

Opinion

When To Feel Guilty About A Bankrupt Nonprofit

Grantmakers for Effective Organizations (GEO) recently issued a new report by Nancy Burd titled “On The Money” the premise of which is to shame donors into recognizing their culpability for the demise of many otherwise worthwhile nonprofits. Having done so, GEO now apparently expects to see donor flagellation on a massive scale. Hold the whips!

The report protests that there are just too many nonprofits and too few dollars. So, what’s new? Every day, nonprofits fold their cards and quit the game and now they’re doing it in record numbers as the economy falters. Almost every nonprofit was formed out of a passion to help others and it desperately provided its services (often for years) fueled primarily by the fumes from that same passion. But, as the report clearly notes, durable, effective nonprofits require investments in internal capacity, stable revenue streams, talented leadership, and more flexibility from grantmakers. No argument from here. But, hopefully no grantmaker will jump off a bridge over these assertions.

The report suggests that the “biggest opportunity for grantmakers to make a difference will come from changing their own practices and assumptions with regard to nonprofit finance”. Don’t we ever tire of dragging the ball and chain of our guilt over the inequities of life that left us in charge of money? More often than not, wealth was not an accident. Rather, wealth was created by hard work, intellect, and determination. In my opinion, we need to be asking a different question. “Why are there so many poorly funded nonprofits being formed in the first place and why should funders care if they run aground?”

As for grantmaker guilt, why not feel guilty about funding such weak organizations when three more down the road are doing the same work for the same beneficiaries in the same town (and maybe even more effectively)? It is about time for a little shake out and the stock market is doing for grantmakers what they can’t (or refuse to) do for themselves. I wonder how many would close if grantmakers were to cooperate, consistently measure performance, and invest only in effective non-duplicated programs! Now there’s some guilt for you!

GEO goes on to accuse grantmakers of a living hypocrisy they call the “disconnect between words and actions” primarily because donors don’t give more unrestricted money to nonprofits for core expenses. Piled on are complaints about too much paperwork, non-standardized applications, and premature pressure to develop sustainable sources of income. On their face, these complaints all draw tears from many funders. It can’t be denied, it is tough out there.

Heaping even more coals on funder's heads, GEO worries that grantmakers simply don't understand the way nonprofits earn money and funders are overly concerned with perpetuity to the detriment of the here and now. The litany just gets louder as GEO laments that grantmakers don't even trust their grantees.

Obviously, grantmakers need a new suit of sackcloth and replenished stocks of ashes and hair shirts. GEO tries to make this rather tiresome burden a little lighter by noting that grantmakers only sin out of their "inadvertent" behavior. These are not intentional injuries being inflicted; grantmakers are just silly rich people after all. Oh, please!

For an organization focused on "effectiveness" there is hardly a word in the GEO report devoted to the relative value proposition. Grantmakers should support nonprofits that do the job! I'm not even worried about efficiency for now, just a little more recognition that nonprofits are expected to be effective would be enough. I suggest that grantmakers feel guilty about a bankrupt nonprofit only when they are certain that it was an effective organization doing work in a slice of essential activity that is not populated by lots of other nonprofits doing the same thing.

Survival of the fittest is not a pretty thing in nature, nor is it pretty among nonprofits but it is nature's way of culling the herd. So, grantmakers, don't beat yourselves up too much; there are plenty of others waiting out there to do this for you.