

Philanthropy: Give Us a Break About Administrative Costs!

Philanthropie: sacrez-nous patience avec les frais administratifs!

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In philanthropy, there's a stubborn reflex among some donors: asking how much of their donation will go "directly to the cause" and how much will be "swallowed up" by the infamous administrative costs (overhead). As if a serious organization could run on magic, without structure and without a team.

It's time to say it plainly: give us a break with the cult of overhead.

I'm not saying to give blindly. I'm not saying you should never ask questions. I'm simply saying that the administrative cost ratio is one of the worst indicators for deciding whether or not an organization deserves a donation.

Because a high-performing organization can have higher administrative costs. And an inefficient organization can post an artificially low ratio.

The Great Misunderstanding

For years, we've been sold the idea that a "good" organization is one that spends as little as possible on administration. So less on salaries. Less on technology. Less on accounting. Less on management. Less on training. Less on communications. Less on cybersecurity. Less on fundraising.

In other words, less on everything that actually allows a mission to last.

And yet, who demands flawless annual reports? Who wants audited financial statements? Who asks for impact indicators, dashboards, policies, modern websites, newsletters, data protection, fast responses and total transparency?

Institutional donors. Foundations. Governments. Major donors. The public.

And they're right to want high standards.

But you can't demand a professional-caliber organization while refusing to fund what makes it professional.

The Invisible Machine

In many organizations, administrative costs are, in reality, the cost of trust.

They're the hours spent preparing a competent board of directors. Producing solid budgets. Complying with tax law. Preventing fraud. Recruiting and mobilizing paid staff and volunteers. Responding to funders. Documenting results. Maintaining IT systems. Protecting data.

None of these tasks are glamorous. Few people give money to fund accounting software or a governance policy.

But take them away, and the organization collapses.

The Obsession That Comes at a Cost

This obsession with low overhead produces absurd behaviour.

Executive directors hide certain costs inside program budgets. Teams burn themselves out compensating for chronic underinvestment. Essential positions stay vacant. Systems become obsolete. Leaders leave the sector.

We sometimes celebrate organizations that "do a lot with a little." We should sometimes ask ourselves at what human cost.

Because behind that admired ratio often hides a team running on fumes. And that's enough.

And While We're at It, Let's Talk Salary

Another blind spot wrapped up in overhead: the compensation of nonprofit executive directors.

We want someone capable of managing finances, mobilizing a board, leading a team, navigating governance, speaking to the media, reassuring funders, raising millions, managing crises, steering strategy, measuring impact and representing the cause credibly.

In short, we want a CEO, an HR professional, a CPA, a political strategist, a communicator and a philanthropist... all in one person.

And then we're outraged if she earns a competitive salary.

There's a deep contradiction here. I'd even call it out of touch.

It's rather odd that executive pay in the private sector barely raises anyone's hackles, yet nerves get touchy the moment a "merely decent" salary is paid at a nonprofit.

These leaders don't get up in the morning to game the system. They get up to make society better. We can demand rigor and results while still offering fair compensation.

Yes, We Should Pursue Efficiency

Of course, some organizations can pool functions, share services, merge, or rethink their model. Real gains are possible.

But mergers aren't a magic wand. They're complex, costly, and sometimes counterproductive. And above all, they need to come from the communities involved, not from an accounting obsession imposed from the outside.

Efficiency matters. Oversimplification doesn't.

The Real Indicator

If you want to evaluate an organization, ask better questions.

Is its mission relevant?

Is its impact positive?

Is its governance solid?

Are its finances healthy?

Is it learning and improving?

Does it treat its people well?

Now those are useful indicators.

The administrative cost ratio, on the other hand, rarely tells you what matters.

An organization that invests in its own management isn't necessarily bloated. It's often simply responsible.

And if we want a mature, sustainable and effective philanthropic sector, at some point we'll have to accept a simple truth: causes need structures. Impact needs talent. And trust has a cost.

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