The Psychology of Giving

Understanding “why” people give may help executives sitting on nonprofit boards better understand and appeal to their donors

by Michael Dimengo

Do people give to philanthropic causes out of a sense of responsibility or guilt, for tax breaks or prestige? Do they give to provide for the public good or for personal pleasure?

Individuals open their wallets for plenty of reasons, but a handful of motivations consistently rise to the top regardless of a donor's income level. According to the Indiana University Lilly Family School of Philanthropy, people donate funds to meet critical, basic needs; to give back to society by making the community a better place; to help those with less; to bring about a desired impact or result. And the No. 1 reason revealed in the school's "Understanding Donor's Motivations" report: People give because a request for money was made.

But it goes a bit deeper than that, explains philanthropic psychologist Jen Shang. First, she says, the donor's curiosity and attention must be piqued by the nonprofit and its mission. "The psychological transformation from paying attention to giving money is the process of integrating [the organization's] cause from the external world into one's most inner sense of who they are," says Shang in a 2012 interview with The New York Times, "Getting Into a Benefactor's Head."

SOLICITATIONS: ALL IN THE ADJECTIVES

According to philanthropic psychologist Jen Shang, in The New York Times interview "Getting Into a Benefactor's Head," the use of a handful of adjectives in donor solicitations to women — kind, caring, compassionate, helpful, friendly, fair, hard-working, generous, honest (the attributes of a moral person) — can increase giving on average by 10 percent. The adjectives that prompt men to open their wallets wider: strong, responsible, loyal.

Why Corporations Give

With so many stakeholders to please — the CEO, employees, shareholders, the public — corporations don't give solely for the "warm glow" effect that individuals often do.

"Corporate charitable giving has a triple bottom line," says Jacky Alling, who oversees the Arizona Community Foundation's Pakis Center for Business Philanthropy. "Not only is it good for the community and good for business, but data shows that employees who participate in cause-related efforts led by their employer have greater loyalty and pride in their work, and customers increasingly consider a company's corporate social responsibility when choosing products and services."

Adds Richard Tollefson, president of The Phoenix Philanthropy Group, "A corporation's philanthropic and corporate social responsibility agenda is seen as a competitive advantage during an age in which individual consumers are increasingly concerned about responsible sourcing and investment, sustainability and environmental practices."

"Corporate giving is broader in focus than personal giving," explains Phil Francis, retired chairman and CEO of PetSmart, Inc. "It's based on potential benefit to the company and impact on positive external reputation, but also on services that directly touch employees."

When seeking corporate gifts, executives on nonprofit boards would be wise to consider that 87 percent of giving comes from individuals, and only five percent from corporations. Consider, also, the top motivations for giving by corporations: to build image, to increase exposure in the community, and to improve quality of life in the communities in which they operate. Nonprofit board members must be able to definitively respond to prospective corporate donors who ask, "How can your nonprofit help meet those goals?"

Why do donors stop giving? *Too frequent solicitations. *Change in leadership or activities of the nonprofit they support. *Change in their own philanthropic focus. *Personal circumstances (financial, relocation, employment). *No longer personally involved with the organization. (Source: The 2012 Bank of America Study of High Net Worth Philanthropy)
Shang believes donors at all levels begin their philanthropic journey with a purpose. Another study by Bank of America, in partnership with the Lilly Family School of Philanthropy, supports the belief that people give with the purpose of making a difference. The school’s multi-year study of high-net-worth individuals found that wealthy donors give the most when they are moved by how their gift can make a difference, feel financially secure, support an organization or cause annually, and believe the organization they support is efficient.

Less than one-third of those 700 U.S. households polled (with net worth of $1 million or more) cited tax benefits as a chief motivator for giving. They give mostly for the personal fulfillment and satisfaction of knowing their gift will make an impact on the cause.

A study by the University of Oregon provided physical evidence of the personal fulfillment theory — via lit-up pleasure circuits in brain scans when subjects donated to charities.

Local philanthropist and former CEO of Empire Southwest John Whiteman says his reasons for giving personally do not differ materially from his reasons for giving as president of the Whiteman Foundation. In both instances, he says the most important question is, “Will the gift or gifts solve or help solve at least one of the societal root causes before us?”

Of course, there are myriad other reasons why people — across income levels — give. The Network for Good lists the top five reasons: being asked by an acquaintance/someone known and thus wanting to help, feeling emotionally moved by someone’s story, feeling powerful and helpful in the face of need, desiring to change someone’s life, and seeking a sense of closeness to a community or group.

Additional reasons cited by donors include memorializing a loved one, sustaining a family tradition, being hip or “in style,” building a social network, creating a good image (personally or within a company), and leaving behind a legacy of personal ideals or causes. Still others give because they feel fortunate, for religious reasons, or to be seen as a leader or role model.

What do these multiple motivations mean to the executive board member hoping to guide the nonprofit organization in fundraising efforts? The psychology behind giving points to one thing: relationships — relationships among people, about people and for people. Nonprofits that share their cause and its importance, and match it to their donor’s interests — while nurturing those interests — are the most successful.

According to Richard Tollefson, president of The Phoenix Philanthropy Group, “Members of nonprofit boards must make decisions with the head and the heart when working directly with donors. They must:

- Listen, understand and build trust;
- Align donors’ and institution’s missions, visions, values;
- Develop long-term, mutually beneficial relationships;
- Frame the discussion on opportunity, investment, achievement of outcomes and impact;
- Be donor-centric; and
- Be community-centric."

And, says community volunteer Phil Francis, retired chairman and CEO of PetSmart, Inc., “Board members who understand why people give also understand that inviting a friend or colleague to tour the organization, attend a cultivation event or meet clients of the organization are the best ways to engage others to become involved.”

The Phoenix Philanthropy Group
phoenixphilanthropy.com

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High-net-worth individuals who volunteer more tend to give more (Volunteer >100 hours = give 2x as much).