DONOR RELATIONS AND STEWARDSHIP AND THEIR RELATIONSHIP TO PRIVATE PHILANTHROPY IN UNIVERSITIES

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by
MARTA M. LOYD

Dr. Cynthia MacGregor, Dissertation Supervisor

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The undersigned, appointed by the dean of the Graduate School, have examined the dissertation entitled

DONOR RELATIONS AND STEWARDSHIP AND THEIR RELATIONSHIP TO PRIVATE PHILANTHROPY IN UNIVERSITIES

Presented by Marta M. Loyd

A candidate for the degree of Doctor of Education

And hereby certify that in their opinion it is worthy of acceptance.

_________________________________________________________________

Dr. Cynthia MacGregor

_________________________________________________________________

Dr. Denise Baumann

_________________________________________________________________

Dr. Diana Garland

_________________________________________________________________

Dr. Robert Watson
DEDICATION

I am deeply grateful to my family for their selfless sacrifices over the last three years. My husband, Greg, was a constant source of encouragement and showed unflappable love and patience throughout my frequent travels and absence from events with family and friends. My children, Susan, Scott, and Bryan, and my son-in-law, Jason, are amazing young people of whom I am extremely proud. I thank them for their devoted love and encouragement.

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DONOR RELATIONS AND STEWARDSHIP AND THEIR RELATIONSHIP
TO PRIVATE PHILANTHROPY IN UNIVERSITIES

Marta M. Loyd

Dr. Cynthia MacGregor, Dissertation Supervisor

ABSTRACT

Universities depend on private gifts to help fill the funding gap between tuition and state and federal funding sources and thus, it is imperative that university personnel do all they can to retain donors who support them. The purpose of this study was to determine if purposeful stewardship and donor relations have a direct correlation to overall dollars raised from year to year by universities for scholarships. Stewardship data was collected from 45 Carnegie classified bachelors and masters colleges and universities who had participated for six consecutive years in the Voluntary Support of Education Survey (VSE) as administered by the Council for Aid to Education (CAE).

Data analysis was performed utilizing frequencies and the Pearson r correlation coefficient. The overall data analysis did not show a significant correlation between six specific stewardship activities and the average dollars given for scholarships each year nor the average year to year change in giving for scholarships. However, current stewardship practices were identified through the multiple choice survey which also included an open-ended response question allowing participants to elaborate on stewardship activities not mentioned in prior questions. Further research is needed to determine if there is a significant correlation between donor stewardship and giving.
CHAPTER ONE

INTRODUCTION TO THE STUDY

Background

With college and university enrollments mushrooming and state financial support generally unable to keep up, private philanthropy is becoming increasingly more important for higher education institutions (Bollag, 2007). As per unit costs continue to rise (Hahn, 2007) and state appropriations are cut back or minimally increased, a funding gap occurs and the burden is often passed along to the students. Sixty of 87 university respondents to a recent survey indicated they experienced cuts to their state appropriations for the 2010 fiscal year, reporting reductions ranging from 5% to 20% (Kelderman, 2009). Cost-cutting measures vary but include actions such as hiring freezes, deferred maintenance for the physical plant, collapsing courses, eliminating athletic teams, and reducing scholarships (Kelderman).

Historically, private philanthropy has provided a vital piece of the funding pie for colleges and universities but competition for these limited resources is on the upswing. As of 2008, there were 1,536,134 registered nonprofit organizations, an increase of 32.7% since 1998 (National Center for Charitable Statistics Business Master File, 2009). Many of these worthy causes depend on and continually seek gifts from the private sector. Since the best donor prospects are those who are already giving (Sargeant, 2001), exemplary stewardship practices must be woven into the culture of the organizations to care for and adequately appreciate those who provide them with monetary support.
It is relevant for higher education administrators and especially leaders of university development when attempting to raise more dollars using the most cost-effective processes, to determine if purposeful stewardship and donor relations have a direct correlation to overall dollars raised from year to year.

Contributions to colleges and universities in the United States reached $31.6 billion in 2008, an increase of 6.2% over the prior year (Kaplan, 2008). The Voluntary Support of Education Survey (Kaplan) revealed the sources of gifts in the following proportions: 28.8% from foundations, 27.5% from alumni, 19.4% from non-alumni individuals, 15.5% from corporations, and 8.8% from other organizations. It should be noted that the largest percentage of gifts from foundations were from private family foundations and can therefore be attributed to individuals. Likewise, many corporate gifts were the result of a relationship between the university and the president of the company. Thus, most gifts to universities originate from a relationship with an individual. Chung-Hoon, Hite and Hite (2007) provided evidence of the value of relationship building through their quantitative study examining 132 public higher education institutions in the United States to determine strategies for building enduring donor relationships. Their findings indicated that a combination of relational embeddedness and formal interaction between donors and universities were related to greater funding outcomes.

Burk (2003) used the term “donor-centered fundraising” (p. 11) when describing the importance of stewardship and donor relations following a gift. She defined donor-centered fundraising as “an approach to raising money and interacting with donors that acknowledges what donors really need and puts those needs first” (p. 22). Based on findings from a six-year qualitative study representing 267 nonprofits, and 150 corporate
and individual donors, she claimed donor-centered fundraising impacts fundraising success in three ways by: (a) retaining more donors longer, causing them to give increasingly larger gifts, and imploring even the most active donors to become more involved with the organization (Burk).

Adrian Sargeant (2001) applied recent research in the commercial sector to nonprofit fundraising. The research claims it costs an average of five times as much to conduct business with a new customer as with an existing one (Sargeant). Aside from the point that recruitment activity is inherently more expensive than donor stewardship, commercial sector research has helped focus the minds of fundraisers on how small increases in donor loyalty can have a dramatic impact on the organization’s future revenue streams (Sargeant, 2001). Increasing donor loyalty by as little as 10% has been shown to improve the return on investment by as much as 150% depending on the nature of the development strategies used (Sargeant & Woodliffe, 2007). Sargeant & Woodliffe (2007) claims the majority of donor acquisition activity fails to break even, with returns of only fifty to eighty cents on the dollar. To survive, nonprofits must encourage their supporters to make second and subsequent gifts (Sargeant, 2001).

Beyond the importance of enduring relationships through engagement, donors have other basic reasons for choosing to give to universities. They want to give to organizations that share their values, and to people who are less fortunate and trying to help themselves (Campbell & Company, 2009). Strickland (2007), in her article comparing historical philanthropy with higher education philanthropy of today, quoted Grace and Wendroff (2001) as she listed a few additional reasons donors give to universities. They typically: (a) believe in the importance of the organizations’ mission,
(b) hope to improve economic vitality of their community, (c) want to be associated with the nonprofit, and (d) expect solid management of their investment (Grace & Wendroff).

While all of the aforementioned references to higher education philanthropy are from sources less than ten years old, the philosophy is far from new. In fact, philanthropy helped build many of the early American universities. Some of the familiar names include: Leland Stanford, James Buchanan Duke, John D. Rockefeller, and George Eastman, who were instrumental in founding Stanford, Duke, the University of Chicago, and Massachusetts Institute of Technology (Strickland, 2007). The primary difference between these historical donors and the major philanthropists of today is with the extent of involvement they wish to have with the institutions they support (Strickland). The relatively new term, transformational giving, was first applied to large gifts given by private individuals and foundations to public universities in the United States. Transformational gifts are defined by “their unique capacity to alter the programs, perceptions and future of an organization” (Grace & Wendroff, 2001, p. 15). Although not limited to higher education, colleges and universities have been the most common recipients of these gifts primarily because donors have seen the institutions as places with a breadth of services and a complex infrastructure to implement the potential of transformational gifts (Grace & Wendroff, 2001). These new transformational donors aim to become true partners with the institutions they support and demand a high level of accountability (Strickland, 2007).

Many researchers to date have sought to understand why donors continue giving to a particular organization or why they lapse from year to year (Burk, 2003; Chung-Hoon et al, 2005, 2007; Nathan & Hallam, 2009; Sargeant, 2001; & Sargeant &
Woodliffe, 2007). While much has been discovered about the cost to recruit a donor, the
cost of losing a donor, and the value of stewardship in retaining donors, most of the
studies are broadly focused on nonprofits rather than specifically on higher education,
and those focused on higher education target the annual fund rather than major gifts given
to an institution from year to year. This study is focused on scholarship giving at
universities based on a standardized reporting method using an existing national survey,
then correlated with a series of specific stewardship activities.

The findings of this study may be helpful as university presidents and vice
presidents of development strive to evaluate the cost-effectiveness of the development
arm of the university. The study adds to the breadth of knowledge on stewardship and
donor relations and the effects of these activities on private dollars given to an institution.
Additionally, this study incorporates organizational learning to infiltrate university
campuses with a culture of stewardship making them better suited to retain loyal donors
and nurture valuable long term relationships with them.

The background section of this paper provided an introduction for donor profiles
and motivations, history of philanthropy and higher education, and the plausible effects
of stewardship and donor relations on private giving. The following section outlines the
study’s conceptual underpinnings of organizational culture and the learning organization.
A statement regarding the purpose of the study is then followed by a review of the
literature and a discussion of the methodology utilized to discover the possible correlation
between stewardship and university’s ability to maintain or increase private giving. After
examination of the results, a discussion of the research findings and implications for
future research will conclude the study.
Conceptual Underpinnings of the Study

The conceptual underpinnings section provides a brief rationale for the approach of the study through the cultural metaphor (Morgan, 2006) and the symbolic frame (Bolman & Deal, 2003) utilizing learning organization theories (Nonaka, 1994) and organizational culture theories (Schein, 1996; Smith & Reynolds, 1998). This section also incorporates cultural and learning organization theories specifically related to private philanthropy in nonprofit organizations (Burk, 2003; Chung-Hoon et al, 2005; Gillespie, 2003; Nathan & Hallam, 2009; Prince & File, 1994; Sargeant, 2001; Sargeant & Woodliffe, 2007; Schervish, 1988, 1991 & 2005; Weerts, 2007).

This study explores the donor stewardship variables associated with yearly scholarship giving levels at universities and adds to the research of Burk (2003), Chung-Hoon et al (2005), Chung-Hoon et al (2007), Sargeant (2001), Sargeant and Woodliffe (2007), and Weerts (2007). The previous research suggests that due to the many variables that could possibly affect private philanthropy, it is helpful to consider both the characteristics of donors and the universities they support. Grounded in the theories of organizational learning, the current research investigates the factors associated with donor stewardship (Burk, 2003; Sargeant, 2001; Sargeant & Woodliffe, 2007) to facilitate a better understanding of higher education organizations and how they increase their overall dollars raised from year to year. Additionally, Burk’s (2003) Donor-Centered Fundraising theory, Chung-Hoon et al’s (2005 & 2007) Donor/Organizational Integration Model theory, and Prince and File’s (1994) Seven Faces Donor Profile theory informed the theoretical framework and served as a catalyst for this study of the effects of donor stewardship on philanthropy, specifically in the regional university setting.
Analyzing issues using Morgan’s (2006) cultural metaphor and looking through Bolman and Deal’s (2003) symbolic frame facilitates a clearer understanding of the challenges in learning organizations. The culture metaphor points to a means of creating and shaping organized activity by influencing ideologies, values, beliefs, language, norms, rituals, ceremonies and other social practices (Morgan, 2006). Culture is not something that can be imposed on an organization, but rather, it develops during the course of social interaction. Bolman and Deal (2003) expanded on Morgan’s (2006) cultural metaphor stating that through the symbolic frame, “an organization can be a theater where actors play their roles in the organizational drama while audiences form impressions from what is seen onstage” (Bolman & Deal, 2003). Looking at this study through the symbolic frame of organization as theater, the organization represents the university; the actors represent the administration, faculty and staff; and the audiences represent the constituents - students, parents, volunteers, alumni, donors, legislators, community citizens, and taxpayers. It is the role and responsibility of the actors to build and continually nurture a culture of stewardship for themselves and their audiences.

“To be a steward of something is not to have ownership of something. It is rather to have the responsibility of taking care of something on behalf of another” (Gillespie, 2003, p. 147). In her editorial for *Innovative Higher Education*, Kay Herr Gillespie (2003) suggested higher education institutions should exercise stewardship over the entire enterprise which has been rendered to them by their constituents - students and their supporters, the citizenry at large, and the governmental or private entities which exercise the responsibility of ownership of our institutions. She wrote that within the framework of stewardship each act gains meaning by virtue of its being an act of caring which
overcomes the power of our human ego. Higher education institutions have stewardship obligations over students’ minds and development, faculty research interests, the physical plant, and all other tangible or intangible operations and activities entrusted to them (Gillespie, 2003). Thus, stewardship is the responsibility of the entire organization and must be embedded in its culture as identified through the mission, values, policies, procedures, and programs (Conway, 2003). Conway (2003) quotes Henry Rossi saying, “If we accept the philosophy that stewardship flows from our common value system, then it is clear that ethical fundraising simply surfaces these values and illuminates them” (p. 433).

Schein (1996) defined culture as “the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments” (p. 236). He claimed the members of an organization are not really aware of their own culture until they encounter a different one. Smith and Reynolds (1998) claimed an organization’s culture can determine the ability of its leaders to make ethical decisions. They use the terms angle of vision and vocabulary of ethics to describe the lens organizational leaders must look through when making decisions. The angle of vision is a way of seeing and analyzing a decision through deliberate ethical reflection, whereas a vocabulary of ethics describes the words invoked on a continual basis to inform the angle of vision (Smith & Reynolds). If a vocabulary including responsibility, respect for persons, fairness, and consequences for stakeholders is continually invoked, these values will inform the angle of vision used to make decisions or respond to problems. Smith and Reynolds (1998) maintained that if the vocabulary is invoked ex post facto to rationalize decisions, nothing is gained. For an institution to have
a culture and philosophy of stewardship, it can acquire or enhance its ethical vocabulary by becoming a learning organization.

The organizational knowledge creation theory (Nonaka, 1994) offers several valuable tools for a university striving to become a learning organization. Nonaka (1994) claimed the key to knowledge creation is the spiral of knowledge - a continual exchange of tacit and explicit knowledge from individuals and groups within and outside of the organization. David Weerts (2007) suggested a constructivist approach to organizational learning, where the learner does more than merely accept knowledge poured into an empty vessel. His model of knowledge theory (Weerts, 2007) shows the value of an engagement model, or a two-way approach where stakeholders and the university are true partners in a “community of learners” and universities become learning organizations. If university leaders can utilize Weerts’ (2007) engagement model to successfully involve donors, they have the capacity to leverage major private gifts for their institutions (Weerts, 2007). When close relationships are nurtured between investor and investee, a long-term commitment results between donor and institution and donors tend to provide money and expertise to the institution (Weerts).

According to Burk (2003), one of the pertinent outcomes of donor-centered fundraising is increasingly larger gifts through retaining and building meaningful relationships with current donors. Adrian Sargent (2001) understood the importance of retaining donors so he conducted a series of mixed method studies to learn why donors stop giving to a particular organization. A few of the reasons his findings showed were: (a) other causes are more deserving, (b) organization did not acknowledge donor’s
support, (c) organization did not inform donor how their money had been used, and (d) organization’s communications were inappropriate.

A recent qualitative study investigating the donor lapsing experience (Nathan & Hallam, 2009) further validated Sargeant’s (2001) findings. Additionally, Nathan and Hallam (2009) found donors stopped giving because they did not receive recognition for long-term support, because the organization broke a promise, or because they were solicited too often. Invoking Weerts’ (2007) engagement model, and Burk’s (2003) donor-centered fundraising model, the donors may have stopped giving to those particular organizations because they were not engaged, informed, or appreciated following their gifts. Thus, organizations willing to learn (Nonaka, 1994) to look through the cultural or symbolic lenses (Bolman & Deal, 2003; Morgan, 2006) for ways to engage and appreciate donors (Burk, 2003; Weerts, 2007) will be more likely to retain them from year to year (Nathan & Hallam, 2009; Sargeant, 2001). The approach to this study was to view universities through these lenses with the aim that they can become learning organizations, and work toward initiating or improving the culture of stewardship throughout the organization to help them become more successful at retaining donors and thus more cost-effective in their fundraising endeavors.

Statement of the Problem

Donor attrition is costing universities a fortune. A recent study of nearly 900 nonprofit organizations, The Fundraising Effectiveness Project (Urban Institute, 2009), showed that of 890 respondents, gifts from new and upgraded donors grew nearly 64%, but gifts lost through lapsed and downgraded donors decreased by 56%, for a net gain of only 8%. Thus, for every six new donors gained, organizations lost five. Since the
number of donors grew by nearly 10% while overall giving increased by only 8%, one can conclude that if existing donors had been retained, the net gain in giving would be substantially higher (Lagasse, 2009). While this study was not exclusive to higher education, universities are experiencing similar results (Chung-Hoon et al, 2007). As higher education institutions face greater competition for resources from the growing nonprofit world, more research on the factors associated with effective donor relations and stewardship may help university leaders make cost-effective budget decisions as well as decisions affecting the culture of the institution.

Knowledge of three primary factors is vital to understanding the possible impact of donor stewardship on giving to universities: (a) donors - individuals, foundations and corporations, (b) organizations - nonprofits and specifically universities, and (c) stewardship - appreciation, recognition, accountability, and involvement. Prior research related to donors which was reviewed for this study included in-depth research by Schervish (1991, 2005) specific to characteristics and philosophies of wealthy individuals and their motives for making large gifts to charity. Prince and File (1994) categorized donors into seven profiles depicting their motives for giving and how they like to be recognized. Also, Campbell & Associates (2009), on behalf of The Center of Philanthropy at Indiana University, explored largest gifts for a household, to whom they made the gifts, the fundraising tactics, recognition techniques, whether the gifts helped socially or economically disadvantaged people, and donors’ motivations for making large charitable donations. None of these researchers narrowed their focus to include donors giving only to universities, but rather included higher education in the same category with all other nonprofit organizations.
Research and articles reviewed for this study that were focused primarily on organizations and stewardship included Burke (2003), Chung-Hoon et al (2005, 2007), Gillespie (2003), Nathan and Hallam (2009), Sargeant (2001), Sargeant & Woodliffe (2007), Strickland (2007), and Weerts (2007). Burk’s (2003) study included a variety of nonprofit organizations - only 26% being higher education - and interviews with donors to learn why they stopped giving to an organization or why they continue to give. Chung-Hoon et al (2005, 2007) studied donor involvement with higher education institutions and its impact on the universities’ ability to raise private funds. Nathan and Hallam (2009) delved into the actual lapsing experience of the donors who stopped giving to a particular organization. Sargeant’s (2001) and Sargeant and Woodliffe’s (2007) exhaustive and ongoing research borrows data from commercial marketing research about why customers move their loyalties to other businesses. They expanded the studies to include nonprofits and parallel reasons why donors stop giving to nonprofits, but they do not focus specifically on higher education institutions. Strickland’s (2007) article provided a useful history of philanthropy in higher education and offered a broad comparison between yesterday’s major gift donors to those of today. Finally, Weerts (2007) studied the value of engagement, which is one form of stewardship, and its impact on a university’s ability to raise private funds.

As noted, only a few researchers narrowed their focus to higher education. While evidence of the relationship between donor stewardship and private philanthropy has been established for nonprofits and universities, no such relationship has been investigated with universities and student scholarships specifically. Still not enough is known about the impact of specific donor stewardship activities on giving at universities.
Purpose of the Study

According to Weerts (2007), university advancement should move toward an engagement model for the universities they support. Chung-Hoon et al (2007) suggested strategies for promoting enduring donor relations in higher education, and Strickland (2007) made connections between university donors of the past and those who are giving today. While each of these studies contributes valuable insights to the knowledge base related to donor relations and higher education, there is a need for more narrowly focused research to help university leaders make decisions.

Donors have many choices for how they might focus their giving to universities. A few examples of interest to donors include endowing a teaching chair or professorship, giving to a particular school or program, and giving financial aid for students in the form of scholarships (Worth, 1993). Stewardship activities provided to donors following their gifts can vary based on the designation of the gift. For example, the stewardship plan for a donor providing funds for an endowed chair might include attending a class lecture or a research presentation by the professor (Worth). However, the stewardship plan following a scholarship gift might include ways for the donor to learn about and interact with the student recipient (Worth).

To help university leaders understand the relationship between deliberate donor relations, donor stewardship, and private philanthropy this study focused specifically on gifts for student scholarships and the stewardship that ensues. The study examined the question of whether there is a significant relationship between the level of stewardship provided to donor following a gift to a university for student scholarships and the dollars raised by the university for scholarships in a given year. The results will be useful for
university presidents and chancellors or leaders of university development offices to determine how they might improve the culture of stewardship in their organization. The results could also help leaders decide how best to allocate their budget and prioritize staffing needs to ultimately increase private support to the university utilizing more cost effective methods.

Research questions

The primary research questions are as follows:

1. In a public university setting, to what extent is private philanthropy scholarship giving related to donor relations and stewardship?

2. In a public university setting, to what extent are differences in private philanthropy scholarship giving levels from year to year related to donor relations and stewardship?

Limitations, Assumptions, and Design Controls

Included in this section are some basic assumptions of the research on donor stewardship and its impact on scholarship giving from an individual and organizational perspective. The limitations are many due to time, feasibility, and complexity of the topic. The study only informs six specific stewardship activities when there are, in reality, many more possibilities. The six stewardship activities for the study include: (a) telephone call thanking the donor for the gift, (b) personalized thank you letter from the development officer, (c) personalized thank you letter from a board member or university administrator, (d) thank you note from student recipient, (e) involvement of the donor in the life of the institution, and (f) personalized annual stewardship report on the donor’s
The design controls of the study are discussed to support the findings and the validity of the investigation.

**Limitations and Assumptions**

Two specific limitations of this study are a result of the narrow focus on giving to universities that is restricted to scholarships and the lack of attention given to personalized stewardship dependant on gift size and cumulative giving. As noted earlier, there are many other gift designations and donor profiles that warrant a variety of stewardship activities which could impact future giving. Further, all universities will not be surveyed, but only a sample of those who participated in the Voluntary Support of Education Survey (Kaplan, 2008). The smaller sample size will limit the generalizability of the findings.

The study is purely quantitative to adequately answer the research questions. To more completely understand the nature of the effect of stewardship on fundraising, a mixed methods study including a few focus groups and some personal interviews would allow more of an emerging design (Patten, 2007).

Another limitation is related to the busy schedules of the participants being asked to complete the survey. Since these individuals are high profile professionals with many demands on their time, the survey was limited to ten questions making it vulnerable to statistical error (Fink, 2006).

While an effort was made to narrow the focus to four-year universities, they vary in age, size of enrollments, number of loyal alumni, size of endowments, and operating budgets for development. These variances will affect and the findings. Also, 2008 and 2009 saw drastic declines in the stock market as well as widespread economic uncertainty.
(Kelderman, 2009). Gifts to colleges and universities declined by 11.9% in 2009 – the steepest decline in the history of the VSE survey (Kaplan, 2010). Giving trends for 2008 and 2009 will be significantly affected by these unusual variables. Other variables that affect giving data when viewed as an aggregate are sizable estate gifts or one-time major gifts. These outlier events could cause drastic increases or decreases in total dollars raised for scholarships in a given year.

Basic assumptions that informed the study were that all regional universities have development departments whose primary responsibility it is to raise private funds and provide stewardship to the donors. It was assumed that donor stewardship impacts private philanthropy, even if the impact is negative.

Design Controls

A plan was implemented to ensure the greatest participation possible by those who were surveyed. For the relationship between variables to be established, 50 participants were needed (Fraenkel & Wallen, 2006). While the sample surveyed did not include all regional universities, the researcher believed that those who participated in the VSE study were more likely to complete the survey for this study.

The suggestion for an emergent design study (Patten, 2007) was included in chapter five of this dissertation. Special attention was given to construction of the survey questions. Also, the five-year span for the study was moved back to 2002 through 2007 to eliminate the most recent years with turbulent economic conditions. Lastly, two questions were added to determine: (a) additional stewardship activities not addressed through the survey, and (b) ways in which stewardship activities have been altered in response to the challenging economic conditions.
Definition of Key Terms

Like many professions, fundraising and development utilize terms unique to the field. In this section, the jargon used in the fundraising and development field will be defined. The following list is not meant to be exhaustive, but serves as a reference point for understanding the variables investigated and related concepts.

Acknowledgement. Acknowledgement refers to a written expression of gratitude for a gift or service (Temple, 2003).

Advancement. Advancement is a term commonly associated with university campus external relations offices charged with building relationships with a full range of external stakeholders: alumni, donors, community partners, corporate partners, state legislators, governors, and other government officials at the state, federal, and local level (Weerts, 2007).

Alumni. Alumni are people who are connected to an institution or an organization by virtue of their past affinity role. In this study, alumni denote former graduates of a higher education institution (Chung-Hoon et al, 2005).

Bequest. A bequest is the transfer, by will, of personal property such as cash, securities, or other tangible property (Temple, 2003).

Campaign. A campaign is an organized effort to raise funds for a nonprofit organization (Temple, 2003).

Case for support. The case for support includes carefully prepared reasons why a charitable institution merits financial support, including its resources, its potential for greater service, its needs, and its future plans (Temple, 2003).
Corporate philanthropy. Support through gifts, equipment, supplies, or other contributions by business firms to charitable institutions, sometimes through organized programs that may include corporate foundations, constitutes corporate philanthropy (Temple, 2003).

Cultivation. Cultivation is the process of promoting and encouraging interest or involvement on the part of a potential donor or volunteer leader. It is an educative process to inform others about an institution and the reasons why it merits support (Temple, 2003).

Culture of an organization. The prevailing values, traditions, and social norms of the organization define its culture. People often describe the culture by saying, “How we do things around here…,” to describe what they expect and understand about how things work within the organization (Chung-Hoon et al, 2005).

Development. Development is a sophisticated process that begins with the institution’s strategic plan, from which specific financial needs and fundraising goals are derived. Next, likely prospects are identified who have the capability and possible interest in supporting those needs. Those prospects are then engaged in the life of the institution, and informed of its needs and goals. If a good relationship results between the prospect and the development officer, gift solicitation can occur, and if successful, is followed by stewardship (Worth, 1993).

Development officer. The development officer is the individual responsible for designing and implementing the major gifts cycle with a donor, including identification, cultivation, solicitation, and stewardship. The chief development officer is the lead
development officer and is responsible for the major gifts process with the donor prospects having the greatest capacity. (Seymour, 1999).

Donor. A donor is anyone who gives something of value to an organization with no expectation of anything in return. For this study, the role is identified in reference to monetary gifts given to the institution (Chung-Hoon, et al, 2005).

Donor recognition. Donor recognition is the policy and practice of showing appreciation for gifts, first through immediate acknowledgment by card or letter and subsequently through personalized notes, personal expressions of appreciation directly to donors, published lists of contributors, and other appropriate ways (Temple, 2003).

Donor relations. A planned program of maintaining donor interest through acknowledgments, information, personal involvement, and other actions. (Temple, 2003).

Donor retention. Donor retention refers to the ability of development officers in nonprofit organizations to keep their donors making charitable contributions from year to year (Sargeant, 2001).

Endowment. Endowment describes principal or corpus maintained in a permanent fund to provide income for general or restricted use of an agency, institution, or program (Temple, 2003).

Family foundation. A foundation whose funds are derived from members of a single family. Generally, family members serve as officers or board members of the foundation and play an influential role in grant-making decisions (Temple, 2003).

Gift. A voluntary, irrevocable transfer of something of value without receiving anything tangible in return at the time of transfer or at any time in the future constitutes a gift (Temple, 2003).
Involvement. Involvement is the calculated effort, perennially undertaken by development offices, to stimulate interest and enthusiasm on the part of prospective donors and candidates for volunteer leadership through active participation in institutional affairs; an extension of cultivation (Temple, 2003).

Major gift. A gift of a significant amount of money (the size may vary according to the organization’s needs and goals) that may be repeated periodically is termed a major gift. Major gift can also be a program designation (Temple, 2003).

Nonprofit organization. A nonprofit organization is an establishment operated by members or volunteers (or both) that is classified by the Internal Revenue Service as providing a public benefit without purpose of generating a profit for its members (Temple, 2003).

Philanthropy. Philanthropy is the way people act on the values they share with an organization, and on the values they hold dear for their lives, their families, and their communities (Grace & Wendroff, 2001).

Private philanthropy scholarship giving. Gifts from individuals, corporations, or foundations specifically designated for student scholarships.

Recognition. Formal or informal acknowledgment of a gift or contributed services through an event, communication, or significant item honoring a gift or service (Temple, 2003).

Relationship fundraising. Relationship fundraising is an approach to the marketing of a cause that centers on the unique and special relationship between a nonprofit and each supporter. Its overriding consideration is to care for and develop that bond, and to do nothing that might damage or jeopardize it. Every activity is therefore
geared toward making sure donors know they are important, valued, and considered, which has the effect of maximizing funds per donor in the long term (Burnett, 2002).

Steward. To be a steward is not to have ownership of something, but to have the responsibility of taking care of something on behalf of another (Gillespie, 2003).

Stewardship. Stewardship describes the philosophy and means by which an institution exercises ethical accountability in the use of contributed resources, and the philosophy and means by which a donor exercises responsibility in the voluntary use of resources. Stewardship is the guiding principle in philanthropic fundraising (Temple, 2003).

Summary

This study attempted to identify variables associated with donor stewardship that impact private giving from individuals, corporations, and foundations. The focus of the study was narrowed to include only public four-year universities and the gift designation was narrowed to student scholarship aid.

The approach to the study is through Morgan’s (2006) cultural metaphor and Bolman and Deal’s (2003) symbolic frame with a focus on the learning organization as defined by Nonaka (1994). The study is framed in this way to make the findings useful for university leaders as they consider the impact of an organizational culture of stewardship on private giving. Studies by Burk (2003), Chung-Hoon et al (2005 & 2007), Sargeant (2001 & 2007), and Weerts (2007) show the culture of stewardship keeps donors engaged and giving. If a stewardship culture is not currently pervasive or effective throughout the university, leaders can consider implementing strategies toward this end using principles unique to a learning organization.
Chapter two of the study is comprised of a thorough review of existing research and articles from juried publications on the topics of donors, nonprofit organizations, and donor stewardship to inform the problem, the purpose for the study, and the methodology. Chapter Three describes the methodology used in this research, followed by Chapter Four which includes analysis of the data. Finally, Chapter Five summarizes the study and outlines opportunities for further study.
CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

Many state institutions are experiencing rapidly growing student enrollments at the same time legislatures are demanding greater performance and productivity. Yet the gap between legislative expectations and the resources to meet them is creating a looming crisis (Alexander, 2006). State appropriations are unreliable and fluctuate from year to year as evidenced by the national survey at the Illinois State education-policy center (Fischer, 2006; Kelderman, 2009). Thus, higher education institutions are becoming more dependent on the private sector due to unreliable support from state and federal sources.

This study’s purpose was to explore the relationship between donor stewardship and private giving. While the methodology section of this study was narrowed to include only public regional universities and gifts designated for scholarships, the review of literature includes a broader spectrum of nonprofit organizations and gift designations to provide adequate background on the topic. Research with the narrower focus was nonexistent, but several relevant studies were reviewed to demonstrate existing evidence of the relationship and the need for further research. This chapter offers a review of the literature relevant to the study and is comprised of eight main sections: (a) organizational learning; (b) organizational analysis; (c) donors - their characteristic traits and their motivations for giving; (d) organizations - who receives private gifts, their culture of stewardship, how they are organized, and a discussion of their challenges; (e) stewardship - how and when donors are acknowledged, appreciated, and involved; (f) lapsed giving; and (g) summary.
Organizational Learning

Ongoing organizational learning is the key to an organization’s sustainability, growth, and competitive advantage. Nonaka’s organizational knowledge creation theory (Nonaka, 1991, 1994) guides leaders as they try to ensure information and knowledge is created and shared internally across the organization and externally with constituents. To analyze the organizational knowledge creation process, Nonaka’s (1994) spiral of knowledge theory, including his four modes of knowledge conversion, provide the framework for this study. Mezirow and Associates’ (2000) transformative learning theory and Bruffee’s (1999) collaborative learning theory serve as supporting theories.

Knowledge is created by individuals, and therefore, organizations depend on individuals to create organizational knowledge (Nonaka, 1994). According to Nonaka (1994), the process of organizational knowledge creation can be best understood by first looking at the ways an organization amplifies individual knowledge, then looking at how the organization crystallizes that knowledge into the network of knowledge across the organization. Ideally, the crystallization process includes four modes of knowledge conversion within the organization: (a) socialization, (b) articulation or externalization, (c) combination, and (d) internalization (Nonaka). In learning organizations, all four modes exist in dynamic interaction, forming a spiral of knowledge (Nonaka, 1991).

Nonaka (1991) described one aspect of individual knowledge as tacit knowledge, which is highly personal, and difficult to formalize and communicate with others. Tacit knowledge can be associated with technical skills and “know how” (p. 98) or as personal knowledge individuals bring to situations, enabling them to think, interact, and perform (Eraut, 2004). To transfer or convert individual tacit knowledge to others for
organizational learning, socialization must occur between individuals (Nonaka, 1994). Colleges and universities tend to be complex organizations where new knowledge is created continuously through discourse, research, and interaction with external constituents.

Another form of individual knowledge, explicit knowledge, can be thought of as codified and is found in nearly all workplaces throughout organization-specific information, correspondence, manuals, records, and plans (Eraut, 2004). The articulation or externalization mode of knowledge conversion occurs when an individual takes knowledge they tacitly know and puts it into a form that can be easily communicated with another individual or group (Nonaka, 1991). While external knowledge conversion is common practice for university faculty as they transfer knowledge to their students, it can be more of a challenge between and among individuals from across disciplines, non-academic departments, and with external constituents.

Through the internalization mode of knowledge conversion, the individual converts explicit knowledge to tacit knowledge, describing the traditional notion of learning (Nonaka, 1994). Here, the process reunites with socialization and the sharing of tacit knowledge, resulting in the spiral model of knowledge creation (Nonaka). According to Nonaka (1994), ideas are formed in individual minds and can be considered the epistemological dimension of organizational knowledge creation. Further, the interaction and sharing of tacit and explicit information between individuals, or the ontological dimension of organizational knowledge creation, is critical for the development of new knowledge. Therefore, the spiral of knowledge creation represents
the relationship between the epistemological and ontological dimensions through continual dialogue between tacit and explicit knowledge (Nonaka).

Since individuals must learn before organizational learning can occur, it is important for individuals to become aware of their context of learning (Mezirow, 2000). The basic premise of Mezirow’s transformative learning theory is that individuals must first become aware of the historical, biographical, and cultural context that shapes their values and beliefs (Mezirow). Once aware, they can change the way they tacitly structure their assumptions and interpret tacit knowledge communicated by others. Transformative learning (Mezirow, 2000) during the socialization knowledge conversion modes is important in organizations because individuals come to the workplace with varied experiences and from diverse cultures. If they are to effectively learn from each other and ultimately cause organizational learning to occur, they must first be aware of their own personal epistemological (Nonaka, 1994) belief systems and be open to differing beliefs of co-workers.

A reacculturation process through boundary conversations and collaboration (Bruffee, 1999) allows individuals and groups to come together from differing cultures and backgrounds and learn from each other. This process is essential for organizational learning in the higher education environment because of the diverse population of employees and students. Students, faculty, and administrators come from different cultural and socio-economic backgrounds, and will be better individual and organizational learners if they are mindful of the context of their learning (Mezirow, 2000). They bring with them a wide range of experiences and diverse educational backgrounds causing them to differ greatly in their epistemologies and ontological views.
of the world. According to Eraut (2004), busy individuals tend to use tacit knowledge uncritically because they believe it works well for them, or they lack the time and/or disposition to search for anything better. The key for higher education institutions to become learning organizations is for individuals to gradually unlearn some of their habitual ways of thinking and learn or be receptive to new and different ideas (Eraut).

A systematic exchange of tacit and explicit information through Nonaka’s (1991 & 1994) four knowledge conversion modes is critical for higher education institutions. These organizations naturally form independent work silos due to the large volume of work, the typically understaffed workforce, and the natural academic divisions that exist. Thus, if there is not a culture of learning for the organization, individual colleges and departments will become sticky (Brown & Duguid, 2001) which prohibits beneficial exchange of information. The sticky departments can lead to an unhealthy and costly effort to prevent leakiness. Since planned and controlled leakiness can help an organization market their product (Brown & Duguid), the absence of this phenomenon can negatively impact university enrollments as well as legislative and private support.

Communities of practice can be useful organizational subsets of individuals who share insights, identify problems, and produce new knowledge (Brown & Duguid, 2001). In higher education, these communities might consist of representatives from different academic and service areas across campus, and also from external constituents like alumni and community leaders. Each area and individual can benefit from the knowledge of others but might not take the time or make the effort for discovery. If effective, communities of practice can provide a source of locally produced knowledge and also create a vital link between organizational strategy and changes emerging outside the
organization (Brown & Duguid). By first understanding how an organization learns through reacculturation (Bruffee, 1999) and the continual exchange of tacit and explicit knowledge among individuals (Nonaka, 1991, 1994) and communities of practice (Brown & Duguid, 2001), it is then useful to view the learning organization through the cultural lens (Morgan, 2006) and symbolic frame (Bolman & Deal, 2003).

Organizational Analysis

Using the cultural metaphor (Morgan, 2006) and the symbolic frame (Bolman & Deal, 2003) as the primary lenses, this section provides a review of the literature which offers a framework for looking at organizations, and specifically higher education institutions and their culture of stewardship. Peterson and Spencer (1990) posited that culture is difficult to change and, by definition, focuses on deeply embedded values, assumptions, beliefs, or ideologies. One might say culture is “the glue holding an organization together and uniting people around shared values and beliefs” (Bolman & Deal, 2003, p. 243).

As indicated by Martin (2002), four types of cultural manifestations can be seen when viewing an organization through the cultural lens: (a) cultural forms, (b) formal practices, (c) informal practices, and (d) content themes. Cultural forms can be observed through rituals, stories, jargon, humor, and physical arrangements (Martin, 2002). Formal practices are manifested through structures, rules, procedures, and financial controls, but can often become informal practices because people adopt their preferred way of doing things (Martin). Content themes include beliefs, ideologies, and values which can be espoused through organizational values statements or inferred deductively, which are probably the most realistic (Martin).
According to Schein (1992), espoused values look past one’s sense of what is – artifacts - and observe one’s sense of what ought to be. Further, he stated that certain values can only be confirmed by the shared social experience of a group and that until members of a culture have observed the outcomes of espoused values, there is no shared basis for determining it is real (Schein). Martin’s (2002) cultural forms and Schein’s (1992) espoused values are evident in the Association of Fundraising Professionals’ (AFP) definition of stewardship stated by Conway (2003). A few elements of their definition germane to organizations include: (a) effective governance and management; (b) responsible development and use of human, physical, and financial resources; and (c) the avoidance of conflicts of interest or abuses of power. Conway (2003) added that giving, receiving, and managing human and financial resources responsibly are all aspects of stewardship. Just as Gillespie (2003) asserted that these elements of stewardship must be woven into the culture of a university, Conway (2003) emphasized they should not simply be governed by generally accepted management practices but should flow from the organization’s deeper philanthropic mission, and therefore, be governed by a profound awareness of the public trust that is a fundamental principle of good stewardship.

As stated by Tierney (1988), numerous writers have noted the lack of cultural research specific to colleges and universities. However, prior research in other facets of higher education has prepared a foundation on which to build a framework for studying the culture (Tierney). For example, university administrators can benefit from prior research when using culture studies to make tough decisions. Most difficult decisions are not simple choices between doing right and doing wrong, claim Smith and Reynolds.
(1998), but rather involve problems of balancing legitimate competing claims. They arise out of multiple agendas and demands made on the institution (Smith & Reynolds). Tierney (1988) made the assumption for his article that more than one choice usually exists for the decision-maker, and regardless of the quantity of information gathered, there are still several viable alternatives. He suggested institutional culture often influences the decision (Tierney).

An understanding of culture is not a panacea to all administrative problems but can provide critical insight about which of the many possible options to choose in reaching a decision about how to increase enrollment or undertake a particular approach to a fund-raising campaign (Tierney, 1988). Haden, as cited in Muir & May (1993), suggested an important principle of successful stewardship should inculcate a sense of caring for donors in an institution’s volunteers and staff to the point where all who labor for the university should nurture this caring state of mind. When an institution’s leadership is committed to involving and engaging donors as a part of the university culture, that university is on the way toward an effective stewardship program (Muir & May).

In short, cultural manifestations form a “cultural tapestry of secular myths, heroes and heroines, rituals, ceremonies, and stories that help people find a purpose and passion in their person and work lives” (Bolman & Deal, 2003, p. 243). Morgan (2006) suggested culture must be understood as a living phenomenon “through which people jointly create and re-create the worlds in which they live” (p. 137). Martin (2002) warned, however, that it is a good idea to broaden one’s view when examining culture and not be content with a definition, but rather look at ways in which organizations operationalize it. Schein
(1992) emphasized that while the culture of an organization may manifest itself through observable artifacts, it is important to recognize that to really understand a group’s culture, one must attempt to get at its shared basic assumptions and understand the learning process by which such basic assumptions came to be.

This study was focused on colleges and universities striving to initiate or enhance a culture of stewardship. Tierney (1988) declared that “an organization’s culture is reflected in what is done, how it is done, and who is involved in doing it” (p. 3). Thus, if a university boasts a true culture of stewardship, it will be evident in all they do. The value of stewardship cannot be overstated (Grace & Wendroff, 2001). Even so, it is often left out when institutional budgets are allocated across the organization (Grace & Wendroff). While it is difficult to track the long-term potential impact of a program geared toward nurturing a relationship, it is a common path that leads to transformational giving (Grace & Wendroff).

**Donors**

To further comprehend the possible relationship between an organizational culture of stewardship and private philanthropy, it is essential to understand some basic characteristics of people. Building on the organizational learning concepts and looking through the cultural lens as discussed in the previous section, it is useful to consider characteristic traits of individuals who make gifts to organizations as well as their motivations for giving. In the following section, characteristic traits of donors are explored through three different studies followed by a discussion of donor motivations.
Characteristic traits

Harold J. “Si” Seymour, known among development professionals as a pioneer fundraising executive, had a unique ability for understanding people and their motivations for giving. Shortly after graduating from Harvard in 1916, Seymour joined the Harvard Endowment Campaign followed by an illustrious career in fund raising and consulting (Seymour, 1999). Throughout the remainder of this literature review, Seymour’s classic quotes are utilized to give the reader some insights into the basic concepts that successful development officers employ. Regarding an organization’s need for people, Seymour (1999) said, “Every cause needs people more than money. For when people are with you and are giving your cause their attention, interest, confidence, advocacy, and service, financial support should just about take care of itself. Without them, you might as well go and get lost. So you’d better know as much about people as you can” (p. xvii).

Three primary studies concerning donor characteristics were reviewed for this dissertation: (a) Burk’s (2003) donor-centered fundraising, (b) Prince and File’s (1994) seven faces of philanthropy, and (c) Schervish and Herman’s (1988) study on wealth and philanthropy. This section includes a synthesis and summary of the studies. Some of the results are reported in the organization and stewardship sections.

Donor-centered fundraising study. The best way to determine how donors want to be appreciated and recognized for their giving is simply to ask them. According to Burk (2003), following an extensive six-year research project and two national studies, donor-centered fundraising is the most cost effective and efficient way to retain donors longer, encourage them to increase the size of their gifts, and to raise the overall performance of
even the most active and loyal donors to a new standard. The survey respondents included 26% from the education sector (p. 8).

Over 400 nonprofits and donors from 49 states, and representing every nonprofit discipline participated in the national study between August 2002 and March 2003. Two hundred sixty seven nonprofits completed an on-line survey including more than 200 questions about donor communication and recognition practices, including budget-related issues (Burk, 2003). More than 150 individual and corporate donors and charitable foundations participated in the 100-question interviews conducted by telephone, averaging 45 minutes in length (Burk).

When an organization acquires a donor for the first time, an investment of 70 to 100% of the value of the donor’s first gift is made to simply acquire them (Burk, 2003). Thus, for the investment to pay off, the organization must attempt to effectively communicate with the donor to build a relationship with them and encourage continued future support. When a nonprofit fails to renew a donor who was previously acquired, they lose the immediate gift as well as that person’s potential gift, an amount that is simply incalculable (Burk, 2003). Fundraising is a relationship building business, and fundraising professionals must begin forming the relationship with a new donor the moment the first gift is received (Burk, 2003).

Seven-Faces Study. Based on a quantitative study of 476 affluent individual donors, Prince and File (1994) concluded there are seven different donor profiles nonprofits need to understand to effectively tailor stewardship efforts depending on which profile best fits each segment of their donor base. Phase I, the preliminary segmentation study, explored planned giving and donor perspectives on the trust creation
process as well as the applicability and outcomes of motivational segmentation in a sample of major donors (Prince & File). The results of the early study revealed four motivational donor types and thus encouraged the research team to further extend the motivational segmentation approach (Prince & File, 1994).

Phase II of the Prince and File (1994) study included the original motivational battery, more than 40 new items drawn from the literature, over a dozen in-depth individual donor interviews, and 15 interviews with resource development personnel from a variety of nonprofits (Prince & File). The new questionnaire was administered to 123 affluent donors while they were on a weekend retreat to learn about charitable remainder trusts. Factor and cluster analysis of whole and split samples confirmed the split in the affiliation dimension between business and social affiliation benefits, and revealed a new separation along a values and belief dimension distinguishing those operating out of a religious paradigm from those prompted by an altruistic or self-development array of motives. Based on this pretest, some motivational items were dropped or reworded (Prince & File).

Phase III of the Prince and File (1994) study was called the “Seven Faces Study.” This is the study that forms the basis of the donor segmentation into seven profiles. For the Seven Faces Study, an affluent individual donor was defined as a person who maintained $1 million or more in a discretionary investment advisory account and who had contributed $50,000 or more to a single nonprofit within the last two years (Prince & File). Cluster analysis was selected as the statistical approach of preference, resulting in the “Seven Faces” nomenclature to identify the seven clusters that emerged.
In the context of their own experience, nonprofit executives and development officers confirmed the validity of the final Seven Faces cluster solution through participation in focus groups (Prince & File, 1994). Further validation of the results ensued based on second interviews with five members of each segment. The seven profiles include: (a) the communitarians, who are typically local business owners who believe service on boards and investment in local charities helps their business and their communities, (b) the devout, who are members of the local churches and give because it is God’s will, (c) the investors, representing the affluent donors who give for tax and estate benefits, (d) the socialites, who are members of local social networks and are involved with area fundraising events and activities, (e) the altruists, who give out of generosity and empathy to urgent causes, (f) the repayers, who have personally benefited from a school or medical center and now give back out of a sense of loyalty or obligation, and (g) the dynasts, who typically inherit their wealth and give because their families have always been philanthropists so it is expected of them. Stewardship preferences for each of the seven profiles are discussed in the stewardship section later in this paper.

*Study on Wealth and Philanthropy.* Findings from “The Study on Wealth and Philanthropy” (Schervish & Herman, 1988) revealed that wealth has mainly to do with empowerment and is best understood within the broader framework of the sociology of money. Philanthropy is not a duty or avocation of the wealthy but rather an integral part of the way to establish a worldly presence or principality and individuality (Schervish & Herman). The leading question for the study was whether financially secure individuals demonstrate a tendency to respond positively to values and desires related to the use of time and money for philanthropic purposes (Schervish & Herman).
The findings for the study (Schervish & Herman, 1988) were derived from in-depth interviews with 130 wealthy individuals in eleven metropolitan areas across the United States. Wealth was defined as at least $1 million in net worth or a gross annual income exceeding $100,000. The interview protocol focused on six basic lines of inquiry: (a) biographical background, (b) the meaning of financial security and wealth, (c) money management and resource allocation, (d) patterns and frameworks of philanthropy, (e) perceptions of wealth and class, and (f) market and state (Schervish & Herman). Schervish and Herman (1988) used a two-track coding strategy involving descriptive and thematic coding schemes.

The sociology of money, or the study of the processes of socialization and social construction in regard to money, provides the framework for understanding and interpreting the findings of the study (Schervish & Herman, 1988). The major implication with this perspective was to understand that a wealthy life revolves around a dual process of socialization and social construction - first, of oneself to the rules of money and, second, of money to one’s will (Schervish & Herman). Money provides a set of rules that must be learned for it to be mobilized as a means of self-expression and power (Schervish & Herman, 1988), but this alignment imbues the individual with both the conscious desire and the objective means to mobilize wealth as an efficacious resource to shape the world and morally reconstitute their identities.

Motivations for giving

According to Seymour (1999), what people want most is simply to be sought and to feel they are a worthwhile member of a worthwhile group. There can hardly be any stronger motivation for supporting a cause than simple pride of association (Seymour,
Certainly any feeling of indifference toward an organization would cause serious blocks to persuasion. The other basic motivation is a responsible concern for continuity - keeping faith with the past, keeping step with the present, and keeping some real or implied promise to posterity (Seymour, 1999).

For universities, understanding what Grace and Wendroff (2001) call “transformational giving” (p. 15) which focuses on continually renewing the relationship with the donor, will be the key to success in fundraising success. Transformational donors want to be highly involved with the organization and maximize the impact of their gifts. Two researchers, John Havens and Paul Schervish at the Boston College Social Welfare Research Institute, completed a study projecting $41 trillion that will transfer from one generation to another from 1998 to 2052, estimating 10 million new millionaires to our economy (Boverini, 2006). Havens and Schervish concluded that there is a “golden age of philanthropy” (p. 86) dawning as a result of the growth in wealth and the economic and emotional incentives related to charitable giving.

Schervish (2005) elaborated on three sets of research findings directly related to what he calls the motivational matrix of the wealthy. The first set, the hyperagents, referred to those individuals who were able to allocate substantial resources to charity and were, therefore, capable of establishing the institutional framework within which they and others lived (Schervish). The second set of findings concerned the identification model of caritas, meaning individuals whose charitable giving revolved around the needs of others and was grounded in spiritual foundations. The practice of care describing this group was derived from the disposition that meeting the needs of others fulfills one’s own needs and connects one to the deeper dimensions of life, often expressed in religious
terms as the unity of love of self, love of neighbor, and love of God (Schervish, 2005). The third set of findings concerned the associational dynamics of charity, meaning donors’ pleasure through generosity is derived from the physical association with the organization (Schervish).

New donors give to issues (Bovernini, 2006). They like values-driven organizations with evidence of values woven into their mission (p. 88). They want acceptance of their ideas and opinions, rather than just their money (Grace & Wendroff, 2001). Grace and Wendroff (2001) suggest development officers work toward understanding the “5 I’s” that motivate new donors for giving: issues, ideas, involvement, impact, and investment.

As manifested through interviews from the Seven Faces Study (Prince & File, 1994), professional advisors to the affluent are important members of the charity network, and influential in the early stages of the relationship between the donors and the nonprofit organizations they support. The role of the advisor continues to be critical as the relationship matures and donors begin to consider more complex gifts through planned giving strategies. Therefore, development leaders need to target these advisors as influencers in major giving and show them the same level of cultivation and stewardship they would show a donor (Prince & File).

Recently, changes in the geopolitical world such as September 11, 2001, the tsunami disaster in Southeast Asia in 2004, and Hurricane Katrina in 2005 have affected the psychology of donors, threatening to impact their decision to move away from giving to higher education in favor of needs they consider more urgent (Boverini, 2006). At the
same time, rising costs of providing services have resulted in universities’ reliance on alternative revenue sources, primarily fundraising from private sources (Boverini).

In summary, Burk’s (2003) donor-centered fundraising study suggested organizations stand a better chance or retaining their donors if they structure their efforts around donors’ needs and interests rather than institutional interests. Prince and File’s (1994) Seven Faces Study expanded on Burk’s findings proposing development officers segment their donor bases into seven profiles and then tailor fundraising and stewardship efforts accordingly. Further, Schervish and Herman’s (1998) study on the wealthy and their philanthropy revealed an individual’s need to learn about how they can use their money to shape the world as an expression of their own values.

On the value of donors to an organization, Seymour (1999) once said, “Most of the people are very wonderful indeed, that they almost always wish to do the right thing, and that their ultimate performance, when boldly challenged and confidently led, is usually far better than we have any right to expect. Study them and treat them well, for you need them more than money” (p. 16).

Organizations

Following a review of characteristic traits of donors and their motivations for giving to organizations, it is helpful to understand a bit about the organizations that successfully attract and receive the gifts. This section first explores organizations as recipients of private gifts through Chung-Hoon et al’s (2007) Donor/Organizational Integration Model. Next organizational culture of stewardship is studied through engagement and involvement theories of Chung-Hoon et al (2005 & 2007) and Weerts (2007). Finally, organizational structures are reviewed to suggest best-suited structures
for attracting private gifts and retaining donors from year to year. The organization section concludes with a discussion of challenges organizations face as they try to position themselves to attract and retain donors.

**Recipients of Private Giving**

When an organization has top leadership, a lofty purpose, a challenging goal, a simple message, maximum involvement, respect and allowance for the factor of time, emphasis on continuity rather than change, an atmosphere of optimism and universality, proper rewards, and every possible play for confidence and pride, they are positioned to receive private gifts to support their cause (Seymour, 1999). Chung-Hoon et al (2005) more specifically address donor relationships. Drawing from strategic theory, they found that the concept of positive differential performance, termed *competitive advantage*, suggests that high-performing organizations have abilities that give them the edge over a competitor. For fundraising in higher education, a university must have the sustained ability to build enduring donor relationships (Chung-Hoon et al., 2005).

As demonstrated by the findings of the Donor/Organizational Integration Model study (Chung-Hoon, Hite, & Hite, 2007), a fully integrated institution had a high degree of both relational embeddedness interaction and formal structural interaction. Participation in integration strategies that promote enduring donor relationships would enable them to outperform institutional competitors (Chung-Hoon et al). These fully integrated institutions had the highest average numbers of inner circle relationships, the highest numbers of ultimate gift donors, the highest endowment levels, the highest number of alumni donors, and the largest amounts of unrestricted gifts (Chung-Hoon et al, 2007).
Culture of Stewardship

“When you want the heart to prompt the mind to go where logic points the way, nothing can match the warmth of good sentiment” (Seymour, 1999, p. 12). Institutions hoping to be viable recipients of private giving must make a commitment to stewardship, the ongoing relationship with donors after the gift is made (Bovernini, 2006). If this step in the development process is neglected, effectiveness is lost (Boverini). Chung-Hoon et al (2005) contend that with the heightened level of competition for private philanthropy, donors expect more from their giving experiences. Higher education institutions that can provide significant and meaningful donor experiences through more fully integrating the donor with the university, may separate themselves from the rest (Chung-Hoon et al, 2005).

Integrating donors into higher education institutions requires a clear organizational vision and strategic efforts focused on aligning institutional infrastructure to develop enduring donor relations (Chung-Hoon et al, 2005). A formal structural interaction within the organizational infrastructure as well as a significant relational depth and quality between the donor and the organization characterizes an enduring donor relationship (Chung-Hoon et al). To consistently create this type of relationship with donors, universities must make strategic organizational efforts that go beyond transactional exchanges between donor and organization (Chung-Hoon et al).

Chung-Hoon et al’s (2005 & 2007) theory is supported by Weerts (2007), who suggests an epistemological shift from a rational or objectivist worldview to a two-way constructivist worldview where knowledge flow embodies the core concepts of engagement. In this model, external stakeholders are more than consumers and supporters
of knowledge producers - they are partners in the creation, dissemination, and implementation of knowledge (Weerts). This type of engagement model yields six specific benefits to higher education institutions and their stakeholders: (a) promotes undergraduate service learning, (b) enhances research and scholarship, (c) improves service for the public good, (d) supports emerging interdisciplinary culture, (e) strengthens public financial support, and (f) leverages major private gifts (Weerts).

Organizational Structure

The word “development” is a broad term for the planned promotion of understanding, participation, and support (Seymour, 1999). For this study, higher education institutions will be the primary organizational structure discussed. The structure of other nonprofits may vary depending on size, budget, and mission. In Worth (1993), development objectives are stated as building acceptance for the institution through alumni and public relations, and obtaining financial support through fundraising. Over the years, the term “development” gradually narrowed and the more accepted term for the broader effort became “institutional advancement” (Worth).

Development as a concept is a sophisticated process that includes several stages. It begins with the institutional academic plan, which defines specific financial needs and fundraising goals (Worth, 1993). From there, donor prospects are identified based on capability and interest, programs are established to involve and engage prospects in meaningful ways, gifts are solicited or volunteered, and stewardship is practiced to ensure competently carrying out the purposes of the gift and continually communicating the impact of the gift regarding the achievement of institutional goals (Worth). Stewardship becomes an element of cultivation for the next gift, making development a cycle, in
which the donor’s involvement and relationship with the institution expands and deepens over time (Worth, 1993).

Institutional advancement is the term typically used to describe the external relations departments at colleges and universities. It usually refers to campus external relations offices charged with building relationships with a full range of stakeholders. Those constituents might include alumni, donors, community partners, corporate partners, state legislators, governors, and other government officials at the state, federal, and local levels (Weerts, 2007).

For an institution to realize its full resource development potential, it is important to understand the roles of the key institutional players - the board, the president, and the chief development officer. Successful institutions have a board whose members are fully involved in the planning, execution, and evaluation of development efforts, and who can interpret the institution’s goals with conviction and understanding within their individual spheres of influence (Worth, 1993). When the president takes the lead in defining and articulating the institution’s mission and priorities, the message has importance and credibility. If he or she personifies the institution’s successes and aspirations while balancing various competing needs, donor prospects see the vision for the institution through its leader giving them confidence and making them more apt to invest in the future of the university. The relationship between the president and the chief development officer is pivotal because the development officer can communicate on behalf of the president and then bring the leader to the table at the appropriate time (Worth).
When the chief development officer, often a vice president position, has quick and easy access to the president or chancellor and other heads of departments across the campus, he or she is always armed with current and important information. The vice president for development attends all trustee meetings and is present at the table for all policy discussions for the purpose of information and grasp of background (Seymour, 1999). Additionally, this vice president leads and participates in creating the annual fundraising plan along with development department staff members since the leader of the department has an understanding for institutional priorities, goals, and needs, and can help build a plan that addresses these initiatives (Burk, 2003). A climate of confidence in the staff’s integrity and performance is created by the vice president by making sure all members understand and share the institution’s short- and long-range goals (Worth, 1993). Above all, the chief development officer has the responsibility of facilitating the board members’ and the president’s participation in the fundraising process.

One very important role of the vice president for development is the management of development staff. As stated by Burk (2003), effective management of the development department means managing for results in donor retention, donor movement, and growth in gross and net revenue across the collective fundraising endeavor. If development officers are asked to regularly report on donor attrition and number of donors who move up in terms of their giving, the rate of attrition should continue to diminish over time (Burk).

Development officers and others in the office are most successful in their work when they cultivate three key attributes - enthusiasm for the cause, a general instinct of fondness for people, and a genuine kind of pleasure and gratitude for good advice and
wise talk (Seymour, 1999). Another desirable attribute is sensitivity to people, ideas, and environments. It is important for development professionals to try to maintain perspective on what is possible, to understand that their role is out in the wings and not stage center - that to seek credit is to lose it and that to disclaim credit is usually to win more than they probably deserve (Seymour). If development officers elevate the president and the donors rather than themselves in a gift giving and receiving scenario, the donor feels like his or her gift is more important than if the development officer tries to seek individual notoriety. Comparatively, Burk (2003) listed ten attributes for someone in a donor-centered fundraising environment: (a) a broad-based college education; (b) an ability to communicate in a compelling fashion, both orally and in writing; (c) a background of varied interests and accomplishments; (d) a keen understanding of human psychology; (e) an ingrained curiosity with an innovative streak; (f) a willingness to challenge the status quo; (g) an analytical predisposition; (h) physical stamina; (i) an ability to manage for results; and (j) experience living and working in different cities, countries, or cultures (Burk).

Organizational Challenges

Burk (2003) and Weerts (2007) warned against the silo mentality. Burk (2003) suggested that limiting donors’ giving opportunities to a specific area just because the development officer is assigned to raise funds for that area will cause the organization to carry far more donors than it really needs. Organizations will lose donors because they find nonprofit organizations to support where the development officers listen to them and allow them to support initiatives more closely aligned with their values (Burk). In support of Burk’s (2003) theory, Weerts (2007) suggested that development officers meet alumni
with an open agenda rather than sorting them according to their degree affiliation with the goal of asking them to eventually support a specific program. He stressed the importance of the development officer carefully listening to the prospect and thus, developing an understanding of his or her values so a profile about key issues important to the prospect could be created (Weerts). Many organizations are organized into silos for management purposes. Both Burk (2003) and Weerts (2007) maintained that donor prospects are sorted too early in the process.

Another ongoing organizational challenge is the growing need for resources during a time when public sources are waning. The trend is one of declining financial support from state and federal governments, increasing costs to provide services, and increasing competition for limited private gifts from individuals, foundations, and corporations (Chung-Hoon et al, 2005). If institutions can find ways to become more cost-effective and more accountable to donors while continuing to provide the same level of service to students or other constituents, potential donors will get a sense that the institution will take good care of the gifts entrusted to them. Surprisingly, the increased importance of private fundraising in higher education has not been matched by increasing research into the practices of effective and cost-efficient resource development and the techniques to bring about success in the field (Boverini, 2006).

A large proportion of donor recruitment effort and expenditure is wasted as communications are sent to those with no interest in the product or service being offered (Sargeant, 2001). Development officers get in the costly habit of continual recruitment and sometimes have difficulty shifting priorities and resources toward donor retention (Burnett, 2002). During these challenging times of spiraling recruitment costs and
increasing competition for resources, nonprofit organizations will be more cost-effective in their fundraising endeavor if they find ways to focus their attention on donor retention (Sargeant, 2001).

This section included a review of the literature as related to several aspects of the organization and fundraising. First, organizations were explored through their ability to receive gifts. Chung-Hoon et al’s (2005 & 2007) Donor/Organization Integration Model asserted the need for organizations to build enduring donor relationships to maintain the competitive advantage over other organizations. Organizational culture of stewardship was then investigated utilizing Weerts’ (2007) engagement theory aligning institutional infrastructure to develop enduring donor relationships. His theory suggested moving constituents from mere consumers of knowledge toward partners in the knowledge creation and dissemination process (Weerts, 2007). Organizational structure was then discussed by first defining the roles and desired traits for presidents, vice presidents for development or advancement, board members, and development officers. Finally, organizational challenges were identified and ranged from silo thinking on the part of development officers (Burk, 2003) to shrinking resources and misplaced priorities resulting in ineffective and inefficient fundraising (Sargeant, 2001). The next section explores donor stewardship as a plausible solution to ineffective fundraising resulting in donor attrition.

Stewardship

Donor stewardship is investigated in the following sections under two headings: (a) appreciation, recognition, and engagement; and (b) best practices. The first section discusses studies conducted by Chung-Hoon, Hite, and Hite (2005) exploring enduring
donor relationships, and donor integration strategies and case studies conducted by Boverini (2006) to learn more about motives of transformational donors. Two more studies, Prince and File (1994) and Burk (2003), both consisting of donor interviews, are reviewed to understand how donors want to be appreciated and involved following a gift. The best practices section reviews several organizational models for stewardship that could result in decreased donor attrition. The models reviewed include studies by Weerts (2007), Burnett (2003), Boverini (2006), Burk (2003), Prince and File (1994), and Nathan and Hallam (2009).

Appreciation, Recognition and Engagement

Higher education relies upon private philanthropy as a significant source of revenue, yet competition for donor resources is steadily escalating (Chung-Hoon, Hite, & Hite, 2005). Chung-Hoon et al (2005) indicated that competency for building enduring donor relationships may positively influence university fundraising outcomes. They defined enduring donor relationships as relationships that are evidenced by:

- high levels of personal relationships, economic interactions, social capital, and personal commitment; by significant personal integration into the formal structure and activities of the institution; and by high levels of trust. Donors with enduring relationships are fully engaged with the organization and are willing to give their time, talent, and treasure to see the organization succeed. (Chung-Hoon, et al 2005, p. 36)

Cultivation and stewardship of donors and prospects deserve first-class attention, and every nonprofit organization should have an approved list of all possible procedures - advance mailings of special material, invitations to dine with the high brass, requests to
speak, to write articles for the magazine, and to consult with career-seeking students, and anything else that soothes the spirit, calms the fears, and summons pride and concern (Seymour, 1999). Boverini (2006) presented a case study of a transformational donor to the University of Maryland and quoted the donor as saying, “There’s no price tag for deep satisfaction and personal service” (p. 95) as she explained how the president of the university often sent handwritten notes thanking her for something she had done. The donor credited the president for having a broad vision and a deep understanding of the trends in higher education, adding, “He has the ability to see how small investments over the long term can yield big results” (Boverini, 2006, p. 95).

Donors are stakeholders in charitable organizations, and their voice is as important as those on staff and those whom the organization serves (Prince & File, 1994). Donors want a role in building the institution, and it is the responsibility of the development officers and their institutions to help them find a way to meaningfully participate (Prince & File). As evidenced by the Seven Faces interviews (Prince & File, 1994), philanthropists like to: (a) provide input on administrative aspects of a meeting, (b) suggest when and where meetings should take place, (c) suggest content for certain meetings, (d) provide feedback on publications, (e) and connect the nonprofit with their network of friends.

Williams (2007) segmented donors by age range rather than by personality profile as in the Prince and File (1994) study. Her study showed that there were differences among age groups regarding the types of information they needed from organizations following a gift, and also the method of delivery, hard copy versus electronic. The strongest differences were between the youngest donors and the most mature donors.
Of the seven donor profiles identified (Prince & File, 1994), five of them responded to the survey saying it was very important to them to receive individual attention after they made a gift, to be notified about how their gift was used, and to receive frequent updates about the organization and its mission. Only two of the profile groups, the repayers and the dynasts, indicated that personal attention and communication were unimportant because they preferred the organization spend their time and resources focusing on the constituent beneficiaries (Prince & File).

The vast majority of the donors responded to the Burk (2003) study that what they really wanted was more meaningful information from the nonprofit organizations. This included: (a) prompt, personalized acknowledgment of their gifts; (b) confirmation that their gifts had been set to work as intended; and (c) measurable results on their gifts at work prior to being asked for another one (p. 11). Eighty-four percent of individual donors and 83% of corporate donors indicated they were dissatisfied with the quality of information they received from the nonprofit organizations they supported (Burk, 2003). Meaningful information on their gifts at work is critical to donors’ repeat and increased giving. “Fundraising underperformance, therefore, is actually failure to communicate” (p. 19).

An overwhelming 93% of donor respondents to Burk’s (2003) survey said they would definitely or probably give again if the nonprofit provided them with meaningful information; 64% said they would give more; and 74% said they would give indefinitely, as long as they continued to receive meaningful information. As further evidenced by Prince and File (1994), once a relationship has been established between the donor and the nonprofit organization, followed by the incorporation of participation and
involvement strategies, media relations have a role in sustaining the relationship. Although newsletters and magazines have little impact on a donor’s decision to make a first gift, they have a role in later relationship-sustaining activities (Prince & File). While the many forms of media communications cannot replace person-to-person interaction, they can reinforce involvement and at least partially keep the donor in touch with the work and mission of the organization (Prince & File, 1994).

While nonprofit organizations indicated in their responses to the surveys that they understood the importance of more personal and meaningful donor communication, they said that current fundraising structure and tight budgets prevented them from performing these practices on a consistent basis (Burk, 2003). Research conducted by Prince and File (1994), showed a highly significant relationship between a higher sense of donor involvement and increased individual donations (correlation coefficient of .6483, p < .001). They concluded that involvement significantly affects the future propensity of major donors to increase their level of support (Prince & File, 1994).

Likewise, about 50% of donors do not renew their gifts after making the first donation to a specific nonprofit organization and, by the fifth year, about 90% have stopped giving (Burk, 2003). According to the survey, donors need information on the effectiveness of their giving rather than the recurring message of “give, give, give.” Absence of this information keeps donor attrition high and prevents nonprofit organizations from raising more money (Burk). Making the donor feel an integral part of the nonprofit is critical to the success of long-term relationship management (Prince & File, 1994).
Chung-Hoon et al (2005) built upon their theoretical framework in the Donor/Organization Integration Model for identifying and creating enduring donor relationships by conducting a qualitative study to further understand how higher education institutions utilized methods for relational embeddedness and formal structural interaction to affect the extent to which donors become integrated with the organization, and whether or not it makes a difference in fundraising outcomes. The researchers defined relational embeddedness interaction as “the strength of the donor’s relational connection to people within the organization” (p. 36). Formal structural interaction was defined as “the degree to which an individual donor is integrated within the formal structure of the organization” (Chung-Hoon, Hite & Hite, 2007, p. 3).

Chung-Hoon et al (2005) conducted nine semi-structured interviews to collect data from administrators and fundraising employees at three higher education institutions in a western state of the America. The institutions were purposefully sampled to include one each of three different Carnegie Foundation classifications: (a) baccalaureate/associates colleges, (b) masters colleges and universities II, and (c) doctoral/research universities-intensive (Chung-Hoon et al). Qualitative coding and analysis of the transcribed informant interviews was performed to evaluate the data. Follow-up discussions with higher education fundraising experts and the initial informants (member checks) were conducted to further clarify and understand the factors that emerged from the data, and to increase the trustworthiness of the findings. Also, the themes, propositions, and models that emerged were continually compared with previous research and related literature (Chung-Hoon et al, 2005).
The findings from Chung-Hoon et al’s (2005) study showed relational embeddedness interaction to be multifaceted, providing many avenues for developing enduring donor relationships. Without strategically managing personal and economic relationships with donors, higher education institutions’ potential for increased fundraising outcomes would be significantly impaired (Chung-Hoon et al). Moreover, the data suggests successful fundraising is contingent on personal relationships, evaluation, and strategic process planning (Chung-Hoon et al).

Chung-Hoon et al (2007) conducted a follow-up study to further examine the Donor/Organizational Integration Model from a quantitative perspective. The findings indicated the combination of relational embeddedness and formal structural interaction was related to enduring donor relationships and greater fundraising outcomes (Chung-Hoon et al). Additionally, the study identified fundraising strategies and the value of inner circle relationships between the donor and the institution. Seven specific donor integration strategies were identified: (a) structure, (b) strategic vision, (c) planning, (d) donor commitment, (e) inner circle connectivity, (f) internal networking, and (g) external networking (p. 11). As evidenced by the data (Chung-Hoon et al, 2007), there is a positive correlation between a donor that is highly engaged with an institution and an ultimate gift donor, one who gives the largest gift they are capable of making in a lifetime. There was also a positive correlation between ultimate gift donors and unrestricted gifts, giving the institution the flexibility to use the funds where they are most needed (Chung-Hoon et al).

Hypotheses 3a and 3b in Chung-Hoon et al’s (2007) study stated that integration strategies would be correlated with enduring donor relationships, and that enduring donor
relationships would be correlated with fundraising outcomes, respectively. The findings indicated that Hypothesis 3a was moderately confirmed given that four of the seven donor integration strategies (42%) showed a positive correlation to enduring donor relationships. However, Hypothesis 3b was not fully supported given that only two of the seven donor integration strategies (29%) were positively correlated to fundraising outcomes (Chung-Hoon et al).

The stratified sample for the quantitative Donor/Organizational Integration Model study (Chung-Hoon et al, 2007) used criterion including membership in the Council for Advancement and Support of Education (CASE), Carnegie Classifications, and organization size as defined by student headcount enrollment average. The respondents were purposefully selected from the CASE membership directory based on job titles relevant to major gift efforts or spokespersons for the institutions. The 44-question survey was sent by electronic mail, and when a thank you e-mail message was sent to those who responded, the snowball sampling strategy was triggered asking respondents to forward the survey to other relevant institutional contacts (Chung-Hoon et al). Survey constructs validity was tested through factor analysis, assessing the extent to which survey items accurately represented each area of the model (Chung-Hoon et al). The Voluntary Support of Education report (Kaplan, 2002) provided another source of institutional fundraising data for 59 of the 66 qualifying respondents.

In support of Chung-Hoon et al’ s findings (2007), Burnett (2002) asserted organizations are seeking ways to enable their donors to participate actively in the work they do through their giving. Further, development officers and must see donors as co-owners of the organization and partners in a common aim (Burnett). In return for a
donor’s commitment and investment, the organization has to ensure that the money is well spent, and the trust is not misplaced. The fundraiser is obligated to find out for certain that a program is sound and to report back to the donors that it is (Burnett, 2002).

*Best Practices*

Authentic relationships with external stakeholders that emphasize reciprocal sharing of knowledge and resources determine the financial stability of a public higher education institution (Weerts, 2007). Burnett (2002) asserted there are nine keys to building and sustaining lasting and mutually beneficial relationships with donors: (a) be honest, (b) be sincere and let your commitment show, (c) be prompt, (d) be regular, (e) be interesting and memorable, (f) be involving, (g) be cheerful and helpful, (h) be faithful, and (i) be cost-effective.

When soliciting funds from a prospective donor, the gift solicitation is made at the right time, for the right purpose and the right amount, and with the right people in the right place (Grace & Wendroff, 2001). The development officer recruits a team of good listeners, collaborative team players, and individuals who have the ability to understand donors (Bovernini, 2006). Then the focus is turned toward building the relationship through appreciation and involvement, and oftentimes, the need to ask for funds is eliminated as donors identify what they want to fund and possibly even recruit others to give as well (Boverini).

The vice president for development, the president of the university, and the members of the board have a unique role to play in communicating with donors (Burk, 2003). Donors appreciate having contact with different people associated with the organization, and assess the importance placed on their giving by the person and the
position who communicates with them (Burk). Taking the networks of a donor and making them work for the good of the institution can be productive for the university, and provide a way to engage the donor (Boverini, 2006). Donors can connect research and ideas to the community through people they know, and create valuable partnerships for the university that did not previously exist (Boverini).

As demonstrated by the Seven Faces Study (Prince & File, 1994), generating involvement through increased participation is the act of empowerment. When a philanthropist becomes empowered, he or she is given a feeling or belief and a sense of control. Donor empowerment does not imply that nonprofit leaders forsake their fiduciary responsibilities but, rather, strongly suggests the nonprofit organization remain operationally in control. Making the major donor feel an integral part of the work of the nonprofit organization is critical to the long-term relationship success (Prince & File, 1994). Nathan and Hallam (2009) further supported Prince and File’s (1994) findings, and offered seven steps to building a development program that might be able to thwart donor attrition: (a) start a relationship in the first place, (b) manage a donor’s expectations by only promising what you can deliver, (c) use donor-centric communications, (d) continually think about new and different ways to meet your donors’ needs, (e) provide choices for how the donor hears from the organization, (f) know your donors - look, listen, and remember, and (g) let go of your donors with dignity when they stop giving to your organization.

The aforementioned studies (Boverini, 2006; Burk, 2003; Nathan & Hallam, 2009; Weerts, 2007) were conducted to provide at least a framework about how best to operate a donor-centered development office. Prince and File (1994) segmented their
results into donors who are similar in the way they give, and the way in which they want to be involved and appreciated. Thus, development officers can tailor fundraising strategies to fit different needs identified for each of the seven profiles (Prince & File). The next section explores lapsed giving which is often correlated to organizations least focused on donor-centered fundraising (Sargeant, 2001).

Lapsed Giving

Panepento and Schwinn (2007) reported on The Fundraising Effectiveness Project sponsored by the Association for Fundraising Professionals and the Urban Institute’s Center for Nonprofits and Philanthropy. The study showed that while the organizations surveyed were attracting new donors, they were losing considerable dollars through donor attrition. The project manager concluded there was a strong indication of an enormous donor retention problem. Since new donors cost around five times more to recruit than lapsed donors cost to reactivate, nonprofit organizations should spend the bulk of their resources to retain current donors (Burnett, 2002). Adrian Sargeant (2001), the only endowed chair for philanthropic research in the United States, suggested that donor retention is the single biggest issue nonprofit organizations face as a sector today and that there is a big opportunity for them to improve the rates.

The first rule for an organization in finding new donors is to do everything possible to extend the life of existing donors (Burnett, 2002). Burnett (2002) suggests organizations discover through research every possible reason why a donor might want to stop giving to them, and work to eliminate those factors. Nathan and Hallam (2009), through twelve focus groups, investigated the actual experience of donors who lapsed in their giving. They discovered that lapsing is a behavioral response driven by attitudes and
beliefs, and that lapsers typically did not stop giving altogether but just stopped giving to
the charities where they felt disengaged (Nathan & Hallam). Findings showed several
reasons for donor lapsing: (a) poor communications, (b) donors taken for granted, (c)
promises broken, (d) charity didn’t pay attention to donor’s communication, (e) asked for
money at the wrong time, and (f) continually asking for money (Nathan & Hallam).

Sargeant (2001) explored, through a quantitative study, those specific factors that
might have an impact on donor retention. Eight focus groups were constructed
incorporating a balance of age, gender, and socioeconomic groups. The results were
subject to a content analysis to determine the possible reasons donors stop giving to an
organization, with those resulting reasons being incorporated into a survey instrument
(Sargeant, 2001).

A survey was then developed in collaboration with ten national United Kingdom
charities representing a diverse range of causes. Each organization supplied a stratified
sample of its database, and 10,000 donors were randomly selected, 1,000 from each
organization including an equal number of active and lapsed donors (Sargeant, 2001). For
the purposes of the study, a lapsed donor was defined as one who had not given to the
charity during the preceding 18-month period. Variants of the survey were sent to active
and lapsed donors with the lapsed donor survey including additional questions
concerning reasons for the lapse and phrasing questions about the nature of the donor’s
relationship with the concerned charity in the past tense (Sargeant). The resulting sample
included 5,000 active supporters and five thousand who had lapsed, with a usable
response rate of 23.4%. The giving histories of respondents were matched up post hoc to
the survey responses, to enable Sargeant (2001) to further explore possible relationships.
Only 22% of donors appeared to lapse because they could no longer afford to support an organization, while more than 26% of lapsed donors perceived other causes to be more deserving (Sargeant, 2001). The literature suggests better communication from the charity about the impact of the gift would lessen the perception that other causes are more deserving (Sargeant). After Sargeant (2001) reviewed the regression analysis, he suggested a link between the extent to which a donor might be satisfied with the feedback received from a charity and the overall longevity of the relationship with the organization (Sargeant). Donors who perceived the communication they received as informative, courteous, timely, appealing, and convenient appeared to remain loyal for a greater period of time (Sargeant, 2001).

The results of Sargeant’s (2001) study suggest that to engender loyalty, charities should attempt to improve both the quality of the communication and the choice of what is received. Utilizing the relationship-fundraising approach (Burnett, 2002), charities could benefit by offering donors a choice of which pieces of communication they receive, how often they receive them, and whether or not they are received electronically.

Sargeant and Woodliffe (2007) later explored the concept of donor commitment and sought to determine what factors might influence the strength of this important attitudinal disposition. The researchers approached the study from a post-positivist epistemology and a critical realism ontology through a grounded theory research process and data analysis (Sargeant & Woodliffe). The first of the three-stage methodology consisted of semi-structured interviews with nine focus groups of donors from five charities. The donors were asked to consider their favorite charity and why they felt the special disposition. The data was analyzed through open coding, axial coding, and
selective coding to identify themes and findings (Sargeant & Woodliffe). Eight antecedent constructs emerged from the exploratory phase of the study, followed by the identification of measurement scales for each construct and hypothesis testing using the structural equation modeling technique (Sargeant & Woodliffe). Based on the findings of the study, the researchers concluded the following factors drive commitment to charitable giving within the context of the study: (a) perceived service quality, (b) shared beliefs, (c) perceived risk to the beneficiary group that would accrue from a withdrawal of support, (d) the existence of a personal link to the organization/cause, and (e) trust (Sargeant & Woodliffe, 2007).

Individuals who identify with the goals a charity is trying to achieve and the manner in which they are striving to achieve them are more likely to experience commitment (Sargeant & Woodliffe, 2007). Such individuals, if properly developed through relationship building, can form the core of a loyal support base for the charity (Sargeant & Woodliffe). If the charity endears trust from the donor, is perceived to provide quality service, and can personalize and quantify the impact of a donor’s gift, the donor may sustain his or her commitment because he or she will not want the beneficiary group to suffer a loss (Sargeant & Woodliffe, 2007, p. 63).

Summary

The fundraising process is often a competitive endeavor that depends on purposefully cultivating crucial funding ties with individual donors (Chung-Hoon et al, 2005). Enduring donor relationships are a necessity for higher education institutions in their attempts to remain competitive over other organizations in their quest for private philanthropy (Chung-Hoon et al). Authentic engagement must stem from shared culture,
shared vision, and an authentic exchange of ideas between internal leaders and staff members of higher education institutions and their external partners (Weerts, 2007). To enhance fundraising capacity, advancement leaders in colleges and universities must examine their current relational and structural strategies for developing critical philanthropic partnerships with prospective donors (Chung-Hoon et al, 2005).

Transformational gifts received by engaged institutions are the result of innovative ideas generated by a community of learners dedicated to common goals (Chung-Hoon et al).

Based on the knowledge and understanding that an organization’s best donor prospects for the future are those who have already given, it is prudent to focus on keeping these donors loyal to the institution (Sargeant, 2001). As further demonstrated by Schervish (2005), the level of contributions to an organization depends on the frequency and intensity of participation, volunteering, and being asked to contribute. Schervish’s (2005) findings also indicated that larger gifts are generated from those already making substantial gifts. Thus, taken together, his general conclusion was that charitable giving is derived from forging an ongoing associational and psychological connection between donors and recipients (Schervish).

Donor relations and donor stewardship and their relationship to private giving at regional universities has been explored through a review of the literature beginning with an overview of organizational learning theories by Nonaka (1991, 1994), Mezirow (2000), Bruffee (1999), Eraut (2004), and Brown and Duguid (2001). According to the literature, as individuals learn in organizations, and then continually exchange tacit and explicit knowledge among each other and with other organizations, a learning organization can result. Through reacculturation processes (Bruffee, 1999) and
communities of practice (Brown & Duguid, 2001) the learning organization is strengthened.

The relationship between donor stewardship and private philanthropy was further studied through organizational analysis. The cultural lens (Morgan, 2006) and symbolic frame (Bolman & Deal, 2003) were chosen as ideal views since an organizational culture of stewardship tends to be desired for the best results in private sector fundraising. Organizational culture theories were explored and synthesized including Peterson and Spencer (1990), Martin (2002), Schein (1992), Gillespie (2003), Tierney (1993), Smith and Reynolds (1998), and Grace and Wendroff (2001).

Through the organizational learning and cultural lenses, donor stewardship and private philanthropy were further investigated by first reviewing studies concerning donors, their characteristic traits, and motivations for giving (Burk, 2003; Prince & File, 1994; Schervish & Herman, 1998). Afterward, literature relevant to organizations was reviewed. Organizations were first explored as recipients of private giving (Chung-Hoon, et al. 2005, 2007), then as organizations exhibiting or missing qualities of stewardship as a part of their culture (Weerts, 2007), as organizations of varying structure related to development efforts (Burk, 2003; Worth, 1993), and as organizations facing challenges in the competitive fundraising environment (Burk, 2003; Sargeant, 2001).

The review of literature included an investigation of donor stewardship through the appreciation, recognition, engagement, and best practices (Boverini, 2006; Burk, 2003; Chung-Hoon et al, 2005; Nathan & Hallam, 2009; Prince & File, 1994; Weerts, 2007). Lastly, studies on lapsed giving were reviewed (Panepento & Schwinn, 2007; Sargeant, 2001, 2007). Studies concerning organizational learning, organizational
analysis, donors, organizations, stewardship, and lapsed giving were synthesized to fully explore prior research conducted to support the topic investigating the relationship between donor stewardship and private philanthropy at universities.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

Purpose and Overview

Higher education institutions are becoming more dependent on gifts from the private sector due to unreliable support from state and federal sources. According to Eric Kelderman (2009) writing for the *Chronicle of Higher Education*, college and university administrators are pessimistic about the short-term fiscal future due to the economic recession’s impact on state revenues. States initially faced shortfalls of nearly $163 billion for the 2010 fiscal year, and estimated midyear budget cuts at $16-billion (Kelderman). The budget shortfalls have significantly affected higher education institutions. The financing model for public universities is now inadequate because state support for higher education continually declines, forcing universities to raise tuition, cut programs, or cap enrollments (Masterson, 2009). Tuition and fees continue to increase at an alarming rate (Smith, 2007) to offset expenses, causing the student to bare a greater burden for the cost of college.

To help alleviate some of the pressure on students and their families, colleges and universities turn to private donors for gifts to establish funds and endowments benefitting priorities such as scholarships, programming, professorships, equipment, technology, and capital needs. In 2007 alone, individuals, corporations, and foundations gave $43.32 billion to educational organizations (Giving USA, 2008), an increase of 6.4% from 2006, and representing 14.1% of total giving in the United States.

With the increased dependence on private support, there is a growing need for nonprofit development office personnel to retain donors from year-to-year. It is much
more cost effective to retain a donor who continues to give for consecutive years than it is to acquire a first-time donor (Burk, 2003). Also, a loyal donor typically increases the average size of his or her gift over time, and might be more likely to leave the university a bequest, which is typically much larger than a gift during his or her lifetime and comprised 7.6% of total giving in 2007 (Giving USA, 2008).

For universities, being accountable to donors following a gift may be one way to retain them from year to year. Accountability could include measures such as fiscal responsibility and reporting, cost effective fundraising, and donor stewardship (Prince & File, 1994). This study focused specifically on donor stewardship, and examined the question of whether there is a significant relationship between the level of stewardship provided a donor following a gift and the donor’s loyalty to an organization, as well as his or her tendency to eventually increase the size of his or her gifts. The results might be useful for leaders of university development offices to determine how best to allocate their budget and prioritize staffing needs to ultimately increase private support to the university utilizing more cost effective methods. Other factors may contribute to donor loyalty or increased giving. The focus of this study on donor stewardship addresses a component of fundraising lacking adequate research.

Research Questions

According to Creswell (2003), researchers use research questions in quantitative studies to shape and focus the purpose of the study. Within the context of this study, the following research questions were addressed:

1. In a university setting, to what extent is private giving for scholarships related to stewardship provided to scholarship donors?
2. In a university setting, to what extent are differences in scholarship giving levels from year to year related to stewardship provided to scholarship donors?

Design for the Study

A verified relationship between two variables can be useful to educational practitioners and leaders as they make operational and budget decisions. Based on past behaviors of the variables, predictions about the future can be made with reasonable certainty. By conducting a correlation study, a researcher can verify established relationships through scientific research and analysis (Patten, 2007). To determine whether and to what degree a relationship exists between two quantifiable variables and possibly make predictions based on the relationship, a researcher collects data from a large population sample possessing a score for the variables being studied (Fink, 2006).

The design and methods for this quantitative correlation study included careful identification of the population to study, thoughtful formulation and testing of the survey instrument, and meaningful analysis of the data. This study, using donor stewardship as the unit of analysis, was intended to explore the relationship between private scholarship gift levels and the level of stewardship provided to university scholarship donors following a gift. As a result of determining the relationship between these variables, university advancement leaders can make more informed operational and budget decisions toward more cost effective fundraising.

To best answer the research questions, the study was designed from an objectivist epistemology and a postpositive theoretical perspective based on the assumption that the world is relatively stable and can be measured, generalized about, and understood (Crotty, 1998). According to Crotty (1998), a researcher approaching a problem from a
postpositive theoretical perspective utilizes strategies such as experiments and surveys, and collects data through predetermined instruments.

While the constructivist epistemology of qualitative researchers allows them to glean subjective meanings derived from a small number of participants, the goal of this study was to provide predictive and generalizable results based on the relationship between scholarship giving, differences in scholarship giving levels from year to year, and stewardship provided to scholarship donors. Correlation research methods typically establish relationships or use existing relationships to make predictions (Fink, 2006). The data analyses of correlation studies numerically describe the relationship or correlation between variables (Fink).

Unlike qualitative studies, the desired outcome of this study was not dependent upon specific perceptions of participants in differing contextual environments. Additionally, unless the researcher wanted to understand the nature of a single phenomenon through an emerging design study, the purpose statement, research questions, and research design should follow the quantitative guidelines (Creswell, 2003).

Thus, it was decided this study would be solely quantitative utilizing a convenience sample, cross-sectional donor stewardship survey of predetermined questions which were assigned numeric values. The researcher also gathered existing data about scholarship giving from the Council for Aid to Education’s (CAE) annual Voluntary Support of Education (VSE) survey results. The data was analyzed by performing a correlation coefficient test, the Pearson r, to determine whether or not there was a relationship between the variables and if so, to what extent. For this study, careful
identification of the population sample was important to ensure each participant had a score for each variable.

*Population and Sample*

Quantitative studies typically depend on large numbers of participants for generalization purposes (Patten, 2007). For external validity, a sample population must be representative of the whole, and possess the relevant characteristics of a population pertaining to the study (Fraenkel and Wallen, 2006). Fraenkel and Wallen (2006) also suggested the researcher strengthen internal validity by controlling for factors that might somehow influence the relationship between two variables. Thus, for this study it was important to control for Carnegie classification of universities. Since it was critical for each participant to possess a score for each variable, the convenience sampling method (Fraenkel & Wallen) was used to choose the sample population.

The first population sample criteria included a convenience sample of all universities who participated in the CAE annual VSE survey for the years 2002 through 2007. The survey collects data on fiscal year endowment totals, full-time-equivalent (FTE) student enrollment, and gifts designated for student scholarships among multiple other things. The survey results are reported by grouping participants with their peers according to Carnegie classification.

According to Fraenkel & Wallen (2006), there is no clear-cut answer defining an adequate sample size, but for correlational studies, a sample of at least 30% is deemed necessary to establish the existence of a relationship. The VSE survey participation rate was 37% utilizing professional staff and other available resources. Thus, to obtain 30% participation for this study, it was necessary to select a comprehensive population sample.
of all 129 public baccalaureate and public master’s granting universities that participated in the VSE survey.

Data Collection and Instrumentation

According to Fink (2006), “surveys are used to collect information from or about people to describe, compare, or explain their knowledge, feelings, values, and behavior” (p. 1). Surveys provide a quantitative description of attitudes, trends, or opinions of a population by studying a sample of the population (Creswell, 2003). The researcher can then generalize about the population based on the sample results (Creswell). Surveys can be economical (Creswell, 2003) and are useful in research when the information you need should come directly from people (Fink, 2006).

The data for the study were obtained utilizing two self-administered questionnaires, one being cross-sectional and the other longitudinal. The cross-sectional survey was designed specifically for this study and the longitudinal survey, or the VSE survey, was designed and administered by the CAE.

Since the survey created by the researcher for the purposes of this study involved participation of human subjects and was sponsored by an educational institution, the research plan was submitted to and reviewed by the Institutional Review Board (IRB). IRBs are committees charged with the review and approval of research plans to ensure the ethical treatment of the subjects (Pritchard, 2002). According to Pritchard (2002), practitioner researchers understand research as an integral part of what they do and as a way to improve their regular practice, while IRB members focus on the purpose of the activity and whether or not the activity reflects a deliberate objective of discovering something new that transcends the particular activity while guarding ethical treatment.
Coghlan and Brannick (2005) suggested asking two important questions when considering ethics throughout a study: Who will be affected and how will they be affected? Ethics should be considered and resolved during processes of obtaining consent, ensuring anonymity and confidentiality, balancing conflicting and different needs, planning, taking action, collecting data and interpreting. Coghlan and Brannick (2005) added, “Ethics involve not only not deceiving or doing arm, but being true to the process” (p. 79).

As a part of the IRB approval process, a copy of the written and electronic surveys, the proposed informed consent form, and the cover letter were included in the proposal application. The informed consent form consisted of language to ensure the subject’s agreement to participate would be (a) informed, (b) competent, and (c) voluntary (Pritchard, 2002). The form included: (a) title of the survey, (b) purpose of the survey, (c) procedures, (d) potential risks, (e) payment or non-payment for participation, (f) confidentiality, (g) participation and withdrawal options, and (h) contact information of researchers (Fink, 2006).

Once the study was approved by the IRB, a pilot test for reliability and validity purposes was conducted on the survey that was created specifically for this study (Fink, 2006). A reliable survey results in information that is consistent, and a valid survey produces accurate information. To conduct the pilot test, the researcher gave the survey to peers and co-workers who had knowledge of the topic and an interest in the study. As suggested by Fink (2006), reliability of the survey is tested by focusing on the clarity of the questions and watching for failure of respondents to answer questions, giving several answers to the same question, or writing comments in the margins. The survey was
administered a second time and comparisons made for reliability. Questions that were repeatedly skipped or had notes made in the margins were restructured, and the pilot process was repeated.

Validity was bolstered by attempting to ensure all relevant topics were included in the survey (Fink, 2006). Necessary adjustments were made to the survey which was then distributed to the sample population by mail and electronic mail with the informed consent form and cover letter introducing the purpose of the study, and granting participants access to the findings once it was complete.

Survey Instruments

The VSE survey is the authoritative national source of information on private giving to higher education (Kaplan, 2008). The longitudinal annual self-administered survey has been managed as a public service by CAE for more than 50 years. It is conducted online and captures about 85% of the total voluntary support to colleges and universities in the United States (Kaplan). The rationale for using this survey in conjunction with the one created by the researcher was that it is universally accepted by professionals in the field of private sector fundraising. Also, for those institutions who complete the survey, access through a subscription is granted to analytical software for users to access and analyze the last ten years of VSE data. Subscribers can create custom comparison groups that can be saved and used in comparative studies. The VSE survey has been deemed reliable and valid by participants and the CAE. The survey included two fields of interest to address the research questions for this study, total giving and gifts to scholarships. Since the data was available for the last ten years, the researcher was able
to answer research question number two by conducting year-to-year giving comparisons of the historical data.

The cross-sectional survey instrument (Appendix A) was designed to provide the researcher with a portrait of donor stewardship activity for scholarship donors as it was at a single point in time (Fink, 2006). The ten-question instrument was formulated to answer the two research questions for the study.

Six questions were included in the survey to determine the existing donor stewardship practices including the extent to which a university: (a) called the donor to thank him or her when the gift was received, (b) sent a personalized thank you letter from the development office to the donor, (c) sent a personalized thank you letter to the donor from a university administrator or a board member, (d) sent a thank you letter from the student recipient to the donor, (e) involved the donor with the university, and (f) sent the donor a personalized annual report of his or her fund showing investment performance, new gifts, and scholarship expenditures. Four choices were available as a response to each of the first six questions: (a) always, (b) most of the time, (c) rarely, and (d) never.

Two questions in the survey asked respondents to identify their professional role and level of experience in the development office. While these questions did not directly answer either of the research questions, they were valuable in helping to identify the possible cause of outliers. Lastly, two open-ended response questions were included to survey additional current stewardship activities not included in the first six questions and to determine if universities had scaled back their stewardship practices as a result of the recent downturn in the economy.
Data Analysis

Statistical Package for Social Sciences (SPSS) software was used to run calculations on the data. For calculation purposes, each survey question was entered as a variable and each line in the data set represented an individual university’s survey results. Response choices for each survey question were given a value of one to four. The value of one represented the least desirable choice and the value of four the most desirable choice.

Three additional variables were computed for each university. The first was the predictor variable, a total stewardship score. It was computed by totaling the values representing the responses to each of the six donor stewardship questions, items one through six in the survey. For these six items, the highest possible total stewardship score was 24, and the lowest possible total score was 6. The second computed variable was a dependent criterion variable, an annual total scholarship giving score. It was computed by adding field 8I in section 3a of the VSE survey for each participating university with field 7 in section 4b (Appendix B). A total scholarship giving score was computed for each year from 2002 to 2007. The third variable computed for each university was a change in scholarship giving over the same five-year time period. The percentage of change in dollars raised from 2002 to 2007 was calculated. The data for this criterion variable was also taken from the VSE survey results.

Frequency tables were run using SPSS software to show the demographics of the university respondents. The tables show university FTE, the role of the person completing the survey, and the number of years of experience of the respondent. FTE and
endowment values for participating universities were found in the VSE survey results, while the role and years of experience variables were found in the survey instrument.

To answer research question number one, an alpha level of .05 was used and a correlation coefficient, the Pearson \( r \), was calculated using the total scholarship giving variable, as well as using the stewardship score, to determine whether donor stewardship efforts predict scholarship giving at universities. The Pearson \( r \) indicates the strength of the relationship between variables (Fraenke & Wallen, 2006), with an \( r \) value close to 0.00 representing no relationship, an \( r \) value between .1 and .3 generally denoting a weak relationship, an \( r \) value between .4 and .6 generally denoting a moderate relationship, and an \( r \) value of .7 or higher generally describing a strong relationship.

To answer research question number two, an alpha level of .05 was used and the Pearson \( r \) was calculated using the change in scholarship giving score, as well as the stewardship score, to determine whether donor stewardship efforts predict increased or decreased scholarship giving levels at universities. The strength of the relationship was determined by the Pearson \( r \) score with an \( r \) value of 0.00 denoting no relationship, an \( r \) value between .1 and .3 generally describing a weak relationship, an \( r \) value between .4 and .6 generally signifying a indicating a moderate relationship, and an \( r \) value of .7 or higher generally signifying a strong relationship.

**Summary**

In this correlational study, the researcher was interested in the degree of relationship among three quantitative variables including donor stewardship, total annual scholarship giving, and the change in total annual scholarship giving from 2002 to 2007. A postpositivist theoretical perspective and a quantitative approach proved to be the best
design for the study. Existing data was gathered utilizing the VSE survey results, and a cross-sectional survey was administered to the sample population to gather the remaining data. SPSS software was used to run frequency tables and the Pearson $r$ correlation coefficients on the data. The researcher hoped to be able to use the results of the analysis to predict future scholarship giving based on donor stewardship, to provide data to university advancement leaders that might prove helpful as they structure their budgets and prioritize staff positions, and to identify areas of possible future research.
CHAPTER FOUR

RESULTS

Introduction

With intense and ever increasing competition for private philanthropy combined with the recent economic downturn, it is more important than ever for universities to take special care to acknowledge, appreciate, and steward those who make gifts to their institutions. The challenge becomes knowing what the donor needs or expects (Prince & File, 1994) and what stewardship practices will provide the best return on investment (Sargeant, 2001). This study is focused on a set of six specific and very basic stewardship activities as a starting place for determining universal best practices that may result in more private gifts to institutions.

Presented in this chapter are the findings obtained in the study and the results of the statistical analysis of data utilized to answer the two research questions discussed in Chapter Three. To address the extent to which private giving for scholarships is related to stewardship provided to the scholarship donors, descriptive statistics and Pearson $r$ coefficient correlation tests were performed. To analyze the stewardship data collected from 45 university advancement personnel and the existing scholarship giving data from the VSE study, data was imported into an SPSS software program. The sample was chosen based on institutional participation in the VSE survey for the years 2002 through 2007.

Description and Profile of the Population of the Study

A convenience sample of 129 universities was used in this study. Bachelor’s and master’s degrees were granted at these universities, and staff members on the campuses
participated in the VSE survey (Kaplan, 2008) for consecutive years from 2002 through 2007. Of those 129 universities, three had previously opted out of the electronic survey service, and four electronic mail addresses were undeliverable. Thus, 122 electronic surveys were distributed, and 58 participants responded for a 48% response rate. However, of the 58 participants, 13 were disqualified due to incomplete VSE data for their corresponding universities resulting in 45 useful participant responses and a 37% response rate. Participants completed a survey designed to measure the extent that six stewardship activities were being practiced, the respondents’ role and years of experience in development, and to reveal additional practices not mentioned in the first six questions.

The participants in the study included personnel working in university advancement who serve in a variety of roles and had years of experience in the field ranging from one year to more than ten years. Of the 45 participants, 64% were vice presidents, 18% were directors of development, 2% were directors of planned giving, 4% had roles specific to donor relations, 2% worked with the annual fund, 2% held support staff positions, and 7% held a role other than one listed as a choice in the survey. Since donor relations and donor stewardship activities require participation from the entire university advancement staff, the broad representation of roles in the sample was important for the reliability of the results of the study. The frequencies of the role of participants are listed in Table 1.
Table 1

*Role of Participant*

<table>
<thead>
<tr>
<th>Role</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vice President</td>
<td>29</td>
<td>64.4</td>
</tr>
<tr>
<td>Director of Development</td>
<td>8</td>
<td>17.8</td>
</tr>
<tr>
<td>Director of Planned Giving</td>
<td>1</td>
<td>2.2</td>
</tr>
<tr>
<td>Donor Relations</td>
<td>2</td>
<td>4.4</td>
</tr>
<tr>
<td>Annual Fund</td>
<td>1</td>
<td>2.2</td>
</tr>
<tr>
<td>Support Staff</td>
<td>1</td>
<td>2.2</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Note. N = 45*

Table 2 shows the number of years participants have worked in development.

This data was collected to ensure participants had a clear understanding of the terminology and activities described in the survey. Of the 45 respondents, 96% had more than three years of experience in the field, and 80% had more than 10 years of experience. Only 4.4% of the respondents had between one and three years of experience working in development.
Table 2

*Participants’ Years of Experience in Development*

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3 years</td>
<td>2</td>
</tr>
<tr>
<td>4-6 years</td>
<td>4</td>
</tr>
<tr>
<td>7-10 years</td>
<td>3</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
</tr>
</tbody>
</table>

*Note. N = 45*

*Research Questions Findings*

Utilizing the data collected from participants, a statistical analysis was performed to determine if there was a significant correlation between stewardship and dollars raised for scholarships from year to year. The findings from the data analysis performed to answer the two research questions for the study is presented in the sections that follow.

*Relationship Between Donor Stewardship and Scholarship Dollars*

The data analysis performed to answer research question number one did not show a correlation between stewardship and dollars given to participant universities for scholarships. A stewardship score and a score for average scholarship dollars raised over the six-year time period was calculated for each participant. The average stewardship score was 18 out of 24 with a standard deviation of 2, a minimum score of 13, and a maximum score of 23. The mean for total annual gifts for scholarships was $679,184 with a standard deviation of $569,893, a minimum of $81,366, and a maximum of $2.3
The Pearson $r$ showed no relationship between these two variables with $r = -0.037; p > 0.05$.

Frequencies were calculated for each of the individual stewardship activities to gain a clearer perspective of the makeup of the total stewardship score used to calculate the Pearson $r$. Figure 1 shows the frequency with which respondents call their scholarship donors to thank them after receiving a gift. The largest percentage of respondents, 59.09%, call their donors most of the time, while 27.27% rarely call them, and 11.36% always make the call. Only one respondent never calls their donors to thank them.

![Figure 1. Thank You Telephone Call](image)

Figure 2 represents the frequency with which university respondents write a personalized thank you letter to the donor following a scholarship gift. For 53.33% of the universities who responded, their scholarship donors always get a personalized letter. Other respondents, 31.11%, send a personalized letter and 15.56% rarely send one.

The frequencies whereby board members or university officials send a thank you note are shown in Figure 3. The largest percentage of respondents, 57.78%, have these
representatives send a letter most of the time, while 13.33% always send the letter, and 28.89% rarely send one from a board member or university administrator.

**Figure 2.** Personalized Thank You Letter

**Figure 3.** Thank You Letter from Board Member or University Official

Figure 4 shows the frequency university scholarship donors get a thank you letter directly from the student recipient. Nearly half of the respondents, 43.18%, rarely ask the
students to send a thank you letter, while another 43.18% ask their students to send a letter most of the time, and only 13.64% always send a letter from the students.

Figure 4. Thank You Letter from Scholarship Recipient

Most of the respondents, 68.89%, try to engage or involve their donors with the university most of the time as depicted in Figure 5. Of the other respondents, 26.67% rarely engage their donors and 4.44% always engage them.

Figure 5. Active Engagement of Donor with University and Scholarship Recipients
The last stewardship activity measured, personalized annual endowment reports, is illustrated in Figure 6. Of those who responded, 65.91% always send an annual endowment report, 22.73% send one most of the time, and only 11.36% rarely send one to their donors.

Figure 6. Personalized Annual Endowment Report to Donors

*Relationship Between Donor Stewardship and Change in Scholarship Giving*

To answer research question two, a Pearson $r$ coefficient was calculated to see if there was a relationship between the change in scholarship giving from year to year and the stewardship provided to the university scholarship donors. One year to year change from 2002 to 2003 showed a significant inverse relationship with the stewardship provided where $r = -0.327; p < .05$. Calculating $R^2$ for the coefficient of determination, 10.7% of the variability for the change in scholarship giving totals from 2002 to 2003 could be predicted by whether or not a certain set of stewardship activities were provided to a donor. There was no correlation found for the change in scholarship giving from year
to year for 2003 to 2004, 2004 to 2005, 2005 to 2006, or 2006 to 2007. Table 3 shows the results of the Pearson \( r \) coefficient test to answer research question number two.

To further understand the results, an average change score was calculated to determine if there was a correlation between the six-year average of change in giving totals and the stewardship score. There was no significant correlation; however, a wide variability in giving was revealed with a minimum year to year giving change of $3,142, a maximum change of $593,662, and a mean change of $75,323 with a standard deviation of $172,173. The histogram in Figure 7 provides a visual of the extreme variability.

Table 3

<table>
<thead>
<tr>
<th>Scholarship Giving Year to Year Change and its Relationship to Stewardship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of Change</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Change 02-03</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Change 03-04</td>
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<tr>
<td></td>
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<td>Change 04-05</td>
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<tr>
<td></td>
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<tr>
<td>Change 05-06</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Change 06-07</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*Note. *\( p \) > .05, two-tailed. \( N = 45 \)
Figure 7. Average Year to Year Change in Giving

Insights from Open-Ended Responses

In addition to the multiple choice questions measured with a Likert scale, an open response question asked participants to reveal additional stewardship activities not mentioned in the survey. The responses to the open response question were categorized and coded with six themes emerging. Many of the responses were covered through the first six questions, but the open response format gave respondents an opportunity to divulge more details. The six themes identified were (a) opportunities for donors to meet
scholarship recipients, (b) special events for donors who gave at a certain level, (c) thank-a-thon by students or board members, (d) personal visits, (e) communications plan dependent on level of giving, and (f) suggestion to further differentiate the survey questions based on level of giving.

There were 11 responses that included a statement about allowing the donors to meet the recipients, 13 responses including a statement about special events for special donors, four who mentioned a thank-a-thon, five who mentioned some type of personal visit from a development officer or a dean, ten respondents made a statement about a personalized communication plan, and five who suggested the survey questions should have been differentiated according to the size of the gift.

One final open-ended response question was included in the survey to determine if universities were being required to scale back on stewardship activities due to the downturn in the economy. Only one theme emerged which was that institutions were trying to be frugal on stewardship events and moving toward more electronic communications but continuing to make appreciating their donors a priority.

**Summary**

The effectiveness of donor stewardship at universities was investigated through statistical analysis of scholarship giving and stewardship practices at 45 public bachelor’s and master’s classified institutions. Frequency calculations were run to determine the participants’ breadth of understanding of the topic. Pearson $r$ coefficient tests were run to determine whether or not there was a relationship between donor stewardship activities and scholarship giving. Frequency calculations were also run to determine the extent of each individual stewardship activity by the participant universities. Likewise, the Pearson
A coefficient test was calculated to determine if there was a relationship between the change in scholarship giving from year to year and donor stewardship activities performed.

Overall, there appeared to be no significant relationship between stewardship provided to scholarship donors and total average scholarship dollars given over the six year period from 2002 through 2007. The change in giving from 2002 to 2003 was the only interval in which there was a relationship between giving and stewardship. The inverse relationship suggested that as increased stewardship activities were performed, giving actually decreased during that time. Conclusions drawn from the analyses, limitations to the study, implications for practice, and opportunities for future research will be discussed in Chapter Five.
CHAPTER FIVE

DISCUSSION

Introduction

According to the Institute for Higher Education Policy, more than 50 percent of higher education funding in the United States came from the private sector in 2003 (Hahn, 2007). Since colleges and universities are dependent on private funds to fill the gap between tuition and the actual cost of education, it is imperative that they provide effective donor relations and donor stewardship to those who support them. The purpose of this study was to determine if there was a relationship between donor stewardship activities provided to university scholarship donors and actual dollars given to universities in support of scholarships. The design allowed six specific and simple stewardship activities to be combined to form a measure of overall stewardship practices. The results were then correlated with existing data measuring dollars given to universities for scholarships each year and the change in dollars given from year to year.

A convenience sample of 122 Carnegie classified bachelor’s- and master’s–granting universities was chosen for this study. A 10-question electronic survey that included questions regarding current stewardship practices and demographics was sent to development personnel at the universities. The data used for analyses was comprised of responses to the cross-sectional donor stewardship survey and pre-existing data from the longitudinal VSE survey (Kaplan, 2008). The Pearson $r$ coefficient (Fraenkel & Wallen, 2006) was used to analyze the data to determine if there was a relationship between donor stewardship and giving. Findings did not demonstrate a significant relationship between overall stewardship and average annual gifts for university scholarships.
Data was further analyzed using the Pearson $r$ coefficient (Fraenkel & Wallen, 2006) to determine if there was a relationship between year to year changes in scholarship giving totals and cumulative stewardship practices. Overall, no significant relationship between variables was found. However, the change from 2002 giving to 2003 giving showed an inverse relationship with the stewardship practices measured.

To more fully understand this inverse relationship and the lack of relationship between overall giving and stewardship, an average year to year change score was calculated. No significant relationship was found to exist between giving and stewardship, but the extreme variability in dollars raised from year to year became evident. Due to the annual variability in dollars raised and the lack of a significant relationship between stewardship and giving, it was concluded that stewardship practices are exercises in long-term relationship building, and the outcome cannot be measured at a given point in time. Scholarship gift totals can vary greatly from year to year due to outlier variables such as large windfall type estate gifts or major gifts during the year that would significantly skew the data. These types of gifts are usually a result of stewardship practiced over many years and in varying degrees. Other factors that might skew the data in a given year or span of years might include an excessively strong or weak economy, change in institutional leadership, and whether or not the university is in the midst of a major gifts campaign.

The remainder of this chapter includes a discussion of the conclusions reached through examination of the concepts explored in the literature review and the research findings. The chapter will conclude with limitations to the study, implications of the research findings, and recommendations for further study.
Discussion

The organizational learning conceptual underpinnings of this study and the cultural lens through which the study was conducted were supported through the findings from analysis of the data. Nonaka’s (1991, 1994) spiral of knowledge theory, Mezirow and Associates’ (2000) transformative learning theory, and Brown and Duguid’s (2001) communities of practice were all supported through the participants’ responses to the stewardship questionnaire. Organizational learning, specifically as it pertains to stewardship was evidenced by one university respondent who said, “Recognition is spelled out in our Stewardship Policy and is determined based on the amount of the gift; stewardship is consistent across campus and adheres to the policy.” This statement also clearly represents a culture of stewardship because the institution-wide value is clearly reflected in a published formalized policy as suggested by Gillespie (2003).

Martin’s (2002) research on operationalizing espoused values and Schein’s (1996) espoused values as examples of institutional culture were supported through the results of this study. For each of the six stewardship activities (Figures 1-6) that were tested through the survey, the majority of participants responded affirmatively. Thus, the participants in the study indicated they were operationalizing their espoused value of stewardship by performing these basic activities to appreciate and engage their scholarship donors.

Research studies specific to donor stewardship (Burk, 2003; Chung-Hoon et al., 2005, 2007; Sargeant, 2001; Sargeant & Woodliffe, 2007; Weerts, 2007) demonstrated a correlation between donor acknowledgement and appreciation, donor engagement, effective donor communications, and donor loyalty. While the results from the data
analysis of this study did not show a significant correlation between an overall stewardship score and average dollars raised, the survey of university advancement office personnel added to the aforementioned research by providing a good overview of current stewardship practices for public bachelors and masters granting universities for those who participated in this research.

Additionally, the open ended question asking for a listing of stewardship practices not listed in the survey supported studies by Burk (2003), Chung-Hoon et al (2005, 2007), Sargeant, (2001), Sargeant & Woodliffe (2007), and Weerts (2007). Some of the stewardship practices listed by the respondents would not have been suitable for a universal survey because they were unique to one or two institutions, but they added strength and significance to the study by giving respondents the opportunity to elaborate on current practices. A few examples of responses related to prior studies and theories include Christmas caroling at the donors’ homes and an Honors Day celebration which add to and support Martin’s (2002) and Bolman and Deal’s (2003) cultural theory regarding rituals. Several respondents listed an annual thank-a-thon where students or the alumni board of directors personally call donors of a certain giving level to thank them which adds to the studies of Burk (2003), Sargeant (2001), and Sargeant and Woodliffe (2007). Sargeant’s (2001) work based on marketing principles and Prince and File’s (1994) Seven Faces study suggested asking donors what types of communication they would like to receive. Some respondents said they have an annual communications plan targeting donors who give over $1,000. Invitations to receptions in the president’s home and annual president’s society events support and adds to prior studies by Weerts (2007) and Chung-Hoon et al (2005, 2007). One participant said articles related to hobbies,
family, or business are sent to donors with a personal note which adds to and supports studies by Burk (2003), Prince and File (1994), and Sargeant and Woodliffe (2007).

One participant said special acknowledgement is provided to first-time donors. This activity supports research by Sargeant and Woodliffe (2007) and validates the importance of giving special attention to retaining a first-time donor in hopes they will give again the next year and in years to come. As stated in Chapter Two, Sargeant and Woodliffe (2007) and Burk (2003) claim it is much more cost effective to retain a donor who is already giving than to continually recruit new donors.

While this study did not show a significant relationship between a specific set of stewardship activities and an average dollars raised over a six-year time period, respondents had a mean stewardship score of 17.8 and an average annual scholarship fundraising total of $679,184. The respondents’ mean stewardship score plus comments added to the open response question suggests a strong emphasis on regular institution-wide stewardship practices. With a mode stewardship score of 19 out of 24 possible as the total of six items, the most frequent response to the questions inquiring how often specific activities were performed, was 3, corresponding to “most of the time.” Due to the many factors that can influence actual dollars raised in a given year, it was difficult to empirically determine the direct impact of the stewardship practices measured in this study. The extreme variability in the change of dollars raised from year to year might be indicative of stewardship payoffs during the watershed years. When paired with results from Burk’s (2003) and Chung-Hoon et al’s (2007) studies, who learned that donors continued giving to an organization based on their involvement, it can be assumed that part of the reason participants in this study continue to have successful fundraising years,
even though they fluctuate, is that they practice excellent stewardship and make it an institutional priority. The next section of this chapter will address some possible limitations to the study, including the variability in scholarship dollars raised from year to year.

**Limitations to the Study**

While the scope of this study was limited to Carnegie classified bachelor’s and master’s degree-granting universities who participated in the VSE (Kaplan, 2008) study for the six consecutive years, 2002 through 2007, there was still great variation between institutions. The sample was specifically chosen because of the availability of existing data through the VSE survey (Kaplan). Busy professionals were asked to complete the electronic survey so every effort was made to make it long enough to accomplish the goals of the study but brief enough to promote participation.

Many variables can affect a university’s ability to raise funds from private sources and these variables were not accounted for in this study. Some or all of these variables could account for the extreme variability in the average scholarship dollars raised and the average change in scholarship gifts from year to year. Some of those variables include (a) size of the endowment and resulting fundraising operations budget, (b) strength of the fundraising board, (c) strength of leadership, (d) maturity of the advancement program, (e) maturity and scope of the alumni program, (f) success of the annual fund, (g) political climate in the state where the university is located, (h) negative press, (i) athletics, (j) campaigns, and (k) campaigns for programs other than scholarships (Worth, 1993). It would be very difficult to control for all of these variables but the opportunities for future research section later in this chapter will cover some possible approaches.
The survey was administered in 2010, but the existing data was collected for the years 2002 through 2007. The reason 2008 and 2009 figures were not used was because of the severe downturn in the economy during 2008 resulting in nationwide plummets in charitable giving during those two years. However, because the data was a few years old, institutional or advancement leadership may have changed from the time the longitudinal data was collected to the time the survey was administered.

According to some of the respondents, the survey was too broad. They suggested breaking the questions down to include different types of stewardship depending on the size of the gift. Again, this would have lengthened the survey considerably. The length of the ten-question survey may have been a limitation as could the size of the sample. While the initial sample size was 129, the initial 48% response rate was reduced to 36% because several respondents had not completed the scholarship portion of the VSE survey. A higher response rate may have strengthened the data used for analysis. The disqualified respondents’ stewardship scores were not used in the correlation tests but since the open responses did not directly affect the correlation outcomes, those answers were used in the conclusions section of this study. Some suggestions for addressing these issues are offered in the future research section.

Implications for Future Practice

Studies by Burk (2003), Chung-Hoon et al (2005, 2007), Prince and File (1994), Sargeant (2001), Sargeant and Woodliffe (2007), Weerts (2007) suggest that a culture of donor stewardship in an organization results in donor loyalty. If universities look at their metrics and deduce that donors who give loyally from year to year eventually increase their giving, and possibly even remember the university in their estate plans, the
institutions should continue to find ways to provide excellent stewardship that is donor-centered (Burk, 2003) rather than institution-centered. According to Burk (2003), Prince and File (1994), and Sargeant and Woodliffe (2007), stewardship does not have to be costly but should be thoughtfully considered and carefully administered.

If institutional fundraising metrics support the theory that loyal donors eventually give more (Burk, 2003; Sargeant, 2001), consideration should be given to hiring adequate donor relations staff and making a sufficient budget available for donor stewardship activities. Also, university advancement leaders might want to consider a plan for moving toward or improving an already existent culture of stewardship throughout the institution. The organization can learn (Nonaka, 1991, 1994) to be more stewardship oriented through middle-up-down (Nonaka) management and communication and through forming communities of practice (Brown & Duguid, 2001) specifically focused on acknowledging and appreciating donors, communicating effectively, and making sure they are informed about how their gifts were used.

**Implications for Future Research**

All aspects of the field of higher education fundraising effectiveness are in need of further research. There are only a few individuals and organizations devoted to this specialty at the current time. In fact, the void of prior research contributed in part to the limitations of this study.

Implications for future research defined through this study specifically include the opportunity for a qualitative or mixed methods study to include a series of focus groups with institutions that have been successful among their peer groups in terms of fundraising outcomes and also those that have fallen short. The data gathered through
personal interviews would lend itself to the emergent design necessary to control for the extreme variability in the actual dollars raised data. Results from the qualitative interviews could still be correlated with data collected through the VSE (Kaplan, 2008) survey or through the National Association of College and University Business Officers (NACUBO) survey conducted each year. Studies might be enriched by surveying or interviewing donors to participant colleges and universities to further validate and enhance the findings.

Another possible area of emphasis for future research includes seeking an understanding of the different types of institutions and how they benefit from private philanthropy. The researcher might explore the differences in how individuals give based on the type of institution they attended. To further understand the question, the researcher might consider an individual donor case study of a philanthropist and investigating events, relationships, and engagement that caused the donor to give to a particular university.

University advancement operations vary in their relationships with the universities they support. The variations might include issues such as governance, funding, staffing, and reporting structure. It would be useful to the profession to have empirical data to determine organizational best practices.

Beyond current donors, university advancement professionals must consider how best to involve and communicate with children and grandchildren of past philanthropists. Understanding more about how families would like to be involved and informed could lead to generational giving. This type of study could utilize focus groups, individual interviews, case studies, or any combination of methods.
The results of this study were significant in identifying a sample of stewardship activities practiced by bachelors and masters degree granting universities. However, a significant relationship between the stewardship practices and overall fundraising outcomes was not determined. Further studies are needed to establish the extent of the relationship so donors will continue to be starded at the level they deserve and so university administrators can adjust staffing and budgets accordingly.
REFERENCES


1. How often do you or a member of your staff call donors to personally thank them for their gifts?

☐ Always
☐ Most of the time
☐ Rarely
☐ Never

2. How often do you or a member of your staff send a personalized thank you letter for every gift regardless of gift size?

☐ Always
☐ Most of the time
☐ Rarely
☐ Never

3. How often do your donors receive a personalized thank you letter from a board member or a university administrator whose department or college of your university directly benefits from the gifts?

☐ Always
☐ Most of the time
☐ Rarely
☐ Never

4. How often do your donors receive a thank you letter from the student(s) who benefit(s) from their gifts?

☐ Always
☐ Most of the time
☐ Rarely
☐ Never

5. How often do you actively engage your donors with your institution to help them see the impact of their gift?

☐ Always
☐ Most of the time
☐ Rarely
☐ Never
6. How often does your university present a personalized report on an annual basis to scholarship donors showing investment performance of their fund, dollars allocated for expenditure, and dollars used for scholarship aid?

- Always
- Most of the time
- Rarely
- Never

7. What is your current primary role in the development office?

- Vice President
- Director of Development
- Development Officer
- Planned Giving
- Donor Relations
- Annual Fund
- Research
- Support Staff
- Other

8. How long have you worked in development?

- Less than 1 year
- 1-3 years
- 4-6 years
- 7-10 years
- more than 10 years

9. Describe a specific stewardship activity practiced by personnel at your university that is not reflected in this survey.

-

10. How has the recent economic downturn affected the donor stewardship practices at your university?

-
APPENDIX B

SAMPLE 2009 VSE HIGHER EDUCATION SURVEY
VITAE

Marta M. Loyd is a native of Fort Smith, Arkansas and a graduate of Fort Smith’s Southside High School. She attended the University of Oklahoma and transferred to the University of Arkansas for Medical Science where she earned a Bachelor of Science degree in Dental Hygiene in 1983. She earned a Masters of Education in Higher Education Administration from the University of Arkansas – Fayetteville in 2000 and a Doctorate of Education in Educational Leadership and Policy Analysis from the University of Missouri – Columbia in 2010.

After working as a dental hygienist for 15 years, Ms. Loyd joined the University of Arkansas - Fort Smith, then Westark College, as a program coordinator in the division of Continuing Education where she helped launch the college’s dental hygiene program, one of only two programs in the state. In 1998, Ms. Loyd joined the University Advancement staff as a development officer and in 2003 became vice chancellor for university advancement and executive director of the UA Fort Smith Foundation, Inc. Her responsibilities include alumni, annual and major gifts, and planned giving.

Ms. Loyd is active in community service as a board member of the Greenwood Education Foundation, Leave A Legacy Arkansas, and Harbor House. She is a 2004 graduate of Leadership Fort Smith. She and her husband, Greg, have three children.