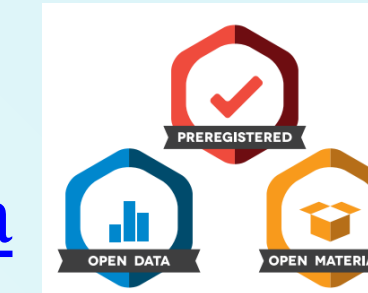


Preregistrations, study materials, and data available at [https://osf.io/kt7vq/?view\\_only=566628bda84e497e882b7f9eed3967ea](https://osf.io/kt7vq/?view_only=566628bda84e497e882b7f9eed3967ea)



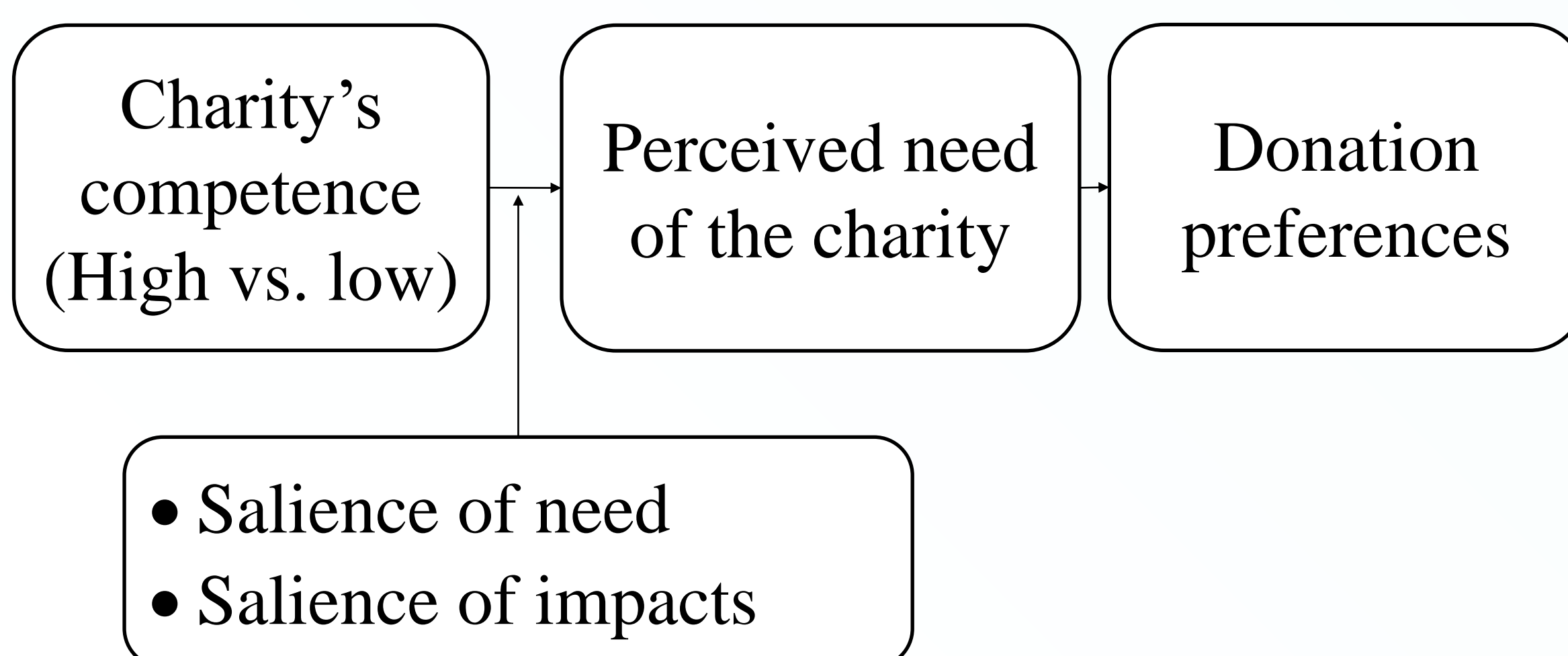
## Introduction

Although the effective altruism movement recommends donating to charities that maximize impact per dollar, people prioritize other factors (e.g., subjective preferences, personal impact) over effectiveness. However, it is not clear whether *displays* of managerial competence by charities help or harm fundraising efforts, when controlling for other factors?

This research documents a charity competence curse bias where **donors may penalize charities for displaying competence cues** and thus, ironically, provide more support to charities less effective at helping.

This research contributes to the literatures on effective altruism and offers managerial recommendations for charities seeking to optimize their fundraising communications.

## Conceptual Model



## Pilot study: field data

- Examines our hypothesis using real-world data—**CharityNavigator.org**
- Working Capital Ratio* (WCR) as a proxy measure for **financial competence**: charities' ability to manage financial resources and obligations.
- Donation: total donations received by a charity during one fiscal year of operation

	Dependent variable:		
	Contributions		
	(1)	(2)	(3)
Working Capital Ratio	-382,621.100 *** (248,268.000)	-2,583,032.000 *** (224,597.600)	-873,043,900 *** (183,209.200)
Total Net Assets		0.153*** (0.003)	0.043*** (0.003)
Fundraising Expenses			7.127*** (0.104)
Constant	13,657,677.000 *** (894,136.500)	13,372,212.000*** (792,722.400)	6,105,967.000** * (649,315.500)
Observations	8,902	8,902	8,902
R <sup>2</sup>	0.002	0.216	0.488
Adjusted R <sup>2</sup>	0.001	0.215	0.487
Residual Std. Error	60,712,223.000 (df=8893)	53,824,724.000 (df=8892)	43,499,235.000 (df=8891)
F Statistic	2.123** (df=8; 8893)	271.572*** (df=9; 8892)	846.566*** (df=10; 8891)

Note: \*p<0.1; \*\*p<0.05; \*\*\*p<0.01

- The higher the working capital ratio (i.e., the more competent a charity is), the lower donation the charity receives.

## Methodology

### Study 1A – 1C: main effect

#### Study 1A: financial competence



Low WCR

VS



High WCR

#### Study 1B: organizational competence



Small-sized young charity

VS



Medium-sized well-established charity

#### Study 1C: personnel competence



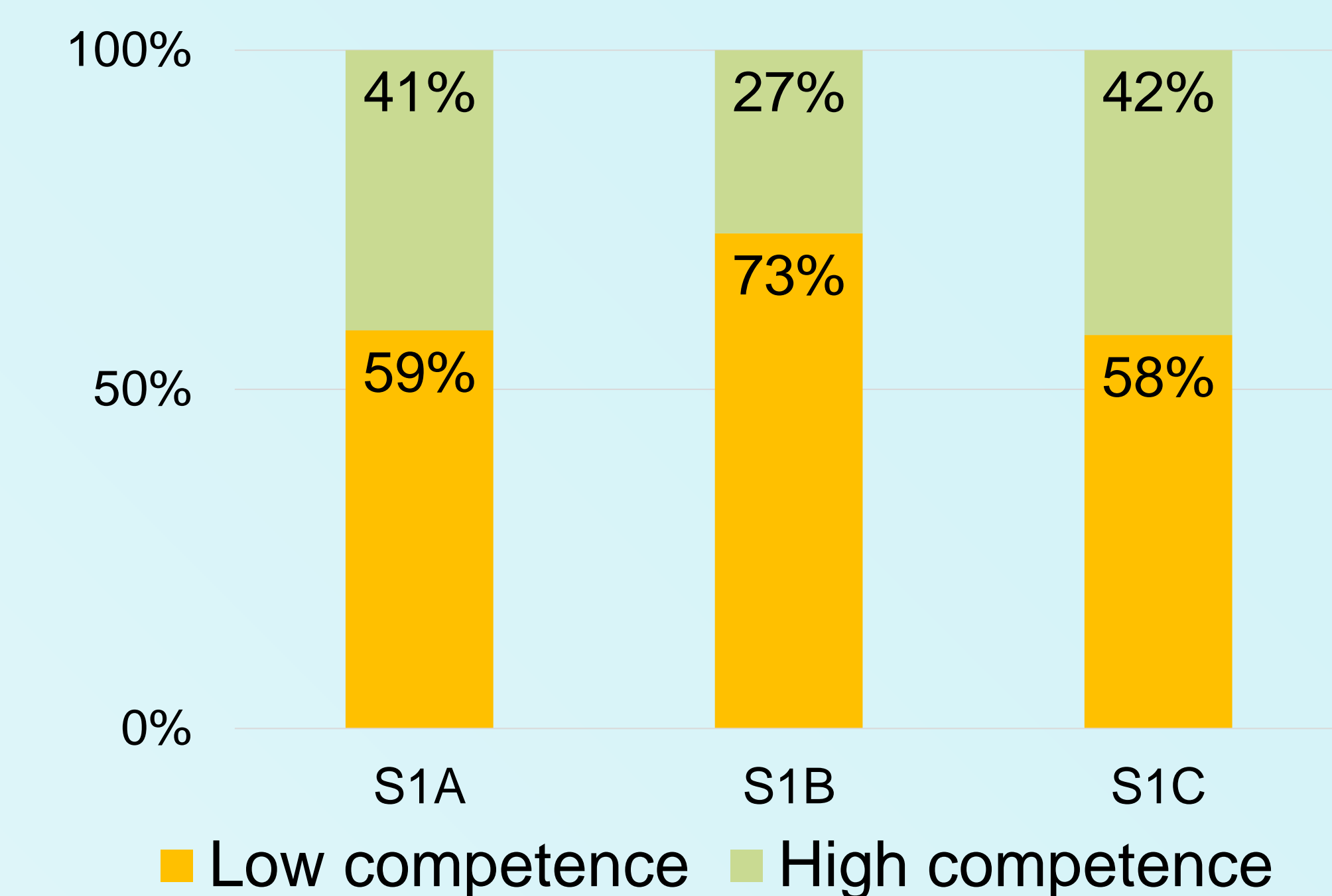
Entry-level worker

VS



Professional

## Results



- Participants were less likely to donate to a charity with higher financial, organizational, and personnel competence signals.

## Conclusion

We show that competent signals of charities can negatively influence donation preferences, because higher competence leads to lower perceived needs. This bias is mitigated (1) when the high competence charity is explicitly of higher need; (2) when donors are prompted to reflect on the impact of their donation.