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'What major donors want and how they choose charities'

I'd like to start off by telling you about a meeting I had a while ago with a wealthy gentleman and his wife. Before the meeting I'd been told that the couple were passionate about tackling global poverty. With this in mind I went in and chatted with them about the work of various NGOs, explaining how they could take a strategic approach to the issue, and help create long-term change by influencing policy. At the end of the meeting, the man turned to me and said, 'First question Martin, just what is an NGO?'

Now the reason I'm telling you this story is not to poke fun at this couple, nor to imply that donors are ignorant about charities and the workings of the sector. Rather, the reason I'm telling it today is because I think it emphasises an important point about how the needs of donors differ from individual to individual. In this meeting with the couple I had forgotten that.

I was asked here today to talk to you about what major donors want and how they choose charities. For those of you who were hoping for a simple answer, I'm sorry, there isn't one. No silver bullet, no guaranteed way to get donors interested. There is no 'one size fits all' approach. But what I will share with you is some of what my charity NPC has learnt through advising funders of all sizes, as well as analysing charities, over the past seven years.

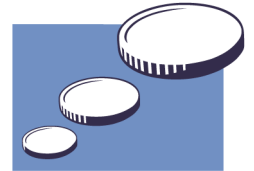
The organisation I work for, NPC, is a charity consultancy and think tank. We aim to help funders and charities become an even greater force for good. Since our beginning, our consultants and analysts have built a wealth of experience in analysing charities, in understanding social issues, and in advising donors, from high net worth individuals and their advisors to some of the UK's largest grant making trusts. More recently we also introduced a consulting service for charities, which I'll explain later.

Before I share with you my thoughts on wealthy donors, I think it would make sense to start by painting a picture of the philanthropy landscape.

Firstly, let's look at the bottom line, giving levels. Good news is there are still rich people who give generously, even in today's climate. Many examples stand out. The efforts by ARK, the hedge fund charity, is one. I would single out my own trustees as another group whose generosity is marked but goes uncelebrated and unrewarded. There are individuals too, like Martha Lane Fox, who are taking philanthropy seriously and making substantial donations.

If you look at the stats, a recent survey by the private bank Coutts & Co. showed 90% of its clients planned to continue or increase their giving in 2009. A recent report by Barclays Wealth shows that over half of 500 high net worth donors interviewed in the UK and the States report feeling a stronger duty to give as governments are overburdened with debt. This view rises to almost three-quarters amongst younger philanthropists.

At NPC we're also seeing increasing numbers of advisors, from private client lawyers to bankers, working to meet demand from individuals for philanthropy advice. In the last six months alone two private banks have trumpeted changes; Standard Chartered setting up a new philanthropy offering, and JP Morgan Private Bank hiring an expert in charitable giving, to head up its UK philanthropy team.



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Donors are increasingly drawing on the services and expertise of third party philanthropy advisors, such as NPC, when thinking about their giving. Charities looking to engage with wealthy donors are having to grow accustomed to working alongside a donor's wealth advisor or philanthropy advisor. Yet the frustrating reality is that rich people are still not giving as much as you, or I, would like. And it is important we confront this reality before you set out on an elephant hunt to find a rich donor. You must understand the odds are stacked against you.

Despite all these positive surveys and reports, the fact remains that rich people giving generously is still very much the exception, rather than the norm.

The few rich people, some very rich, who have been giving more money, and in a more thoughtful and focused way, can be wrongly generalised into a mass movement. It seems to me that people who look to promote more thoughtful and targeted giving, particularly among rich people, have got their conviction and desire confused with fact. They have started to believe their own rhetoric with little evidence to back it up.

That is a mistake.

There is a massive disparity, for example, between the energy rich people devote to spending and how much goes on giving. Let me illustrate this with two items from the FT. The FT's 'How to spend it' gives people tips on how to disperse of their wealth. Disperse of it by means, predominantly, of personal consumption.

But the FT also has run recently a weekly column, called 'How to give it'. A redressing of the balance you might think. An indication of how giving is now in vogue among rich people, and remains in vogue during the recession.

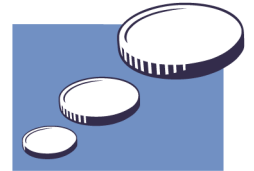
That is, until you compare the two. 'How to spend it' is a glossy magazine, expensively produced and paid for by advertising. 'How to give it' is on the bottom of the back page of the second section of the newspaper. Look at the physical difference between the two. 'How to spend it' does have a 'philanthropy' column, but it is rarely about giving. It is more commonly about issues such as charity mergers, volunteering, or other new initiatives.

The FT is not being curmudgeonly. It is not seeking to discourage giving by wealthy people. It has in fact sought to do the opposite. But it has to reflect the reality of the marketplace. There is far less interest among wealthy people in making significant donations to charities than one might think.

And having spent years working to encourage this, I can show you scars on my back and provide countless illustrations for those who dispute this.

If you want to know just how much of an exception the few rich givers are, then ponder just one fact. The FT is reportedly set to scrap the 'How to give it' column.

This begs the question of how we should respond. It might be tempting to decry the wealthy as mean, ungrateful for their luck and good fortune (albeit frequently mixed with genuine talent). That is the wrong reaction. Instead, the appropriate response for fundraisers, in my opinion, is to commit even more resources to finding wealthy donors by making giving more exciting and rewarding, and to look after these donors once you've bagged them.



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We need to celebrate those donors who do give generously, and, even more so, those who are willing to talk about this publicly. We should encourage the wealthy to give, not pour scorn on them as Polly Toynbee and David Walker did in their recent book. We want more wealthy donors, not fewer.

In our work at NPC, we have advised all kinds of donors, from a banker looking to involve his children in his giving, to a large family foundation keen to become more strategic. We see it as our job, and the job of all individual charities, to make giving a more attractive option—as something offering such a good return that wealthy people feel they can't miss out on the opportunity.

As I've said already there is no set answer as to how major donors choose charities to support. Some will want numbers and figures to analyse and pore over to help with their decision making. Others will want to see the charity's work first hand, and meet with the chief executive to build a personal picture. But whichever approach is taken, the thing which must sit at the heart of everything you do, the thing which will make giving really attractive and inspiring for donors, is being able to talk about your impact.

Firstly, I should explain what I mean when I say impact. For me impact is quite simply about what you as an organisation achieve.

It's not about counting how many people have attended an employment course or how many people have received debt advice. It's what happens to those people.

Whether they go on to find work as a result of the course.

Whether they put a plan in place to get out of debt.

These are the results which matter.

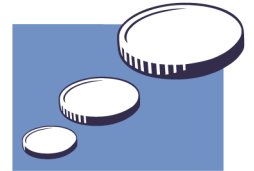
Put plainly, demonstrating impact is about being able to provide evidence that your work has changed policy, changed attitudes or changed people's lives directly.

Like the Brandon Centre, a charity in North London that provides free, confidential support for 12-25 year olds experiencing mental and sexual health problems. Its trial of a specialist type of therapy for teenagers with severe behavioural problems is being used by government to inform the roll-out of the therapy at other sites in England.

Or the charity CAADA, which works to build professional advocacy services in the domestic violence sector. Its evaluation of Independent Domestic Violence Advisors, which the charity trains, found that abuse stopped for 7 out of 10 victims helped by these specially trained advisors.

Without knowing your results, as The Brandon Centre and CAADA do, then you as fundraisers can never make the shift from speaking about 'giving back' to speaking about 'investing'. Too many charities still rely on stories about need rather than achievement. You might counter that this works for fundraising.

Only it hasn't. It hasn't kept charitable giving growing in line with real incomes in the past 20 years. And it hasn't led to a wave of giving by rich people in line with the rise in wealth.



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What this suggests is that rich people have not felt inspired by their giving. They have felt disappointed. An article from the ESRC earlier this year stated 'Lapsed donors rarely claim they couldn't afford to carry on giving, but they often say they lost faith in the effectiveness of their giving.' In other words, they lost faith because they couldn't see any evidence of impact. Nobody was telling them what their donation had achieved.

You, as fundraisers can show donors the fruits of giving—can paint philanthropy not as a duty or an obligation to give back, but as an ability to invest in opportunities not on offer elsewhere.

Talk to wealthy donors in the language they understand. Many wealthy donors come from a business background but seem to leave their business heads at home when it comes to thinking about philanthropy. They respond to heart-tugging appeals and requests with little understanding or thought to what their money is achieving. Encourage them to screw their business heads back on and to take the same strategic and focused approach to their philanthropic investments as they do with their business investments. Don't just tug their heartstrings but educate and support them to become better, and more engaged donors.

These relationships, where donors are engaged and involved, are often the most rewarding.

One married couple we worked with had no history of philanthropy when they were introduced to NPC. We've now been advising the couple for three years.

By working with us they have learnt the best ways to fund causes they are passionate about: microfinance, education, and sanitation charities internationally and mental health charities in the UK.

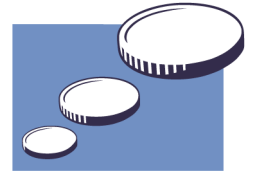
They have visited charities around the globe and chatted to experts in issues they are interested in—much more exciting than simply writing a cheque. They have learnt what types of grants to give in order to create a longer-term impact.

We've learnt a lot too by working with them. We've learnt that you can successfully combine the head with the heart, the emotional pull with a rational approach.

The husband and wife are passionate people, and look for strong emotional connections to the charities they fund. We've found that as well as engaging with their passions and interests, we have been able to channel this into excitement about becoming better and more informed donors. Of course it is easy to say charities should be measuring impact and showing donors how effective they are, but it can be hard to know where to start and what being effective even means. So before I finish, I'm going to talk you through briefly what NPC means when we talk to donors about effective charities.

At NPC we've been analysing charities for over seven years. We carry out our analysis using our established Charity Analysis Framework—a tool that we have used to analyse hundreds of charities working across many different issues, and which is freely available for charities and funders to use.

In NPC's opinion, effective charities focus on activities that make a real difference; they use evidence of results to improve performance; optimise the use of resources; and are ambitious to solve problems rather than simply perpetuating their own existence. At the head of all this, good leadership is vital to achieving effectiveness.



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When we analyse a charity, we look at all of these five characteristics. To expand a bit further.

- **Importance of activities.** This isn't as daft as it sounds. It's about looking at what the charity should be doing to really help people. Are its activities addressing the most important needs?
- **Evidence of results.** Here we're talking about being able to really demonstrate how lives have changed—not just how many people turned up to a service. Can the charity prove that what it does works? Does it use the data it collects to adapt and improve its services?
- **Leadership.** A charity won't get anywhere without good leadership. And it's about having a decent trustee board and senior management team, as well as a good chief executive.
- **Efficient use of resources.** No, this isn't about admin costs. This is about using what resources the charity has—money, skilled staff, volunteers and contacts—to maximum effect. Is the charity getting good deals on procurement by collaborating with other charities? Is it getting the funding it should from government? Does it manage volunteers so that they do a useful job?
- **Ambition.** This is a hard one to articulate. This is about looking beyond a charity's immediate user group and thinking about how it really wants to change things. One of our analysts once met a charity whose ambition was to have 3 years' reserves. She was looking for something more like 'We want to make sure that all children with life-limiting conditions in Hampshire get the support and care they need.'

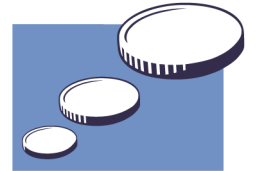
What's the use of this analysis? We find people use it for two main reasons.

One, donors use it to help them identify effective charities which would use their donation well. Many like the fact that analysis gives a nuanced view of the charity, identifying how it could build on its strengths and address its weaknesses. Donors find it gives them a clearer idea of how they can best support and help develop that organisation.

Two, charities find it helps them to understand their own effectiveness, and learn how they could create greater impact. This analysis is something charities have told us they find extremely useful—74% recently surveyed said that NPC's analysis had helped them to win funds by providing them with an independent overview of their charities' achievements and areas for development, which they could use in discussions with funders. As well as carrying out this organisational analysis, as part of our charity consulting work, we also help charities to measure their results and communicate this information to funders, as they tell us this is an issue they commonly struggle with. There will be NPC staff around today who will be happy to have a chat with you, if you're interested in finding out more about this work or other ways in which NPC works with charities.

When it comes to wealthy donors in the UK today, it is clear there is a genuine shift among some towards giving more and giving more thoughtfully. Philanthrocapitalism is not a myth, it is real. But despite the rhetoric about its growth, it is not as widespread as I would like. To achieve this we will need to change the agenda, to highlight opportunity and reward, and to speak the language of 'investing' and returns. To inspire people to give

If we do that, then raising funds from the rich might become easier and, over time, more commonplace. Indeed, I would like to think that it might make this conference less necessary and popular over time. I don't mean to undermine your business model, David and Action Planning, but I would like all charities to have access to rich donors. We are far, very far, from that at present. And rich people are, for the most part, very far from engaging meaningfully with charitable giving. You, as fundraisers, are in a prime position to help change that.



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If you don't believe me about the need for change, take a look at 'How to spend it' in the FT. Then try to find 'How to give it'.

Thankyou

***Martin Brookes was speaking at the Raising Funds from the Rich conference 2009, run by Action Planning.
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