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The Most Crucial Gifts Are Often the Ones That Keep the Lights On

By Colburn Wilbur

Donors are frequently drawn to the dramatic gesture.

They underwrite a gorgeous new performing-arts center bearing their name. They declare their personal animus toward an intransigent social ill or crippling disease and then pour resources into its eradication. They pay for a groundbreaking program trumpeted by a high-profile organization—and rightly feel invigorated by the tangible effort and quantifiable results.

That's all to the good, but America's big donors should also commit more of their money to unspectacular philanthropy.

They must embrace the kind of giving that doesn't establish reputations or inspire banner headlines but focuses on the prosaic need to brace and fortify the nonprofit world.

What most nonprofits crave and require but rarely receive is gobs of discretionary money to cover general operating expenses. In times of want and uncertainty, discretionary money is particularly welcome.

Donors who come from the business world understand this need much better than foundation executives. After all, entrepreneurs

have often struggled to make ends meet and therefore may be better prepared to grasp the need for unrestricted funds than their peers at better-heeled foundations or at government agencies.

“You need lights, you need water, you need stamps,” declared a donor who has over the years steadily increased her unrestricted giving. “We couldn’t run our businesses without being able to pay for these basics. Why should we expect nonprofits to do so?”

When I was a foundation executive, I certainly worried about the health of our endowment and our ability to continue making significant grants in multiple areas. But there was never a moment when I feared that we wouldn’t be able to cover our payroll or that I’d have to start hauling home garbage in the trunk of my car because we could no longer afford to pay for municipal trash collection. Nonprofits regularly face these kinds of pressures.

Making matters worse, nonprofit executives routinely manage a dozen restricted grants and government contracts. In effect, they’re saddled with the equivalent of a dozen bosses, each specifying the percentage of their grant that may be used for lights, water, rent, salaries, and the like. It’s maddening.

When grant makers and other private donors don’t underwrite general operating expenses, that simply guarantees weak and wobbly nonprofits. Failure to give operating money will burn out the best people, encourage nonprofits to perform erratically, and waste much of the money so consciously dedicated to programs. Every gift that arrives wrapped up in strings further compromises the long-term promise of effectiveness.

By concentrating too much on program grants, donors also entice nonprofit leaders down the treacherous path of deception and

self-delusion. All too aware of grant makers' preferences, executives may leap at money earmarked for activities they have no business pursuing. Or they may contort their existing programs to catch a foundation's eye.

In the end, they will only compound their own financial difficulties by underestimating overhead costs. Eventually, the trap snaps shut. The organization finds itself locked into a host of program commitments and with no way to turn on the lights.

While I would love the foundation world to do more to understand the need for unrestricted grants, I know it won't change overnight. Despite greater openness to long-term grant making designed to assist key institutions in establishing themselves over many years, large foundations continue to be stirred and occasionally seduced by the allure of innovation and experimentation—the ceaseless pursuit of the new.

That means individuals can and should now step into the breach to play a significant role in securing nonprofits. Anybody who wants to make a difference by giving operating money would be smart to seek out:

A capable executive. A successful organization depends on a director with sufficient skills and dedication to handle a dozen tasks simultaneously. Keep your eyes open for brains, grace, balance, determination, and verve. Without keen vision and stable management, nothing can be accomplished.

Depth of leadership. If an organization is going to survive beyond the reign of its charismatic founder, it must cultivate leadership at multiple levels. In the end, leadership has less to do with any one person than an organizational attitude that rewards

initiative and responsibility while providing opportunities for professional growth.

An engaged board. The trustees should set the organization's mission, oversee finances, throw their backs into the unending task of fundraising, and otherwise assist the leadership in marching toward its goals. The board should neither fall prey to micromanagement nor regard its duties as pro forma. Membership on a healthy nonprofit board can often be a demanding part-time job.

The active pursuit of a realistic development plan. Your gift, no matter how significant, is only a single slice of the money pie. For a nonprofit to survive over the long run, it needs the participation of the executive, the engagement of the board, and probably at least one staff member dedicated to raising money. Goals have to be set, charted, pursued—and then realigned to meet the shifting sands of reality.

Reliable financial management. You shouldn't need an accounting background to interpret the fiscal state of your favored organization. Scan the annual budget and the previous year's financial statement, ask about cost controls, find out how data analysis informs policy at both the executive and board levels. But make it a conversation, not an interrogation. Everything you need to know will emerge from an honest and ongoing exchange.

A compelling reason for existence. Do programs lead to the desired outcomes? Can the leaders articulate their mission beyond half-baked homilies and clunky code words? Who would notice if the organization suddenly ceased to be? Are the end results really worth all the blood, sweat, and tears?

The ability to grow. Does the organization remain in touch with its constituency so that it understands the changing context of its work? Does it have the capacity to adapt to new circumstances and steadily improve its performance?

After many years of watching countless plans for instant transformation run out of fuel, I now embrace incrementalism as one of philanthropy's orienting truths.

Little changes for the good quickly. Unless we're willing to support the steady work of our nonprofit partners, then not much will change, period.

That means paying for original ideas, daring projects, and visionary leaders. But it also means maintaining a baseline of dependable support for key institutions, both locally and beyond.

I'd much rather make a grant to a reliable stalwart in my community than fall into the trap of trendy giving dictated by whatever new theory, spokesman, or untested tool has arrived on the scene.

Colburn Wilbur is trustee and former president of the David and Lucile Packard Foundation. This article is excerpted from "Giving With Confidence" (Heyday), the new book he wrote with Fred Setterberg.