Received: 4 April 2023 | Accepted: 8 June 2025

DOI: 10.1002/jcpy.70000

RESEARCH ARTICLE

The charity capacity curse

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Funding information
Canadian Social Sciences and Humanities Research Council (SSHRC); Leeds University Business School Elite Journal R&R Support Scheme Fund; Singapore Ministry of Education, Grant/Award Number: Tier1Grant

Abstract

Can displays of charity capacity cues paradoxically harm charities' fundraising efforts? Six pre-registered studies provide evidence of a *charity capacity curse* whereby donors penalize charities for displaying capacity cues, such as human resources capacity, organizational capacity, and financial capacity cues. This curse occurs because donors perceive higher-capacity charities as needing less help. As donors typically donate based on need, they donate less to charities with superior capacity signals. This effect is attenuated when: (1) higher-capacity charities' needs are made salient, and (2) donors reflect on how their decision impacts end-beneficiaries. This research contributes to the literature on effective altruism and charity perceptions while offering managerial insights for charities seeking to optimize their fundraising communications.

KEYWORDS

charity capacity, consumer bias, effective altruism, perceived need, prosocial behavior

> "*From a system that starts with an illogical premise will come a series of illogical rules. Such is the nature of the non-profit dilemma today.*"
>
> (Pallotta, 2010, *Uncharitable*, xiii).

Researchers and practitioners have highlighted the need for donors to embrace effective altruism and prioritize impact when approaching donation decisions (MacAskill, 2015; Singer, 2009, 2015). This utilitarian approach suggests that charities should embrace effective practices to increase their ability to provide help (i.e., providing the most help per dollar) and that prospective donors should favor charities signaling higher effectiveness because they can create more benefit (Goldberg, 2024). Several charity assessment tools facilitate this approach (e.g., Charitynavigator.org, Givewell.org) by enabling donors to compare various effectiveness information between charities (e.g., financial ability) before making donation decisions. Recognizing this trend, charities have increasingly sought to highlight their effectiveness to attract donations (Chad, 2013). One of the ways is through demonstrating their capacity—the ability to acquire essential resources to fulfill their mission (Balduck et al., 2015; Eisinger, 2002; Horton et al., 2003).

Unfortunately, a growing body of research indicates that donors often fail to prioritize effectiveness over other factors, such as cause preferences or personal donation impacts (e.g., Rifkin et al., 2021; Smith & Schwarz, 2012). For instance, donors prefer charities aligned with preferred causes over those demonstrating greater effectiveness (Berman et al., 2018). Similarly, subjective preferences, such as favoring local causes, identifiable victims, or attractive recipients, often outweigh considerations of a charity's effectiveness in the donor decision-making process (Baron & Szymanska, 2011; Cryder et al., 2017; Slovic, 2007; Small et al., 2007; Small & Loewenstein, 2003). Furthermore,

Accepted by Lauren Block and David Wooten, Editors; Associate Editor, Yuwei Jiang

Data collection: The first author collected and analyzed the data for all the experimental studies. Data for Studies 1, 2A, 2B, 3, 4, 5, SS1B, SS2, and SS4 were collected using Prolific in December 2024, October 2024, October 2023, October 2024, October 2024, November 2024, October 2022, October 2024, and December 2024, respectively. SS3 was collected using a Singaporean undergraduate student subject pool in September and October 2024. The last author obtained the dataset for SS1A from charitynavigator.com in August 2021. All data are stored in a project directory on ResearchBox.

the perceived impact of one's donation plays a critical role compared to the organization's effectiveness in donation decisions (Caviola et al., 2021; Caviola, Schubert, & Nemirow, 2020). Donors avoid charities that allocate more funds to overhead spending, believing that administrative costs diminish their donations' impact (Baron & Szymanska, 2011; Gneezy et al., 2014).

Despite knowing that effectiveness carries less weight than it objectively should when other considerations come into the picture, one fundamental question remains unclear: Do effectiveness signals increase donations when other factors are held constant? The current research focuses on an antecedent of perceived effectiveness, charity capacity signals, and how they influence donation decisions. Specifically, when donors compare charities that differ only in perceived capacity, will they donate to the more capable charity? Our research aims to understand how charity capacity cues shape donor decision preferences.

Across six pre-registered studies, we find that most donors *penalize* higher-capacity charities through lower donation preferences (despite those charities offering the most potential for effectiveness), a phenomenon we term the *charity capacity curse*. This effect occurs because donors perceive higher-capacity charities as needing less help. Consequently, donors are less likely to support higher-capacity charities, as donation decisions are often driven by perceived need.

Our findings contribute to several streams of research and generate managerial recommendations for charities seeking to optimize their fundraising communications. First, we contribute to the literature on effective altruism. Capacity is a novel and counterintuitive factor that can dissuade people from donating to the most effective charities (Gneezy et al., 2014; Singer, 2015). While prior literature suggests that donors *fail to prioritize* impact in their donation decisions, our findings reveal that donors can be *deterred* by capacity cues, which logically should *help* donors prioritize impact (Caviola et al., 2021).

Second, we build on the charity perceptions literature and identify that donors infer a charity's perceived need from its capacity signals. While prior literature suggests that donors often view capacity as incompatible with non-profit organizations' prosocial nature (Aaker et al., 2010; Allen et al., 2018; Bradley et al., 2019; Calabrese, 2011), we add to this stream of literature by pinpointing one of the key mechanisms underlying this incompatibility—the inference of a charity's need based on its capacity cues. Specifically, we demonstrate that donors perceive higher-capacity charities as less in need, leading to lower donation preferences for those charities.

Finally, by testing theoretically motivated moderators of our effect, we identify strategies managers can employ to minimize the harm of the charity capacity curse. Specifically, we show that the curse weakens when (1) highlighting the needs of higher-capacity charities and (2) highlighting the impact of the donation decisions. The implications of these findings will be discussed in the "General Discussion" section.

THEORETICAL DEVELOPMENT

The present research builds upon prior research that has documented several motivational and cognitive factors leading to donors' failure to practice effective altruism (see Table 1 for a summary).

Motivational explanations: Some researchers have attributed the failure of effective altruism to a lack of motivation to consider donation effectiveness (i.e., overall impact) adequately. Indeed, donors often donate out of empathy for those who need more help or those to whom they can relate (Bradley et al., 2019; FeldmanHall et al., 2015; Paolacci & Yalcin, 2020; Small & Simonsohn, 2008), even if a need-based focus often leads to inefficient donation decisions (Bloom, 2017; Hein et al., 2010; Schelling, 1968). For example, individuals donate more when the victim is identifiable (e.g., when the victim's name, age, and pictures are presented) versus unidentifiable because the victim's identity induces higher distress in potential donors (Kogut & Ritov, 2005; Slovic, 2007; Small & Loewenstein, 2003). Similarly, donors are more sensitive to more fatalities than to more survivors when responding to natural disasters because fatality information is more affectively appealing (Evangelidis & Van den Bergh, 2013). Additionally, people prefer to help charities that serve relatively disadvantaged recipients (e.g., those with lower socioeconomic status), even when doing so could mean saving fewer lives, due to concerns for others' misfortune and a desire to compensate for inequalities (Paolacci & Yalcin, 2020).

Furthermore, donors are motivated to maximize their interest in their donation decisions. For instance, donors tend to avoid giving to charities with high overhead spending (i.e., administrative costs) because donors perceive that their donations would have less of an impact on the cause when some of their funding supports non-mission-related activities (Andreoni, 1990; Gneezy et al., 2014). Recent evidence also suggests that donors prefer to donate time over money because they perceive higher personal control over time donations than monetary donations, even when donating time means doing less overall good (Costello & Malkoc, 2022). From an evolutionary standpoint, less effective altruism may stem from ingrained behaviors such as ingroup bias, concern for reputation, and social conformity (Jaeger & van Vugt, 2022).

Cognitive explanations: Other research argues that donors fail to practice effective altruism because they misunderstand effectiveness information (Dickert et al., 2015; Fetherstonhaugh et al., 1997). For instance, donors tend to mistakenly believe that a charity with a 100% chance of saving one life is more effective than a charity with a 10% chance of saving 100 lives (which,

TABLE 1 Review of reasons for failures of effective altruism.

Source	Focus	Process	Takeaway/key findings
Dickert et al. (2015), Fetherstonhaugh et al. (1997)	Effects of the increased group size on donors' willingness to help	(1) *Motivational*: Donors feel more impactful when they help a larger proportion of the people (2) *Cognitive*: Donors perceive a diminishing value for each life saved	Donors weigh *personal impact* (i.e., whether their donation helps a more significant proportion of people) more than effectiveness in their donation decisions
Caviola, Schubert, and Nemirow (2020), Slovic (2007), Small et al. (2007), Small and Loewenstein (2003)	The effect of identifiability on donation preferences	*Motivational*: The victim's identity induces higher distress in potential donors	One identifiable victim elicits stronger responses than thousands of statistical victims do. Donors weigh *subjective preferences* (i.e., identifiability) more than effectiveness (i.e., statistics) in their donation decisions
Baron and Szymanska (2011), Caviola, Schubert, and Nemirow (2020)	The effect of local (vs. foreign) causes on donation preferences	(1) *Motivational*: Donors feel more connected to people who are more socially and physically proximate (2) *Cognitive*: Donors believe it is more effective to help local people than distant people	Donors prefer to donate to charities that help a local community rather than a foreign one. They weigh *subjective preferences* (e.g., the preference for local over foreign causes) more than effectiveness in their donation decisions
Baron and Szymanska (2011), Caviola, Schubert, and Nemirow (2020), Gneezy et al. (2014)	The effect of overhead spending on donation preferences	(1) *Motivational*: Donors perceive a lower personal impact on the cause when part of the donation goes to administration costs (2) *Cognitive*: Donors mistakenly think charities with higher overhead costs are less cost-effective	High overhead spending negatively affects donation choices. Donors weigh *personal impact* (e.g., whether their donation goes to administrative costs) more than effectiveness in their donation decisions
Evangelidis and Van den Bergh (2013)	The effect of the number of fatalities (vs. number of survivors) on donation preferences in natural disasters	*Motivational*: Donors are more sensitive to the number of fatalities than the number of survivors	Donors weigh *information appealing to affect* (e.g., the number of fatalities) more than effectiveness in donation decisions. Specifically, in natural disaster contexts, donors donate more when the number of fatalities is higher. In contrast, the donation amount is less affected by the number of survivors
Cryder et al. (2017)	The effect of beauty on donation preferences	(1) *Motivational*: Donors affectively appreciate and favor beauty (2) *Cognitive*: Donors cognitively believe it is more effective to donate to those who are in need	Donors weigh *subjective preferences* (e.g., whether recipients are beautiful) more than effectiveness (e.g., whether recipients are more in need) in intuitive donation decisions. In contrast, donors weigh effectiveness more than subjective preferences in deliberative donation decisions
Berman et al. (2018)	The effect of subjective preferences (vs. effectiveness information) on the choice of charities	*Motivational*: "Warm-glow" giving: individuals gain utility from committing instances of generous acts but are insensitive to the benefits created by the acts	Donors weigh *subjective preferences* more than effectiveness in their donation decisions

(Continues)

TABLE 1 (Continued)

Source	Focus	Process	Takeaway/key findings
Paolacci and Yalcin (2020)	The effect of socioeconomic differences between beneficiaries on donation preferences	*Motivational*: Donors want to achieve social equality by donating to charities supporting disadvantaged beneficiaries	Donors tend to donate to disadvantaged beneficiaries with lower SES, even when it implies sacrificing lives. Donors weigh *social equality* more than effectiveness in their donation decisions
Caviola, Schubert, and Nemirow (2020), Caviola et al. (2021)	The reasons for donors not donating to the most effective charities	(1) *Motivational*: Donors have personal preferences in their donation decisions (2) *Cognitive*: donors do not know which charities are most effective	Donors do not always donate to the most effective charities for motivational and cognitive reasons
Caviola, Schubert, Teperman, et al. (2020)	The effect of estimated differences in effectiveness on donation choices	*Cognitive*: People underestimate how much more effective the most effective charities are compared with the average charity	Donors do not always donate to the most effective charities because they *underestimate the amount of help* that the most effective charities can provide compared to average charities
Costello and Malkoc (2022)	Donors' preferences toward donating time (vs. money)	*Motivational*: Donors feel more personal control over time donations	Donors weigh *personal control* more than effectiveness in their donation decisions. Donors prefer to donate time than money due to a higher perceived control over time, even when donating money is more effective than donating time
Jaeger and van Vugt (2022)	The evolutionary reasons for donors not donating to the most effective charities	(1) *Motivational*: Parochialism: evolutionarily, humans survive by supporting ingroup members (2) *Motivational*: Status: engaging in effective altruism might have reputational costs (3) *Motivational*: Conformity: donors follow others' ineffective giving	Donors do not always donate to the most effective charities because of *evolutionary reasons*, including parochialism, status, and conformity
The present research	The effect of effectiveness information (i.e., capacity cues) on donation choices	(1) *Cognitive*: Donors perceive higher-capacity charities to be less in need than lower-capacity charities (2) *Motivational*: Donors often use a need-based strategy for donation decisions	Keeping other factors (e.g., subjective preference, personal impact, and personal control) constant, the higher perceived capacity of a charity negatively impacts donation choices

in expectation, is 10 times more effective; Caviola, Schubert, Teperman, et al., 2020). Moreover, donors often support multiple charities with varying levels of effectiveness under the mistaken belief that this approach maximizes utility rather than concentrating on the most effective option (Baron & Greene, 1996; Baron & Szymanska, 2011).

The present research presents a novel explanation combining motivational and cognitive factors contributing to the failure of effective altruism. Specifically, we propose that donors are less likely to donate to higher-capacity charities because: (1) cognitively, donors associate a charity's higher capacity with a lower need for help, and (2) motivationally, most donors rely on a need-based strategy for donation decisions, which leads them to prefer charities perceived to need more help. As donors perceive higher-capacity charities as having lower needs, donors are less inclined to donate to higher-capacity charities. The next session discusses the relationship between capacity and need, and its impact on donation preferences.

Charity capacity and perceived need

The concept of organizational capacity (or firm capability) is developed based on the resource-based view (RBV) of for-profit organizations, which posits that

a firm's resources define its business's identity, enable it to execute business activities effectively, and are critical for generating sustainable competitive advantages (Amit & Schoemaker, 1993; Barney, 1991; Grant, 1996; Hall, 1993). Firm capacity refers to a firm's ability to implement its strategies and perform business operations through the deployment of both tangible and intangible resources (Barney, 1991; Daft, 1983; Grant, 1991; Teece et al., 1997). In the RBV of organizations, firm capacity forms the basic foundation of an organization's core competencies and effectiveness (Day, 1994; Grant, 1991; Srivastava, 2005).

Importantly, stakeholders' perceptions of a firm's capacity are essential to build a favorable organizational reputation, which in turn predicts financial profit and superior performance (Day, 1994; Miller & Shamsie, 1996; Teece et al., 1997). For instance, signals of a firm's organizational resource capacity, such as a firm's productive assets, can enhance organizational reputation, which leads to higher sales and customer loyalty (Nguyen & Leblanc, 2001; Rindova et al., 2005). Similarly, perceptions of a firm's human resource capacity, such as the expertise and experience of its entrepreneurs, can foster a favorable organizational reputation (Kamoche, 1996; Kor et al., 2007).

Building on the literature on for-profit organization capacity, non-profit literature defines charity capacity as a charity's ability to acquire essential resources to fulfill its mission (Balduck et al., 2015; Eisinger, 2002; Horton et al., 2003). The non-profit value framework suggests that a charity's effectiveness in delivering services to those in need is largely determined by its capacity (Brown, 2014; Brown et al., 2016; Eisinger, 2002). Although different charities may require different types of capacity, some, such as financial capacity, are universally critical for all charities (Brown et al., 2016). Grounded in the RBV of organizations (Barney, 1991; Bogaert et al., 1994; Srivastava, 2005) and Hall et al.'s (2003) charity capacity framework, there are three fundamental dimensions of charity capacity: (1) *Human resources capacity*. The collective skills, knowledge, and expertise of the charity's human capital (e.g., staff and volunteers) form a crucial component of its operational strength, which is essential for program execution and mission fulfillment (Chouhan & Srivastava, 2014; Jiang et al., 2012; Zappalà, 2001); (2) *Organizational capacity*. Organizational capacity includes the tangible and intangible assets, such as the charity's size, experience, physical infrastructure, technology, and networks, which together support operational effectiveness and service delivery (Calabrese, 2011; Grant, 1991); (3) *Financial capacity*. Financial capacity reflects a charity's ability to secure financial resources (Betzler & Gmür, 2016). It is essential for charities to seek stable (Mayer et al., 2014) and diverse funding (Carroll & Stater, 2009; Chikoto & Neely, 2014) to ensure sustainable operations and long-term program delivery (National Center for Charitable Statistics, 2005). Consistent with this theorization, interviews with 66 charitable organization executives highlight the importance of these three capacities in fulfilling a charity's mission effectively (Brown et al., 2016). Section A in Appendix S1 provides real-life examples of charities displaying these three types of capacity cues in their communications. Consequently, the present research focuses on human resources capacity, organizational capacity, and financial capacity cues.

It is important to note that capacity is distinct from power. Capacity focuses on the ability to obtain essential resources for mission fulfillment, while power refers to the ability to influence others, often stemming from asymmetric control over valued resources in social interactions (Galinsky et al., 2006). For example, an animal welfare charity with high capacity may employ professional staff and efficiently rescue large numbers of animals but may lack the influence to persuade policymakers to strengthen animal protection laws. Although capacity and power are distinct constructs, we contend that power can be a source of capacity. Charities with greater power may have access to more resources, leading to higher capacity and higher ability to fulfill their mission.

Research on social judgments of firms suggests that consumers often perceive for-profit organizations and prosocial goals as incompatible. For-profit organizations are typically seen as value providers, signaling competitiveness and independence (Aaker et al., 2010; Au & Ng, 2021; Lee, 1997). In contrast, non-profit organizations are perceived as help-seekers, implying vulnerability and dependence. Therefore, consumers may construe social ventures within firms as signs of weakness. For example, for-profit organizations are frequently perceived as less capable when pursuing a social mission (Lee et al., 2017). Furthermore, they may receive negative evaluations when engaging in corporate social responsibility initiatives (Newman et al., 2014; Torelli et al., 2012).

We propose that the reverse holds for non-profits, where performance signals are incompatible with consumers' mental schema for non-profit organizations. As capacity signals the ability to fulfill goals effectively, people often associate capacity with agency, independence, and self-reliance, leading to the assumption that capable entities require less external assistance (Cuddy et al., 2011; Fiske et al., 2007; Lee, 1997). Indeed, individuals capable of carrying out their intentions are less likely to seek help from others. Similarly, charities perceived as capable of fulfilling their missions effectively may appear to need fewer donations. In contrast, lower-capacity charities, lacking the ability to achieve their goals, are more likely to depend on external help. Supporting this argument, prior research suggests that beauty, often perceived as a signal of social capacity, is negatively correlated with the perceived needs of beneficiaries (Cryder et al., 2017). Similarly, donors tend to perceive highly

attractive children as less vulnerable and less in need of protection (Fisher & Ma, 2014). Additionally, charities that have accumulated wealth or previously received more donations, which signals their ability to secure funding, are perceived to be less in need, regardless of their actual need for support (Allen et al., 2018; Bradley et al., 2019; Calabrese, 2011). Thus, as capacity signals independence and self-reliance, implying low vulnerability, we expect that higher perceived capacity in charitable organizations reduces perceptions of their perceived need for help.

Perceived need and donation preferences

Unlike investment decisions that often focus on performance metrics to maximize return, prosocial choices frequently rely on the perceived needs of beneficiaries (Cryder et al., 2017; Small & Cryder, 2016). Individuals tend to donate to those who appear more in need (Bradley et al., 2019; FeldmanHall et al., 2015; Paolacci & Yalcin, 2020), even though a need-based focus can lead to inefficient donation decisions (Bloom, 2017; Hein et al., 2010; Kogut & Ritov, 2005; Schelling, 1968). For example, people often prioritize severely ill patients over moderately sick ones, even when the latter group would improve more significantly from medical treatment, driven by greater perceived need (Ubel, 1999). Similarly, individuals prefer donating to one identifiable child than to eight non-identifiable children because one's identity evokes higher empathy and increases need perceptions (Kogut & Ritov, 2005). Need-based donation behaviors are also partially driven by the belief that needier recipients would appreciate the donors' help more (Dijker et al., 2013). Thus, we propose that the lower perceived need associated with higher-capacity charities would negatively impact donation intentions.

Taken together, we hypothesize:

> **H1.** Signals of higher capacity in charitable organizations negatively impact donation intentions (i.e., the *charity capacity curse*).
>
> **H2.** This *charity capacity curse* occurs because donors perceive higher-capacity charities as less in need than lower-capacity charities.

Boundary conditions

How can charities overcome the capacity curse? Next, we propose two theoretically derived strategies that may mitigate the *charity capacity curse* effect.

First, we posit that donors typically infer perceived need from the capacity signals of charities, resulting in lower donations for higher-capacity charities. However, if the needs of higher-capacity charities are made salient, this perception could shift, making donors relatively less likely to associate higher capacity with lower needs. Consequently, donors should be relatively more likely to donate to higher-capacity charities, attenuating the charity capacity curse effect.

Second, although most donors make donation decisions based on needs, an intervention that reduces the reliance on a need-based donation strategy should increase donors' tendency to donate to higher-capacity charities. Specifically, we hypothesize that emphasizing the decision's impact can encourage an impact-based strategy, prioritizing charities that can help the end-beneficiaries the most (Caviola et al., 2021; Saeri et al., 2023). Consequently, donors should realize the higher-capacity charity's positive impact on the beneficiaries and be more likely to donate to them, attenuating the charity capacity curse.

Taken together, we hypothesize that:

> **H3.** The charity capacity curse is attenuated when the perceived need of higher-capacity charities is made salient.
>
> **H4.** The charity capacity curse is attenuated when donors shift their focus to the impact of the donation decision.

EMPIRICAL PLAN

Six pre-registered studies test our hypotheses utilizing multiple operationalizations of capacity (summarized in Table 2); see Figure 1 for the Conceptual Model. Study 1 tests the effect of charity capacity cues on donation preferences using human resources capacity manipulation to demonstrate that donors are less likely to support a charity with more-professional staff than a charity with less-professional ones, using an incentive-compatible design. Furthermore, Study 1 tests the underlying mechanism of perceived need by showing mediation evidence. Studies 2A–2B replicate the findings using organizational capacity manipulation while keeping overhead spending constant (Study 2A) and financial capacity manipulation (Study 2B). Furthermore, the mediation effect of perceived need remains robust even after controlling for alternative accounts: underdog effect (perceived determination), warmth, trust, and sympathy. Study 3 demonstrates that the effect is driven by donors punishing charities signaling high capacity instead of rewarding charities signaling low capacity. Study 4 further supports the perceived need account using a moderation approach by showing that the negative effect of charity capacity cues on donation choices is attenuated when the need of the higher-capacity charity is made salient. Study 5 demonstrates a theoretically derived intervention to reduce

TABLE 2 Summary of results.

Study 1: Basic effect and mediation by needs (human resources capacity; incentive-compatible; $N = 293$, US Prolific)

	Lower-capacity charity (LCC)	Higher-capacity charity (HCC)
Choice share	67.7%	32.3%
Perceived capacity	4.66 (1.37)	5.61 (1.13)
Perceived need	5.94 (1.06)	5.13 (1.49)

Main finding: We demonstrated the charity capacity curse: donors were less likely to support a higher-capacity charity than a lower-capacity charity in donation decisions, and differences in the perceived need of charities mediated the effect.

Studies 2A–2B: Replications and rule out alternative explanations (S2A: $N = 177$, US Prolific; S2B: $N = 261$, US Prolific)

	Study 2A (organizational capacity)		Study 2B (financial capacity)	
	LCC	HCC	LCC	HCC
Choice share	63.3%	36.7%	69.0%	31.0%
Perceived capacity	4.40 (1.37)	5.79 (1.12)	4.35 (1.37)	5.79 (1.11)
Perceived need	6.10 (1.04)	4.85 (1.56)	5.98 (1.15)	4.28 (1.37)

Main finding: We replicated the charity capacity curse with organizational capacity (holding overhead spending constant) and financial capacity. The mediation effect remained robust after controlling for alternative accounts: perceived determination, warmth, trust, and sympathy.

Study 3: Direction of the effect (organizational capacity; $N = 246$, US Prolific)

	Low capacity	Control	High capacity
Donation amount	\$12.73 (6.61)	\$13.04 (6.79)	\$8.83 (5.77)
Perceived capacity	4.37 (1.37)	4.71 (1.43)	5.23 (1.35)
Perceived need	5.91 (1.17)	5.49 (1.23)	4.74 (1.57)

Main finding: The charity capacity curse was driven by donors donating less to charities signaling high capacity, due to lower perceived need.

Study 4: Moderated by the salience of needs (human resources capacity; $N = 349$, US Prolific)

	Control		High capacity–low need		High capacity–high need	
Salience of need	LCC	HCC	LCC	HCC	LCC	HCC
Choice share	68.6%	31.4%	75.0%	25.0%	24.1%	75.9%
Perceived need	5.91 (1.00)	5.07 (1.43)	6.33 (0.87)	4.37 (1.89)	4.94 (1.90)	5.66 (1.51)

Main finding: The charity capacity curse was attenuated when the higher-capacity charity was perceived to have a higher need. The effect of capacity on donation choice was mediated by perceived need and moderated by need salience.

Study 5: Moderated by the salience of impacts (organizational capacity; $N = 392$, US Prolific)

	Control		High-impact-salience	
Salience of impact	LCC	HCC	LCC	HCC
Choice share	61.7%	38.3%	50.5%	49.5%
Perceived capacity	4.05 (1.36)	5.92 (0.96)	4.22 (1.24)	5.80 (1.04)
Perceived need	6.03 (1.13)	4.24 (1.53)	5.89 (0.99)	4.16 (1.63)

Main finding: The charity capacity curse was attenuated when the donation decision's reliance on the needs of the charities was decreased (i.e., when the decision's impact was made salient). The effect of capacity on donation choice was mediated by perceived need and moderated by impact salience.

Supplementary Study 1A: Field data (financial capacity; $N = 8915$ charities from charitynavigator.org)

Main finding: Evidence of the charity capacity curse in the field: a negative relationship between charity capacity (proxied by the working capital ratio) and donation amount ($b = -11{,}113.52$, SE = 2504.57, $p < 0.001$), controlling for total assets, fundraising expenses, and type of causes

(Continues)

TABLE 2 (Continued)

Supplementary Study 1B: Replication in the lab (financial capacity; $N = 150$, US Prolific)		
	LCC	**HCC**
Choice share	58.7%	41.3%
Perceived capacity	3.12 (1.52)	5.86 (1.03)
Perceived need	5.61 (1.08)	3.64 (1.40)
Main finding: We replicated the charity capacity curse using the working capital ratio (WCR) as a proxy for financial capacity; donors were less likely to support a higher WCR charity than a lower WCR charity		

Supplementary Study 2: Self vs. Other donation (human resources capacity; $N = 396$, US Prolific)				
	Self		**Others**	
	LCC	**HCC**	**LCC**	**HCC**
Choice share	63.8%	36.2%	70.5%	29.5%
Perceived capacity	4.60 (1.27)	5.45 (1.25)	4.59 (1.28)	5.58 (1.11)
Perceived need	6.02 (0.90)	5.10 (1.48)	5.89 (1.00)	4.83 (1.40)
Main finding: The charity capacity curse remained robust for both donation decisions for self and for others, suggesting that the perceived impact of the donation was less likely to drive the effect				

Supplementary Study 3: Boundary condition: Separate evaluation (organizational capacity; $N = 481$, Singaporean students)				
	Joint evaluation		**Separate evaluation**	
Evaluation mode	**LCC**	**HCC**	**LCC**	**HCC**
Donation amount	$58.53 (26.21)	$41.47 (26.21)	$48.42 (27.20)	$39.70 (28.17)
Perceived capacity	3.71 (1.19)	5.77 (1.05)	3.86 (1.39)	4.54 (1.61)
Perceived need	5.96 (1.10)	3.88 (1.37)	5.46 (1.31)	4.49 (1.48)
Main finding: The charity capacity curse was attenuated when evaluating the charities separately (vs. jointly)				

Supplementary Study 4: Incapacity (organizational capacity; $N = 291$, US Prolific)				
Capacity level of the lower-capacity charity	**Low capacity**		**Incapacity**	
	LCC	**HCC**	**LCC**	**HCC**
Choice share	79.1%	20.9%	68.5%	31.5%
Perceived capacity	3.89 (1.37)	5.93 (0.92)	3.69 (1.45)	5.75 (1.36)
Perceived need	6.18 (0.89)	3.86 (1.55)	6.10 (1.12)	4.04 (1.65)
Main finding: The charity capacity curse was attenuated when the lower-capacity charity was perceived as genuinely incapable				

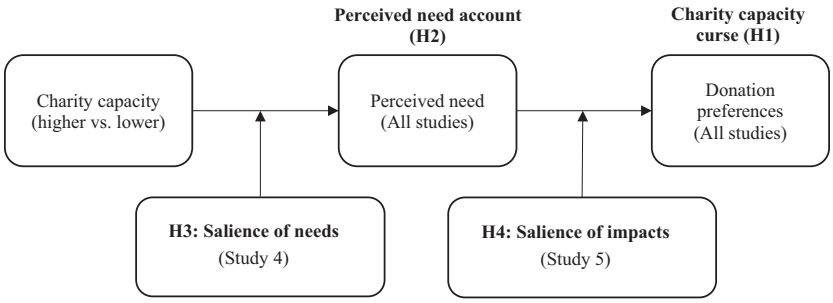

FIGURE 1 Conceptual model.

the charity capacity curse: shifting donors' focus from the need of the charity to the decision's impact.

Pre-registrations, the study design, and data for all studies are available at https://researchbox.org/3938. The Appendix S1 contains study stimuli, measures, and additional analyses. We followed all pre-registered exclusion criteria. These exclusions did not change the significance of the results in any study.

STUDY 1 NEGATIVE EFFECT OF CAPACITY ON DONATIONS—HUMAN RESOURCES CAPACITY

Study 1 supports the charity capacity curse (i.e., H1) by testing donors' preferences between lower- and higher-human resources capacity charities in an incentive-compatible design. To minimize the potential concerns of overhead aversion, we manipulated human resources capacity cues by varying the expertise of charities' unpaid volunteers. We predicted that participants would be less likely to donate to a higher-capacity charity than to a lower-capacity one. Additionally, we examined perceived need as a potential process driver: donors perceive the higher-capacity (vs. lower-capacity) charity to be less in need of help, and, thus, donors are less likely to donate to it (i.e., H2).

Method

Participants and design

We recruited 302 US participants through Prolific for a nominal fee. Following our pre-registered exclusion criteria, we analyzed data from 293 participants (M_{age} = 36.64, 56.0% women, 42.0% men, 2.0% non-binary).

Procedure

Participants were told that, on top of their compensation from Prolific, we would also randomly give five participants a $10 bonus payment, and participants could decide whether to donate a part of their potential bonus to a charity or not.

Participants were then presented with two food charities: FoodAid and FoodBridge. We asked participants to review the websites of these two charities. We manipulated capacity by varying the qualifications of the charity's personnel. Both charities' services relied on their volunteers. While most of the lower-capacity charity's volunteers were entry-level workers from the food industry, most of the higher-capacity charity's volunteers were professionals from the food industry (see Section B: Appendix S1). We counterbalanced the personnel expertise associated with the charity's name, mission, and website design such that half the participants saw that FoodAid was the higher-capacity charity, while half saw that FoodBridge was the higher-capacity charity.

As a manipulation check, participants rated each charity's capacity (i.e., "To what extent do you think FoodAid/FoodBridge is able to acquire the resources necessary to fulfill its mission.") on a 7-point scale (1 = not at all, 7 = very much so). Participants also rated each charity's perceived need (i.e., "To what extent do you think FoodAid/FoodBridge needs help.") on the same 7-point scale. Participants then indicated whether they would like to donate $2 out of the $10 bonus to either one of the two charities, or keep all the bonus to themselves if they win the bonus.[1] Finally, participants answered an attention check question by recalling the category to which the charities belonged from the following options: health, food, children, or "I do not remember".

Results

As we counterbalanced the order of the lower- and higher-capacity charities, we collapsed the data and recoded the responses for lower- and higher-capacity charities across conditions for this and the following studies.

Capacity manipulation check

A repeated-measures *t*-test showed that participants rated the charity with professional workers as having higher capacity (M = 5.61, SD = 1.13) than the charity with entry-level workers (M = 4.66, SD = 1.37; $t(292) = 9.83$, $p < 0.001$, $d = 0.57$), indicating that the capacity manipulation was successful.

Perceived need

A repeated-measures *t*-test showed that participants perceived the higher-capacity charity (M = 5.13, SD = 1.49) as needing less help than the lower-capacity one (M = 5.94, SD = 1.06; $t(292) = -9.63$, $p < 0.001$, $d = -0.56$).

Choice

As pre-registered, we first excluded 58 participants (19.8%) who decided to keep all the bonuses to themselves. Consistent with our hypothesis (H1), an exact binomial test showed that participants were less likely to choose the higher-capacity charity (N = 76; 32.3%) than the lower-capacity one (N = 159; 67.7%), $p < 0.001$.

Mediation analyses

We performed a mediation analysis with the capacity manipulation as the independent variable (X), the differences in the perceived need of the charities as the mediator (M), and the charity choice as the dependent variable

[1] Whereas we measured the manipulation check and mediator before the dependent variable in Studies 1, 3, and 4, we measured the dependent variable first and other measures afterwards in Studies 2A, 2B, and 5. The results remained consistent across all studies.

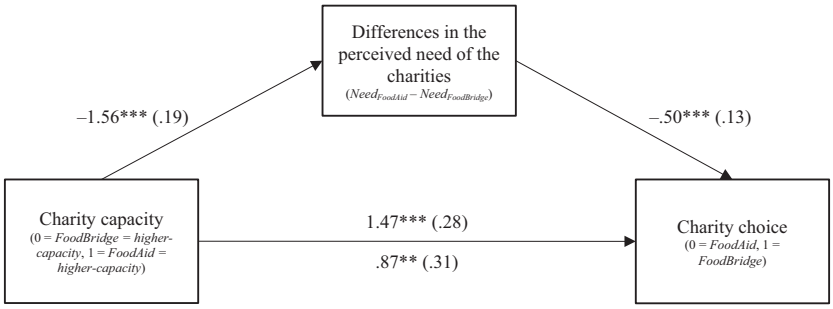

FIGURE 2 Study 1: Differences in charity's perceived need mediate the charity capacity curse. *$p<0.05$; **$p<0.01$; ***$p<0.001$ (standard errors).

(Y) (PROCESS model 4 with 5000 bootstrap samples; Hayes, 2017). Mediation analysis revealed that the effect of capacity on donation choice was mediated through differences in the perceived need (indirect effect = 0.78, SE = 0.26, 95% CI [0.37, 1.37]; see Figure 2 for detailed path coefficients), in support of H2.

Discussion

Study 1 supports the charity capacity curse hypothesis (i.e., H1) that charity capacity cues negatively affect consequential donation choices. Moreover, we found that the higher-capacity charity is perceived to have lower needs, which in turn negatively predicts the lower donation preference for the higher-capacity charity compared to the lower-capacity charity, supporting H2.

However, although we manipulated the human resources capacity using the expertise of unpaid volunteers, one may argue that a charity with more professional staff might still be perceived to have higher overhead costs and/or higher power. To account for these factors, we ran a replication study of Study 1 while measuring perceived overhead spending and perceived power ($N = 292$, UK Prolific; see Section B in Appendix S1). Results showed that the mediation role of perceived need remained robust even after controlling for perceived overhead spending and perceived power, suggesting that these alternative accounts are less likely to drive the effect.

STUDIES 2A-2B REPLICATION AND ALTERNATIVE EXPLANATIONS

Studies 2A and 2B have two aims. First, the two studies test the generalizability of the charity capacity curse (H1) and its underlying mechanism of perceived need (H2) using two alternative capacity manipulations: organizational capacity (Study 2A) and financial capacity (Study 2B). Specifically, Study 2A manipulates organizational capacity by varying the size and age of the charity. A larger and more established charity is typically associated with more tangible and intangible assets, signaling a higher capacity and ability to fulfill its mission. Study 2B manipulates financial capacity by varying the diversity of the charity's funding sources. Having diverse funding sources is widely recognized as a marker of strong fundraising and financial management ability in the non-profit sector, as diverse funding sources provide financial stability and flexibility (Clifford & Mohan, 2016; Okten & Weisbrod, 2000).

Second, Studies 2A and 2B address potential alternative explanations for the observed effect. Similarly to Study 1, a larger-sized and more established charity might be perceived to have higher overhead spending, leading to overhead aversion (Baron & Szymanska, 2011; Gneezy et al., 2014; Inesi & Rios, 2023). To formally address the perceived overhead account, Study 2A keeps the overhead spending ratio constant between the lower- and higher-capacity charities. Furthermore, another alternative explanation is the underdog effect—people prefer to support the more disadvantaged underdog (e.g., a smaller, newly founded charity) over the more advantaged top dog, who is more likely to succeed (e.g., a larger, well-established one) because of the underdog's perceived determination and perseverance (Jin & Huang, 2019; Paharia et al., 2011). Additionally, Study 1 found that donors were less likely to donate to a charity with more professional personnel, driven by a lower perceived need for the higher-capacity charity. However, donors may also perceive the charity with less experienced personnel as warmer (Cuddy et al., 2011), making them more willing to donate to the warmer charity. Thus, Study 2A examines these explanations by measuring the perceived determination and warmth of each charity. Similarly, the preference for lower-capacity charities could also be due to greater sympathy and trust toward a smaller, newly founded charity. Study 2B accounts for these potential confounds by measuring perceived warmth, sympathy, and trust.

Study 2A: Method

Participants and design

We recruited 201 US participants through Prolific for a nominal fee. Following our pre-registered exclusion

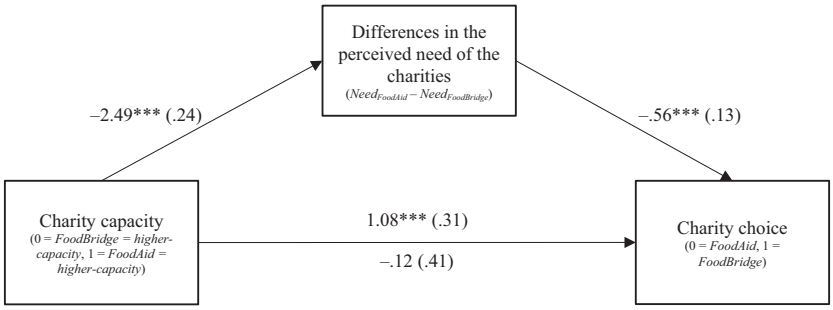

FIGURE 3 Study 2A: Differences in charity's perceived need mediate the charity capacity curse. *$p<0.05$; **$p<0.01$; ***$p<0.001$ (standard errors).

criteria, we analyzed data from 177 participants ($M_{age}=40.23$, 50.3% women, 48.6% men, 1.1% non-binary).

Procedure

All participants imagined receiving a cash windfall and considered donating to one of two food charities, FoodAid or FoodBridge. We asked participants to review the websites of these two charities, both of which were described as spending 15% of their total income on overhead costs. We manipulated organizational capacity by varying the charities' size and age. Participants reviewed the "About Us" web pages of the charities (see Section C in Appendix S1). Specifically, the page for the lower-capacity charity introduced them as a small-sized charity with six full-time staff members, founded in 2022. In contrast, the higher-capacity charity was a large-sized charity with a team of 82 full-time staff members, founded in 1983. Participants then chose which charity they would support.

Subsequently, participants answered the same manipulation check and perceived need measures as in Study 1. In addition, we also measured the perceived determination (i.e., passionate/determined/motivated; $\alpha=0.92$, Paharia et al., 2011) and perceived warmth (i.e., warm, kind, friendly, and sincere; $\alpha=0.95$, Cuddy et al., 2008) on a 7-point scale (1 = not at all, 7 = very much so) as tests of alternative explanations. Finally, as an attention check, participants recalled the category to which the charities belonged and the charities' overhead spending ratio.

Study 2A: Results

Capacity manipulation check

A paired-sample *t*-test showed that participants rated the larger-sized and well-established charity ($M=5.79$, SD = 1.12) to have higher capacity than the smaller-sized and newly founded charity ($M=4.40$, SD = 1.37; $t(176)=11.46$, $p<0.001$, $d=0.86$), indicating that the capacity manipulation was successful.

Perceived need

A paired-sample *t*-test showed that participants rated the higher-capacity charity ($M=4.85$, SD = 1.56) as needing less help than the lower-capacity charity ($M=6.10$, SD = 1.04; $t(176)=-10.22$, $p<0.001$, $d=-0.77$).

Choice

An exact binomial test showed that participants were less likely to choose the higher-capacity charity (36.7%) than the lower-capacity charity (63.3%; $p<0.001$).

Mediation analysis

We performed a mediation analysis with the capacity manipulation as the independent variable (X), the differences in the perceived need of the charities as the mediator (M), and the charity choice as the dependent variable (Y) (PROCESS model 4 with 5000 bootstrap samples; Hayes, 2017). The mediation analysis revealed a significant mediation through differences in need (indirect effect = 1.40, SE = 0.40, 95% CI [0.79, 2.34]; see Figure 3 for detailed path coefficients), in support of H2.

Perceived determination

A paired-sample *t*-test showed that participants rated the higher-capacity charity ($M=5.98$, SD = 0.95) as equally determined as the lower-capacity charity ($M=6.06$, SD = 0.99; $t(176)=1.27$, $p=0.21$, $d=0.10$).

Perceived warmth

A paired-sample *t*-test showed that participants rated the higher-capacity charity ($M=5.81$, SD = 1.04) as less warm than the lower-capacity charity ($M=6.05$, SD = 0.94; $t(176)=-3.91$, $p<0.001$, $d=-0.29$).

Additionally, we ran the same mediation analysis while controlling for the perceived determination and warmth of the charity. The capacity manipulation's indirect effect on the charity's choice through need remained significant (indirect effect = 1.03, SE = 0.40, 95% CI [0.41, 2.01]), suggesting the effect of perceived need goes above and beyond these alternative explanations. The details of the results are reported in Section C in Appendix S1.

Study 2A: Discussion

Study 2A replicates the charity capacity curse observed in Study 1 using another type of capacity manipulation, organizational capacity. More importantly, we again show that the perceived need of the charities mediates the effect of capacity on donation choice even when keeping the overhead spending constant and controlling for the perceived determination and warmth of the charities. These results suggest that the effect of perceived need goes above and beyond the overhead aversion, the underdog effect, and perceived warmth explanations.

Study 2B: Method

Participants and design

We recruited 300 US participants through Prolific for a nominal fee. Following our pre-registered exclusion criteria, we analyzed data from 261 participants (M_{age} = 42.78, 48.3% women, 47.9% men, 3.8% non-binary).

Procedure

All participants imagined receiving a cash windfall and wished to donate $250 to one of two charities supporting seniors, SeniorAid or ElderCare. We asked participants to review the two charities' websites. As in previous studies, we counterbalanced the sources of funding associated with the charity's name, mission, and website design.

We manipulated the financial capacity level using the charity's funding sources. The lower-capacity charity relied solely on individual donations as its funding source to support its mission. In contrast, the higher-capacity charity had diverse funding sources, including individual contributions, corporate partnerships, and grants. We conducted a separate pretest (N = 100, US Prolific) to determine whether participants perceived the charity with multiple funding sources as having higher capacity than the charity with a single funding source (see details in Section D: Appendix S1).

After reviewing the website information, participants chose one of the two charities for their donation target. Following this, participants rated the extent to which they thought each charity needed help on a 7-point scale, as in previous studies. As a test of the alternative process, participants also rated each charity's perceived warmth as in Study 2A (α = 0.98, Cuddy et al., 2008), trustworthiness ("To what extent do you trust SeniorAid/ElderCare."), and sympathy ("To what extent do you sympathize with SeniorAid/ElderCare.") on the same 7-point scale (1 = not at all, 7 = very much so). Finally, participants answered an attention check question: Which charity solely relied on individual donations as their funding source?

Study 2B: Results

Perceived capacity pretest

A paired-sample t-test showed that participants rated the charity with diverse funding sources (M = 5.79, SD = 1.11) to have higher capacity than the charity with only a single funding source (M = 4.35, SD = 1.37; $t(99) = 7.88$, $p < 0.001$, $d = 0.79$), indicating that the capacity manipulation was successful.

Perceived need

A paired-sample t-test showed that participants rated the higher-capacity charity (M = 4.28, SD = 1.37) as needing less help than the lower-capacity charity (M = 5.98, SD = 1.15; $t(260) = -16.09$, $p < 0.001$, $d = -1.00$).

Choice

An exact binomial test showed that participants were less likely to choose the higher-capacity charity (31.0%) than the lower-capacity charity (69.0%; $p < 0.001$). These results supported the charity capacity curse hypothesis (H1). Figure 4 summarizes the choice distribution of the charities across Studies 1, 2A, and 2B.

Perceived warmth

A paired-sample t-test showed that participants rated the higher-capacity charity (M = 5.58, SD = 1.07) as less warm than the lower-capacity charity (M = 5.95, SD = 1.00; $t(260) = -6.13$, $p < 0.001$, $d = -0.38$).

Perceived trustworthiness

A paired-sample t-test showed that participants trusted the higher-capacity charity (M = 5.20, SD = 1.26) less than the lower-capacity charity (M = 5.38, SD = 1.29; $t(260) = -2.10$, $p = 0.036$, $d = -0.13$).

Sympathy

A paired-sample *t*-test showed that participants sympathized less with the higher-capacity charity ($M = 5.08$, SD = 1.33) than with the lower-capacity charity ($M = 5.80$, SD = 1.28; $t(260) = -8.01$, $p < 0.001$, $d = -0.50$).

Mediation analysis

We performed a mediation analysis with the capacity manipulation as the independent variable (X), the differences in the perceived need of the charities as the mediator (M), and the charity choice as the dependent variable (Y) (PROCESS model 4 with 5000 bootstrap samples; Hayes, 2017). Mediation analysis revealed that the effect of capacity on donation choice was mediated through differences in need (indirect effect = 2.48, SE = 0.50, 95% CI [1.67, 3.62], in support of H2; see Figure 5 for detailed path coefficients).

We ran the same mediation analysis while controlling for warmth, trust, and sympathy. Results revealed that the capacity manipulation's indirect effect on the charity's choice through need was still significant (indirect effect = 1.33, SE = 0.52, 95% CI [0.52, 2.58]), suggesting that the effect of perceived need went above and beyond these alternative accounts. Furthermore, in parallel mediation, the effect size of the need mediator was directionally larger than that of all other mediators. The details of the results are reported in Section D: Appendix S1.

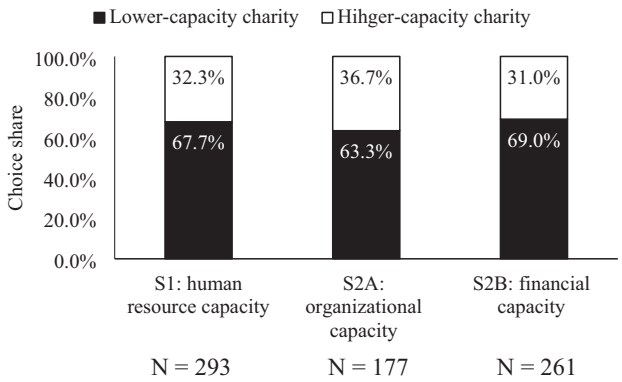

FIGURE 4 Study 1, 2A, and 2B: Choice distribution between the lower- vs. higher-capacity charity.

Study 2B: Discussion

Study 2B replicates the charity capacity curse observed in Studies 1 and 2A using financial capacity manipulation. Importantly, Study 2B also provides robust process evidence for the role of perceived need while controlling for perceived warmth, trust, and sympathy. Furthermore, to rule out the alternative explanation that the financial capacity manipulation may be confounded with the degree to which the charity needs help from individual donations, we conducted a replication study that kept the amount of individual donations needed by both charities identical ($N = 402$, US Prolific; see Section D in Appendix S1). The results showed that the charity capacity curse remained robust even after controlling for the level of objective need, suggesting that the effect is more likely driven by the charity capacity. Taken together, Studies 1–2 provide robust support for the perceived need account: the charity capacity curse occurs because donors perceive the higher-capacity charities as having lower needs, leading to a lower donation preference for the charities with higher capacity.

As a robustness check, we examined the effect of financial capacity on donation preferences in a field setting by analyzing secondary data from Charitynavigator.org, the largest charity assessment website in the United States, providing financial ratings on 8915 real charities (Supplementary Study 1A (SS1A), see details in Section H: Appendix S1). Financial capacity was measured using the working capital ratio (WCR)—the ratio of the charity's net available assets to the charity's average total expenses—which indicates how long an organization can sustain its level of spending using only its net available assets (Charitynavigator, 2022). Consistent with our hypothesis, we found a significant,

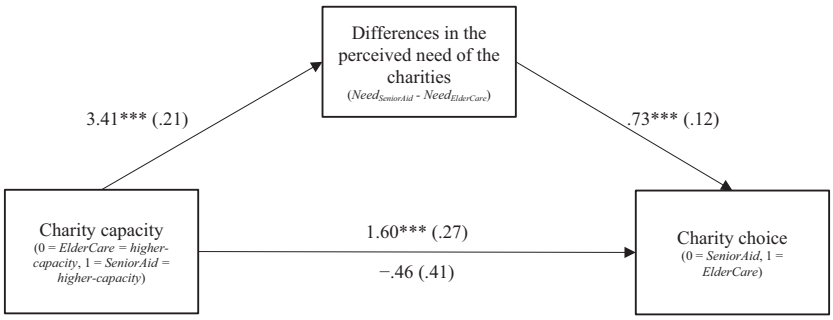

FIGURE 5 Study 2B: Differences in charity's perceived need mediate the charity capacity curse. *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$ (standard errors).

negative relationship between WCR and the annual donation amount ($b = -11{,}113.52$, SE = 2504.57, $p < 0.001$), after controlling for total assets, fundraising expenses, and type of causes. This finding suggests that the more financially capable charities are, the lower the donation amount they receive. In addition, Supplementary Study 1B (SS1B, see Section I in Appendix S1; $N = 150$, US Prolific) demonstrated that donors indeed perceive charities with higher WCR to have higher capacity, and results replicated the negative effect of WCR on donation preferences in a controlled lab setting. Taken together, these results are consistent with the charity capacity curse: donors donate less to higher-capacity charities.

Furthermore, to address an alternative explanation, that donors donate less to the higher-capacity charity because they perceive a lower personal impact when donating to a higher-capacity charity, we conducted Supplementary Study 2 (SS2; $N = 396$, US Prolific; see Section J in Appendix S1). Prior literature suggests that donors are motivated to maximize personal impact in their donation choices (Caviola et al., 2020; Caviola et al., 2021). If a lower perceived personal impact drives the charity capacity curse, the effect should attenuate when donors are making donation decisions on behalf of others. In contrast, if the perceived need drives the effect, we should observe the same capacity curse when making donation decisions for both self and others. Results from SS2 showed that the charity capacity curse remains robust in donation decisions for both self and others, suggesting that the effect is less likely to be driven by perceived personal impact.

STUDY 3: CONTROL CONDITION

Study 3 examines the direction of the charity capacity curse. Although Studies 1–2 showed that participants are less likely to donate to a higher-capacity charity than a lower-capacity charity, it is unclear whether the effect is driven by donors penalizing higher-capacity charities or rewarding lower-capacity charities. Rather than a *capacity curse* penalizing the higher-capacity charity, an alternative possibility is that donors favor the underdog (i.e., the lower-capacity charity), seeking to compensate for its disadvantaged position and promote social equity (Paolacci & Yalcin, 2020). To address this alternative account, Study 3 introduces a control condition in which no capacity cues are provided. We predicted that participants would be less likely to donate to a charity signaling high capacity than to both a charity signaling low capacity and a charity without capacity cues. Study 3 also tests the robustness of the capacity curse by employing a between-subjects design (in contrast to previous studies that employed within-subject designs).

Method

Participants and design

Study 3 employed a three-condition (capacity: low vs. control vs. high) between-subjects design. Three hundred US participants were recruited through Prolific for a nominal fee. Following our pre-registered exclusion criteria, we analyzed data from 246 participants ($M_{age} = 39.65$, 50.0% women, 49.6% men, 0.4% non-binary).

Procedure

Participants imagined receiving a cash windfall of $20 and wished to donate to a charity. Participants were then presented with a charity named *The Children Charity*, which aims to support children in need. We manipulated the charity's organizational capacity by varying the size of the charity (see Section E in Appendix S1). Specifically, the lower-capacity charity was a small-sized charity with six full-time staff members, while the higher-capacity charity was a large-sized charity with a team of 6000 full-time staff members. In the control condition, no size information about the charity was disclosed. Participants then answered the same perceived capacity and perceived need questions as in previous studies. Finally, participants indicated how they would divide the $20 windfall between the charity provided and a different charity of their choice. As an attention check, participants recalled how many full-time employees the charity has.

Results

Capacity manipulation check

A one-way ANOVA revealed a significant effect of capacity manipulation on the perceived capacity ($F(2, 243) = 8.38$, $p < 0.001$, $\eta^2_p = 0.07$). Post-hoc tests showed that participants perceived the charity to have higher capacity in the high-capacity condition ($M = 5.23$, SD = 1.35) than in both the control condition ($M = 4.71$, SD = 1.43; $p = 0.02$) and the low-capacity condition ($M = 4.37$, SD = 1.37; $p < 0.001$). The perceived capacity in the control condition was marginally higher than that in the low-capacity condition ($p = 0.12$).

Perceived need

A one-way ANOVA revealed a significant effect of capacity on the perceived need of the charity ($F(2, 243) = 16.56$, $p < 0.001$, $\eta^2_p = 0.12$). Post-hoc tests showed that participants perceived the charity to have a lower

need in the high-capacity condition (M=4.74, SD=1.57) than in both the control condition (M=5.49, SD=1.23; p<0.001) and the low-capacity condition (M=5.91, SD=1.17; p<0.001). The perceived need in the control condition was lower than that in the low-capacity condition (p=0.05).

Donation amount

A one-way ANOVA revealed a significant effect of capacity manipulation on the donation amount to the focal charity (F(2, 243)=10.96, p<0.001, η^2_p=0.08). Post-hoc tests showed that participants donated less in the high-capacity condition (M=$8.83, SD=5.77) than in both the control condition (M=$13.04, SD=6.79; p<0.001) and the low-capacity condition (M=$12.73, SD=6.61; p<0.001), while the latter two did not differ (p=0.76), see Figure 6.

Mediation analysis

We performed a mediation analysis with capacity manipulation as the independent variable (X), the perceived need of the charities as the mediator (M), and the donation amount as the dependent variable (Y) (PROCESS model 4 with 5000 bootstrap samples; Hayes, 2017). The mediation analysis revealed a significant mediation through perceived need both when contrasting the high-capacity condition and the low capacity condition (X1: indirect effect=2.70, SE=0.60, 95% CI [1.60, 3.96]) and when contrasting the high-capacity condition and the control condition (X2: indirect effect=1.74, SE=0.55, 95% CI [0.67, 2.87]); see Figure 7 for detailed path coefficients.

Discussion

Study 3 supports H1 that donors are less likely to donate to a higher-capacity charity than a lower-capacity charity. Furthermore, we show that participants are also less likely to donate to a charity signaling high capacity than to a charity without capacity cues. These findings suggest that the charity capacity curse is driven by participants' reduced preferences to donate to a charity signaling high capacity. Additionally, we provide robust mediation evidence for the role of perceived need, supporting H2, and we also find that the capacity curse can also occur in a between-subjects context.

STUDY 4: THE MODERATING ROLE OF PERCEIVED NEED

Study 4 employs a moderation-of-process approach to test the perceived need account (Spencer et al., 2005).

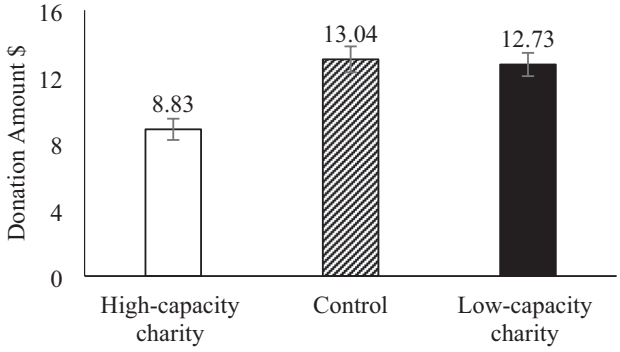

FIGURE 6 Study 3: Donation amount across conditions.

We posit that the charity capacity curse occurs because donors perceive higher-capacity charities as less needing help. Therefore, if we test a situation where the needs of the higher-capacity charity are explicitly higher, donors should be less likely to associate higher capacity with lower needs, mitigating the lower donation preferences for higher-capacity charities. Thus, we predicted that the charity capacity curse would be attenuated when we made it salient that the higher-capacity charity is in higher need (H3).

Method

Participants and design

Study 4 employed a 3-condition (control vs. high capacity–low need vs. high capacity–high need) between-subjects design. Four hundred one US participants were recruited through Prolific for a nominal fee. Following our pre-registered exclusion criteria, we analyzed data from 349 participants (M_{age}=40.27, 50.4% women, 47.3% men, 2.3% non-binary).

Procedure

Participants imagined they had recently received a cash windfall and wished to donate to a charity. We then presented participants with two natural disaster relief charities: Relief Plate and Harvest Aid. We used the same human resources capacity manipulation as in Study 1 by showing that the two charities had more- (vs. less-) professional volunteers. A separate pretest (N=101, US Prolific) validated this capacity manipulation (see details in Section F: Appendix S1).

We manipulated charities' perceived need through the presence of natural disasters in the community that the charity serves. In the *high capacity–high need* condition, the higher-capacity charity serves communities hit by a hurricane recently, while the communities that the lower-capacity charity serves did not. In contrast,

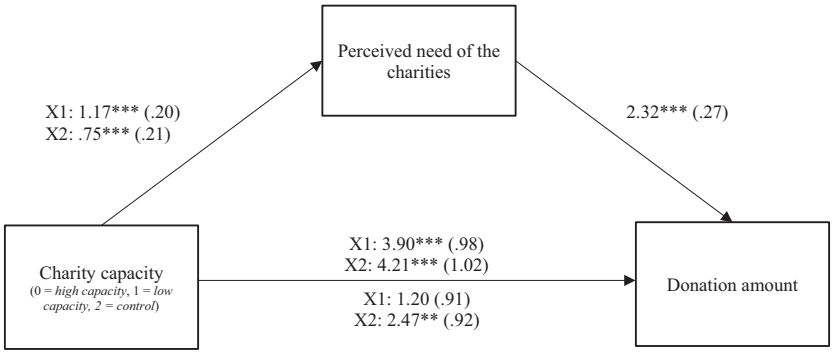

FIGURE 7 Study 3: Charity's perceived need mediates the charity capacity curse. *$p<0.05$; **$p<0.01$; ***$p<0.001$ (standard errors).

the presence of a natural disaster was reversed in the *high capacity–low need* condition. Specifically, the communities that the lower-capacity charity serves were hit by a hurricane recently, while the communities that the higher-capacity charity serves were not. In the *control* condition, no information on the presence of natural disasters was provided. Participants then rated the perceived need of the charities and indicated which charity they would donate to using the same scales as in Study 1. Finally, participants answered an attention check question by recalling which charity's volunteers are mostly professionals.

Results

Perceived capacity pretest

A repeated-measures *t*-test showed that participants rated the charity with professional workers as having higher capacity ($M=5.43$, SD = 1.27) than the charity with entry-level workers ($M=4.86$, SD = 1.31; $t(100)=3.38$, $p<0.001$, $d=0.34$), indicating that the capacity manipulation was successful.

Perceived need

A repeated-measures ANOVA revealed a main effect of capacity manipulation on the perceived need of charities ($F(1, 346)=37.05$, $p<0.001$, $\eta^2_p=0.10$). Participants rated the higher-capacity charity ($M=5.03$, SD = 1.70) as having lower needs than the lower-capacity charity ($M=5.74$, SD = 1.44). The main effect of the need salience manipulation on the charities' perceived need was insignificant ($p=0.33$).

More importantly, results revealed a significant interaction effect between the capacity and the need manipulation on the perceived need of the charities ($F(2, 346)=46.08$, $p<0.001$, $\eta^2_p=0.21$). Specifically, participants perceived the higher-capacity charity as needing less help than the lower-capacity charity in both the *control* condition ($M_{\text{higher-capacity}}=5.07$, SD = 1.43 vs. $M_{\text{lower-capacity}}=5.91$, SD = 1.00; $p<0.001$) and the *high capacity - low need* condition ($M_{\text{higher-capacity}}=4.37$, SD = 1.89 vs. $M_{\text{lower-capacity}}=6.33$, SD = 0.87; $p<0.001$). In contrast, and consistent with our objective, participants rated the higher-capacity charity as needing more help than the lower-capacity charity ($M_{\text{higher-capacity}}=5.66$, SD = 1.51 vs. $M_{\text{lower-capacity}}=4.94$, SD = 1.90; $p<0.001$) in the *high capacity–high need* condition.

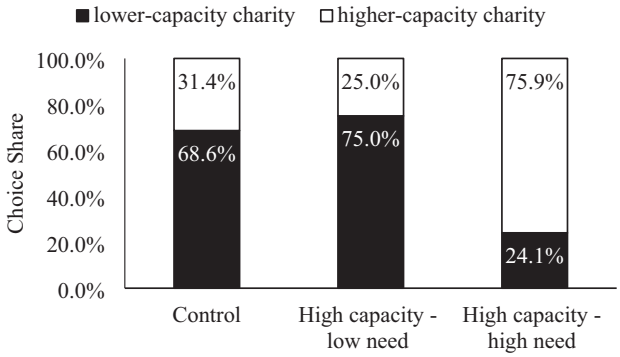

FIGURE 8 Study 4: Donation choice share across conditions.

Choice

Replicating our previous findings, participants were less likely to donate to the higher-capacity charity than the lower-capacity charity in both the *control* condition (31.4% vs. 68.6%, $p<0.001$; see Figure 8) and the *high capacity–low need* condition (25.0% vs. 75.0%, $p<0.001$). In contrast, in the *high capacity–high need* condition, where the need of the higher-capacity charity was highlighted, participants were more likely to donate to the higher-capacity charity than the lower-capacity charity (75.9% vs. 24.1%, $p<0.001$).

A logistic regression further showed a significant effect of the need manipulation on the choice of charity (Wald χ^2 (2) = 62.80, $p<0.001$). Consistent with our hypothesis, participants were more likely to donate to the higher-capacity charity in the *high capacity–high need* condition (75.9%) than in both the *control* condition

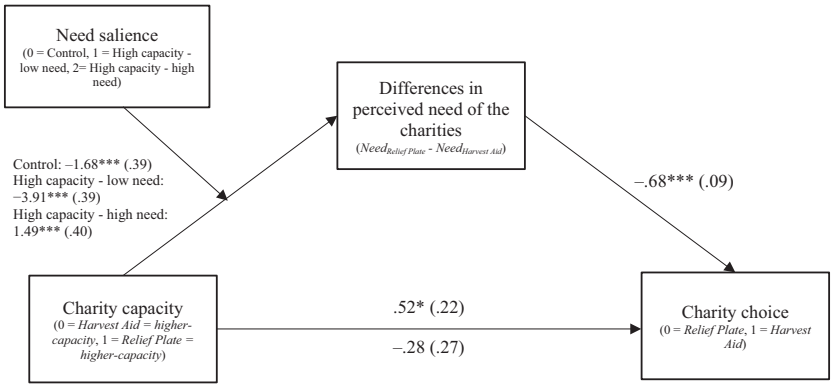

FIGURE 9 Study 4: Need salience moderates the differences in perceived need for the effect of capacity on donation choice. *$p<0.05$; **$p<0.01$; ***$p<0.001$ (standard errors).

(31.4%; $b=1.93$, SE = 0.30, Wald χ^2 (1) = 42.65, $p<0.001$, OR = 6.88) and the *high capacity–low need* condition (25.0%; $b=2.25$, SE = 0.31, Wald χ^2 (1) = 53.20, $p<0.001$, OR = 9.44). In addition, participants did not differ in their donation likelihood to the higher-capacity charity in the latter two conditions ($p=0.27$).

Moderated mediation

To test whether the salience of need moderated the effect of capacity on donation choice, we performed a moderated mediation analysis with the capacity manipulation as the independent variable (X), the differences in the perceived need of the charities as the mediator (M), the salience of need as the moderator (W), and the charity choice as the dependent variable (Y) (PROCESS model 7 with 5000 bootstrap samples; Hayes, 2017).

Results revealed a significant moderated-mediation effect between the *control* and the *high capacity - high need* condition (index = −2.17, SE = 0.61, 95% CI [−3.59, −1.17]) and between the *control* and the *high capacity–low need* condition (index = 1.53, SE = 0.41, 95% CI [0.84, 2.46]). Consistent with our theory, differences in perceived need mediated the effect of capacity on donation choice only when the higher capacity charity did not disclose its need (i.e., the *control* condition; $b=1.15$, SE = 0.26, 95% CI [0.73, 1.74]), or needed less help (i.e., the *high capacity–low need* condition; $b=2.68$, SE = 0.52, 95% CI [1.86, 3.90]). In contrast, the mediation effect reversed when the higher capacity charity needed more help (i.e., the *high capacity–high need* condition; $b=-1.02$, SE = 0.45, 95% CI [−2.05, −0.26]). See Figure 9 for detailed path coefficients. In addition, we ran the same mediation analysis using PROCESS model 8 (Hayes, 2017); the results remained consistent. The details of the results are reported in Section F: Appendix S1.

Discussion

Study 4 provides results consistent with previous studies, showing that donors are less likely to donate to a higher-capacity charity than a lower-capacity charity, both when the needs of the charities are not highlighted and when the lower-capacity charity's needs are salient. More importantly, this study reveals that the charity capacity curse is attenuated when making the needs of the higher-capacity charity more salient. Additionally, such an effect is mediated through differences in perceived need. These findings support our perceived need account: donors' lower willingness to donate to a higher-capacity charity is due to a perception of lower need.

STUDY 5 MAKING IMPACT SALIENT TO MAKE DONORS VALUE CAPACITY

Study 5 explores communication strategies for nonprofit managers to counteract the charity capacity curse, providing further evidence for the perceived need process account. Although higher-capacity charities are perceived as being of lower need, asking people to think about their decision's impact before donating could encourage them to prioritize impact over need, leading to more support for higher-capacity charities (H4).

Method

Participants and design

Study 5 employed a 2-condition (salience of impact: high vs. control) between-subjects design. Three hundred ninety-nine US participants were recruited through

Prolific for a nominal fee. Following our pre-registered exclusion criteria, we analyzed data from 392 participants on Prolific (M_{age}=37.50, 60.2% women, 38.5% men, 1.3% non-binary).

Procedure

Participants imagined they had recently received a cash windfall and wished to donate to a charity. Participants then read descriptions of two food charities (FoodAid and FoodBridge) that differ in size and age, similar to Study 2A. We counterbalanced the description associated with the charity's name, mission, and website design. We manipulated the salience of the decision's impact by asking questions about the choice's impact before participants made the binary choice (in the *high-impact-salience* condition) or after (in the *control* condition). The questions asked which charity would "help the most people," "make a greater impact on the community," and "create the most benefits" with your donation; participants responded on an 11-point bipolar scale ranging from definitely FoodAid to definitely FoodBridge; α=0.85; see details in Section G: Appendix S1.

Participants then indicated which charities they would donate to. Subsequently, they answered the same perceived capacity and perceived need questions as in previous studies. Finally, participants answered an attention check question by recalling the category to which the charities belonged.

Results

Capacity manipulation check

A repeated-measures ANOVA revealed a main effect of the capacity manipulation on the perceived capacity of the charities (F(1, 390)=461.92, p<0.001, η^2_p=0.54). Participants rated the larger-sized and well-established charity (M=5.86, SD=1.00) to have higher capacity than the smaller-sized and newly founded charity (M=4.14, SD=1.30). The impact-salience manipulation's effect on the charities' perceived capacity was insignificant (p=0.77). The interaction between capacity manipulation and impact salience manipulation was marginally significant (F(1, 390)=3.17, p=0.08, η^2_p=0.01). Post-hoc tests showed that participants rated the larger-sized and well-established charity to have higher capacity than the smaller-sized and newly founded charity in both the *control* condition (M_{large}=5.92, SD=0.96 vs. M_{small}=4.05, SD=1.36, p<0.001) and the *high-impact-salience* condition (M_{large}=5.80, SD=1.04 vs. M_{small}=4.22, SD=1.24, p<0.001).

Perceived need

A repeated-measures ANOVA revealed a main effect of the capacity manipulation on the perceived need of the charities (F(1, 390)=396.99, p<0.001, η^2_p=0.50). Participants rated the higher-capacity charity (M=4.20, SD=1.58) to be of lower need than the lower-capacity charity (M=5.96, SD=1.06). The impact-salience manipulation's effect on the charities' perceived need was insignificant (p=0.29). There was no difference in perceived need between the *control* condition (M=5.14, SD=1.06) and the *high-impact-salience* condition (M=5.03, SD=0.98). The interaction between capacity manipulation and impact salience manipulation was insignificant (p=0.75).

Choice

Replicating the findings from previous studies, participants in the *control* condition were less likely to donate to the higher-capacity charity (38.3%) than to the lower-capacity charity (61.7%, p=0.001, see Figure 10). In the *high-impact-salience* condition, participants indicated no significant preferences between the higher-capacity charity (49.5%) and the lower-capacity charity (50.5%, p=0.94). A binary logistic regression showed that more participants in the *impact focus* condition (49.5%) donated to the higher-capacity charity than in the *control* condition (38.3%, b=0.46, SE=0.21, Wald χ^2 (1)=4.99, p=0.03, OR=1.58), supporting our hypothesis (i.e., **H4**). In other words, the charity capacity curse was reduced by increasing the salience of the charity's impact.

Moderated mediation

We conducted a moderated mediation analysis (PROCESS Model 14 with 5000 bootstrap samples; Hayes, 2017) with capacity as the independent variable (X), the differences in the perceived need of the

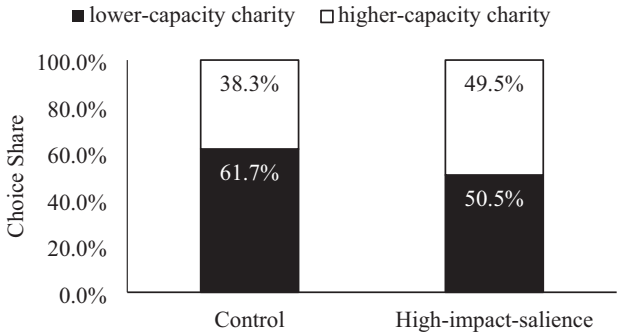

FIGURE 10 Study 5: Donation choice share by impact salience.

charities as the mediator (M), the salience of impact as the moderator (W), and donation choice as the dependent variable (Y). Results revealed that the 95% confidence interval for the index of moderated mediation did not include zero, suggesting that the moderated mediation model was supported (index = −0.70, SE = 0.35, 95% CI = [−1.41, −0.04]; see Figure 11 for detailed path coefficients). Replicating the findings from previous studies, perceived need mediated the effect of capacity on donation choices in both the *control* condition (b = 1.50, SE = 0.32, 95% CI = [0.95, 2.18]) and the *high-impact-salience* condition (b = 0.80, SE = 0.27, 95% CI = [0.31, 1.36]). More importantly, we found that the indirect effect through perceived need was stronger when the impact was not salient (i.e., *control* condition) than when the impact on the beneficiaries was salient (i.e., *high-impact-salience* condition) (contrast = −0.70, SE = 0.35, 95% CI = [−1.41, −0.04]). This result indicates that when donors are reminded of their donation's impact, the charities' perceived need is less likely to drive their donation choices.

Discussion

Study 5 replicates the charity capacity curse. Importantly, Study 5 supports the perceived need account by demonstrating that the charity capacity curse is attenuated when donors rely less on perceived need in their donation decisions. Specifically, we show that donors are more likely to donate to a higher-capacity charity when shifting their focus to the impact of their decisions. Thus, we identify an intervention strategy to mitigate the charity capacity curse by emphasizing the impact.

Furthermore, two supplementary studies (SS3 and SS4; see details in Sections K and L in Appendix S1) show additional boundary conditions of the observed effect. Specifically, we demonstrate that the charity capacity curse attenuates (1) when the charities' relative need level is difficult to compare by using a separate evaluation design (SS3; N = 481, Singaporean students); and (2) when the lower-capacity charity is perceived to be genuinely incapable (SS4; N = 291, US Prolific).

GENERAL DISCUSSION

Existing literature suggests that charities with higher capacity achieve more positive impact. However, across six pre-registered studies utilizing various capacity cues and involving incentive-compatible designs, we find that most donors penalize capacity signals in charities—a *charity capacity curse*. Using human resources capacity manipulation, we show that donors are less likely to donate to a charity with more professional personnel than to a charity with amateur personnel (Study 1). Mediation evidence suggests that the differences in perceived need are associated with the effect of capacity on donation choice. This effect replicates using organizational capacity (Study 2A) and financial capacity (Study 2B). Furthermore, the mediating role of perceived need holds even when controlling for overhead spending, warmth, determination, trustworthiness, and sympathy (Studies 2A and 2B). This effect is driven by donors penalizing charities signaling high capacity, which is associated with a lower perceived need (Study 3). We also identify two theoretically derived boundary conditions that attenuate the *charity capacity curse*: (1) when the need of the higher-capacity charity is made salient (Study 4) and (2) when the decision's impact is made salient (Study 5).

Theoretical contributions and managerial implications

Effective altruism

While prior literature shows how effectiveness carries little weight relative to other important factors, such as subjective preferences (e.g., Cryder et al., 2017), the present research directly examines whether signals of charity capacity (an indicator of effectiveness) alone, while keeping other factors constant, influence donations. The effective altruism movement suggests that people should give to charities that accomplish the most good per dollar (Caviola et al., 2021; Gneezy et al., 2014). However, the present research identifies signals of charity capacity as a novel factor that dissuades donors from doing

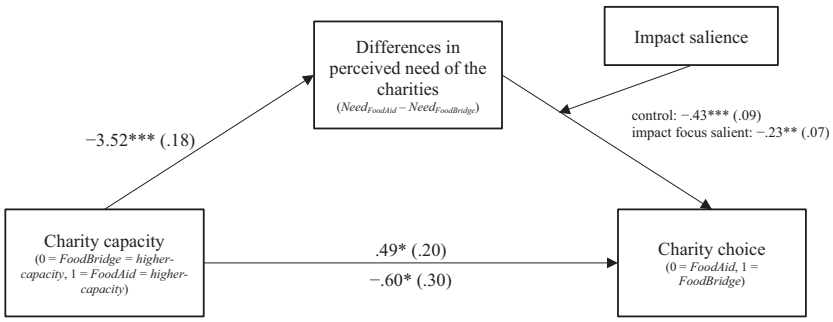

FIGURE 11 Study 5: Impact salience moderates the effect of perceived need differences between charity capacity and charity choice. *p < 0.05; **p < 0.01; ***p < 0.001 (standard errors).

this. More than ever, the donation landscape relies on charity assessment tools such as charitynavigator.org, givewell.org, kiva.org, and donorschoose.org, which seek to facilitate effective altruism practices by comparing charities' effectiveness information, including capacity. Paradoxically, capacity signals might sometimes be a curse rather than a blessing, leading to a lower willingness to donate.

This work also adds to our understanding of when and why effective altruism fails. While prior literature suggests that people fail to donate more effectively due to various motivational or cognitive reasons (Caviola et al., 2021), we demonstrate a novel cognitive explanation whereby prospective donors interpret higher capacity as a sign that the charity needs less help. Furthermore, motivationally, as most donors donate using a need-based heuristic (Cryder et al., 2017; Small & Cryder, 2016), donors who interpret capacity cues as signals of lower need are thus less likely to support highly capable charities. Of course, not all individuals are equally expected to interpret capacity as an indicator of lower need. Furthermore, capacity cues may *help* capture segments of consumers who naturally favor effectively managed charities (those who tend to use an impact-based strategy). Indeed, the recent growth of the effective altruism movement (and impact-focused charities such as GiveWell) is a testament to a distinct segment of donors who reward capacity cues.

Finally, our research provides practical insights into communication strategies for non-profit managers. First, we demonstrate that the charity capacity curse is mitigated when the higher-capacity charity's need is explicitly highlighted. While many charities emphasize their needs in fundraising efforts, donors are often exposed to competing signals of capacity and need. Our findings suggest the importance of higher-capacity charities, which frequently suffer from a lower need perception, to adequately communicate their need for help, even if they have the ability to obtain resources for their mission.

Second, our results also indicate that encouraging donors to reflect on the impact of their donation can attenuate the charity capacity curse. Managers of higher-capacity charities could highlight their charity's impact on end-beneficiaries to avoid the curse.

Third, the findings of SS3 suggest that separate evaluations of charities reduce the negative bias associated with capacity. Higher-capacity charities might benefit from presenting their capacity cues independently rather than in direct comparison with lower-capacity charities. Conversely, managers should highlight their needs in their fundraising appeals when presenting together with other charities.

However, charities must maintain a balance and not underrepresent their capacity. Our study (SS4) reveals that being perceived as incapable can deter donations, even if the charity is seen as more in need of help. Donors are hesitant to support charities they believe cannot adequately help end beneficiaries. Therefore, while highlighting needs is essential, charities must also assure donors of their capability to fulfill their missions effectively.

Future research

The current research raises several questions for future inquiries. This research adopts a resource-based perspective of charity capacity cues and focuses on capacity signals related to the ability to obtain essential resources for mission fulfillment (Barney, 1991; Bogaert et al., 1994; Hall et al., 2003). Future studies can explore a broader array of cues that signal effectiveness. For instance, charity comparison platforms, such as charitynavigator.org, often directly compare charities' effectiveness through star ratings or numerical scores based on specific metrics (Cunningham & Ricks, 2004). Donors may be less likely to infer perceived need with more abstract effectiveness indicators. In addition, by presenting explicit, quantifiable ratings of the charities' effectiveness, donors might be encouraged to use more analytical thinking and favor charities with higher ratings.

Notably, in Study 5, where we manipulated the extent to which donors rely on need when making donation decisions, and in SS3, where we manipulated the extent to which the difference in perceived need between lower- and higher-capacity charities is salient, donors did not exhibit a higher preference for the higher-capacity charity over the lower-capacity charity. These findings may suggest that, besides need, other factors also contribute to donation decisions. For instance, we found that donors perceived higher-capacity charities as less warm and trusted and sympathized with higher-capacity charities less. Although we showed that perceived need is a robust predictor above and beyond these other factors when explaining the effect of capacity on donation choices, it is likely that these or other factors also play an essential role in donation preferences (Chapman et al., 2021, 2022). Future research can dive deeper into the relative importance of different charity attributes.

Moreover, we demonstrate the charity capacity curse among US, UK, and Singapore participants, capturing more affluent societies. Future research could test whether the charity capacity curse holds in less wealthy societies. Future research could also examine other individual differences that might moderate the effect and be useful for high-capacity charities wishing to segment their communication strategies. For example, the analytical training of business sectors might lead to a weaker or reverse charity capacity curse. Charities could provide extensive evidence of their capacity when soliciting donations from this population. Indeed, some sub-groups of consumers—such as proponents of the effective altruism

movement or altruism givers—reward effectiveness cues (Karlan & Wood, 2017).

Set in a context where society increasingly promotes effective altruism and more charities strive to enhance and showcase their capacity, our work uncovers a counterintuitive *charity capacity curse*—many donors penalize capacity signals. We introduce a novel perceived-need account: donors interpret capacity as indicating that the charity has relatively lower needs. The results highlight the need for charity managers to consider how communication changes can impact their ability to attract donations and maximize the help they can provide.

ACKNOWLEDGMENTS

The authors gratefully acknowledge financial support from the Leeds University Business School Elite Journal R&R Support Scheme Fund (awarded to Zhang), the Singapore Ministry of Education Tier 1 Grant (awarded to Allard), and the Canadian Social Sciences and Humanities Research Council (SSHRC) grant (awarded to Hardisty).

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are openly available in ResearchBox at https://researchbox.org/3938.

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How to cite this article: Zhang, L. S., Allard, T., Hardisty, D. J., & Wang, X. S. (2025). The charity capacity curse. *Journal of Consumer Psychology*, *00*, 1–23. https://doi.org/10.1002/jcpy.70000