

There Are Too Many Nonprofits. What's the Solution?

David Callahan | August 18, 2025



CREDIT: STILLFX/SHUTTERSTOCK

There are a lot of nonprofits — including some well-known ones — that shouldn't exist. And as the sector looks ahead to leaner times, in which it will need to do more with less, that's no longer OK. Hard times require hard choices, and now's the time to start making them.

I'm guessing that most readers will agree with the first sentence above. As for the second part, well, *maybe* — as long as the ax doesn't swing too close to home.

I know: Bringing up this topic now feels unseemly, when the sector is under attack and funding is getting slashed left and right. But this disruption is precisely why it's time to talk about hard choices.

What we're seeing right now is a leaner nonprofit future on fast forward, as I've [argued elsewhere](#). Even if most funding cuts of recent months are restored in a few years, which seems unlikely, the charitable world will have to stretch scarce resources further as the fiscal screws tighten in an aging nation with record debts.

Given this, efforts to streamline the sector need to be a top priority. “Desperate times call for proactive measures,” Jacob Harold [wrote](#) recently in the *Stanford Social Innovation Review*, noting that many conversations about mergers, or “recombinations,” are already happening, especially in the hard-hit global development space.

Such conversations are long overdue. Anyone who’s hung around the nonprofit world for a while knows about the problem of duplication — too many groups doing similar work — as well as a deeper malady: the dubious impact of many organizations.

The duplication is easiest to see.

Think of any top cause, and multiple groups are tackling it in ways that often overlap. Numerous nonprofits work in big areas like education, the environment or democratic reform — jockeying for funding and attention. Narrower niches such as gun control, abortion rights, animal protection, or science education are also crowded with nonprofits, many pursuing roughly similar missions.

To be sure, each of these groups can tell you exactly why they are different from all the others. Certainly, there are upsides to a diversity of organizations working on a given issue, taking different approaches, or engaging different constituencies. Funders often seek to support a broad ecosystem of groups tackling a problem for exactly this reason.

But a lot of duplication is the result of haphazard growth. New groups pop up constantly as social entrepreneurs finagle enough funding to get something started.

We think of grantmakers and major donors as saying “no” for a living, and indeed, many do. But philanthropy is also rife with incestuous relationships among friends, allies, former colleagues, and so on, which can lead to “yes” — even when the added value of a new organization is questionable. Getting some funding, in turn, especially from a blue-chip grantmaker, is helpful in raising more money.

As for actual impact, well, that’s often in the eye of the beholder, isn’t it? Hard metrics are scarce when it comes to gauging the impact of work across large swaths of the social sector, like policy and advocacy. As a result, marketing and relationships — not effectiveness — often determine which groups thrive.

Or at least survive. Many nonprofits never reach the scale needed to have their desired impact. They just get by, grappling with chronic funding problems and staff burnout.

The waste in this fragmented landscape is considerable. Even small nonprofits need to spend a lot to cover organizational basics like admin and fundraising.

Unfortunately, though, there are few pressures in the nonprofit sector toward consolidation.

In business, entrepreneurs with small companies have incentives to sell out to bigger companies, which creates economies of scale. Or, if they’re unsuccessful, they are forced to shut down by an unforgiving bottom line.

No such bottom line exists for nonprofits. Mediocre groups can subsist for years. And even when times are tough, merging into a healthier organization is about the last thing nonprofit leaders want to do — since that typically means a loss of autonomy and high-level layoffs. Which is a big reason why few nonprofits merge, except when faced with extinction.

Funders are key enablers in all this. Beyond too often saying “yes” to savvy grantseekers with ideas that are half baked or duplicate existing work, in many cases, they keep the spigot running far longer than they should, including for groups that may once have been stars but have now outlived their usefulness.

Looking closely at long-established nonprofit ecosystems can feel like geology. You’ll find multiple layers of groups founded in different periods. Some reinvent themselves and thrive. Others don’t, yet many manage to live on anyway, thanks to compliant funders. This coddling may stem from loyalty or inattention or even from fear of blowback from a group’s powerful protectors.

But philanthropy’s enabling of ineffective nonprofits also reflects how funders *themselves* largely lack accountability for results. In fact, it often doesn’t matter how poorly your portfolio of grantees performs. Not when the metrics of success are so hazy and, anyway, there’s little external oversight.

You’ll notice I haven’t named any names in describing our underperforming, inefficient nonprofit sector. I don’t need to. Any veteran of this world can fill in their own examples.

So what do we do about this problem? What does humane winnowing look like? Much of the solution lies in well-orchestrated mergers among groups. In his *SSIR* article, Jacob Harold — who oversaw a complex merger between GuideStar and the Foundation Center to create Candid — [lays](#) out a set of principles to guide such efforts. Others have also [written](#) thoughtfully about mergers, drawing on a growing [body](#) of case studies.

For mergers to become common, though, philanthropy will need to play a major role, deploying a combination of carrots and sticks. Now’s a good moment to finally prioritize this hard work.

Featured



Successes, Failures, and Lessons Learned: A Candid Exit Interview with RBF’s Stephen Heintz [How Community Foundations Can Encourage DAF Donors to Give](#)