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Donors’ Decision-making process on Charitable Giving: Case Studies in Japan

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Abstract
This study attempts to investigate donors’ decision-making process about charitable giving. The case study involves in-depth, open-ended interviews with financial donors in Japan. Transcripts of the interviews have been summarized and classified into four types of donor categories: altruists, status-seekers, relationists and analysts, which are categories from the study of three typologies of donors developed by Supphellen and Nelson (2001). Qualitative data analyses suggest that there are two distinct types of donors, (a) altruists and (b) others, which include status-seekers, relationists and analysts. The results are preliminary, based upon only a small member of interviews, but may indicate that the donors reflect the importance of information about charities when they decide to donate to a particular charity; viz, the name of a charity for relationists, financial or non-financial information for analysts. Therefore this in-depth analysis of multiple case studies has found that these results can successfully characterize the outcomes of prior studies, indicating altruists are driven by a fundamental desire to care for other people; status-seekers are driven by the desire to demonstrate their reputation or wealth to their society; relationists act in keeping personal relationships which they have had with charitable organizations in the past; analysts act in accordance with their evaluated level of the operation of the charitable organization. However, each of the other types of donors has a different agenda in utilizing information; Japanese donors seek information when they make decision about donation not only distinguishing the most reliable charity but also protecting themselves from donating to a sham charity. Therefore the results may indicate that new policy is needed to protect donors and provide the way for the charities to sustain their operations.

Keywords: donation, financial information, non-financial information, charity organization, factor analysis, multiple regression analysis, case study, Nvivo
JEL Classification: M41
1. Introduction

Global humanitarian crises have attracted people’s attention to the charity sector, and its importance has led to its growth in the last decade and opened a fertile area of investigation in various disciplines. It will also be necessary to understand Japanese donors’ decision-making process with regard to charitable giving. Because Japan has seen dramatic progress and changes in the charity sector, not only a result of influence of global movement but also through the urgent needs of local communities to reform the status of the charity sector. The Kobe-Awaji earthquake disaster in January 1995 has drawn people’s attention to the importance of the charity sector in Japan. The earthquake, which resulted in a death toll of over 6400 people and the destruction of some 70000 buildings, caused huge damage to the Japanese economy (Fujimoto, 1995; Hasan, 2005). Since governments were not prepared for this disaster, rescue work occurred after considerable delay (Fukushima, 1996). Fortunately more than 1.2 million volunteers gathered within the first three months from different parts of Japan and the total donation amounted to 173 billion yen (A$2.03 billion) (Hasan, 2005). The year 1995 was named as the ‘renaissance of voluntarism’ because this earthquake led to an increase in the formation of not-for-profit organizations (NPO) (Tatsuki, 2000; Shaw and Goda, 2004). As a result, the Law to Promote Specified Nonprofit Activities, NPO Law, was enacted in 1998. NPO Law allows citizens to attain legal status for their voluntary groups without any restricted judgement of or control by government, and simplify the formation of NPO as a corporate legal entity (Kawashima, 2001; Matsuura, 2001). Since 1998, the number of Japanese charitable organizations registered under the corporation legislation has dramatically increased, reaching 26000 in January 2006 (Cabinet Office Japan, 2004b, 2006). The total revenue in the Japanese NPO sector stood at AUD 336.7 billion (JPY 30.29 billion) in March 2007, representing 5.9% of the Japanese Total Gross Domestic Product (GDP)\(^1\) and a four fold increase from March 1999\(^2\) (Statistics Bureau & Statistical Research and Training Institute, 2008). In 2007 the NPO sector employed 225389 people (Cabinet Office Japan, 2008), a 100 per cent increase over 1999, when the total employment from all industries increase for the same period was only 3.5% (Miyamoto and Nakata, 2001; Miyamoto, 2003).

In broad terms the charity sector has grown substantially in size and importance in the past decade in Japan (Srnka et al., 2003) and has played a key role in improving the quality of life in the communities by providing a wide range of services to meet critical communities’ needs (Guo and Brown, 2006). At the same time, the Japanese charitable organizations are becoming more independent from government as a reflection of government policy (Keen, 1999; Hatsutani, 2001; Ouchi, 2004). There is also a marked impact on the economy as a result of donations and collective action (Lyons, 2001) and the service role of charitable organizations in Japan is now complementing or supplementing that of the government (Gonski, 2003), and making up for the deficiencies in government action (Salamon, 1994; Salamon et al., 2000). There is also increasing competition of not-for-profit with for-profit organizations (Srnka et al., 2003). It follows that charitable organizations are increasingly under severe pressure to minimize costs and deliver services in more efficient ways while seeking donations based on a wider community trust in their operations (Noguchi and Shimizuizutani, 2005). Moreover, there are the effects of competition among charitable organizations emphasized by their ability to contract on the use of donation (Castaneda et al., 2007) and the competition may be an important force that serves to keep charities reasonably well-governed (Glaeser, 2003). A potential avenue of inquiry is the interest shown by potential charitable donors in the information of charitable organizations as related to donors’ decision-making for donations (Seidman, 1998).

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1 In the financial year 1998-1999, Japanese GDP was JPY 489.438 billion and in the financial year 2006-2007 GDP was JPY 512.186 billion.

2 In 1999 the total revenue in the Japanese NPO sector was JPY 7.297 billion, representing 1.4% of Japanese GDP and it employed total employee.
As the charity sector continues to grow, it becomes necessary to gain a fuller understanding of the role of donations in the charitable organization's finances whereby it can sustain a continuous contribution to the community (Parsons, 2003). This indicates that some concentrated research is required to obtain a better understanding of factors that influence a donor's decision to contribute (Andreoni and Petrie, 2004; Tang, 2006).

Previous studies seem to have not provided fully convincing evidence relating to donors' decisions to donate to charity organizations. The purpose of this study is to ascertain the determinants of donation to charity organizations by using an open-ended interview. Participants were interviewed about their donation decision-making process when they receive requests from charity organizations. An in-depth analysis of multiple case studies will be carried out using quantitative approach. This study also intends to further develop understanding and also to expand the literature regarding the donation-drivers that lead donors to contribute to charity organizations. It is expected that this will contribute to a deeper understanding of the donors' behavior. The remainder of this study has been organized as follows. Section 2 describes the theoretical framework and is followed by the methodology in Section 3, an analysis of Japanese case studies in Section 4, and conclusions in Section 5.

2. Theoretical Framework

Economic psychologists Supphellen and Nelson (2001), applying factor analysis to surveys of individual donors, have established a theory of donors' behavior based on three categories, internalists, relationists and analysts. They have a very rich data set that provides a great deal of insight into classification of donors, but they fail to differentiate them into altruists and status-seekers.

Supphellen and Nelson (2001) state that analysts, whose decisions for charitable donation follow an extensive evaluation of both the request from charities and their organization's operations, also place a strong focus on the nature of the causes supported by the charity. Relationists, whose decisions are strongly influenced by personal relationships with particular charities, donate to one or a few charitable organizations that they trust and support without showing a need for further evaluation. In contrast, internalists do not evaluate charity requests, yet they still respond favourably with few exceptions to every request that they receive and consider contributing to charitable organizations to be an important and honorable act.

The internalist category draws on Adreoni's theory (1989) of pure and impure altruism; 'impure altruism' derives from Glazer and Konrad's theory (1996) of the status-seeking category of individuals who signal their wealth through donating. In terms of internalist behavior, Andreoni (1989, 1998) finds the existence of both pure and impure altruism to be present in the donors' motivations for donating. The individual's contributions to a public good derive from two reasons, people's demand for the public good and people's hope of receiving private goods or benefiting from their giving (Andreoni, 1989, 1998; Ireland, 2000). The warm glow effect on giving is like 'impure altruism', which is based on a self-centered (or selfish) motivation (Andreoni, 1989; Piliavin and Charm, 1990; 1998); however, the act of sending a donation might sometimes have to wait to a later period depending on the donors' finances (Supphellen and Nelson, 2001).

Glazer and Konrad (1996) also argue that those donors (impure altruists) motivate to donate is to signal their wealth as status seekers. They conclude the donor is more likely to donate to a charitable organization if certain conditions exist, such as when other people, who may include the donor's friends, know about the donor's contribution. These donors, like the status seekers, are motivated in their charitable donations if the donations are observable by their friends (Glazer and Konrad, 1996) as well as by the public (Cermak et al., 1994); however the interest of these donors',
like the altruists, is only in the well-being of other people (Andreoni, 1989). Some recent study has found pure reciprocity to be a significant part of the donors’ contribution (Engelmann and Fischbacher, 2004) and the publication of donations form individuals has become a common strategy of charitable organizations in their fundraising (Harbaugh, 1998).

Milinski et al. (2002) argued the presence of the status-seeking motive and stated that the donors would disburse their donations strategically to build a reputation for being generous. They also state that the donors’ status-seeking motive has important effects on the strategies of the charitable organizations. According to their findings, the announcement of the donation increases future donations and ensures the continuity of the donations. Some researcher find charities are frequently chosen because of the announced donors’ past contributions (Romano and Yildirim, 2001; Vesterlund, 2003).

Many charitable organizations are aware of these donors’ motivations and many of them already publicise the donations they receive each year (Harbaugh, 1995). The demand for strategic fundraising has been recognised (Andreoni and Petrie, 2004). Charities use fundraising events strategically to increase their donations by publicly rewarding donors, for instance, by giving stickers, badges, pins and coffee mugs in proportion to the donors’ generosity (Srlnka et al., 2003). Harbaugh (1995) finds that if donations are listed as ‘under $500’ or ‘above $500’, donors would be likely to donate a little more than $500 to be in the ‘above $500’ category. Kumru and Vesterlund (2005) examined the fundraiser’s strategies in listing donations. They found that listing donations in order of amounts might influence the potential donors’ donations, because they desired to be in a wealthier ranking group.

Donors also often respond to this recognition by giving generously (Srlnka et al., 2003). Consequently, to collect more donations, charitable organizations, are likely to publicize individual donations. Fundraising events are also used to increase the public recognition of organizations (Cooter and Broughman, 2005; Thornton, 2006). Andreoni (2006) argued that donations by ‘leadership giving’ might provide a signal on the high quality of the charity to all other potential donors. The tax deductibility status of the charities also acted as an incentive for some donors to donate (Jones and Posnett, 1991; Chua and Wong, 1999).

In contrast, relationists represent a category of donors who remain loyal to specific organizations (Supphellen and Nelson, 2001) and are interested in social incentives from their relevant communities (Reitsma et al., 2006). Bekkers (2004) investigates the reasons for the donors’ contributions to charities with respect to the social incentives and the psychological characteristics of the donors’ behaviors. He claims, in general, many social groups consider willingness to donate in positive terms and there will be an incentive in these groups to donate as a necessary obligation to avoid group disapproval. Reitsma, Scheepers and Manfred (2006) examine the relation between personal religiosity and donations to charitable organizations in European countries, with the finding that religious people are more likely to donate to their own religious institutions than to other charitable institutions (Bennett, 2003). Generally relationists are those donors who donate to charitable organizations to maintain their relationship with community.

Arnett et al. (2003) set the assumption that developing long-term relationships with the donors is the key strategy in the current competitive charity environment. They find that many charity organizations adopted this concept, which they refer to as ‘relationship marketing’ (Arnett et al., 2003, p. 89). Pollach et al. (2005) state that charitable organizations have to pay particular attention to their relationship with donors to receive more donations. Bekkers (2004) investigates the determinantal effect of social conditions, which generate inherent rewards for certain social behaviors. He finds that many social groups take social contributions into account positively.
The analysts, however, focus on financial and non-financial information that is generally available in annual reports of the charitable organizations. As the growing demand from donors for financial statements and financial reporting seems to be an important factor in the decision process (Gordon and Khumawala, 1999). Their interest in financial information generally concerns the rate of administration, costs of fundraising and advertisements but is also about project costs such as how much money has been spent on, or has been disbursed to, the recipients (Tinkelman, 1998; Greenlee and Trussel, 2000; Bradley et al., 2003). Thus, the existing literature on charitable organizations has focused on the behavior and the underlying objective function of the charities. Posnett and Sandler (1989) and Steinberg and Weisbrod (1998) examined charitable donations from the viewpoint of the organization’s financial ability. Previous studies concluded that potential donors evaluated carefully the financial information reported by the organization including efficiency and stability of charity operation and quantity and quality of information provided by charities (Trussel, 2003; Trussel and Greenlee, 2004; Trussel and Parsons, 2004, 2008).

Engelmann and Grimm (2006) and Drucker (1990) find that the organizational objectives of the charity provide useful indicators of stable performance of charities and also the charities’ reputation and past history would influence the donors. Donors are interested in the mission and objectives of the charity (O’Neill and Young, 1988; Sawhill and Williamson, 2001).

Other research finds that the usefulness of including the information of the charities’ corporate governance (Abbott et al., 2004); and the selection of members on the corporate board has a greater effect on donors (Fama and Jensen, 1983; Callen et al., 2003). Having the non-executive director on the board (Daily and Schwenk, 1996) and the size of the board may indicate the board’s efficiency in charitable organizations (Callen et al., 2003). The non-executive members also may reduce the risk of fraud in financial statement (Beasley, 1996) and engage in monitoring activities (Miller-Milesen, 2003). An accounting expert on the board and the frequency of the board meetings dramatically reduce the occurrence of a financial restatement (Abbott et al., 2004).

In the following section the methodology of this study will be discussed.

3. Methodology

This study aims to achieve a deeper understanding of the determinants behind the donors’ decisions to make a philanthropic donation, using an open-ended interview to obtain the requisite data. Qualitative research methods such as this are considered appropriate when the research involves the development of an understanding of the preferences of people (Neuman, 2006).

3.1 Sample selection

Participants are selected based on their educational qualifications, gender, age, size of donations and the charity organisations. There are only twelve participants who are interviewed in Japan. They are introduced by board members, marketing officers of the charity organization and recruited at the fundraising events. Participants are advised that the interview is voluntary that they could withdraw from participation at any time and they are assured of the confidentiality and anonymity of their interview.

A demographic analysis of the Japanese participants is presented in Table 1. The median age of all participants is 55 years, with 42% of participants being women and 58% men. The participants’ occupations are shown in table. Three participants are managing directors of profit organisations, three are managing directors of non-profit organisations, one is an academic in the university, two are trustees of non-profit organisation (one of these is a retired director of a non profit organisation and the other is a retired High School teacher), one is a retired the dean of university, one is a
director of nursing of a large hospital, one is a director of a profit organisation and one is a housewife. The demographics of the sample data are similar to the previous case studies in Australia\(^3\) conducted by the author to enhance the credibility of the results of the in-depth case study analysis.

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th></th>
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<tbody>
<tr>
<td>Gender:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>7 (58%)</td>
<td>5 (42%)</td>
<td></td>
</tr>
<tr>
<td>Age:</td>
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<td></td>
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<tr>
<td>40–45</td>
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<tr>
<td>46–50</td>
<td>1</td>
<td></td>
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<tr>
<td>51–55</td>
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<td>56–60</td>
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<td>61–65</td>
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<td>66–70</td>
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</tr>
<tr>
<td>71–75</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76–80</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>Donation size</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$500 or less</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$501–$3000</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than $3000</td>
<td>5</td>
<td></td>
<td></td>
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<tr>
<td>Degree or Graduate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School</td>
<td>1</td>
<td></td>
<td></td>
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<tr>
<td>Bachelor</td>
<td>5</td>
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<tr>
<td>Master</td>
<td>5</td>
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<tr>
<td>PhD</td>
<td>1</td>
<td></td>
<td></td>
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</table>

### 3.2 Interview process

An open-ended interview is held with each participant. The interviews are focused and based on a protocol specific to the study (see Figure 1). The investigation uses a multiple case study methodology to examine the motivation drivers that may cause or influence donors' decision-making process to donate. All interviews are audio-taped and subsequently transcribed. Recorded tapes are kept secure access limited only to author and erased after being transcribed. Interviews are guided by the overall research questions as demonstrated in Figure 1. This approach enables the researcher both to shape the interview according to systematic themes and allow the participants scope to tell their stories based on their experiences. Participants are asked the initial question, *what do you do when you receive a request to donate from a charity organization?*

They are then asked to elaborate on their responses (see Figure 1). On average, the interview process lasts about one hour and thirty minutes. Most of the interviews (N=10) are conducted at the participants’ office or home, while the remaining participants (N=2) are interviewed over the telephone, because face-to-face interviews are not possible with the participants’ schedules. The participants are allowed to take their time to answer each question.

Where participants state that they do not read the charity request, they are asked to indicate the reasons for this decision. That is, whether this is because they already have a preference for this charity, whether it is because they have another preferred charity organization, whether they depend on other factors such as media reports or because of any religious affiliations. Where participants state that they do read the request, they are asked what kind of information, whether financial or non-financial, influenced their decision to donate. Non-financial information relates to the size and age of the charity organization, its corporate governance and issues relating to the publication of

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\(^3\) This article is a part of comparison study of charitable giving behavior in Asia Pacific region. The author employs the Human Developed Index (HDI) for the selection of the countries. Only two countries are placed on the top ten rank of the world scale, which are Australia and Japan (The United Nations Development Program, 2008).
donors’ names. If participants read the financial information of a charity organization, they are also asked to what extent their donation decision is influenced by the amount of money spent by the charitable organization in administration expenses, fundraising expenses and project expenses.

![Diagram of the open-ended interview process]

**Figure 1: The open-ended interview process**

All interviews are transcribed and coded (open and axial) according to guidelines of established by Strauss and Corbin (1990) and based on the grounded theory, which is a well-recognised qualitative research methodology in social science studies. Through open coding, patterns, categories and themes emerge from the analysis through ‘the process of breaking down, examining, comparing, conceptualizing and categorizing data’(Strauss and Corbin, 1990, p. 61). In the axial coding, the data are put ‘back together’ by initialising connections amongst the categories derived from the open coding. Thus, the study of qualitative analysis uses the grounded theory, developed by Glaser and Strauss (1967). The key points of this theory are marked with a series of codes from the data collection of this first step, which are extracted from the text. Following the concepts in order to make the codes more workable, the codes are grouped into similar categories.

### 3.3 Individual donor’s decision making process
Transcripts of the interviews have been summarized and classified into four types of donor categories: altruists, status-seekers, relationists and analysts, which are modified from the study of three typologies of donors developed by Supphellen and Nelson (2001). Table 2 presents the sample of the primary responses from four types of donors.

<table>
<thead>
<tr>
<th>Table 2: Sample of response from four types of donors</th>
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<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Focus of attention</td>
</tr>
<tr>
<td>Evaluation effort</td>
</tr>
<tr>
<td>Sample of response examples</td>
</tr>
</tbody>
</table>

Sample response examples:
- "No criteria for my support only with a recommendation from my local community, I start supporting them."
- "I believe the information about a well-known person who donates to a charity will enhance the credibility of the charity and people will follow."
- "I would like to donate to a charity which is introduced by a trusted friend."
- "My decision to donate may be affected by the financial information and about how much they spend on the targeted project is the most important factor."

To group in a systematic manner, Nvivo 8 is employed in this study for qualitative data analysis as it is a well-accepted tool for categorising and summarising the codes, especially when the study has an a priori set of factors with which to 'code' up the textual data (Davies et al., 2006, p. 365). In addition, Nvivo 8 produces the model of the results from coding interview data (see Figure 2), the model from coding in Nvivo 8 shows that there are exclusively two altruists, one each of relationists and analysts, two status-seekers-analysts, and six relationists-analysts. Thus no exclusive category of status-seekers is found in the Japanese case.

This in-depth analysis of multiple case studies has found that these results can successfully characterize the outcomes of prior studies, indicating altruists are driven by a fundamental desire to care for other people; status-seekers are driven by the desire to demonstrate their reputation or wealth to their society; relationists act in keeping personal relationships which they have had with charitable organizations in the past; analysts act in accordance with their evaluated level of the operation of the charitable organization. However, each of the other types of donors has a different agenda in utilizing information; Japanese donors seek information when they make decisions about donation not only distinguishing the most reliable charity but also protecting themselves from donating to a sham charity.

Eight participants (66.7 %) described more than one type of response. Table 3 presents a matrix of five typologies of donors in Japan. This table offers a guide to the important characteristics of Japanese participants. They are classified into two categories, altruists and others; others include status-seekers, relationists and analysts. Two interviewees are exclusively altruists and others are inclusive with other donors' categories, except one each as relationist and analyst. From the others, two interviewees are classified collectively with status seekers-analysts, six with relationists-analysts. Thus, in total eight participants are categorized as either relationists, analysts or both. Therefore in the Japanese case, the findings suggest that there are two types, altruists and others; the donors are predominated by either analysts or relationists.

Thus, the findings from the case studies show some general consistency with the results of prior research (Andreoni, 1989, 1990; Supphellen and Nelson, 2001; Andreoni and Petrie, 2004; Engelmann and Fischbacher, 2004); however, the in-depth multiple-case studies have revealed some distinguishing differences. The following sections will analyse these case studies in detail.
Figure 2: A coding model for four types — Japanese participants (JP1-13)

Table 3: Matrix of four typologies of donors in Japan

<table>
<thead>
<tr>
<th>Types of Donors</th>
<th>Number of Japanese participants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Altruists</strong></td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td></td>
</tr>
<tr>
<td>Relationists</td>
<td>1</td>
</tr>
<tr>
<td>Analysts</td>
<td>1</td>
</tr>
<tr>
<td>Status-seekers-Analysts</td>
<td>2</td>
</tr>
<tr>
<td>Relationists-Analysts and</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12</td>
</tr>
</tbody>
</table>
4 Analysis of Japanese case studies

Twelve Japanese participants took part in this case study. Each interviewee was asked open-ended questions linked to the interview flowchart (see Figure 1 in Section 3). For discussion purposes, the responses of the Japanese interviews are classified into four typologies, altruists, status-seekers, relationists and analysts. These typologies are modified from the previous studies on charity giving (Andreoni, 1989, 1990; Supphellen and Nelson, 2001; Andreoni and Petrie, 2004).

The in-depth, multiple-case studies reveal that all three types of donors prefer to receive financial and/or non-financial information from charity organisations, but each has a different agenda for using that information.

4.1 Altruists

The Japanese altruists’ responses showed no particular reason for giving a donation and no preference of choice for the recipients of the donations. One participant stated as follows:

I would like to support overseas students who come to study or live in my local city. I am simply giving financial support to them. There are no criteria and when they apply with a recommendation from my local citizen, I start supporting them.

This is consistent with the previous research findings, which suggest that pure altruism would be simply concerned with what it saw as the public good (Becker, 1974; Roberts, 1984; Andreoni, 1989).

Another example of altruistic behaviour was the raising of funds through collecting aluminium cans to support a children’s club in a small community. The altruist in question remarked as follows:

I found out that a small community club supporting children was having difficulties surviving and was not getting sufficient funding from the local government so I decided to help the club. I donated the money from collecting cans from local parks.

The above behaviour shows that some altruists are willing to sacrifice themselves somewhat to help out less fortunate people (Andreoni and Miller, 2002). In contrast to the Australian study, the in-depth interviews have brought to light the phenomenon of global patriotic altruism in Japan. Instead of benefiting specific individuals through monetary donations to charity institutions, patriotic altruists contributed non-monetary assets for the well-being of the Japanese people at large. For example, a participant had been donating 3000 cherry trees every year for forty years to promote peace. This donation was unique and had been initiated by his father.

I have been donating annually for forty years the cost of 3000 cherry blossom trees to send them to whoever understands our philosophy of world peace and wishes to grow them. It took us, my father and I, twenty five years to produce a new breed of cherry blossom trees which can cope with different climate conditions. A cherry tree, it is a symbol of Japan. We are happy if it comforts the souls of young men who had fought and died in World War II . . . I have sent cherry blossom plants to individuals and groups in all over the Japan and overseas such as Turkey, China, Tunisia and Vietnam.

Another example was the donation of a block of vacant land to a respondent’s local government as a community park for the purpose of promoting a healthy life style for the Japanese younger generation:

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4 A cherry tree is a symbol of Japan and the blossom brings special comfort to the Japanese people.
I am over eighty and am living comfortably. I do not need extra money. My family supports my idea of donating a block of land (330 m²) to my local city to use it as a park.

The participant would like the next generation of Japanese to continue his way of making donations. He also cultivates kale\(^5\) on farmland that is otherwise unused. In addition, he grows this vegetable overseas (in Thailand) to protect the natural eco and to promote a better lifestyle:

I believe that people in our society have to be responsible for the next generation to promote a sustainable world. The cultivated farmland will protect natural underground water.

The above cases provide evidence of Japanese patriotic and internationalist altruism, where pure altruistic behaviour is driven strongly by a selfless passion for helping others, making sacrifices for the purpose of the well-being of Japanese society and the world.

### 4.2 Status-seekers

Showing consistency with previous studies (Glazer and Konrad, 1996; Wunderink, 2002), Japanese status-seekers’ choices reflected their belief that the publicity of their donations would ensure the trustworthiness of the charities. One participant stated, ‘I believe the information about a well-known person who donates to a charity will enhance the credibility of the charity and people will follow.’

The publicity of reputable or famous people’s donations was believed to provide some guarantee of the genuineness of the charity; thus, ordinary donors would feel it ‘safe’ to make a donation to that charitable organisation. The desire of the Japanese status-seekers to know about the involvement of famous people in giving donations differs somewhat in this aspect to that of their Australian counterparts:

> If I see a famous person make a donation to a particular charity organisation, then I will feel confident that it is a genuine charity and that it desires ones’ support.’

Some Japanese status-seekers preferred to donate through the medium of buying some goods, as evidenced by the following remark, ‘I purchased shirts from a charity organisation because they told me that a portion of these proceeds went to fund Africans who are needier.’

In addition, some donors were interested in a tax benefit as a form of return for their donation. As one participant stated, ‘It would be nice to receive a tax benefit for my donation.’ Her preference was for a Government tax benefit system for charities that would be more beneficial than the present system. In the current system, a tax benefit donation was only available for political groups and a few NPOs. She thought it would be necessary to change to a more simplified system to encourage more charities to apply for tax deductibility status as NPOs. These findings are consistent with the previous studies.

In recent years, the use of credit cards to accumulate usage points that can be donated to charitable organisations has become very popular, ‘I have been using my Visa card with accumulated usage points to donate to UNICEF. I also use other credit cards’ accumulated usage points to donate to other charities.’

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\(^5\) Kale is a form of cabbage full of vitamins and minerals and easy to grow in any weather.
4.3 Relationists

The previous case studies in Australia find that the role of religious faith in supporting charities and the familiarity of the name of the charity are the main drivers in the relationists' decision to donate. The Japanese relationists show somewhat similar reasons for donating to charitable organisations; for example, some Japanese relationists state that their desire to donate derived from a long-term relationship with the charity and from their religious faith. Some comments are, 'I have been a member of three charity organisations and have been supporting them over the years. I know that they have done good work'; 'I am carrying on where my mother started to support a charity and after she passed away, I decided to continue her generosity to this charity'; 'I would like to donate to a charity which is introduced to me by a trusted friend. Most of the time, I donate to a charity through the churches' and, 'We mostly support charities related to Buddhism or Shintoism.'

Also, five relationists state that the names of the charities are very important in their decision to donate and they prefer not to donate to unfamiliar charities. Knowing a founder who establishes a charity organisation seems to play an important part in the decision to donate in the Japanese case. Another participant states that one of her criteria in supporting a charity is whether she knows the persons who start it or are involved in it; if she knows them, she can feel confident in donating to the charity.

I would like to see the people who are involved in the charity before making my decision to donate... If I can trust the founders' personality and good work, I will continue my donation to it. Also it is important to see the attitude of people who are involved in a charity as a manager or staff.

These findings are consistent with those in Australian case studies. In the latter, the main rationale for the relationists is the need to ensure the trustworthiness of the charitable organisation. One of relationists states, 'I always think that we, as individuals, have to be wiser so as to avoid those sham charities.'

Most Japanese participants also express their concern of the threat from the 'sham' charities which has had the effect of discouraging many Japanese donors from donating to new charities. This discouragement may lead Japanese philanthropists to adopt a relationist approach. Some donors could be categorised as altruist in the past, but these may now tend more to the relationist category, in view of their policy of donating through their churches or the neighbourhood community committees. Some may tend to lean more towards the analyst category, with requests to know how the donation has been distributed, showing the need to feel confident in the use of their donation.

I hesitate to donate to people from any charity even though they might be carrying seemingly correct identifications, from my past experience of being presented a fake identification by a collector of donations. I have been donating through churches or my neighbourhood community committees... I also support UNICEF because they have provided me with very clear views such as, 'Your 3000 yen can be used for so many vaccinations which can save so many children in Africa from disease.

The in-depth multiple-case studies reveal that the Japanese relationist participants use trustworthiness as a 'safety net' to avoid giving donations to 'sham' charities. The issue of 'sham' charities has caused many Japanese to feel nervous about donating to any charity organisation.

As shown in the above comments, some relationists have expressed the desire to receive financial information and, furthermore, some preferred the feedback to be in a simple format, for example, 'It
should not be a big amount of information but simple and showing how the donation has been spent, and other related matters.’

Unlike their Australian counterparts, Japanese participants did not like door-knock fundraising for fear of sham identifications being represented. However, following the recent bushfire in Australia, Australian charities are also under the threat of sham charity recently in the cancellation of a door-knock appeal by volunteer collectors (ABC Net, 2008).

4.3 Analysts

Showing consistency with previous studies, some Japanese participants preferred to assess financial and non-financial information and have, therefore, been classified as analysts. Depending on the type of information required, these analysts may be sub-classified as those requiring financial information, and those requiring non-financial information, such as information relating to corporate governance and the mission of the organisation and its organisational characteristics.

4.4.1 Financial information

Eight participants (66.9%) were interested in knowing financial information relating to the cost of administration, advertisement and details of the distributions.

The financial information has a positive effect on my decision because I used to manage charity organizations myself so I would like to see the proportion of spending.

I can say that my decision to donate may be affected by the financial information supplied by the charity organization. The information about how much they spend on the targeted project is the most important factor impacting my decision.

Six participants were also interested in receiving feedback from charities and most of them preferred to receive this in a simple format.

I think it is a kind of common sense to give feedback if you receive a donation. Most of the charities send us information about coming new events when they ask for another donation. This encourages me to donate continually to these charities.
I saw a one-page brochure on a plane. It clearly provides information on how much money was spent for a vaccination. This kind of information helps me to decide whether to donate to this organization.

Some participants indicated that their interest in financial information was due to the experience of fraudulent behaviours of some ‘sham’ charity organisations. Reports by the local government\(^6\) and a genuine current charity\(^7\) warned Japanese donors to be cautious about ‘sham’ charities, which used well-known charities’ names together with their own names to seek public donations\(^8\). These reports also encouraged people to ask for financial information, such as details of the fund distributions. With the perceived need to avoid donating to sham charities, Japanese participants seemed comfortable with the advertising promotional expenses incurred by a charity organisation. One participant believed that spending money on advertising was a necessary cost because it provided a symbol for public recognition: ‘Some charities need to spend money on advertisement/promotion so

\(^6\) Setagaya in Tokyo (one of 23 municipal governments in Tokyo) warned of fake charity donations at http://www.city.setagaya.tokyo.jp/.

\(^7\) Japan Baseball Association warning of a fake charity using their name: http://www.shikoku-np.co.jp/.

\(^8\) This statement is consistent with Supphellen and Nelson’s (2001) findings that there were some concerns of a group of internalists who may be susceptible to deceit by organizations imitating the names of well-known charities.
that members of the public are aware of their existence. I am not worried about this expenditure. People prefer to donate to money to familiar charity organisation.'

Another respondent stated that she preferred the organisation to have a high administration cost so that more high-quality staff could be employed: 'I believe that an appropriate reward encourages staff to do good work... I also believe that a good salary attracts quality and experienced staff to work in charity organisation.'

4.4.2 Organisational size and age

Most participants stated that their first reaction was to look at the name of the charity to verify if they had seen or heard of it before. The name of the charity played an important role in the donor's decision to donate (as previously discussed in relation to Japanese relationists see Section 4.3), together with the donor's analysis of the advertisement cost.

I have donated to charities in UNESCO because I know the name and its humanitarian support is real. Other than that I am very suspicious. In Japan these days there are so many fake collectors of donations. Their only interest is to maximize takings for their own benefits.

The names, the size and the history of the charity were found to have a significant correlation with the total donations, as shown in prior studies and the Australian cases. However, Japanese cases differed in that the size of the organisation seemed to have a negative effect on the donors' decisions.

I think whether a charity is large this would not matter to me. However, the history may be important. I prefer not to donate to a charity with no history. If a charity has a fairly long history, it means that it has gained reputation and social trust and has been accepted by Japanese society.

In relation to the size of the charity, the Japan charity sector faces a serious issue if a charity grows beyond a certain size together with an accompanying large organisation, and when large grants are given to it from local governments and the central Japanese Government. The charity would tend to be more likely to become a targeted institution to provide employment positions for government. Some Japanese participants stated that they preferred to donate to smaller rather than larger charities because of that. Two Japanese interviewees explained their reasons for not supporting larger and certain charities were that they were government-delegated organisations:

In Japan, if the charity organization becomes larger then it is more likely that it has been built up as a Government-delegated organization, which is for retired government workers who had an elevated hierarchical position. I do not want to support such single-purposed charities, which we called ‘Ama-kudari’ in Japanese. You have to be careful in donating to the larger charities, because they are likely to have been built for ‘Ama-kudari’ purposes in Japan.

I would check to see more about it, if it has associations or organizations that belong to an Ama-kurari charity. I really do not want to support and I dislike the government-delegated charity organizations because I have seen that when a charity becomes like that, they lose their original missions and objectives.

One participant claimed that he would support charities that failed to receive government grants. They were good charities but more likely to be small in size with no long history of operation and were less likely to produce sufficient documentations that would qualify them for grants.
I would like to support charities which have failed to get grants from the Central Government. Generally the small charities are less likely to receive grants from the Central Government, or subsequently to get them from a local government or large profit organisations, due to lack of documentation and huge competition from others for the grants.

4.4.3 Corporate governance and government grants

Four Japanese analysts were concerned with the efficiency of their charities’ corporate governance. Seven Japanese participants (58%) were keen to have professional accountants as board members. A person qualified as a professional accountant would need to be a board member and to give the charity’s financial report; because the application of the Japanese Government’s strict regulations on professional accountants would thereby protect the donors and prevent fraudulent or inaccurate reports.

I have received the annual report every year from three charities that I have supported. In that annual report they introduce members of the corporate board and information is given on how long and in what ways the board members have been involved in the organization.

It is important to know the role of corporate members, such as whether they have an accountant on the board. Without skilled board members, charity organizations will find it difficult to survive as operations.

I am not an accountant. So it is important to have a specialist on the board. I would rather say, I would trust a charity organization with an accountant on the board.

Japanese analysts also preferred to have an outside member on the board that could monitor activities on behalf of the donors:

I have found that it is very important to have a member from outside the organization who can give more direct suggestions from different points of view or who can provide advice which may otherwise not be available to members.

The Japanese analysts are interested in having a famous person involved with the charity, whether as a founder, a manager or a member of the board. This feature meant that Japanese participants would have an increased trust in the charity: ‘If I see a famous individual on a board or supporting a charity, I would like to donate a substantial amount; yes, this will affect my decision to donate.’

Giving emphasis to the importance of the corporate status was seen as a factor that would help to avoid inefficiency in the charity. This was because there were relatively strict regulations for earning corporate status for the Japanese NPOs and these regulations were monitored by the Cabinet Office of the Central Government of Japan (Cabinet Office Japan, 2004a).

I have been supporting corporate style and government validated or approved charity foundations because these days so many people try to manipulate your trust. And we need a charity that does a really good job.

Those charities holding corporate status are required to submit or disclose publicly the charities’ objectives, to give activity reports, to require a public status note, and disclose financial reports every year to the Government and public. So we know how they spend their money. That is why I donate to charities with corporate status.
Nevertheless, this still did not provide sufficient protection for the Japanese donors. Some participants commented that Japanese society was frustrated because of a lack of measures to protect Japanese donors:

> If there was any Government protection system to prevent the spread of fake charities then people from Japan would donate more to charities. This is a shame for Japanese people and I feel sorry for those charities which are really doing a great job but because of the lack of security of the Japanese system for avoiding fake charities, any pure or real charity organization now has difficulties in recruiting proper supporters from our Japanese society.

In addition, fewer donation benefits are available for Japanese donors than for Australian donors from the Australian Government. In the Australian case studies, the tax deductibility status of the donation acted as a strong incentive for donors’ decision for donation, especially in relation to larger donations and capital donations. However, very few charities (0.2%)⁹ were given tax deductibility status in Japan and there is a complex system of benefits for Japanese donors. None of the Japanese participants in this case study received the benefits of tax deductibility, even in respect to a large capital donation given by one of the participants cited as Japanese altruists (see Section 7.4.1). However, one of interviewees commented on the role of tax deductibility in Japan:

> In Japan it is not common for a charity organization to have a tax deductible status, however, if a donation is made fully tax deductible, this will be a huge encouragement for Japanese donors to donate to a charity.

### 4.4.4 Other information

Eight Japanese participants stated they were interested in the mission, the objectives and the concepts of a charity organisation. One participant stated, ‘... it depends on what they are doing and especially their mission and objectives. If I can agree with and accept them, I will send my donation.’ Other participants also observed that donors were more interested in knowing the charity organisation’s vision, activities and concepts.

> My donation to a charity depends on its vision. Not in detail, but I rather would like to get an idea roughly of what the charity is doing before making a decision to donate to the charity.

Another thing, I also prefer to see the photos of daily activities of the charities in their report. I believe that having the photos of staff members and charity recipients in daily activities will appeal, showing them in reality and also having an influence on a lot of prospective donors. I can say that my priorities for determining the charity related to its activity and the concept of the charity.

One participant expressed his interests as, ‘... what they give back in return to the society, at least as much as possible, and also their long term operational plans and vision.’ Some participants expressed their concern about a possible change in the original soundness and value and concept of the charities if this became a government agency: ‘Then they will have to rely on government support only and a government agency may take over the original foundation and end the uniqueness of their concept.’

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⁹ Only 0.2% of the total NPO Corporations received the deductible gift tax status (Cabinet Office Japan, 2006).
5 Summary and discussion of Japanese case studies

In this section of the case study, the responses of the Japanese participants are sorted into four classifications; however, consistent with the findings of Supphellen and Nelson (2001), these classifications are inclusively mixed with other typologies of donors. This case study reveals that Japanese participants are classified into two, altruists and others; others include status-seekers, relationists and analysts, which is consistent with the findings of Australian case studies.

Firstly, the marked difference of the Japanese donations from the results of prior studies seems to be in relation to the Japanese altruists who have no interest in information and their only intention is to have world peace. The group of others, status-seekers, relationists and analysts, may have a different agenda in utilizing information, which dominated a number of Japanese interviewees who are interested in information about charities as it applies to their decision making process on donation. It may have some kind of association with the current sham charity threat in Japan.

Secondly, some relationists preferred to buy particular goods of a tangible nature for particular use by charities, representing some evidence on how the money is spent. The information provided by the charities would provide more confidence and encouragement to the relationists to continue their support.

Thirdly, not surprisingly Japanese participants show extreme caution in order to avoid donating to a sham charity. Thus, the Japanese donors use information about charities for not only distinguishing the most reliable charity but also for protection from donating to a sham charity. The threat of sham charity has also discouraged many Japanese potential donors from donating to a charity whose name is unfamiliar. The sham charity problem also leads Japanese donors to be analysts, who prefer to receive financial information or a positive reaction to the information from the accountant on the board.

Therefore, unlike the previous study in which the respondents preferred charities reduce the cost of advertisement (Weisbroad and Domingue, 1986), Japanese donors agree charities should spend relatively large amounts on the cost of advertising so that potential donors can be informed about the charities through media publicity, and also on the costs of postage for mailing.

Lastly, the case study also revealed that the receipt of feedback via simple, concise reports is favoured by seven participants (4 analysts and 3 relationists). These participants believed that information on how their money is spent, and what the charities are for, provides them with security and a willingness to trust the charities. Consequently, this would promote loyal donors to continue their donations to charities.

Some Japanese participants are interested in knowing the information about the corporate governance of charities and they prefer to have an accounting expert or famous person on the board so that they can trust the information from charities.

The findings from these Japanese case studies indicate that there are two distinct types of donors, altruist and others. The altruists are only concerned for others' welfare and focus on leading the community by the act of donation. This is consistent with the findings of Andreoni's (2006) leadership giving. For others, it is important to obtain information from the charitable organizations, but each of them had a different agenda in using the information. The above extracts indicate the significant role of financial and non-financial information for the relationists, despite the tendency to rely on personal contacts and personal feelings. The status-seekers use information such as the names of other donors or famous donors to confirm the trustworthiness of charities for their donations. Thus, the status-seekers believe that some publicity, or the cost for it is a necessity for
charitable donations and the publication of the names of the individual donors and supporting famous people would subsequently attract future donors by giving credibility to the charitable organization. In addition, the Japanese donors are encouraged to request financial information from the charities. This has led the Japanese donors to accept as normal the reception of both financial and non-financial information; thus, the donors show a shift to analysts. Nevertheless, some Japanese donors commented that they are not comfortable reading financial or non-financial information and this leads to demanding a skilled and well-known person on the board to provide more trust in the soundness of the information offered by charities.

Importantly, the case studies find several trends in that interviewees have made the strategic decision to narrow and deepen their contributions. For example, some Japanese participants will donate only to animal charities, children overseas, or health research organisations; however, some believe that government provide enough overseas aid, the nations who suffer from poverty or lack of shelter. Some donate only to smaller and start-up charities which help disadvantaged people or focusing on one or two issues; these interviewees believe they will ultimately make more of an impact than spreading small amounts across a wide range of interests. If more major individual donors took this approach, it might change the dynamics of fund-raising altogether (Bradley et al., 2003). Thousands of charitable organizations would no longer have to compete over hundreds of small funds every year, thus saving time, administrative costs, and piles of paperwork.

Furthermore, the in-depth interviews with the Japanese participants seem to indicate two thirds of participants are in the analysts related categories and financial information is a relatively important and strong demand from the donors. Therefore, the results of this Japanese case study may indicate important information to the policy makers of the non-profit sector and charities. It can be said that there is a lack of a donors’ protection policy in Japan compared to other developed countries including Australia. Setting up a protection policy for donors may provide significant impact on the Japanese economy and some key to survive the current economic crisis besides the increased weight of the Japanese NPO sector on GDP.

Several limitations of this study should be noted. Firstly, the sampling data of equal variance of age is limited. Second, the number of cases is relatively small; it should be noted that the sample focuses on the donors of larger donations given to large and well-known charities, who are well-educated and have an important role in the Japanese community. Thirdly, the typologies for donors used in the study may be challenged for relying on the previous studies and assumptions which may have been too finely drawn, with some possible limitation to internal validity. Consideration of increasing the number of partnerships between charities and local government or profit companies, as a future case study, may extend research on the partnership linking the community sectors.
Reference:


——— (2004b). The number of NPO in June, 2004


