



Philanthropy Bridges Gap Between Payer Support and Cost of Services

Without it, we're out of business says Jones

by Bob Jones, Ph.D., Chair of the Resource Development Services Advisory Committee

Have you ever wondered why it seems so hard for many of us to raise philanthropy in the nonprofit human services sector to a higher level required to fully support our missions?

Why is it often so challenging to obtain the necessary support to make the required investments to yield substantial results for the organization? Why are false dichotomies of program services versus fund development often raised within and outside of the organization?

Those are thorny questions. Let's begin with something more basic: What is philanthropy?

One of the more inspirational definitions of philanthropy I've come across is a simple one: "Personal and financial acts of kindness that touch another life, often forever." Once, when challenged to define an organizational "culture of philanthropy," I responded that it is when the entire system understands, with a sense of gratitude, the intricate fabric of relationships that are required to accomplish the mission.

However, I fear that such gentle definitions based on the caring side of philanthropy fail to fully convey the strategic imperative that philanthropy represents for the survival of our mission commitments.

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ation of our organizational independence. It is a business, requiring leadership, vision, and sophisticated professional management, as well as investments of capital, human resources, organizational energy, and time.

To be successful we must manage our development and communications functions as lines of business. And yet, for many in the child and family charitable sector it remains a marginalized activity which is inadequately capitalized or endured as a necessary burdensome obligation.

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Why is this the case? I think primarily it relates to our failure to clearly articulate our business model combined with the economic drivers and dynamics that underpin a charitable service business model.

Most important in this process is to clearly define ourselves as much more than nonprofit organizations, and to do so with a sense of celebratory pride. The nonprofit label only captures our tax status. At our core, we are charitable organizations: We provide services and care to consumers

who cannot afford to pay the true cost of what they so desperately need and gratefully consume.

Quite simply, our consumers are rarely our payers. Our payers, or traditional "customers" in a strict business model, are often government, foundations, and donors. Their relationships and regard for the consumer—our client—are often complex. Thus, we have the moral challenge to provide a high-quality service to an often disenfranchised consumer at a price point the buyer will tolerate. Once one firmly grasps the implications of this triangle, the role of our philanthropic endeavors becomes crystal clear, for without it we cannot provide the quality of services our consumers need and deserve.

The reality of our fiscal world and the unusual dynamics that drive it are poorly understood and not often discussed. Frankly, I must admit that after more than 30 years in the field, I don't think I could have explained it as well as Clara Miller did in her article "The Looking-Glass World of Nonprofit Money: Managing in For-Profits' Show Universe," in *The Nonprofit Quarterly* spring 2005 issue. [Editor's note: This article is available at www.nonprofitquarterly.org.]

In the article, Miller provides a very effective test.

“In Nonprofits...

- The consumer buys the product?
- Price covers cost and eventually produces profit or else the business folds?
- Cash is liquid?
- Price is determined by producers' supply and consumers' ability and willingness to pay?
- Profits drop to the bottom line and are then available for further investments in capacity?
- Investment in infrastructure during growth is necessary for efficiency and profitability?
- Overhead is a regular cost of doing business, and varies with business type and state of development?"

What did you answer? For a nonprofit, the answers were probably all “false;” in a for-profit organization, they would have been “true.” I urge you to get a copy of Miller’s article, share it with your board, senior staff, and development committee, and then sit down together and discuss the

strategic implications. I guarantee it will be a most productive discussion.

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(Miller was a provocative and informative lecturer at the Alliance Executive Leadership Institute this year. See page 38 of this magazine for more on the Executive Leadership Institute.)

This analysis takes us to a very clear and simple place—the role of philanthropy as a subsidy business. What Miller coins in the term “subsidy business” is the keystone that holds in place our clients’ bridge to their future—the futures of the children and families we serve. Without that keystone of philanthropy, the bridge to the future collapses. Government and foundations cannot (or will not) pay the true cost of providing what our consumers need. Therefore, if we are committed to quality care, we must address the gap.

Our sector has much to be proud of: decades, even centuries, of caring for our neighbors while weaving the threads that create the fabric of a caring community. We must celebrate our rich history, including the best of philanthropic accomplishments: Gathering “personal and financial acts of kindness that touch another life, often forever.”

But we also must articulate the business model with clarity and vision. Philanthropy is the core of our mission, essential to our health and survival, and the life blood of our sector. ■

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To find out more about Children’s Aid and Family Services, visit their Web site at www.cafsnj.org. He is also a member of the Alliance Board of Directors.

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