Uncharitable: How Restraints on Nonprofits Undermine Their Potential
By Dan Pallotta
Reviewed by Renée Irvin
The Art of Grantmaking

Review by Susan Bernier Ford

Over the last few decades, American foundations have proliferated at a striking rate, and among their creators are a good many super-wealthy donors. The media have dedicated more and more space to these philanthropists, and experts have poured out advice about the value of “strategic giving.” These advisors believe that too few donors, new and old, carefully analyze the best use of their funds, and that as a result, they accomplish less than they might through a more strategic approach to giving. Indeed, donors can now find not only books on this subject, but also multiple courses, conferences, consultants, and online guides.

Paul Brest and Hal Harvey are two seasoned and wise leaders in the field of philanthropic effectiveness—Brest is president of the William and Flora Hewlett Foundation and Harvey is a former director of its Environment Program. Their new book, Money Well Spent: A Strategic Plan for Smart Philanthropy, is an outstanding example of the strategic giving genre. They walk the reader through the importance of donors having clear problem-solving goals, sound strategy, and clarity about risk-tolerance. They urge donors to aim high. “Developing alternative solutions requires creativity or innovation akin to that of a scientist or engineer—creativity that is goal-oriented, that aims to come up with pragmatic solutions to a problem.” They advise careful selection of grants and accountability arrangements, distillation and communication of lessons learned, and the right types of grants and institutional arrangements. And they infuse their instructive text with non-polemic presentations of critical decisions such as choosing whether to spend out a foundation’s assets or manage them in perpetuity, as well as warnings about false dichotomies such as charity vs. change.

They also do more than offer advice on skillful grantmaking. They foster an appreciation of the many ways to engage in philanthropy, something too few authors in this field do well. Chapter 2, “Choices in Philanthropy Goals, Strategies, and Styles,” for instance, serves as a primer on the roles donors can play, ways to consider the donor’s resources in relation to needs, and the effort required to achieve change. And the book’s afterword wisely reminds donors of their responsibilities to the larger field of philanthropy and its infrastructure organizations. Brest and Harvey list organizations such as the Association of Small Foundations, the Council on Foundations, and Independent Sector, all of which can help donors live up to the important maxim: “do no harm,” and even go well beyond it. New entrants to the field will surely find this section valuable, as few know about the local, regional, and national groups that assist and track philanthropy.

My guess is that this book so nicely fills its niche that it will push the next generation of authors to explore new territory—to be less donor-centric and discuss grantmaking from the perspectives of grantee, grantee, and beneficiary. I welcome that, because too many of the recent aids to donors, including this one, impart little understanding of what it is like to be on the other side of the table. Ignoring the experience of others can undercut donors' effectiveness. Brest and Harvey do touch on donor-grantee matters in several places, including in Chapter 15 “Grantee-Grantee Relationship” section. They list common donor mistakes: unresponsiveness, time-wasting reviews and proposal revision processes, outdated expectations, and clumsy program exits. But the book gives only limited space to the donor-recipient-beneficiary relationships and the serious problems that can emerge from inattention to them.

As Brest and Harvey certainly understand, success in the search for philanthropic solutions does not lie entirely in the logic and accountability model, or in the now-popular wholesale importation of business practices into grantmaking. If a donor wants to ensure that libraries carry particular books or that all of a neighborhood’s elderly residents get flu shots before the holidays, tight logic models and time-bound, business-like accountability agreements make sense and can greatly help. But if donors are funding people trying to change deep-seated attitudes or individual and institutional behavior, then they need to engage in a dynamic, long-term, and open-ended consultative process with them. Such processes have been a key to success in donors’ and grantees’ struggle against apartheid and other forms of discrimination, and in building entirely new kinds of organizations empowering the poor here and around the globe. But few strategic philanthropy guides help donors learn how to be part of such relationships in a genuine partnership.

If the next generation of strategic philanthropy books does indeed focus on grant-making from more than the grantor angle, I hope authors give attention to the following thorny issues: Does increased media scrutiny of our field lead some donors, boards of trustees especially, to feel more important for results and credit for those results, leading the organization to increase control over the use of its money and appear to distort the grantee’s creativity? Or do such collaborations mean that the role of the quiet, patient, and responsive donor become less appealing? (I worry that this is too often the case.) What are the proper protections against donor-led strategic planning that imposes unwarranted and unnecessary demands on applicants and grantees? (Few grantors seem to have created a feedback loop to hear from applicants who think a “reasonableness” line has been crossed.) Which business practices transfer well into effective grantmaking and which do not? (Careless time-line pressure for immediate results and branding re-
Ideas

Requirements work in some types of philanthropy but can undercut the effectiveness of others.

A few leaders have already started a conversation of this sort. Sheila Patel, founder of Shack Dwellers International and the Society for the Promotion of Area Resource Centres (SPARC), an organization of Mumbai pavement dwellers, noted recently at Harvard University’s Hauser Center for Nonprofit Organizations: “Today, unfortunately, the conditions that allowed SPARC and its partners to succeed face every day. In the last 10 years, the whole financial architecture of philanthropy has changed. Something has infected most of the foundations and large NGOs that support us. Suddenly the virus of the ‘frog frame’ [logic model] has stricken us. So now we have to pretend that in a period of two years, we can implement perfect strategies and produce complete solutions...

Foundations today are increasingly treating organizations like ours as contractors in the delivery of their own visions. … They make us contractors, not innovators.”

Patel’s observations deserve donors’ attention, especially because so few grantees can risk hitting the bands that fund them. This brilliant community and organizational leader believes that strategic philanthropy can be unduly intrusive and go too far, minimizing ambition and stifling creativity. I agree, and see too many examples of this.

Brest and Harvey’s advice to donors could have explored this set of issues further. But I believe that their excellent text has laid a sound foundation for the next generation to do so.

It’s the Destination

Review by Pamela Hartigan


If you don’t know where you’re going, any road will take you there, the Cheshire cat tells Alice when she asks for directions in Wonderland. But what if Alice had known exactly where she wanted to end up, and just didn’t know which road would get her there?

That is the challenge that entrepreneurs face every day. In her autobiography, The Blue Sweater, Acumen Fund founder and CEO Jacqueline Novogratz engagingly captures one such mission in need of the right road. In her case, she hopes to use the power of markets to achieve social transformation, primarily through providing economic opportunity to the poor and marginalized. Through the course of the book she proves herself one of the increasing number of “ordinary” people who accomplish the extraordinary through sheer courage, fortitude, resilience, and the pursuit of a mission much larger than any one person could ever accomplish in a lifetime. And her story might also provide the missing piece for those struggling to change the world: her great willingness to listen to, and learn from, all those she comes across during her journey.

Novogratz’s journey begins as a new college graduate, when she joins Chase Manhattan Bank and flies around the world to review the bank’s loans. She loves banking, but as it turns out, she loves the idea of lending to the poor even more, and Chase is not about to do that—this is the 1980s, after all. So despite the personal validation, prestige, and security offered by such an institution, she resigns to accept a position at a nonprofit that uses the platform of the African Development Bank (ADB) to foster local organizations that promote economic development in West Africa.

No ability to speak French or knowledge of the region, and a huge dose of naïveté, she lands in Africa—first in Kenya, then on trips throughout the region. We follow her as she is rejected by the African women leaders who disapprove of having a young American woman in a central position at the ADB, when it should have been one of them. We accompany her to Rwanda, where she works alongside Rwandan women leaders to set up a microfinance organization and struggles to get borrowers to take their responsibilities to repay seriously.

It is this section of the book that probably most endears us to the author. There is her downright funny depiction of her “too American” attempts to convert shy Rwandan women into forward, aggressive sales agents at a local bakery where she was consulting. And she clearly shows us how she herself was transformed by the process of seeking to transform others, despite her admission that “we were getting our feet wet and didn’t know exactly what we were doing.” (How many times have we ever felt that way?) She comes to understand that economic development and social change cannot be imposed from without. They must be sought and grasped by the individual, marking entrepreneurs who are my heroes.

After her two-year sojourn in Africa, Novogratz returns to the United States for a stint with the World Bank in Washington, D.C., ending up back in Africa, this time in Gambia. And here begins a tragic subplot, the massive waste of financial and human resources channeled by well-meaning development agencies. As Novogratz’s experiences show, governments too often deal with the uneasy intended to help the poor so that it ends up padding civil servants’ pockets instead. This part of the book is not a surprise, unfortunately. That’s because we have heard of—and many of us have witnessed—the outrageous corruption that occurs in the name of development.

The most gripping part of Novogratz’s story comes next—after she has gotten her MBA from the Stanford Graduate School of Business and made her first official foray into philanthropy as a Rockefeller Foundation Warren Weaver fellow. She returns to Rwanda post-genocide, to the aftermath of the civil and ethnic war in which close to a million people lost their lives over a period of three months. Her efforts to discover for herself the fate of each of her Rwandan colleagues is simultaneously riveting, wrenching, and uplifting.

Novogratz’s creation of the Acumen Fund comes in the story’s final section. The venture capital fund invests in social entrepreneurs working to help the world’s poor. In this section she highlights the early years of the fund, its underlying principles, and her exposure to Asia, specifically to remarkable entrepreneurs who are my heroes, too: the late Dr. Govindappa Venkataswamy, who founded the cataract operation that allows millions of people who are blind to see.
“Enough already!” the book explodes. And it does so with such good reason and blunt candor that it deserves to become the non-profit sector’s new manifesto.

Pallotta reviews the frugal, almost prudish constraints the public expects from nonprofits, everything from a ban on paid advertising to standard wages for non-profit employees. But if we want the nonprofit sector to do without the successful tactics of the business sector—say, marketing—and forcefully on why and how we limit not just administrative expenses, but all overhead ratios. He goes on to show how misleading, easily manipulated, and plainly irrelevant these ratios are, and suggests we instead ask 16 questions that would reveal “What has the organization achieved, and what can it achieve with my donation?”

Every nonprofit professional, meanwhile, should read Pallotta’s section on how nonprofits can use the power of advertising. If donors and staff members complain that “a dollar spent on advertising could have been spent caring for the needy,” he advises the nonprofit manager to explain that exposing new supporters to the cause could result in a tenfold increase in donations. Indeed, as John Kenneth Galbraith noted in The Affluent Society: “The engines of mass communication, in their highest state of development, assimilate the eyes and ears of the community on behalf of more beverages but not of more schools. Even in the conventional wisdom it will scarcely be contended that this leads to an equal choice between the two.”

Pallotta goes on to speculate why the public expects nonprofits to behave so differently from for-profits and points the finger at America’s Puritan heritage of self-denial and frugality. Perhaps the Puritans do have a moralistic hold on us with regard to nonprofit sector endeavors, but given the apparent absence of Puritan influence elsewhere—where in 21st-century America, I’m doubtful of this hypothesis. We economists would instead blame nonprofit sector managers who measure donors that their money is well-stewarded by signaling their steadfast frugality. And sociologists would say that employees self-sort into a nonprofit avocation—that is, people uncomfortable with business-sector strategies and culture gravitate toward the nonprofit sector.

But whatever the underlying cause of the public’s belief that administrative costs are wasteful and overhead is bad, Pallotta believes we must speak up on behalf of nonprofits and educate donors on the necessity of not just administrative expenses, but all of the business strategies that can build the best launching pads for nonprofit endeavors.

Pallotta ends the book with a case study of Pallotta TeamWorks, the author’s own for-profit firm that was wildly successful in raising funds on behalf of nonprofit clients. In nine years of producing three-day walking and one-week cycling events, the company netted $30 million for several health-related charities.

So that they will succeed as well as she has in her own missions, I hope readers also take away that ultimately, the book is a wonderful lesson in the importance of empathy—not one that comes from a place of superiority, but one born from a profound humility and belief that from her to whom much is given, much is expected.»

The Double Standard

Review by Renée Irvin

Dan Pallotta has written Uncharitable as a response to every media report about a charity spending $400,000 to raise $1 million, every donor who wants at least 90 percent of her donation to go toward the cause, and every nonprofit executive director who eschews marketing for fear that donors will consider it extravagant. “Enough already!” the book explodes. And it does so with much good reason and blunt candor that it deserves to become the non-profit sector’s new manifesto.

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This case study is fascinating, and it will surely invite armchair quarterbacks to reckon on how they might have handled both the media and the nonprofit organizations. The study also tempts us to write off the book as motivated by Pallotta’s bitter experience of being pilloried by the moralistic media for having managed his business like a business. But that would be hasty. Uncharitable gives us much more than a tale of sour grapes. Pallotta has written thoughtfully and forcefully on why and how we limit the effectiveness of the nonprofit sector, and he asks us point-blank to change our thinking. For the sake of the nonprofit sector, I hope he succeeds.”