



A PODCAST WITH RUSTY STAHL | S5 EP8

## The Nonprofit Nutrition Cycle *Rusty's Rants & Reflections Series*

WITH HOST  
Rusty Stahl  
Fund the People



### INTRO (00:04)

Welcome to the Fund the People Podcast! I'm your host, Rusty Stahl. I'm President and CEO of Fund the People, where our mission is to maximize investment in America's nonprofit workforce. We give funders and nonprofits cutting edge ideas, research and tools to help drive equity, effectiveness, and endurance in the social sector. So let's start the show!

### RUSTY (00:34)

Welcome to the Fund the People Podcast, I'm your host Rusty Stahl. **In this episode, I'm offering up another one of my Rants and Reflections. Today's topic: The Nonprofit Nutrition Cycle.**

This episode is based on a guest post I wrote for the Center for Effective Philanthropy Blog 3 years ago, close to the beginning of the pandemic.

In a brilliant presentation at the 2013 conference of Emerging Practitioners in Philanthropy (EPIP), Jessica Prue, who was then with the Nonprofit Finance Fund, made an analogy in which nonprofit funding is like water, moving through a towering system of buckets and faucets until it finally reaches the operating budget bucket at the bottom. General operating support and earned revenue cascade from wide faucets at the top directly into that bucket at the bottom in a pure, steady flow. Restricted funds, however, are ice cubes that slowly melt in specific locations and times. Droplets of water from a frozen endowment drip slowly into the budget, while reserve funds encased in plastic water bottles float in the budget awaiting use.

Let's face it: many foundation grants are frozen solid. They are restricted by purpose, program, time, even by line items in the budget. To borrow language from [George Overholser's](#) great article on buying, not building, frozen funds are great for "buying" programs, but are terrible for "building" the very organizations that run the programs.

Frozen funding, I believe, is a major part of [the nonprofit starvation cycle](#). As famously discussed by the Bridgespan's Group Ann Goggins Gregory and Don Howard in the Stanford Social Innovation Review, heavily restricted funding reinforces a cycle that leaves many nonprofits "so hungry for decent infrastructure that they can barely function as organizations — let alone serve their beneficiaries."

When exclusively funding programs, funders pretend, to my mind, that there is some invisible unicorn funder out there with less restrictive grant parameters that will follow in their wake and pay for living wages, employee benefits, and professional development that organizations need but can't get from the restrictive grants. In reality, there is no mysterious "unicorn funder" to fill the gaps. **In a just and effective system, every funder would, at minimum, contribute flexible funding and, at best, intentionally deploy resources to build strong organizations, rather than just selectively buying a piece of one specific program.**

(03:58) The bottom line is that we need to break the nonprofit starvation cycle. More than that, we need to replace it with what I'll call a nonprofit nutrition cycle. The nonprofit nutrition cycle would ensure investment in not just the strategic and financial health of grantee organizations, but also to advance their human health: a productive workplace, competitive and equitable compensation and benefits, a nourishing organizational culture, robust support systems for employees, and a thriving staff and volunteer base.

(04:39) Now, unrestricted support is a major ingredient needed to give rise to such transformational change, but I believe it alone is not sufficient. I would argue that general support must be blended with specific support for staffing issues. [Fund the People](#), the organization I lead, has dubbed this kind of support "talent-investing" — grantmaking that intentionally deploys dollars to bolster and develop nonprofit leaders and workers, as well as the systems within and around organizations to support the staff team.

So to illustrate this blended approach is necessary, between general support and specific talent investing support, I'll use another liquid analogy. Imagine that each grant you make is a smoothie. Smoothies blend many ingredients into one cohesive new flavor. When we make smoothies in my household, my wife, Sarah, and I always throw in a big handful of kale. Our two young daughters won't ask for leafy greens in their sweet fruity drinks. But they (and we) benefit from the infusion of valuable vitamins, minerals, antioxidants, iron, and other nutrients that the kale delivers. The act of blending the fruits and vegetables is what makes this formula work. **Multiyear General Operating Support is the fruit; talent-investing is the kale. Blend them together, and you've got the sweet and healthy grants that nonprofits want and need.**

Look, as we all know, many nonprofit workplaces are riddled with burnout, staff vacancies, budget cuts, and trauma. And this is layered on top of struggles to build equitable organizations, which is layered on top of four years of public policy crises and their impact on communities. Which is layered on top of generational and demographic changes in our workforce. Which is layered on top of the starvation cycle and the chronic under investment in our workforce.

**With all these layers of pressure bearing down on the nonprofit workforce, a mix of general operating support and talent-investing is more essential than ever.**

(07:16) While the funding community ought to offer more multiyear general operating support as groups like Grantmaking for Effective Organization and the Center for Effective Philanthropy have been advocating, funders should not assume that such support in and of itself addresses the need for supporting and developing nonprofit staff. We all know that general operating funds may be used to fill budget shortfalls, fill gaps that are left by delays in government funding arriving, or be put into new initiatives or existing programs. There is often tremendous internal pressure (spoken or unspoken, rational or irrational) not to invest general operating support into improved salaries, bonuses, benefits, professional development, or staff support policies. It is rarely going to be used to advance [talent justice](#) — investing in intersectional racial equity within an organization staff.

So while funding ought to leave it up to grantees to decide how to use funds as needed, grantmakers should not assume that by providing general support they are relieved of the duty of investing directly in grantee staff.

(08:33) There are various ways a funder can reach this objective. Some might offer a hearty serving of general operating support with a shot of restricted talent-investment on top. Some facilitate their talent-investments with a guided process or a menu of training options, while others define an amount of money for this use but offer maximum flexibility with those dollars.

Of course, there are many funders that don't feel they have the budget to add talent funding on top of general support, or don't have the capacity to deploy staff development and support resources for their grantees. These funders can still do lots to infuse their general operating support with incentives for talent-investing.

So for example, if you're one of these funders, you can send a signal on your website, and in your grant negotiation process, that you care about the well-being of staff at grantee organizations. During grant negotiation conversations with grantees or potential grantees, and in your grant applications, you could ask questions about the human health of the organization — questions about compensation, benefits, professional development, career pathways, staff turnover, preparation for executive transitions, etc, etc. You might deploy anonymous surveys to current grantees to understand their perspectives. Sending these positive signals, and asking questions with a supportive rather than a punitive stance, can help create the nonprofit nutrition cycle by offering the incentives and cultivating the political will that's needed within grantee organizations to use your general operating support for talent-investments.

Rea Carey, she was the executive director of the National LGBTQ Task Force Foundation, is one of the leaders who has participated in Haas Jr., Fund's Flexible Leadership Awards. And in their evaluation, [Carey is quoted](#) as follows: I can't say enough about how important leadership development is. (I)t's like adding protein powder to your other grants. If you want your other grants to be successful, if you want your grantees to do the best job in meeting their

deliverables and moving the ball forward in their movements, you have to invest in leadership development.

**(11:01) So friends, you can choose to think of talent-investing as kale in the smoothie or protein powder. Either way, you can use it as a primary ingredient for supporting grantees. They'll be more energized from the general support and they'll be healthier from the talent support. This blend may be just what organized philanthropy needs to do right now to unfreeze funding, infuse it with valuable nutrients, and transform the nonprofit starvation cycle into a much healthier, much tastier, nonprofit nutrition cycle. This nourishing approach could fuel the powerful people and organizations that we all desperately want and need to make enduring social change in our troubled society.**

That's all I've got for now, I'll talk to you next time.

RUSTY (11:53)

Thanks for listening to the show! On my next Rants and Raves episode: it's not a either or, how we can infuse talent investing into all kinds of grant making. That's next time on Fund The People Podcast.

OUTRO (12:13)

Thanks for listening to Fund the People Podcast! Visit [fundthepeople.org](http://fundthepeople.org) and click on "Podcast" to find a transcript for this-and other-episodes and all the links discussed in the episode. If you enjoyed this episode, we'd really appreciate a 5-star rating and a quick review if possible on Apple Podcasts - it helps more people to find the show. Thank you for driving change in our communities. Remember to keep your tank full, take care of yourself, and take care of one another.