

# Want Equity? Then It's Time to Break the Rules!



by [David Greco](#) on November 12, 2018

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Back in June, we [wrote about](#) the need for nonprofits to better understand what it really costs them to deliver services, and on a related note, how funders can adapt their grantmaking practices to better support work around equity, inclusion, and opportunity for all.

Over the past few months, we have conducted a series of workshops with grantmakers, as well as interviewed nonprofit leaders working in communities hit hardest by persistent poverty and racial inequity. The outcomes of these conversations reaffirmed the importance of changing both grantmaker and nonprofit practices that ultimately don't support shared equity goals and priorities.

At joint sessions of nonprofits and grantmakers with Nonprofit Connect in Kansas City, Philanthropy Ohio, and Philanthropy Network of Greater Philadelphia, we asked participants to name some of the "worst" practices that undermine sustainability and limit impact. The response was immediate, and the list grew very long. **Funders recognize that restricted program funding, overhead limits, and short-term funding do not set their grantees up for success.** Nonprofits appreciate that asking for

what they think funders want to fund vs. asking for what they need, training donors to expect 95 cents out of every dollar to go to programs, and tolerating ineffective boards were not going to get them to where they want to be. And everyone agreed that it is time to move beyond conversations between funders and grantees; ***it is time to have the uncomfortable, exploratory types of conversations that uncover deeply ingrained barriers to changing how we work.***

So, if we know these practices are counter-productive, ineffective, and undermining the mission, what is stopping us from changing how we work? In a word—FEAR.

In sessions around the country, funders spoke about the fear of harming their reputation, fear that changing practices is too overwhelming, and that change will open the floodgates, inundating staff and forcing them to say “no” even more. Nonprofit leaders were afraid of losing funding as grantmakers choose “cheaper” organizations; plus they often didn’t know how to calculate full cost and there was ***a deeply ingrained belief that scarcity is a virtue—what one leader called the “martyr complex.”***

Fear is stopping us from changing practices that we know are bad, and it’s frustrating and obviously limiting what we can achieve as a philanthropic sector. But ***when it comes to the equity work, this inability or unwillingness to address the need to change our practices has devastating human consequences.***

Nonprofit Finance Fund’s 2018 State of the Nonprofit Sector report revealed that ***65% of nonprofits serving low-income communities could not meet the demand for services.*** Immigrants are denied access to legal aid, formerly incarcerated are denied access to jobs, and students seeking special education services are turned away. Leaders at Cleveland’s City Mission report that the number of homeless women and children being turned away at local shelters has reached epidemic levels. Every

night City Mission has had to tell 80 to 100 homeless women and children that they have no room for them.

Nonprofits are cutting programs, reducing staff, and turning people away because we are afraid to look bad and to actually talk to one another, and that is simply unacceptable. ***There is a real and very human cost to be paid unless we as a sector are willing to face our fears and change how we fund, change how we work, and end the culture of scarcity that is plaguing the sector.***

## **How to Move Forward**

To see real change in how nonprofits and funders work together on equity issues, we not only need to deal with the various structures and processes of organizations, but we must also equally attend to the human beings and their fears and beliefs. It is as much a people issue as a policy issue; it is about culture as much as strategy. We saw this play out as nonprofit leaders and funders around the country talked about the need to change at all levels, from culture and deeply ingrained beliefs and myths, to policies and processes, to our behaviors and how we act.

## **Overcoming Barriers to Change: Nonprofits**

Sector norms have dictated a certain set of rules for how nonprofit leaders are expected to behave. ***What we heard loud and clear is—it is time to break the rules:***

- **Say No to the “Pie Chart:”** Nonprofit leaders called for a “grassroots revolution” and suggested that social sector leaders need to “own their role.” ***We must stop training donors to expect outcomes for eighty cents on the dollar; the race to the bottom is not a model for sustainability or impact.*** And the first step we can take is to get rid of those pie charts showing how much we spend on programs vs. fundraising and admin. ***Bragging about how much we are starving our organization is not a path to***

***sustainability or impact.*** And like any good movement, it already has a hashtag: #NoPieChart.

- **Say it Loud, Say it Proud:** Executive Directors we spoke with emphasized the need to talk to their board, funders, and donors to explain just how hard this work is, how much sweat, toil, and effort it really takes. Starbucks doesn't apologize for the price of their lattes; nor does Apple lament the price of their new iPhones: nonprofits need to stop apologizing for what it costs them to do their work. ***This work is hard, complex, and long-term, we need to stop selling solutions that are short-term and simplistic because it is "easier" to get funding.***
- **Own Your Numbers:** "I'm not a numbers person," is no longer an acceptable excuse for leaders driving social change. ***Nonprofit leaders need to understand their full cost of doing business,*** from both programmatic and operating expenses, to systems, infrastructure, and reserves costs. Full cost accounting is not simply about balance sheets and income statements—it is about decision-making—and it informs key functions and strategy:
  - Having the timely, accurate, and transparent financial data that board members, senior leadership, and program staff need to make better decisions;
  - Creating a culture that understands what it really takes to deliver on mission;
  - Being committed to building a revenue and business model that ensures financial sustainability and drives impact; and
  - Nonprofits being willing to ask for what they need, not just what they think can get funded or what donors want.
- **Walk the Talk:** And finally, nonprofit leaders said enough of playing the victim and blaming funders or donors for our problems. That we defer hiring new staff or investing in a new fundraising platform because we are worried about our "overhead" rate while we turn people away is simply no

longer an option. ***Leaders and boards must be willing to make the necessary investments in our people, systems, and our revenue business if we are going to turn the tide on the issues of inequity and injustice. Scarcity is not a virtue; it is a death sentence.***

## **Overcoming Barriers to Change: Funders**

Much like their nonprofit counterparts, foundation leaders also recognized the need to evolve, if not transform, how they work. From Los Angeles to Kansas City to Pittsburgh, grantmakers identified steps they can take to change not only the organizational structures, systems, and processes through which work gets done, but also the motivations, beliefs, and emotions of those doing the work.

- **Ignorance Is Not Bliss:** Grantmakers called for building the knowledge and capacity of program staff, senior leaders, and trustees on understanding their grantees' full cost, especially when it comes to addressing issues of systemic racism, inequality, and exclusion. ***Instead of relying on one-size-fits-all program budgets with overhead limits, program officers need to ask different questions of their grantees that get to the root of what these organizations really need.*** As one program officer stated, "Hiding behind 'our policy limits overhead to 15%' can no longer be an excuse, especially when I know my grantee has staff who are on public assistance and they aren't paying a living wage."
- **It Is About Us:** One of the big shifts grantmakers discussed was for establishing shared outcomes with their grantees. It is not about the nonprofits buying into the foundation's theory of change; ***it is about funders investing in their grantees and their vision for change.*** In every session with grantmakers, there was a clear need and desire to deeply engage stakeholders—to talk to grantees, partners, and the community. Funders recognized the need to develop a clear roadmap on engaging stakeholders with clear

communication, shared understanding of goals, strategy, and expected ROI, and feedback loops.

- **Model the Change:** Grantmakers talked about the need to build reflective organizations that engage in a process of continuous learning. That means they must be willing to accept feedback (including criticism) from grantees, from the community, and from partners. Aligning behaviors with words, values, and strategies around equity and inclusion means changing performance evaluations for foundation staff and grantees. ***It is about not being afraid of failure, but rather seeing failure as an opportunity for learning and excellence.*** It is about recognizing that the world is sometimes a messy place and even the best laid plans need to be adjusted based on the realities on-the-ground to deliver positive social change.
- **Operationalizing Equity:** Lastly, grantmakers and nonprofit leaders all agree that truly ***committing to equity means changing how grantmakers fund.*** Examine current policies and practices—are they clear, relevant, and applicable for the type of grantees and grantmaking? Review grant application and reporting guidelines—are they putting undue burden on local community-based organizations? And ***provide more multi-year, reliable general operating support to move nonprofits from simply keeping the doors open and the lights on to strengthening capacity,*** investing in salaries and benefits, and making investments in long-term financial sustainability.

As the sector grapples with how best to create more equitable, just, and sustainable communities, the good news is that ***leaders on both sides are recognizing that business as usual will not get the job done.*** Grantmakers have started to change their grant applications (including using common application processes) and financial due diligence practices, and are providing more flexible funding. Nonprofits are changing how they talk about their work, better understanding their business needs, and breaking free of the scarcity mindset. Nonprofits and

grantmakers are sitting down together in the same room and starting to have open and honest conversations.