

Reducing Overhead Aversion by Highlighting the Neglected Benefits of Fundraising

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All error bars are ± 1 SE.

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Introduction

- People dislike their charitable donations funding overhead, termed *overhead aversion*.¹ But overhead is important for helping charities maximize their impact,² e.g. by raising more funds.
- One reason that people may be overhead averse is that they view overhead and impact in a zero-sum manner³ and thus see any non-zero expenditure as a loss.⁴ Charities reinforce this mentality by emphasizing a low overhead ratio.
- We find that donors are less overhead averse when overhead costs are expressed in ways that link them with the new donations they help raise.

Studies (all preregistered)

Pilot (N=85): People neglect the value of fundraising.

Participants indicated which of two charities is more effective and which they would prefer to donate to:

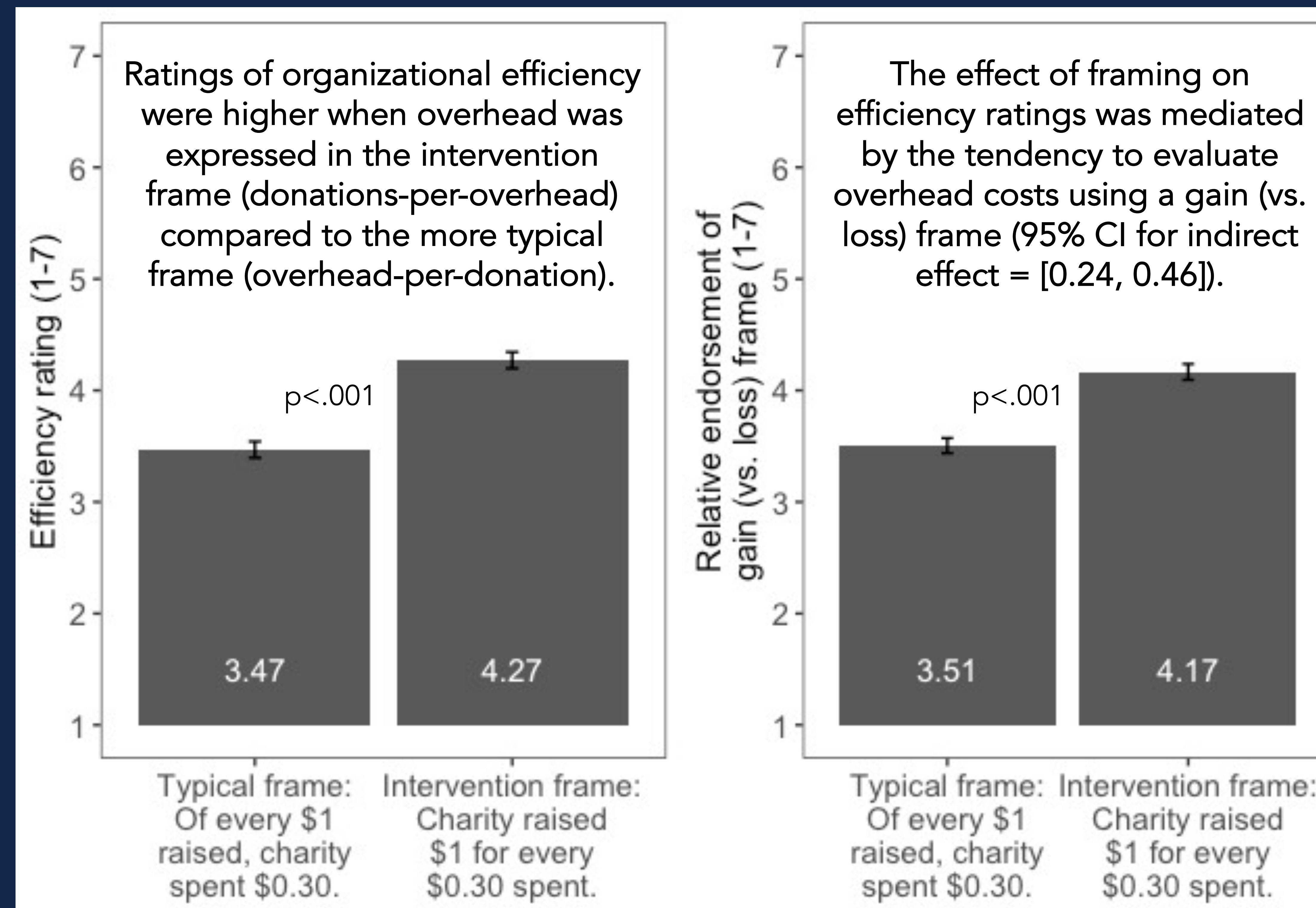
- Charity A spent less on fundraising and saved slightly more lives short-term (65.9% preferred)
- Charity B spent more on fundraising and saved slightly fewer lives short-term, but would raise more money and hence save more lives long-term (34.1% preferred; significantly lower than 50%, $p=.005$)

S1 (N=588): The overhead ratio is seen as more efficient when expressed in donations-per-overhead terms (which highlights how overhead helps raise funds) compared to overhead-per-donation terms (which obscures this causal relationship).

- Design: 2 conditions — overhead-per-donation (typical) vs. donations-per-overhead (intervention)
- Measures: perceived organizational efficiency (DV, 1-7) and endorsement of loss frame (i.e., more than 0% overhead is bad) vs. gain frame (i.e., less than 100% overhead is good) (mediator).
- Results: Donations-per-overhead framing increased perceived efficiency, and this effect was mediated by the tendency to evaluate overhead costs using a gain vs. loss frame. (Summarized in main panel.)

Charitable donors typically view the relationship between overhead and impact as zero-sum, coding any non-zero overhead expenditure as a loss. Framing overhead information to highlight the causal link between overhead and raising new donations (e.g., “we’ve raised \$1 for every \$0.30 spent”) reduces overhead aversion via a change in reference points. Instead of viewing overhead as an unnecessary loss, donors view it as merely reducing the gain from the new donations it generates.

S1:



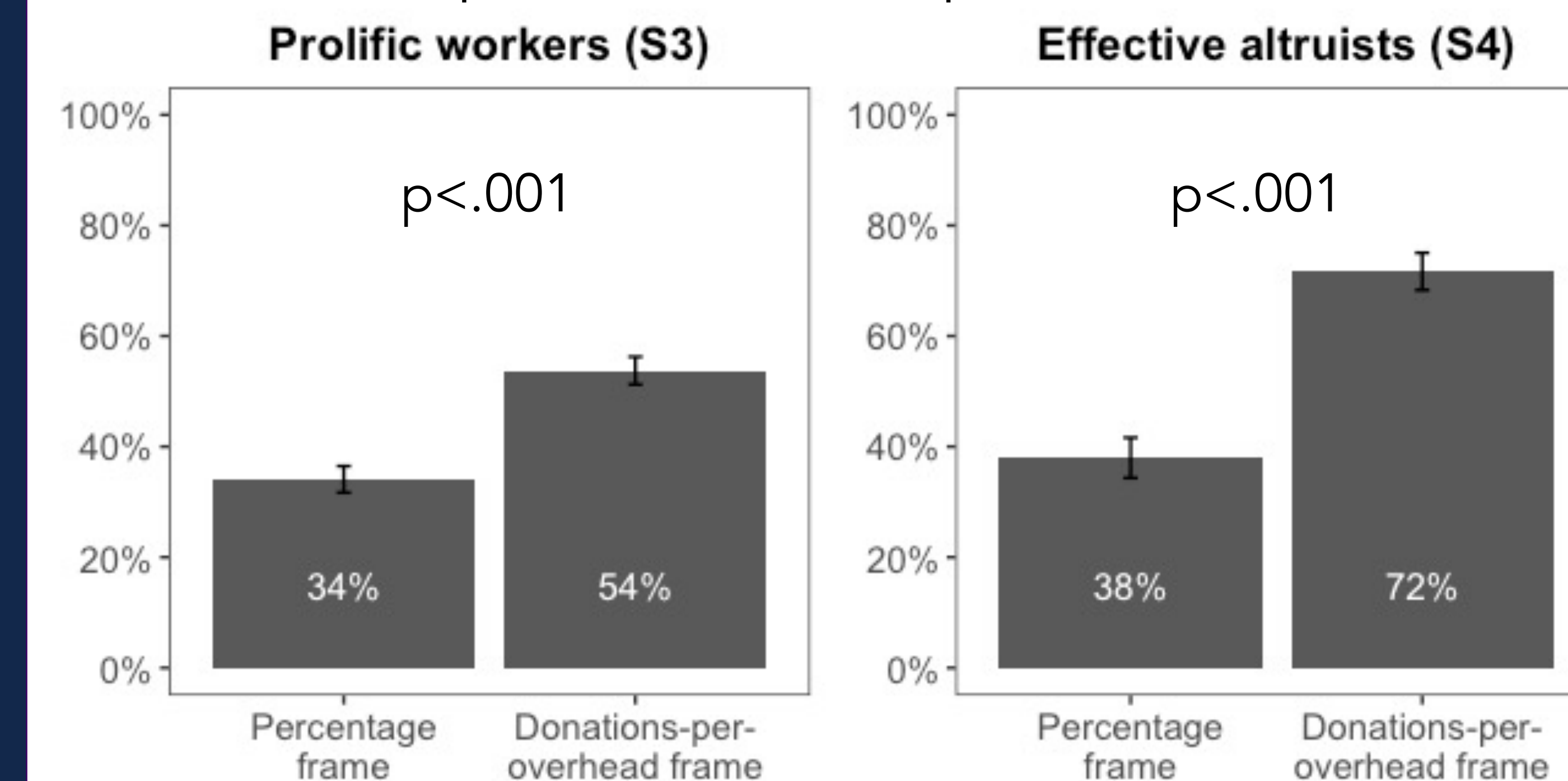
Studies (continued)

S2 (N=1,580): Donations-per-overhead framing makes donors less sensitive to the level of expenditure (compared to percentage framing), consistent with heightened sensitivity to losses compared to gains.⁴

- Design: 2 (framing condition: percentage vs. donations-per-overhead) x 2 (overhead level: low-5% vs. high-45%)
- DV: perceived organizational efficiency (1-7)
- Main effect of framing: $b=0.20$, $SE=0.06$, $p<.001$
- Framing*level interaction: $b=0.52$, $SE=0.12$, $p<.001$

S3-S4 (N=1,152): Donations-per-overhead framing influences real donations, making donors more willing to fund overhead rather than programs.

- Participants: Prolific workers (S3) and a sample of effective altruism community members (S4)
- Design: 2 framing conditions — percentage (typical) vs. donations-per-overhead (intervention)
- DV: choice of whether to donate a fixed endowment to overhead costs or programs
- Results: participants were more likely to donate to overhead when the overhead ratio was framed in donations-per-overhead vs. percentage terms.



References

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2. Gregory, A. G., & Howard, D. (2009). The nonprofit starvation cycle. *Stanford Social Innovation Review*, 7(4), 49-53.
3. Johnson, S. G., Zhang, J., & Keil, F. C. (2021). Win-win denial: The psychological underpinnings of zero-sum thinking. *Journal of Experimental Psychology: General*.
4. Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica*, 47(2), 263-292.