



# Does the End Justify the Middleman?

By Phil Anthrop

*The end may justify the means as long as there is something that justifies the end.*

—LEON TROTSKY

**A**NGIE HOFFMAN IS ONE OF THOSE leaders who sees a market opportunity before anyone else and starts a business—or, in this case, puts it in a foundation proposal. “Yes, I was one of the founders,” Hoffman notes. “But I guess being entrepreneurial at the beginning didn’t mean I could see how the intermediary movement would itself turn into the same kind of self-seeking, bloated bureaucracy that it was supposed to solve.”

“That’s why I’m working my butt off to get Project Disintermediation funded,” Hoffman adds.

## The Rise of Intermediary Organizations

Intermediaries have moved into every activity area and part of the country in the nonprofit and foundation world and, from all appearances, must be essential given the amount of funds expended. While the nonprofit sector has grown at twice the rate of the rest of the economy since 1985, intermediaries have expanded 10 times that amount.

David Smathers, the editor of *The*

*Intermediary Handbook* and an adjunct professor of management at the University of Mammon, describes the need for intermediary organizations this way: “A certain amount of connectivity is needed, with support, technical assistance, and data. Without these tools, it is almost impossible for an individual organization to know how to do anything—let alone how to do it the right way. This remedial role improves performance and frees the funder’s time to attend to more

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important matters, such as foundation conferences.”

The historic role of intermediaries dates to the early days of associations of all types—in which people first gathered informally, identified a need, and then created formal vehicles to hold larger and lengthier meetings to more effectively express their needs.

Professor Smathers identified six

major benefits of intermediaries, which he calls the Smathers Sextuplet. “Intermediaries make sense in a fast-paced, fragmented, and confused world, where every organization profits from placing buffers between it and its sources of support or clients,” Smathers notes. “And my Smathers Sextuplet is the final proof.”

“I regret it now, but I was the first one to use the Visa analogy,” admits Hoffman, who in 1991 was the associate director of the Nonprofit Support Center in Washington, D.C. “I thought that if we could just capture a reliable sliver of upstream revenue—just be like Visa and, say, get 3 percent to 5 percent of all the money going to nonprofits—we could finally deliver the management support services we need to. I never dreamed that in some fields, the intermediaries would end up diverting 20 percent or 30 percent of the whole.”

## Increasingly Leaky Pipelines of Support

The Census of Intermediaries and Collaborations lists 14,356 intermediaries of various types, with expenditures of \$57 billion per year (though this is considered an undercount).

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Resentment has grown among the purported beneficiaries of the booming intermediaries, anxious that bigger and bigger leaks have sprung in their pipelines of support. “I understand the funders want to spend some money on support mechanisms, says Susan Jaffe, the director of the Peninsula Food Shelf in Pensacola, Florida, “but less and less is getting to the end of the line where people actually get served. I appreciate some of the handbooks, surveys, regranting opportunities, special capacity building workshops and such, but there is way too much support stuff when what we really need is money support.”

Carter McKenzie, the founder of the Social Innovation Center (SIC), concedes that the view upstream is quite different. “We choose these opportunities carefully and never want to absorb more than necessary. Nonetheless, we have a major expansion under way, because we learned that going deeper into organizational support requires getting to scale.”

Though no longer participating, Angie Hoffman joined McKenzie in 2005 to form the Global Initiative for Intermediaries (GII) in New York. GI was set up to provide a new channel for long-term support of intermediary organizations. Hoffman recalls the first time the idea of an “intermediary for intermediaries” was discussed. “GII seemed funny at first, a master Visa for all the smaller channels, but I’ll hand it to McKenzie: he made it one of the hottest recipients of foundation grants in 2006 and 2007.”

After two years, GI’s budget has grown to \$102 million a year with a staff of 130. While the initial goal was to be primarily a regranting agency, moving money to intermediary organizations around the world, McKenzie became GI’s president and determined that the organization first needed to spend most of the funds internally for the greatest impact.

“A waste of money—pure and simple,” complains Ibrahim Kuran, the founder and CEO of California Intermediary Network. “First, GI had the foundations, then the federal agencies, and now the United Nations all eating out of its hand. And how much money gets down to us, the people doing the real intermediary work? Hardly anything.”

Hoffman adds, “There is no way GI needs to spend that amount of money studying the problem and thinking about it when we’re out here slogging away with insufficient resources.”

### Disintermediation Is the Message

Perhaps it was inevitable. For every action, there is an equal and opposite reaction.

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Project Disintermediation

“The only way we can fix these leaks is to plug the holes,” says Peninsula Food Shelf’s Jaffe. “Intermediaries are inherently inefficient middlemen who get in between a willing buyer and a willing seller to take their cut.”

And who better to run Project Disintermediation than one of the intermediary movement’s founders, Angie Hoffman?

“It’s time to bypass the middlemen,” declares Jaffe, who serves on the board of Project Disintermediation. “The most important result will be a reduction in the cost of servicing customers directly. Project Disintermediation is raising a war chest to distribute to local groups

to take on the unnecessary middlemen of the nonprofit sector. We have a solution and will take them down, one at a time,” Jaffe warns.

“We know this will take money and expertise,” Hoffman predicts. “As the new executive director of Project Disintermediation, I will deliver high-quality technical assistance, regranting opportunities, and special capacity-building workshops for local projects to get this done.”

“Remind people that Project Disintermediation is new, so we won’t be able to spend as much of the funds on grants as we’d like,” Hoffman concludes.

**PHIL ANTHROP** is a consultant to foundations in the G8 countries.

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