OPEN ROAD
ALLIANCE

ROADBLOCK ANALYSIS REPORT



AN ANALYSIS OF WHAT GOES WRONG IN IMPACT-FOCUSED PROJECTS

2018

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EXECUTIVE SUMMARY

Background

Open Road Alliance is a philanthropic initiative that keeps impact on track by providing capital to social impact organizations facing an unexpected roadblock during project implementation. As such, every organization that approaches Open Road for funding is facing an impact-threatening problem. In 2017, Open Road conducted an analysis of 102 applications from the past five years to assess trends in its portfolio. The analysis looked at multiple variables, including the size of the organization, project type, sector focus, geographic focus, legal status, and type of original funder. The analysis also coded each application under a taxonomy of "roadblocks" that describe 22 specific challenges that these organizations faced, divided into three broad categories: Organization Misfortune, Acts of God/Market Economics, and Funder-Created Obstacles. The findings from this multivariable roadblock analysis provide **the first-ever empirical dataset on "what goes wrong"** in impact-focused projects and offer early conclusions on how specific roadblocks correlate with other variables.

The Dataset

Over the past five years, Open Road has systematically collected data on its portfolio of applicants for grants and loans, including applications that were ultimately denied. As of September 1, 2017, this dataset numbered 102 observations. Open Road analyzed this data in September for trends, patterns, and any statistically significant correlations using descriptive analysis and statistical analysis via probit regressions in STATA.

Each data point in this set represents a project that was mid-implementation (i.e., fully funded) and that experienced an unforeseen disruption that required a one-time grant or loan to implement a discrete solution. Thus, each of the 102 projects represented encountered an unexpected obstacle that, without additional funding, would derail the impact of that project.

Main Finding

The most conclusive finding from the analysis is that **the most frequently occurring roadblocks are those that are inadvertently caused by funders**. Funder-Created Obstacles make up 46% of the roadblock dataset and include specific obstacles such as a Delay of Disbursement, a Change in Funder Strategy, and Funder Policy Inflexibility. With only a few exceptions, Funder-Created Obstacles are the most frequent roadblocks across all sectors, funder types, project types, geographic focus, and organization size. Thus, funders are frequently – if unintentionally – contributing to disruptions to project implementation and, in doing so, threatening the impact of their own investments.

To illustrate this point, Open Road has taken a closer look at the specific scenarios of the two most common Funder-Created Obstacles: Change in Funder Strategy and Delay of Disbursement. By examining the individual stories told by applicants, we have found that most applicants cited **failed communication or poor expectation-setting** with their original funder. For example, when applicants reported a Change in Funder Strategy as the roadblock, often that change did not occur out of the blue. Rather, nonprofits and social enterprises were informed of an upcoming shift but were reassured (often multiple times) that they would not be affected. Then, at the last minute, these assurances were reversed and applicants were informed that they would not receive funding because of a Change in Funder Strategy. Likewise, Delay of Disbursement largely represents scenarios in which a specific date or timeline was given to the nonprofit or social enterprise by the funder, and despite repeated assurances, receipt of funds was significantly delayed to the point of threatening the viability of the project and, in some cases, the organization itself.

In the case of Funder Policy Inflexibility (tied for third most common roadblock[1]), we see another story of funders inadvertently undercutting their own investments. In this roadblock, the narrative is one where the original funder genuinely wants to assist its grantee but cannot due to internal red tape. In one classic example, a foundation with more than $1 billion in endowed funds referred one of its grantees to Open Road because it could not access an internal mechanism to provide an interim $90,000 grant to the project between grant cycles. Without the $90,000, the grantee – whom the foundation touted as the most impactful project in that particular portfolio – would have been unable to meet payroll.

As this data indicates, the actions (or often, inactions) that funders take have material consequences for the organizations they partner with. The prevalence of Funder-Created Obstacles suggests that funders have the opportunity to significantly maximize impact by reevaluating their grantmaking and investment practices to determine what changes can better serve the needs of their partners.

Additional Observations for Consideration

In addition to the main finding – that Funder-Created Obstacles are the most common roadblocks during project implementation – there are a few other narratives suggested by the dataset. Given the sample size, these subfindings cannot yet be considered concrete conclusions; however, they pose interesting considerations for both funders and the organizations they fund.

The first observation is that while Funder-Created Obstacles - as a category - is overwhelmingly the most common across the dataset, there are a few exceptions when the data is analyzed by *individual* roadblocks:

Agriculture and Health are two sectors in which the most common individual roadblocks do not fall under the Funder-Created Obstacles category. In other words, while Health and Agriculture projects are affected by Funder-Created Obstacles, in aggregate, more often than Acts of God/Economics or Organization Misfortune, the most frequently occurring individual roadblock was *not* funder-created in either sector.

[1] Also tied for third most common roadblock are Partner Problems and Weather Events.

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