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What Donors Value

How Community Foundations Can Increase Donor Satisfaction, Referrals, and Future Giving

6,086 donors surveyed
from 47 community foundations

AUTHORS

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MISSION

To provide data and create insight so philanthropic funders can better define, assess, and improve their effectiveness—and, as a result, their intended impact.

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This research is based on CEP's independent data analyses, and CEP is solely responsible for its content. The report does not necessarily reflect the individual views of the funders, advisers, or others listed throughout this report.

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Executive Summary

The past decade has been a period of challenge and questioning for community foundations, with significant changes in the context in which these foundations compete for donor resources and attention. Some conversations among community foundation leaders and the organizations that work to support them have gone so far as to question whether the community foundation model is sustainable or whether it needs to be radically reconceived.

To better understand how community foundations can best respond to the current environment, the Center for Effective Philanthropy (CEP) asked donors about how satisfied they are with the community foundations with which they work. What matters most to them? What do these donors want from their community foundations?

Surveys of 6,086 donors from 47 community foundations that commissioned a Donor Perception Report (DPR) from CEP between 2009 and 2013 reveal that:

Donor satisfaction is vital for community foundations. Donors who are more satisfied with their community foundation are more likely to indicate that they plan to continue giving and more likely to recommend the foundation to others.

The strongest predictors of donor satisfaction are donors' sense of the foundation's level of responsiveness when they need assistance and donors' perceptions of the foundation's impact on the community.

The consequences of donors not being satisfied with their community foundation are simple—donors will walk away and won't help to bring new donors to the foundation. There are tangible steps, however, that community foundations can take to maintain or improve donor satisfaction. From our data, we are able to explain some of what it takes for donors to be satisfied with the community foundation to which they give, but it's not a simple formula. It takes elements of basic customer service combined with being able to make a meaningful mark on the community—in ways that can be recognized by, or communicated to, donors.

The profiles included in this report from foundations with highly satisfied donors—the Dallas Foundation, the Community Foundation of Greater Birmingham, and the Community Foundation Serving Boulder County—provide examples of how some foundations have achieved this.

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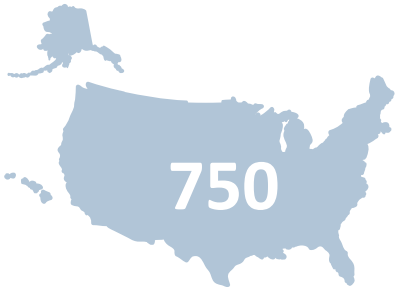

approximately **750**
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are in the United States

Introduction

Since their creation 100 years ago, community foundations have been an important force in American philanthropy. Historian Olivier Zunz describes Cleveland banker and attorney Frederick Harris Goff's vision for the first community foundation—the Cleveland Foundation—as a means of "democratizing philanthropy" by providing a centralized mechanism for the middle class and modestly wealthy to direct their charity.[1]

Today, community foundations give roughly $4.3 billion annually and cumulatively control $57.9 billion in assets.[2] There are approximately 750 community foundations in the United States, of which about a dozen possess more than $1 billion in assets.[3] Community foundations have played significant roles in cities and regions across the country and have been an inspiration to other countries seeking to develop their philanthropic and nonprofit infrastructure. All totaled, community foundations in the United States received $5.4 billion in contributions in 2011.[4]

Despite this growth and success, the past years have been a period of challenge and questioning for community foundations. They have faced significant changes in the context in which they compete for donor resources and attention. Some have gone so far as to question whether the community foundation model is sustainable or whether it needs to be radically reconceived.[5]

OPTIONS AVAILABLE TO DONORS

Part of the impetus for questioning the relevance of community foundations has been the proliferation of alternatives for donors. In the early 1990s, Fidelity Investments started its first commercial charitable gift fund. In 2013, Fidelity Charitable reported record levels for outgoing grants and incoming contributions, with outgoing grants totaling $2.1 billion and incoming contributions at $3.6 billion.[6] Schwab Charitable also reported significant increases in outgoing grants and incoming donations. In fiscal year 2013, Schwab had $4.8 billion in assets under management and grants to charities totaling more than $600 million. These numbers represent "55% and 12% growth from the previous year, respectively."[7]

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[1] Olivier Zunz, *Philanthropy in America: A History* (Princeton: Princeton University Press, 2012), 54–55.

[2] "Key Facts on U.S. Foundations, 2013 Edition," *Foundation Center* (2013): 3, http://foundationcenter.org/gainknowledge/research/keyfacts2013/pdfs/Key_Facts_on_US_Foundations.pdf.

[3] Ibid; The Foundation Directory, *Foundation Center*.

[4] Latest available data: "Aggregate Fiscal Data of Community Foundations in the U.S., 2011," *Foundation Center* (updated October 2013), http://data.foundationcenter.org/#/foundations/community/nationwide/total/list/2011.

[5] Lucy Bernholz, Katherine Fulton, and Gabriel Kasper, "On the Brink of New Promise: The Future of U.S. Community Foundations," *Blueprint Research and Design, Inc.* and *the Monitor Institute* (2005), http://www.monitorinstitute.com/downloads/what-we-think/new-promise/On_the_Brink_of_New_Promise.pdf; Maggie Jaruzel-Potter, "U.S. community foundations at the crossroads of change," *Charles Stewart Mott Foundation*, October 2, 2012, http://www.mott.org/news/news/2012/20121002-Community-Foundations-Article5; Sarah Duxbury, "Emmett Carson: Community foundation model 'broken,' at risk," *San Francisco Business Times*, September 20, 2011, http://www.bizjournals.com/sanfrancisco/blog/2011/09/community-foundation-model-at-risk.html?page=all.

[6] "Fidelity gift fund made $2.1b in grants for clients last year," *The Boston Globe*, January 28, 2014, http://www.bostonglobe.com/business/2014/01/28/fidelity-gift-fund-made-billion-grants-for-clients/80vyiOwFkAOGE23FxV7jbM/story.html.

[7] "Charitable Giving Remains Robust—Schwab Charitable Reports Strong Fiscal Year Results," *Business Wire*, July 17, 2013, http://www.businesswire.com/multimedia/home/20130717005194/en/.

Commercial gift funds are not the only competition community foundations face.[8] Public charities, single-issue charities, and federated giving programs are also popular vehicles for those wishing to invest in donor-advised funds. In addition to these longstanding alternatives for donor resources, community foundations may compete with one another as they cater to donors with multiple geographical identities. New forms of giving have also emerged or grown in popularity. For example, giving circles have emerged as a more grassroots option for donors giving at smaller levels and, while still small relative to community foundation giving, appear to be growing at such a pace that it is difficult to locate up-to-date data on how many there are and how much they give.[9] Some community foundations host giving circles; other giving circles remain independent from traditional institutions.

Other broader societal trends have also affected community foundations and the way they engage potential donors. Increased access to data and analysis about nonprofit organizations—fueled by the growth of online resources like GuideStar, GiveWell, and Charity Navigator—has empowered donors with information that would otherwise be difficult to access. In addition, the presence of online giving platforms, such as DonorsChoose.org and Kiva, have changed the way donors can receive information that will inform, and services that will enable, their giving. Another trend is that of younger givers seeking to engage differently with the charities they support than older donors.[10] Finally, some U.S. community foundations have increased their international giving, leading to reflection on what the word "community" means today.[11]

CHANGING WITH THE TIMES

In light of a changing landscape and increased competition, fundamental questions have been raised about community foundations, including the relevance of community foundations' business models.[12] In 2005, the authors of the influential piece, "On the Brink of New Promise," wrote, "Community foundations do have a business model problem—how to value and price their community expertise and leadership as they get squeezed between large-scale, low-cost, do-it-yourself product providers on one side and specialized, high-end, custom service firms on the other."[13]

Asset size has often been viewed as the best proxy for a community foundation's impact, perhaps simply because it is easy to measure. The authors of "On the Brink of New Promise" and others have called on community foundations to focus less on asset size and to take on a greater leadership role to increase their relevance, impact, and distinct appeal to donors.[14] CFLeads was formed to address precisely this topic.[15] And there are a variety of ways in which community foundations have embraced leadership roles to put to use their knowledge of, and investments in, their communities.[16] For this research, we wanted to understand how donors' sense of a community foundation's impact factors into their experiences and their decisions to give in the future.

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[8] Betsy Brill, "How To Find The Right Donor-Advised Fund (And Why)," ***Forbes***, February 28, 2011, http://www.forbes.com/2011/02/28/donor-advised-funds-intelligent-investing.html.

[9] Patricia J. Kozu, "Expanding the Boundaries of Philanthropy through Giving Circles," *The CEP Blog, Center for Effective Philanthropy*, October 15, 2013, http://www.effectivephilanthropy.org/expanding-the-boundaries-of-philanthropy-through-giving-circles/; Angela M. Eikenberry, "Giving Circles: Growing Grassroots Philanthropy," *Nonprofit and Voluntary Sector Quarterly* 35, no. 3 (2006): 517–522; Angela M. Eikenberry and Jessica Bearman, "The Impact of Giving Together: Giving Circles' Influence on Members' Philanthropic and Civic Behaviors, Knowledge, and Attitudes," *Forum for Regional Associations of Grantmakers, the Center on Philanthropy at Indiana University*, and *the University of Nebraska at Omaha* (May 2009): 6, https://www.givingforum.org/sites/default/files/resources/The%20Impact%20of%20Giving%20Together.PDF.

[10] Vinay Bhagat, Pam Loeb, and Mark Rovner, "The Next Generation of American Giving: A Study on the Multichannel Preferences and Charitable Habits of Generation Y, Generation X, Baby Boomers and Matures," *Convio, Edge Research, and Sea Change Strategies* (March 2010): 10, http://www.convio.com/files/next-gen-whitepaper.pdf; Mark Rovner, "The Next Generation of American Giving: The Charitable Habits of Generations Y, X, Baby Boomers, and Matures," *Blackbaud* (August 2013), http://www.edgeresearch.com/casestudies_files/Edge_Research_Next_Generation_of_American_Giving_white_paper.pdf; Sarah Duxbury, "Philanthropic foundations target young donors," *San Francisco Business Times*, July 15, 2011, http://www.bizjournals.com/sanfrancisco/print-edition/2011/07/15/philanthropic-foundations-target-young.html?page=all.

[11] Emmett D. Carson, "Redefining Community Foundations," *Stanford Social Innovation Review* 11, no.1 (Winter 2013), http://www.ssireview.org/articles/entry/redefining_community_foundations; Jenny Hodgson, Barry Knight, and Alison Mathie, "The New Generation of Community Foundations," *Global Fund of Community Foundation* and *Coady International Institute* (March 2012), http://www.coady.stfx.ca/tinroom/assets/file/HodgsonKnightMathieNGCF.pdf.

[12] Rebecca Graves and Hollie Marston, "Align, Adapt, Aspire: Ten Years of Community Foundation Business Model Evolution," *CFInsights* (September 2013), http://www.cfinsights.org/Portals/0/Uploads/Documents/Align%20Adapt%20Aspire%20Sept%202013.pdf; Rebecca Graves and Samira Rahmatullah, "Fueling Impact: A Fresh Look at Business Model Innovation and New Revenue Sources," *CFInsights* (April 2010), http://www.cfinsights.org/Portals/0/Uploads/Documents/Public/Fueling_Impact.pdf.

[13] Bernholz, "On the Brink of New Promise: The Future of U.S. Community Foundations," 36, http://www.monitorinstitute.com/downloads/what-we-think/new-promise/On_the_Brink_of_New_Promise.pdf.

[14] Ibid, 35; Cindy S. Ballard, "Community Foundations and Community Leadership," *Council on Foundations* and *CFLeads* (August 2007), http://www.cfleads.org/resources/commleadership_pubs/docs/CFLeads_CLS1_2007.pdf; Dorothy Reynolds, "The Balancing Act III: The Role of a Community Foundation as a Community Leader," *Charles Stewart Mott Foundation* (October 2008), http://www.cfleads.org/resources/commleadership_pubs/docs/TheBalancingAct_10.2008.pdf; Doug Easterling, "Promoting Community Leadership Among Community Foundations: The Role of the Social Capital Benchmark Survey," *The Foundation Review* 3, no. 1 (2011), http://scholarworks.gvsu.edu/cgi/viewcontent.cgi?article=1067&context=tfr.

[15] "History," ***CFLeads*** (2014), http://www.cfleads.org/about/history.php.

[16] Maggie Jaruzel-Potter, "U.S. community foundations at the crossroads of change," *Charles Stewart Mott Foundation*, http://www.mott.org/news/news/2012/20121002-Community-Foundations-Article5.

6,086 donors surveyed
from 47 community foundations

Overview of Research Design

To understand how community foundations can be best positioned to thrive in this crowded marketplace, we turned to their donors. What matters to those who are financially supporting community foundations' efforts? What do these donors care about?

Understanding the decisions and behavior of nonprofit donors has been of intensifying interest to many in philanthropy in the past decade.[17] But there is little data focused on what matters to community foundation donors. What does it mean for community foundation donors to be satisfied? Is the current satisfaction of these donors connected to important future decisions and actions, such as future giving or recommending the community foundation to others? What should community foundations emphasize in their delivery of services to donors?

This research set out to answer these questions. We sent surveys to 17,793 donors of 47 community foundations that commissioned a Donor Perception Report (DPR) from the Center for Effective Philanthropy (CEP) between 2009 and 2013. Of those donors, 6,086 responded and the median foundation response rate was 37 percent. (See Table 1.) The overall response rate was 34 percent. The majority of donors surveyed held a donor-advised fund at their community foundation.[18,19] While ours is the largest dataset of community foundation donor views we are aware of, it has limitations—including the number of foundations that participated and the proportion of donors surveyed who responded. In addition, it is important to note that our data explains 52 percent of the variation in donor satisfaction, leaving 48 percent that we cannot explain through our analyses.

Table 1. Response Rates for Foundations in this Research

Survey Response Information	Minimum	25th Percentile	Median	75th Percentile	Maximum
Response Rate	19%	34%	37%	43%	58%
Number of Responding Donors	29	83	113	171	275

Note: Numbers in these two rows do not correspond to one another. For example, the foundation with the highest response rate did not also have the highest number of responding donors.

[17] "Money for Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors," *Hope Consulting* (May 2010), http://hopeconsulting.us/pdf/Money%20for%20Good_Final.pdf.

[18] Because of differences in foundations' tracking of their donors' fund types, it is difficult to precisely identify the percent of donors with donor-advised funds (DAFs). However, based on the data available it is clear that the majority are DAF holders. Additionally, some foundations that have commissioned the DPR chose to only survey donors who hold DAFs.

[19] Throughout this report, we use the term "donor" to refer to the original contributor to a fund at the community foundation or those responsible for directing charitable assets that were originally donated by another contributor.

Range of Foundations Included in This Research

The foundations in this research represent a wide range of community foundations in terms of age, staff size, asset size, giving size, and how those assets and giving are distributed across discretionary and nondiscretionary dollars.[20] (See Table 2.) In terms of the geographic distribution of the surveyed foundations, 15 percent are located in the south, 32 percent in the west, 32 percent in the northeast, 19 percent in the midwest, and one foundation is located in Canada.

Table 2. Range of Foundations in this Research

	Demographics	Minimum	25th Percentile	Median	75th Percentile	Maximum
general	Age of foundation	9 years	30 years	51 years	84 years	98 years
general	Number of full-time equivalent staff*	2.5	10.75	15.0	31.67	91.0
assets	Assets according to Form 990**	$13.3MM	$91.5MM	$178.4MM	$479.4MM	$1.0B
assets	Percentage of assets that are discretionary*	2%	11%	24%	38%	73%
assets	Percentage of assets that are held in DAFs*	4%	19%	34%	47%	81%
assets	Percentage of assets that are other nondiscretionary*	10%	27%	35%	51%	70%
grants	Giving according to Form 990**	$1.0MM	$6.2MM	$14.9MM	$30.0MM	$94.5MM
grants	Percentage of grants that are discretionary*	0%	9%	19%	32%	72%
grants	Percentage of grants made from DAFs*	2%	23%	50%	67%	93%
grants	Percentage of grants that are other nondiscretionary*	0%	16%	27%	39%	86%

**These data are self-reported by foundations. Only 45 out of 47 foundations provided this information.*

***These data come from the Form 990 that was completed closest in time to the foundation's use of the DPR. If a current Form 990 was not available, a foundation's most recent Form 990 was used.*

[20] The number of foundations in this research, and the difficulty of locating up-to-date–enough Form 990 information to match when the donor ratings were collected, precludes us from making any statements with confidence about relationships, or lack thereof, between the information listed in Table 2 and items to which donors responded in the survey.

Key Findings

1 **Donor satisfaction is vital for community foundations. Donors who are more satisfied with their community foundation are more likely to indicate that they plan to continue giving and more likely to recommend the foundation to others.**

The strongest predictors of donor satisfaction are donors' sense of the foundation's level of responsiveness when they need assistance and donors' perceptions of the foundation's impact on the community. **2**

The consequences of donors not being satisfied with their community foundation are simple—donors will walk away and not help to bring new donors to the foundation. What community foundations should focus on to maintain, or increase, donor satisfaction is not as simple—it is a mix of strong customer service and the ability to make a difference in their communities. Community foundation leaders will benefit from focusing their efforts on improving these key dimensions if they wish to maximize giving to their foundations.

Throughout this report, we highlight the thoughts and experiences of leaders from three community foundations that were rated by their donors as being among the top 15 percent in our sample for donor satisfaction. They are the Dallas Foundation, the Community Foundation of Greater Birmingham, and the Community Foundation Serving Boulder County.

The Dallas Foundation

Asset Size: $273MM
Year Established: 1929
Location: Dallas, Texas

MARY JALONICK

Position: President (first full-time employee of the foundation)

Tenure: 26 years

Previous Experience: Community volunteer

LESLEY MARTINELLI

Position: Director of Donor Services

Tenure: 7 years

Previous Experience: Sales and customer service at for-profit; worked at nonprofit agency

Community Foundation of Greater Birmingham

Asset Size: $186MM
Year Established: 1959
Location: Birmingham, Alabama

KATHRYN COREY

Position: Vice President Donor Relations

Tenure: 6 years

Previous Experience: Church outreach coordinator

LORA TERRY

Position: Donor Relations Manager

Tenure: 1 year in current role (3 years in total at the foundation)

Previous Experience: Development coordinator at the foundation

The Community Foundation Serving Boulder County

Asset Size: $46MM
Year Established: 1991
Location: Boulder, Colorado

JOSIE HEATH

Position: President

Tenure: 18 years

Previous Experience: Chair of the board of Boulder County Commissioners

MARGARET KATZ

Position: Director of Philanthropic Services

Tenure: 1.5 years in current role (17 years in total at the foundation)

Previous Experience: Member of development team and donor relations team at the foundation

Across the 47 foundations included in this research, the percentage of donors who report being moderately or less satisfied ranges from a low of nine percent at one foundation to a high of 50 percent at another.

Key Finding 1

Donor satisfaction is vital for community foundations. Donors who are more satisfied with their community foundation are more likely to indicate that they plan to continue giving and more likely to recommend the foundation to others.

In general, donors are satisfied with their community foundation, both overall and with respect to specific aspects of their experiences. Yet some foundations have lower proportions of satisfied donors than others, and the degree of satisfaction varies meaningfully across community foundations.[21]

OVERALL SATISFACTION

On average, donors are satisfied with their community foundations—with an average rating of 5.9 on a 1 to 7 scale, where 1 indicates "Not at all satisfied" and 7 indicates "Extremely satisfied."[22] Yet, more than one in four donors rate a 5 or lower on this scale, indicating that they are only moderately, or less, satisfied with their community foundation. (See Figure 1.) Across the 47 foundations included in this research, the percentage of donors who report being moderately or less satisfied ranges from a low of nine percent at one foundation to a high of 50 percent at another.

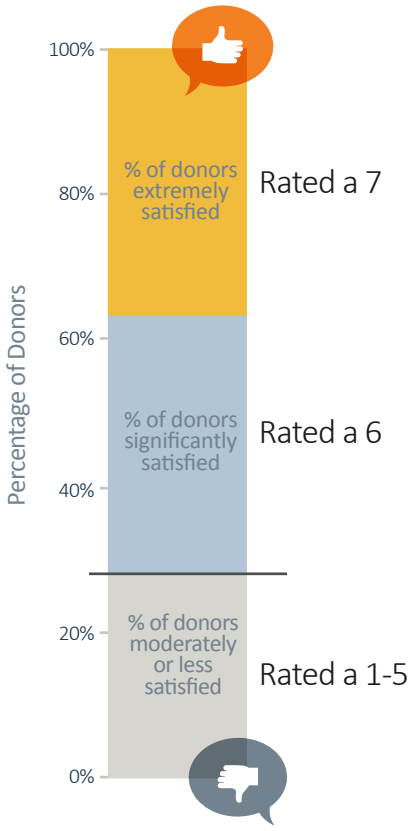
SATISFACTION WITH QUALITIES OF THE COMMUNITY FOUNDATION

When it comes to donors' satisfaction with more specific qualities of the foundation, more than 80 percent of donors in this study report being satisfied with their foundations' leadership in, and knowledge of, the community, financial performance and administrative fees, and reputation and referral network. (See Figure 2.)

FUTURE GIVING

Bringing in new donors can be costly for a community foundation, both in time and resources, so it's important for staff to continue cultivating existing donors. Most current donors say they plan to continue giving to the foundation for the next five to 10 years. However, at well more than half of the foundations in our dataset, at

Figure 1. Donor Satisfaction at Community Foundations

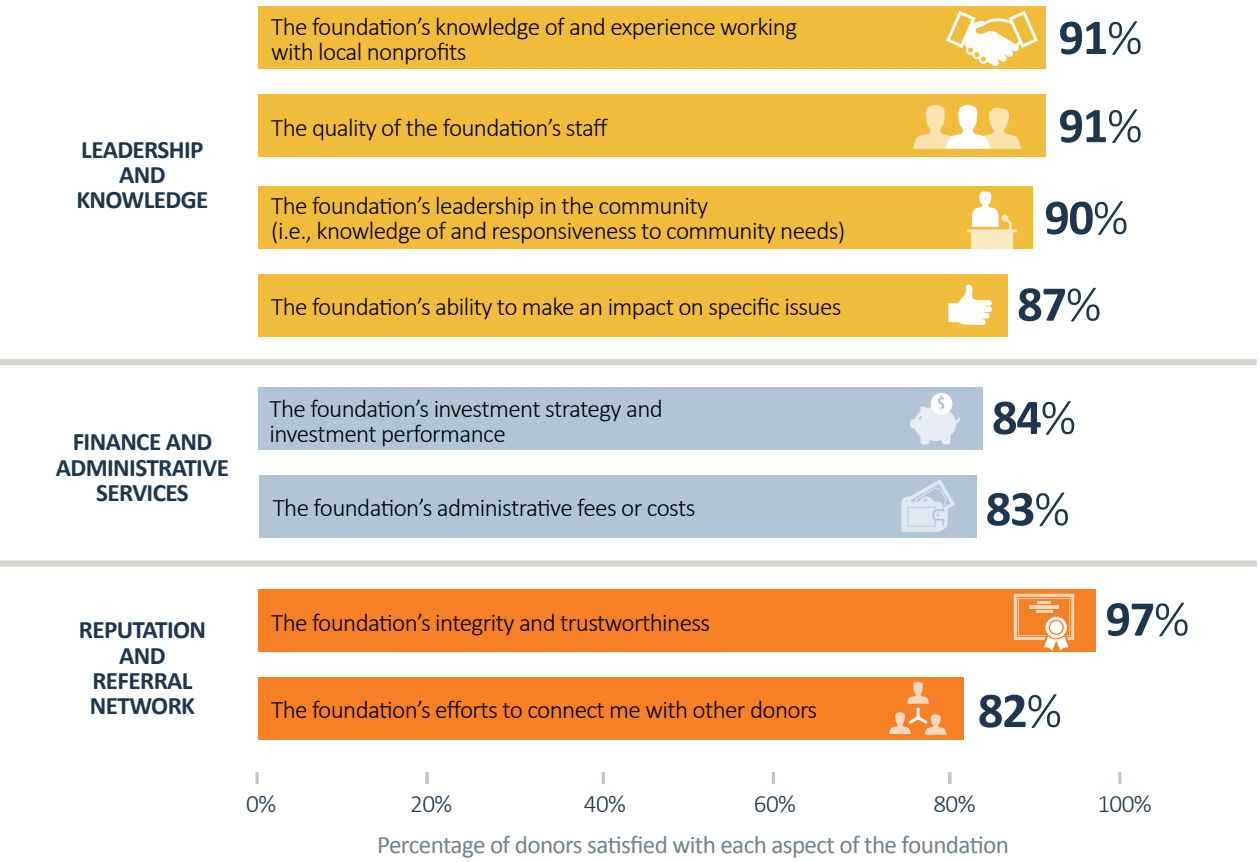


Donors were asked to rate their overall satisfaction with the foundation on a scale from 1=Not at all satisfied to 7=Extremely satisfied.

[21] Statistical analysis was used to determine how much variation in ratings of donor satisfaction can be explained by which community foundation a donor gives to or has a fund at, rather than a donor's individual experiences. Five percent of the variation in ratings on this variable could be explained by knowing to which foundation a donor gives.

[22] The standard deviation, or average distance that ratings deviate from the mean, of donor satisfaction is 1.1 on the 1 to 7 rating scale.

Figure 2. The Percentage of Donors Satisfied with Particular Aspects of their Community Foundation



Note: The percentage of donors satisfied excludes those who said they did not know if they were satisfied or indicated the item was not applicable to them.

least 20 percent of donors do not plan to give in the next five to 10 years. (See Figure 3.)

Perhaps not surprisingly, donor satisfaction and future giving intentions are linked. The lower a foundation's average donor-satisfaction level, the higher the proportion of its donors who do not plan to give in the coming years.[23]

RECOMMENDING THE FOUNDATION

Referrals can be a key source of new donors for community foundations. When asked, "How did you *first* learn about the foundation" one in five donors (21 percent) in this research indicate that they learned about the foundation through a recommendation from a friend (14 percent) or a current donor/foundation volunteer (7 percent).[24]

Given the percent of donors who learn about the community foundation to which they contribute through referrals it's important that community foundation donors feel motivated to recommend their foundation. The vast majority, 86 percent, do indicate they are likely to recommend their foundation to a friend or colleague.[25] Almost half of donors (48 percent) are *extremely* likely to recommend their foundation to a friend or colleague. Just like propensity to give in the future, a donor's likelihood of recommending the foundation to a friend

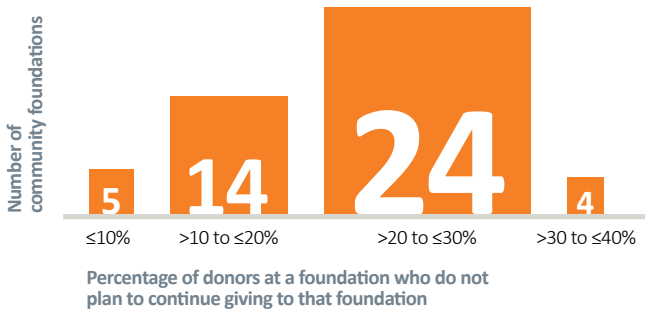
[23] The average satisfaction of donors at a foundation is strongly correlated (r=0.60) with the proportion of donors planning to give to the foundation or their fund in the next five to 10 years.

[24] Because of a wording change in this survey item in 2012, we only have data from 49 percent of donors in our dataset for this item: "How did you *first* learn about the Foundation?" Other research supports the importance of recommendations for disseminating information about an organization. The Center for High Impact Philanthropy reported that high net worth philanthropists' most trusted resource for information related to giving is peers. Kathleen Noonan and Katherina Rosqueta, "'I'm not Rockefeller': 33 High Net Worth Philanthropists Discuss Their Approach to Giving," *University of Pennsylvania: The Center for High Impact Philanthropy* (September 2008): 13, http://www.impact.upenn.edu/images/uploads/UPenn_CHIP_HNWP_Study.pdf.

[25] Donors are considered likely to recommend the foundation to a friend or colleague if they rate a 5, 6, or 7 on a scale of 1 = Not at all likely, 4 = Neutral, and 7 = Extremely likely.

or colleague is highly related to that donor's level of overall satisfaction with the foundation.[26] A donor's likelihood of recommending the foundation to a friend or colleague is also related to their satisfaction with the specific aspects of the foundation outlined in Figure 2. Donors are more likely to recommend the foundation when they are satisfied with the foundation's leadership in, and knowledge of, the community, as well as its financial performance and administrative fees, and its reputation and referral network.[27]

Figure 3. How the Percentage of Donors Not Planning to Continue Giving Varies across Community Foundations



[26] There is a strong, statistically significant, correlation (r=0.65) between donors' ratings of their likelihood to recommend the foundation to a friend or colleague and their ratings of overall satisfaction with the foundation.

[27] There is a statistically significant difference in the likelihood of a donor to recommend the foundation to a friend or colleague based on whether or not the donor is satisfied with each aspect of the foundation outlined in Figure 2. Those who are satisfied with a particular aspect are more likely to indicate that they would recommend the foundation than those who think the foundation needs improvement. These differences were all of at least medium effect size.

> "Perhaps not surprisingly, donor satisfaction and future giving intentions are linked.

Foundations' Communications with Donors

Communication with donors is crucial. Both the frequency of a foundation's communications with its donors and the extent to which staff clearly communicate the foundation's goals to donors matter.

FREQUENCY OF COMMUNICATION

The frequency with which a community foundation communicates with its donors is related to a number of donors' perceptions, including their overall satisfaction, their likelihood to recommend the foundation, the extent to which they believe the foundation has an impact on the community, the extent to which they believe the foundation exhibits a leadership role in the community, and their perceptions of foundation staff's responsiveness when they have a question or need assistance, just to name a few.

Donors who have more frequent contact with the foundation tend to rate these dimensions more positively. This trend is consistent across all modes of contact, including receiving personal e-mails or phone calls from the foundation, having in-person meetings with foundation staff, attending foundation events, or receiving general information via regular mail or e-mail.

COMMUNICATION OF THE FOUNDATION'S GOALS

Most donors believe their community foundation does a good job clearly communicating its goals to them.[28] The more clearly donors find their foundation to have communicated its goals to them:

- the more satisfied they are with the foundation overall;
- the higher they rate the foundation on the extent to which it is both making an impact on the community and exhibiting a leadership role in the community; and
- the more likely they are to report being satisfied with the foundation's 1) leadership in the community, 2) investment strategy and performance, and 3) administrative fees and costs.

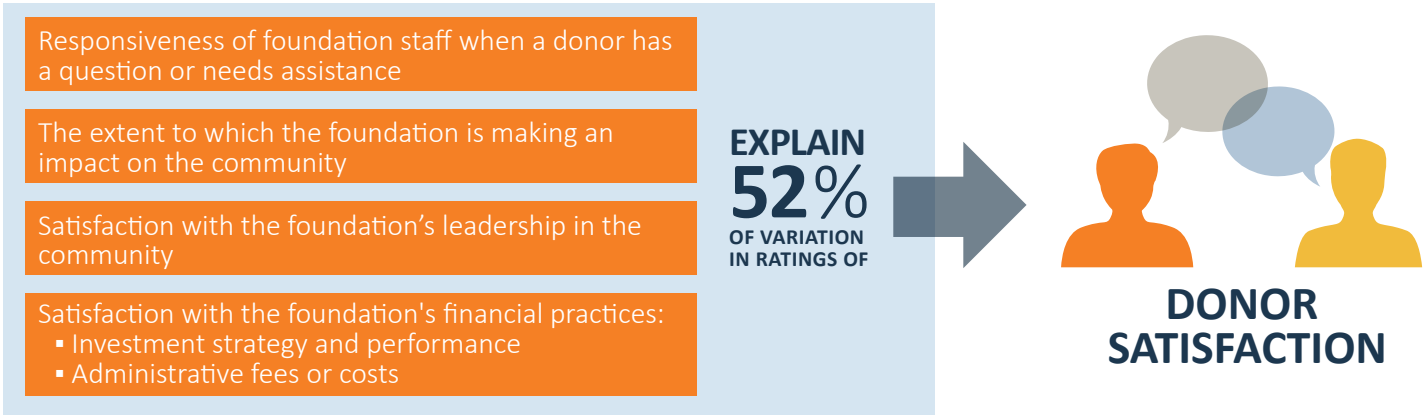
[28] When asked, "How clearly has the Foundation communicated its own goals to you?" on a scale from 1–7 where 1 = Not at all clearly and 7 = Extremely clearly, 70 percent of donors rated a 5, 6, or 7.

Key Finding 2

The strongest predictors of donor satisfaction are donors' sense of the foundation's level of responsiveness when they need assistance and donors' perceptions of the foundation's impact on the community.

It is important to understand what it takes to satisfy donors because their satisfaction matters for their likelihood to continue giving in the future and their likelihood to recommend the foundation to others. The strongest predictors of how satisfied donors are with their foundation are listed in order of descending importance in Figure 4.

Figure 4. What Predicts Donor Satisfaction at Community Foundations?



How is your foundation performing on the predictors that matter for donor satisfaction?

Turn to page 26 to reflect on these predictors, either on your own or with your colleagues.

> Engagement is not the key to donor satisfaction.

Donor Engagement and Satisfaction

In recent years, various experts and observers have discussed the value of donor engagement.[29] The knowledge and connections community foundations' staffs have, and their ability to educate donors about a community's greatest needs, have long been seen as key to the distinct value community foundations can offer to donors.[30] Of the donors in this research, 38 percent are "engaged" with their community foundation as we defined it.[31]

Some community foundations expend great energy determining how to increase donors' level of engagement with the foundation. Our data indicate that there can be important benefits when donors are more engaged with the foundation's resources or knowledge, including a perceived increase in their knowledge about the issues they care about, their sense that they are having an impact on the issues they care about, and their feelings of connection to their community.

However, the data also indicate that donors can be satisfied with their foundation even when they have, or desire, little or no involvement from the foundation in their giving decisions. When it comes to predicting donors' satisfaction with the foundation, our data indicate that neither donors' current level of engagement with the foundation (including whether they use staffs' advice to help make their giving decisions) nor their desired level of assistance from the foundation for their future giving decisions are important factors.[32] Put another way, engagement is not the key to donor satisfaction.

[29] Rebecca Graves et al., "Do more than Grow," *FSG* (2012), http://www.fsg.org/Portals/0/Uploads/Documents/PDF/Do_More_Than_Grow.pdf; Donna G. Rader, "Advancing Community Leadership Through Donor Engagement," *CFLeads* and *COF* (2010): 2, http://www.cfleads.org/resources/stories/docs/DonorEngagement-033110.pdf; Ralph Hamilton, Julia Parzen, and Prue Brown, "Community Change Makers: The Leadership Roles of Community Foundations," *Chaplin Hall Center for Children at the University of Chicago* (2004): 5–20, http://www.chapinhall.org/sites/default/files/old_reports/137.pdf.

[30] Lori Larson, "Community Foundations: Building Philanthropy and Effecting Social Change," *Markets for Good Blog*, August 1, 2013, http://www.marketsforgood.org/community-foundations-building-philanthropy-and-effecting-social-change/; Bernholz "On the Brink of New Promise: The Future of U.S. Community Foundations," 36, http://www.monitorinstitute.com/downloads/what-we-think/new-promise/On_the_Brink_of_New_Promise.pdf.

[31] For the purposes of this research, engaged donors are defined as using at least one of the following: 1) advice from foundation staff about their charitable giving; 2) performance information on nonprofits in the community provided by or through the foundation; 3) foundation events or educational programs for donors, experts, stakeholders, or some combination of the three; 4) foundation-sponsored visits to nonprofits in the community; or 5) the foundation's website ***and*** having or doing at least one of the following every few months or more frequently: 1) personal e-mails or phone calls from the foundation; 2) in-person meetings with foundation staff; or 3) attendance at foundation events.

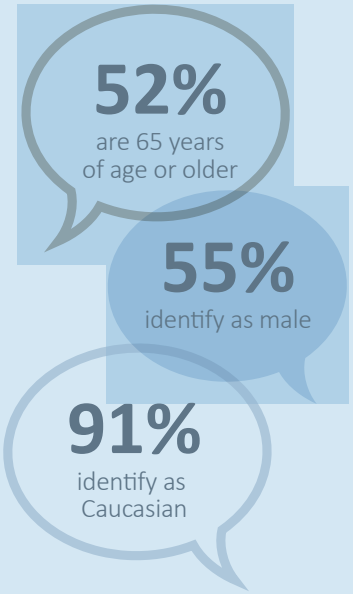
[32] Although whether or not a donor is engaged with the foundation is related to his or her satisfaction, a donor's engagement is an extremely weak predictor of donor satisfaction when tested in the context of the predictors shown in Figure 4, which have much greater value for predicting levels of donor satisfaction.

Donor Demographics Do Not Predict Satisfaction

Neither the age, gender, nor race of a donor is relevant to their overall satisfaction with the foundation. In fact, none of these demographic characteristics matter much for any of the key predictors of donor satisfaction identified in our analysis: donors' perceptions of the responsiveness of the foundation's staff when they have a question or need assistance; donors' perceptions of the impact the foundation has on the community; donors' satisfaction with the foundation's leadership in the community; or donors' satisfaction with the financial practices of the foundation.

The lack of relationships between donors' demographic characteristics and their behaviors or experiences mirrors findings from Hope Consulting's 2010 report, which found few differences in the behaviors and motivations of donors to nonprofits based on donors' demographics. That report suggested that nonprofits should segment their donors by behaviors, rather than demographics, to improve fundraising capabilities.[33]

Figure 5. Demographic Characteristics of Donor Respondents



[33] "Money for Good: The US Market for Impact Investments and Charitable Gifts from Individual Donors and Investors," 12, http://hopeconsulting.us/pdf/Money%20for%20Good_Final.pdf.

RESPONSIVENESS

Donors who find staff to be more responsive tend to be more satisfied with the foundation overall.[34] Donors were asked to rate how responsive the staff members of their community foundation are when they have a question or need assistance. Most donors find their foundation's staff to be responsive, and 53 percent rate the foundation's staff as being "extremely responsive."[35]

One donor who rated the community foundation's staff as extremely responsive says, "Professional, proactive and responsive staff is the key to the success of the foundation." Another says, "When I do have a need or question in an area that I am working on, I have always received immediate and complete information for my purposes. Staff is fantastic when needed." Another comments that, "The community foundation is always available when we have a question regarding a giving opportunity or guidance for our children in helping to involve them. We are extremely comfortable with the staff and appreciate their willingness to help in any way."

[34] There is a strong correlation between donors' ratings of their foundation's responsiveness when they have a question or need assistance and their ratings of satisfaction with the foundation overall. In other CEP research, responsiveness has also been a key component to a foundation being viewed positively by its external constituents. For example, the responsiveness of foundation staff has been seen to be an important component of foundation–grantee communication, which is integral to foundations being able to have strong relationships with their grantees. Ellie Buteau, Phil Buchanan, and Timothy Chu, "Working with Grantees: The Keys to Success and Five Program Officers Who Exemplify Them," *Center for Effective Philanthropy* (May 2010):4–5, http://www.effectivephilanthropy.org/wp-content/uploads/2014/01/TheGuide.pdf.

[35] When asked, "How responsive is the foundation staff when you have a question or need assistance?" on a scale from 1–7 scale, where 1 = Not at all responsive and 7 = Extremely responsive, 92 percent of donors rated a 5, 6, or 7 and 53 percent of donors rated a 7.

Failing to be responsive can cost community foundations their donors. Donors who find the staff at their community foundation to be less responsive express frustrations. One says, "I have contacted the donor services area three times over the years with specific questions. Once I was referred to the website and the other two times I received no reply at all. In light of this lack of responsiveness, I do not intend to use my donor-advised fund very much in the future and will not be funding it with the bulk of my assets upon my death, as I had previously planned." Another says, "I don't really get much out of the foundation's involvement other than the mechanical convenience of directing contributions out of our donor-advised fund. I haven't had a lot of contact with foundation staff [and when I did] they were hard to reach and often didn't return my calls." One donor says that, "Better, more responsive staff is needed. I do not live in [the area] and have only limited contact with the [foundation] staff—and often they fail to fulfill their minimal responsibilities or make errors!"

Foundation Profiles: **Responsiveness**

Staff at highly rated foundations go to great lengths to be responsive. Mary Jalonick, president of the Dallas Foundation, has learned the basic but important lesson that if you want satisfied donors, "Be responsive when they call. If they ask us to do something, do it, and get back to them as quickly as possible."

Josie Heath, president of the Community Foundation Serving Boulder County, says that, beyond timeliness, responding through a donor's preferred means of communication is also important. "If they shoot us an e-mail and we know that they're the kind of person who responds to e-mail, we get one back to them immediately."

RESPONDING QUICKLY AND ACCURATELY

Staff at highly rated foundations describe responsiveness in terms of not only timeliness but also accuracy. Kathryn Corey, vice president of Donor Relations at the Community Foundation of Greater Birmingham, says, "The business that we are in requires a tremendous amount of attention to detail, and mistakes do get made… and when we make a mistake, we own up to that." Lora Terry, donor relations manager at the Community Foundation of Greater Birmingham, also acknowledges the importance of attention to detail and suggests that "fact checking and making sure I'm not setting false expectations and really practicing good customer service" are important components of responsiveness.

A CULTURE OF RESPONSIVENESS

One way to attain high levels of staff responsiveness is by embedding high expectations in a foundation's culture. Lesley Martinelli, director of Donor Services at the Dallas Foundation, says, "The entire staff has embraced a philosophy of responding in a timely manner. We talk about it in our weekly staff meetings because everybody on staff here interacts in some way with donors. It's our overall philosophy: You respond quickly." Similarly, Terry indicates, "I think we have a great culture of donor relations here, and our entire staff is aware of how important relationships with donors are. No matter who picks up the phone, I feel confident that if I'm not the one talking with a donor, they're going to be talking with a staff person who is friendly and courteous and can get them to who they need."

> "It's our overall philosophy: You respond quickly.

The Dallas Foundation has adopted an informal policy that Martinelli describes, "We have a 24-hour rule here. Everybody on the staff is expected to respond to a donor or a professional adviser within 24 hours, via phone, e-mail, personal visit, whatever, and not let a question sit and linger."

At the Community Foundation Serving Boulder County, Margaret Katz, director of Philanthropic Services, emphasizes the importance of always having staff available to answer phone calls, especially during the holidays. With only 10 staff members, Heath says, "What I think our trustees would say is that we don't have enough staff capacity to do the donor service that we intend to do. And, yes, it is challenging to have a live person on the phone all the time, but for us it is a priority." This prioritization seems to help because donors rate the responsiveness of the Community Foundation Serving Boulder County higher than 85 percent of the foundations in our dataset.

Additional Perspectives on Responsiveness

The Community Foundation for Greater Atlanta, Central New York Community Foundation, and the Columbus Foundation were rated highly by their donors for, among other things, responsiveness and donor satisfaction. Executives from each describe their foundation's practices and philosophy.

The Community Foundation for Greater Atlanta

Asset Size: $900MM
Year Established: 1951
Location: Altlanta, Georgia

ROBERT SMULIAN

Position: Vice President, Philanthropic Services

Tenure: 8 years

Previous Experience: Executive director of the Atlanta Contemporary Art Center

"Each donor we serve is assigned a personal philanthropic adviser, someone on our donor engagement team who can act as each respective donor's philanthropic GPS. We developed this model for donor engagement beginning in the early 2000s. Over the years we have created a knowledgeable, well-trained, and stable team that is sensitive and responsive to donor needs and philanthropic passions and ready to meet donors where they are along the philanthropic continuum. That level of personal service is our competitive edge in the crowded marketplace of philanthropic vehicles. It is also one reason that professional advisers trust us to take good care of their clients, knowing they will receive a high level of service and engagement to fulfill their (the clients') philanthropic goals. Nearly 80 percent of all new donors each year come through professional advisers who know and like and have confidence in us."

Central New York Community Foundation

Asset Size: $170MM
Year Established: 1927
Location: Syracuse, New York

PETER DUNN

Position: President and CEO

Tenure: 6 years

Previous Experience: Vice president, Philanthropic Services, at the California Community Foundation

"Our culture is very donor focused and all staff pitch in to give our donors the best possible experience. This is imperative when you have just one person with donor relations in their job title. We respond to donor inquiries on the day they are made, even if it is simply to let them know when we will have a full response for them. We also try to be creative and flexible so that the tools we provide can truly help donors achieve their charitable objectives. Our work with donors also extends beyond transactional interactions. We try to capture our donors' life and charitable stories, strengthening our connection with them as a home for their legacy and creating a record of the philanthropic legacy of our community in the process."

"All staff pitch in to give our donors the best possible experience. This is imperative when you have just one person with donor relations in their job title.

The Columbus Foundation

Asset Size: $1.5B
Year Established: 1943
Location: Columbus, Ohio

ANGELA G. PARSONS

Position: Associate Director for Donor Services and Development

Tenure: 7 years

Previous Experience: Tax attorney for Kegler Brown Hill & Ritter

"The 'what' of our organizational strategy is one of being a trusted philanthropic advisor, in all respects, to our donors. The building of trust is made possible by a commitment to the highest standards of service, the usefulness of information provided, and the reliability of execution. We accomplish this by:

- having the technical expertise that allows us to answer our donors' questions;
- responding to our donors and advisors in a timely fashion;
- collaborating quickly and easily with other departments, which allows us to respond swiftly to donors' questions and needs for information;
- having information at our and our donors' fingertips with our online platform PowerPhilanthropy®; and
- engaging our donors on community issues with dynamic programs about community needs and accomplishments."

IMPACT ON THE COMMUNITY

Another strong predictor of how satisfied donors are is the extent to which they believe the foundation is making an impact on the community. Most donors think that their foundation is having a positive impact on the community.[36] Yet, only about one-third of donors think that their foundation is having a *significant* positive impact on the community.[37]

One donor who rates the foundation to which she gives highly for its impact on the community describes the foundation as, "knowing where resources need to be focused." Another says, "The foundation's impact on our community is dramatic not only with money and funding but also with influence. I have my areas of interest, but I also give to community issues because of awareness created by the foundation." Another donor believes that, "The foundation seems to make a very meaningful impact on the community and is clearly aware of everything that is going on therein."

Those who don't rate the foundation to which they give as highly on its impact on the community have a very different perspective. "[The foundation] has no coherent plan to understand the region or work effectively with other nonprofits to have an impact. Its board singularly lacks the diversity of the region, which limits its understanding and effectiveness," one donor says. "Top leadership seems content to move forward with those who have led and influenced this region for decades. Until the board and staff truly reach out to include the diverse populations of the region, they will continue to have a comfortable but unfocused and minimal impact."

Another donor comments on a lack of focus on the community, saying, "Unfortunately, community is missing from their agenda. The staff leadership doesn't have a presence in the community, which is essential to donor cultivation and nonprofit support. They are process, not action, oriented."

[36] On average, donors rate the extent to which the foundation is making an impact on the community a 5.6 on a scale from 1 = No impact to 7 = Significant positive impact. The standard deviation, or average distance that ratings deviate from the mean, is 1.3.

[37] Of donors surveyed, 32 percent rate the extent to which the foundation is making an impact on the community a 7 on a scale from 1 = No impact to 7 = Significant positive impact.

Foundation Profiles: **Impact on the Community**

At the Community Foundation of Greater Birmingham, staff put great effort into understanding the foundation's impact. Corey describes a biannual convening the foundation hosts: "We have twice-yearly reporting-back meetings, which are panel discussions with our program officers, showing where we are seeing impact, what grants are really working, and what types of interventions are working. During those meetings we have shared with our donors emerging issues that we felt we had the capacity to address."

In addition, her foundation has adopted a results-based framework for its competitive grantmaking and works with grantees to provide outcomes-based results to share with donors. Terry says, "Underneath [our focus areas] are strategies, and we've got some real data that we're collecting about those results. We're very focused in the type of investments that we want to make."

Having impact is one thing—being able to communicate about that impact with donors is another. At the Community Foundation Serving Boulder County, Heath describes the importance of creating the right opportunities to communicate about the foundation's impact. She says, "We recently looked at what our donors attend. A substantial number of our largest donors do not come to events. These are not cocktail party people, and it's really clear to us: They like our community work, they feel proud about our engagement, but they're not folks who are going to show up for some glitzy gala or party where they network." After realizing this, Heath was reminded that one-on-one engagements were historically the most successful way to reach these donors. For example, she says, "I've gone for a hike with a couple of our donors or just called to say, 'Do you want to pack a picnic lunch and go down by the river?' We have to think about things that are more appropriate to how they live their lives."

EXAMPLE: ACROSS THE TRACKS

There are a variety of ways in which a community foundation can make an impact on its community. In 2006, the Community Foundation of Greater Birmingham began a unique three-park project in conjunction with other businesses and foundations,

which looked to create two new parks and expand an already established park. In 2010, Railroad Park was completed in downtown Birmingham. Corey describes the accomplishment: "[Railroad Park] has really changed the way that people of Birmingham think about themselves. It is a source of huge pride. We have gained not only national but international attention. It's been such a positive for Birmingham, and the community foundation played a key role in that."

An important part of the project's impact has been a light art installation called *LightRails*, which is a LED light display below downtown viaducts. "[*LightRails*] is right near Railroad Park, which is one of the most exciting parts of our city," Terry says, further adding, "It's in an area that's undergone a great transformation." She describes it as a bit of an unusual but captivating project: "I take people down there all the time, and it's something that is very unexpected… . The night that we [debuted the installation], there were probably 500 people there, the most diverse and positive crowd I've ever seen at an event in Birmingham. People were mesmerized."

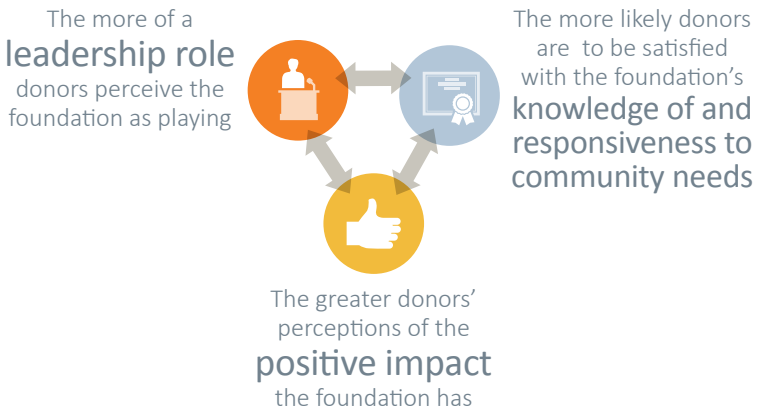
Not only is it a visually impressive accomplishment, but *LightRails* also has formed connections between previously divided parts of the city. "The light encourages movement and encourages people to walk through from the south side to the north side of town, which the railroad separates," she says, adding, "In some other cities, they'd found that when lighting large underpasses or other areas similar to this, the businesses on the other side of the installation experienced a huge increase in revenue because of foot traffic." The project has "gotten people to come downtown and drive through an area of town they may not have otherwise," Terry says.

Photos By: Hal Yeager

LEADERSHIP IN THE COMMUNITY

Whether or not donors are satisfied with the foundation's leadership in the community is also a predictor of how satisfied they are with the foundation.[38] The vast majority of donors, 79 percent, report being satisfied with this aspect of the foundation's work. Only nine percent say they are not satisfied with the foundation's leadership in the community.[39]

Figure 6. Relationships Between Donors' Perceptions of the Foundation's Leadership and Impact in the Community



The extent to which donors find the foundation to exhibit a leadership role in the community is also highly related to their sense that the foundation is having an impact on the community.[40] (See Figure 6.)

One donor satisfied with her foundation's leadership in the community says, "[The foundation to which I contribute] has shown strong leadership in the community by bringing social, cultural, political, and corporate groups together to foster communication and encourage dialogue." Another says, "[The foundation] is the leading foundation in terms of impact on the [area's] philanthropic community. Its leadership on key issues has a great impact. I make it a point to attend as many of its educational and informational sessions as possible."

Donors who are not satisfied with a foundation's leadership in the community make numerous critical comments, such as, "The [foundation] has, in my opinion, lost touch with its purpose to help philanthropists combine their efforts to work efficiently in our community. [It] has come to regard itself as the philanthropist and substitutes the attitudes and goals of its staff and board without much regard for the community's input. It should be working with the community to identify a leadership role instead of closing itself off and following its own agenda." Another donor says, "I do not see the [foundation] as a leader in catalyzing or convening philanthropists in the community. I sense internal issues between the donor services and community leadership sides of the organization, and I have seen several issues handled poorly that call into question the competence of the organization, other than as a vehicle for personal giving."

[38] On a scale from 1 = Exhibits little to no leadership to 7 = Exhibits strong leadership, donors who are satisfied with the foundation's knowledge of and responsiveness to community needs on average rate the extent to which the foundation exhibits a leadership role in the community 2.0 points higher than donors who are not satisfied with the foundation's knowledge of and responsiveness to community needs. This is a statistically significant relationship of a large effect size.

[39] The additional 12 percent of donors who responded about their satisfaction with the foundation's leadership in the community indicated that this item was "not applicable" or they "don't know."

[40] There is a strong, statistically significant, correlation (r=0.81) between donors' ratings of the extent to which their foundation exhibits a leadership role in the community and their ratings of the extent to which the foundation makes an impact on the community.

Foundation Profiles: **Leadership in the Community**

At the Community Foundation of Greater Birmingham, staff members make a concerted effort to provide leadership. As Terry puts it, "I think that we see ourselves as a leader and a convener across all sectors, and I would say that we're willing to take risks in the community and continue to become more comfortable with risk taking. We want to make strategic investments in projects that are going to benefit the whole."

However, the foundation's staff also recognizes that it doesn't always have to be first to the table to play an important leadership role. Corey says, "Sometimes, we see that we need to take the lead role. Sometimes, there are other organizations that may take the lead, and we see the importance of being a part of [the work they are leading]."

Taking a different approach, the Dallas Foundation achieved a leadership role in the community in part by sharing its knowledge. As Martinelli puts it, "We are seen as a knowledge base. We touch so many aspects of the community—we serve on committees, we participate in public education, and we hold several of the mayor's funds that support the community." The foundation is increasingly taking a more proactive leadership role. "There are things that we can be doing more proactively with our donors, rather than just answering the phone or sending suggestions in an e-newsletter," Martinelli explains. "In 2014, the eighty-fifth anniversary of our foundation, we are creating a donor-engagement piece. This is the first time that we've formally thought about an interest area to ask donors to engage alongside us. I know that this is a struggle for a lot of foundations, but we're going to try it and see how it works. We want to see if donors will become more engaged in early childhood issues, which is what we've invested a lot of time and money in over the past five or six years."

EXAMPLE: LEADING IN THE WAKE OF DISASTER

A serious natural disaster confronted the city of Boulder, Colorado, in 2013. From September 11 to September 15, prolonged rains led to substantial flooding of the entire region and the designation of Boulder as a federal disaster area. These events put The Community Foundation Serving Boulder County in a unique position to serve the community as a leader in the post-flood response.

When the flooding started, given the magnitude of the natural disaster, the foundation's initial plan was to partner with the local United Way to divide responsibilities in the response effort.

Photo By: Mark Leffingwell/The Daily Camera

Photo By: Paul Aiken/The Daily Camera

After going into the affected communities, Heath describes how the foundation's degree of involvement quickly changed. She says, "People saw us, recognized us, and said, 'We want to work with you.' They realized we were there to listen to them, to know what was happening, and to develop funds that were responsive to the needs that they had that weren't as high level as FEMA or Red Cross but more in keeping with the culture of those communities. We tried, and are still trying, to work with the United Way, and partner through FEMA, but folks who came to us and wanted to do their own funds were not to be deterred."

When it came to communicating about their response, Katz says, "We took all of our own stuff off the homepage of our website and just made it flood central. We have a blog that connects to the website, and we kept posting to it every time we learned more information."

Responding in conjunction with other organizations and federal agencies does not come without tensions. Heath describes her role as needing to be a "cultural broker," trying to balance the community's culture and desires with the national standards for post-disaster recovery efforts. Tensions have also arisen with regard to moving forward and rebuilding in the best way. "There's a lot of desire right now to just get in quickly, patch this up and move on," says Heath. "We don't want it to be, 'Let's just go in and rebuild,' but, 'Let's think about what kind of town we want it to be, and let's honor and respect the many aspects of our town and be thoughtful about how we redesign this community that we loved.' We want to put it back together in a way that it's something we're going to want to be a part of in the future."

FEES AND INVESTMENT PERFORMANCE

Current donors' perceptions of the foundation's investment strategy, the performance of the foundation's investments, and the foundation's administrative fees and costs are also relevant to donors' satisfaction levels. These are not as substantial contributors to donor satisfaction as perceptions of responsiveness, community impact, and community leadership, but they do matter.

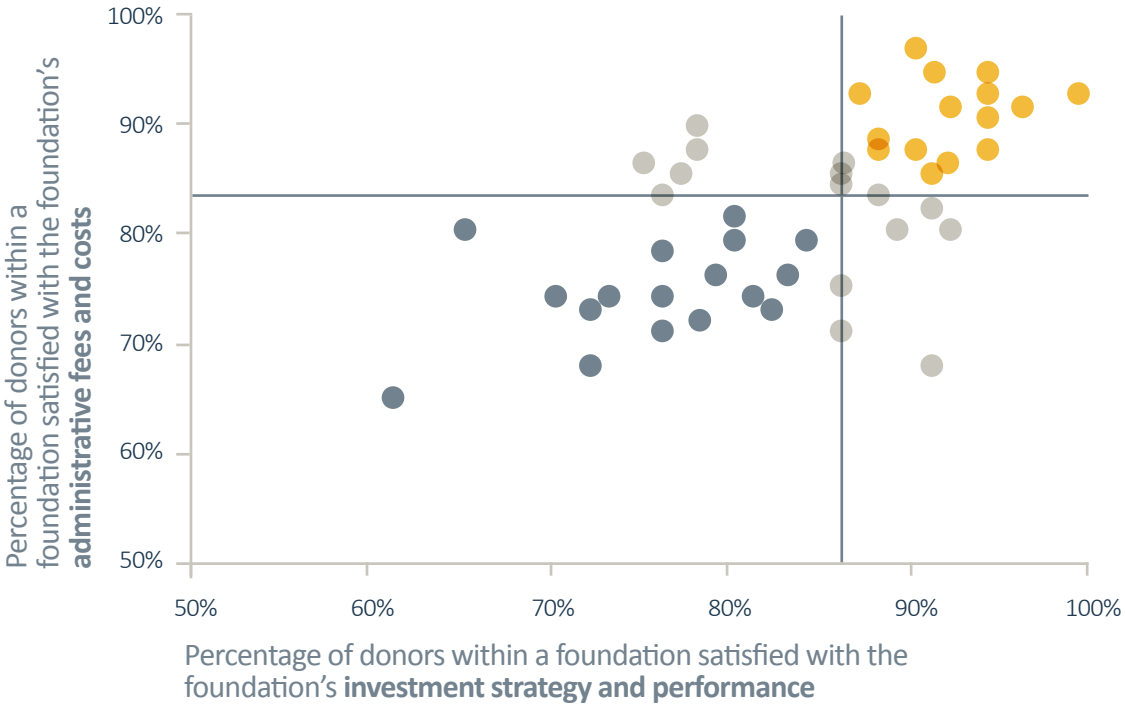
Donors who are satisfied with their community foundation's investment strategy and performance are more likely to be satisfied with their foundation's administrative fees or costs as well. (See Figure 7.)

Donors satisfied with the financial aspects of the foundation's work comment that "their administrative fees are very reasonable for the services they provide me," and "their record keeping is excellent and their investment strategy sound."

Donors who are not satisfied say such things as, "Currently, I am not adding to [my fund] because the administrative fees are so high. I would rather donate the amount of the annual fee to a worthy cause, so I am actually paying out my fund with no plans to increase it." Another says he would like his foundation to "Focus on the community and its needs. Pay more attention to core mission. Address administrative fee schedules rather than reducing distributions to nonprofits."

"These are not as substantial contributors to donor satisfaction as perceptions of responsiveness, community impact, and community leadership, but they do matter.

Figure 7. Percentage of Community Foundations' Donors Satisfied with their Foundation's Investment Strategy and Performance versus the Percentage Satisfied with their Foundation's Administrative Fees and Costs



Note: Each point represents one foundation in our dataset. Lines indicate the median percentage for each specific variable.

Foundation Profiles: **Fees and Investment Performance**

INVESTMENT STRATEGY AND PERFORMANCE

When it comes to donors' satisfaction with their foundation's investment strategy and performance, foundation staff point toward basic customer service. Martinelli of the Dallas Foundation says, "We can show ourselves to be very trustworthy, that we value their investments, and that we pay attention to what's going on in the market." Terry highlights the importance of having the appropriate people at the Community Foundation of Greater Birmingham address donors' concerns, saying, "Our CFO is always willing to talk to donors because, honestly, there are a lot of those financial questions about our investment performance that I can't answer."

To respond to complaints about investment strategy and performance at the Dallas Foundation, in 2003 the foundation decided to index all of its funds, and Jalonick says, "All of those angry phone calls have stopped, 100 percent stopped." She describes the benefits of indexing their funds by saying, "If the market is down, and your fund is down, or the market is up, and your fund is up, it's like everybody else. What [donors] don't want to see is your fund being down when the rest of the market is up."

ADMINISTRATIVE FEES AND COSTS

At foundations with highly satisfied donors, staff members typically encounter few complaints about administrative fees. Martinelli attributes the lack of complaints to the foundation's ability to convey its added value to prospective donors in advance of them establishing their funds, saying, "I think [donors] have realized the value we provide."

At the Community Foundation Serving Boulder County, Katz makes a similar point: "We're extraordinarily transparent about the fees. We have a fee sheet that goes in our prospect packet, that's in our professional adviser packet, on the website. I want people to consciously decide that they're okay with our fees. For people who are fee sensitive, there are cheaper options out there, and I don't think it behooves any of us to start that relationship if they don't want to pay for the services that we're providing and they have a different, preferred way of doing their philanthropy."

Heath emphasizes the importance of educating current and potential donors about why administrative fees are so critical. "We really have to help educate not only our existing donors but, more important, new donors who are very fee sensitive that those fees, and the extra money you pay, helps us do this leadership work," she says. "We have a lot of businesspeople who have funds with us, and we've got to help them see that they need to help us—invest in us beyond just the fees that they pay on their funds."

Assessing Donor Satisfaction at Your Foundation

Use the following grid based on Figure 4 to guide your and your colleagues' reflections on what it takes to have satisfied donors at your community foundation.

PREDICTORS OF DONOR SATISFACTION	SELF-ASSESSMENT How well do you believe your foundation performs on each predictor? Rate on the following scale: 1=Not at all well, 2=Somewhat well, and 3=Very well	EVIDENCE What information are you considering as you assess each predictor?
Responsiveness of foundation staff when a donor has a question or needs assistance		
The extent to which the foundation is making an impact on the community		
Donor satisfaction with the foundation's leadership in the community		
Satisfaction with the foundation's financial practices: • Investment strategy and performance • Administrative fees or costs		

What other predictors do you believe may drive donor satisfaction at your foundation? Why do you think this?

Other unknown predictors	

EXAMPLES What examples lead you to believe your self-assessment is accurate?	**WAYS OF WORKING** What are the current policies, agreed-upon practices, or stated expectations that guide the way you work on each predictor?	**STEPS FORWARD** On which predictors do you believe your foundation needs to improve? What steps should you take to improve?

Conclusion

In recent decades, community foundations have faced increased competition, leading to much discussion about what a community foundation should be and do. In this context, understanding how satisfied donors are with their community foundations is crucial. If donors are not satisfied with their community foundation, they are more likely to turn to one of many alternatives for their giving. Our data suggest that less satisfied donors are less likely to continue giving or to recommend the foundation to others who have the means to give.

While this study indicates that donors' satisfaction is generally high, there is variation in the level of satisfaction among the 47 community foundations whose donors we surveyed. Community foundations with lower levels of donor satisfaction are risking their ability to garner resources from current donors and receive referrals for new ones.

There are tangible steps, however, that community foundations can take to maintain or improve donor satisfaction. From our data, we are able to explain some of what it takes for donors to be satisfied with the community foundation to which they give. It's not a simple formula. It takes elements of basic customer service combined with being able to make a meaningful mark on the community—in ways that can be recognized by, or communicated to, donors.

In previous CEP research on the use of strategy at community foundations, we concluded that

> "…it is possible that the competition for donor resources has led some community foundation CEOs to focus on being responsive to donor interests and needs in a way that undermines the foundation's ability to work strategically. The focus on the donors becomes an end in itself, rather than a means to community impact. This approach may not ultimately lead to the most success in donor work because it may erode opportunities for differentiation from other giving vehicles available to donors."[41]

To thrive, community foundation boards and leaders must pay careful attention to the capacity of their organizations to be able to deliver excellent customer service while positioning themselves to have impact in their communities. The data suggest that community foundations may be best served by capitalizing on their strengths rather than changing to compete in areas, such as administrative fees, where they'll be harder-pressed to do well against companies with massive economies of scale. As one donor says,

> "We are relatively new to the foundation, as donors, so we are learning as we go along. It is a

[41] Ellie Buteau and Andrea Brock, "Rhetoric Versus Reality: A Strategic Disconnect at Community Foundations," *Center for Effective Philanthropy* (September 2011): 17, http://www.effectivephilanthropy.org/wp-content/uploads/2014/01/StrategyDisconectComFund.pdf.

> If donors are not satisfied with their community foundation, they are more likely to turn to one of many alternatives for their giving.

wonderful vehicle for giving. They are well informed and give guidance as needed. The informational sessions are very helpful in familiarizing us with the foundation's areas of interest and work. Those at the community foundation are well respected, conscientious, and have made our community a better place. They have the ability to be a catalyst for change. The staff seems to be very qualified and those involved have had a positive impact on the community. I only hope they are appreciated for their hard work."

The fact that data from donors themselves indicate that community impact and community leadership are crucial contributors to donor satisfaction—and even more important to donors than the foundations' financial practices—is good news for community foundations. These are areas in which other entities, such as Fidelity Charitable and Schwab Charitable, may be at a competitive disadvantage because they lack the deep community history and knowledge that community foundations possess. Our findings should provide some encouragement that donors can—and do—value what community foundations are especially well positioned to deliver.

Appendix: Methodology

Two different sources of data were used for this research:

- Survey data collected from community foundation donors
- Interviews with community foundation CEOs and donor-focused staff

The donor survey data was analyzed before conducting interviews with community foundation staff. Questions asked during the interviews were designed to elucidate findings that had emerged from the analysis of donor survey responses. All research and analyses were developed and executed by CEP staff.

SURVEY OF DONORS

SAMPLE

Confidential surveys were sent to 17,793 donors of 47 community foundations that commissioned a Donor Perception Report (DPR) from CEP from 2009 to 2013. Of these donors, 6,086 responded, resulting in an overall response rate of 34 percent. At individual foundations, the response rate varied from as low as 19 percent up to 58 percent of donors, with a median of 37 percent. The majority of donors surveyed held a donor-advised fund at their community foundation.[42] While ours is the largest dataset of community foundation donor views we are aware of, it has limitations—including the number of foundations that participated and the proportion of donors surveyed who responded.

METHOD

The survey contained 31 survey items, many of which were rated on seven-point Likert-type scales; other items contained categorical response options. The survey also included three open-ended items. Donors responded to the survey on paper or online, depending on their preference, and their data were kept confidential.[43] The survey questions explored different characteristics and perceptions of the donors, including their general impressions of the foundation, their interactions and communications with the foundation, the resources and services they use at the foundation, their current and planned giving patterns, and their desired giving relationships. Additionally, the survey captured donors' perceptions of the foundation's leadership and impact in the community, as well as its ability to influence the impact donors can have.

QUANTITATIVE ANALYSIS

To analyze the survey data, t-tests, chi-square tests, correlations, and analysis of variance (ANOVA) were used to understand relationships between individual survey items. Regression analysis was used to create models predicting donor satisfaction. An alpha level of 0.05 was used to determine statistical significance for all statistical testing conducted for this research. Only findings reaching at least a medium effect size were discussed in this publication.[44]

REGRESSION ANALYSIS

A series of ordinary least squares (OLS) regressions was conducted to understand the predictors of donor satisfaction. Because OLS regressions carry assumptions that our data could not meet, a series of robust regressions, calculating both M-estimators and MM-estimators, was also run to understand whether the non-normal distribution of our dependent variable (i.e., donor satisfaction) biased the results of the model. The robust regressions confirmed the findings of the OLS regression; therefore, the OLS regression findings are presented in this report.

The R^2 for the OLS regression predicting satisfaction was 52 percent, meaning that our model explains 52 percent of the variation in our respondents' satisfaction ratings. The standardized beta coefficients, which indicate the relative predictive power of each variable, are as follows in descending order:

- Responsiveness of foundation staff when a donor has a question or needs assistance: 0.31
- The extent to which the foundation is making an impact on the community: 0.30
- Donor satisfaction with the foundation's leadership in the community: 0.19

[42] Because of differences in foundations' tracking of their donors' fund types, it is difficult to precisely identify the percentage of donors with donor-advised funds (DAFs). However, based on the data available it is clear that the majority are DAF holders. Additionally, some foundations that have commissioned the DPR chose to only survey donors who hold DAFs.

[43] Of the donors in our sample who responded, 25 percent completed the survey on paper rather than online.

[44] See Jacob Cohen, "A Power Primer," *Psychology Bulletin*, 112, no. 1 (1992): 155–159.

- Donor satisfaction with the foundation's financial practices, including
  - Investment strategy and performance: 0.13
  - Administrative fees or costs: 0.11

HIERARCHICAL LINEAR MODELING

The structure of data analyzed for this research is a nested one: ratings from donors are clustered within foundations. Variation in donor satisfaction could exist at both levels: individual donors and foundations. A hierarchical linear model (HLM) was run to understand the degree of variation in donor satisfaction occurring at the foundation level.

QUALITATIVE ANALYSIS

The survey administered to donors included three open-ended items:

1. At this point in time, what is one word that best describes the foundation?
2. Please comment on the foundation's impact on the community or its effect on your philanthropic giving. Your answer will help us better understand the foundation's work.
3. What improvements would you suggest in the foundation's work, including the foundation's impact, communications, resources, and services?

Throughout this report, responses from these items were quoted. Quotations from donors who rated high on a particular variable were used to explain positive experiences with that particular aspect of donor satisfaction. Likewise, quotations from donors who rated low on a particular variable were used to explain negative experiences with that particular aspect of donor satisfaction.

INTERVIEWS FOR FOUNDATION PROFILES

Three foundations were profiled throughout this report to provide examples of the way different foundations with highly satisfied donors have chosen to do their work. The foundations are the Dallas Foundation, the Community Foundation of Greater Birmingham, and the Community Foundation Serving Boulder County. Each of these foundations rated in the top 15 percent of our dataset for its average rating of donor satisfaction. Additionally, these foundations scored in the top third of the dataset on at least four of the five key predictors of donor satisfaction identified in our regression analysis. (See Figure 4.)

At each foundation, the CEO and the most senior person working in donor relations or philanthropic services were invited to be interviewed. Because of staff transitions, these were not always the two staff members interviewed.

All interviews were conducted via phone and lasted 30 to 60 minutes. The interviews were recorded and transcribed. All of the staff members interviewed reviewed this report and agreed to publicly share the quotes included.

In addition to these interviews, we also solicited the perspectives of staff at a few foundations rated highly by donors for their satisfaction with the foundation and their sense of the foundation's responsiveness when they have a question or need assistance, among other measures in our survey. These foundations are the Columbus Foundation, the Community Foundation of Greater Atlanta, and the Central New York Community Foundation. At each of these foundations, a key staff member offered examples of how their foundation works to provide good customer service, specifically focusing on how they approach being responsive to donors.

Notes

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Robert Wood Johnson Foundation

$200,000 TO $499,999

Ford Foundation

The Rockefeller Foundation

W.K. Kellogg Foundation

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The Bill and Melinda Gates Foundation

The David and Lucile Packard Foundation

The James Irvine Foundation

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$50,000 TO $99,999

Gordon and Betty Moore Foundation

Stuart Foundation

$20,000 TO $49,999

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