



**MORE MONEY**  
FOR MORE  
**GOOD**

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**&**

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## Acknowledgements & Copyrights

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For more, visit: [www.guidestar.org/moneyforgood](http://www.guidestar.org/moneyforgood)

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## Introduction

# more MONEY for more GOOD



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**E**very year Americans give generously—**nearly \$300 billion in 2011, according to GivingUSA**—with the aim of making the country and the world a better place. Every year hundreds of thousands of nonprofits do incredible things with those donations. And every year, donors and nonprofits lament that more could be done if there was just more money. **More money for more good.**

Yet many donors are concerned that their giving is not making a real difference. And many of the most effective nonprofits—those clearly making a difference for the people and causes on which they focus—struggle to find enough donors.

The charitable sector's impact is enormous. Almost everyone in the United States has received personal benefits from the work of a nonprofit, whether through their children's schools, the health facilities they use, the sports in which they participate, or the parks they visit. Citizens and community members rely on the charitable sector to attack the country's

most critical and confounding social problems.

Nonprofits are the safety net of last resort. They notice—and care for—the people, places, and things that the market and the government don't or won't. Charities are the nation's collective conscience.

Given the importance of the sector and all that it does, it is crucial to find ways to channel annual giving to the nonprofits that are most able to do the most good. Yet, despite a long-standing agreement that impact matters, professionals in the nonprofit sector still have few tools at their disposal to drive funds to the organizations that are most effective.

There is no doubt that philanthropic giving could be much more effective and efficient than it is today. It should be far easier for donors to find excellent charities. And it should be far easier for excellent charities to find willing donors. With \$300 billion sloshing around, the best nonprofits are rarely unable to access any funds, but they could do so much more with easier access to more money.

Based on research we have conducted over the last several years, we believe that more money for more good is eminently achievable. Better yet, it doesn't require changing the way donors think or feel, or changing government policy, or changing the media, or any of the other common refrains we hear from nonprofits.

No, more money for more good is in the hands of nonprofit executives, managers, and boards—in your hands. By changing how you collect information, communicate your story, and connect with donors, you can better access the funds you need to make the greatest impact.

## Markets: Efficient and Inefficient

These days, many people are leery of talk about efficient markets, with good reason. In practice, some markets work well—meaning that all parties get good value for their participation—and some markets don't.

Regardless of how you feel about any particular market and how efficient it is, it's worth thinking about what makes



it efficient or inefficient as a way to understand how effective nonprofits can better access the donor funds they need.

Efficient, well-functioning markets share a few simple characteristics. First, there is good information available about who is participating in the market. Buyers are easy to find, it is clear what they are looking for, and sellers are plentiful and offer clear and understandable products. Second, there is good information on what people are buying and selling. Reliable information is available for just about every type of product or service people buy—computers, appliances, homes, food, even doctors. More information is more easily accessible and more transparent than ever before. Third, there is a feedback loop. When buyers don't find what they want, or buy from a seller who doesn't provide what was promised, it is clear to others in the market. Finally, there is trust—this is a natural outgrowth of the features noted above—and that trust allows each individual participant to feel comfortable buying or selling without investing significant time and money investigating every person with whom he or she wants to do business.

When these elements are in place, it is easier for money to move quickly and seamlessly from buyers to the sellers who have what the buyers want. As sellers get feedback based on sales, they learn to adjust and further respond to buyers' needs.

It doesn't take much experience in the nonprofit sector to know that charitable giving doesn't share many of the characteristics of efficient markets. However, while the nonprofit sector is behind the curve, it has made significant progress. Nonprofit information is more transparent and accessible today than at any point in the past. Many building blocks needed to channel money to effective nonprofits do exist. For example, in the past several years we have seen an explosion in the number of online platforms or intermediaries that facilitate charitable giving or research, including GuideStar, Network for Good, Charity Navigator, the Foundation Center, and others. There are well over 100 of these nonprofit intermediaries today providing services to nonprofits, donors, and others.

Nonetheless, these building blocks have not been put together in a way that works for most donors. For starters, the amount of high-quality information available about the hundreds and thousands of soliciting charities pales in comparison to what is available for other products and services. Further, of the information that is available, almost none of it helps donors understand which charities are most effective at fulfilling their missions. In addition, few feedback loops connect recipients, nonprofits, and donors. Charities have a hard time finding out why a donor started or stopped giving, and there are few reliable ways for donors to learn about others' experiences with a particular nonprofit. Perhaps as a result, trust in the sector has fallen significantly in the last few decades. According to the 2012 Edelman Trust Barometer, an annual survey of 30,000 individuals that aims to gauge consumer trust in government, businesses, and the social sector, only around half of people believe that nonprofits can be trusted to operate with society's best interests at heart.

These gaps in information and trust are significant barriers to more money for more good. The charitable sector is not some special category—donors' expectations are set by the changes in the larger world. Even large nonprofits with decades of experience and strong reputations are finding that they have to work harder and use more channels to attract and retain donors. Nonprofits are not immune to the way the world is changing.

## Hope on the Horizon

Some have looked at the situation and called it hopeless. "Donors don't care about researching charities," they lament. "Nonprofits have no incentive to report their impact in a useful way," others complain. Many just shrug, resigned to the status quo.

Two and a half years ago, Hope Consulting began a research project called Money for Good. The results shed some light on this discussion.

The original Money for Good study surveyed 4,000 affluent Americans in order to examine their motivations for



giving to charitable causes, their behaviors when they do so, and the degree to which they research charities before giving.

We found that donors do care about impact. Particularly today, when the economy has affected so many, donors want to know that their money is going to organizations that are effecting positive change in the world. But, and this is a big but, only a minority of donors research nonprofits before they give, and it is exceedingly rare to find donors who are looking to fund the highest-performing organizations.

That finding on its own might seem to support the pessimists. But we weren't content to leave it at that. We felt that if the majority of donors care about impact, there must be a way to channel some of that caring into concrete action—namely, of directing donations to nonprofits that deliver impact.

GuideStar teamed up with Hope Consulting to launch a second round of the project, called Money for Good II, to explore this question more deeply. What information do donors really want? Where do they want to find it? And would it change their giving behavior if that information was available and trustworthy?

The results from Money for Good II are even more striking. They show that high-performing nonprofits can attract more funds if they can communicate their impact and connect with donors. If donors get what they are looking for, \$15 billion of giving each year—\$150 billion or more over 10 years—will move to the nonprofits doing the most good. That's what we call more money for more good.

This guide will show you how to collect the information that donors want, communicate it to donors in the manner they want to receive it, and connect with current and prospective donors so that you can attract some of the \$15 billion a year that can be moved to effective nonprofits.

## What You'll Get In This Guide

In the next sections, you'll gain an understanding of:

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What information donors want and  
how and where they want it

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How you can meet the demand for information,  
including specific tools and initiatives

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How other nonprofits are already doing this  
and the rewards they are reaping

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A view of the future of charitable giving  
and the nonprofit sector

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# what donors want



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**A**ccording to Harris Interactive, more than 80 percent of Americans contribute to nonprofits each year. With such a large population of givers, there will naturally be large variations in why people give. Unfortunately, most conversations about what donors want tend to oversimplify the discussion into one of two camps: donors are rational, or donors are emotional.

The answer, of course, is somewhere in the middle. Donors give for many reasons. They might support a charity because they believe in the cause, because they are familiar with the organization, or because their friends asked them to. Some of that giving is impulsive. Some of it is planned for years. Much of it is loyal: 88 percent of donations go to nonprofits a donor has given to at least once before, according to our research.

Both emotion and logic play a role at various points in the giving process, though when it comes time to give most donations are triggered by personal or emotional ties. Donors do not approach the act of giving with the same dispassion they may apply to evaluating a new mutual fund.

Yet emotion does not quite tell the whole story. There are plenty of donors that research their donations. Even those that don't research still care that the nonprofits they support with their hard-earned money do something worthwhile.

When we look at the spectrum of donors, we find that there is a \$15 billion opportunity to influence donor behavior and channel funds to the top nonprofits. Some say this number is too optimistic. Others note that \$15 billion is only five percent of all annual giving. We aim to be neither optimistic nor pessimistic. Just realistic.

To understand how to reach and attract those donors that are willing to channel more money to higher-performing nonprofits, we have to start with a deeper dive into what donors do today and what they want from nonprofits. You'll see that small adjustments in the way you communicate with and engage donors can move money.

## What Donors Do Today

In our research we separated "donors" into three categories: individual donors, those who advise donors, and those making grant decisions at foundations. Each of these groups makes decisions about which nonprofits to support and how much to give.

There are some key differences between what each group does today when making donation decisions (see Figure 1-1). It is no surprise that advisors and foundation officers do more research than individuals: 80 percent of donations directed by advisors and just shy of 90 percent of grants directed by foundation officers are researched. Only 33 percent of individual donors, on the other hand, research their giving. Instead, individual donors rely on personal knowledge, brand name, relationships, and friends and family to establish which nonprofits to give to. Size, brand, and social vetting are filling the void of more specific, higher-quality information.

Individual donors do research their giving in some instances. Specifically, we see high rates of research when donors are making a first-time gift, when they are giving



# THE RESEARCH

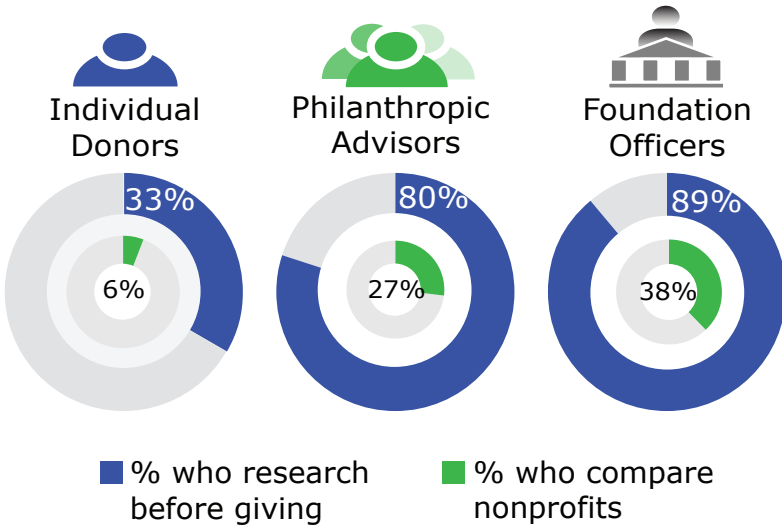
Hope Consulting, a strategy consulting firm, launched Money for Good in an effort to understand more about how donors think about their philanthropic gifts. The first round of research, known as Money for Good I, took place in 2010 and explored what donors want, how they research, and whether they are willing to change their giving behaviors. The project included both a detailed survey of 4,000 Americans with household incomes of more than \$80,000, as well as focus groups. One of the key findings was that donors say they care about nonprofit performance, but that few spend time researching and evaluating nonprofits before they give.

Curious about how we could close the gap, Hope Consulting teamed up with GuideStar and launched Money for Good II, which included another survey, focus groups, and individual interviews. We spoke to more than 5,000 individual donors, 875 donor advisors, and 725 foundation officers.

We found out that donors would be willing **to shift \$15 billion in giving to top performing nonprofits if they had easy access to better information.** We came to this \$15 billion figure by evaluating multiple inputs from our survey data, such as: what is a donor's loyalty to the nonprofits she supports? How willing is she to change her giving if information needs are met? How certain is that change? More detail about the methodology, and how the \$15 billion opportunity breaks out can be found in the full Money for Good II report, accessible at: [www.guidestar.org/moneyforgood](http://www.guidestar.org/moneyforgood)

Money for Good I was financed by the Aspen Network of Development Entrepreneurs (ANDE), the William & Flora Hewlett Foundation, the Metanoia Fund, and the Rockefeller Foundation. Money for Good II received financial support from the Bill & Melinda Gates Foundation, the William & Flora Hewlett Foundation, and Liquidnet for Good.

## FIGURE 1-1: WHO RESEARCHES?

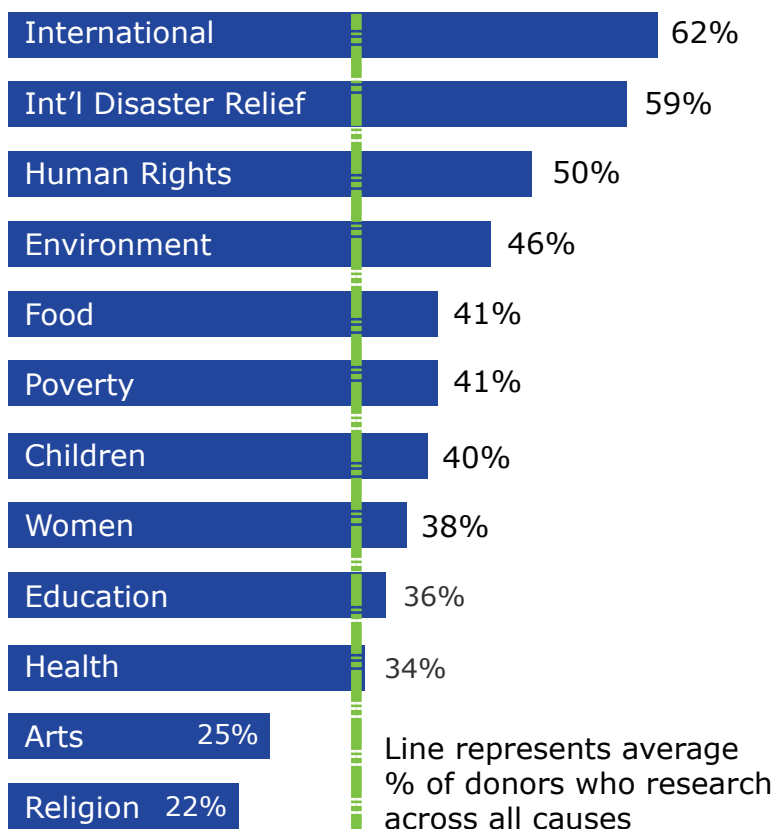


to an organization with which they do not already have a personal connection, are donating to a nonprofit that does not have a well-known brand (and therefore must be confirmed as legitimate), or are donating in certain cause areas (see Figure 1-2).

The fact remains that individual donors do less research than do foundation officers or advisors—and less than many would like. We need to be careful about the conclusions we draw, however. The fact that individual donors rarely research before making a donation does not mean that they are indifferent to nonprofit performance. When we ask them what matters, 9 out of 10 donors say that an organization’s effectiveness is important. But without a clear and easy way to sort high-performing nonprofits from their less effective peers, donors are left like an amateur sailor navigating a storm—all they can do is steer and hope.



**FIGURE 1-2: INDIVIDUAL DONORS RESEARCH SOME CAUSES MORE THAN OTHERS**



## What Donors Want from Nonprofits

Despite the differences in current behavior, all three donor categories (individuals, advisors, and foundation grantmakers) want similar types of information from nonprofits presented in similar ways. Communicating and connecting with each group doesn't require a vastly different strategy or different information.

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## INFORMATION

In terms of the type of information, all donors want to understand the full story of an organization (see Figure 1-3), including:

- The financial picture, including how an organization spends its money
- That a nonprofit is legitimate
- The basics of the organization—its mission, approach, and make up
- The breadth and depth of the cause
- The nonprofit's impact

Some of the information donors want, such as financials, is fairly easy to come by. In fact, donors state they are able to find each of the first four items on the list without much difficulty. But donors also want information on a nonprofit's impact, which can be very difficult to obtain. **This information—how effectively nonprofits achieve their mission—is the true “unmet need” of donors.**

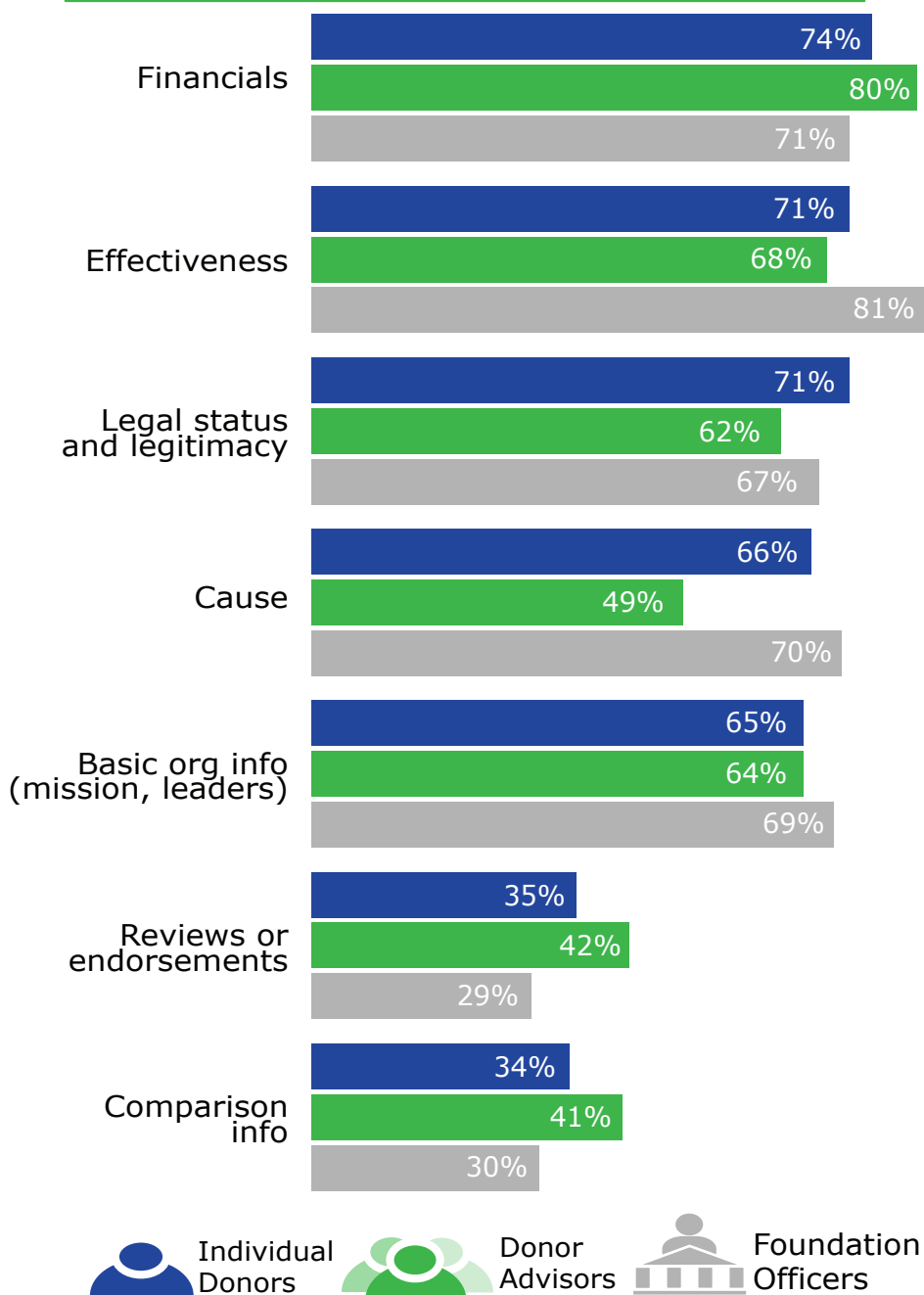
## PRESENTATION

Just as important as the information that donors want is how they want that information presented. All three groups clearly prefer an easy-to-digest report similar to what is produced by Consumer Reports (see Figure 1-4). This format balances simplicity and thoroughness. It is easy to understand, while still allowing each person to make his or her own decision.

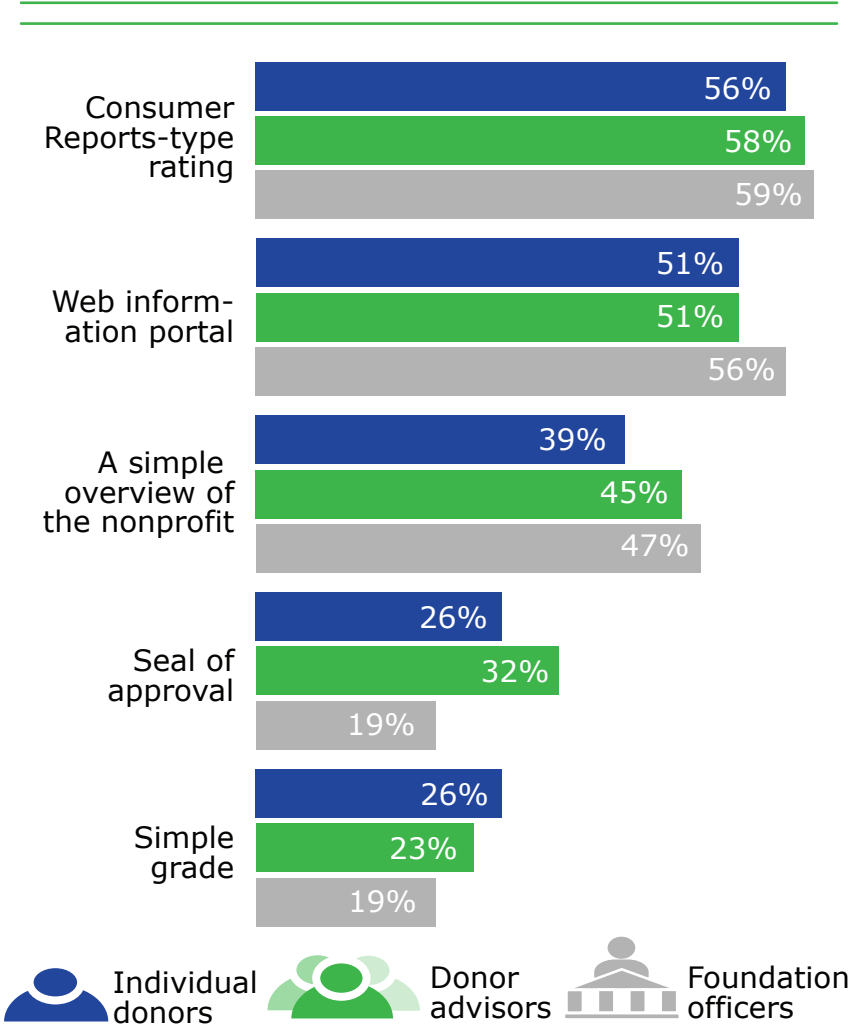
Descriptions of nonprofits without ratings also scored high; in fact, these descriptions—provided by a third-party site or by the nonprofit itself—scored higher than the simple “stamp of approval” approach that is so common today. It is not necessarily the case that donors don't want a perspective or star rating. They just want those perspectives to be conveyed in context, and with an eye on the full picture of the organization.



**FIGURE 1-3: ALL DONORS WANT SIMILAR INFO**



**FIGURE 1-4: ALL DONOR TYPES PREFER CONSUMER REPORTS-STYLE FORMAT**



**TRUSTED SOURCES AND LOCATION**

Donors also have clear and consistent preferences on the source of information on nonprofits, and where they want to find this information. On both dimensions donors give high ratings to nonprofit information portals and rating agencies,





# WHY CONSUMER REPORTS?

We were surprised to find from our survey that a rating system that had the look and feel of Consumer Reports was preferred by each donor segment. In fact, in other tests the preference for this type of rating was strongest even among donors who say they would not normally research their giving. Wouldn't simpler be better?

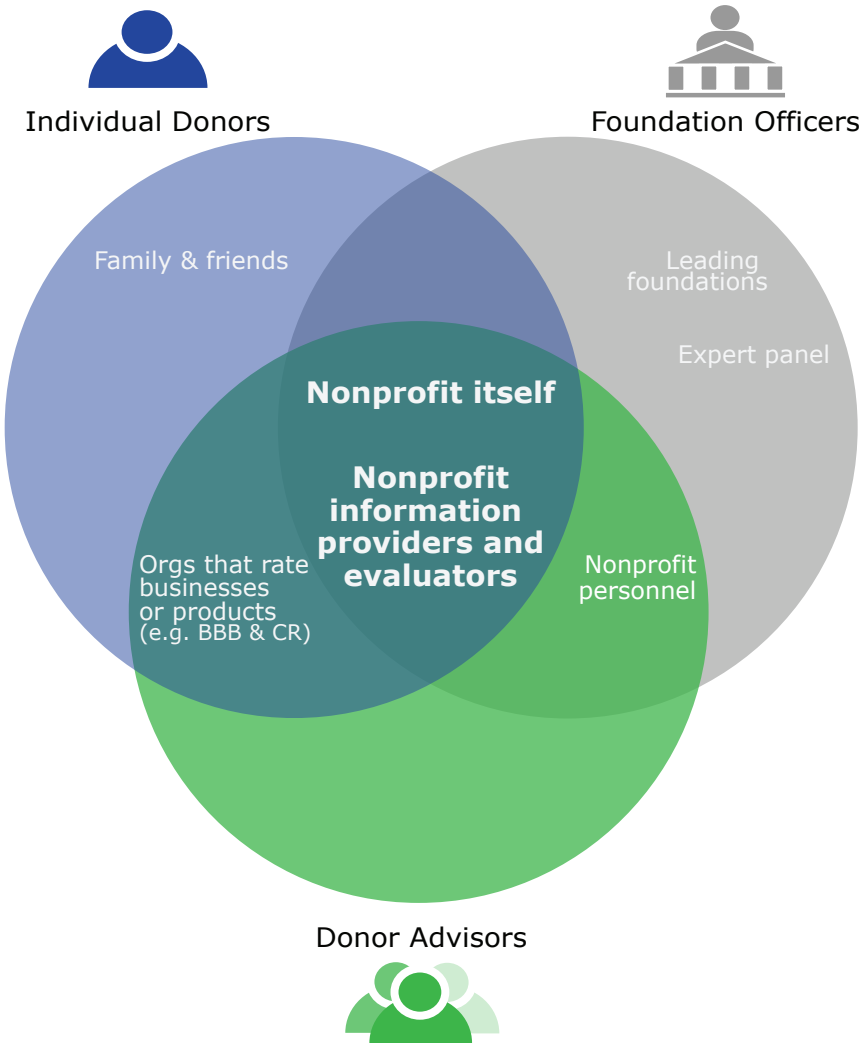
In this case, no. As we discovered during focus groups, donors of all types prefer the detail of the Consumer Reports approach for several reasons. First, the details make the conclusions feel more substantive and legitimate. Donors can see the amount of work that went into the report, and these details give them confidence that the results are sound. When presented with a simple rating from an organization with which they are not familiar, donors questioned the work that went into it, the agenda of the rating agency, and, ultimately, if they should trust it more than their own perspectives.

Another factor that swayed donors' preferences is the fact that Consumer Reports evaluates providers on multiple dimensions. Automobiles, for example, are rated based on driving experience, fuel efficiency, and reliability as well as on safety and other features. Multiple dimensions applied to the nonprofit space could allow donors to see how a nonprofit performs in the areas they care about and discount the areas that are less important to them. "It lets me make my own decision," donors said.

Last, donors believe that the Consumer Reports approach provides a degree of immediate transparency into the rating that a seal of approval or star system lacks. A more detailed approach shows all of the organizations that were evaluated and offers insight into how they earned their scores. That information breeds confidence for donors wanting to give more money for more good.

as well as the nonprofit itself (see Figure 1-5). It is important to know, however, that although donors say they like third-party sites, their awareness and knowledge of the ones that already exist today is very limited. The vast majority of research that is done by donors happens through direct contact with the nonprofit itself—be it the organization’s website, materials, or staff.

**FIGURE 1-5: SOURCES DONORS TRUST FOR NONPROFIT INFORMATION**





## How You Benefit from Offering Donors More Information

The bottom line of this research is that donors care about nonprofit performance, they want a complete picture of a nonprofit, and they want that picture presented in a clear, easy-to-understand way. Connecting with donors and communicating this information can help you access your share of the \$15 billion in annual giving donors are willing to move to high-performing nonprofits. Best of all, collecting and communicating the information donors care about and want does not need to be an onerous, expensive process.

In the next three chapters we'll show you how you can present the right information about your organization in the right way to attract donors' attention. If you collect the right information, communicate your story, and connect with donors, you can access more money for more good.



# collect the right information



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**N**ot all donors care deeply about impact, but many do. Getting more and better information to those donors can help you tap into the billions up for grabs each year. These donors are not looking for obtuse quantitative measures. They are not looking for reams of specific data. Nor are they looking for simple ratings that filter out key pieces of information. They want more than a few nice stories, pictures of smiling people, and some financial ratios. These donors want a complete picture of your organization: what you do, why you do it, how you do it, what you are learning, and what progress you are making. **They want to understand your story.**

Our research revealed some specific steps that you can take to collect the right information, communicate it in a way that is meaningful to donors, and connect with donors to form lasting relationships. In this chapter we'll look specifically at what information to collect and tools for organizing and using it.



## The Missing Link

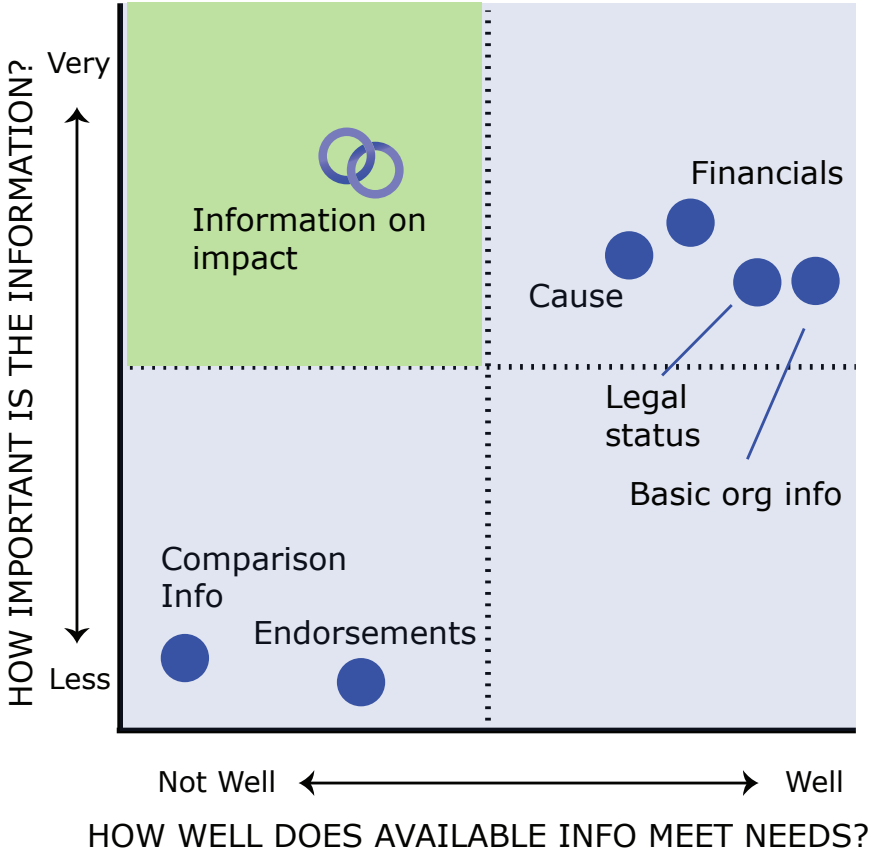
Donors want a variety of information about the nonprofits they support. Some of that information is available today. Some of it is available but hard to find or understand. And some of it is simply impossible to locate. Donors say that information about a nonprofit's approach, expected results, effectiveness, and past performance—in other words, impact information—is most important to them but hardest to find. These details represent the missing link of information for donors (see Figure 2-1 on page 22).

Other points of information are ubiquitous but less helpful as a tool to share your story. For instance, donors have been conditioned to look for overhead ratios—when asked, individual donors name the overhead ratio as the most desired specific piece of data they want from nonprofits. Absent better information on if the nonprofit is 'wasting money' or effective, donors have adopted the overhead ratio as a proxy measure. This situation is less than ideal, but given its ease and availability, the overhead ratio as a nonprofit metric isn't going away anytime soon.

But a growing number of donors also recognize that overhead ratios obscure as much or more than they reveal. These donors want ways to understand a nonprofit's impact. By making impact information easy to access and easy to understand, you can change the conversation with donors to focus on impact instead of overhead.

The first step is collecting and organizing the right information about your organization, your strategies, your successes, and how you are changing the world for the better. We recognize that it is difficult for some organizations to create good "data" on their true impact. But there are many things that you can do that will give donors the information they want and will begin to build a story of your organization's impact.

**FIGURE 2-1: IMPACT INFORMATION IS THE MISSING LINK FOR DONORS**





## Charting Impact

The BBB Wise Giving Alliance, GuideStar, and Independent Sector have created the free Charting Impact tool to help nonprofits explain their impact. Charting Impact's five simple questions help you identify the information you need to communicate the full story of your organization (see Table 2-1 on page 24). Our research shows that this type of information, presented in a way similar to Charting Impact, meets the needs of many donors.

Your nonprofit will also benefit in tangible ways from Charting Impact. The benefit comes from clarity and alignment. The questions invite you to think through what you do and how you do it, and to find the clearest, most succinct language to articulate that information.

"We did feel this clarity after stepping back to look at ourselves in a way we had not before," said Grace Armstrong, CEO of the Nonprofit Leadership Center of Tampa Bay, about her experience with the tool.

Valerie Bailey of the Student Conservation Association says, "Charting Impact helped us get to the essence of what we do. It has aligned the executive team around a core set of objectives and strategies, which allows us to operate more effectively in everything we do."

Jennifer Ross, the Chief Information Officer of the Pennsylvania Association of Nonprofit Organizations, believes the five questions made some of the difficult work of collecting data easier. "It really helped us focus in on our own measurement. Too many organizations find the process of measurement daunting, and this tool simplifies it by asking the right five questions."

Charting Impact allows you to compare your answers to those of other nonprofits. This information can allow you to identify other nonprofits doing similar work or working in the same regions you do. You can uncover opportunities for improvement or collaboration to increase your effectiveness.

**TABLE 2-1: THE CHARTING IMPACT TOOL**

QUESTION	HOW TO ANSWER	WHY IT MATTERS
What is your organization aiming to accomplish?	Define how your organization will change the world for the better	Donors want to know what you stand for
What are your strategies for making this happen?	Explain what you are doing to accomplish your goals	Donors need to understand, clearly, what you do
What are your capabilities for doing this?	Show donors that you have what it takes to make an impact	Donors want to know that you can achieve your goals
How will you know if you are making progress?	Educate donors on the metrics for your cause and show how you track them	Metrics give donors confidence in your impact
What have and haven't you accomplished so far?	Describe how you've changed the world, and what you've learned	Donors want to understand the progress you are making





## Other Tools

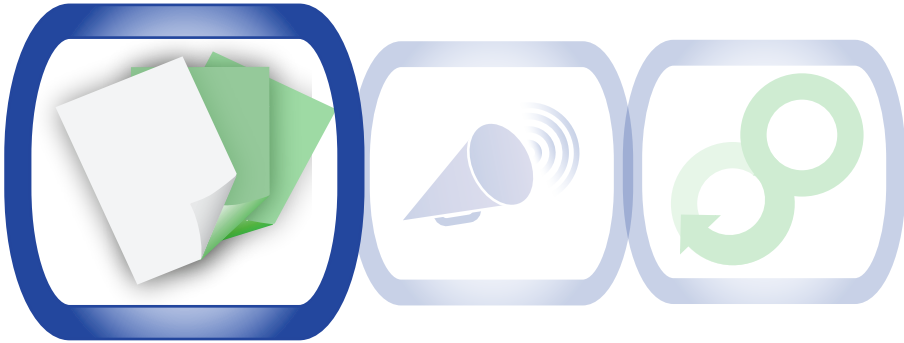
The free GuideStar Exchange program is another avenue for collecting information about your full story for donors. The GuideStar Exchange platform lets you compile your organization's basic details—including mission, programs, finances, and governance—into one profile. That profile is then pushed to donation portals, donor-advised funds, and foundations, some of which now require that potential grantees have an updated GuideStar Exchange profile before they consider a proposal.

In addition, the GuideStar Exchange program allows you to provide an "impact statement," details about your accomplishments from the past year, and goals for the current year as they relate to programs, management or finances. Supporters can link to your GuideStar Exchange report via your emails, social media platforms, and your website.

There are other tools to help you collect information to tell your organization's story.

- GreatNonprofits can be used to gather impact information from stakeholders. When volunteers, beneficiaries, and partners complete reviews on GreatNonprofits you gain real insight into how well you are doing at the same time that you increase your profile with donors.
- Financial SCAN is a platform created by the Nonprofit Finance Fund and GuideStar that provides a clear and useful guide to a nonprofit's financial health, part of the overall picture that donors consider when determining impact.
- Organizations can develop or commission their own studies and evaluations to understand better how they are performing and where they can improve.

Once you have collected your information, you will need ways to communicate it. In the next chapter, we'll look at how to effectively communicate your organization's full story including impact information.



### COLLECT

- **Focus on impact.** Donors want to understand how well you are achieving your goals.
- **Chart your impact.** Answer five key questions that will bring you and your donors clarity on your approach and accomplishments. For more go to [www.chartingimpact.org](http://www.chartingimpact.org).
- **Complete your GuideStar Exchange profile.** Go to: <http://bit.ly/GuideStarExchange>.
- **Use GreatNonprofits** to gather input from stakeholders. Visit at [www.greatnonprofits.org](http://www.greatnonprofits.org).

The Nurse-Family Partnership (NFP) is a nonprofit that partners nurses with low-income, first-time mothers to promote healthy pregnancies, improve early childhood health and development, and help young parents stay in school and find work. The U.S. has the worst maternal mortality rates among high-income countries, and women living in poverty are particularly affected. NFP has been profiled in the media and heralded by public figures, including Presidents Bush and Obama, as an organization that is making a difference.

The NFP difference starts with an **internal commitment to collecting information about impact.** Early on, the nonprofit subjected its programs to randomized evaluations, the most reliable method for measuring the difference a program makes in the lives of its participants. The results from these studies show that NFP participants are more likely to have healthy pregnancies and healthy babies and that the program improves children's health and development.

This drive to make and show a difference continues today. NFP collects information on impact and communicates it to donors through a variety of platforms. NFP has a tab on its website devoted to "Proven Results" that shows research on its program. It also highlights its outstanding reviews from GiveWell and the Center for High Impact Philanthropy, and it highlights Charity Navigator's four-star badge on its homepage. NFP also shares results through its Facebook page and Twitter feed. It gets the information out where donors are likely to see it.

"We take great pride in our results, and we know that our donors care about our impact," says Thomas R. Jenkins, Jr., President and CEO. "We especially value the endorsements we receive from third-parties and display them on our website, in our newsletters, in social media, and in our solicitations, so that our current and prospective donors can see that their donations are going to an organization that will make good use of their hard-earned dollars."

# communicate your impact



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Once you've collected and organized information about your full story and impact, it's time to get that information to the donors who want it. Donors look on your website first for this information, so you need to look for ways to display impact information simply and prominently. We realize this can be easier said than done.

Inside every organization there is a battle over homepage real estate. Everyone who wants to get a message out realizes that relatively few visitors will go beyond the homepage—two clicks in, and the only person who sees it is probably your webmaster! Given such active competition it can be difficult to prioritize what gets prominence.

But it's not just about your website. You need to think about all the ways in which you communicate with donors as well as the ways that donors gather information about you. Email communications, newsletters, social networking sites, direct mail pieces, blogs, YouTube videos, podcasts, solicitations—anything your organization puts out—provide opportunities to communicate your story and your impact.

The goal of communicating your impact is to change the conversation with donors. When you lead with impact, you reassure your existing donors that you are using their money wisely, and you attract new donors who are looking for organizations doing the most good.



## Lead with Impact

Making impact information prominent in your communications—your solicitations, your website, and your outreach to donors—has several benefits. It reinforces the confidence of your existing donors. It signals to impact-oriented donors that you “get it,” which encourages them to engage with you. And, finally, it trains everyone to look for impact information, which over time helps shift even more money to high-performing nonprofits.

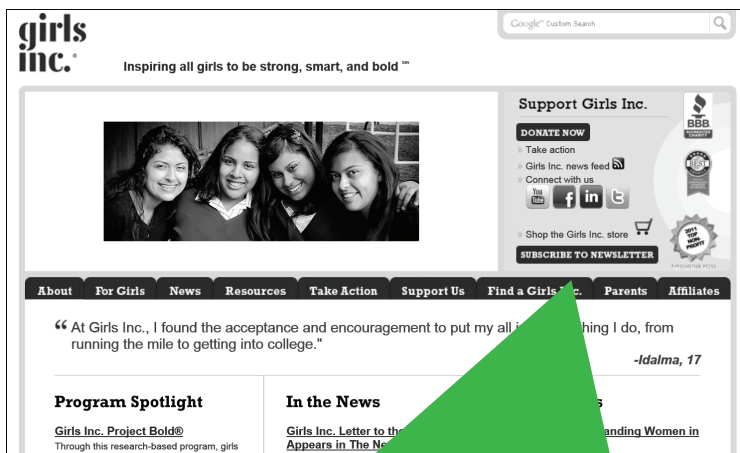
There are many ways to lead with impact. Highlighting impact information can be as simple as giving prominence to the endorsements and accolades you have received from third-party organizations. Examples include:

- Philanthropedia’s Top Nonprofit medal based on expert reviews
- The Better Business Bureau Wise Giving Alliance seal—focused on nonprofit accountability
- Rating from Charity Navigator—which is working to include results reporting in its upcoming “3.0” methodology
- Stakeholder reviews from GreatNonprofits
- The GuideStar Exchange Seal to symbolize your transparency
- Your Charting Impact report

Donors want information from third parties like these, but they will visit your site first. So get those reviews, badges, and donor feedback out in front where visitors can find them! See pages 30 and 31 for examples of nonprofits that have already taken this step.

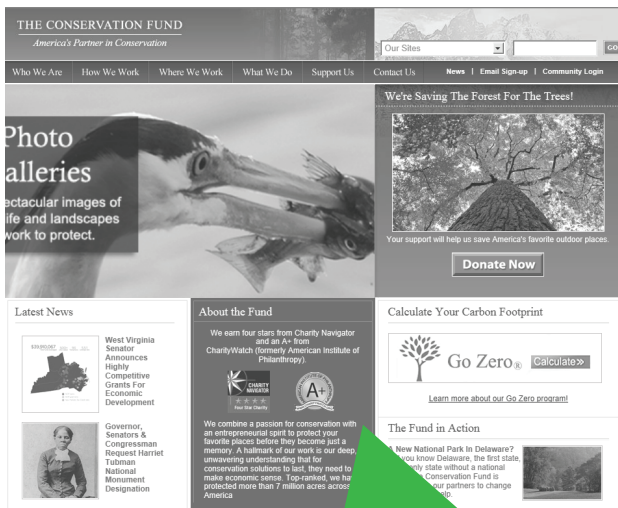
Remember that even impact-oriented donors don’t spend a lot of time on research. They want impact information, but they won’t dig for it. It has to be clear and accessible. We are not proposing that you overwhelm donors with facts and reports. We are not here to argue that the majority of donors want reams of information. Giving is inherently emotional—but helping donors realize the impact their donations will have can lead to a positive emotional responses.

# NONPROFIT WEBSITE EXAMPLE 1: GIRLS, INC.





# NONPROFIT WEBSITE EXAMPLE 2: CONSERVATION FUND



### About the Fund

We earn four stars from Charity Navigator and an A+ from CharityWatch (formerly American Institute of Philanthropy).




We combine a passion for conservation with an entrepreneurial spirit to protect your favorite places before they become just a memory. A hallmark of our work is our deep, unwavering understanding that for conservation solutions to last, they need to make economic sense. Top-ranked, we have protected more than 7 million acres across America

## Use the Network

We've discussed before how donor expectations of transparency and information accessibility are changing rapidly. One of the ways this transition affects you is that donors are increasingly looking to "portals" that report information on a wide variety of nonprofits from multiple sources. More than half of all donors said that they not only want to use organizations like GuideStar to find information about high-performing nonprofits but that they trust these sites more than other sources.

You can use well-established nonprofit information websites to expand your reach beyond your communications channels. For instance, GuideStar provides organizational data about charities to many other nonprofit portals, such as donor-advised funds like Schwab Charitable Gift Fund and Fidelity Charitable, as well as such other sites as Network for Good and many more.

GuideStar itself is changing the way it works based on the lessons learned from Money for Good I and II. For instance, in the beginning of 2012, GuideStar revised its nonprofit reports to focus more clearly on the information donors care about most. A new "Quick View" summary shows a green checkmark if a nonprofit is a GuideStar Exchange Seal holder, is registered with the IRS, has provided an "impact statement" and mission objectives through the GuideStar Exchange program, and if GuideStar has received financial data and Forms 990 from the IRS for that nonprofit. Nonprofit reports that lack pieces of data have a yellow exclamation point next to the missing fields. GuideStar's Quick View also displays the average user rating for each nonprofit, based on GreatNonprofits' five-star rating system, and when available, "Evidence of Impact," with expert reviews from Philanthropedia, Coalition for Evidence-Based Policy, GiveWell, Innovations for Poverty Action, and Root Cause. A new "Impact Tab" features nonprofits that have received a "Top Nonprofit" medal from Philanthropedia, earned when a nonprofit has been recommended by foundation professionals,





academics, researchers, nonprofit senior staff, and other field experts.

Communicating with donors requires you to use all of the channels available to you. From there, you can start to connect with donors and engage them on the issues that matter.

## Closing Tips



- **Lead with impact.** Donors want to see the difference you are making, and look to your website and communications materials to find that.
- **Highlight accolades** from third parties, like Philanthropedia, GreatNonprofits, and Charity Navigator.
- **Update your GuideStar Exchange profile.** You can link directly to it and it will populate many other portals.

charity: water is a nonprofit that brings clean, safe drinking water to communities in developing countries. Since charity: water started in 2006, the organization has made it a point to send photos, GPS coordinates, and other information back to the donors that made the projects possible. In 2011 it started “Dollars to Projects”, which ties every dollar raised to a completed water project in the field.

The charity: water approach to communication is particularly effective for two reasons:

- **They provide clear, useful details on how funds were used.** charity: water lets donors know where their hard-earned dollars were spent—where their funds were used and for what project. This information meets most donors’ needs, as individuals for the most part want to know that a charity is making good use of their money and not “wasting it.” charity: water gives donors the assurance they need.
- **They engage donors on impact.** Charity: water goes beyond the baseline needs and helps donors see the impact of their dollars. Beyond telling donors where and how their funds were used, the nonprofit also provides clear statistics and visuals about the specific water needs of a particular village or community, then describes the program undertaken to meet that need.

“We are dedicated to finding the best ways to connect our donors to the people they are helping around the world,” says Scott Harrison, charity: water founder and CEO. “We want to show how their money is being used, and the impact that those dollars are having. By doing so we have built a loyal, passionate donor base that is committed to bringing clean water to the people that need it.”



# connect with donors



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**E**very nonprofit leader dreams of having a group of connected, engaged donors who give regularly and generously, are committed to the cause, and understand the organization's work. For most nonprofits this is just a dream. For them, donor recruitment and maintenance is a Sisyphean task of rolling the rock back up the hill. They are constantly trying to uncover a few more dollars to do more good.

The constant and difficult search for more dollars leads nonprofits to commit a fundamental error that compounds rather than calms fundraising chaos. When raising money, it's natural to try to appeal to as many donors as possible. But this strategy prevents a nonprofit, even a high-performing one, from connecting with donors. Weak donor connections lead to poor fundraising performance.

How can nonprofits better connect with donors? The first step is to understand that donors fall into different types.

## Know Your Donors

In chapter one, we laid out the history behind the Money for Good research. The first Money for Good study uncovered six discrete donor segments (see Figure 4-1).

## FIGURE 4-1: DONORS GIVE FOR DIFFERENT REASONS



**REPAYER**  
Gives to causes or organizations that have directly affected their life (i.e. their alma matar)



**CASUAL**  
Gives to established, "brand name" organizations



**HIGH IMPACT**  
Gives to organizations they feel are making the biggest difference



**FAITH BASED**  
Gives to organizations that fit with their religious beliefs



**SEE THE DIFFERENCE**  
Gives to organizations working in their cities or local communities



**PERSONAL TIES**  
Gives to organizations when they know the leadership or when they were asked by a friend



These six donor segments are unlikely to surprise any nonprofit leader. Most leaders are surprised, though, by the fact that demographics (age, sex, income) don't play a meaningful role in donor motivation. If your organization segments your donors only by demographics (and many nonprofits do) you are following a rabbit hole to nowhere. Targeting donors in this way is just not as effective as targeting based on their motivations—the values of the people you hope to reach.

Individuals that fit one of these donor segments are motivated by different factors than their peers. The top-ranked motivation for giving in each of these segments was at least four times more important to that segment than it was to any of the others (see Figure 4-2). Try as you might to “be all things to all donors,” you will not be able to pull it off. You would have to have five or six different sets of messages, appeals, events, etc. That is just not feasible. Focusing on two to three segments at most is best for most organizations.

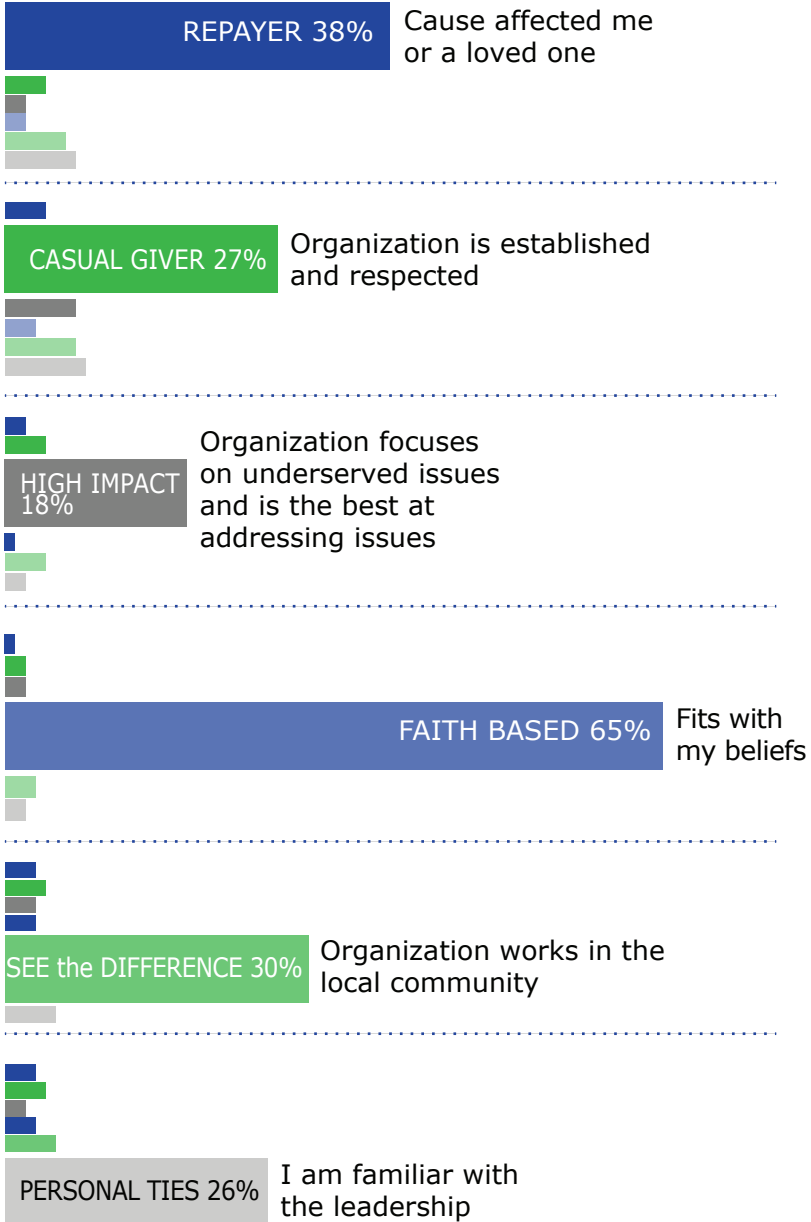
Another surprising finding is that each segment is populated by roughly the same number of donors giving roughly the same total amount of money. The largest segment by population is Repayer, with 23 percent of donors, and the largest in terms of donations is Personal Ties, with 25 percent of all donations. There are more than enough donors and donations in each segment, so there is no reason to try to change your organization to pursue a particular segment.

Connecting with donors based on their motivations—tailoring your message to the things they care about—is a powerful way of escaping the fundraising rat race. And it's surprisingly easy to segment your donors—look to the Money for Good research reports for more.

## Build Connection

Once you've identified the motivations driving your donors, you can customize your messages to them and strengthen your connection. Strong connections mean more loyalty, more involvement, and more generosity. Donors who feel connected are also going to bring more donors into the fold. But all of this is possible only if you understand your donors

## FIGURE 4-2: DONOR MOTIVATIONS VARY WIDELY





and speak directly to them. You need to build customized outreach for each donor segment you want to target by communicating that you understand that group's values and priorities. This is a time-consuming and expensive process if you try to do it for every segment—that's why it's best to target two or three segments.

Technoserve saw improved fundraising results in 2010 when it began targeting specific donor segments that cared about its core mission of helping developing world entrepreneurs. This change allowed it to focus its scarce resources and convert donors who were making small gifts into more significant supporters (see case study at the end of the chapter).

Despite the differences in primary motivation among the segments, it is crucial to remember that all donors care about your impact—the High Impact segment just uses impact as the primary driver of their giving, more than other segments. Even Personal Ties and Repayer givers won't continue giving to an organization that they feel is ineffective and wasting their money.

Impact information also plays a role in solidifying your connection to your donors. Varying the way you communicate your impact so that it appeals to the segments you want to attract gives them the confidence and trust necessary to become loyal donors. Loyal donors then become evangelists who can attract others.

## Follow Up

One important way of building connections is to follow up with donors. You are not doing this to seek more money. Instead, you are giving the donor confidence that the money he already gave is in good hands. This is a key distinction. According to our Money for Good research, the number one reason donors cite for no longer supporting a nonprofit is that they were solicited too frequently. Following up is not about soliciting; it is about connection. Some form of follow up, whether on a particular page of your website, in an email, a phone call, a mailing, an event, or any other approach, needs

to be built into your donor communications and fundraising plans. charity: water, highlighted at the end of the previous chapter, does an exceptional job of following up with donors to communicate the impact of a donation. Tellingly, the organization never confuses “thank you” with “please.”

## Closing Tips



- **Know your donors.** Donors are a diverse group. Make sure that you are talking to the right people.
- **Target your message.** Make sure you tell your story in a way that appeals individually to each of your target donor groups.
- **Follow up.** Thank your donors and let them know what you did with the money and how you are improving what you do. Don't ruin it by asking for more.



TechnoServe is a nonprofit that works with entrepreneurs in the developing world to help them build competitive farms, businesses, and industries. TechnoServe makes a conscious effort to understand its donors and focus fundraising efforts on those who believe in the organization's mission of developing economic opportunities as a means to alleviate poverty.

"We really think about the types of donors we appeal to, using the Money for Good segmentation as a basis for many of our discussions. This focus has helped us get better at saying 'those are not our donors.' It's the 'not test' that really matters," says Senior Director Anna Gibson.

"For example, we decided not to go after donor lists from organizations that message primarily around a child-based, emotional message. Turning away from the sheer size of them was hard, but these are not our donors. It is important for us to focus our outreach to the most receptive audience for our message."

This focus has brought many benefits for TechnoServe. It inspired the organization to conduct an internal audit, giving it razor-sharp focus on who it is and what it wants to accomplish. This branding clarity benefits marketing and communications.

It also benefited fundraising: aligning the messages with TechnoServe's donors has allowed the nonprofit to convert affluent donors who were on the sidelines. "We had donors who were giving us small amounts of money, but donated at a high level—more than a million dollars in a few cases—to other charities. By gaining clarity on who we are, which donors are right for us, and how we communicate our impact to those donors, we converted several of them to become substantial supporters."

"You have to know your donors, and then align your resources to go after the donors that are right for you," says Gibson. "Too often nonprofits approach fundraising like a bunch of Vikings rushing the battlefield."

# amplifying change



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There are more than enough fundraising guides in the world. Plenty of them aim to help nonprofits apply lessons of behavioral economics, marketing, and psychology to increase their donations: a picture of a smiling baby increases response rates; raising the suggested donation amount increases giving even by those who give less than suggested.

These efforts are all well and good, but they do nothing to improve the sector. They may bring more money to a particular nonprofit, but it's unlikely that they are bringing about more good in total. It's quite possible in fact that such "tricks" are contributing to low levels of trust in the nonprofit sector.

But at least fundraising tools bring some benefit to the nonprofits that use them. The same cannot be said of the second-most common document targeted to the nonprofit sector, namely, the many treatises that lament the inefficiency and ineffectiveness of the sector. Proposals to address these problems are often divorced from the reality of donor behavior and nonprofit needs. Although some of the proposals for change might provide more good, they would also cost most nonprofits a significant amount of money and burden their staff without delivering any increase in giving.



## More Money for More Good

These two types of efforts—improving fundraising and improving the sector—have long been seen as mutually exclusive. But they don't need to be. The guiding principle of More Money for More Good is that improving the sector and helping nonprofits increase their impact has to be grounded in helping high-performing nonprofits attract more funds now. It is possible to do both simultaneously.

Collecting, communicating, and connecting via your impact and your donors' core motivations will improve your performance, both in terms of the good your organization does and the success of your fundraising campaigns. We've presented a few examples here of how such tools as Charting Impact can improve organizational performance and give you the ability to reach out to donors who are looking for high-performing nonprofits. And the more organizations use tools like Charting Impact, the greater the benefit. A self-reinforcing cycle is created that consistently delivers even more money for more good.

In the previous pages, you've seen that there is already \$15 billion of annual giving ready to flow to high-performing nonprofits. That's a lot of money, money that your organization can attract today by leading with impact.

But even \$15 billion in annual funds pales in comparison to the roughly \$300 billion of annual U.S. charitable giving. Although much of that money is unlikely to move away from the nonprofits that currently receive it (universities and religious institutions receive for more than half of those funds, according to GivingUSA), the total amount of giving that could move to high-performing nonprofits will increase as these nonprofits get better at communicating and connecting with donors. When more impact information is available, easy to find, and easy to understand, more donors will come to use and rely on it. After all, that's exactly how the overhead ratio became the standard metric for evaluating nonprofits: it was easy to understand and easy to find. The only way to replace it is to make something better that is just as easy.

## Seizing the Present and the Future

The opportunity—and the threat—of communicating and connecting with donors is not just about charitable giving. All nonprofits need to realize that the expectations of, and opportunities available to, donors are changing rapidly.

We live in a world where both access to information and skepticism about “official” information sources is growing. Consumers increasingly expect that institutions of all kinds are either radically transparent or vetted and verified with information from the “crowd.” Nonprofits are not immune to this trend. Donors of all stripes will increasingly expect transparency and easy access to information about what nonprofits do and how they are performing.

The emergence of such charities as Kiva and Donors Choose, which give a much more prominent role to donors, is one sign of this change. International nonprofits operating in Haiti began to see the future when crowdsourced information about the post-earthquake situation led to new scrutiny of their performance. Give Directly, a new international aid nonprofit, was launched in 2011 with the premise of providing cash grants directly to poor households in Kenya. charity: water has found great success using “Dollars to Projects,” which we referred to in an earlier case study. These are just small harbingers of the sorts of transparency and direct connection to results that donors will increasingly expect—because they are getting it in other areas.

Just as donor expectations are increasing, so too are the options and opportunities for them to feel that they are contributing to the social issues that matter to them. New nonprofits are continually founded, at the same time that the traditional barriers between giving and investment are quickly falling. There may be billions of annual giving available to high-performing nonprofits, but there is also, according to JP Morgan, \$50 billion of impact investments—investments in nonprofits or for-profit organizations with an explicitly social impact.



Nearly 90 percent of individual donors and 72 percent of financial advisors show interest or openness to putting more money into sustainable investment vehicles. Indeed, financial advisors are willing to invest \$650 billion of client assets in such investments, according to the new Gateways to Impact research conducted by Hope Consulting in partnership with the Calvert Foundation.

Charitable giving and investing have historically been perceived as separate and distinct. But the impact investing, social entrepreneurship, and sustainability movements could render this distinction fairly obsolete. The message that for-profits can and should have positive social impacts is getting through. Donors increasingly view their funds as part of a single portfolio—their money for good. And increasingly they care less about how they allocate funds across the portfolio. Donors want to accomplish their goals, not merely put their funds into a specific type of organization.

The growth of impact investing and social entrepreneurship together with the breakdown of barriers between charitable giving and investing offers donors new opportunities. Donors now have more places to put their money for good, making it all the more important that each nonprofit communicate, in language that appeals to the donor, how it is making its contribution.

Doing so allows you not only to seize the opportunity in the present but also to seize the opportunity of the future. These trends will only accelerate.

## Take the Lead. Now.

By collecting, communicating, and connecting, you have the opportunity to take the lead. You can make your organization more effective, increase your available funds, and make the sector more effective, all at the same time.

Imagine a sector in which the whole is greater than the sum of its parts. The experience and learning of all organizations can be shared to make a positive difference, enabling better decisions, better actions, and better results. Better impact. By collecting, communicating, and connecting

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with your full story and impact, you will benefit, the people you serve will benefit, the donors who share your goals will benefit, and society will benefit. There is no greater win than that.

You can make more money for more good a reality, today and in the future.



## **COLLECT**

- Focus on impact
- Chart your impact
- Update/complete your GuideStar Exchange Profile
- Use GreatNonprofits to gather input from stakeholders



## **COMMUNICATE**

- Lead with impact
- Highlight accolades from third parties
- Update your GuideStar Exchange Profile



## **CONNECT**

- Know your donors
- Target your message
- Follow up

# AFTERWORD

The preceding pages provide an excellent guide for fundraising in an environment where increasingly sophisticated donors are demanding results from the nonprofits they support. These donors won't be satisfied with heart-wrenching anecdotes and photos.

We know you want to raise more money. That's necessary. But your effectiveness matters for its own sake even more than for your fundraising. Therefore, I suggest that you initially focus on one specific tip from this guide that can help you improve your organization's work, namely that you answer the questions posed by the Charting Impact tool:

1. What is your organization aiming to accomplish?
2. What are your strategies for making this happen?
3. What are your organization's capabilities for doing this?
4. How will your organization know if you are making progress?
5. What have and haven't you accomplished so far?

The Charting Impact questions seem so basic that this may seem like an easy task. But in our experience at the Hewlett Foundation, the answers do not come easy at all. Everybody gets used to doing things in particular ways, and it's easy to lose sight of how ones activities fit—or don't fit—into a strategic plan designed to achieve our mission.

I've heard all the excuses for not taking the time to carry out the essential tasks of defining clear outcomes, formulating strategic plans, and monitoring progress. "We barely have the resources to implement our programs and can't spare the





time for planning.” Or: “Our work involves complex social change in a dynamic environment and cannot be captured easily.”

I imagine that many of you fly, so let me respond with a simple analogy. Would you have confidence in a pilot who took off without a flight plan? In a pilot who thought that the uncertainties of the weather made it pointless to have a flight plan? Yet creating social change is far more difficult than flying. Of course, plans must often be modified—even in flight. But you can’t modify something that doesn’t exist. In essence, this guidebook provides you with some tips to develop your flight plan – and then communicate it in a way that will resonate with donors.

Answering the Charting Impact questions is an analytic task. But the next steps are highly pragmatic: they involve listening to and acting on the answers. You may have to engage in some new activities and, more painfully, give up some activities that have been part and parcel of the organization from time immemorial. Moreover, to sustain these achievements, you will need to develop a system for monitoring your own progress to get the feedback necessary for continuous improvement. But with these achievements in hand, you will be ready to approach donors with the confidence that your organization’s resources are focused on what’s necessary to achieve results.

Paul Brest, President  
William and Flora Hewlett Foundation



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