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## **Upfront**

### **Fishing for Donations** **Why nonprofits should let donors give back their fundraising incentives**

By Alana Conner Snibbe

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and companies – and 10 seats for recipients – including governments, NGOs from “the global north and south,” and communities affected by the three diseases the organization is battling. The board also includes nonvoting representatives of the World Health Organization, the Joint United Nations Programme on HIV/AIDS, the World Bank, and the Swiss government.

“We now have a governance structure that takes into consideration, listens to, and gives power to all the stakeholders in our world,” says Lidén. “And all of them take responsibility for success.”

Buse and Harmer’s five other habits for successful health partnerships are:

- Questioning whether market-based solutions are better than public sector ones
- Tightening accountability by defining roles, responsibilities, and decision rights; and by regularly undertaking partnershipwide planning
- Improving oversight by applying standards for partner selection, establishing ways to manage conflicts of interest, and ensuring transparency
- Securing enough money – including all the extra funds needed to manage cross-sector relationships
- Minding the demands that partnerships place on their participants, including divided loyalties and accountabilities

Despite their shortcomings, “[Partnerships are] the future of global health,” says Lidén. “It’s going to be impossible in years to come not to engage a number of different stakeholders to confront global health problems at the scale that we need.” –*Alana Conner Snibbe*

## Fishing for Donations

### *Why nonprofits should let donors give back their fundraising incentives*

They are as inevitable as death and taxes: public radio fund drives. For weeks they cast their lures of silk-screened travel mugs, embroidered fleece jackets, and logo-embossed tote bags out over the airwaves, hoping to hook listeners who might not otherwise write a check.

Such rewards often do increase nonprofits’ take, says Roland Bénabou, a professor in Princeton University’s department of economics and Woodrow Wilson School of Public and International Affairs. But if radio stations and other fundraising nonprofits really want to stock their coffers, they should give donors a chance to throw back the bait.

Bénabou reaches this conclusion using a new theory of what makes people behave helpfully. He and co-author Jean Tirole, scientific director of the Institut d’Economie Industrielle in Toulouse, France, present the theory in the December 2006 issue of the *American Economic Review*. With their new economic model, the authors reconcile two very different schools of thought about whether people require rewards and punishments to act nicely. On the one hand, economists argue that people are almost always selfish, and so they need incentives to make them give to the public weal. On the other hand, psychologists say that people are often altruistic, and so plying them with prizes – or checking them with sanctions – can actually undermine their generosity.

To integrate these two viewpoints, Bénabou and Tirole first point out that three different types of motivation drive people’s will to give. First, humans have an intrinsic desire to raise the overall level of public good. Second, like all animals, people are also motivated by rewards and punishments. And third, unlike our finned, feathered, and furry friends, we have richly developed images of ourselves, into which other people’s opinions feed. We want to see ourselves – and for others to see us – as generous.

The authors then demonstrate how our taste for treats and our desire to be well regarded often compete with each other, so that incentives are sometimes inspiring, sometimes not. When proffered a present for our magnanimity, we and others may infer that we gave to get the gift, rather than because we are kind. And so when we want to be seen as altruistic, incentives can sour our desire to help. Conversely, when we are not too keen to see ourselves as champions for a particular cause, or when our actions are invisible to others, rewards can move us to dig a little deeper into our pockets or volunteer time.

The trick for fundraisers is figuring out for which potential donors a material incentive would be motivating, and for which it would spoil the joy of giving. Bénabou suggests that nonprofits work around the issue by giving donors a choice between accepting or rejecting their fundraising incentives. They should also allow donors to make their rejection public, as doing so would feed into donors’ desire to be viewed as benevolent.

Bénabou further suggests that tax policies should reflect people’s intrinsic, extrinsic, and reputational motivations for charity. “In a first, best world, you wouldn’t get the same tax deduction for contributing to a wealthy university as you would for educating low-income kids,” he says. “Helping poor children is less visible, and so needs more incentive, whereas contributing to big-name schools gets a lot of publicity,” and therefore does not need to be doubly rewarded with a tax write-off, he notes. “Of course, these things are difficult to measure and politically difficult to implement.” –A.C.S.