

## Uncharitable Film Review

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The notion that public goods and services are solely in the domain of government has long been challenged. Nonprofit organizations play a significant role in influencing and contributing to public administration and policy. However, a key element around the nonprofit sector's role in the provision of public goods and services has been the tension created by its “distinctiveness imperative” (i.e., the characteristics or combination of logics that make nonprofit organizations unique, especially to government and the for-profit sector) and its “survival imperative” (i.e., the behaviors or logics nonprofit organizations need to survive; see Salamon 2002). The distinctiveness imperative, in particular, has been core to the development of the nonprofit sector. It suggests that nonprofits are especially well-suited to perform many roles that neither the government nor the market can, or want, to do. In short, the sector is positioned as “motivationally and organizationally distinct from” the public and private sectors (Goodin 2003, 359).

Many scholars underline the nonprofit sector's core organizational characteristics and that these are, in turn, critical for the sector's survival. For example, Salamon, Geller, and Newhouse (2012) presented distinctive values that are in “basic agreement” across nonprofit organizations. The seven characteristics are “being productive, effective, enriching, empowering, responsive, reliable, and caring” (Salamon et al. 2012, 4). Studies of *nonprofitness* also suggest a distinctiveness frame. *Nonprofitness* studies tend to rely on the characteristic of ownership as the dimension that distinguishes and sets nonprofit organizations apart (Knutsen and Brock 2014).

Scholars also show that governments and the public tend to not “have a solid grasp of the nonprofit sector's special qualities” (Salamon et al. 2012, 12). Others have

lamented that the sector has experienced “policy neglect” which has led to policy stagnation toward the sector (Anheier and Toepler 2019). In response, Anheier and Toepler (2019) argue for more policy attention and reform, still promoting and recognizing nonprofit organizations' distinctive functional roles. Alongside these perspectives, however, there is a growing discontent with the distinctiveness positioning of the sector altogether. Dan Pallotta, with his new film *Uncharitable*, is a leading voice in this camp.

### Summary of *Uncharitable*

*Uncharitable* is a 2023 documentary directed by Stephen Gyllenhaal, based on Dan Pallotta's 2008 book of the same name, that incorporates Pallotta's TED Talk delivered in March 2013. Dan Pallotta is a well-known figure in the nonprofit world and the movie itself will be familiar to those who have followed his work. The film weaves together Pallotta's TED Talk and his life story, at times providing maybe a bit too much of both. However, the intersection of the professional and personal underscores Pallotta's journey and deep commitment to his ideas. The inclusion of his involvement in movements related to HIV/AIDS, the impact of breast cancer in his family, and being a gay father to triplets add a deeply personal dimension to the broader discussion.

The documentary emphasizes the need to reconsider the “rules of the game” that shape philanthropy and the nonprofit sector. The film adds interviews and clips from major players in the nonprofit sector, such as Scott Harrison, founder and CEO of Charity: Water; Dorri McWhorter, CEO of YMCA of Greater Chicago; and Darren Walker, president of the Ford Foundation, among many others. It showcases three nonprofit “scan-

dals”: the peril of the nonprofit Pallotta created, the Wounded Warrior Project, and Kony 2012. Throughout, the film outlines what Pallotta calls five areas of discrimination of the nonprofit sector:

1. **Compensation.** In the for-profit sector, higher compensation aligns with productivity. However, in the nonprofit sector, there is a belief that individuals should be remunerated modestly, with most funds directed toward the organization’s cause. Consequently, many individuals who could contribute to social causes opt to work for profit-driven corporations, diverting their talents away from philanthropic endeavors.
2. **Advertising and marketing.** Studies indicate that the main driver of a donation is simply being asked. However, a paradox arises when it comes to donors’ perspectives on advertising and marketing for nonprofits. While donors acknowledge the significance of these activities in soliciting donations and thereby generating more funds, they are hesitant to see their contributions directed toward these activities.
3. **Risk.** Nonprofit organizations often struggle to embrace innovation and assume risks due to the fear that mistakes could be seen as wasting donor funds. This risk aversion, rooted in the fear of resource misallocation, constrains the nonprofit sector’s ability to explore and invest in groundbreaking initiatives.
4. **Time.** Nonprofit organizations consistently face the expectation to demonstrate immediate results, as any delay could lead to a cessation of financial support. This pressure for instant outcomes hampers the ability of these organizations to pursue projects with more extensive and longer-term objectives.
4. **Profit generation.** Nonprofit organizations are barred from participating in the stock market, limiting their financial growth opportunities. The absence of this funding mechanism poses an obstacle to the nonprofit sector’s sustainability and capacity for attracting investments that could further advance its social missions.

### Pallotta’s Contributions

There is much to commend about Pallotta’s arguments. First, Pallotta, even before this film, has brought attention to important misinformation and

misconceptions about nonprofits. Pallotta has effectively underscored concerns regarding the limited funding for overhead expenses. The issue perpetuates a counterproductive cycle: donors often prefer their contributions to directly support programmatic activities rather than administrative expenses. Consequently, nonprofit organizations may downplay their administrative overhead to uphold low-cost ratios, sometimes neglecting investments in governance, strategic planning, and compliance (Krawczyk, Wooddell, and Dias 2017). This, in turn, fosters a climate of distrust surrounding overhead expenditures, exacerbating the problem.

It is against this backdrop that the Overhead Myth Campaign emerged, spearheaded by GuideStar (now Candid), the Better Business Bureau (BBB) Wise Giving Alliance, and Charity Navigator, likely in part in response to Pallotta’s work and the attention it was getting. At its core, this campaign challenges the conventional perception of “overhead” costs as mere administrative burdens and reframes them as key investments in organizational capacity. These resources are indispensable for nonprofits to effectively carry out their missions and generate meaningful social impact over the short, medium, and long term. The Overhead Myth Campaign advocates for a shift in how nonprofit performance is evaluated, drawing on alternative metrics such as functional allocation time studies, continuous education for boards of directors, and regular internal policy reviews, among others. Moreover, it emphasizes the importance of maintaining the main focus on the organization’s mission and assessing whether it is being realized, while also educating funders to set realistic expectations.

Second, Pallotta further elevates the role of media, and demands we consider (and scrutinize) its role in shaping our understanding of nonprofit organizations. The film persuasively asserts that more often than not the public sees nonprofit action through “the lens of scandal.” Illustrating the argument with real-world examples, the movie highlights Pallotta’s own experience and two additional cases of American nonprofit organizations: the Wounded Warrior Project and Kony 2012. These examples are used to underscore how media portrayals can distort public perception, wrongly labeling legitimate operational costs as illicit activities and consequently damaging the reputation of nonprofit entities. The film’s central argument serves as a response to the various media reports that characterize expenses by nonprofit organizations, not directly tied to their core cause, which is embezzlement. Such reporting tends to

criminalize nonprofit organizations. The movie asserts, however, that these expenditures are commonly understood in the business world as operational expenses encompassing areas like marketing, strategy, management, and growth.

### What Is Missing from *Uncharitable*

We also found that some key issues were missing from *Uncharitable* and the discussions the film elicits. One question pertains to the feasibility of addressing global challenges within the framework of capitalism, arguably the very system that gave rise to the challenges we face. This issue prompts questioning the interplay between philanthropy, democracy, and capitalism. While it is recognized that the nonprofit sector greatly represents the associative life advocated by de Tocqueville's analysis of democracy in America as mutually beneficial for its members and society (Eikenberry 2007), there are more critical views toward philanthropy. Particularly in the case of elite philanthropy, some highlight its tendency to concentrate considerable power over public interests in the hands of a select few affluent individuals. This concentration of power allows them to make decisions on matters that affect vast segments of the population, often based on personal preferences (Hall 2013). In this regard, it might not be in the best interest of these affluent individuals to advocate for changes to the system that facilitate their wealth accumulation (Barnett 2023). Without questioning these systems, any social change might be reduced to only minor adjustments within the existing status quo. Amid these debates, acknowledging capitalism's shortcomings in fostering social, economic, and environmental equity, scholars call for bringing to the forefront alternative modes of organization and action within the capitalist framework (e.g., Cruz, Alves, and Delbridge 2017).

This point highlights another issue that we consider fell short in *Uncharitable*. The nonprofit sector is diverse, ranging from large, well-established organizations to smaller, community-based groups. With a focus on larger organizations such as the Wounded Warrior Project and Kony 2012, the movie neglects to address any of the unique challenges faced by the smaller organizations within the philanthropic realm. In numerical terms, in the United States, for example, data from the Internal Revenue Service (IRS) shows that among charities and other tax-exempt organizations, a significant number

(56%) were small charities (organizations receiving up to \$500,000 in annual gross receipts) (IRS 2023). Additionally, there are those groups that operate informally or entities that fall below the threshold for required IRS registration, operating with less than \$5,000 in annual gross receipts.

These smaller nonprofit organizations assume an important role. Building democratic spaces and a strong civil society are central to the nonprofit sector's notion of distinctiveness. Research indicates that in low-income communities, while formal institutionalized volunteering may be scarce, there exists a consistent presence of voluntary mutual aid and the cultivation and fortification of informal economic resources (Benenson and Stagg 2016). Furthermore, organizations working on social equity and serving marginalized populations tend to make a deliberate effort to include voices that are underrepresented within their teams. Those organizations, especially the ones that value diverse leadership, typically are smaller entities grappling with significant financial constraints—yet consistently achieving notable results despite limited resources—essentially, “doing more with less” (Mumford 2022). These types of organizations are not a central part of the conversation in *Uncharitable*.

Finally, a question that remains limited in the movie is the role of other sectors, particularly government, in addressing social issues, and their relationship with the nonprofit sector. Globally, partnerships between nonprofit organizations and governments are on the rise, ranging from information sharing and coordinated efforts to formal collaborations, each contributing distinct perspectives to addressing underlying issues (Toepfer and Abramson 2021). It is increasingly evident that tackling complex public issues requires collaboration across multiple sectors. There is some acknowledgment of this toward the end of the movie, but not quite enough. Relying solely on the nonprofit sector to address all global challenges is neither practical nor desirable, especially in countries where political structures are built on welfare-state principles, where the public sector is expected to play a more important role.

### Conclusion

There is not much new in *Uncharitable* from what we know about Pallotta and his five areas of nonprofit discrimination. The arguments are brought further to life

in this documentary with relevant cases and prominent names in the field chiming in and engaging in the conversation. Pallotta's core argument remains the same: the nonprofit distinctiveness imperative that the sector has adopted is fueling a distinct treatment toward the sector that he considers to be unfair and counterproductive. Perhaps in a film format, *Uncharitable* offers the promise of reaching both established and new audiences—including nonprofit organizations, philanthropists, social entrepreneurs, policymakers, activists, donors, and the public, but also media outlets who are portrayed as part of the problem. A viewing would also suit aspiring and early career public servants and nonprofit leaders who are taking classes in public administration and public policy programs, along with students in other professional degree programs.

In sum, the nonprofit distinctiveness imperative is being challenged in this film. This makes us as nonprofit researchers uneasy. However, given the unreasonable, normative expectations of the nonprofit sector coupled with the complex public problems we face today, it is likely time to be having these conversations. Yet, we do not want some of the larger questions in the nonprofit sector and society (about capitalism, democracy, civil society, power, equity, and so forth) to get lost or forgotten along the way.

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