

# CHARITY SHOPPING

As charities compete to attract donors, how can you be sure your money is going to the best place? **The Wealth Collection** investigates an approach to donating that comes from the head as well as the heart.

**N**owadays, people are looking to get more from their charitable donations. Successful business people believe in getting value from their investments, and philanthropic gifts are no different. The problem is that it can be hard to find out – much less measure – the effectiveness of charity work. So, what can you do to make sure your money is having the most positive impact?

This question is something that has been of great interest to Tris Lumley, senior research analyst at New Philanthropy Capital (NPC), a charity that advises donors on how to give more effectively. Its aim is to increase the quantity and quality of resources available to the charitable sector.

‘I think fundamentally we see giving to charity in the same terms as we see making an investment,’ says Lumley. ‘I know that saying this may conjure up images of donating as an entirely quantitative process, like looking for a business return. But at the same time, we know that making an investment decision is an emotional process as well. We would never try to take the emotion out of giving.’

Indeed, while looking at philanthropic activity as an investment seems an unusual way of approaching the subject – after all, donors will never expect to make a monetary return on their investment – it is not such an alien idea, because there is often also an emotional element in a business investment decision. ‘Investors look at putting money into something they are interested in,’ explains Lumley.

So how do you make an emotional decision a rational one as well? NPC identifies charities of all sizes that are achieving excellent results and provides information on where funds and resources can be targeted most effectively. Its advice for donors shows them how to ensure their money has maximum impact. ‘Our fundamental focus is looking at the results of a charity’s work and bringing that to bear on giving,’ says Lumley.

## Measuring charities’ work

NPC was set up on the basis that there was no independent research and analysis available to help people think about their giving. Lumley spent 2004–05 looking at these issues and developing ways to assess and analyse results.

‘These things can be difficult to measure, but my first question is always “why are the people on the front line working for the charity?”’ he says. ‘They know something about the value of the work they carry out and would not be there unless they knew that what they did made a difference.’

The question is how to go from knowledge that is difficult to quantify to being able to measure something

## Doing your homework on charity donations

Tris Lumley has a few tips on how to go about assessing just how valuable your gift is going to be:

- **Ask questions.** Why do the volunteers and staff work with the charity? How open is the charity to being questioned about its results?
- **Look at the annual reports.** Is the charity willing to talk about the effect it has had? Does it aim to measure its impact, even if it is hard to do so?
- **Look behind the charity’s corporate message.** Difficult to do, but charities are no different from other organisations in having to sell themselves to key audiences.
- **Remember you are unlikely to achieve total efficiency.** Charities rely on volunteers and do not have the resources of big business because they pump all their available cash into helping. Keep in mind the original reason you were interested in giving to that charity, and remember that the cause is something you care about.



tangible. 'We have no Holy Grail to measure these things,' Lumley admits. 'We would not suggest that you can measure the value of a training course that aims to get people into education, for example, or the quality of life of someone who wants to be in their own home to die.'

Nevertheless, it is possible to gauge the experiences of people who have come into contact with charities. 'The best way is to ask people about the quality of their life before and after the charity has been involved and ask them if it has made a difference,' says Lumley.

You could also look at who already donates to the charity you are interested in, if that information is available. Finding out what other organisations the charity works with may also reveal something about how the charity goes about its business. Which strategies and activities are most effective for charities has been the subject of academic research, and this can inform decisions too.

But from the point of view of an individual donor, finding out all this information is time-consuming and laborious. If every donor approached all decisions in this way, very few people would ever actually donate at all.

Lumley is aware of this criticism. 'We don't want to create obstacles to giving,' he says. 'We exist so we can provide that research and analysis on behalf of donors who are interested in that area.'

### Asking the right questions

So what tips does he have for people looking for assurance that their donation will be used most effectively?

The first thing is to ask questions and see past the spin. 'Charities will produce the information they have in order to attract funding,' warns Lumley. 'It's up to donors to look for the information they want.'

But getting round the marketing spiel can be a tough job. 'There are some basic things you can do to dig behind the fundraising message,' suggests Lumley. 'Look at annual reports for signs that the organisation is able and willing to talk about the impact that it has had. Also, check that

they are *trying to* measure outputs, even if they are difficult to measure.'

Performance management can be difficult when you work in charity not business. But the business world is also realising that success is not just about profit. 'There are other things like staff retention and perception, or how people feel when they interact with the organisation, which demonstrate success,' says Lumley. He recommends examining these elements of a charity's performance as well as looking at results - particularly where the physical effect of a charity's work is hard to quantify.

'People should be asking things like "does the charity have a business plan?"', "does it know the competitive landscape?" and "who should it be collaborating with?" All these things cost money, but can result in more effective charities.

'For individual donors it might be difficult to measure things, but it's worth asking the question to see what kind of answers you get, and thinking about what those answers mean.'

### Making the most of a gift

NPC's approach is a bit of an experiment, but is starting to have results. 'What we are trying to do is measure and articulate results and see what that does to donors' giving,' says Lumley. 'There are lots of signs that this is starting to stimulate people to give - and to give more.'

'What we have to wait and see is whether you can reorganise the fundraising around results. At the moment, the funding market does not necessarily function around that. It's based on need and activities. If you fund raise around the results of an organisation's work, you will be able to see whether you can get similar organisations to compete on the same playing field.'

It's certainly an interesting theory, but it is important not to become blinded by a desire to measure results. 'It's not a science,' Lumley says. 'What we're trying to do is apply rational thought to what is a matter of judgement.' ■



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