



## Advancing Trust in the Charity Sector Communicating Value and Inspiring Trust

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After working in the charity sector in the US and internationally for more than 50 years, I have seen too many reasons why it is not larger. Foremost among these is a lack of trust by current and potential donors. At a meeting in a pricey museum-hotel in Mexico last year, I was talking to the residents who had paid a hefty sum to stay there – I was just a drop-in visitor. As soon as I mentioned that I worked for NGOs, the discussion immediately turned to how overpaid the president of Save the Children was and how high their overhead was. There was no talk about the needs of children in the world. I was stunned. These were very wealthy individuals and their first thoughts were how much the CEO of a major NGO was paid.

You guys in the WGA and ICFO are doing a great job and I praise you for that. But it is not enough!

Let's look at the facts.

1) The charity sector in most countries is underperforming – not in its work but in its size and its growth. The charity sector in the United States is often cited as a leading example of success - millions of NGOs, mega-gifts, state-of-the-art fundraising, professional organizations, increasing donations every year – donations grew 9% last year to nearly half a trillion dollars. So what's wrong? Gifts of \$100 million or more were only 1% of giving. Total giving was less than 3% of GDP and it's been stuck at that level for decades. For a rich country that claims the private sector does a better job than government in providing social services, less than 3% of its GDP for charity is embarrassing. Villages I have visited in Africa, Asia, Latin America and Eastern Europe are far more generous. They take better care of their people and their neighbors, relative to their incomes.

2) The rich are giving less of their income than anyone else. Those mega-gifts which Philanthropy Today which are so often praises are really just a small portion of the donors' net worth or even of their current income. David Geffen gives \$100 million to Lincoln Center and gets a building named after him. The cost of the building is many times more than his gift. Something wrong here? The Gates-Buffer challenge is getting many of the rich to commit to give half of their fortune to charity – but these are only pledges and not legally binding. A recent survey indicated that millionaires and billionaires in America are planning on giving overwhelmingly their money to their children – maybe 10% to charity. And both of these are perhaps overstated claims to appear good. Actual behavior often differs significantly from what people claim.

3) People don't have a high degree of trust and confidence in the charity sector in most countries. When Bennett first asked me about this meeting, I said the key question was "Trust or rather the abysmal lack of trust." I believe the cynical questions about overhead, CEO salaries, fundraising honesty, management and governance are off the mark. The real questions are "What is your dream? How can we work together to achieve your dream? What is it that would make trust us? What can we do to make charity more worthwhile than those other things you spend money on?"

Charities [NGOs] often think they are in competition with each other for funds. No. They are really in competition with all of those other uses of money – coffee at Starbucks, dinners out, more clothes, second homes, airplanes, and yachts. So 3% of the GDP is an indicator of failure. And lack of trust and lack of value are the reasons.

4) There are so many charity scandals that trust is destroyed. I was just in Ukraine where nobody trusts the government, nobody trusts business, nobody trusts Russia, and, not surprisingly nobody trusts charities. Some years ago I saw a wonderful display of photographs of 'children in need' at a fundraising table in Kyiv. I was moved so much I asked the people to the table who the children were. They were honest and said "These are our children and they need your support." Then I get home and read my Chronicle of Philanthropy and see the headlines "Book on Hershey Trust makes clear self-regulation doesn't work" and "\$187 million fraud case puts charities on the defensive" and "Minnesota AG sues Epilepsy Foundation over link with savers" and "Red Cross faces another call national inquiry" and "With giving pledge, half can mean different things" and "What could \$400 million Harvard gift accomplish elsewhere?" And it goes on and on. There are too many charity abuses and they destroy trust.

Sure, government is often corrupt. Businesses are often corrupt. Financial companies seem especially corrupt. FIFA and other sports are corrupt. But we still have to pay our taxes. We still have to buy products and services. We still have to put money in banks and stock markets. We still have to go to football games. But we don't have to make donations. This is the critical difference. Charities have to prove they are trustworthy. They have to earn the trust of donors.

Of course charities and regulation agencies need to assure that CEO salaries are appropriate, overhead is not excessive, fundraising is honest, governance is good and all the other things that you guys monitor all the time. The four pillars Art Taylor cites are absolutely critical – governance, finances, communications, and results. But I think charity giving will not increase unless people feel that charities are at their core trustworthy and that they are producing value both for the beneficiaries and for the donors.

So how do you gain trust? How do you produce value?

1. **Provide real results that make this a better world.** Many charities report vague or superficial results in their communications. The trouble here is that it so easy to exaggerate and talk about thousands of people saved, millions helped, etc. One NGO I looked at recently claimed it was helping a huge number of children and their families and communities. But a look at their expenditures showed a tiny amount of spending per person that was clearly insignificant in delivering real results.

A second challenge in demonstrating results is the difference between outputs, outcomes and impacts. For example, in the first phase of microcredit programs, loans were generally given to men, the businesses were successful, repayments were excellent, and the money was often spent down at the bar. In the second phase of microcredit, loans were given to women who had the same success in business and payback rates, but they used money on food, clothing, education, health, and housing that benefit children. Charities need to understand and show clearly the progression from outputs (loans given) to outcomes (successful businesses and repayment rates) to impacts (use of money). It is impact on life and society that matters. This is the result donors want to see. But too many charities report the immediate outputs or outcomes without looking at the real impacts.

In my opinion, evaluation agencies need to press much harder on the demonstration of the measurable and tangible impacts of their work. WGA's standard to requiring a policy and report on performance and effectiveness established a decade ago was a breakthrough then ... but now it is not enough.

2. **Provide meaningful and accurate communications to donors.** If you don't know what good you're doing, you're unlikely to continue. It is amazing to me that NGOs so often fail to provide first-class customer service and responsiveness and fail to provide exciting and heartwarming reports on their results, results that are measurable and tangible. In business, the purchaser directly receives the product. In charity, the purchaser or donor gives money to a third party who delivers the product to the beneficiary. Communications to the donor is what closes the link between purchase and product.

So, in my opinion, evaluation agencies need to press much harder to assure accurate feedback systems to donors. If they are good, they will suffice.

3. **Provide value to donors.** I often say to my clients that donors give because of the value they receive. This sounds harsh but it's true. The challenge to charities is to find what the donor values and provide it. What is your dream and how can we work together to make your dreams come true? This is a profound message. Only the donors can say whether they are getting value from their donations. The best charities already are doing this.

So possibly, evaluation agencies need to urge [or even to require] charities to secure feedback from their donors on their dreams, expectations and satisfactions. This would help grow trust.

These are three things charities should be doing to increase trust. But there is more to be done.

4. **Reduce the confusion between different evaluation agencies and ratings.** Globalization is growing in the nonprofit world as well as the business world. Many if not most of the larger NGOs are now global in nature. It is impossible to evaluate them with differing country standards. The only way to get global compliance is to have more global coherence in standards. This is demonstrated in many other global concerns like anti-corruption measures, the Geneva Conventions, etc. I recognize the challenge here due to different cultures and traditions but I suggest it is no bigger a challenge than it was to create the Geneva Conventions that all countries supported.

Further, in some countries like the US, there are different evaluation agencies with different evaluation methods and different evaluation results. It takes a combination of methodologies to evaluate correctly – ongoing self-assessment, self-regulation, external monitoring by membership associations, independent accreditation, external evaluation agencies, and government authorities. But it's confusing to the public when these different evaluation methodologies in the same country lead to inconsistent and even contradictory conclusions. What is the public to think when they see that charity X is highly rated by Charity Navigator, moderately rated by Charity Watch and not rated at all by the Wise Giving Alliance? Who's right? Who's wrong? Who cares? When you fight among yourselves, the public finds reason not to trust any of you.

In order to gain public trust in your work of evaluating charities, I urge you to see more fellowship with your so-called competitors and to find more coherence in your conclusions.

5. **Mount a concerted attack on abusers.** The more you all can join together in condemning the abusers of the public trust in charities, the more effective you will be. Just like competitive companies join together in common cause when their overall business has common interests, so evaluation agencies and governments in a given country can come together in common pursuit against the abusers to protect the overall effectiveness of your work and your image. Be public in your outrage. Tell donors not to give to charities that fail to meet your standards.
6. **Adopt as a primary goal the growth in the charity sector.** I would like to see you be not only as policing agencies but also promoting agencies. Not enough effort is being made to promote the importance, value and effectiveness of the nonprofit sector. This is needed for evaluation agencies, not only do criticize but also to praise individual agencies and to campaign for the value and effectiveness of the nonprofit sector.
7. **Advocate clear and strong regulations at the legal level.** There are, I am sorry to say, too many scoundrels in the marketing community, the fundraising-for-hire community, and self-interest run charities. Often I see that charities, NGO associations and even evaluation agencies tend to oppose government regulations in their own sector. Time to change that. Time to have more effective national regulations and enforcement.
8. **Develop more partnerships with like-minded associations.** There are numerous groups in the non-profit community in most countries. There is opportunity to forge more common purpose to improve performance in the charity sector with evaluation agencies like the Wise Giving Alliance, national associations like the Independent Sector, specialized entities like the Foundation Center, professional associations like the Association of Fundraising Professionals, sector specific membership associations like InterAction, fundraising organizations like the United Way, coordinating groups like the National Health Agencies, international charities like Down Syndrome Organizations, billion dollar charities in the US like World Vision, business associations like the Direct Marketing Association and the Chamber of Commerce, and legal authorities like the states' Attorneys General and federal enforcement

agencies. It may be time to work to get all these organizations to up their professional standards and raise the bar on performance.

9. **Trust officer.** It may also be time for leading NGOs to establish the new position at the top of their staff called the Chief Trust Officer. This is the position of high status and independence that is like an ombudsman in Sweden or the public editor in the New York Times. He or she would function as a representative of the public and would have access anywhere, anytime, and anyhow within the charity. A report by the Chief Trust Officer would be included in the published annual report by the organization and function in much the same way as the independent financial audit does. Part of this job would be to validate the reports and communications in fundraising and other outreach efforts by the organization. It would become a stamp of approval on trustworthiness in the same way that the financial audit is a stamp of approval on the financial management. The Chief Trust Officer's conclusion, in the good cases, would be that the organization has been honest in what it does and what it says it does, that donor funds have been used as promised, and that results have been achieved. We need more leading charities to implement such a trust building activity.

Until you get more coherence among yourselves globally and within each country and until you find ways to have greater force of your conclusions by joining together with partners, I doubt you will have much greater impact on increasing the level of trust. The key step here, I believe, is to have a new focus on the concept of the public trust.

I recently read about some research on awe and the effect of experiencing awe on your attitude toward the world, your appreciation of people and your generosity. The researchers had one group look at a beautiful piece of nature and a control group look at an ugly building. Then they gave everyone an amount of money for their own use but suggested they might want to share some of it with some poor folks on the street nearby. Those people who had been in awe of nature were substantially more generous. When I was in Kyiv I saw three extraordinary ballets. I was in awe of the ballet dancers, the music, the motion, everything – and I looked around at the people in the opera house that night and at everyone I worked with the next days and I felt a very strong feeling of appreciation and affection for them. I hope we can find a way for the public in all of our countries to feel a lot more awe for NGOs in the work they do.