



Raising Up Overhead: How We Can Do Better

Recently, five of the wealthiest foundations in America [announced](#) that they will do more to help their grantees cover overhead expenses.

This commitment reflects an essential best practice in philanthropy: ensuring grantees have the unrestricted capital they need to achieve their missions, sustain healthy organizations and grow their impact. This practice stems from the business world where investors know that great outcomes require both risk and risk capital.

And yet, the Jewish sector seems to be hesitating in adopting this approach. At a time when organizations are eager to dream big, tackle community challenges and strengthen their operations, many funders continue to direct their grants to a narrow set of programmatic goals. And all too often, these grants do not cover the true cost of the work.

But the announcement by the five foundations creates a moment of opportunity for funders in the Jewish sector to follow suit. Together with Bridgespan, the foundations put forth a [menu](#) of different grantmaking approaches for covering overhead expenses, as well as the indirect costs required to operate specific programs. At each of our foundations, we already see how effective both unrestricted multiyear support and funding essential operating costs are in driving and sustaining progress.

In our experience, general operating support is viewed by grantees as a statement – and source – of trust. When we offer grantees the runway and autonomy they need to invest in their staff, operations and ideas, we send a clear message that we believe in them. We trust and encourage *them* to think long-term and to execute a strategy that will best achieve programmatic goals and advance our shared missions. We know they need to be healthy, resilient and able to take risks in order to be effective.

In turn, allowing grantees more freedom to achieve their core mission tends to bring us closer. The more confidence we place in an organization and its leadership, the stronger and more productive our relationship becomes. By alleviating the pressure on specific short-term costs and outcomes, we lessen some of the power imbalances inherent in the funder-grantee dynamic. Grantees feel more comfortable speaking

openly with us about their vision for greater long-term impact – and the challenges they foresee along the way. With this approach to funding, we begin to rely on each other as *partners* in pursuit of a common vision.

Now more than ever, the Jewish philanthropic community expects organizations to look at a complex, evolving world and respond with speed and creativity. We ask our partners and their leaders to perform at a high level in a challenging environment, and we must ensure they have the resources that enable them to be nimble and take risks. We have found that we can best support this agility by standing behind our grantees and not in front of them. The challenges our community faces require us as funders to look to the experts who lead our partner organizations, who know their constituencies best, and who are on the ground planning, doing and evaluating.

Of course, providing unrestricted grants and overhead funding are not substitutes for other best practices. The more that foundations commit toward general operating support, the more important honest communication and strategic alignment between funder and grantee become. Our role as funders includes working with grantees to help ensure they are financially resilient and operating in the most efficient way possible. At the same time, grantees must be open with us about the true costs of their programs and the resources needed to achieve their goals.

Importantly, unrestricted funding is not about ignoring outcomes. Funders certainly should care about the success metrics of particular programs. We believe, however, that when grantees are able to appropriate their own programmatic funds, or at least cover both the administrative and direct costs of running their programs, they are more likely to make necessary adjustments along the way. Our sector will be stronger when we embrace the idea that investing in an organization's ability to learn, grow and compete is directly tied to its ability to achieve impact.

To be clear, we do at times make restricted grants because we know their value in piloting new approaches and supporting specific efforts that drive toward new outcomes. But in making restricted grants, it is vital that funders work with grantees to assess accurately – and then support – the full direct and indirect costs of operating a project.

Regardless of a funder's grantmaking strategy, the true price of an organization's work is always the same: the sum of programmatic, administrative and overhead costs. We know it is possible for nonprofits to deliver results on malnourished and even [starving](#) overhead budgets. But our work as funders is not about seeing what comes from a shoestring. Our work is about leveraging our resources to help grantees positively influence people and create the most possible good in the world.

At a time when the Jewish community is hungry for change, let's ensure that organizations can attract and retain talented professionals. Let's ensure they can be healthy, resilient and able to integrate the best tools and technology into their work. Let's ensure they can cover the real cost of their mission-driven work. Let's ensure they feel empowered to try, fail, learn and succeed in their quest to shape a vibrant Jewish future.

After all, as BBYO's Matt Grossman puts it, "the most effective way to inspire innovation and bring to life new initiatives is through an ecosystem of healthy, well-funded organizations that are encouraged to dream together with their philanthropic partners."

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