How Do Big Donors Choose Charities?
Raising Funds from the Rich 2011
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My job is to research charitable giving and philanthropy, and I've chosen to specialise in studying the wealthiest donors because they're the ones we know the least about, and because they have the biggest potential to help our charities.

The research I'm going to share today looks at the question of how donors decide what to support, from the tens of thousands of organizations that are all chasing their money.

The findings are from a set of interviews with above average but not especially large donors, who give between £10-£100/month, and from interviews with people who give 7-figure sums, from £1m to over £100 million.

Are the rich different?
I'm sure many of you know the famous exchange between the two writers, F Scott Fitzgerald and Ernest Hemingway, in which Fitzgerald says: The rich are different than you and me, and Hemingway allegedly replies: Yes, they have more money.

Others insist that Fitzgerald was actually re-telling a conversation between Hemingway and the female Irish American author Mary Colum in which:
Hemingway says: I am getting to know the rich.
And Mary Colum replies: I think you'll find the only difference between the rich and other people, is that the rich have more money.

I prefer that second version, not just because a woman gets the knock-out punchline, but because I agree that insofar as being rich affects people's charitable giving, the substantial difference is the size of gift they can give.

So my first 'take-away points' are that:

However much money you have or don't have, donors feel over-whelmed by the amount of choice that faces them in the 'charity market'

Both rich and not-rich donors find that complexity a barrier to giving – they are facing information overload, they can't possibly weigh up the pros and cons of all the potential alternatives so they get 'analysis paralysis' and end up doing little or nothing, for fear of getting it wrong.

Charities are for helping the needy
The other thing that rich & non-rich donors have in common, is that however much they believe the essence of charity is to help the needy – and they do say that's what it's all about - their *own* giving decisions are shaped by their personal tastes and preferences and their personal connections to certain

causes that arise because of their own experiences and that of their loved ones.

Once donors have narrowed down the cause area, their decisions about which organisations to support are influenced by their view of how well charities are run, and whether their contribution will make a discernable impact.

So let me show you what I mean by sharing some insights from my interviews.

Taste-based giving
Firstly, personal taste is a key driver of giving decisions, as these quotes show:

"It's really what in one's own mind one thinks is a deserving cause, and it does range, you know, hugely widely, and totally irrationally. I mean, I would support deserving dogs but I wouldn't support cats [laughs] because I just happen not to like cats"

"I donate to the RSPB [Royal Society for the Protection of Birds] because birdwatching is one of my great obsessions. It's my, kind of, my treat to myself, if you like".

"I'm a passionate skier, so a personal favourite is a charity that provides snow sports opportunities for people with disabilities"

Indeed, taste and personal preferences are key even amongst donors who perceive themselves to be motivated by need, for example in this final quote the man began by saying:

"Appropriate beneficiaries are people who are hard up"

but then went on to say:

"But I did put a rather large sum into helping to buy and restore an old Victorian steam engine… I hope maybe when it gets going I might be allowed to stand on the footplate and blow the whistle!"

Philanthropic autobiographies
Tastes are acquired as a result of experiences, and are rooted in an individual's socialisation, which includes their upbringing, education and professional experiences.

This finding focuses on the way that donors' personal background affects their choice of charitable recipients. Examples of how what's been called out 'philanthropic autobiographies' affect our giving decisions came up frequently in the interviews

"I grew up by the sea so I support the RNLI"

"I have a child and the very first thing I started off doing was child sponsorship"

"My brother died of bowel cancer so I give to cancer research"

This last quote is one of my favourites.

"[I support] butterfly conservation. When I was a boy I collected butterflies so I'm trying to give back, if you like, the damage that I did [because] in those days you were encouraged to kill butterflies and collect them, so that's an important one"

Judgements of charities' competence
The 3rd driver of giving decisions is donors' judgements of how well charities are perceived to spend their money.

As I'm sure you know, donors have a great fear of their money being spent badly. They say things like:

"I don't think you want [to support] people who've got great big offices and give great big salaries and things like that".

However, despite these deeply held concerns, few donors do any thorough research to find out how charities actually spend their money, as the next quote shows:

"I understand X charity are extremely good at delivering their money on site, so to speak, and they keep their administration costs as low as they can, but so much of this is hearsay isn't it? Unless you pore over the books and understand what you're reading, I think it's very difficult"

So they either rely on hearsay or 'received wisdom' about who's efficient or not, or they make judgements based on proxies, commonly the perceived quantity and quality of DM materials, as the last couple of quotes show:

"If they send too many [pieces of direct mail] I feel they're just wasting the money, not spending it properly and so we cut them out"

"If they get my address wrong, they don't get a gift"

Desire for personal impact
Giving decisions are also influenced by donors' desire to make an impact that's not drowned out, either by other people's donations or by government spending, as these quotes show:

"I support them, but as there are a million members I don't feel I need to respond to every appeal from them, somebody else can!"

"The impression I got is they are well-off compared to other charities"

"We didn't really want to support things where we felt our contribution was negligible"

"I probably have gone for major charities because I feel they have more clout"

"I hate to think that we're doing things that the government ought to do"

But let's turn now to the research that's solely focused on the richest people making the biggest gifts, what do we know about how they choose charities?

How do rich donors choose charities?
I always like a bit of alliteration, and I think the 3 Ps are a useful way of thinking about how rich donors filter the many requests that come to them:

Firstly Passion – "Do I care about this cause?"

Then Personal connection – "Is this something that's touched my life? And who is asking me to support it?

Then Perceived impact: "Can someone prove that my money will make a definite difference?"

Theresa Lloyd's marvellous book on WRPG also says these are the key factors, and she concludes:

"Virtually everyone interviewed will at least review and respond to a request that comes from a person or organisation they know and respect."

"Even if the cause is one which the donor supports in principle, the determining factor is the donor's conviction that the gift will make a difference."

How 'million pound donors' choose charities
I want to use the rest of my slot to summarise the ten key strategies used by people giving at the highest level, and to share some direct quotes from the million pound donors that I've interviewed.

I can only give a taste of my research but all my reports are freely available online, just google 'University of Kent' and 'Beth Breeze' or 'Million Pound Donor' and it's all there.

1. Personal Connection
(Heather Beckwith donated £1m to GOSH), said:
"This is my way of coping with very sad circumstances. I have a little grandson who was born with a rare and complicated genetic syndrome called Crouzon… Perhaps if I had a family member with a different health problem, like autism, then I would be supporting a charity that helps autistic children rather than GOSH. But this is the situation that I find myself in and I believe

that many philanthropic acts are driven by the kind of personal experiences that our family has, unfortunately, experienced"

Andrew Wates of Wates construction
"We gave a big grant to the library at Emmanuel College, Cambridge because many of us went there, including my father, my son, my brother and myself… We also gave £60,000 to redevelop the club facilities at Dorking rugby club, because the Wates company is based in nearby Leatherhead and many generations of the family have played rugby there."

Martin Smith from finance sector, *"I've had an entrepreneurial career and I'm used to getting involved in projects by investing time and effort as well as money. In all these cases (3xMPDs] it wasn't just a case of signing a cheque but of being personally involved as a family, because we prefer to make a contribution that's about more than just money".*

2. Transformation
Jamie Cooper-Hohn, one half of UK's current biggest philanthropists who've so far put >£1bn into their foundation:

"We want to know what the organisation will do in a really big and meaningful way that it wouldn't have done otherwise"

She also says:
"It is the potential for making a quantum leap in terms of impact that feels exhilarating"

The 3rd quote is actually from an American writer on mega-gifts, called Jerold Panas, who argues that fundraisers should stop banging on about needs. He says that donors run away from needs, because there's always a project that's desperate for funding or equipment that must be purchased, or a roof that must be replaced.

He says big donors are turned off by endlessly needy causes, but they "are captivated *by the opportunity, the challenge, the magic of being able to do something special"*

3: Enjoyment
Newcastle businessman Guy Readman

"I've concentrated my grants on the cause that gives me the most satisfaction: helping young people who have the potential to do really well"

He supports talented musicians, dancers, athletes ec, and talks about 'His' Billy Elliots.

4: Excitement
James Martin $150m to Oxford Uni to set up the JM 21st Century school to

tackle big problems like climate change and stem cell technology.
"I've known a lot of people who've made large sums of money in business and in the entertainment industry. These people have often amassed fortunes in the region of $500m, but when you look at the way they live they need about $20m to fund their lifestyle. I would suggest that such people ask themselves what they could do with their 'spare' money that is truly interesting and exciting…

He says – *"[my donation of $150m to Oxford Uni] has really been the most exciting and fascinating opportunity and it has changed my life for the better"*

Richard Ross, inheritance & finance
"We support the best medical researchers … Meeting people like neuroscientists is more interesting than anything I will ever do in any other part of my life"

5: Gratitude
Gratitude is a simpler, but no less powerful driver:

Heather Beckwith again: *"Another reason for my giving is gratitude. My ex-husband and I jointly gave £1m to the redevelopment fund for the ROH because we had had years of enjoyment attending performances there – it is just a wonderful place"*

6: Local & smaller charities
Entrepreneur John Stone *"We'd also rather support smaller organisations as I can relate to their entrepreneurial outlook, and it's easier to get involved with them than with bigger, more bureaucratic charities"*

Jimi Heselden, the late Leeds inventor and owner of the Segway company:
"I really enjoy supporting local projects where quite modest donations can have a big impact"
[and he feels that despite being someone who's giving runs to many millions]

Mary Cornish *"We only support projects in Yorkshire…. We all just decided it would be a lot tidier and a lot more personal to us if we restricted it to the county where we lived and worked. Also we're keen to meet applicants [and that's easier if nearby].*

7: Solutions not symptoms
Northern businessman Mike Oglesby
"We have funded a lot of activities for young people with issues from chaotic and deprived backgrounds. After being involved in this area for some time it became clear to us that many of these young people came from broken homes and the fostering system… We therefore decided to focus on supporting adoption in order to get to the root of the issue, rather than always dealing with the problems when they have arisen at a later stage."

8: Novelty
Steve Shirley
"I aim to be pioneering, we never fund 'more of the same', no matter how worthy"

9: Unpopular causes
Ben Goldsmith from the famous banking family:
[I like] *"Supporting those pieces of work that are either too boring or too cutting edge for the appetites of other funders"*

Guy Readman again:
""a bit edgy…Among these people are often those on the edge of society and not everybody would choose to support them"

Are the rich different?
I began by saying that the main difference with rich donors is the amount they can give. But there are a few further differences worth thinking about.

Firstly, they do support different causes,
The UK Giving survey run by CAF/NCVO, finds year on year that the general public has pretty stable charitable choices – most of us support cancer, kids and kittens.

But our Million Pound Donor report finds that Higher education is far and away the most popular destination for 7-figure sums and that Arts & Culture are amongst the most popular causes, and those causes barely register amongst the general public.

But this is arguably because people with different levels of wealth have different life experiences that means they know about, and end up supporting different kinds of causes.

And of course some causes appeal to both the rich & the not-so rich - like International Development, Health & (to lesser extent) childrens' charities.

Secondly, the rich get more criticism for their giving decisions, which makes them more wary
.
Anyone who reads a newspaper knows that philanthropists are easy targets for cynical write-ups, which often take as their starting point: 'what's in it for them', when on the same page an 'ordinary donor' who raises a small sum for Comic Relief by doing something daft is depicted as a straightforward 'good guy' 'or 'local hero'

So rich donors often need more affirmation, thanks & acknowledgement from the charities they support, because they can't count on getting it from the media or the general public.

The self-made rich are particularly susceptible to bad press. They have to handle the problem of what's been called 'sudden wealth syndrome'.

There's often an assumption that all newly created wealth is ill-gotten, especially if it was made in certain industries like the financial sector.

That makes people feel defensive and wary of being philanthropic because the act of giving away a large sum of money draws attention to the fact that that they now have a large sum of money, which prompts the brickbats and the cynical comments about how they made it.

It wasn't long ago that being rich was a sign of success, now it can be a source of shame. One solution is that some people strive to be seen as both rich and generous (you can look at the year when Bill Gates topped both the list of the World's Richest man and the list of the World's biggest philanthropist).

It is a bit confusing that we now simultaneously promote values around getting wealth and giving it away, but it's extremely fertile territory for philanthropy, which can be positioned as the thinking rich person's answer to the 'problems' of wealth.

Thirdly, a more practical difference, concerns how the rich give it away. 99% of us make donations from our pockets or our normal bank accounts. But most seriously rich philanthropists set up some form of giving vehicle, usually a charitable trust or foundation.

So, ordinary donors have to be persuaded that some part of their money – that's currently in their pocket or bank account – should be given away, and then you have to persuade them to give some of it to your cause.

But most rich donors have already dealt with the first part of that process. They've allocated money for giving away, and it's now sitting in a trust or foundation waiting to be distributed.

The wonderful Alec Reed calls this 'the Disneyland method of giving', because theme park visitors pay once at the gate and are then free to enjoy all the rides. So too, donors who make that one-off decision to deposit a big chunk of wealth into a foundation are then 'free' to enjoy deciding how to distribute it for many years after.

So you don't need to persuade them that it's good to give, you only need to persuade them that it'd be good to give it to you!

Concluding thoughts

So, in conclusion, let me offer these 3 points as a re-cap and end with a final quote:

- Giving decisions are often about donors' tastes, not beneficiaries' needs - so you need to make your 'ask' about the donor, not the charity.

- Giving decisions are not rational. Donors are social beings whose charitable outlook is shaped by their life-long social experiences.

- Giving is driven by supply rather than demand: As one donor says: "People prefer to buy than be sold to".

The final quote is from another American, who's been studying wealth and philanthropy for decades:

"The accepted wisdom that charities need donors in order to help them achieve their organisational mission, ought to be replaced by an understanding that donors choose to support charities in order to achieve their personal missions."

Someone else said that truly taking this point on board would be the charity sector's equivalent of the Copernican revolution – where we see the donor, and not the cause, as the centre of the charity universe.

That might seem a step too far, but the prize is attracting donors whose wealth can transform your organisation.

Thank you.