are more

focused on the impact of donations versus the process of making an impact.

Three future research directions that have emerged from this study are qualitative

studies intended to ascertain the most effective strategies to improve donors' awareness

and knowledge of action agency funding processes and operations, explore successful

strategies for improving donor trust and confidence in action agencies, and determine the

best means of fostering longstanding donor relationships that withstand changing

contextual conditions and large scale social or economic events. Practical

recommendations that have resulted from this research are for action agencies to

periodically evaluate their fundraising, communication, and marketing practices in

relation to emergent research and credible information about best practices, and for

CAAs to implement innovative strategies to increase operational transparency and give

prospective donors a clear understanding of how agencies utilize charitable donations.

Through the continued refinement of fundraising strategies and processes, CAAs may, in

time, effectively address the root of the nonprofit starvation cycle to the benefit of

numerous stakeholders.

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Appendix: Interview Guide

1. How many years have you been affiliated with this Community Action agency?

2. How many years have you served as Executive Director (Board Chair)

3. To what degree is there a lack of operating expense funding at your agency?

4. If so, what do you believe are the organizational impacts given a lack of financial support for operating expenses

5. What percentage of your CAA individual donors specify the purpose for which their donation is used?

6. What percentage of individual donors make unrestricted donations? (which can be used for anything the agency needs)

7. What have you observed about the perception of individual donors regarding funding operating expenses?

8. What challenges do you see in soliciting individual donor support for agency operating expenses?