

## Donors Are More Demanding

There are over 1.4 million nonprofits in the United States. Over 500,000 nonprofits have been created in the past 10 years! Yet according to the Urban Institute, there are only 1,100 different “types” of nonprofit programs (such as hunger relief, after school, arts and culture, housing, elder care, etc.). Simple math tells us, on average, there are over 1,000 nonprofits for each type of problem. Donors have a huge range of choices competing for their charitable instincts. That’s a lot of people trying to do the same thing!<sup>1</sup> There are hundreds of choices for where we can donate funds and get the same warm glow. The differentiator is the results...the impact of the nonprofit.

The Bill and Melinda Gates Foundation is probably the best example of how donor behavior has changed. When this foundation makes a grant, it requires value for money in several ways. When donors give money to the foundation, they are prepared to show the value for money. Their largest donor is Warren Buffett, one of the richest people on the planet and probably the most astute investor.

Bill and Melinda addressed their 2017 annual letter to Warren Buffett, who in 2006 donated the bulk of his fortune to their foundation to fight disease and reduce inequity.<sup>2</sup> Ten years later, in 2016, Buffet asked them to reflect on what impact his gift had on the world. In his letter, he stated:

I also believe it’s important that people better understand why success in philanthropy is measured differently from success in business or government. Your letter might explain how the two of you measure yourselves and how you would like the final scorecard to read. Your foundation will always be in the spotlight. It’s important, therefore, that it be well understood. And there is no better way to this understanding than personal and direct communication from the two whose names are on the door.

Their response to Buffet captures the value for money:

Ten years ago, when we first got word of your gift to the foundation, we were speechless. It was the biggest single gift anyone ever gave anybody for anything. We knew we owed you a fantastic return on your investment. Of course, philanthropy isn’t like business. We don’t have sales and profits to show you. There’s no share price to report. But there are numbers we watch closely to guide our work and measure our progress. Our goals are shared by many other organizations working to save and improve lives. We’re all in this together. So, most of the numbers we look at don’t focus just on how we as a foundation are doing, but on *how the world is doing*—and how we see our role. Warren, your gift doubled the foundation’s resources. It’s allowed us to expand our work in US education, support smallholder farmers, and create financial services for the poor. But in this letter, we’re going to tell you about our work in global health—because that was the starting point of our philanthropy, and it’s the majority of what we do. We’ll tell the story through the numbers that drive our work.

They went on to report the success of Warren’s investments. The focus was on impact but occasionally ventured into ROI. For example: “And for every dollar spent on childhood immunizations, you get \$44 in economic benefits. That includes saving the money that families lose when a child is sick, and a parent can’t work.” This focus is needed in all types of public sector organizations.

## References:

1. J. Saul. *The End of Fundraising: Raise More Money by Selling Your Impact*. San Francisco, CA: Jossey-Bass. 2011.
2. B. Gates and M. Gates. "Dear Warren: Our 2017 Annual Letter." February 14, 2017. [https://www.gatesnotes.com/2017-Annual-Letter?WT.mc\\_id=02\\_14\\_2017\\_02AL2017GFO\\_GF-GFO\\_&WT.tsrc=GFGFO](https://www.gatesnotes.com/2017-Annual-Letter?WT.mc_id=02_14_2017_02AL2017GFO_GF-GFO_&WT.tsrc=GFGFO)