

Kicking in a Rotten Door

Blog
Annastasia
November 26, 2010
0
blandit

"All successful revolutions are the kicking in of a rotten door"
- John Kenneth Galbraith

This quote is the opening statement in Dan Pallotta's book *Uncharitable: How Constraints on Nonprofits Undermine their Potential*. Last week Vantage Point brought Dan Pallotta to Vancouver to share his message with a sold-out room of not-for-profit executives, board members and corporate funders. I was energized by the audible buzz in the room as everyone digested the idea that real progress toward solving social issues may require a new way of thinking about, and investing in, not-for-profits.

After the event, I heard some people agree the message was important, but worry Dan was "preaching to the converted". It's not a new idea that limited investment for "overhead" and "administration" constrains the ability of not-for-profits to really deliver their missions. So, why as a sector do we continue to enforce it by accepting such restraints from funders - and even proudly promote our low costs? Vantage Point brought Dan to Vancouver because he is thought provoking. He challenges us to rethink what has become the status quo in our sector and offers the "converted" a new language - one that allows us to play offense instead of always being on the defense.

There are some holes in the argument. Though to make a point, at times you must over steer the ship. We know this all too well as an organization with a very different idea of what will make the greatest difference in the future: the transfer of skills from the for-profit sector to the not-for-profit sector through the engagement of external talent. And we know the first and most important step in any revolution is to inspire a vision while overcoming long entrenched systems and practices.

One argument of Dan's that seemed to have the greatest stickiness factor was compensation and our own government's Bill C-470. As Dan would say, the idea of a \$250,000 salary cap on this sector "makes sense until you think about it for more than 30 seconds." Malcolm Burrows, the Head of Philanthropic Advisory Services for Scotia Private Client Group, wrote a thoughtful [article](#) about this topic (which also references an Op Ed piece Dan published in the Globe and Mail). It takes a different view. Malcolm and Dan both oppose Bill C-470, but Malcolm argues that unlimited compensation is not a "magic bullet".

Dan's argument is not solely built around compensation though - in fact he argues the charitable sector faces 5 constraints: compensation, marketing, risk taking, long term investment and profit incentives. Trina Isakson, a member of Vantage Point's Next Leaders Network, wrote an excellent [blog post](#) this week which succinctly summarizes these points.

Dan and Malcolm do both agree on arguably the largest obstacle to real progress -the public has an extremely limited understanding of the complexity and diversity of this sector. That limited understanding can be dangerous because it consistently frames not-for-profit issues in "emotional, self sacrificial terms" as Burrows states. Thus, it is even more critical not-for-profits keep the conversation rational and strategic.

Clearly, the question "how much goes to overhead?" is not a strategic question - it provides no information about an organization's effectiveness at achieving its mission. Thinking strategically, we would focus rather on what an organization plans to accomplish and how much investment it will require.

As a student of the community sector for over 67 years, Vantage Point continuously looks for new ideas and approaches that "inspire". We are passionate about building strong organizations through people engagement. Each day, we are inspired by the community sector's incredible capacity to create vibrant, healthy and inclusive communities.

I hope we did in fact "inspire" by hosting Dan Pallotta and his provocative message. In our view, this event was an opportunity to build new dialogue and a challenge to break through a rotten door. Next time someone asks you as an employee or a volunteer of a not-for-profit organization, "how much of my donation goes to overhead?" how will you respond?