Literature Review

Frances Huehls

is Associate Librarian for the Joseph and Matthew Payton Philanthropic Studies Library at Indiana University Purdue University Indianapolis. She obtained her Master's degrees in philanthropic studies and library science, as well as a PhD in higher education from Indiana University. Dr Huehls is Editor of *Philanthropic Studies Index*, an online periodical literature index and *PRO: Philanthropy Resources Online*, a full-text resource for the field of philanthropic studies.

International Journal of Educational Advancement (2010) 10, 48–55.
doi:10.1057/ijea.2010.1

SUSAN MAINWARING AND HEATHER SKINNER (2009), 'REACHING DONORS: NEURO- LINGUISTIC PROGRAMMING IMPLICATIONS FOR EFFECTIVE CHARITY MARKETING COMMUNICATIONS', *THE MARKETING REVIEW* 9(3): 231–242

Neuro-linguistic programming (NLP), defined as 'the relationship between mind (neuro), language (linguistic – both non verbal and verbal) and behavior (programming)' (p. 232) invokes the concept of 'mirroring'. Response to communication will be more positive if it is presented to people using language that reflects their preferred way of looking at the world. The high volume of dollars spent in marketing causes may be largely wasted if the messages are filtered out by those they are meant to persuade. This research relies on the theory that NLP can help us understand how information filtering operates through comprehension of sensory representation systems (SRS). This can aid marketers in crafting more effective communications to potential donors. The three basic SRS are 'visual, auditory, and kinaesthetic

and our experiences are represented within one of these contexts: i.e. visual people "see" the world, auditory processors "hear" it and kinaesthetics "feel" it' (p. 232). NLP has been applied in many areas of business but not to marketing and there is no existing research on NLP and charity marketing.

Communication between a sender and receiver may not be entirely linear. How the receiver takes in a message is mediated by social factors. The recipient may filter messages due to 'noise' – an external influence or even the sheer volume of communication coming in. Desensitization also plays a part, making shock – the use of the otherwise unmentionable – a valuable means of breaking through the desensitization barrier. There is some evidence that the public tolerates 'shock' in charitable marketing better than in commercial marketing. NLP theory posits that a consumer would use sensory filters to process incoming communication. A preference for visual, auditory, or kinaesthetic should not be interpreted as 'noise' but as a means for dealing with it.

The amount of research on SRS is negligible but there has been research in related areas such as the role of

imagery in advertising, comparisons of the effectiveness of visual versus verbal content in product marketing, and the effectiveness of TV advertising targeted to an audience with a specified preferred representational system.

Marketing has become an accepted activity of charities – particularly strategic marketing – because of the competition for donor dollars. New direct marketing techniques now make it possible to target donors based on less traditional characteristics, including SRS. Other factors that impact this study include the high volume of appeals in 2005 and the introduction of new methods of fundraising.

Methodology

Mainwaring and Skinner used interpretive phenomenology to determine if people reveal which SRS they prefer through the language they use. Twenty-one adults ranging in age from 22 years to post-retirement were chosen. Participants in small groups watched four advertisements that focused on abuse at home. Immediate reactions to the ads were captured and recorded. The ads were deliberately chosen because they were available and participants were already familiar with the work of the organization. As they were all starting from the same level of information, they were able to focus on merely reacting to the advertisements. The authors used non-sensory language when asking questions in order to not influence responses.

The authors observed no noticeable difference in response owing to age, gender or occupation. The responses show at least some relationship

between whether a person is visual, auditory or kinaesthetic and the marketing messages that they found to be most compelling. Only visual and kinaesthetic preferences were seen in the responses. As the sample size was very small, no generalizations could be made.

Discussion and conclusions

Advertisements affect people differently, and the way that people describe their reactions is sensory-based. The participants clearly demonstrated that they filtered the information they received and how they filtered it was affected by their visual, auditory or kinaesthetic preferences. This was evident in the use of sensory language in their responses. It is also notable that the visual participants and one participant exhibiting visual/kinaesthetic synaesthesia found the ad with the most pronounced shock value to be the most compelling.

Although it may appear that preferred sensory representational systems are ‘noise’ in that people filter out incoming information based on their preferences, the messages that had the most impact based on preference caused other messages to be discarded.

This research therefore finds that individuals are selecting information on the basis of preferred sensory representational systems and thus this is a very important part of the perceptual selection process and therefore the purchasing process. (p. 239)

There are significant potential impacts for charitable organizations. It would be prudent for organizations to craft appeals that would appeal to more

than one SRS. This is especially important for small charities with tight marketing budgets. The effective use of NLP provides a meaningful way to segment an audience as well as to develop meaningful client relationships.

DAN MARLIN, WILLIAM J. RITCHIE AND SCOTT W. GEIGER (2009), 'STRATEGIC GROUP MEMBERSHIP AND NONPROFIT ORGANIZATION PERFORMANCE', *NONPROFIT MANAGEMENT AND LEADERSHIP* 20(1): 23–39

Demands for accountability and competition for funds are the impetus for research on nonprofit performance. Organizational strategy development and its effect on performance are of growing interest to researchers. Research has established that strategy and performance are definitely related but has not yet identified the specific strategies.

Strategic groups are 'clusters of firms that compete by following the same or similar strategies within an industry' (p. 24). The strategic group model provides a way to formulate industry-specific strategies and the resources needed to pursue them. Prior research has shown little movement from one strategic group to another because of barriers such as available financial resources or expertise.

Strategic models have received little attention with regard to nonprofit organizations. This study applies the model to university foundations.

Thus, this study contributes to nonprofit strategy research by answering two primary questions: (1) Are strategic groups of

organizations pursuing similar strategies within a given nonprofit sector? (2) Are there significant differences in performance among strategic groups in a given nonprofit sector? These questions are examined using data on 235 university foundations. (p. 25)

Methodology

University foundations typically serve a single related institution. They are autonomous with their own board of directors. The sample of 235 university foundations was selected from the Guidestar database. All institutions reported complete data on IRS form 990 for 2003.

The following measures were used to define strategic groups:

- Contributions = total contributions, gifts, grants/total revenue
- Dividends and interest = dividends and interest on savings, cash and securities/total revenue
- Program services expenses = program services expenses/total expenses
- Fund-raising expenses = fund-raising cost/total expenses
- Slack = non-interest bearing cash plus savings and temporary cash investments/total assets
- Investments = total investments/total assets

Performance measures were defined as:

- Direct public support/total assets
- Total contributions/total expenses
- Return on assets = total revenue – total expenses/total assets
- Total margin = total revenue – total expenses/total expenses
- Net asset growth = net assets at year end/net assets at beginning of year

The two control measures used were the Carnegie designations for larger doctoral and research institutions, masters colleges and universities, bachelor's granting institutions and institutional size calculated as the log of total assets. Cluster analysis was used to identify strategic groups. The clusters were then subjected to extensive variance analysis.

Five strategic groups ranging in size from 15 foundations to 76 foundations were identified.

Stewards

- 70 foundations
- Manage resources by optimizing investment income
- Highest revenue from dividends and interest
- Highest relative investment assets
- Highest program services expenses
- Lowest contributions
- Low dependence on contribution income
- Lowest ratio of fund-raising expenses
- Lowest level of slack
- Second largest average foundation size

Steward/Cultivators

- 76 foundations
- Have a dual focus of investment management and cultivation of resources
- Second highest dividend and interest income
- High fund-raising cost
- Second lowest total contributions
- Below average program services expense

- Second lowest slack
- Largest average foundation size

Administrators

- 54 foundations
- Third in average foundation size
- Emphasized managing foundation programs
- Highest program services expenses
- Above average slack
- Above average total contributions
- Below average dividend and interest income
- Below average fund-raising expenses
- Below average investment assets

Harvesters

- 15 foundations
- Smallest average foundation size
- Emphasis on gathering funds from supporting organizations
- Highest total contributions
- Highest slack
- Least dividend and interest income
- Lowest investment assets
- Average program services expenses
- Average fund-raising expenses

Cultivators

- 20 foundations
- Second smallest average foundation size
- Invests in fund-raising activities
- Highest fund-raising cost
- Higher than average total contributions
- Average in investment assets
- Below average in slack and dividend and investment income
- Lowest in program services expense

Analysis of the performance measures indicated that

- foundation size and Carnegie classification were related only to direct public support/total assets;
- harvesters outperformed cultivators, administrators and steward/cultivators;
- all of these groups outperformed stewards in direct public support/total assets;
- cultivators outperformed all others in total margin;
- cultivators outperformed stewards, steward/cultivators and administrators in total contributions/total expenses, return on assets, and net asset growth;
- harvesters outperformed stewards in total contributions/total expenses and return on assets;
- harvesters outperformed administrators in return on assets.

Results suggest that choice of strategy is related to performance. In this case, Cultivators and Harvesters outperformed the other groups.

Discussion and conclusions

The authors note five major benefits for nonprofit research. First, the study provides a model for identifying organizational strategies in the nonprofit arena. It moves away from using measures such as Carnegie designation or size to classify university foundations. The results show a correlation between strategy and performance. The study may provide a model for studying attributes other than strategy that relate to performance. Finally, it can be replicated in other areas of the nonprofit sector.

The study clearly indicates that strategy is related to performance:

The one clear pattern that seemed to emerge from this analysis was that cultivators, whose ratio of fundraising expenses to total expenses was more than twice that of any other group, performed the highest along a majority of performance measures examined. Moreover, harvesters and steward/cultivators, who, respectively, had the second and third highest ratio of fundraising expenses to total expenses, enjoyed the second and third best performance levels. This suggests that a significant benefit occurs for these firms from fundraising activities in both absolute firm performance and performance growth. (p. 34)

University foundations should examine the various strategies and determine the proper balance of cultivating and harvesting for their resource base. They should also pay more attention to fund-raising activities as compared to program services or investments.

The model can also be used to examine other types of nonprofit organizations to determine strategy groups and their related performance factors. As the highest performance levels were found among the smaller strategic groups, this indicates that there may be barriers to movement between groups. In addition, the model can also be used for goal setting, benchmarking and managerial decision making.

Marlin, Ritchie and Geiger caution that the nonprofit environment has become more complex, with better-informed donors, more financial

instruments for donor needs, and changing donor demographics. Strategic groups may change in response to these developments.

**AMBER NATHAN
AND LESLIE HALLAM
(2009), 'A QUALITATIVE
INVESTIGATION
INTO THE DONOR
LAPSING EXPERIENCE',
*INTERNATIONAL JOURNAL
OF NONPROFIT AND
VOLUNTARY SECTOR
MARKETING* 14: 317–331**

Nonprofit organizations have been slow to recognize the economic impact of losing donors and have failed to nurture good donor relationships. Losing donors means lost revenue. Although donor recruitment methods have evolved to accommodate differences in the population, acquired donors are often lumped into one category. All donors receive the same updates, newsletters and premiums, even if they are not appropriate or what the new recruits have indicated that they would like to receive.

Although prior research has shown that subsequent communication is what drives retention, this research 'drills down into the impact of these subsequent communications. It looks at their power to engage donors. This is largely because we recognize a powerful connection between donor engagement and donor loyalty' (p. 318). Nathan and Hallam distinguish between two levels of commitment. Those who are passively committed feel no special bond with an organization but also feel no genuine dissatisfaction with the relationship. The actively committed want to be connected and engaged.

As fundraisers we cannot change the fact that loyalties can come from years of habitual giving, or alter the preference of those who want no more than to give and forget about it. We cannot control donors' financial circumstances or the personal situations affecting their closeness to a cause. But if donor engagement enables donor loyalty, and if we are in control of how we communicate with our donors, then it follows that donor loyalty is something we can improve. (p. 318)

Nathan and Hallam wanted to understand in as much depth and detail as possible the whole process of donor recruitment, communication, and what brought on the decision to lapse as a donor at the level of the individual donor. As it has not been documented elsewhere, the experience of lapsing was the most interesting.

Methodology and sample

Twelve 3-hour workshops were held. Six were for donors aged 25–50 years and six for age 50 years and older. There was a mix of cash donors, defined as those who had given two or more gifts to a charity with at least one in the last 2 years, and committed donors who had made an ongoing commitment to donate through a direct debit arrangement. The workshops were further broken down into lapsed, who had canceled their debit arrangement within the last 24 months or those who had made two or more cash donations but not within the last 24 months and workshops with active donors who had made two or more cash gifts during the last

24 months or had an active debit arrangement. Donors were chosen from the files of 11 UK charities.

In the workshops, donor retention issues were described and the participants were asked to play the role of fundraiser. Participants were asked to think about ideal stewardship scenarios and also to replay their thoughts and feelings at the time they decided to stop giving. The workshop findings were used for 110 semi-structured phone interviews lasting around 20 min. There were additional undocumented phone conversations with people who were invited but could not attend the workshops.

Reasons that donors stopped giving

Donors who lapsed did so in response to specific charities. The majority continued to donate to other organizations. A small minority deliberately moved from charity to charity. The authors found no specific personality type. Lapsing was because of either something the charity did or did not do and changes in personal circumstances. Donors ranked who they gave to and dropped their least favorite organizations first. Preference was based on the sense of engagement and closeness to the cause. Within this group of donors, support of an individual child was the most important priority. Smaller charities were favored over large ones. Organizations that benefited children in general ranked third, followed by donations for medical research connected to a family member or close friend and charities with which they had long-term relationships.

There were several other observations related to recruitment and establishing a relationship with the

charity. Donors were most likely to stay if they thought about it before making the commitment. Follow-up after recruitment was critical to reinforce the decision. On the other hand, some donors gave with no plan for further engagement. This applied to both cash givers, who simply stopped giving, and those who set up a direct debit with the attitude that the arrangement was easy to cancel. Those who had no plan to commit cited reasons including lack of trust in charities, a desire to give broadly out of fairness and simply liking to do something new and different. Donors lapsed because they did not engage and form a bond with the charity, even though they remained committed to other organizations.

Conversations about lapsing generated a list of mistakes that charities make with donors:

- making changes that donors disagree with;
- poor stewardship, including unwanted communications;
- failing to meet donor expectations, such as not sending requested materials and selling their information to other organizations;
- not paying attention to donor needs, including giving preferences;
- poor timing of donation requests;
- persisting past the point when it was obvious the donor had lost interest.

Lapsing was not always problematic for a donor. Cash donors simply stopped responding to requests. For those with a debit arrangement, canceling often resembled a purchase/return decision. Canceling was usually owing to one of three factors – a change in financial situation, realizing

that they were donating and not being able to remember why, or persistent dissatisfaction with the charity. Most donors moved on quickly after canceling.

For others, the decision to break off the donor relationship was not so easy. The decision to cancel took as much or more time than the decision to give. Some experienced guilt over the decision. If the reason for canceling was financial, some reduced their gift rather than canceling outright. Some participants reported not being able to figure out how to do this. There was often a desire to avoid communication or confrontation with the charity about canceling. Calls to try to persuade them to give again were a real source of aggravation as were ongoing appeals that implied that the person had never been a donor at all. Of post-cancellation communication, 'lapsed' said that an ideal post-cancellation communication would both acknowledge the situation, and say thank you for their gifts to date' (p. 327).

Recommendations for retaining donors

Nathan and Hallam identified a lack of understanding and respect on the part of both donors and charities as the underlying theme of the evidence they gathered. Donors do not necessarily need charities and get no

tangible benefit from giving. They lose very little when they disengage.

Charities need to find ways to encourage donors to stay in the relationship at some level.

Seven steps are suggested for retaining donors:

- establish the relationship – after recruitment, the relationship has to transfer to the organization;
- manage expectations – communications must be as promised during the recruitment phase;
- put the donor at the center of communications – what is the appropriate medium and what is relevant;
- meeting donor needs in new and different ways – must appeal to the human need to help. For donors it is not so much about the particular organization. Charities must show how donations actually help;
- choice – how does the donor want to hear from you and what kind of information do they want to receive;
- avoid looking at donors as data or part of a database segment;
- let go – there is more chance a donor will return in the future if you part on good terms. Thank them for their past gifts and be sure to ask why they have decided to stop giving.