

Letting Non-Profits Act Like Businesses: One Foundation's Brave Act of Leadership

by Dan Pallotta

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Yesterday the Boston Foundation unveiled major changes in its grantmaking strategy and announced that “the most dramatic change is a shift of emphasis to unrestricted operating support.” You’re not hallucinating, and it’s not a typo. As if the emphasis on operating support were not jaw-dropping enough, it’s going to be unrestricted. This is not a narrow experiment. It involves the “majority of the Boston Foundation’s competitive grants.” And this is not a bunch of well-intentioned, innovative MBAs starting a little experimental social venture fund. It’s a major institutional funder with a \$700 million endowment that was founded in 1915.

Hallelujah. This is the nonprofit sector equivalent of the fall of the Berlin Wall. I remember when the Red Sox won the World Series in 2004. I didn’t cheer. I just kept saying over and over “The Red Sox just won the World Series” to convince myself that it was real. It was the same experience yesterday. I’m an optimist, but even I am so used to the hyper-incrementalism that defines the sector that I found myself in a state of disbelief.

The Foundation went even further. They will start making larger grants, they are removing term limits so grants can be made over five years or longer, and they are

removing deadlines so nonprofits can operate on their own timelines. The White House could learn a thing or two about hope and change from these people.

The announcement is striking and material on several levels.

First, it is an important voice making a declaration that real change will come from strengthening the capacity of good organizations; that as good as it may feel to fund programs, the greatest good can be achieved by funding organizations. Our mantra on poverty for decades has been, “instead of giving a man a fish, give him a fishing rod and teach him to fish.” But the institutional funding approach with nonprofits has been to deny fishing rods and hand out fish for a year or two and then tell the organizations to go find some new fish somewhere else. The Boston Foundation has said in no uncertain terms that it is in the fishing rod business.

Second, in a culture where a misinformed donating public has a prejudice against “overhead,” it recognizes the unique responsibility that institutional funders who know better have to act on their better knowledge.

Third, in a relationship where for years nonprofit organizations have been saying that what they need most is general operating support, it demonstrates respect, listening, empathy, understanding, and real commitment to their success.

Fourth, in a sector desperate for encouragement it demonstrates the ability of boldness and daring to excite and inspire, and it demonstrates the value of excitement and inspiration themselves. This is a new day, and the dawn of a new day moves people.

Fifth, it shows that the oldest institutions can rise up and surprise us. That disrupts the syndrome of predictability that so suffocates our sense of possibility.

Sixth, it is a demonstration of trust.

Last and most important, it is a demonstration of brave leadership. It challenges all major players to follow suit - not only to rewrite funding strategies, but to be bold, to lead, and to surprise. Today let us salute the Boston Foundation. They have just changed the world.

Dan Pallotta is an expert in nonprofit sector innovation and a pioneering social entrepreneur. He is the founder of Pallotta TeamWorks, which invented the multiday AIDSrides and Breast Cancer 3-Days. He is the president of Advertising for Humanity and the author of *Charity Case: How The Nonprofit Community Can Stand Up For Itself and Really Change the World*.

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