

Chapter 6

Increasing Legitimacy and Donations: A Call to Apply Institutional Theory to Nonprofit Fundraising



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Abstract Why do people donate to some organizations but not others? Why do different countries consider different causes to be worthy of their philanthropy? In the United States, donations from individuals sum up to 71% of total philanthropic contributions to nonprofit organizations. Research on strategies to increase individual giving has identified techniques that provide incremental growth, but do not explain the large differences in support to different types of nonprofits or specific programs within nonprofits (i.e., educational vs. religious, established vs. startup, unrestricted vs. restricted support). While the link between legitimacy and fundraising results is widely acknowledged (Fogal, 2005; Gronbjerg, 1993). *Understanding nonprofit funding*. San Francisco: Jossey-Bass), the study of legitimacy by institutional theory scholars provides a promising framework from which to study these differences and posit interventions to increase legitimacy. Conversely, nonprofit fundraising presents an ideal field in which to test some of the assumptions of legitimacy theory. This essay is meant as a call to action for cross-pollination among researchers in both fields.

Keywords Legitimacy · Donations · Institutional theory · Fundraising
Nonprofit · NPO · Alumni giving

6.1 Introduction

As an active fundraiser specializing in individual giving, much of the current advice in the field seems either lacking empirical validation or of incremental rather than transformational scope (UK Behavioural Insights Team, 2013).

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Fig. 6.1 Alumni giving.
(Source: Council for Aid to Education, 2014)

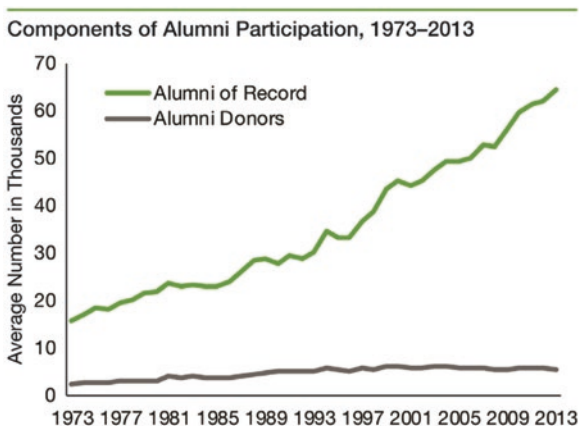
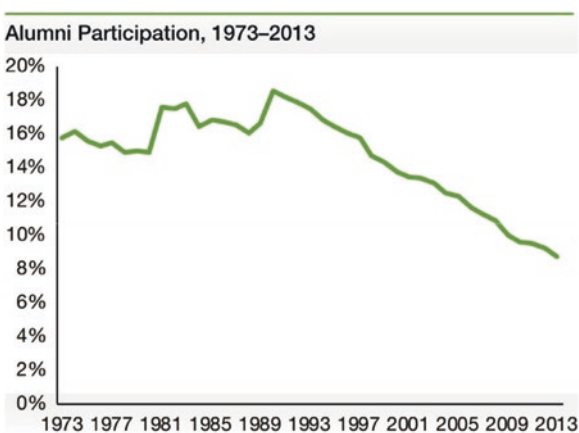


Fig. 6.2 Alumni participation.
(Source: Council for Aid to Education, 2014)



While understanding individual triggers that make donations more likely (text with photo vs. non-photo; adding information on giving by peers) is helpful, it seems obvious that the main locus of the decision to give to a nonprofit depends mainly on other factors. In the higher education fundraising context, this is evidenced by the fixed or declining participation rates seen across the industry since 1973 (Figs. 6.1 and 6.2).

Given that philanthropic behavior is high and fairly constant over the last 30 years, with household giving participation between 68.5% and 89.9% (Ottoni-Wilhelm, 2002) and total dollars given at roughly 2% of the GDP (Giving USA, 2017), it is apparent that the problem is not that these non-donors are non-philanthropic. Rather, they are more likely choosing a different investment venue for their philanthropic dollars. No amount of storytelling, photos in direct mail pieces, or donor wall recognition will address the root cause of their decision to not donate.

The field of fundraising is missing a decision-making framework that helps understand why some individuals will give to a certain philanthropic project but not

another. In this context, institutional theory provides a rigorous theoretical backing that could sustain practical insights.

From this perspective, donors could be seen as evaluators assessing the legitimacy, reputation, and status of the prospective donation recipient (Bitektine, 2011). Under this lens, the philanthropy marketplace might be interpreted as a legitimacy marketplace where the role of the fundraiser is to design structures that increase the perceived legitimacy of their organization.

6.2 Legitimacy and Fundraising

When distinguished fundraiser Reynold Levy (2017) states that “fundraising is a physiological, confidence building process, and the more you are able to say. Please join us, the better off you are.” He is essentially advocating for the importance of cognitive legitimacy, especially in the beginning stages of a fundraising effort.

The importance given to planning donor benefits (VIP seating, networking opportunities), which is often seen to be effective for newer and less engaged donors, is a practical application of techniques to gain pragmatic legitimacy.

Others have noted that factors that affect the individual decision-maker may influence the types of legitimacy they use to evaluate the potential donation recipient (Díez-Martín, Prado-Román, & Blanco-González, 2016) (Fig. 6.3).

Applying this framework from a fundraising perspective could potentially be both versatile and powerful. A couple of ideas that would be helpful from a practical standpoint are listed as follows:

- New- or non-donors (who are making their decision from a situation of high economic stakes and low trust) evaluate their donation decisions by asking different questions from the organization: what is in it for me (pragmatic legitimacy)? Do I have confidence in their fundraising efforts?

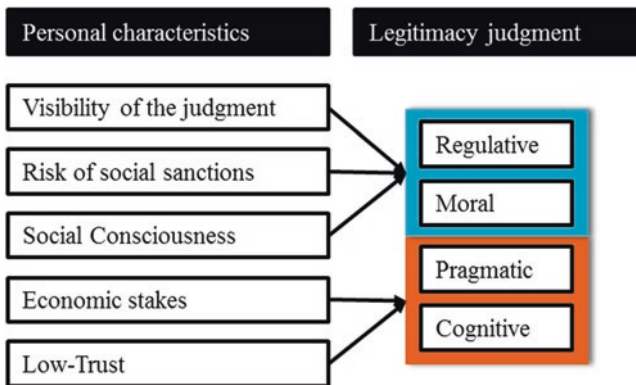


Fig. 6.3 Factors affecting decisions based on business legitimacy. (Source: Díez-Martín et al., 2016)

- Conversely, would arguments about the righteousness of the cause (moral legitimacy) or meeting state/federal regulations (regulative legitimacy) be less effective or even have an adverse impact?
- Increasing the visibility of the donation decision (and the fundraising profession has time-honored methods to do this through a multitude of honor rolls, donor displays, and other recognition venues) will make the donor more susceptible to whether the nonprofit is in compliance with legal regulations and whether the cause they are supporting is seen as “the right thing to do” by its stakeholders.

Finally, measuring legitimacy’s influence as an “essential resource for business survival” (Zimmerman & Zeitz, 2002) is challenging, as numerous authors have mentioned (Bozeman, 1993; Low & Johnston, 2008; Suchman, 1995). Past approaches have converged around using media content analysis (Bansal & Clelland, 2004; Deephouse, 1996; Deephouse & Carter, 2005; Ruef & Scott, 1998; Vergne, 2011) or semi-structured interview analysis (Human & Provan, 2000; Low & Johnston, 2008; Rutherford & Buller, 2007).

The common denominator, and a potential overarching methodological limitation, is that these studies consider legitimacy as something fixed that cannot be modified at the decision-maker level. Being able to tie dollar fundraising outcomes to interventions that modify perceptions of legitimacy might prove to be a relatively clean methodological technique to advance knowledge in the field.

6.3 Conclusions

In conclusion, the goal of this essay was to highlight opportunities for collaboration among researchers of legitimacy’s role in the decision-making process and those wanting to further understand how individual donors make philanthropic decisions. It seems like they are concrete benefits to be gained by both fields: in fundraising, by developing better models of philanthropic choices, and in institutional theory, by being able to design experiments that modify perceptions of legitimacy and have an output tied directly to these perceptions.

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