

Shortsighted charity donors

By Bill Shore | December 12, 2004

DURING THE holiday season, many Americans will be kind and caring enough to donate generously to charitable organizations, but not wise or patient enough to do so in a way that yields greatest impact.

In the 20 years I've led Share Our Strength's fight against hunger, our greatest hurdle has not been lack of generosity by individual and corporate donors. Their response has been inspiring. What constrains our ability to grow and serve more people has been the misconceptions donors have about *how* we should use their donations. Most other nonprofit organizations also suffer under the same burden of donor shortsightedness, however well meaning.

With government under greater pressure to reduce social spending and philanthropy maturing into a more significant role in addressing society's ills, new donor attitudes in at least three areas are essential if we are to increase the long-term impact of every dollar donated:

■ **A little does not go a long way.** Nonprofits seeking donations reassure donors that they can make a little go a long way. It is the nonprofit sector's most popular fantasy and favored, seductive pitch. Don't believe it. Even the good guys cannot suspend the laws of physics. A little only goes a little way. The only thing that goes a long way is a lot.

Alleviating hunger, homelessness, disease, suffering, poverty, and otherwise making a significant impact on society's most vexing problems take a lot of time, talent, and treasure. The most effective solutions are comprehensive and long-term, providing even necessarily redundant services. The impact may take generations.

The problem is not that we don't know the solutions. They exist in abundance. Look at Citizen Schools' success in after-school programming for at-risk kids, or Jump Start's early education interventions. The problem is that we don't like what we know about the solutions. They are expensive, take time, and can't be replicated easily or in cookie-cutter fashion.

■ **Impact counts more than overhead.** The most frequently asked question of a charitable organization is "how much of my donation goes to overhead?" Because effectiveness is hard to measure, donors, reporters, and others seize upon proxy measures like administrative overhead instead. But it won't necessarily illuminate effectiveness.

Nonprofits should be judged by their impact. Donors who focus on outcomes not inputs are better served by asking: "How successful is the organization in achieving its mission?" Administrative overhead is one variable to be considered, but by itself it proves little. Share Our Strength happens to have a relatively low overhead of 17 percent. If we were able to eliminate childhood hunger in the United States in the next three years, but with an overhead of, say, 46 percent, wouldn't that be better than an antihunger organization with an overhead of 9 percent that never makes the slightest dent?

■ **What you least wish to pay for is often most important.** Donors almost always want their donation to go to direct service and almost never to pay for strategy, advocacy, or future needs. But not allocating resources according to a strategy is wasteful at best, and reckless at worst. Dollars spent developing strategy ensure more efficient use of funds. Advocacy enables organizations to get beyond the symptoms of a problem, and address its root causes.

Business leaders in particular ought to understand that, like them, we have a responsibility not only to serve our customers today but also to be here to serve them tomorrow. Accordingly, some portion of every transaction that supports a nonprofit's efforts must include a margin that goes beyond covering immediate hard costs, but helps build for the future. In business it is called a profit margin, and you get fired if you don't achieve it. In the nonprofit world the same margin, call it a "scale and sustainability margin," unfortunately is considered heresy, and donors retreat when they suspect or discover it.

If you walked into a restaurant and announced you were willing to pay only the actual hard costs of the steak and potatoes, they might seat you anyway, if they had empty seats, but they wouldn't stay in business very long if they did.

I don't believe donors should face guilt-trips if they don't give until it hurts. But they should be aware enough to give so that it helps. Business-as-usual-philanthropy often makes the donor feel good. Strategic giving enables donors to do good now and in the future.

■ *Bill Shore is executive director of Share Our Strength.*