Qiaozhen Liu’s Article on Nonprofits’ Overhead Spending is Getting Noticed

An article in The Conversation by Qiaozhen Liu, Ph.D., assistant professor in the School of Public Administration, has had more than 29,000 views. Based on a recent peer-reviewed journal article, it examines the relationship between non-profit overhead spending and program outcomes. The article was also reposted in the Chronicle of Philanthropy.

Liu, along with Hala Altamimi, assistant professor of public administration at the University of Kansas, proposed that there is an optimal level of overhead spending that maximizes program outcomes. Too little overhead starves nonprofits and erodes their organizational infrastructure, yet too much overhead is a sign of bad management and opens the door for resource exploitation.

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They analyzed data from 22,328 arts and cultural nonprofits, mostly museums and theaters, from 2008 through 2018. They compared the share of budget dedicated to overhead with the attendance at events.

“We found that when arts nonprofits devoted 35 percent of their budget to overhead, they fared best in terms of attendance,” said Liu and Altamimi. “Attendance declined, by contrast, for organizations that spent extremely low and high amounts of their budget on overhead. Groups that spent far too little saw their attendance decline by 9 percent. Attendance for arts groups that spent way too much on overhead fell by 30 percent.”

The research challenges the commonly held notion that nonprofits with lower overhead are better than those that spend a lot on overhead. The “sweet spot,” suggest the academics, is spending a bit more than one-third on overhead, though there is no set level as each operation has different influencing factors, including growth stage and subsectors.

Liu received his Ph.D. in Public Policy from Georgia State University. His research focuses on public and nonprofit organizations with special interests in financial management, program outcomes, and decision making. His work has appeared in top public and nonprofit journals, including the *Journal of Public Administration Research* and *Theory and Nonprofit and Voluntary Sector Quarterly*. He has also received multiple academic awards and fellowships, such as the Penn Summer Social Impact Doctoral Fellowship and the Andrew Young School Excellence in Teaching Policy Award. His teaching areas of interest include nonprofit management, budgeting and financial management, research design, and quantitative methods.

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