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Abstract

Nonprofit watchdog organizations—organizations devoted to rating the accountability and transparency of nonprofits—claim to serve donors who are selecting which nonprofits to support. However, using three waves of the Harris Interactive Donor Pulse, we found that the overwhelming majority of donors (77.6 percent) do not consult these online intermediaries when making donations. Those who do are likely to fall into one of two groups: donors who give large sums of money or donors who are engaged in advocacy. We conclude with conceptual and practical implications.

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Nonprofit Watchdogs

Do They Serve the Average Donor?

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Nonprofit watchdog organizations—organizations devoted to rating the accountability and transparency of nonprofits—claim to serve donors who are selecting which nonprofits to support. However, using three waves of the Harris Interactive Donor Pulse, we found that the overwhelming majority of donors (77.6 percent) do not consult these online intermediaries when making donations. Those who do are likely to fall into one of two groups: donors who give large sums of money or donors who are engaged in advocacy. We conclude with conceptual and practical implications.

In an ideal world, all of the information necessary to compare nonprofits would be available to potential donors. If this were the case, the best nonprofits—those that produce the most public goods and that act the most effectively and ethically—would attract the most donations, and the rest would perish. However, comprehensive comparative information does not exist, and donors must accept the reality of information asymmetry.¹ In principle, a donor is capable of deciding between roughly 1.1 million 501(c)(3) NPOs, many of which are dedicated to dealing with similar issues (Brown, 2008). Most donors, however, do not possess or know how to access the information necessary to compare NPOs' ethics, efficacy, and so forth, and they therefore find it difficult to distinguish between organizations.

Various watchdog organizations have emerged in response to this information asymmetry. In theory, these watchdog organizations allow potential donors to assess a nonprofit organization's level of accountability (broadly defined) and thus to make more educated decisions about where to donate money.

Many nonprofit experts and textbooks praise the existence of these watchdog organizations because they supposedly help regulate the sector, particularly in the areas of monitoring fraudulent activity and the use of funds (Herman and Associates, 2005; Hewlett Foundation, 2008). However, an unresolved question lingers: Do donors actually use these watchdogs to decide which nonprofits to support?

¹ Information asymmetry is a condition in which relevant information is known to some but not all parties involved. Information asymmetry causes markets to become inefficient, since all of the market participants do not have access to the information needed to make educated decisions. In our case, donors are missing important information about the efficiency of the nonprofits asking for their money.

In this article we first review the literature on information asymmetry between donors and NPOs as well as literature that suggests that donors may not need information in order to make optimal donations. This review is followed by a set of research questions regarding the role of watchdog organizations in the nonprofit sector. We then describe our research methods and present findings that shed new light on this field of study. We conclude by discussing the implications of our findings.

Need for Accountability and External Rating

In economic terms, a nonprofit organization is an “agent” and a donor is a “principal.” Agents produce goods and services for principals, but principals cannot supervise this production and have to rely on agents’ reports. As agents, NPOs tend to claim success, efficiency, and integrity, even when struggling with failure, waste, and corruption (Bennett and DiLorenzo, 1994; Murray, 2001). When the principals/donors are unaware of the fidelity of the nonprofit, they suffer from information asymmetry.

Two sets of donors can reduce this information asymmetry themselves. First, very rich donors can demand control of NPOs and access to accounting in return for large donations. Second, those volunteering with an NPO can access information directly and use it to make an informed decision. Typical principals/donors, however, can do neither of these things. Their ability to assess an NPO’s success, efficiency, and integrity themselves is therefore limited.

Both to address this information asymmetry and to appear more credible, nonprofits demonstrate accountability by issuing annual reports and providing information on the Web. Donors can find information on financial transparency, ratio of resources devoted to mission-driven activities (as part of the overall budget), disclosure of fundraising methods and costs, human resources equity, level of environmental sustainability, and so on (Frumkin and Kim, 2001; Silvergleid, 2003). However, to access and analyze these data takes time and expertise.

The information asymmetry between NPOs and donors creates the niche filled by watchdog organizations, which serve as intermediary groups by monitoring the performance of NPOs in a way that individual donors cannot. Organizations such as the Better Business Bureau (through its Wise Giving Alliance), Ministry Watch, Maryland Association of Nonprofit Organizations, GuideStar, Charity Navigator, Center on Philanthropy, American Institute on Philanthropy, Network for Good, and many others have been established to carry out this function. The logic behind these organizations is that they have the capacity to measure and compare NPOs based on established criteria. Whereas potential donors can call or write to these watchdog organizations, generally donors find the information they want on watchdog organizations’ websites. The large watchdog organizations set standards that are easily achievable by most NPOs—a fact that explains why so few NPOs have protested the rise in watchdog activity (Bhattacharya and Tinkleman, 2009).

Little is known, however, about the degree to which donors actually use watchdog organizations as sources of information about U.S. nonprofits. What information there is generally relies on data generated by nonprofit organizations rather than by donors themselves (Sloan, 2009). Sloan studied the

ratings given to New York City NPOs by the BBB Wise Giving Alliance and correlated these ratings with the donations each NPO receives. She found that positive ratings were associated with greater donor contributions but that negative ratings were not associated with diminished donor contributions. In a similar vein, Tinkleman and Mankaney (2007) found a negative correlation between administrative cost—the efficiency criterion most often used by watchdog organizations—and donations.

The only study to ask donors themselves was conducted for the BBB Wise Giving Alliance in 2001. Most respondents to this study reported that before donating they were likely to obtain relevant information from the NPO itself (50 percent) or from family and friends (47 percent). This was followed by Better Business Bureau (42 percent), Internet-based organizations (31 percent), the media (25 percent), and the government (24 percent). However, the same study found that only 21 percent reported actually assessing a nonprofit via an online watchdog organization. The difference between the two sets of numbers was the difference between how likely donors were to use an online watchdog organization versus how often they had actually done so. In light of the 2001 findings, we will discuss in the following why some donors might be uninterested in reducing the information asymmetry.

In Support of Information Asymmetry?

The fact that more than half the respondents reported that they were unlikely to use any data before donating conflicts with standard expectations about how a principal should approach information asymmetry. One explanation could be that because most donations are small, donors feel a very low level of risk and therefore feel no need to acquire extensive information before donating (Hibbert and Horne, 1996). However, if a donor were to consider donating a large sum of money, the level of risk would increase, and a full and careful accounting overview would become warranted. Given that the top 5 percent of donors account for 59 percent of all giving (Brown, 2008), this group is clearly important, and they are often aggressively courted by numerous NPOs. These individuals are also more likely to donate strategically, with the intent to impact a specific area of interest (Frumkin, 2006). Furthermore, almost all large-scale donations are donated to universities, hospitals, and major arts organizations, which tend to be well known and fully scrutinized (DiMento, 2009). With all this in mind, we should expect donors who give large sums of money (or are capable of doing so) to use watchdog organizations more than those who donate on a smaller scale. So, how do donors make donation decisions?

Many scholars have tried to figure out what a nonprofit should put in its solicitations in order to appeal to potential donors (Handy, 2000; Smith and Berger, 1996). Their findings suggest that what moves donors is personal, emotional, and specific information rather than technical report cards. Donors do not give based on the perceived level of risk; rather, they are motivated by the personal satisfaction or “warm glow” of helping those in need (Andreoni, 1989, 1990; Bruce, 1994; Harbaugh, Mayr, and Burghart, 2007). Where this “warm glow” functions as a donor’s dominant motivation, obtaining objective and full information provided by watchdog organizations may seem tedious, unnecessary, and costly.

One would also expect those with higher education and those of younger age to use Internet-based watchdog sources more regularly than those with lower education and those who are older. Similarly, one might expect ethnic minorities not to trust the findings obtained by elite watchdog

organizations and to rely more on informal networks as sources of information (Gamble, 1997). Additionally, one would expect active volunteers to be more knowledgeable about the NPO they work for and therefore to regard third-party assessment as unnecessary. Finally, one would expect those actively engaged in advocacy to rely on their own experience and not on the ratings offered by watchdog organizations. The latter two propositions assume that volunteers and advocates are generally trusting toward NPOs and involved in their operation. These assumptions, however, need to be verified through empirical study.

Research Questions

To help understand how donors approach information asymmetry, we posed the following research questions:

1. How many American donors use the many sources of online information about U.S. nonprofits offered by watchdog organizations? Which source do they use most frequently?
2. Does use of online watchdog websites vary according to level of income or level of donation?
3. Which characteristics (level of education, age, ethnicity, involvement in volunteer work, and involvement in advocacy) do donors who are more likely to use watchdogs display?

Methods

Harris Interactive is a market research company that specializes in conducting Internet-based surveys using its panel, the Harris Poll Online Panel (HPOL), as its primary sample source. The Donor Pulse is an omnibus survey (a collection of survey questions jointly assembled on behalf of various clients) that Harris Interactive conducts regularly. Respondents, once selected, are asked a series of qualifying questions to ensure that they are the population of interest. Only those respondents who meet the qualifying criteria are shown the main survey body. However, Harris uses response data from all respondents 18 and older who answer the screening questions to inform the weighing process.

Since the Donor Pulse was first conducted in January 2006, the omnibus has yielded a response rate of around 8 percent and an incidence rate of around 80 percent. This rate of response is typical to Internet surveys (Fricker and Schonlau, 2002). Internet surveys that yield a higher response rate often issue a pre-contact (recruiting participants to take a survey before it is fielded) (Cook, Heath, and Thompson, 2000; Sheehan, 2001), utilize multiple modes of contact (Kaplowitz, Hadlock, and Levine, 2004), or have a longer period in the field. The Donor Pulse does not issue a pre-contact; it relies solely on e-mail as the contact method, and the window to respond is typically about one week. There have been a total of six waves conducted since January 2006 (Cnaan, Jones, Dickin, and Salomon, in press).

Instruments

To study the topic of nonprofit watchdogs, we compiled and analyzed the results from three separate waves of the Donor Pulse— January 2006, May 2007, and August 2008. Two questions were used across all three waves to examine the use of online resources to inform donor decision making. While the wording and respondent base of the questions differed slightly across the three waves, the reported level of usage of online resources and online watchdog organizations remained consistent. The exact wordings are listed in the appropriate tables (1 and 2).

In the January 2006 Donor Pulse, all respondents who had donated within the past year were asked, “Before making a donation, have you ever consulted an online resource of charity information to find out more about the charity?” Those who affirmed that they had consulted an online resource prior to making a donation were asked, “Which resources have you used? (Multiple responses allowed.)” To reduce potential respondent fatigue, a randomized, predetermined list was provided for the respondents. The randomized, predetermined options for this question were: GuideStar, Network for Good, Charity Navigator, Better Business Bureau, American Institute of Philanthropy, Organization’s Website, and Other. In the second wave only, respondents were also offered the option of friends and then of family. In the final wave only, respondents were offered the option of search engines.

For the purposes of this article, we have chosen to analyze donors (defined as anyone who claimed to have made a financial contribution to a nonprofit organization within the past year) who were asked these questions in any of the three waves. The donor sample used for this survey totaled 6,418 donors across all three waves.

Respondents

We found that females represent 53.1 percent of the donor base (46.9 percent were males). Age was evenly distributed; those 65 and older accounted for 22.6 percent of the sample; 50 to 64, 23.9 percent; 35 to 49, 31.1 percent; and under age 34, 22.5 percent. As for the ethnicity of our sample, 81.1 percent identified as white, 6.7 percent as black, 6.2 percent as Hispanic, and 1.7 percent as Asian.

With regard to education, the majority (52.7 percent) had received a bachelor’s or associate’s degree or had at least some college. The next largest percentage of the sample had received a postgraduate degree (24.4 percent), followed by those who had received their high school degree or equivalent (22.9 percent).

Almost half (46.2 percent) of donors reported household incomes of \$49,999 or less; about two-thirds (68.7 percent) of donors reported household incomes of \$74,999 or less; 17.2 percent of the sample reported annual household earnings of above \$100,000.

Findings

Our findings are organized in the order of the research questions. We first present the rate of use of watchdog websites. We then present findings on who tends to use these websites, starting with income and level of donation and moving to background variables. Finally, we present the results of a multivariate analysis that provides information about those people most likely to use the data available in the watchdog organizations' websites.

Rate of Use

Our first research question focused on the degree to which donors used the various ratings offered by watchdog organizations. As can be seen in Table 1, 22.3 percent used some Internet source.

As can be seen in Table 2, the majority of the donors who had consulted an online source used the organization's website (61.1 percent across the three waves). In the second wave, many also reported consulting their friends (41.6 percent) and families (33.8 percent) (the second wave was the only wave to offer friends and family as options). Similarly, 58.9 percent of the donors in the third wave who had consulted an online source reported using search engines such as Google and Yahoo (included as an option only in the third wave).

Table 1. Rates of Consulting Online Resource Prior to Making Financial Donation

January 2006 question wording: Before you make a donation, have you ever consulted an online resource of charity information to find out more about the charity?

May 2007 question wording: Before you make a donation, have you ever consulted an online resource of charity information to find out more about the charity?

August 2008 question wording: Before making a donation, have you ever consulted online resources to find out more about a charity?

| | January 2006 N = 2,523 | May 2007 N = 2,117 | August 2008 N = 1,778 | Total N = 6,418 |
|-----|---------------------------|-----------------------|--------------------------|--------------------|
| Yes | 22.3% | 22.0% | 22.8% | 22.3% |
| No | 77.7% | 78.0% | 77.2% | 77.7% |

Note: A larger number of respondents answer positively to this question. But when asked to list which source, about 1,270 respondents failed to list any watchdog organization. As can be seen in Table 2, these people most likely referred to consulting Google, Yahoo, or the NPO's website.

Table 2. Resources Used Prior to Making a Financial Donation

January 2006 question wording: Which resources have you used? (Multiple responses allowed)

May 2007 question wording: Which resources have you used to find out more about the charity? Please select all that apply.

August 2008 question wording: Which online resources have you used to find out more about the charity? Please select all that apply.

| | January 2006 N = 952 | May 2007 N = 910 | August 2008 N = 842 | Total N = 2,704 |
|------------------------------------|-------------------------|---------------------|------------------------|--------------------|
| Organization's website | 60.8% | 65.3% | 56.9% | 61.1% |
| Better Business Bureau | 44.0% | 38.2% | 38.0% | 40.2% |
| Charity Navigator | 12.5% | 11.4% | 10.5% | 11.5% |
| American Institute of Philanthropy | 7.9% | 7.9% | 4.4% | 6.8% |
| GuideStar | 4.9% | 6.7% | 5.0% | 5.5% |
| Network for Good | 4.2% | 2.9% | 2.0% | 3.1% |
| Friends | n/a | 41.6% | n/a | n/a |
| Family | n/a | 33.8% | n/a | n/a |
| Search engine* | n/a | n/a | 58.9% | n/a |
| Other | 24.4% | 20.1% | 12.8% | 19.3% |

* This item includes online searches such as Google, Yahoo, MSN, and so forth.

Which of the studied online watchdog organizations did these donors consult? Among the watchdog groups, the Better Business Bureau came out on top (40.2 percent), followed by Charity Navigator (11.5 percent). All other online watchdog organizations were consulted by less than 10 percent of the donors who had consulted an online source.

A careful look at Table 2 reveals that for most sources, use or lack of use was stable over time. The second row from the bottom in Table 2 gives a possible explanation. As noted earlier, donors were asked in the August 2008 wave if they had used search engines to assist them in their donation decisions. Three-fifths (58.9 percent) reported doing so. These data suggest that people do use the Internet regularly to find information on charities, but they do not necessarily use watchdog organizations. Furthermore, of the 2,704 donors who had used any online resources, 1,270 (47.0 percent) had not used any of the five studied watchdog organizations. Of the overall donors (N = 6,418), less than a quarter (1,434) had consulted with any of the watchdog websites (22.3 percent). Only about one in five had used any of the five watchdog websites.

Income and Level of Donation

The second research question examined whether use of watchdog websites varies according to income and/or level of donation. As noted above, only 1,434 of the donors who had used the Internet to search for information had used any of the five studied watchdog organizations. We performed two sets of analyses. In the first set, we focused our attention on those who claimed to have used the Internet as a resource for charity information (N = 2,704). Among these, we compared those who had used any of the five studied watchdog organizations (N = 1,434) with those who had not used any online intermediary resources (N = 1,270). In the second set of analyses, we focused on the larger sample of donors (N =

6,418), specifically comparing those who had used any of the five studied watchdog organizations (N = 1,434) with all other donors, regardless of their use of Internet (N = 4,984).

We used an eleven-item scale to measure levels of income. For the first sample group (Internet users; N = 2,704), using a t-test of independent samples we found that there was no statistical difference between those who had used watchdog organizations and those who had not used any third-party online resources ($t = 1.08, p > 0.05$). Those who had used watchdog websites reported a mean of 5.08 as compared with 5.00 for those who had not used watchdog websites. For our second sample (all donors; N = 6,418), we found a significant difference in the expected direction. Those who had used any of the five watchdog organizations reported a higher level of income (5.08) as compared with all others (4.57) ($t = 7.42, p < 0.0001$).

We used a nine-item scale to measure levels of donation. For our first sample group (Internet users; N=2,704), using a t-test of independent samples we found that there was a significant statistical difference between those who had used watchdog websites and those who had used non-watchdog online resources ($t = 4.95, p < 0.0001$). Donors who had used watchdog websites reported a higher mean level of donation (3.33) as compared with those who had not used watchdog websites (2.89). Category 2 denoted a donation of \$250 to \$500 while category 3 denoted a donation of \$501 to \$999. In our second sample (all donors; N=6,418), we found a significant difference in the expected direction. Donors who had used any of the five watchdog organizations reported a higher level of donation (3.33) compared with the others (2.73) ($t = 8.97, p < 0.0001$).

Impact of Background Variables

Our final research question focused on identifying the types of donors who were more likely to have used any of the watchdog websites. We focused specifically on factors such as education, age, ethnicity, involvement in volunteer work, and involvement in advocacy. We will treat each variable separately and then provide the result of a logistic regression using all of the variables from this and the previous question combined.

We analyzed three education levels (high school, college, and graduate education) for the first sample group (Internet users; N = 2,704). We found that education did not have a statistically significant correlation with use of online watchdog groups ($\chi^2 = 4.07, df = 2, p > 0.05$) or nonuse of watchdog groups. For the full sample of donors (N = 6,418), we found that education had a statistically significant correlation both to use of watchdog websites ($\chi^2 = 118.35, df = 2, p < 0.0001$) and to lack of use of any online charity resources at all. Those with a high school education reported lower use (13.3 percent) than those who were college educated (22.9 percent) and those with graduate education (29.7 percent). These findings suggest that education is important in explaining who does or does not use online resources in general. However, among donors who use online resources in general, education is not helpful in explaining use of watchdog websites.

With regard to age, for the first sample group (Internet users; N = 2,704), we found age to be significant ($t = 5.91, p < .0001$). Surprisingly, older persons were more likely to consult watchdog ratings. For the full sample of donors (N = 6,418), we found age to have no statistically significant relationship to use of watchdog websites ($t = 1.83, p > 0.05$) or to lack of use. Contrary to our expectation, younger people are less likely to use these sources when compared with older people.

With regard to ethnicity, 80 percent of the sample was white, so we compared this population with all of the other ethnicities. In the first sample group (Internet users; N = 2,704), we found that ethnicity was not a significant factor ($\chi^2 = .98, df = 1, p > 0.05$). However, for the full sample of donors (N = 6,418), we found that ethnicity had a statistically significant relationship to use of watchdog

websites ($\chi^2 = 5.34$, $df = 1$, $p < 0.05$). While significant, we found that the actual difference was quite small; 23 percent of whites had used the websites as compared with 20.2 percent of the nonwhites.

With regard to participation in volunteering, we found that in both samples volunteers had used the ratings of the watchdog organizations significantly more than the non-volunteers. Among the first sample group (Internet users; $N = 2,704$), 67.6 percent of volunteers versus 48.7 percent of non-volunteers had used the ratings ($\chi^2 = 10.87$, $df = 1$, $p < 0.0001$). Among the full sample of donors, 26.1 percent of volunteers versus 17.2 percent of non-volunteers had used the ratings ($\chi^2 = 77.36$, $df = 1$, $p < 0.0001$).

With regard to participation in advocacy, we found that in both samples advocates had used the ratings of the watchdog organizations significantly more than non-advocates. Among the first sample group (Internet users; $N = 2,704$), 59.3 percent of advocates versus 44.7 percent of non-advocates had used the ratings ($\chi^2 = 56.54$, $df = 1$, $p < 0.0001$). Among the full sample of donors, 32.3 percent of advocates versus 14.4 percent of non-advocates had used the ratings ($\chi^2 = 291.01$, $df = 1$, $p < 0.0001$).

Multivariate Analyses

In order to assess the impact of background variables other than donation size and income on use of the watchdogs' ratings, we performed two sets of multiple logistic regressions. First, we computed the impact of donation size and income level on use of watchdogs' ratings; then we added five background variables. We performed the same two analyses for those who had used search engines ($N = 2,704$) and for the sample of all donors ($N = 6,418$).

As can be seen in Table 3, when the two variables of donation size and income alone were examined, donation size was significant. However, income was significant only in the full sample. Thus, income may help to explain who uses the Internet to find information about charities, but not who uses watchdog organizations' ratings.

When we added the five background variables, an interesting picture emerged. In the wider sample, all variables were statistically significant except for age. Again, this may explain more about who uses the Internet and less about who uses the watchdogs' ratings. When we looked at donors who had used the Internet for charity information ($N = 2,704$), a different picture emerged. Only advocacy engagement, age, and donation size were significant—not education, ethnicity, volunteer engagement, or income. In addition, donation size decreased in significance when the background variables were factored in. Advocacy engagement made the strongest contribution.

Interestingly, among donors, age did not explain use of the Internet for charity information. However, among users of the Internet, it explained the use of watchdog ratings. It is also interesting that young people reported donating less than older people. This phenomenon, however, requires further study.

Table 3. Logistic Regression Explaining Using Internet Watchdog Rating (point estimate and 95% confidence limits)

| Variables | Internet Users (N = 2,704) | | All Donors (N = 6,418) | |
|------------------|------------------------------|---------------------------|------------------------------|---------------------------|
| | Money-Related Variables (MR) | MR + Background Variables | Money-Related Variables (MR) | MR + Background Variables |
| Donation size | 0.916 (0.879, 0.955)*** | 0.936 (0.895, 0.979)** | 0.926 (0.895, 0.957)*** | 0.949 (0.917, 0.982)** |
| Income | 1.014 (0.972, 1.059) NS | 1.022 (0.977, 1.070) NS | 0.914 (0.886, 0.943)*** | 0.945 (0.912, 0.980)** |
| Education | | 0.985 (0.818, 1.185) NS | | 0.770 (0.666, 0.891)*** |
| Age | | 0.960 (0.93, 0.991)* | | 1.019 (0.994, 1.044) NS |
| Ethnicity | | 1.064 (0.841, 1.347) NS | | 1.205 (1.001, 1.450)* |
| Volunteer | | 1.028 (0.846, 1.247) NS | | 1.183 (1.017, 1.377)* |
| Advocate | | 1.675 (1.397, 2.0009)*** | | 2.598 (2.251, 2.998)*** |
| Likelihood ratio | 2.953.9 | 2860.54 | 5393.1 | 5085.8 |

NS: Not significant.

* Significant at the .05 level; ** Significant at the .01 level; ***Significant at the .0001 level.

Summary and Conclusions

Our first and most important finding is that the overwhelming majority of donors (77.7 percent) do not use any watchdog rating when making a decision to donate money. In fact, a large proportion of donors (57.9 percent) do not use information from any Internetbased source. In 2001, BBB Wise Giving Alliance reported that only 21 percent of respondents to their study had used the Internet for charity information. Almost ten years later, we found a slight increase (22.3 percent). This is still a surprisingly low percentage, especially given that the study was Internet based. It may be concluded that most donors are not concerned with the information asymmetry when it comes to charitable donations. Among those who use the Internet, the most commonly used source is the relevant NPO's website.

A variety of reasons may explain why many donors are content with the information asymmetry. First, as illustrated by Hibbert and Horne (1996), when donors have little to lose, they seek little information. Given that most donors donate in small amounts, it stands to reason that the majority of donors do not see watchdog information as necessary. In our study, those donating larger sums indeed tended to use the watchdog organizations significantly more than others.

Second, as Smith, Venkatraman, and Dholakia (1999) noted, the costs of searching for information are divided into external costs (including the monetary costs of acquiring the information and the opportunity cost of the time taken up in searching) and internal costs (including the mental effort necessary to undertake the search, sort the incoming information, and integrate it with what the donor already knows). People tend to want to minimize these costs and are therefore willing to donate without searching for much information.

Third, most people implicitly trust nonprofit organizations. Based on a host of studies over twenty years, O'Neill (2009) showed that the public trusts NPOs. Thus, it is possible that many donors do not expect or even acknowledge that NPOs may be engaged in questionable behavior, and they therefore do not see a need for an objective rating. Unlike most economic transactions, donating is done with trust, not with scrutiny.

Fourth, regardless of information asymmetry, donors value the mission and known accomplishments of NPOs and support them accordingly. If donors view the work of an NPO as essential, they may support it without needing a third-party seal-of-approval.

Fifth, as suggested earlier by a variety of authors (Andreoni, 1989, 1990; Harbaugh and others, 2007), if the motivation for giving is a personal "warm glow," the information provided by third-party watchdogs is extraneous. All that is necessary for a donor to feel a warm glow is for that donor to deem an organization deserving (Eckel and Grossman, 1996). Further investigation only complicates the transaction. This also supports Tullock's (1966) earlier work, in which he posited that in the for-profit market, we get satisfaction from the purchased product, but in the nonprofit market, we obtain our satisfaction (the warm glow) from the act of purchasing—the donation itself.

Finally, it is possible that many donors are unaware of the existence of watchdog organizations. If these organizations and their services are known only to a small set of respondents, then their use will be minimal.

While the majority of donors who use online resources to find charity information report that the NPOs themselves are their source of information, it is not clear what form of information these donors consult. Whereas it was beyond the scope of this study, future studies should assess whether the information donors are accessing is from annual reports, mailed appeals for support, websites, or personal

familiarity with one or more of the NPO staff. Each of these NPO-related sources reflects differently on donor trust and need for information.

When analyzing the variables that explain use of the watchdog ratings, we found two sequential differences. First, there are differences between those who are using the Internet at all for charity information and those who are not. Second, among those who do consult online resources for information on charities, there are differences between those who use watchdog organizations and those who do not.

We found that in both groups, donation size is significantly associated with use of the watchdog organizations' ratings. As was discussed earlier, when the donation size is high, the loss is more meaningful; many such high-level donors plan strategically to make an impact, and as a result they are more careful when making a donation. Income, education, ethnicity, and volunteer involvement all explain who uses the Internet, but among Internet users it does not explain use of watchdog ratings.

Surprisingly, the stronger explanatory variable was advocacy engagement. In both sample groups, those who engage in advocacy were more likely to use the Internet and more likely to search the watchdog organizations' websites. One possible explanation of this result could be that the activities involved in advocating for an NPO could include using watchdog organizations' ratings of that NPO to make a case for increased funding or attention.

The fact that volunteering did not have the same effect as advocacy is intriguing. As Musick and Wilson (2008) suggested, there is a clear demarcation between activism and volunteering: "Volunteerism targets people; activism targets structures . . . The activist changes while the volunteer maintains" (p. 18) and "empirical evidence suggests that this distinction between volunteerism and activism is real to many people, that they are aware of differences and choose between them" (p. 19). It is possible that because people who advocate wish to change structure, they are more strategic, less naive, and therefore more likely to check and find out where their donation money is going. However, this is a new finding, and it needs replication and further investigation.

Although little research exists on the behavior of advocates, there is related research about how individuals build and lose trust (Kramer, 1999). Prior research on trust indicates that "suspicion has been viewed as one of the central cognitive components of distrust and has been characterized as a psychological state in which perceivers actively entertain multiple, possibly rival, hypotheses about the motives or genuineness of a person's behavior" (p. 587). The advocates included in this study may not volunteer with the organizations they donate to, but they are nevertheless aware of the information asymmetry. As a result, advocates may be more distrustful than the average volunteer. We acknowledge that this issue is unresolved and requires further study.

These findings throw into doubt the role that watchdog organizations currently play in the donation process. However, we do believe that the watchdog organizations have an important role in our modern and complex society. By keeping organizations honest and allowing interested donors to compare metrics among competing NPOs, watchdogs serve an important function in the voluntary sector. However, their rating systems have not yet reached a requisite level of universal acceptance, and many donors are either unaware of their existence or do not care enough to use them. At present, only donors who give large sums of money and those engaged in advocacy use these ratings systematically. We believe that although the interest of the average donor in watchdog organizations is yet to be determined, improving the organizations is nevertheless worth the effort. The better the rating systems become, the more likely donors will be to use them.

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