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## **STANFORD** SOCIAL INNOVATION *review*

### **What Works**

#### **Giving Donors Control: A United Way affiliate has boosted its fundraising by breaking the rules. By Dan Gordon**

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## Giving Donors Control

A United Way affiliate has boosted its fundraising by breaking the rules *by Dan Gordon*

At a time when donors are more concerned than ever about nonprofits using charitable dollars to cover administrative costs, the United Way of Central New Mexico (UWCNM) has implemented a fundraising tactic so simple its leaders wonder why no other United Way affiliate had tried it before. The Albuquerque charity entices area businesses to foot the bill for its annual administrative expenses. It can then tell individual donors that every penny of their donations goes directly to their chosen causes. The result is that contributions from both corporations and individuals have soared.

Some of the nation's largest corporations have signed up to support UWCNM's 8-year-old Corporate Cornerstones program, including Intel, Wells Fargo Bank, General Mills, and Lockheed Martin. In exchange for underwriting United Way's administrative expenses, UWCNM mounts an extensive corporate recognition program – a public relations boon that businesses particularly welcome in an era of well-publicized scandals. Corporate Cornerstones companies, which must direct at least \$5,000 in annual donations toward covering UWCNM's costs, also provide advice and oversight to ensure that administrative spending is appropriate.

Promising individual donors that their entire pledge will go toward assisting needy people proved to be an attractive selling point. Although New Mexico is a relatively poor state, the Albuquerque affiliate raised more than \$15 million from individual donations in 2004 – up 112 percent since 1997, which was the year before UWCNM implemented the Corporate Cornerstones program. Corporate gifts to UWCNM totaled \$2.6 million in 2004, up 132 percent over 1998. By contrast, corporate gifts to United Way nationwide declined 4 percent between 1998 and 2004.

"There's no question that the single biggest way in which nonprofit organizations compete for donors' attention is by telling them about the percentage of a gift that's going to be used for programming," says Eugene Tempel, executive director of the Center on Philanthropy at Indiana University. Nonprofits are increasingly seeking unrestricted gifts and endowments from key supporters to cover administrative costs, Tempel notes, hoping to gain a competitive advantage by being able to tell other donors that all of their contributions will go directly to programming.

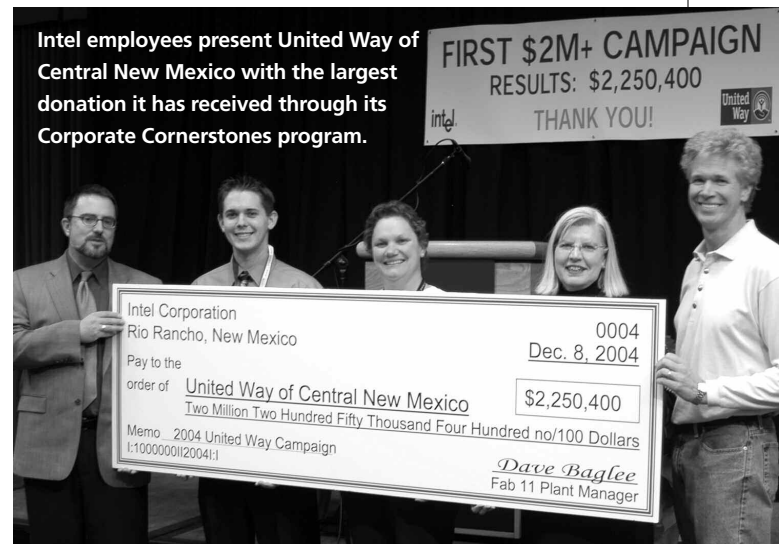
### A Bold Idea Takes Shape

Corporate Cornerstones resulted from a fact-finding project

that UWCNM launched in 1997. The project's mission was to find out why people object to donating to charities in general, and to the United Way in particular. The agency found that two concerns top donors' lists: nonprofits might use part of the gift to cover administrative costs, and donors might have no say in who benefits from the remainder of their pledge.

At a board retreat, then-chair Bob Jung pointed out that corporate contributions nearly equal the amount UWCNM spends on administration. "I argued that corporations understand the importance of things like balance sheets and profit-and-loss statements better than anyone," says Jung, who recently retired from Wells Fargo as the bank's regional president for northern New Mexico. "So why not go to the corporations in our community and tell them that rather than just writing a check, they could fulfill a fiduciary responsibility as business leaders in ensuring that our United Way is well-run, and they could tell their employees that because all costs are already covered, they could get more bang out of their buck."

"There's always been a question among employees as to where their dollar is going," says current UWCNM board chair Michael Stanford, CEO of First Community Bank in Albuquerque. Stanford notes that recent revelations of United Way's excessive overhead and misuse of funds at the national level have only added to these concerns. "The genius of the Corporate Cornerstones program is its simple logic. If





we as companies have skin in the game through our responsibility for covering administrative costs, we're going to be more engaged in making sure United Way is run like we run our businesses. At the same time, it's easier for the business community to understand the importance of administrative costs than it is for average givers, who just want to know that their dollar is going into helping their community."

Board members initially met Jung's proposal with skepticism. Some believed the idea to be no more than a shell game. Others were more concerned about perceived risks. "When you ask corporations to direct their gifts, you're risking that they'll direct it to someone else," says Jack Holmes, UWCNM's president and CEO. "And when you open up your administrative budget to corporate givers, there's the possibility that they might not like what they see."

But the board's most immediate concern was what would happen if, after the agency announced the new program, corporate gifts failed to cover annual administrative costs. With that in mind, the UWCNM board agreed to the proposal on the condition that the organization had to secure sufficient corporate commitments before it announced the program.

## Putting the Program Into Action

One impediment to getting corporations to cover administrative costs was that corporate donors also want the goodwill that comes with supporting programs. So UWCNM built an extensive corporate donor recognition program into Corporate Cornerstones. "This is much more than a plaque or a picture in the newspaper," Holmes says. "Corporations can't pat themselves on the back, but it's very effective when someone else does it for them."

Corporate Cornerstones members' names are included on the program's literature, which is distributed to more than 100,000 employees. They are also listed in UWCNM newspaper ads, on portable banners that are placed at community events, in UWCNM training rooms, which are used by 14,000 people each year, and in a prominently displayed sign in the UWCNM lobby. The UWCNM Web site lists members by their gift level, with links to the companies' Web sites.

The fears that corporate donations wouldn't cover UWCNM's administrative expenses were never realized. In fact, says Jung, while it initially took some effort to convince companies that joining Corporate Cornerstones was in their interest, the program has become so successful that it now sells itself. Since 2002, Corporate Cornerstones contributions have exceeded the amount needed to cover annual administrative costs. (In 2003, UWCNM's administrative costs accounted for 14.9 percent of its \$12.9 million budget.) UWCNM is

## BOOSTING BUSINESS & INDIVIDUAL GIVING

- Entice corporations to pay for overhead
- Amply reward corporate sponsors
- Let donors control how their money is spent

spending the additional funds on such initiatives as a center that helps nonprofits with training board members, fundraising, and strategic planning; a family violence prevention program; and a disease management database that focuses on diabetes, pediatric asthma, low back pain, and depression.

Under UWCNM's new program, individual donors know that their entire gift goes to nonprofits, and they have the option of designating which nonprofits will receive their money. Donors can direct their entire gift to any nonprofit agency in the world. In UWCNM's 2004 campaign, more than 2,000 nonprofits received designated gifts, the vast majority of them in New Mexico. Donors can also contribute to UWCNM's Community Fund, which gives grants averaging \$60,000 to more than 115 programs that assist the needy of central New Mexico.

The downside of not asking individual donors to cover administrative expenses, according to Tempel, is that it perpetuates givers' beliefs that meeting these expenses is extraneous to the success of nonprofit organizations. "No organization can deliver effective programs without good planning, management, and evaluation, and those three things cost money," Tempel says. "For organizations that seek a fundraising advantage by dedicating 100 percent of individual gifts to programs, there also needs to be constant donor education that administrative costs are very important."

UWCNM believes it's going that extra mile in educating individual donors about the importance of paying administrative costs, by publicly recognizing the corporations that are covering them. The organization is also educating United Way's 1,400 affiliates about the Corporate Cornerstones program, but so far only the United Way affiliate in Boise, Idaho, has replicated the program.

"It really hasn't caught on yet," says Holmes. "We give presentations at regional and national United Way conferences and the reaction from people tends to be, 'It won't work in our community.' They say they don't have many major corporate headquarters, but neither do we. They say they don't want such an open designation system. We tell them it doesn't matter what they want – it's what the donor wants that matters. If your product's not good enough to compete in the open market, maybe you ought to change it." □