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## THE CHARITABLE IMPULSE

**Those who give to charities – and  
those who run them – talk about  
what's needed to keep the public's  
trust**

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A Report from Public Agenda for the Kettering Foundation and Independent Sector

by Ana Maria Arumi, Ruth Wooden and Jean Johnson  
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### Introduction

Over the past decade, there has been no shortage of headlines about illegal, unseemly and disgraceful dealings in nearly every aspect of American life. The often-spectacularly unethical behavior of some business, government and religious leaders has drawn intense media coverage and heightened public attention to human failing and corruption in all these sectors. So, when reports about ethical lapses in the nonprofit world appear, it is not surprising that they have the ring of truth.

The events of September 11 focused extraordinary attention on the charitable sector. Given the huge outpouring of contributions, volunteers and human interest generated by the crisis, it was probably inevitable that mistakes would be made, judgments second-guessed and communications mangled. The troubles of the American Red Cross – accused of raising money for one purpose (helping 9/11 victims) and using it for another – has become emblematic of credibility problems in the voluntary sector. And the Red Cross dust-up is not the only controversy in the nonprofit sector to attract public attention. Tales of high salaries and high living by some nonprofit CEOs, the rise of Internet giving and scams associated with it, the glitz and ingenuity of money-seeking tactics for both legitimate charities and hucksters, high

valuations of donated properties, and other tax avoidance schemes have all raised questions. The Senate Finance Committee is currently considering legislation to address these abuses and will be issuing recommendations shortly.

The reputations of some in the nonprofit and charitable world have suffered. In fact, questions about fundraising and spending at the Red Cross are reverberating anew in the aftermath of Hurricane Katrina. Still, at least one organization, Doctors Without Borders, used forthrightness and candor about its fundraising needs and practices to enhance the credibility of its work.

### Americans give generously once again

Despite some polls suggesting that the charitable sector still has not recovered from a crisis of confidence following September 11, the response to both the Asian tsunami and Hurricanes Katrina and Rita demonstrates yet again the durability of the charitable impulse in the American public.<sup>1</sup>

In some ways, it is not surprising that opinion polls failed to predict the strength of Americans’ willingness to reach into their wallets in times of want and

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<sup>1</sup> Paul Light, New York University, 2002/2005.

suffering. Whether polls are exploring attitudes about charities or some other topic, they often fail to tell the full story. Polls can be enormously useful for uncovering trends and capturing people's spontaneous responses to events of the day. They routinely warn us about Americans' broad skepticism and anxiety about contemporary life.

But polls are often quite inadequate when it comes to teasing out the nuances of human thinking and tapping into the more deeply held bedrock beliefs that under-gird public responses to key institutions. By themselves, they are not especially helpful in exploring attitudes about issues people don't think about all that often. And they are limited in helping us understand how people define problems and issues in their own words. In polls, people answer questions formulated by someone else. They don't allow much opportunity for people to describe for themselves what they see and experience. So taking a deeper look using other kinds of research and analysis can often be enormously illuminating.

### **The Need for a Deeper Look**

To provide this deeper look, Public Agenda, in partnership with the Kettering Foundation and the Independent Sector, applied its distinctive opinion research expertise to the task. Our mission was to take a look at how Americans today think about the independent, voluntary sector of their society – often referred to by various other descriptors such as the “independent,” “charitable,” “nonprofit,” or “third” sector – and whether there is support for major change and/or stepped up regulation and oversight.

### **Leaders and Donors**

As researchers, our charge was to examine the mindset concerning the entire spectrum of philanthropic institutions, including public and private charities and corporate and community foundations, and to look at issues facing the sector from different vantage points. We wanted to talk to sector leaders to understand their concerns and perspectives and to hear from that group of American givers who form the backbone of the charitable sector's work – those who give and volunteer (See the Methodology section on page 3 for information on how we conducted the study).

As such, our research set out to shed light on some important questions: Is the bond between sector leaders and charitable givers strong and holding, or have strains and doubt entered the picture? Are those who manage the nonprofit sector operating from the same set of values and concerns as those who give to it? Do the two groups share priorities and judgments or are they miscommunicating, talking past each other, perhaps even operating at cross-purposes. And if that's the case, what should sector leaders do to rebuild the fraying of that trust?

### **Our Research Partners**

This research project was supported and funded by the Kettering Foundation of Dayton, Ohio, which has long been interested in the public and its role in democracy. Kettering conducts research on the problems behind the problems of democratic self-rule – including the role of philanthropic organizations in the address of community and national concerns.

Another important partner and contributor to this project is Independent Sector, a national membership association of more than 500 nonprofits and foundations. Independent Sector plays an essential role in leading the sector's efforts to improve effectiveness on all levels. It is the primary voice for the philanthropic sector, and recently delivered the report of the National Panel on the Nonprofit Sector to provide in-depth recommendations to the Senate Finance Committee.

Public Agenda's discussions with typical givers and a sampling of leaders in the nonprofit sector took place before Hurricane Katrina, but well after the Southeast Asian tsunami. That is, we conducted the interviews during a period of comparatively limited attention to charitable giving and/or questions about their practices and governance. As such, these conversations offer a window on opinions about the charitable sector in what might be seen as "normal times" – when it is being neither lauded for its beneficence nor derided for waste and corruption. Nonetheless, what we heard contains some cautionary tales for those who care about keeping the sector strong and maintaining the bond of trust with both the giving public and the public at large.

### **Methodology**

To conduct the study, Public Agenda convened a series of six in-depth focus groups with men and women who could be described as "civically engaged," although not necessarily "activists," in the nonprofit sector. To participate in the study, they needed to meet three of the following four criteria to participate:

- Voted in the last election

- Contributed at least \$300 to charitable organizations in the past year
- Were a member of civic group (PTA, Rotary, etc.)
- Volunteered at least once in the past year

About 4 in 10 Americans give more than \$250 to charities annually, so these criteria produced a fairly broad swath of regular and committed givers.<sup>2</sup>

The focus groups were also balanced by political affiliation and gender. The focus groups discussions were held in Danbury, CT; San Antonio, TX; Phoenix, AZ; Cincinnati, OH; San Jose, CA and Framingham, MA. Each group was two hours in length and covered a wide range of subject areas about charitable organizations and the current environment in which they work. Public Agenda Senior Fellows Steve Farkas and Ann Duffett moderated the groups.

Though the responses captured in the Public Agenda focus groups are intriguing, it is vital to underscore the limitations of this research. Focus groups can be useful tools for observing how people talk about issues and for generating hypotheses for further research. However, they are not reliable predictors of how many people hold a particular viewpoint or even whether the majority of Americans actually share views that predominate in a focus group discussion. Nevertheless, some characteristic patterns of thinking emerged in all of the focus groups we conducted.

In addition to the focus groups, Public Agenda conducted a series of one-on-one interviews of approximately 20-30 minutes with 15 philanthropic

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<sup>2</sup> "Donors Are Giving Less than in 2001, Poll [Vertis Customer Focus 2003: Direct Marketing for the Nonprofit Sector] Finds," *The Chronicle of Philanthropy*, October 16, 2003.

sector leaders -- including CEOs, CFOs, Program Officers and Development Officers at nonprofits, large and small, national and regional, and religious and secular as well as large foundations, family foundations and corporate and community foundations. We focused these interviews on the

participants' views of the public's attitudes toward their work, their own views of the sector, as well as the current activity to improve accountability and transparency throughout the independent sector. All leadership interviewees were promised anonymity to assure their complete cooperation with the study.



# SUMMARY OF FINDINGS

## How do donors define the nonprofit sector?

- For most donors, the work of the “nonprofit sector” is almost entirely defined as the work of charitable, human service organizations.
- The donors we spoke with were generally unaware of and indifferent to foundations.
- Many seemed surprised and even a little resentful that large nonprofits like hospitals and universities that charge significant fees for their services actually fall into this category.
- Small donors often saw small, local nonprofit organizations as the engine of efforts to improve local civic life. Most donors we spoke to seemed to admire and trust local nonprofits more than government and more than more “far away” national charities.

## Are donors becoming less trustful and more negative about the sector as a whole?

- Most small donors interviewed for this study are enthusiastic and positive about the organizations they give to and about the charitable sector in general.
- Controversies about credibility among nonprofits, use of tax-advantaged dollars, how they are regulated and whether that should be changed barely register among the small donors we interviewed for the study. Most were totally unaware of the higher-level policy debate.
- In contrast, most were well aware of highly-publicized scandals at some charities, and their recollections were specific and clear-cut. In most cases, these scandals had led them to avoid giving to the organization in the future. Most said that once an organization became tainted in their minds, they never gave to it again.
- Although these scandals ruined the reputations of some groups, they have not provoked a broader, free-ranging cynicism about charities in general. Most small donors appear to base their giving on a gut-level interest in a cause and a faith in the people involved. Very few of those interviewed carefully researched their giving decisions. Not a single one had ever checked a charity’s 990 tax forms. (Nonprofits are now required to make these 990 forms available to the public, and charities often post these on their Web sites)
- Although well aware of problems and scandals in the sector, very few small donors called for more government oversight or regulation. Nor were they especially attracted to the idea of greater transparency and disclosure. Most seemed to take scandals with an “every barrel has a few rotten apples” composure.

### What concerns and complaints do donors have?

- Small donors did complain about some fundraising techniques used by charities to raise money, and often volunteered examples of what they saw as “slick,” inappropriate, or wasteful practices.
- Highly-polished direct mail campaigns, telemarketing, unsolicited premiums, multiple or duplicated appeals in a short period of time were often cited as examples of charities acting like “businesses.” Many of the small donors interviewed voiced their disdain for what they saw as charities “selling” to people.
- While small donors were not overly agitated about waste among nonprofits, many seemed to feel that some sense of restraint and moderation should come into play when it comes to employee salaries.

### How do nonprofit leaders see the challenge?

- Quite naturally perhaps, the nonprofit leaders interviewed for the project were highly focused on the regulatory discussions in Washington and concerned about the impact of possible changes. Many had very detailed knowledge about the various proposals and had given a great deal of thought to the implications and unintended consequences.
- Many feared the prospect of greater regulation and especially the financial and filing requirements that might come with it. Those associated with smaller charities were especially concerned about the paperwork burden additional government review and oversight would place on them.
- Many of the leaders we spoke with over-estimated donor interest in and attention to the policy debate. Many over-estimated the level of skepticism among the giving public.
- Very few focused on the problems raised by small donors and other research among the public, that is, the growth of slick marketing techniques and the possibility that they are alienating donors, and the worry among the broader public that their efforts to help are not especially appreciated and honored.

## HOW DO DONORS AND VOLUNTEERS SEE NONPROFITS?

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**For small donors, “the nonprofit sector” means human service charities. Most of the small donors we spoke with were less attuned to and knowledgeable about other kinds of nonprofit organizations. They were generally unaware of and indifferent to foundations.**

In this study, Public Agenda was asked to explore attitudes about “the charitable sector” among a cross-section of small donors and volunteers. Although the nonprofit sector is large and varied – including human service organizations, arts groups, hospitals, universities, and operating and grant-making foundations -- most small donors have just one image in mind. They essentially define, and routinely think of, the nonprofit sector as those charities that provide help for the unfortunate.

When asked about “charitable organizations” at the outset of the focus group discussions, nearly every respondent started off by talking about a human service organization. In fact, it took a fair bit of conversation before other types of nonprofit groups in other fields, or on the grant-making side of the sector, even came up, and it was often at the instigation of the moderator.

When probed about other nonprofits such as hospitals, universities, museums, etc., small donors were often confused and resistant to putting them all in the same category. Many were especially confused that organizations like hospitals and universities, organizations that charge users for the services, are

still considered “nonprofits,” especially if the fees are substantial.

“I don’t understand nonprofits,” one Framingham, MA donor commented. “I’ve had somebody try to explain it to me and it’s still... because I know they make money. It’s a little confusing to me.”

### **They’re pretty much like big businesses**

While few of the donors we interviewed had thought much about the distinctions between tax-exempt and profit-making entities, many seemed mystified by some of the designations. Some even questioned whether some larger nonprofits even deserve the tax-exempt status they enjoy.

*I would agree with the museum being nonprofit, just because they are out there for public education for the most part. I wouldn’t so much agree with [the] hospital. They are pretty much big business, as well as the universities.*

– Phoenix, AZ

*All these nonprofits like hospitals and universities should be paying taxes, because we’re paying for them, and they get the money.*

– Framingham, MA

### **Well, it’s his money**

In contrast, very few respondents questioned the tax-exempt privileges foundations enjoy, mainly because there was so little awareness of this slice of sector in the first place.

To the extent that small donors even think about foundations, they often seem to picture relatively small individual or family foundations – not the large, influential grant-making institutions. Corporate foundations were barely on their radar screen.

That said, the donors we spoke with often gave foundations surprisingly wide latitude about how they use their money. Asked about foundations that operate on money set aside by the wealthy, one Cincinnati donor made a typical comment:

*It doesn't bother me that he set up a weird foundation.... It was his money when he was alive. – Cincinnati, OH*

### **Studying wild moose and what they feed on**

One or two people mentioned that it was “unseemly” if foundations wasted money, or perhaps suggested that maybe there was an “opportunity lost.” But few equated the wasting of money left behind by a billionaire with the wasting of money donated by people like themselves.

As one Danbury, CT donor put it: “I wouldn’t give them anything, but I don’t care how they spend their own money.” In fact, many respondents seemed inclined to let the rich support whatever “good cause” strikes their fancy.

*What you may think of as wasted, to somebody else, it may not be wasted. They just had this study on wild moose and what they feed on and \$100,000 was donated.... Somewhere along the line, somebody thinks something of it. Nothing is really wasted.*

*– Framingham, MA*

### **Corporations? Foundations?**

Most of those we spoke with were unaware of corporate foundations as anything separate from a

corporation itself. For most, corporate foundations are just the company making a contribution.

As we will show later, this relaxed, albeit uninformed, view on how foundations use money contrasts sharply with how donors feel when scandals erupt in a charity. When this occurs, donors often feel personally betrayed because they had an expectation that something good would come from the money they gave. Consequently, they feel personally upset that their money was misused.

### **Sentiment about charitable organizations is energetic and positive among small donors – especially for local nonprofit groups.**

In contrast to the detached, sometimes perplexed responses we received to questions about foundations and the “nonprofit sector,” discussions were lively and enthusiastic when the conversation centered on charitable giving and charitable work. At least among Americans with a history of contributing and volunteering, the topic of credibility and trust in philanthropy is something most are more than ready to discuss. In fact, the role of charities – what they do right and what they do wrong – often held a very personal interest for our respondents, and conversations were often quite animated.

### **Salt-of-the-earth givers**

Most of our respondents were people who might be characterized as salt-of-the-earth supporters of charities. Most were of modest to middle-class means; hardly any would be considered big donors or nonprofit sector activists. Most were also voters, and many were members of, or volunteers to, a community organization.

The conversation was most enthusiastic when these small donors talked about local organizations – the local school, church, police athletic leagues, YMCA, etc., and here a personal connection was often immediate and specific – a family member was involved, they knew someone who worked in the program, it was their church, or it was their neighborhood.

In fact, so close was the connection that some respondents indicated that it would have been socially awkward not to participate. Many reported receiving personal solicitations to become involved. A number, for example, had recently given to tsunami disaster relief sponsored by their church.

### **Giving through the church**

In fact, close to half of the donors noted that their religious participation was a major factor in their motivation to contribute time and money to nonprofit groups. Often, their own religious institution received the largest part of their financial donations.

A Cincinnati donor reported that his church sponsors “a lower-income housing unit near our church. There’s a lot of kids in there that go without stuff. We collected new coats, new shoes, toys and whatever. These kids, otherwise, probably wouldn’t have had a decent Christmas if we didn’t.” A Danbury, CT donor reported: “Our church personally sends letters, and they tell you how much they want you to donate.”

While donors certainly did not dismiss the work and importance of all national charitable organizations, some drew comparisons between what they saw as the immediacy and hands-on practicality of local

organizations versus the one-step-removed perspective of larger national ones. In Cincinnati, one donor said:

*The local charities know the local needs. The national charities don’t know the local needs. The Red Cross know[s] they’re going to put somebody up if there’s a big flood or a big catastrophe. Red Cross does go in when somebody’s house is burning or apartment is burning. They put them up for a night. They do do some local stuff. But that’s the local Red Cross, not the national boys.*

### **Poverty as proof of goodness**

Small donors often had idealized impressions of their local charities, especially the struggling ones. Partly because they don’t look or act like the big charities, these small, local charities were more likely to be seen as more authentic, all about sacrificing, with their relative poverty seen as a piece of the proof.

### **Small donors see local nonprofits as drivers of efforts to improve civic life, and they typically trust them more than governmental institutions.**

The small donors we spoke to also valued local nonprofit groups as a manifestation of the health of their community. To them, local nonprofits do things that otherwise would be left undone. They play a specific and distinctive role in the way their community works.

### **More responsive than government**

And typically, they function quite well. In fact, many donors specifically juxtaposed the purposefulness and helpfulness of local nonprofits with what they saw as the lack of responsiveness, bureaucracy and mixed agenda of government.

*Nonprofit to me seems like when you want people with hearts.... They are there, regardless of the time they put in and not for money.... The government has both sides of it, the business side and the help side. The business side would be for their own profit themselves. It just seems that nonprofit is more about helping others.*

– San Antonio, TX

While many donors did think that government has some positive purposes and accomplishments, most viewed government and nonprofits as having different functions. And for many, nonprofits do the kind of local work that government is neither capable of nor inclined to do.

*They [governments] don't know how to handle our money.... There's no human connection. The government is a bank. They have no feelings and emotions. Get on the level of people.*

– Cincinnati, OH

In contrast to government, small donors often felt that charities were flexible and responsive to a specific community's needs – that they were close enough to problems to know how to fix them.

### **Controlling where your money goes**

Donors also liked being able to control and direct their contributions to favored charities, something that, apart from bond issues and referenda, doesn't happen with their taxes. Some specifically wanted to put money into religiously-affiliated organizations.

*... I think a lot of the private things, like some of the churches, can do much better [than the government] on individual things, because they have people in a lot of different countries. They can get out, and do kind of the little things that help people get along. Cater to the people's needs more on a personal level, not just, "Here. Here's a check for \$50" or something."*

– Danbury, CT

### **Making your preferences known**

Donating to charity was also often seen as a civic act, another means of voting, activism or making one's preferences known.

*The money goes more where you want it to go. You're given more of a choice. As far as the government goes, they're just taking care of everything globally.... We've got people on the streets of the cities here that are homeless. When you give, whether it is your time or your money, to a charity, you are able to make sure that it goes to what you want it to go to.*

– Framingham, MA

### **Small donors consider volunteering the heart and soul of charitable work. Volunteers say it provides satisfactions far beyond giving money. Donors also voiced broad respect for charities that use volunteers to accomplish good.**

Giving to charity is a supremely personal act. Based on our conversations with a variety of small donors, those who give tend to do so because they are personally moved by the cause or by the mission of a particular group. And while giving money certainly counts as an individual act of commitment, many small donors also saw the act of volunteering as indispensable. For many, the personal involvement, the personal interaction offered something beyond what money by itself could provide. Frankly, they

prefer the act of giving time or giving in-kind goods to giving money. A San Jose donor put it this way:

*I would rather donate my time. I think that is more important than giving money.... If it's for the Boys Club or the Girls Club and I go take a kid to the park and play some basketball with him, he's going to remember that. It's better than having a pair of new tennis shoes.*

For many we spoke with, the emotional satisfaction of volunteering offered unique rewards. Respondent after respondent reported that volunteering just feels satisfying, that they enjoy feeling useful and value the social exchange. This comment from a Cincinnati donor and volunteer was hardly unique:

*I think the human nature part of giving is the great fulfillment that you get -- whether it's because you spent your time or you donated your money. My time is valuable, just like his dollar is valuable. I feel so much better.... I don't even consider it giving. I just enjoy it.*

We did hear some concerns, though, that charitable institutions sometimes look down on their in-kind contributions. We heard an occasional complaint that such gifts were almost dismissed out of hand. They were disappointed, even miffed, that their gifts were not acknowledged properly. It seemed to be further evidence of operating too much like a business. Many donor/volunteers also believed that their efforts helped hold down the costs for their chosen organization.

*Since we all know the old axiom that time is money, donations of time are just as valid as donations of money. Every particle or increment of time or work that is donated is money that doesn't have to be spent getting that same job done.*

– San Jose, CA

*My whole family – we work with [The] Leukemia Lymphoma Society a lot. They have events that go on and a good portion of staffing is all volunteer work. These people are doing it for free, so you know for a fact that all the money that they're raising – it's not going to pay people. Of course, every organization has its employees that are going to get paid, but with Leukemia Lymphoma – they rely mostly on volunteers to get things done. That way most of the money they raise can go towards the cause.*

– Framingham, MA

### **The doctors volunteer their time**

Donors were also impressed by – and said they were more likely to donate to – organizations that use volunteers. In many cases, the presence of volunteers was viewed as evidence that an organization is efficient and focused on the cause -- not just on raising money.

*I've given money to...organizations that I have a lot of faith in, like the Doctors without Borders.... The doctors volunteer their time. Not like year after year after year. Some of them go for a few months. Some go for a year. It all depends on what they can do. An organization like that, "Don't give us anymore money. We don't need it." They're sincere and they're real.*

-- Danbury, CT

### **Small donors say they give based on the call of their heart and gut instincts about the people and groups involved. Very few investigate carefully before giving.**

Most of the small donors we spoke with admitted that they mainly rely on instinct when they hand their money over to a charitable endeavor. What they are mainly looking for are clear cut results – kids with scholarships, soup kitchens where people are fed, roads cleaned up, etc. Most said they did very little

follow-up once they gave their money to an organization.

*Our church had the [tsunami] fundraiser at church. In one week, they collected \$26,000, more than they had collected ever in the history of the church... but the funny thing is nobody ever asked, when they collected the money, where was it going. Like in whose hands was that \$26,000 from the church that we belong to, where was it going? Everybody just said, "Oh, here."*

-- Danbury, CT

*I like the United Negro College Fund. I know that there are kids that are able to go to college because of that fund. Those are things that at least they tell you on the telethons, they tell you in the paperwork, and they give you examples. They show you things. Still basically, it's blind faith when it comes down to it, where the dollars are really going, or how or what the percentages are, but they are able to at least show you some results of your money.*

-- Danbury, CT

Some donors said they did check out "top charities" listings in magazines and newspapers, but mostly they relied on trust, instinct, the absence of negative press and word of mouth from friends when they decided whether to make a donation.

### **Little research either before or after giving**

Many reported that they were reassured if they got a newsletter or saw photos about the organization, but virtually no one said they had gone to the trouble of looking up detailed financial information about the charities they supported, either before or after giving money. Most did not even know that there is such a thing as a "federal 990" – the tax and financial disclosure form nonprofit organizations must make publicly available. Nor had many donors

systematically consulted more widely known resources such as those of the Better Business Bureau or Guidestar.

In contrast to oft-cited advice of President Reagan, who famously said, "trust but verify," small donors were much more likely to say that they "trust and give."

**Their trusting outlook notwithstanding, many donors say they have had some negative experiences with charitable giving. Most clearly remember the problems or scandals in charities they once supported. Most said that when that happened, their trust was broken forever.**

Nearly all of the small donors we spoke with considered giving a personal act, one that grows out of their concern for others, their belief in a cause, and their trust of specific organizations. Consequently, when a charity violates that trust, donors take it quite personally, and the breach is nearly impossible to repair.

*The Home for Little Wanderers is heading a Thanksgiving gathering once a year. I was an employee there. People were coming and bringing toys and food not knowing that the toys that weren't pristine, brand new, were thrown away. I think a lot of people felt as though they were donating toys to orphans and these were not orphans. These were mostly disturbed children who were paying to stay there. Many of them had very wealthy parents. It was kind of an eye-opener to start to see what looked like a good cause wasn't necessarily. Had the truth been out, a lot of people would've been very upset.*

-- Framingham, MA



Respondents talked about their feelings when they heard about scandals involving charities they supported. For most, even a single violation of trust – whether it was a bad personal experience or a public scandal – meant that the donor would never contribute to that particular charity again. For some, the memories – and bad feelings – were impressively long-lived.

*We no longer go to the Catholic church and the reason being ...we always see the Catholic church on the news. We both went to Catholic school, but what you see in the media right now [about the management of the church] is terrible.*

-- San Antonio, TX

*I know you see these disasters and the Red Cross is always there. Sure, they're there, but if you talk to anybody that's my age or a little bit older than me, you won't hear too many glowing reports about the American Red Cross because of the way things were handled. I'm going back to the 50s and 60s.... [People my age] would never contribute to the Red Cross after that. They'd donate blood, but that was the extent of it.*

– Framingham, MA

Another donor reported:

*Years ago everybody gave to the United Way... Then it came out that the leader of the groups was literally stealing money from the organization. He was being well paid, being well taken care of, and I guess it wasn't enough. He wanted more. He charged all kinds of things to his little credit card that they gave him, living the high life. He was taking that money that was given in good faith by so many people and – he was a crook. That really cost that organization a ton of money.*

– Danbury, CT

### **Putting their money elsewhere**

In the discussions, donors easily recalled the problems and bad press associated with groups like the United Way and Red Cross, and not a few reported that they had personally “felt burned.”

Still, they didn't stop giving altogether. Instead, they began, specifically and consciously, to direct their money to another organization. It may be that the power of their belief in helping outweighs whatever bad taste remains in their mouths. It may be that they are confident that there are still plenty of good organizations out there. Whatever the reason, relatively few of the donors we spoke with had developed a general sense of caution or skepticism about giving. When pressed, most thought there needed to be some oversight of charities, but they didn't see government regulation as a good solution.

And very few, as we report above, subsequently marshaled their investigative, “do your homework” skills to avoid problems in the future. Perhaps the most common reaction – beyond the feeling of betrayal and “casting out” of the particular charity involved – was a greater attachment to the familiar and close-to-home. “After money was misused,” said a Danbury, CT donor, “I give to what I give to, and that's it. I don't seek out anything new to give to. If someone new calls me, I'm not really interested.”

**Donors' main complaint about charities is what they see as too much slick, aggressive, wasteful marketing. For most, these tactics seem more appropriate for businesses than organizations devoted to helping.**

Most donors interviewed for the project readily acknowledged that charitable organizations have to raise money and market themselves effectively. As one Massachusetts donor put it: "They have to get the word out. They have to market. They have to do market research. They have to spend money. They have to pay a staff."

### **Creating ill-will**

However, one of the strongest messages coming from this research is the resentment and ill-will that aggressive fundraising strategies provoke among givers – the very Americans most prone to support charitable work.

In the focus groups here, there were spontaneous complaints about phone calls and direct mail appeals, and some donors were visibly angered:

*[Marketing] is annoying. I work ten-hour days. When I come home, I don't feel like listening to – if I want to give money, I'm going to give to who I want and not be disturbed.*

– Framingham, MA

### **Makes me wonder where the money goes**

But beyond the annoyance factor, donors we spoke to often questioned what such professional, hard-hitting campaigns cost and whether the money donated really ends up where it belongs. More than a few believed telemarketers nearly always keep almost all of the money generated in telephone campaigns.

A Connecticut donor described her skepticism about phone solicitations for police charities, even though she is an enthusiastic supporter of the local Police Athletic League:

*I just think that the percentage that the police actually get, no matter what, is very little. Most of it goes to the marketing, so I think that those kind of charities are not worthy. PAL, I think that's worthy, because you know where the money goes. It goes right for – from you to them and they use [it], whereas these unsolicited phone calls, you have no idea who they are really.*

*I resent all the ads on television requesting money for starving children in other countries.... I know they pay a lot of money for those ads that could feed kids.*

– Phoenix, AZ

It's not that donors resented all forms of outreach. Some even made specific distinctions about which practices turn them off versus which were more likely to elicit the desired contribution.

*"To get people interested in anything, you have to present well," said a Framingham donor. "It's all about what you see. Hammering on the phone will more or less get you a click, but if you see pictures of the tsunami, it touches a side of you that makes you want to give. It's all about how you market yourself."*

Still, marketing practices used by some nonprofits generated the most negative comments in the research. Expensive brochures, too-frequent mailings, high-profile events, telemarketing – all came in for criticism and generated a high level of annoyance among the groups.

### **Blunting enthusiasm for the cause**

Ironically, the more the charities used the more sophisticated techniques of marketing and sales, the more donors believed that they were acting just like any other business, i.e. selling to people. In many cases, campaigns intended to draw people to charities seem to have the opposite affect, draining away some of the noble intent associated with them and putting them in the same category as companies selling makeup or tennis shoes.

Most of the donor comments about marketing focused on large charitable groups, including local chapters or affiliates of national organizations. The “slick” marketing appeals seemed to create a distance between the people and the charitable work of the group, blunting their level of enthusiasm for the organizations. It is not that donors necessarily believed that these organizations are bad or that they don’t do good and important work. But in the end, the donors spoke more passionately about the more modest efforts of their own church or local YMCA.

### **Despite heart-felt enthusiasm for the organizations they support, donors do voice some concerns about waste in charitable sector overall.**

In the opening moments of every focus group – when it became clear that the topic of the discussion was the nonprofit, charitable world – the participants immediately began to voice their enthusiasm, admiration and support for charitable groups. Concerns about financial scandals, heavy-handed or misleading marketing techniques only emerged later, and even then, most donors confined their criticisms to the specific offenders. Virtually no one we spoke to

described charities in general as being inefficient, wasteful or extravagant.

There was only a minor level of awareness, for example, of any controversy about overhead costs, and even when the issue was brought up, it didn’t generate much heat. A few of the more sophisticated givers said that they expected that a large percentage of the donations they make to charities should go directly to serve the mission.

*Of the money donated, say 20% or 30% goes to administrative costs and then the rest of it should go to the charity. If it exceeds that, then it’s waste.*

– Framingham, MA

### **Should charities pay big bucks for effective leaders?**

A few donors also complained about larger organizations and what they saw as their bureaucratic practices. The issue of executive salaries drew significant discussion. It’s not that the donors expected everyone in a charitable organization to work for free or that nonprofit employees should in effect “take on the cloth” – work for so little that they end up living “hand-to-mouth” lives. But most of the donors we spoke with did believe that there are limits and appropriate standards of restraint.

*[Charities’] intention is to give, and I would think that that would probably attract a kind of person who wants to give. If somebody really wants to make money then they shouldn’t be working probably for a charitable organization.*

– Phoenix, AZ

One point of some contention in the focus groups concerned salaries paid to top executives in large charitable organizations, and attitudes here varied, as

did people's definitions of "exorbitant salary." One Connecticut donor felt that "if the executive is worth it, and brings in the money, then it might be justified."

### **They have to eat too**

Another donor pointed out that it is important that charitable organizations treat their own employees fairly and are realistic about what people need to live decently.

*There's a morality there, but if these guys are doing it as their living – it would be nice if they could do it for free or for \$15,000 a year, but their spending 40 or 50 plus hours a week doing it. They have to get paid and earn a living doing it. You can't have it both ways. If you're going to have somebody that's producing, that's going to be earning this money and organizing and everything, they have to make a living wage.*

– Framingham, MA

### **Should charities be more like businesses?**

Even so, no one – even those who supported paying good salaries to valuable people – believed nonprofit salaries should match those in business. What's more, many donors seemed worried by the implication that charitable organizations should model themselves on what corporations do.

*That logic [of paying high salaries to highly effective nonprofit leaders] is "the end justifies the means." If somebody is getting rich over making money for a charity, I don't think that's morally correct.*

– Framingham, MA

*The [executives of the] large ones like the Red Cross.... I think the leaders of those are pretty much the same – they have the same moral values as your typical business people, because that's what they're hiring. They're hiring business people to come in and run it like a business, and they're really not*

*differentiating that. I think you get smaller charities, like Doctors without Frontiers (sic), those kinds of places where people are really in it because they're in it, because they want to do good. They're not taking those kind of salaries. They're not treating it as a typical corporation. But once you get into that whole corporate thing, it really turns into just a typical corporate situation with a typical board...*

– Danbury, CT

The theme of charities adopting practices more suited to profit-making, commercial ventures emerges strongly at two different points in the research. Donors voiced concern about charities adopting slick, intrusive marketing techniques, which they see as both bothersome and draining money from the cause. The theme pops up again here, where respondents often seemed disturbed that charities would adopt the corporate world's superstar CEO mentality: It's okay to pay a very high salary to the chief executive as long as he or she pulls in more than the cost.

**Most donors were not aware of leadership debates about how nonprofits operate and whether they need more government oversight and regulation. To the degree that donors understood or cared about these controversies, they voiced very little interest in more government regulation of the charitable world.**

In the next section, we summarize what we heard in interviews with nonprofit leaders, including CEOs, CFOs, program and development officers at large and small nonprofits, including national, regional organizations, religious and secular organizations, as well as different types of foundations. Suffice it to say, there is a notable gap between the mindset and outlook of these leaders – now participating in

detailed, sometimes anxious discussions about regulation of their sector – and the mindset and outlook of typical donors.

Most of the high-level policy debate on regulatory oversight, tax exempt status and disclosure and transparency is all but incomprehensible – and strikingly irrelevant – to most of the small donors we spoke with. Obviously, very large donors may be more informed and concerned about these questions.

### **Cleaner living through regulation?**

It may not be particularly surprising that most typical givers don't know much about the fine points of law affecting nonprofits. It may be somewhat more startling that so few donors appear to reach for government regulation as a means to counter problems in the sector.

There are several important caveats to remember about this observation, however. One is that for small donors, the “nonprofit sector” is almost exclusively human service charities. Those we interviewed didn't know much or think much about foundations. Very few appeared to focus much on the “nonprofit-ness” of hospitals, colleges, churches, ballet companies or museums. They may think about whether these organizations are effective or important to the community or whether they like and need them or not. But most don't appear to think much about whether they pay taxes or whether people who give money to them get a tax write-off for doing so.

The other key caveat is that, given this narrower definition, most small donors don't really see that much wrong with the sector in the first place. Sure, charitable organizations sometimes disappoint them

by mismanaging or misusing money or engaging in other less-than-ethical actions. But their main response to charities as a whole is that they do good work, address problems not addressed in other ways, and are important parts of our society.

### **So what has government fixed lately?**

In contrast, many Americans – and many of the small donors we spoke with – have significant doubts about government's ability to do anything particularly well. So the notion that the world of charities might be improved by having a stronger government hand on it just didn't have much appeal. For example, an Ohio donor was cynical and ironic about the ability of government to audit nonprofits:

*I don't know what organization audits these things. I don't want the government doing it. The government operates at a deficit. I don't want these charities to be run as a government.*

– Cincinnati, OH

*People hope [that charities are more efficient than government], I think. I think people think the government is going to take 80% of it and use that as administration and really 20% makes it to—you know, where maybe the charity would be the opposite way or turn it around where 80% goes to where it's going and 20% administration.*

-- Framingham, MA

In fact, if the issue is how to keep an eye on how charities use their money, some donors said having a lot of volunteers in the office is a better method.

*If more people are volunteering, there's less opportunity for money to be misspent and misallocated and people to put it in their pockets.*

– Framingham, MA

### **Little zeal for transparency**

Moreover, there was little zeal for requiring more disclosure and transparency. As noted earlier, hardly any of the donors we interviewed knew about one of the chief current requirements, i.e. having nonprofits make their 990-tax form publicly available. And for some donors, it seemed that requiring more disclosure would just mean adding to their existing sense of information overload.

*I'm sure there's listed somewhere where [charities] put every dollar, maybe \$0.75 is going toward [the mission], and \$0.25 is going for administrative. I don't know those numbers. I'm sure they're listed somewhere. They have to be made public, I would think. It's not like I follow it.*

– Cincinnati, OH

### **Special purpose entities and the like**

Discussions about tax-exempt status for nonprofits aroused very little interest and not much engagement. Whatever concerns donors voiced were most likely to focus on people who claim tax deductions for

charities to evade paying taxes – not what kinds of organizations should be granted tax-exempt status. The donors we interviewed did not mention some of the new varieties of charitable giving that concern some experts -- special purpose entities, charitable gift funds with investment houses or community trusts, for example – although they did express an overall distaste for people who made “false” or “questionable” charitable contributions for large write-offs.

*There's a difference between giving from your excess and giving from your substance. I think people who say they give to charities and it's a tax write-off, that's not charity in my estimation. You're getting something for it.*

– Framingham, MA

Even so, it would be misleading to overstate the breadth of this criticism or concern. The whole area of tax preferences did not generate much energy in any of the focus group discussions

## HOW LEADERS AND PROFESSIONALS SEE THE SECTOR

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One intriguing aspect of opinion research is learning how people's experiences and circumstances shape their take on issues. For example, those who devote their professional lives to an enterprise, who work on it day after day and week after week, generally have a very different outlook than those of us looking at the same issue as a voter or consumer or user of a service. Obviously, experts and professionals are more knowledgeable about the details of their field. Leaders and managers necessarily have to think about questions such as, "How are we going to get this done and keep it going for the future." Typically, they are more alert to emerging problems and "what ifs." Often, they vastly overestimate what the lay public understands about their work and its challenges.

### **Knowledgeable about the minutia of policy debates**

The senior executives of nonprofit organizations interviewed for this project fit this pattern almost precisely. Most were very well informed about the controversies affecting their sector, often discussing and debating them with others in their field. In sharp contrast to small donors, they speak knowledgeably about the minutia of the policymaking debate, and most had thought extensively about how proposed changes in could affect their work. Most were seasoned in the difficulties of keeping a nonprofit organization financially stable and operating effectively. Many seemed to struggle with the need to operate a nonprofit in a businesslike, proactive manner without seeming crass and money-grubbing.

A few seemed resentful that the public has so little understanding of the challenges they face. A fair number believed that much of the public is uninformed and perhaps naïve about what it takes to keep a nonprofit afloat and running smoothly.

### **Most leaders say most nonprofits are well-managed and believe that donors and the public can put isolated scandals in perspective.**

There was strong sentiment among the professionals and experts we interviewed that most nonprofits are well-managed by ethical leaders who are doing their best. They recognized that there might be a few bad apples, but only a handful of leaders expressed serious concerns about credibility and public trust. One person said that the reason it was news when a non-profit did something unethical was because it was so rare.

When asked about specific incidents, most cited the controversy about Red Cross fundraising after September 11 and the scandal at United Way in the early 1990s. Most did not cite smaller or more local occurrences, probably because they felt that their impact was less problematic for the sector as a whole. The leaders mostly agreed that negative behavior does stick in the public's mind, but the majority did not believe that isolated cases negatively affected the reputation of the whole sector. One or two said it was the donor-seeking charities that would be most affected (e.g. special purpose entities or

charitable funds), even if these were not the kind of nonprofits that committed the misdeeds.

### **Does the press exaggerate problems?**

A number of those we interviewed said that the press overdid bad news stories on nonprofits though that did not excuse bad behavior. “There are a limited number of abuses,” one leader said, “and yet they are publicized a lot, and there’s not really a counterbalancing publicity on all the good things that we are doing.” Another, a legal expert, commented: “If somebody steals \$10 from a charity, it’s a good story, and they look for opportunities to write those kinds of stories. Yet, every survey that is done indicates that the public has more trust and confidence in the nonprofit sector than in government (or for-profits).”

In fact, most of the leaders were reasonably confident that the public at large – and the giving public in particular – could put isolated problems in perspective. One nonprofit association leader put it this way: “Concerns about loss of trust in the sector are overblown – it’s a Washington thing... It’s just a few bad apples. Accounting firms will make money because of the new reforms.”

### **More worry in smaller organizations?**

Although this discussion is based on a relatively small number of interviews, we did detect greater concern about credibility among leaders of smaller organizations and grant makers who fund primarily local community groups. These leaders seemed less comfortable totally dismissing the possibility that scandals and “bad apples” could poison the atmosphere for giving. It may be that, operating on thinner budgets, smaller nonprofits feel less able to weather “cold spells” in the public’s eagerness to

give. One service organization head said, “I don’t generally look at being negatively impacted because somebody else succeeds. I do think we are all negatively impacted when somebody else fails.”

Given their heightened concern, it follows that leaders from smaller groups might be more attracted to different ideas for curbing abuses – although they were not necessarily looking for greater regulation from government. They were more likely to want the sector take on greater self-regulation, whereas larger organization leaders were more inclined to think that current guidelines and practices are enough.

### **Most leaders say that federal reform should focus on strengthening, rather than fundamentally overhauling, how nonprofits are regulated.**

But whatever their size, the overall message from most of the nonprofit leaders we interviewed is that federal reforms should aim at strengthening existing regulations, not overhauling charitable tax laws. Virtually none asserted that current laws are fundamentally inappropriate or unfair. “I believe in congressional oversight and regulation of governance of nonprofits,” said one national foundation leader.

Still, questions about what the strengthening should be, and whether it can be accomplished without burdening smaller non-profits with mountains of paperwork, prompted a range of views. Some called for as little change as possible: “The federal restrictions through the IRS are pretty transparent and pretty good for the amount of regulation that’s needed,” said one leader. Another posited that lack of enforcement was the major problem. “The real issue



is IRS enforcement; the agency doesn't have the resources to enforce the rules already on the books – so how do [sic] creating new rules solve that problem?"

Others called for more uniformity in the law: "Looking beyond Federal regulation, state regulations are extremely inconsistent." Still others put the emphasis on what the sector should be doing to oversee itself "I don't know that the answer is federal regulation... the sector itself needs to set standards for best practices. Those who choose not to follow, they are subject to whatever is going to happen to them. Any standards established by the sector are going to be more stringent than the feds."

### **Most leaders believe greater disclosure and transparency will improve their credibility with donors and public**

Unlike the small donors we spoke with, who knew virtually nothing about the details of the DC policy debate, leaders volunteered their views on a whole range of inside-the-Beltway topics – the awarding of the 501(c)(3) tax exempt status, the need for greater transparency, the usefulness of making the 990-tax form publicly available, the role of boards of trustees in nonprofits, and so on.

Promoting greater transparency was one strategy most leaders agreed upon. Most believed that more disclosure and openness about nonprofit finances would benefit the public, and that it was indeed an obligation of nonprofits.

"Every organization has to move towards increased transparency and accountability, and the sector needs to help every organization understand that this is necessary," said one leader.

*We have an obligation to explain well what they are doing and why. Some of the origin of suspicion may be, 'Well I don't really know what they are doing behind those closed doors.' With a better sense, the public is less likely to be suspicious.*

*Transparency in financial matters is critical for the sector to be effective – it is owed to the public; it helps to hold organizations accountable.*

And while calls for greater transparency predominated, at least one interviewee seemed to sense the sentiment we saw among small donors in focus groups – that the nitty-gritty of an organization's finances is not especially informative or useful in deciding where to give. This leader said: "The notion that donors want objective information so they can make rational decisions – this hasn't been proved true."

### **Will we have to jump through more financial hoops?**

As individuals who either manage charitable organizations or make grants to them, many leaders raised questions about the potential "costs" of more transparency, more disclosure and more regulation, particularly for smaller groups:

*"Nobody's looking at it from a cost-benefit analysis – the cost of increasing regulations on non-profit organizations, making them jump through more hoops, the financial costs and the benefit of catching a couple of people."*

Even some current accounting requirements were sometimes seen as excessive and over-burdensome:

*“An auditor will come in and tell you that you should always have two people opening your mail because, in case there’s cash, you don’t want somebody putting it in their pocket. But most organizations hardly ever receive cash in an envelope...it doesn’t make sense...because it’s a solution that really offers no real protection . . . . You can argue there can be protection there but does it make a difference at the end of the day? It’s just going to raise the cost of operations, which means that in the end you are wasting donor dollars.”*

### **Relatively few leaders voiced concern about the possible downside of assertive marketing and fundraising.**

For small donors, one issue that provoked concern and even some irritation was the use (or overuse) of forceful, sophisticated marketing techniques. Not many of the leaders we interviewed mentioned this as a potential problem, although to be fair, some of our interviewees were from foundations or other organizations that don’t raise money directly from the giving public. Still, several did see a need for the sector to be mindful of how marketing is perceived and what is truly effective in the long term.

*70-80% of our funding comes from the community.... Mostly we rely on direct mail campaigns for fundraising. I know that the campaigns that work best are those that make a connection with people who know the food bank directly, those who are familiar with what they do. Interestingly, when we use a third party to write our direct mail, it’s not as effective. People know the difference between our CEO’s voice and somebody else’s.*

Another leader also recognized a danger:

*When making appeals, be elegant without using expensive paper. Don’t look too slick. It’s a line you walk all the time. There are challenges to marketing charity in a time when people are so wary of marketing.*

Many leaders voiced concerns that donors and the public underestimate their need to attract and adequately pay highly skilled professional to work in nonprofits.

But the area of greatest frustration for nonprofit leaders – and potentially an area of some tension with the public and small donors – is the issue of nonprofit executive salaries. Many leaders we spoke with recognized that competitive salaries for skilled professionals and CEOs may present a “perception problem” for at least some portion of the giving public. More than a few seemed irritated by what they saw as the public’s lack of sophistication.

Some nonprofit leaders spoke about their amazement and frustration that people thought they were volunteers – that they actually worked for free – simply because they were employed by a charitable organization.

*[I’m] amazed at the degree to which so many people mistakenly think that “nonprofit” employees are volunteers – people I know often suggest I must be independently wealthy to be able to do what I do. It’s crazy that people expect nonprofits to do the hardest work there is, dealing with intractable problems, and they expect you to do it with free office space, broken computers and volunteers.*

Another leader put it this way: “We’ve got a really bad press issue,” she said. She did acknowledge that “there probably are not-for-profit executives who make too much,” yet “...when you look at someone

with a master's degree working in a day care center and you compare it to many professions, that person is down on the bottom. We need to start asking the question differently, for example: What's too much? How many years experience does it take? How much does it cost to live in that city?"

Another remarked on the "professionalization" of the sector. Employees – who were expected to have high-level degrees, experience and commitment – should be paid accordingly.

*Our society has a warped sense of the value of professions. Look at what we pay football players; look at the differentials between CEO's salaries and front-line workers. We've professionalized the nonprofit field, you need a graduate degree and you have personal student loans. Some people's salaries are unreasonable, but people need to be well paid.*

And a few others suggested that nonprofits are often caught between a rock and a hard-place. On the one side is the broad public, which may be unnerved by high salaries and commercially slick business practices. On the other is a world of foundations, Boards of Directors and very large donors who urge nonprofits to be more businesslike in their thinking and operations.

### **The pressure to be self-sufficient.**

To be sure, some in the nonprofit world make a lot of money; some may make too much money. Yet nonprofits are boxed in by being told they need to raise more money on their own, be entrepreneurial, sell more products, increase revenue. Funders of non-profits want them to be self-sufficient. But to sell products or services one needs good salespeople, and good salespeople command premium salaries. They need updated technology. Upgrading a Web site

so that it competes for private, commercial dollars requires first-class Web designers, and that costs money. In other words, nonprofits are being pressed by foundations to act like for-profits, and to succeed they have to compete with the for-profits for funding.

### **There is a line.**

Yet even with the pressure to compete for the best people and be assertive in fundraising, many leaders did believe that there should always be a line between the nonprofit and the commercial world.

*"We are now conducting a search to fill my position and several candidates have dropped out because the salary was too low. I don't think people should work for slave wages, but it's wrong to expect too much. There's something unethical about getting paid at the level comparable to private industry. It's not right."*

### **Many leaders believed that donors and the public need to understand more about how nonprofits operate.**

Many of the interviewees who worked in the sector had strong statements to make about how little the public understood the job requirements for leadership in nonprofits. In fact, this subject generated a fair amount of heated discussion and even some annoyance with public sentiment. As one interviewee stated with little or no irony, "It's still a business after all, and people are entitled to make a living." Others questioned how much people really understand.

*"I am curious about what the public knows about how nonprofits get their money. Do they know that foundation and corporate giving rarely support infrastructure?"*

"My guess is that the public has a thin understanding of how non-profit organizations operate...and the

environment in which they have to compete for good leaders.... [The public] doesn't always have the information to make good judgments about that"

All in all, leadership views ranged over a wide territory and covered many different issues and controversies.

But for most, even a far-off possibility that there might be a rupture between the nonprofit sector and the public it both serves and depends on was important and worthy of sustained discussion and concern.

## AFTERWORD

For those who are engaged in America's philanthropic enterprise, there is much to celebrate in this report. The people we heard from in our focus groups represent a broad swath of the donating/volunteering public. Their contributions and support for charitable institutions highlight a powerful charitable impulse among our citizens. This impulse has been especially visible in 2005, with strong financial support from large numbers of Americans to the tsunami-impacted countries and to organizations assisting with the devastation from Hurricane Katrina.

We chose to talk to relatively modest donors in this study so that we might examine the issue of credibility and trust among the "heart and soul" of America's charitable givers. We reasoned that loss of trust among this group would represent the most serious threat to the long philanthropic tradition in this country. In light of all the current talk about accountability and governance in the nonprofit sector, we also wanted to look at both the public and leadership views on the best means to maintain and even strengthen the public's trust in these institutions.

We learned much about how this group of citizens defines the charitable sector and how local nonprofits are particularly valued as important drivers for improving community life. Most donors certainly saw the sector as first and foremost about "helping people in need." Much of their charitable impulse was about giving to local religious groups, which were important intermediaries to a wider network of local, national and international causes. This matches the statistical profile for individual giving in the U.S. where typically about half of the donations go to faith-based organizations. It is important to note that the current debate about accountability and government oversight of the nonprofit sector is largely out of their sight. When pressed, they agree that the sector probably needs some outside oversight, but they almost scoffed at the notion of government as regulator except in the most egregious cases.

Despite the overall positive, enthusiastic take on the charitable sector which we saw among these "heart and soul" donors, we believe there are caveats that have important implications for sector leadership. We offer these as an afterword to our findings and analysis and hope they help stimulate thoughtful discussion on how to better ensure long-term trust and credibility in the work of nonprofit institutions.

First, the communications focus must be kept squarely on the charitable purposes of the sector. This may seem blindingly obvious, but there were signs that donors and sector leadership may be starting at different points here. The current debate on accountability, transparency and effectiveness is crucial to maintaining public trust but it is not sufficient in and of itself. This talk is essentially about process and structure and other "business-like" operational aspects. The public's sentiment is much more about the passion they feel for the work of charities, especially because they believe this is work that business and government *cannot or will not* do to help ordinary

people improve their lives and communities. These modest donors expect that people who work in this sector are motivated by different goals and should not expect great monetary rewards. They hold people who work in this sector to higher standards and they expect greater honesty and authenticity in their dealings with them.

The marketing practices in the sector came in for a lot of criticism, i.e. these donors definitely do not like to be “sold to” in charitable appeals for financial support. We heard several people state: “They’re just like any other business” and that was definitely not a compliment. Sector leadership needs to remember that *charitable mission*, not efficient process and systems should be the lead engine of their communications efforts to demonstrate organizational effectiveness and worthiness. The caution we urge here is to be ever-vigilant about balancing the messages of accountability and charitable mission to reassure the public of the propriety of the nonprofit sector.

Second, the primary connection that these donors have with philanthropic organizations is emotional rather than rational. This means that there are often seemingly contradictory attitudes at work, e.g. they recognize that organizations need structure and policies and that staff need to be professionally qualified and fairly compensated, but they generally do not focus on this aspect of nonprofit organizations. Here is where we see a noticeable gap between the sentiments of typical citizens and leaders in the sector. For example, many of the leaders we talked to felt that an education campaign was needed to inform the public about the essential services that the sector provides and what it takes in terms of workforce skills to deliver those services. We would not suggest that the sector shy away from such a campaign, but it is crucially important that it not convey the sense that the public is misinformed. In their eyes, these donors would likely admit that they don’t know all the facts, but they do believe they know what’s important and what seems right, i.e. what passes the “smell test”, when it comes to how charitable organizations and their leaders should act.

Third, we would also urge sector leadership to keep sight of the visceral nature of these donors’ charitable impulses. Donors seem to prefer an active rather than passive engagement in charities, e.g. they want to volunteer if they can and they clearly like to “see charity up close and personal” in their local communities. They understand that money is often the preferred and most “rational” type of charitable donation, but sometimes it is less satisfying and meaningful to these donors. We heard some despair about how volunteer offers and in-kind contributions were disparaged by some charities and that seemed to some to be another example of too much of a “business-like” focus. They didn’t expect undue gratitude, but they did not want to feel that their gift was merely a routine “collection.”

Fourth, because of this powerful emotional connection to charities that people can “see and feel,” it is crucial to include the voice of local nonprofit groups, including faith-based institutions in the public face of the philanthropic sector. On this front, we want to point out a gap we noted *within* the sector leaders on public credibility. Many

leaders of smaller organizations are clearly more concerned about the loss of public trust. They are mindful that these donors lose faith, seemingly forever, in specific nonprofit institutions that fail them and these leaders worry a lot about how this will affect their own efforts. They need to be reassured that the larger sector is supportive of their concerns.

Finally, we want to take note of an unusual example of public confidence in the sector because it points out the powerful effect of honest, credible communications. During the tsunami disaster, the international charities were very diligent in explaining to donors how their money would be used. In several of the focus groups – without prompting – several participants expressed great respect for Doctors Without Borders who announced that they had received enough donations for tsunami relief and they would not be accepting any more contributions except for projects in other parts of the world. This had a powerful effect on the groups, reminding us all that “honesty is the best policy” after all in the hard work of serving the public interest.

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