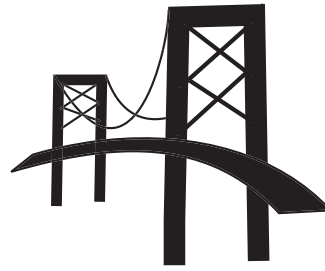


Nonprofit Research Abridged



Connecting nonprofit sector research and leadership

Inspiring Confidence and Trust: *Issues and Answers for Nonprofits*

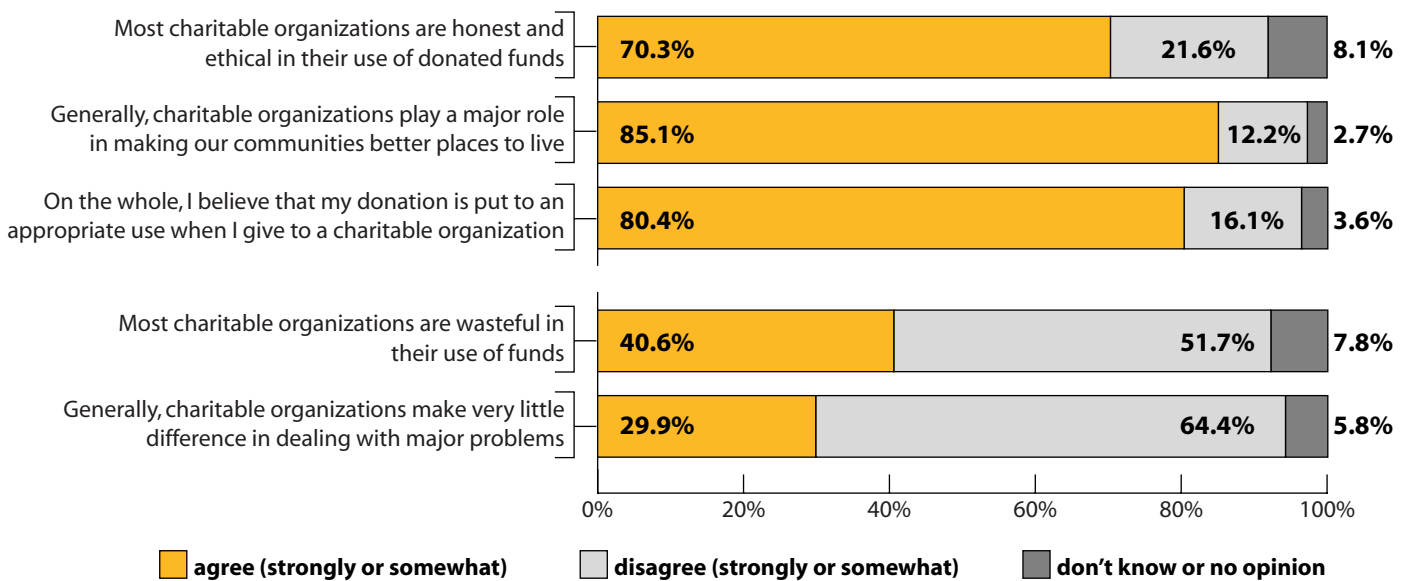
Arizona's nonprofit sector currently enjoys a high level of confidence and trust from the state's residents. As stated in the research report, *Arizona Giving and Volunteering*, published by the ASU Center for Nonprofit Leadership and Management, 70 percent agree that "most charitable organizations are honest and ethical in their use of donated funds," and 85 percent agree that "generally charities play a major role in making our communities better places to live" (see graph). Nationally, the nonprofit sector has long enjoyed high public confidence and trust. The Independent Sector has been tracking the nation's level of confidence and trust in the nonprofit sector for over 10 years, and even during times of heightened public scrutiny, the large majority of people still believe nonprofits are trustworthy.

The importance of this public trust cannot be overestimated. Individuals contribute financially and volunteer for charitable organizations because they have faith in them. As also

reported in *Arizona Giving and Volunteering*, there is a strong connection between trust and confidence in charitable organizations and charitable behavior. Those who do not have high levels of trust and confidence in charitable organizations are less likely to give and volunteer. Conversely, those who believe charitable organizations are honest, ethical, and effective are more likely to give, make higher average contributions, and are more likely to volunteer.

Although public trust and confidence remains high, most in the nonprofit sector have certainly felt the effects of recent public scrutiny, and are familiar with the ongoing debate on nonprofit waste, duplication, and accountability. Because the nonprofit sector can only be effective if it inspires public trust, this issue of *Nonprofit Research Abridged* offers an analysis of the issues and trends and offers recommendations to individual nonprofits to help maintain and improve stakeholder trust and confidence.

Attitudes Toward Charitable Organizations



from the ASU *Arizona Giving and Volunteering* research report, 2002

Current Issues and Trends

Ethics and Accountability.

Corporate scandals and questions on the use of money donated to September 11 converged to raise the public awareness of nonprofit ethics and accountability. All institutions are being called upon to be more accountable, in particular, more transparent, which means to be open about their financials and operations. There is an added responsibility to the nonprofit sector to be open and accountable, and charitable organizations are held to higher standards of ethical behavior. As stated in the Independent Sector's publication *Keeping the Trust*, "Without being viewed as ethical, charities inspire little confidence."²

Nonprofit Waste?

There was limited evidence of this concern in the *Arizona Giving and Volunteering* report, as 40.6 percent of those surveyed agreed that nonprofits are wasteful in their use of donated funds (see graph on previous page). However, 80.4

percent believe *their* donation is put to appropriate use, so this appears to be a perception of the nonprofit sector generally rather than organizations they give to specifically. Nonetheless, this general perception of nonprofit waste is a growing concern about the sector.

Demand for Information.

The evolution of the Internet has also fueled the growing demand for information and access. For example, nonprofits today are expected to have their financial information not only available, but easily accessible on the Internet. In a recent study sponsored by the BBB Wise Giving Alliance, over half the respondents thought charities did not divulge enough information. People want to know about charity finances, the accuracy of a charity's advertising and promotion, and the effectiveness of a charity's programs. The study also revealed that Americans rely on the charities themselves to provide information.³

Resources and Tools for Inspiring Confidence and Trust

Association of Fundraising Professionals (AFP) - www.afpnet.org

The AFP "Code of Ethics," "The Accountable Not-for-Profit," and the "Donor Bill of Rights" can all be found in the "Ethics" section.

Better Business Bureau (BBB) Wise Giving Alliance - www.give.org

Includes standards for fund raising, accountability, and several publications, including the *BBB Wise Giving Guide* and the *Donor Expectations Survey*.

Center for Nonprofit Leadership and Management - <http://nonprofit.asu.edu>

Find additional resources, publications, and information under "Research that Matters."

Guidestar - www.guidestar.org

A repository of information on charitable organizations, including copies of IRS form 990 for organizations who file it.

Independent Sector - www.independentsector.org

A collection of publications and resources on ethics and accountability (<http://www.independentsector.org/issues/accountability.html>), including a compendium of standards, codes, and principles, as well as additional resources.

National Planned Giving Committee (NPGC) – www.ncpg.org

Includes the "Model Standards for the Charitable Gift Planner," and other resources.

Venture Philanthropy Partners - www.vppartners.org

Contains the McKinsey and Company publication, *Effective Capacity Building in Nonprofit Organizations* (<http://www.vppartners.org/learning/reports/capacity/capacity.html>).

Recommendations for Nonprofit Organizations

Paul C. Light, vice-president and director of Governmental Studies at the Brookings Institution and noted nonprofit author, in his article "War on Waste," states "...the way to improve the sector is by building the sector's own capacity to improve itself while supporting the commitment through self-regulation."⁴ Encompassed within this capacity building are three key words:

Transparency—providing sought-after information to donors, clients, and the community, which generates trust;

Standards—providing donor assurance, ethical guidance and benchmarks for institutional capacity;

Communication—sharing information about program and management effectiveness and inspiring confidence.

Standards provide guidance

Transparency generates trust

Communication inspires confidence

Nonprofits can take the following steps towards their own self-regulation, enhanced organizational capacity, and stakeholder trust. (Note: cited resources can be found in the box entitled, "Resources and Tools for Inspiring Confidence and Trust.")

1. As organizational policy, conduct an annual review utilizing a self-assessment tool such as "The Accountable Not-for-Profit" (Association of Fundraising Professionals--AFP) and/or those provided by McKinsey & Company or the Leader to Leader Institute. Review and utilize the "The Donor Bill of Rights" (AFP), as well as an organizational creed of ethical practice. This creed can be based upon codes for ethical behavior such as those provided by national associations like the AFP, The National Planned Giving Committee, and many others.
2. Subscribe to and abide by a set of operational standards; there are many referenced throughout Independent Sector's website.

3. Expect to be the primary source of information about your organization. Have information readily available for a quick response, including ratio of costs to program, management, and fund raising, as well as how funds are used.
4. Make your information easily accessible on the web, and explain your programs and their effectiveness directly and succinctly when completing the IRS Form 990. If you have a website, include the most recent annual financial report, members of the board of directors, and biographies of key staff.
5. Provide an annual report that includes financial statements along with progress reports of programs and important activities. These reports can be in a simple newsletter format.
6. Include the Mission Statement on all external communications.
7. Communicate both in print and through the Internet the results of what you do, including outcomes and results in both numbers as well as stories.

Communication is the key to inspiring confidence so that stakeholders believe the organization is effective at achieving its mission. To do this the nonprofit must communicate its results and outcomes and the nonprofit sector as a whole must communicate the broader impact it has on the quality of life in our community.

Notes:

1. Toppe, Christopher, and Arthur D. Kirsh. 2002. *Keeping the Trust: Confidence in Charitable Organizations in an Age of Scrutiny*. Washington, D.C.: Independent Sector (www.independentsector.org).
 2. Ibid.
 3. Princeton Survey Research Associates. 2001. *Donor Expectations Survey*. Washington, D.C.: BBB Wise Giving Alliance (available on www.give.org).
 4. Light, Paul C. 2003. "The War on Nonprofit Waste." *Memo to Members: Perspectives on Accountability*. Washington, D.C.: Independent Sector (www.independentsector.org).
- Several findings from *Arizona Giving and Volunteering* were cited in this monograph. *Arizona Giving and Volunteering*, published by the Center for Nonprofit Leadership and Management in Spring 2002, is available at www.asu.edu/copp/nonprofit/res/res_gjvvol.htm.

Special thanks to Patricia Lewis, ACFRE, CNLM 2002-2003 Practitioner-In-Residence, for her insightful contributions to the content of this article. For more information and resources, please visit our web site.

Center for Nonprofit Leadership and Management

Improving the quality of life in communities by providing knowledge and tools that enhance nonprofit effectiveness

*Research That Matters
Nonprofit Leadership Education*

*Assistance to Nonprofits
Conferences and Convenings*

CENTER NEWS

ASU's 11th Annual **Nonprofit Day** will be held **December 5, 2003**, and will focus on steps organizations can take to inspire confidence and trust. For more information, see <http://nonprofit.asu.edu>.

The Arizona Nonprofit Community Report is a free e-mail newsletter that provides current information about professional development opportunities, nonprofit sector research, resources, events and job openings in the nonprofit community. Subscribe for free at our web site.

<http://nonprofit.asu.edu>

Nonprofit Research Abridged is published by the ASU Center for Nonprofit Leadership and Management as a service to the nonprofit sector and contains summaries of nonprofit research studies. The full research report, related resources, and past issues are available on our web site. For questions, please contact Stephanie Hiatt, Editor, at hiatt@asu.edu.

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