

Charitable arts foundations: The economy's effect on donor relationships

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Abstract

Charitable arts organizations rely on funding from many sources to maintain operations. This funding has been compromised in recent years, due to the economic struggle that our country is facing, and cutbacks from government funding. Throughout this study the researcher will aim to examine the effect the economy has on how a charitable arts organization is communicating with their publics to maintain donor relations and support. A survey of fundraising employees of art museums, art centers, and nonprofit arts organizations will be administered to understand how the organizations use elements of relationship management theory and the concept of stewardship to interact with their publics. The researcher will focus on the elements of trust, satisfaction and commitment, and the four parts of stewardship within the survey. Data will be collected over the telephone, using questions with likert-type scales, as well as open-ended questions that will receive a personalized answer from the respondent. After the data is gathered and examined, the researcher hopes to come to a few different conclusions. They will expect to see an increase in relationship maintenance between the donor publics and charitable arts organizations over the past year. Also the researcher should expect to see the position of a fundraiser in most of the organizations surveyed as a new position added within the past year. The researcher also believes that when an organization uses the elements of stewardship to communicate with their publics, it will cause the publics to be satisfied with their relationship with the organization and enforce a commitment to that organization.

Purpose of the Study

Charitable organizations rely heavily on donors to financially support them. In recent years, the economy has declined and in turn affected the support of charitable organizations. According to Hall (2012a), charities are reporting a larger decline in their donations in relation to previous years. This decline in donations, threatens the existence of charitable organizations and the benefits that they bring to the community. The giving environment is considered to be at its lowest level since the Philanthropic Giving Index began in 1998, and fundraisers that focus on the arts, cultures and humanities organizations are the least confident about giving conditions in relations to fundraisers involved in other sectors (Davis & Sprunger, 2009).

Charitable arts organizations support the enrichment of the community, by expressing their art in many forms. This expression is done through the use of theatre, galleries, museums and arts centers. As charitable arts organizations support a cause that is not life threatening or extremely damaging to the community, it is not always the first place people look to donate. The benefit of art comes in the escape it gives people from their everyday lives, getting wrapped up in a theatre performance or lost staring at a magnificent painting is something that is hard to replicate. As Boyle (2012) reminds us the arts are present in all cultures around the world in many different forms, charitable arts organizations are then challenged with the task of finding donors who see the same value in the arts as they do in other causes that they donate to.

As charitable arts organizations look toward the future, they see a need for a new type of donor within their community. The typical donor for these organizations usually falls within the older generation, someone who sees the benefit of the arts and has bestowed gifts on the arts for many years (Boyle, 2012). This type of donor is growing older and there will be a time when they can no longer donate their time or money to the organization. For this reason, charitable

organizations are looking toward younger generations and changing their practices to attract a middle-aged group of donors, who will see their involvement and donation to organizations as a benefit, rather than giving a gift (Boyle, 2012).

Charitable organizations rely on their publics to survive and their understanding of how a successful organization similar to them manages their relationships with their publics can be extremely helpful for organizations future successes or failures. According to Sahidi (2012), the fiscal cliff takes effect in January, which is a plan put in place by the government to increase taxes and decrease spending, if the fiscal cliff stays in place as it is set for the next year, the country will be thrown into a recession. This new change in our economic state will affect how charitable arts organizations approach their publics. Learning from previous organizations that have successfully survived during an unstable economy, will prepare the charitable arts organizations on how to grow and maintain their donor base.

Public relations practitioners are concerned with the relationships between organizations and their publics, which has been threatened by an unstable economy. Although this relationship has improved from what it was a few years ago, charitable arts organizations have still not fully recovered their funding to what it was in the past (Hall, 2012a). Charitable arts organizations need to examine the ways they are approaching their relationships with donors and will look towards the expertise of public relations practitioners to help them at that task.

Those who donate to charitable organizations are frustrated with how the relationship between the charity and donor is handled. According to Hall (2012b), the way that this relationship is handled is causing charities to lose support, this is because there are different ways donors would like to be involved with the charities but the organizations are not using donors to their full capacity. If charitable organizations communicated with their publics to gain

feedback on what they could be doing to better maintain the relationship, their success with their donors would elevate.

This study aims to focus on the impact of the economic downturn on charitable arts organizations and what such organizations are doing to maintain donor relations and support. As public relations practitioners we are responsible for the positive maintenance of these relationships and we are also concerned with what we can learn from examining relationships in different types of situations. Charitable arts organizations will gain knowledge from other organizations similar to them, as well as whether the tactics the organizations studied put in place are beneficial to replicate. The publics of charitable arts organizations should see an improvement in their interactions with the organization, if organizations employ the tactics and messages that their predecessors have put in place to maintain successful relationships with publics.

Literature Review

Throughout this study we will look at how charitable arts organizations interact with their publics to maintain a strong donor base, even with the difficulties placed on them from the recent economic downturn. To guide the study, the researchers will use relationship management theory to bring a theoretical perspective to the results.

Maintaining successful relationships with publics

The relationship management theory helps guide public relations practitioners by defining the relationships between an organization and the organizations' publics. To measure an organizations long-term relationship practitioners focus on six different elements: control mutuality, trust, satisfaction, commitment, exchange relationship and communal relationship (Hon & Grunig, 1999). These six elements focus on how each party, the organization as well as the publics, feel about each other and what that means for the relationship to continue. Satisfaction, commitment, and trust are three elements specific to linking the relationships of charitable arts organizations and their publics. A donor needs to be satisfied with the relationship because if they do not believe that the relationship with the charity is beneficial, they are less likely to donate their time and money. The charitable arts organization must feel that the donors are committed to the organization, on the other hand, the donors also need to be reassured that the organization is dedicated to maintaining a relationship with them. This mutual need of commitment will in turn affect how much time each party will spend on the relationship. The final element that affects the relationship between charitable arts organizations and their publics is trust. If a donor has trust in the organization and believes that they will do what they say they are going to do, they are more likely to donate to the organization.

According to Ledingham (2009), relationship management theory has public relations practitioners focus on relationships between an organization and its publics instead of solely on the messages that the organization is communicating. In this way the messages are used as tools to nurture relationships, instead of becoming the main focus of public relations (Ledingham, 2009). Charitable arts organizations need to use messages as tools to strengthen their relationships and show the benefit that their publics will gain from continuing to support them.

Maintaining a relationship with publics through the organizations' messages and actions in a moral and responsible way is what an organization attempts to do through its use of stewardship (Kelly, 2001). Charitable organizations that practice stewardship during the economic downturn should be expected to continue gaining support from established donors. Stewardship consists of four elements: reciprocity, responsibility, reporting and relationship nurturing (Kelly, 2001). These four elements can help a charitable organization maintain their donor bases, which is of vital importance as funding from other sources, like the government, decreases along with the economy (Besel, Williams & Klak, 2011). Specifically, reporting and relationship nurturing will be of benefit to charitable arts foundations within this study. The use of reporting organizations activities and how they are using the gift they received from donors, will placate frustrations that donors have about their relationship with the organization. Also focusing on relationship nurturing throughout a tough economic period is of benefit to the organization, because keeping a past donor happy and involved with an organization is easier than recruiting a new donor (Kelly, 2001).

Charitable Organizations Relationship Maintenance

An organizations management of their publics through concepts suggested by the relationship management theory and the step of stewardship in interactions with publics are both

valuable to successfully maintaining a relationship that is of benefit to the organization. Failure on the organizations part to practice these concepts with their publics is apparent in how donors remember and rate their interactions. According to a study by Sargeant (2001), one in ten donors who no longer donate to a nonprofit organization do not remember donating to the nonprofit organization with whom they interacted. A continued relationship between the donor and organization, where they remember and enjoy their interaction, is important to the continued success of the organization. These past donors also rank the service they received from the organization as poor in comparison to donors whom continued interacting with the organization, because they did not receive follow-up information (Sargeant, 2001). Reporting information to a donor about their donation is a way to keep them linked with the organization, and possibly tempt them to donate again. A donor whom is asked how they would like to be treated, and given the opportunity to express what information they want to receive from a nonprofit organization is more likely to be loyal to that organization and feel satisfied with the relationship (Sargeant, 2001). Donors who have previously interacted with nonprofit organizations do not always have the best reviews to give, but the problems pointed out by Sargeant (2001), are easily fixed by an organization if they are aware of them.

Trust and satisfaction in a relationship between a nonprofit organization and its donor publics are the most important predictors of whether a donor has recently been involved with a nonprofits programming (Waters, 2011). An organization can gain trust from their publics by continued communication and demonstration that the organization is acting in an acceptable and reliable manner. Gaining satisfaction with ones publics is a difficult task according to Waters (2011), he suggests that just informing the donor that their problems are being addressed is not

enough, the nonprofit organization must also show the donor that things are being taken care of by their actions.

Charitable Organizations and the Economy

Maintaining relationships with donors is a valuable tool to nonprofit organizations as they face the changes brought on by the economy. This is because nonprofit and charitable organizations rely heavily on government funding, unfortunately this funding has started to decrease along with the economic downturn (Hughes & Luksetich, 2004; Hughes & Luksetich, 1999 & Besel, Williams & Klak, 2011). As Hughes and Luksetich (2004) discovered, nonprofit organizations have been forced into pursuing income-earning ventures, to keep their organization at an operating level. As nonprofit organizations are losing their funding from the government, income-earning ventures along with soliciting donors for gifts are becoming the way that the organizations supplement their income. (Hughes & Luksetich, 1999). Earning income became an option for arts organizations as they received an increase in funding to be used for specific projects, and because of this, funding for general operations had to come from income-earning ventures (Hughes & Luksetich, 2004). These organizations still maintained a need for traditional fundraising, but nonprofit organizations are not able to rely on funding from one area and must seek out multiple opportunities.

Throughout interviews conducted by Besel, Williams and Klak (2011) it was discovered that nonprofit organizations have started hiring staff members whose primary function is to gain fundraising for their organization. Adding a position to nonprofit organizations for fundraising shows how important fundraising is becoming for the survival of the organization, as government funding for organizations is changing. Organizations are also emphasizing the importance of their board members participating in the process of fundraising. The organizations

in the Besel, Williams and Klak (2011) study that emphasized this involvement gained 50% of their budget from individuals within their community. As the organizations are struggling because of the economy, having board members whom are involved with the community partake in fundraising efforts can have an extremely positive effect on the organization. Along with the involvement of board members, organizations are also starting to receive a larger amount of smaller gifts, rather than large corporate gifts (Besel, Williams & Klak, 2011). This trend of receiving smaller gifts could be seen as a quicker and easier way to gain funding for an organization because the organization is not asking for a huge sum from one party, but when the smaller donations are put together they can do great things for an organization.

Research Questions

After reviewing the literature on relationship management theory and previous studies that focus on topics of both relationship management and nonprofits interaction with the economic downturn two research questions were developed:

RQ1: What ways have charitable arts organizations shown that they are committed to the relationship with their donors, while at the same time keeping donors satisfied during the economic downturn, to successfully maintain their relationship?

This research question addresses charitable arts organizations use of the elements of relationship management theory. Following the relationship management theory, if an organization exhibits their commitment to donors and keeps the donor satisfied with the relationship, then the organizations donor base should both maintain and grow over a period of time. Also maintaining a donors satisfaction in the nonprofit organization is a great indicator as to that donors future interactions with the organization.

RQ2: In what ways have charitable arts organizations used the elements of stewardship (reciprocity, responsibility, reporting and relationship nurturing) to continue gaining support from donors?

An organization that employs the four elements of stewardship should be successful in their fundraising efforts. The researcher can measure the importance of reciprocity, responsibility, reporting and relationship nurturing in relation to a charitable arts organization that is maintaining and growing its donor base, based on the ways the organization has employed all four elements.

Methodology

This study attempts to gather information about what charitable arts organizations are doing to maintain donor relations and support through a survey administered to fundraising professionals employed within charitable arts organization. A survey or questionnaire guides the interviewer in gathering information from the publics they wish to examine (Broom & Dozier, 1990), making it the best method for this study.

The population for the study will be derived from a list of art museums, art centers and nonprofit arts organizations found on art-collecting.com. The researcher will compile a list of contact information for each of the 2,409 organizations. At this point the researcher will determine whether or not the organization has a position within their organization for a fundraising professional. Those organizations that do not employ a fundraising professional will be removed from the population. This is a precaution, because if the organization does not have a position within their organization related to fundraising they are less likely to nurture their relationships with their existing and potential donors as organizations that employ someone in a fundraising position. After removing the organizations from the population that do not have a fundraising professional on staff, the researcher will then attempt to contact the remaining organizations. The researcher hopes to obtain enough responses from the population to gain a good reliability estimate, which according to Stacks (2011) is a coefficient of .70 or higher.

Although time consuming, the researcher will conduct the survey as a telephone interview with the respondents. With this method of collecting answers to the survey, the researcher will know who is answering the questions, when the questions were answered, as well as where the survey was conducted (Stacks, 2011). This control will benefit the researcher because it is important that the person answering the survey questions is a fundraising

professional. The researcher will attempt to contact each organization three times and if they receive no response from the organization on the third attempt they will assume the organization does not wish to participate in the survey.

The researcher will attempt to answer questions regarding what the charitable arts organizations are doing to maintain donor relations and support throughout the economic downturn, specifically within the past year. The survey will have five parts, with a short conclusion asking the respondent for demographic information. It will begin by asking general questions about the organization, with the main focus on the fundraising position within their organization. The name of the fundraising position, how many fundraisers they employ and how long the position has been a part of the organization will be important to the researchers understanding of the organization being surveyed. Questions will then be asked regarding how the economic state has affected their fundraising programs. An understanding of how organizations fundraising is different then it has been in the past will be explored, as well as how successful the organization feels it has been throughout the economic downturn. The study will then move into gaining information on how the charitable arts organization has shown their commitment to their donors over the past year, as well as how they have kept their donors satisfied with their relationship. The researcher will also make sure to ask questions about the four elements of stewardship and what the organization is doing to maintain positive relationships with donors through the use of reporting, reciprocity, responsibility, and relationship nurturing.

The data will be analyzed using the SPSS program. To make this possible most of the questions will be asked using a likert-type scale, a series of questions with predesigned responses for the respondent (Stacks, 2011). This type of question will be easy for the interviewee to

respond to over the telephone, as well as give the researcher a chance to establish reliability through statistics. The researcher will also need to gather some information specific to the organization and will not be able to use likert-type scales to do so. Although information gathered this way could be more difficult to analyze it will be of benefit to the researcher in understanding the organizations under study.

After gathering and examining the data through the use of a survey on the selected population, the researcher hopes to come to a few different conclusions. They will expect to see an increase in relationship maintenance between the donor publics and charitable arts organizations over the past year. Also the researcher should expect to see the position of fundraiser in most of the organizations surveyed as a new position added within the past year. The researcher also believes that when an organization uses the elements of stewardship to communicate with their publics, it will cause the publics to be satisfied with their relationship with the organization and enforce a commitment to that organization.

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