

'Donor motivations, and what is likely to drive donor behaviour in the future'

I'm going to start by stating the obvious. The current climate is quite bleak and it is set to get worse. Wealth is being destroyed and we are in, or on the brink of a recession.

The economist in me thinks this is one of the most fascinating periods in economic history.

The charity chief executive in me is nervous.

And the advisor to donors and to charities wants to see this as an opportunity.

I work for New Philanthropy Capital, an organisation which wants to help effective charities, and help charities be effective. We think the 'market' for charitable funding could work better. An important part of our work is advising donors on where to give. But our mission in seeking to change the charitable funding market is wider. As Matthew Bishop of *The Economist* wrote in a new book, 'NPC presents itself as simultaneously a service (for donors) and cause (for everyone).

I want to describe to you the opportunity available from changing the way charities present themselves, which touches on both the service and cause elements of NPC. This opportunity is to focus on what matters, namely the results of charities' work.

I think charities should be rewarded and supported on the basis of results. And evidence from the US and the UK suggests that donors too care about results. One piece of research shows the two most important things for donors are results and trust.

Some are sceptical whether donors actually do care about results. But I bet you, as fundraisers, have direct experience of this. You will have heard plenty of donors asking how much out of every £1 goes to the beneficiary. This question is daft, as you all know; but it shows that donors want to know their money is making a difference.

But why are donors so misguided in the questions they ask about results? It is surely because they don't know what to ask for and what information is possible. This is why they often fall back on making funding decisions based on brand or admin costs. In other words the discourse between charities and donors is false.

The credit crunch and possible hit to charitable donations could, I like to think, provide the spark to get this discourse onto a new and better track.

Fundraisers can play a key role here. It is fundraisers' job to inspire, educate and inform donors. I would like fundraisers to change the basis of their conversations with donors.

Fundraisers determine the way a charity communicates with donors. They are perfectly placed to provide the pressure for change, and to respond to the latent but poorly articulated desires of donors to learn about, reward and invest in good results. They can push charities to measure results seriously—to collect, collate and produce the evidence for a richer dialogue with donors.



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NPC has a team of charity analysts who run around the country looking at and assessing charities. They produce charity recommendations which are, we believe, examples of excellent practice and great organisations.

Two of these highlight the potency of a focus on results. They are the Place2Be and the Lucy Faithfull Foundation.

The Place2Be works in primary schools and has received significant funding through NPC clients who like its focus on results, its ability to demonstrate these and its culture of caring about performance and being accountable to donors.

The Lucy Faithfull Foundation works in an unpopular area – it helps paedophiles. This is not traditionally an area donors like to support, but because of its emphasis on a coherent narrative and evidence of impact, four donors have funded the charity in the past year

It can be difficult to measure results. I was recently sitting at a dinner next to a trustee from a large children's charity who said to me "it's terribly hard demonstrating and measuring impact, isn't it?" In the case of that charity their internal team was just four strong for an organisation spending tens of millions of pounds. I think that trustee's comment was a little weak. More resources are needed, and fundraisers can make the case for this.

NPC's framework for charity analysis looks for evidence of four key things – importance (a focus on importance issues or 'needs'), effectiveness (can we show what it does works?), efficiency (yes, that is important as well as effectiveness), and ambition (does the charity want to do more good stuff?).

We will be publishing this framework in a few months as an update on how we analyse charities.

If fundraisers were able to get their organisations and donors to focus on these important elements, we might be able to move in a more mature dialogue and relationship with donors. And donors might be inspired, engaged and give more. In difficult times, that possibility is worth exploring? And Individual fundraisers and charities can take the lead giving themselves an edge over the competition.

Please do not imagine that I am trying to take the emotion out of giving. I am not, instead, trying to complement this with more rationality, more evidence, less dysfunction. Leading, I hope to happier donors, more donors and more money.

Fundraisers are key here. And the credit crunch could be the catalyst. That is, if people want to rise to the challenge.

Martin Brookes was speaking at Charities Aid Foundation 'Raising Funds from the Rich' conference 8 October 2008