

Chapter 2

Understanding Donors' Trust in your Charity

Donors are often the core providers of financial resources for a charity. Without donor support, some charities are likely to quickly struggle to function, and are likely to enter a path of decline. As discussed in [Chap. 1](#), a key issue associated with a donor's sustained support for a charity is their degree of trust in the specific charity, and in the charity sector, in general. Thus, it is very important for a charity to be able to measure and monitor donor trust. Without up-to-date information on donor's trust towards the charity, and towards *giving* in general, a fundraising manager has little ability to predict future donation income, to predict the charity's ability to respond to beneficiaries needs, or to evaluate the effectiveness of their trust development strategy.

Measuring donor trust at regular intervals, or on an ongoing basis, will allow a charity to track how its behaviour, events in the wider context and the charity's attempts to communicate with donors is impacting on trust. There is of course a need to invest time into the trust measurement and evaluation process. Furthermore, a degree of expertise is needed to develop the measurement strategy, and to analyse the results. However, as discussed below, there are a number of measurement options and some of these are easily incorporated into a fundraising process. A charity that has a fundraising manager could easily build a trust evaluation role into their job description. Other charities which use a third party to undertake their fundraising work could request that strategies are used which provide information on donor trust.

The literature offers a number of perspectives which can help inform a charity about how they can monitor donor trust. In this chapter, a number of perspectives are described and their advantages and limitations outlined. The chapter begins with some less sensitive approaches to understanding donor trust, which at best will give a charity but a rough guide as to the possible level of trust in their donor population. These are followed by somewhat more sensitive analysis approaches. The chapter concludes with a discussion of a donation process which a charity can implement, and which has the potential to provide reasonably sensitive information on donors' transactional trust.

2.1 Measurement of Trust

Before examining perspectives on the measurement or assessment of donor trust, it is important to briefly comment on different types of donor. The major part of this book is concerned with donors from the general public, individuals that donate relatively small amounts of money, perhaps at irregular intervals. Of course there are donors that donate very large sums of money, and trust is equally important for them. However, such donors are very likely to have a close, almost personal relationship with the charity, or with a fundraising manager. Part of this relationship will involve the development of a trusting relationship between the donor and the charity. It should be apparent, as part of this relationship development, how much trust such donors have in the charity. Furthermore, the techniques described in the remainder of this chapter have limited applicability to the evaluation of the trust of a single large donor in a charity.

2.1.1 Option 1: Implicit Feedback from Donor Behaviour

Trust (or a decline in trust) should be evident in the behaviour of donors (Bowman 2004), and as such an attempt could be made to monitor donor behaviour as a way of measuring trust. Some of the behavioural components which may be indicative of trust form the basis for the factors of Sargeant and Lee (2004) trust scale, which is discussed below in [Sect. 2.1.3](#). One clear signal to a charity that there may be an issue with donor trust is if the number of donors contributing to fundraising attempts begins to decline. To a somewhat lesser extent, a decline in the total returns from fundraising efforts may also be indicative of trust issues in the donor population. However, trust may be more strongly associated with the decision to, or not to, donate, rather than the size of the donation made. Clearly, there may be other reasons behind a decline in the size of donations, for instance, the global financial crisis has reduced household incomes. On the other hand, the association found between donor trust and donating, make it highly likely that a decline in trust could be at least partly behind a decline in returns from fundraising attempts.

Monitoring trust through an analysis of fundraising returns needs to use the '*donor compliance rate*', as the key indicator of trust. That is how many of the people asked to donate did in fact donate. As the compliance rate increases, it might be reasonable to assume that the donor population in question is more trusting of the charity. Charities have some ability to monitor compliance rates when they conduct street appeals, or when they engage in a direct-mailing campaign. For example, if 10,000 letters are sent and 1,000 donations are received, the compliance rate is 10 %. Similarly, for online donating, it may be possible to compare the total website visits to the number of visits when a donation was made. Of course, there will be a degree of error in the compliance rate data: some mail never reaches the intended recipient, some website visits are done in error.

Unfortunately, examining compliance rates as a gauge of donor trust really only provides for a reactive response. That is, if such an analysis of compliance rate data suggests that trust has declined, it may take some time to put a strategy in place to ensure its recovery. In contrast, some of the trust evaluation options outlined below may ensure that circumstances which could adversely influence donor trust, and donor trust itself, are identified before any fundraising programme is undertaken. These techniques should allow a more proactive approach to donor trust evaluation which might help to ensure ongoing fundraising success.

2.1.2 Option 2: Longitudinal Survey Data on Charity Sector Trust

There are number of sources of national survey data which have taken repeated measures of various populations' trust in the charity sector. O'Neill (2009) provides a useful summary of a number of these data sets, including results from seven national surveys sponsored by the Independent Sector in America between 1988 and 2001. The results of similar surveys conducted in other countries can be found on various websites, for example the United Kingdom Charity Commission website http://www.charity-commission.gov.uk/About_us/About_charities/ptc_survey_index.aspx, and for New Zealand at <http://www.charities.govt.nz/assets/docs/reports/empathy-2010-insight-report-public-trust-and-confidence.pdf>. Results from these works are perhaps best interpreted as showing trends in trust towards a charity sector over time (what was termed *category based trust* in Chap. 1), rather than the public's trust or a donor populations' trust, as it relates to a specific charity.

The usefulness for a specific charity of such representations of the public's trust, either at a point in time or as a trend over time, is defined by how representative the research sample is of a charity's donor population, and how typical the charity is of the types of charities for which the survey data were collected. Despite this, national survey data may be useful for understanding the public's general attitude (trust) towards a charity sector, or a category of charities. Examination of the results of these surveys may indicate to a fundraising manager whether there is a need to increase their attempts to build and/or maintain their trustworthiness in the minds of their donors. That is, if such data indicate that category-based trust is declining for the category of charity which they belong to, a charity would need to work even harder to develop and maintain the public's perception of its trustworthiness. Such a decline in trust may occur in the aftermath of fraud or a scandal in a charity sector. Chapter 5 discusses in detail how such events impact on donor trust, and ways to manage their effects.

2.1.3 Option 3: Surveying Donor Populations with Trust Measures

In addition to the information which national surveys on charity sector trust may provide, a charity could from time to time undertake their own survey of a sample of their donor population. Such a survey would ask donors directly, using questions such as *Do you trust*, or preferably use a scale to measure trust such as that developed by Sargeant and Lee (2004). Undertaking such a survey will provide data which is much more idiosyncratic to the charity. This type of psychometric measurement of trust is often used in the broader organizational research on trust. Gillespie (2012), while not writing in relation to charity organizations, does provide a useful discussion of a number of issues associated with measuring trust in organizational contexts.

While a degree of caution is required in interpreting self-report data (an issue discussed in detail in [Sect. 2.1.5](#)), the development of self-report scales that measure donor trust has indicated a number of key indicators of donor trust. The work of Sargeant and Lee (2004) in particular identified that trust can be indicated by at least four factors: Donor relationship investment (*I read all the materials ... sends to me*); Mutual influence (*I share the views espoused by*); Forbearance of opportunism (*I am very loyal to*) and Communication acceptance (*I look forward to receiving communication from....*). Positive, or agree, responses to the items which were developed to measure these factors (examples shown in brackets above) would, with the caution of possible social desirability responding, be indicative of a degree of trustworthiness in the charity by the respondent. Furthermore, each of the scale factors relates to aspects of the charities behaviour, and a low score on any particular factor could be informative. For example, if respondents give low ratings for items for the communication acceptance factor, this could indicate that the charity needs to examine closely the nature of its communication with donors. As noted in [Chap. 1](#), donor's trust can be developed by providing relevant information which builds a history-dependent relationship with donors. Put simply, do not keep sending donors the same information.

2.1.4 Option 4: Surveying Donor Populations on Acceptable Donation Use

As noted in [Chap. 1](#), transactional trust is a key aspect of donor trust. In its simplest form transactional trust is centred around how each donated dollar is used, and in particular the division of each dollar into the various cost lines of the charity. Several studies have examined what donors think is the acceptable general allocation between administration costs and moneys going directly to the charities primary services (e.g. Harvey and McCrohen 1988; Warwick 1994). A charity can use this information, in conjunction with their own breakdown of donation use, to

judge how their use of donated funds may be influencing their donor's trust in the charity. In this case the evaluation is of the likely impact of the charity's financial operation on transactional trust.

If such an analysis is undertaken it is important to ensure that the survey data which is used in the analysis was collected from a population which is representative of the charity's donor population. Warwick (1994) reported that individuals appear to consider a ratio between administration costs and service expenditure of 20:80 to be acceptable (20 % of every dollar can be used for administration costs). Similarly, research conducted for the BBB Wise Alliance in America found that 60 % of respondents thought that 20 % was an acceptable proportion of funds to spend on administration (Princeton Survey Research Associates 2001). Harvey and McCrohen (1988) using data from approximately 5,000 individuals from 22 American cities reported a lower ratio of 40:60, and also reported that charities that spent at least 60 % of funds on services achieved significantly higher levels of donation.

A survey of 812 Dutch persons (Research and Marketing 2002) asked respondents what they thought was an acceptable split of donated funds, and the average answer was that around 17 % was appropriate to use for administration costs. Respondents were also asked to estimate the percentage of total donor contributions actually spent on the charity cause. The sample indicated that on average around 43 % of donations did not reach the cause. Clearly, the difference between the two values is reasonably substantial, and may be undermining transactional trust. Furthermore, Bekkers (2003) report that the actual cost of charity administration in Holland is somewhere close to 13 %, thus the sample estimate of administration costs is substantially greater than reality. These results also point to the importance of communicating information to donors, a topic examined in detail in [Chap. 4](#).

The general, or average, pattern across the studies cited above is that somewhere around 20 % seems to be a value which might be universally accepted by the public as an appropriate proportion of funds to spend on administration. In order to get a perspective on donor trust a charity could compare their spending (use) of donations against this value. If there is little difference between actual spending and the 20 % value (and assuming donors know this) it may be reasonable to assume that the charity's current transactional situation is unlikely to be adversely influencing donor trust. Of course, there are some rather big generalizations here, and many factors may make it difficult for a charity to operate within the 20 % mark. The administration component of a charity's expenditure will vary considerably depending on the specific characteristics of the charity (e.g. local, national, international), and the size and age of the charity organization (see Bowman 2006 for a useful discussion of these influencing factors). If such factors are increasing a charity's administration expenditure, they should be communicated to donors as part of their trust development strategy.

2.1.5 Issues for Options 1–4: Distortions in Survey Data

The approaches noted so far all rely, to some extent, on self-report data from donors. Surveying donors about giving and trust issues runs the risk of producing distorted information due to the social desirability of responding positively to such questions. Donors may feel they need to report a higher level of trust than they truly may hold, and the reported trust level may have a somewhat limited relationship with their actual trust. Similarly, donors may report somewhat bias information on how charities can use their donations. While such bias can be found across a wide spectrum of cross-sectional survey data, it is also clear that biasing factors apply to data on charitable giving and related issues (e.g. Bekker and Wiepking 2011c; Burt and Popple 1998; Slack 2008; Wilhelm 2007). There are a number of reasons that bias may enter into an individual's responses to a survey on donation use or charity trust issues.

Individual's responses to charity related questions may be influenced by social desirability bias (see Lee and Woodliffe 2010 for a useful review). Crowne and Marlowe (1960) describe the motives behind social desirability responding as 'the need of subjects to obtain approval by responding in a culturally appropriate and acceptable manner' (p.353). For example, when asked about their *giving*, individuals may overestimate in an attempt to look good, or appear more altruistic than they actually are (Hall 2001; Paulhus 2002). Social desirability is also likely to influence responses to attitudinal questions, such as those attempting to gauge individuals trust in a charity or in a charity sector, or gauge acceptable donation use. Fundraising managers examining donor survey data, or requesting a survey of a donor population on trust issues, should either look for evidence that social desirability responding has been examined, or request that measures of social desirability are included in the survey work. Lee and Woodliffe (2010) provide a useful discussion of social desirability scale options, and Lee and Sargeant (2011) have developed and validated a multi-dimensional social desirability scale specifically for use in *giving* surveys. While the use of social desirability scales will not remove the bias from the responses (unless this is done statistically), their use may give the fundraising manager more confidence in the conclusions they can draw from survey data.

It is also important to note that there are measurement techniques which can be used in an attempt to reduce social desirability responding, such as indirect questioning techniques (Fisher 1993), using face saving questions (Belli et al. 1999) and physically distancing the interviewer from the respondent (Nancarrow et al. 2001). The latter technique is used by default if a survey is conducted online.

Another bias which may pervade survey data, and which is linked to social desirability, is known as impression management, and is defined as a respondent deliberately presenting him or herself in a positive light (Paulhus 1984). Questions on trust may, because trust has a dispositional or personality aspect, prompt a person to impression *manage* how others see them. That is, they may respond in a way which suggests they are more trusting than they actually are, given that some people might assume that being trusting is a positive attribute.

2.1.6 Option 5: Comparing Charity Expenditure to Sector Averages

Chapter 1 noted how a charity will belong to a category or charity sector. It is possible to find data on financial aspects of charity sector performance. Such data may allow a charity to compare its financial performance against the average level of performance within its sector, and from this comparison draw conclusions about how their financial activities may be influencing donor's transactional trust. An example of this type of comparison can be found in the literature on the *price of giving*. The data for this type of analysis are collected from financial records and reports, and could be assumed to be accurate (not susceptible to response bias).

The term *price of giving* has been used to define the amount of money needed from donors to obtain one dollar for services. *Price* has been used as a proxy measure for charity efficiency (Tinkelman 1998). Weisbrod and Dominguez (1986) used the formula $1/(1 - (f + a))$ to define *price*, where, f is the percentage of revenue used for fundraising, and a is the percentage of revenue used for administration expenses. Research has found that lower *price* (higher charity efficiency—see Chap. 3 which discusses efficiency) is correlated with higher donations (e.g. Callen 1994; Greenlee and Brown 1999; Tinkelman 1998, 1999; Weisbrod and Dominguez 1986). This finding can be interpreted within the transactional trust framework discussed in Chap. 1, where lower price really means that more of donors' money is going to the cause they donated to. As such, a charity's price of giving maybe a useful proxy measure of the public's likely level of trust in the charity (assuming donors have the information).

Sargeant, Lee and Jay (2009) in their analysis of 115 United Kingdom nonprofit organizations found that the average price per £1 of donation was £1.21 (stated in a different way, the organizations sampled were spending on average 21 % of each pound raised on administration costs). The average price figure reported by Sargeant et al. (2009), although in a different currency, is similar to the \$1.28 reported by Chen (2009) from an examination of 730 American-based non-profit organizations. As might be expected, Sargeant, et al., (2009) found significant variation in price values between organizations serving different categories of need. This finding is important, and each charity needs to consider if their specific circumstances make it acceptable for their price value to be higher than their sector/category average.

While the research on the *price of giving* shows what proportions of revenues charities, on average, are using for fundraising and administration costs, it does not directly address the issue of whether donors find this acceptable. However, if a charity determines that its price of giving value is considerably higher than the sector average (without good reasons), they may reasonably assume that this could be adversely influencing donor trust. In contrast, a charity with a price of giving value which is well below its sector average, might reasonably assume that this is likely to be viewed as favourable by donors, and is (if communicated to donors) likely to help maintain donors' perception that the charity is trustworthy.

2.1.7 Option 6: Analysing Clickstream Data

Many charities now have a website and this trend is likely to continue. Issues associated with website design, and how they can deliver information to potential donors, are discussed extensively in [Chap. 4](#). However, websites not only provide for communication to donors, but technology is now available which allows for website browsing behaviour to be monitored and analysed using what is termed *clickstream data*. Click stream data allows a site administrator to study how users browse or navigate a website (Bucklin and Sismeiro 2003). While I could not find any research which has used click stream data to analyse donor trust, it does seem that this is at least theoretically possible.

Bucklin and Sismeiro (2003) analysed two forms of browsing behaviour for an automotive industry website: a visitor's decision to continue browsing by clicking for an additional page, and the length of time viewing each page. It is not too hard to imagine how a charity website could be constructed to allow click stream data to reflect donor trust. For example, a website visitor that spends little time on the home page and goes directly (quickly) to the donation page (and makes a donation) may be assumed to be relatively trusting of the charity. Whereas, the proportion of visitors that spend a lot of time on the trust building materials (page), then either go to the donation page or leave the site, may provide further insight into donor or public trust in the charity.

More sophisticated tools for analysing webpage use are appearing on the market. These programmes allow reports to be generated from webpage user data. Farney (2011) provides a useful discussion of 3 such click analytic tools: *Google Analytics*, *In-page Analytics*, *Clickheat* and *Crazy Egg*. Reports generated by these tools should be interpretable within a trust relationship framework, and should also allow a charity to refine its website design. As an example, it should be possible using *click analytics* to obtain measures of at least two of the behaviours which Sargeant and Lee (2004) identified through the development of their charity trust scale: For *donor relationship investment* (*I read all the materials ... sends to me*) click analytics should be able to objectively measure users reading of new posts on a website, and for *communication acceptance* (*I look forward to receiving communication from....*) click analytics can measure the time between posting information and user reading.

As noted above, there does not appear to be any published research on charities use of click stream data. Collecting click stream data is likely to be relatively straight forward. The interpretation of such data does, however, require the assumption that certain data patterns can reflect donor trust. Research is required to substantiate these assumptions. Until such research is conducted, it is only possible to speculate how useful click stream data may be for the evaluation of donor trust. However, click stream data does have the advantage of providing objective measures of donors' online behaviour, thus avoiding biases associated with self-report data.

Which brings us to a nub of this chapter.

2.1.8 Option 7: Donor Specified Donation-Splitting and Comparison with Actual Donation Use

Clearly, the approaches outlined above have a number of limitations, or require a number of assumptions to be made, or are largely untested. The last approach to be discussed in this chapter perhaps overcomes a number of these problems. The technique is labelled *donation-splitting* (Burt and Williams 2013), and utilizes online technology to allow a charity's donors to donate directly into the cost lines of the charity. That is, in contrast to traditional donating where a sum of money is given and the charity subsequently decides how it is used, donation-splitting allows donors to donate to specific uses. For example, they can donate some money towards the charity's administration costs, and some directly to fund the cause related work which the charity performs. The donation-splitting approach provides a number of useful results which can be used by a charity to evaluate its donors' likely level of transactional trust. Furthermore, the donation-splitting procedure give donors substantial control over the use of their donation, and as such the donation-splitting procedure can not only be used to evaluate trust, but is in its self a trust building strategy. Thus, the two key features of the donation-splitting approach is its potential to both enhance donor trust, and provide data which allows for an assessment of how the charity's financial management activities might be impacting on donor trust. The technique does not directly measure donor trust, in the form of asking the question, and as such the data it produces are not susceptible to social desirability issues.

In the vast majority of donating situations, money is simply given (e.g. money is placed into a bucket or donation box, or an amount is entered into a form online), and the charity has total control over how the donation is used. In contrast, the donation-splitting approach (which is ideally suited to online donating, but could be used in direct-mail campaigns) gives a donor a number of donation options or a number of boxes in which they can enter a donation. The boxes are clearly labelled, indicating what the donation will be used for. Thus, rather than a donation being received and divided up for administration costs, fundraising costs and service deliver by the charity, the donor gets to make the division decision. [Chapter 1](#) discussed the importance of issues around transactional trust, and the key aspect is how donations are used or divided for use in different cost lines.

Burt and Williams (2013) tested the idea of donation-splitting in two experiments. A website was developed using a well known New Zealand charity, and participants were given the opportunity to interact with the website and to donate to the charity, if they wished (actual monetary donations were made). In one condition of Experiment 1 (and in both

conditions of Experiment 2), participants who decided to donate were given the ability to split their donation: to donate to *administration costs*, to donate to the charities *services* or to a combination of both. The donation split was achieved by listing on the donation page several labelled boxes. Entering an amount into a box automatically summed the total donation box at the bottom of the page. Across the two experiments, approximately 32 % of the donating participants split their donation into a proportion to administration and proportion for the charity's services. *Thus, both experiments clearly demonstrate the feasibility of the donation-splitting technique.*

The donation-splitting technique provides donors with the foundations for transactional trust development, or more specifically it allows a donor to determine how their donation is going to be spent (used). This provision for donors', with a degree of control addresses one of the fundamental issues which donors have with charities. While Burt and Williams (2013) did not attempt to determine if the introduction of the donation-splitting option had a positive effect on donor trust, other research supports this prediction. For example, the *third-party gifting* approach to giving involves a charity offering a range of purchase options, such as a goat, which a donor can purchase (see Kemp et al. 2011 for research on this method of donating). Like the donation-splitting approach, third-party gifting does have the value of providing the donor with a degree of certainty about, and control over, how their donation is going to be used. Furthermore, the certainty in the end use of their donation which the third-party gifting approach generates significantly increased donors trust that the beneficiary would receive the donation, when compared with the certainty of end use associated with making a monetary donation (Kemp et al. 2011).

The donation-splitting approach also generates valuable information for the charity which can be used to evaluate donors' transactional trust. The proportions donated to various cost lines can be compared directly with the charity's actual operating expenditure within each cost line, and conclusions about the influence of expenditure on donor trust can be drawn. For example, in Experiment 1 of Burt and Williams (2013) study, participants donated on average 11.1 % of their donation towards administration costs. The charity that was used for the research provided the researchers with financial information, which indicated that they were spending 15.6 % of their donation income on administration costs. Comparison of the two percentage values allows for conclusions about transactional trust. Given that the two percentage values noted above are reasonably close, the charity could justifiably conclude that their spending on administration should be unlikely to be having a significant negative impact on donor trust. In fact, it would be reasonable to conclude that for this particular charity, *its division of donations might be likely to facilitate the development of transactional trust.*

It is important to note that the donation-splitting technique will generate information which is idiosyncratic to the donor sample and the charity in

question. Thus, the results above are essentially meaningless for another charity. It is possible that a charity may need to use a large proportion of donations to cover administration costs of the organization (perhaps if it operates in a global, rather than just a local context). It is also possible, in fact desirable, that donors understand the complexity and extent of administration costs. If they do, and agree they are justified, their donation-splitting may produce a percentage split which is greater than the 11.1 percent found by Burt and Williams (2013), and which is closer to the charity's actual expenditure. This was found in Experiment 2 of Burt and Williams (2013), where in one condition, participants were told that the charity spent 15.6 % on administration, and the average proportion donated to administration was 15.7 %. The closeness of the two values suggests that the donors (study participants) *were accepting of the charity's financial management and indicated this in their donation-splitting*.

Data from donation-splitting may of course indicate that donors may not feel that a charity should be spending a large percent of donations on administration (even after the provision of 'justification' information about the expenditure). That is, the donation-splitting result indicates a big gap between what donors are willing to give to support administration and what the charity is currently spending on administration. In this case the charity, if they wish to address the implications of this situation for transactional trust, *will have to consider if efficiency gains are possible in order to reduce spending*. [Chapter 3](#) examines the literature which has addressed the need for efficiency improvements in the charity sector.

2.2 Summary

This chapter has discussed seven options which a charity can use to evaluate donor trust, and also evaluate the likely impact that charity activities are having on donor trust. The options are probably best used in combination, as opposed to just adopting one or another. The more information which a charity has on trust, the better they will be able to fine tune their trust development strategy.

It appears that using click analytics, which in my view is a very promising option for examining donor trust has until now not been examined by any research. Of course many processes which are not widely researched are in fact used by organizations. Thus it is very possible that some charities are analysing their webpage use. It also appears that not a lot of development work or expense would be involved in setting up a click stream analysis protocol. The feedback that click analytics could provide might allow rapid advances in the understanding of donor trust, as it seems that click analytic measures can be taken to investigate areas which are central to the trust building relationship.

Finally, the feasibility of the donation-splitting technique has been demonstrated, and it is easy to implement. While a charity could introduce it as a permanent feature of its fundraising, this is not essential. It would be quite appropriate to introduce it from time to time, as a type of sampling technique. If the split proportions remain relatively stable over time, and are relatively consistent with how the charity is managing the financial division of donations, then they may reasonably assume that their donor's transactional trust is currently not an issue for concern.

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