The Relationship of Institutional Characteristics and Giving Participation Rates of Alumni

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Abstract

There are many variables that influence alumni giving at colleges and universities. A growing body of research is revealing new knowledge about factors related to individual donors, fund-raising practices, and the external environment. However, relatively little attention has been given to basic institutional characteristics that may impact alumni giving. This study asks the question, "What institutional characteristics, not directly related to fund-raising practices, predict higher giving participation rates (GPR) among alumni?" Using secondary analysis of data compiled by *US News and World Report* (USNWR), this study examines characteristics of private master's level universities ranked in the top two tiers of USNWR's 2002 edition of *America's Best*

Colleges. This study finds sufficient explanatory power in some basic institutional variables to merit their consideration in comparisons of fund raising between institutions.

Keywords:

higher education, college, university, giving, fund raising, alumni, advancement, participation rates, institutional characteristics, development

Introduction

Comparing institutions is an important tool in assessing the effectiveness of fund-raising work in higher education. These kinds of benchmarking exercises have become more prevalent with the increase in professionalization of fund raising and the reliance on alumni giving participation rates (GPR) as a surrogate variable for alumni satisfaction. University boards also make comparisons in order to assess the fund-raising performance of presidents and staff. While benchmarking is important, it can also mislead observers if there are immutable or slow-to-change institutional characteristics that influence giving, but are beyond the control of the fund-raising

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staff and even the presidents. The purpose of this study is to contribute helpful information regarding institutional variables to guide the selection of comparison institutions. The study does not include characteristics directly related to fund-raising practices because the point of the study is to help practitioners select appropriate benchmark institutions so that analysis and comparison of fund-raising practices, including comparisons of resources dedicated to advancement work, are meaningful. In addition to consideration of institutional characteristics, fund-raising administrators and other university officials should also consider variables related to external environmental factors and attributes of the alumni and prospect pool when evaluating comparative data. Doing so will help provide better information about the effectiveness of fund-raising practices.

Literature Review

Several studies have explored a variety of factors that are believed to influence giving. Generally, these factors can be placed in one of four categories: individual donor characteristics, fund-raising practices, external environment, and lastly—the focus of this study—institutional characteristics. To gain a broader perspective on the question of what influences participation rates, it is important to briefly review some of the literature pertaining to individual attributes, fund-raising practices, and external environments, before examining the literature on institutional characteristics.

Attributes of individuals who make contributions

In a study of Wellesley College graduates, Grant and Lindauer looked at the

influence of age on giving.¹ By looking at reunion giving by class year, they discovered that generally, the older the class year, the higher the participation rate, and the higher the average gift. A study by Belfield and Beney also shows that age is positively related to the likelihood that graduates will give.² Other studies have also affirmed age as a positive influence by demonstrating that older classes have higher rates of giving participation and higher levels of total giving. Belfield and Beney also demonstrate that women have a higher probability of giving than men, but also that women tend to give less, and note that this contrasts with an earlier study by Okunade et al.³ Belfield and Beney's study included graduates of two British universities, which both have honors programs, and they found that graduates of those programs were more likely to give. Their study also had statistically significant findings that suggest that single individuals are more likely to give than married individuals even in cases where both spouses were graduates of the same institution, and they found that while occupational groupings do not have much explanatory power, income level does.⁴ A study conducted by Harrison et al. found that graduates who were members of fraternities and sororities were more likely to contribute.⁵ This brief review is a mere summary of some of the literature on the attributes of individuals who give; for a more thorough review one should refer to the research of Okunade and Berl, and Taylor and Martin.⁶

Fund-raising practices

In addition to Grant and Linauer's findings on the influence of age on giving, they, and others, found statistically significant increases in milestone reunion years (25th and 50th), which Wellesley

College, the focus of their study, emphasized in their alumni and development programming.⁷ This affirms what practitioners have long believed, that reunion year and reunion giving programs can positively influence giving. Willemain et al. also found support for the positive influence of reunion years on alumni giving percentage and average gift.⁸ While this positive influence was evident in all reunion years (every five years), it was exceptionally strong in the 25th and 50th reunion years, which most colleges and universities emphasize. Bristol also affirmed the positive impact of reunion giving in his study of Amherst alumni.⁹ In examining staffing structures Stephen Grunig found that decentralized fund-raising operations were no more or less efficient in terms of cost to raise a dollar.¹⁰ Although he did find that decentralized operations tended to raise more total dollars, he suggested that this was probably due to the fact that decentralized schools tended to be larger and have more development staff.

In addition to the published work on the influence of fund-raising practices on giving, which is only partially addressed here, numerous presentations at professional association conferences and informal studies conducted by consultants and practitioners identify a variety of “best practices” for all types of fund-raising activities: mail, email, telephone, prospect identification, donor cultivation, solicitation, campaigns, and so forth. Further, numerous books are available which focus on particular types of fund-raising activities, or particular types of institutions. While not always based on empirical research, the positive influence of the practices suggested in this type of literature is often validated by anecdote, case examples, and expert testimony. Among this literature, I would

recommend *Advancing Small Colleges* by Wesley Wilmer and the recently updated *New Strategies for Educational Fund Raising* by Michael Worth as good places to start.¹¹ And of course, The Council for Advancement and Support of Education, the Association of Fundraising Professionals, and other organizations produce a large volume of helpful information and materials suggesting best practices for fund raising. While the main purpose of benchmarking is to assess the effectiveness and efficiency of an institution’s fund-raising practices, the findings and resources discussed above should be considered not so much in the selection of institutions for comparison, but in the analysis of the results of those comparisons.

External environment

In addition to his findings related to reunion giving discussed above, Bristol also examined the correlation of general economic conditions with annual giving. By using the New York Stock Exchange Index and the Consumer Price Index he found that the average size of annual donations and total annual donations increased when the economy was strong.¹² Similarly, Willemain et al. and others found that a strong economy had a positive influence on alumni GPR and average gift size.¹³ Clotfelter and others demonstrate that changes in tax rates also affect giving.¹⁴ Some external environmental factors tend to affect all institutions in similar ways; however, some are unique to a particular region or institution. For instance, is there a public scandal at your institution, has your community’s largest employer recently laid off half its work force? Regardless, these factors are important to consider in analyzing fund-raising results.

Institutional characteristics

There have been comparatively few studies that have examined general institutional characteristics. Leslie and Ramey found that schools with higher levels of endowment, higher enrollments, and higher educational and general (E&G) expenditures tend to raise more.¹⁵

Additionally, Duronio and Loessin found that older institutions and institutions with more alumni of record tend to raise more money.¹⁶ In some ways the findings that older bigger schools, with bigger endowments, larger E&G expenditures, and more alumni tend to raise more money are somewhat obvious. But do those same schools have higher percentages of their alumni giving? Is the average amount given per donor or per alumni larger? The answers to these questions are less obvious and perhaps more helpful to development managers and institutional leaders who are trying to assess the overall effectiveness of their school's fund raising. To illustrate the point, Pomona College, as effective as its development efforts are, does not and will not raise as much money as Stanford or USC, but may very likely have a higher GPR or higher giving per donor. If the schools being compared are very similar on key institutional variables that seem to influence giving, it then becomes very likely that differences in total giving, GPR, dollars per donor, and so forth are due to variations in fund-raising practices. This study aims to help identify those key institutional variables so that practitioners can better select appropriate institutions for comparison.

Methodology

This study includes private colleges and universities ranked in the top two tiers from any region in the "Master's" classification of *US News and World Report*.

Including only schools from these categories helps narrow the range of differences between institutions. Additionally, because of a significant difference in the mean alumni GPR of public and private institutions in this sample, 11 percent for publics and 21 percent for privates, and the significant difference in average total undergraduate enrollment, 7,648 for publics and 2,097 for privates, and other differences that made inclusion of both public and private universities an apples and oranges comparison, public universities were dropped, leaving a sample size of 195 private institutions. Similarly, fund-raising administrators and other private university officials should rarely include publics in fund-raising comparisons and vice versa. There are of course exceptions; however, for this general study it makes sense to include only private universities. Giving participation rate (GPR) of alumni is used as the dependent variable. GPR was selected because of its use in national rankings of colleges and universities and because it is a broad measurement of fund-raising success that does not tend to vary greatly from year to year. Total giving, while ultimately of course the most important measurement of fund-raising effectiveness, tends to fluctuate significantly from year to year because of very large estate or other gifts. An explanatory model of institutional characteristics was built by conducting a series of two-tailed Pearson's bivariate correlation tests with GPR as the dependent variable, and a number of institutional characteristics as independent variables. Variables which had higher correlations with the GPR and were statistically significant were then used as independent variables in a multivariate regression analysis to assess which of those factors tended to explain the differences in GPR between institutions.

Table 1: Correlations of institutional characteristic variables with alumni giving participation rates

Independent variable	Pearson's correlation	Significance
First year retention rate	0.257	0.000
Graduation rate	0.355	0.000
% of students on campus	0.235	0.001
Tuition price	0.227	0.001
Student to faculty ratio	-0.211	0.003
Full-time undergraduate population	-0.183	0.010
% of students determined to have financial need	0.137	0.068
% of classes over 50	-0.117	0.104
First year students in top 25% of high school	0.117	0.112
% of full-time faculty	0.114	0.115
Peer assessment	0.083	0.250
% graduating with debt	0.089	0.252
% of classes under 20	0.077	0.283
Acceptance rate	0.024	0.735
Setting (urban/suburban/rural)	0.015	0.830

Findings

The overall mean of giving participation rates (GPR) for the 195 institutions included is 21.0 percent with a standard deviation of 0.08130. The highest GPR was 0.48 and there were only four schools above 0.40. The lowest GPR was 0.03 with a total of 12 schools below 0.10. Table 1 lists each of the independent variables and their Pearson correlation coefficients and significance score (2-tailed) with the dependent variable, GPR. They are listed by their significance scores.

A model containing the variables that were significant at the 0.05 level or better (first year retention rate, graduation rate, % of students on campus, tuition price, student to faculty ratio, and full-time undergraduate population) was tested using a straightforward linear regression. This model explained 25.6 percent of the variance in the alumni GPR (R^2 of 0.256) with a standard error of 0.071, and was significant at the 0.000 level.

A linear regression model conducted stepwise both forward and backward pointed to the variables of graduation

rate, full-time undergraduate population, and the percentage of students living on-campus as the most robust model. This model explained 23.6 percent of the variance with a standard error of 0.071 and was significant at the 0.000 level.

Several alternative models were tested to explore for the possibility that there were other sets of three variables which had similar levels of explanatory strength. While there was some evidence of multicollinearity between first year retention rates and graduation rates, which obviously have similarity, graduation rate was more explanatory.

Discussion

Each of the variables tested for correlation with GPR and the resulting regression model reveal some interesting, and sometimes surprising findings. For instance, I had suspected that setting (rural/suburban/urban) would play an important part in explaining differences in GPR, theorizing that rural schools would tend to build more affinity among students because there would be

comparatively fewer interests competing for students' attention. An initial analysis simply comparing the mean GPR for rural, suburban, and urban schools did not support this theory. However, further analysis conducted separately on schools in each type of setting using a linear regression test including the independent variables that had statistically significant correlation coefficients (first-year retention rate, graduation rate, % of students on campus, tuition price, student/faculty ratio, and full time undergraduate population) revealed important differences between these categories. For urban schools, the stepwise regression model selected graduation rate, then full-time student population, then student faculty ratio, and produced an R^2 of 0.270 significant at 0.000. For suburban schools the stepwise model selected graduation rate, full-time student population, and then percentage on campus and produced an R^2 of 0.245 significant at 0.000. This analysis of both urban and suburban schools produced similar results to the analysis of the full sample of institutions. However, when rural schools were analyzed independently, the stepwise linear regression selected only average graduation rate and full-time undergraduate population, but produced an R^2 of 0.423 significant at 0.01, indicating that for all types of schools the graduation rate and the full-time undergraduate population are important, but they are much more important for rural schools in explaining differences in GPR.

It is also interesting that a difference in the peer assessment score, which *US News and World Report* determines by surveying select administrators at colleges and universities within a classification, does not seem to explain differences in GPR at all. An initial hunch was that a strong

reputation among peer administrators would be an indicator of a strong reputation among other constituents, including alumni, and that this admiration and respect would logically translate into a higher giving participation rate. Based on this analysis, such a link does not exist.

I also had an initial hunch that schools with a higher percentage of students who did not qualify for financial aid and schools with fewer students graduating with debt would also have a higher GPR, theorizing that students with stronger financial backing personally or from their family and less debt upon graduation might be an indicator of a generally greater potential to give as alumni. Based on this analysis, this is not the case.

I had also thought that schools with higher scores on indicators of close attention to students, that is, more classes under 20 and a lower student to faculty ratio, would have higher GPR. It seemed reasonable to assume that schools where students had more interaction with faculty would have better feelings about the school which would translate into a higher GPR. There was no support for this link in this study.

The fact that graduation rate was consistently explanatory and had the highest correlation with GPR suggests that those same institutional factors that motivate students to persist in their pursuit of a degree seem to also inspire higher percentages of those students to give back after graduation.

Limitations of Study and Suggestions for Further Research

This study hopes to contribute some insight about institutional characteristics to the growing body of knowledge about the influences on giving; however, it is

limited in its ability to do so. One limitation has to do with the fact that the characteristics of an institution today may be dramatically different than the characteristics of the institution 10, 20, or 50 years ago when the alumni now being asked to give, were students. However, few institutions undergo dramatic changes over the course of a few decades. This study makes the assumption that generally, institutional characteristics are somewhat similar over time. Also, there is the connection between levels of alumni pride in affiliation and the current level of quality of the institution that may have an affect on giving. A study which looks at historical institutional characteristics and compares them with current GPR may provide additional helpful information.

This study is not an attempt to explain GPR in a comprehensive way. Its purpose is to help identify key institutional variables for practitioners to consider in selecting a group of benchmark schools. Thoughtfully selected comparison groups will be much more helpful in identifying differences in fund-raising results which in turn may reveal differences in practices or staffing that will help practitioners and managers make strategic decisions regarding allocation of resources and fund-raising methods. Regardless, a comprehensive multi-institution study which takes into consideration institutional variables like those considered here, as well as general characteristics about the alumni and the external environment, would likely prove helpful in identifying institutions that overperform and underperform fund-raising expectations. In particular, inclusion of some measurement of endowment, particularly endowment per student, would make for a more comprehensive understanding of the

influence of institutional characteristics on alumni GPR. Further case studies of the over- and underperformers would likely reveal distinct fund-raising practices worthy of further consideration.

Comments for Practitioners

Based on this study, graduation rate and total undergraduate population should be given careful consideration in the selection of institutions for benchmarking giving. In addition, other studies suggest that endowment, date the school was founded, and educational and general budget size should also be considered. In analyzing benchmarking, one should also consider the impact of the institutional setting, with rural schools tending to have higher alumni GPR than urban and suburban schools of similar size and graduation rates. While these institutional characteristics should help guide the selection of schools included in a benchmarking study, other factors may explain differences. For instance, in analyzing annual benchmarking results, it is important to pay attention to factors discussed in the literature review, such as fund-raising staff size, presence of a campaign, length of tenure of the current president, unique aspects of the alumni base and many other factors that may explain differences in giving results. In the end, benchmarking against appropriately selected institutions will provide helpful information about fund-raising practices and performance.

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Practitioner's Perspective

An important development in the field of institutional advancement is the need for quantitative studies that examine variables' interactive effects on meaningful outcomes to help professionals in their day-to-day operations. Dr. Robert Gunsalus explores institutional characteristics and their effect on giving participation rates (GPR). The study serves as an excellent example of what research focusing on institutional advancement should strive for. The article is sound in its review of literature, citing scholarly work that has applied quantitative approaches, as well as suggested readings from nonscholarly sources addressing effective development techniques.

Gunsalus identifies multiple sources in the review of literature focusing on giving rates, and identifies variables and their effect on giving. The article also provides an excellent combination of real world intuition based on Gunsalus's professional experience with statistical procedures that highlight the importance of variables as indicators of giving at private master's level universities. Of particular importance are Gunsalus's results as they relate to benchmarking to other universities. The study highlights some of the dangers of benchmarking related to fund raising when many characteristics are outside of the control of both the advancement staff and the president.

The study advances the stream of literature focusing on institutional advancement by using a sample of private master's universities. Much of existing research highlights variables related to Ivy League-type institutions while private master's universities are often faced with unique challenges. By addressing the characteristics of colleges in this USNWR category, which generally have smaller endowments and

operating budgets, fewer alumni, and are regionally based, the study offers unique insight for administrators at private master's universities. In addition, by sampling schools outside the Ivy League type, the study further advances research addressing institutional characteristics as they relate to GPR. Administrators seeking funding and facing the unique challenges associated with working at a private master's university will benefit from the article.

In the discussion section, Gunsalus provides a unique approach by articulating hunches to the reader based on his experience as a seasoned professional. The hunches are either proven or refuted based on the statistical analysis. They include analyzing (1) peer assessment score, (2) percentage of students not qualifying for financial aid, (3) the number of classes with fewer than 20 students, and (4) graduation rate and their effect on GPR. The discussion section allows future researchers to potentially study these hunches in a different statistical manner.

In conclusion, the study significantly contributes to both the advancement professional and the individual focused on research. By combining a solid review of literature and quantitative approach with real-world experience, the article is useful in the field of institutional advancement.

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