Literature Review

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PAUL DUNN (2010). STRATEGIC RESPONSES BY A NONPROFIT WHEN A DONOR BECOMES TAINTED. *NONPROFIT AND VOLUNTARY SECTOR QUARTERLY* 39(1): 102–123

Large donations are frequently paired with naming opportunities to acknowledge and celebrate the donor. However, when a donor later becomes linked to a scandal that is not associated with either the gift or the recipient, the recipient often must make a decision about how to handle the situation. Dunn considers why a non-profit organization would return a previously accepted donation, citing a dual purpose for the paper:

First, it will outline a typology of donors and donations, and second, using stakeholder theory and resource dependency, it will provide a list of factors that would entice a nonprofit to either keep or return the gift of a 'tainted' donor. (p. 103)

The two theories – stakeholder and resource dependency – explain how organizations manage their external environment. Stakeholder theory

describes the demands of external groups and how organizations manage those demands. Resource dependency theory explains how organizations adapt to their environment. Dunn argues that the strategies organizations use are a response to the pressures placed on them by stakeholder groups. In particular, 'this article contends that two constraints – economic need and organizational commitment – will moderate the pressure-strategy link' (p. 103).

Typology of donors and donations

Dunn focuses on gifts from individuals and on situations in which the donor became tainted after the gift had been made and accepted. In this case 'tainted' refers to the tarnished reputation of the donor. Not all recipients will react in the same way. The social acceptability of a donor and/or a donation varies with the situation and with the attitudes of the recipient organization.

In Dunn's analysis, an organization may adopt one of three strategies when it determines that a donor has become tainted. The action will depend on the strength of outside pressures. When outside pressures to act are strong, an organization is more likely to act than

if those outside pressures are weak. The three options are:

- Acquiescence: the recipient returns the gift and removes the public recognition.
- Compromise: the recipient keeps the gift but returns the public recognition.
- Defiance: the recipient keeps the gift and leaves the public recognition in place.

Stakeholder theory posits that some stakeholders are more critical than others. The strength of a stakeholder claim is determined by legitimacy, power and urgency. Competing claims of various stakeholder groups are a chronic issue for non-profit organizations.

Dunn's model can be adapted to help determine whether an organization should return a tainted donor's gift:

it is hypothesized that the strategy that a nonprofit adopts will be a function of three factors: the perceived degree of incongruence between the goals and nature of the nonprofit and the actions of the benefactor that lead to the scandal (legitimacy), the extent of coalescence of demands of multiple stakeholder groups (power), and the perceived visibility and timeliness of the scandal (urgency). (p. 109)

The degree of value incongruence, coalescence or visibility individually will affect which strategy – acquiescence, compromise or defiance – an organization will adopt when it determines that a previously honored donor has been tainted by a scandal. Value incongruence refers to the

compatibility of the values of the external stakeholder and the organization. Management is more likely to act if there is compatibility. Coalescence refers to the ability of an outside stakeholder group to act in a decisive and coherent manner. An organization is more likely to ignore those who cannot act coherently. Visibility refers to the degree of public knowledge of the scandal that tainted the donor. A decision may become urgent because of timing. If one factor is present, the claim is not urgent. If two factors are present, some action may be needed. If all three factors are present, management must act on the stakeholder's claim. The presence of multiple factors will also influence the strategy that the organization adopts.

Resource dependency theory posits that financial need and commitment to the donor and the gift will affect the strategy the organization adopts when it learns that a donor has become tainted. A gift is more likely to be returned if the organization perceives that there will be a financial benefit in returning it. Organizational commitment refers to the propensity of the organization to act consistently with its original decision to accept the gift. If awareness of the original decision is high, the organization will tend to stick with its original decision. This is particularly true if the organization and donor are still connected. Even when the original decision is determined to have been in error, that position will be justified through a stronger commitment to the donor.

Economic need and organizational commitment mediate the other decision-making constraints. The greater the economic need or

commitment to the donor, the more likely it is that the organization will keep the gift and continue to honor the donor (a defiance strategy). As these factors lessen, the more likely it is that the organization will be able to take a compromise position or to acquiesce and return the money and remove the public recognition.

Dunn suggests several venues for future research to validate the model:

- a survey of organizations who have had to deal with tainted donors to determine the significance of the model components;
- development of hypothetical cases for nonprofits to assess (in either a natural or laboratory setting);
- an empirical study of a large number of non-profit organizations;
- studies of decision making processes and techniques;
- studies of cases of tainted donors where the donor has not been publicly honored.

**SIOBHAN MCGEE AND
FREDA DONOGHUE (2009).
THE CONUNDRUM OF
FUNDRAISING IN NONPROFIT
ORGANIZATIONS: A STORY
FROM IRELAND. *JOURNAL
OF NONPROFIT & PUBLIC
SECTOR MARKETING*
21: 367–383**

Non-profit organizations in Ireland need funds from external sources in order to operate and develop programs. The climate for fund raising is changing in some respects. Regulation of charities and fund raising is expected in the near term. Improvements in the economic situation have created a class of

potential donors. The government created the Forum on Philanthropy in 2007 to encourage a culture of philanthropy. However, marketing and fundraising remain sensitive areas due to the voluntary nature of charities that implies an inherent goodness and trustworthiness – ideals that conflict with the development of fundraising programs and the professionalization of fundraising as a field.

Methodology

The study utilized data from a 2005 survey of 4214 nonprofit organizations. Coding of the data made it possible to identify organizations with some level of tax-exemption, although true charitable status does not exist in Ireland. The authors used a three-stage approach. The first stage identified 960 charitable organizations engaged in fundraising. A statistical profile that informed and contextualized the study was developed from this data. In the second stage, eight focus groups involving 43 organizations were held. Selection was based on income, fundraising income, geography and scope (local, national or international). Each 3-hour session focused on the practice and profession of fundraising. In the third stage, 1 hour in-depth interviews were held with three fundraisers from large organizations. The purpose was to further illuminate what had been learned in the focus group sessions.

McGee and Donoghue explore the perplexing situation that organizations in Ireland face. What they refer to as the 'myth of goodness' (p. 370) suggests that the voluntary nature of the sector celebrates the notion that charities are inherently trustworthy

and that trustworthiness attracts resources. This has resulted in low formalization of the sector and a perception that regulation is not needed. On the other hand, there is competition for available donations and the need for professional fundraisers is growing. There is a risk that a greater emphasis on fundraising will taint organizations with the aura of business profits. They ask:

How then do nonprofit managers negotiate this tension between communicating a message about being good and trustworthy, while at the same time managing their organizations' development in a planned, sustained, and effective way? (p. 371)

The problem of fundraising in Ireland

Non-profits in Ireland vary in size and scope from small local organizations to large organizations of international scope. Smaller organizations tend to rely on volunteers and other staff to manage fundraising. Larger organizations are more likely to have a dedicated fundraising staff.

Public perceptions and policy have created a difficult fundraising climate. Lack of regulation has resulted in poor public understanding of how non-profits operate and how they get resources. Regulation is expected to draw attention to fundraising practices. During the last decade, expectations about state provision of social services have grown, making it difficult to raise funds for programs that people expect the government to provide. The public is reluctant to provide funds or encourage fundraising activities in social service nonprofits. Economic

growth and prosperity has also encouraged a public perception that funds should already exist for services and that organizations should not need to raise funds from the public. Managing these perceptions has made it necessary for organizations to increase their fundraising effort, including hiring professionals.

However, even in organizations with professional staff, managers do not encourage strategic approaches to fundraising. The focus is on one-time gifts and meeting annual needs rather than building long-term donor relationships and major gifts. Many managers do not have sufficient training to direct a strategic fundraising program. Goals are set on an annual basis, with the emphasis being on making up deficits.

There is also an expectation that all revenues will go toward program costs, which leaves no funding available to develop fundraising staff. The lack of formal training programs is one reason it is difficult to find professional fundraisers for middle and senior management positions. Entry-level fundraisers come without formal training and learn their skills on the job. Short training courses and conferences provide informal learning opportunities but the overall lack of professional development opportunities contributes to high staff turnover. Fundraising, which has traditionally been carried out by volunteers, is also seen as a poor career choice.

Overall, fundraising in Ireland is controlled by a vicious circle of not enough fundraisers and not enough training competing with the public view of nonprofits as being voluntary, good and trustworthy – which means

that funds will flow to them without the need for planning or effort.

Future Challenges

Lack of regulation has meant that there is no legal requirement for charities to report on their fundraising activities. Owing to the lack of a common framework for reporting, fundraising costs are reported in a variety of ways. One interviewee indicated that greater transparency is needed in reporting fundraising costs to the public. As they know that the public will react negatively, charities tend to underreport administrative costs, which creates an ongoing expectation that administrative costs will be low. An expectation of public disapproval also discourages charities from spending for fundraising training and development. Regulation will expose the gaps between actual costs and public perception.

Charities continue to face a conundrum in fundraising. Funds are needed to operate but too much association with money challenges organizational goodness and legitimacy through the taint of money. Professionalizing fundraising would bring much need skills to current practice but might also erode public legitimacy making it even more difficult to raise funds. The authors suggest that an oversight body could promote sector wide issues including fundraising, public education and training for fundraisers. The association of voluntary organizations with goodness requires that fundraising will need to be negotiated. If money is raised to do good, the goodness of the organization need not be compromised.

PAMALA WIEPKING, KYM MADDEN AND KATIE MCDONALD (2010). LEAVING A LEGACY: BEQUEST GIVING IN AUSTRALIA. AUSTRALASIAN MARKETING JOURNAL 18(1): 15–22

Bequest income is considered a major income source by nonprofit organizations. Although 87 percent of Australians report making donations, fewer than 8 percent of the 58 percent who report having a will indicate that they have made a bequest. The goal of this article is to shed light on what characterizes and motivates charitable gifts by bequest.

The authors developed eight hypotheses around attitudinal and structural motivations for bequest giving:

Attitudinal: People are more likely to make a charitable bequest if

- they want to give back to their community;
- they believe that nonprofit organizations use funds effectively;
- they are strongly altruistic;
- they do not strongly believe that the government should provide public goods;
- they are religious.

Structural: People are less likely to make a charitable bequest if

- they have a partner;
- they have children and/or grandchildren.

But, they are more likely to make a bequest if

- their wealth is high;
- they have a history of making generous charitable donations.

The donor bases of six non-profits that have both active donation and bequest programs were used to find study participants. Each organization provided a sample list of current donors and a second list of individuals who had made a bequest. A total of 3184 donors were invited to complete a survey. The response rate averaged 32 percent.

Of the eight motivators, only the belief that non-profit organizations use funds effectively and a history of generosity were indicators of likelihood that an individual would make a bequest. Paradoxically, those with most wealth were the least likely to make a bequest. Otherwise, wealth was neutral, as were the desire to give back, a belief that government should provide public goods, religion and the presence of a partner. Altruism and the presence of children and or grandchildren had a negative effect on the likelihood of a bequest.

OTHER RECENT RESEARCH OF NOTE

MARUDAS, NICHOLAS P. AND FRED A. JACOBS (2010). INITIAL EVIDENCE ON WHETHER USE OF PROFESSIONAL FUNDRAISING SERVICES INCREASES FUNDRAISING EFFECTIVENESS. *INTERNATIONAL JOURNAL OF NONPROFIT AND VOLUNTARY SECTOR MARKETING* 15: 3–12

The study finds a positive relationship between spending for professional fund raising services and the amount raised for the education and health sectors. The effect was not found for arts and human services organizations.