

## Donor Relations and Stewardship Defined

*Donor relations* is the comprehensive effort of any nonprofit that seeks philanthropic support to ensure that donors experience high-quality interactions with the organization that foster long-term engagement and investment. This effort is commonly thought to have four elements.

The first, *gift acceptance and management*, encompasses policies and procedures that address a variety of issues that must be considered before accepting gifts, as well as procedures that ensure that gifts are put to work as donors intend. Among these are:

- Processes for reviewing gifts to ensure that the donor's intentions and the organizations needs are congruous. Having an up-front understanding of whether or not a gift can be deployed according to the donor's wishes can mitigate a loss of goodwill and, possibly, the need to return a gift in the future.
- Structures for giving opportunities, including the levels required to establish endowed funds, or to be recognized with named spaces, on donor walls or in giving societies.
- Procedures for tracking the expenditure of gifts to ensure that they are being used according to donors' intentions, and mechanisms for rectifying situations where they are not. Importantly, organizations need to have processes for handling gifts that can no longer be utilized because of changes in programming or external factors such as changes in laws. These processes need to address instances where the donor is living as well as those where the donor is deceased.

The second element, *acknowledgment*, covers the protocols for and execution of accurate, timely, and meaningful expressions of gratitude. Acknowledgement is a private action directed by the organization to the donor. It includes both gift receipting, which addresses the requirements of the Internal Revenue Service, and personalized, written correspondence. It might also include emails, phone calls, and visits. In most cases, the most heartfelt and impactful acknowledgements come from those who directly benefit from a donor's generosity—for example, clients of a social services agency, artists of a performing arts company, or students of a college or university.

*Donor recognition* is the third element, and, importantly, includes donor recognition *events*. This element incorporates opportunities and mechanisms for meaningful donor recognition, taking into consideration such factors as donors' preferences (for example, anonymity and the format in which their names are presented) and institutional culture and values. Recognition is the public form of donor acknowledgement, and ranges from activities that are automatic organizational responses to giving, such as giving societies, to those that are undertaken with the involvement of the donors, as is the case with named space signage. Examples of recognition programs include:

- *Giving societies* and *honor rolls* categorize donors according to their levels of giving. Depending on how they are structured, they may reflect only a certain type of giving—for example, giving to annual funds only, to certain areas of the organization,

or during a specified period of time, such as during a campaign—or may be defined to be cash-based or to include pledges to give in the future. The treatment of particular forms of giving, such as deferred or planned gifts, and gifts-in-kind, must also be determined when giving society and honor roll programs are developed.

Giving societies often incorporate tiers that incent donors to reach to higher levels of giving. The tiers are generally named and may offer differential benefits or courtesies. For some organizations it is appropriate for the benefits to have tangible value, which then impacts the tax deductibility of gifts as stipulated by the Internal Revenue Service. It is increasingly common, however, for such benefits to offer access to the content and leadership of the organization, thereby mitigating the quid-pro-quo issues that organizations must manage.

Honor rolls also categorize donors according to levels of giving and are usually incorporated into print publications, such as campaign progress reports and annual reports, to signal the specific contributions of individual and organizational donors in the context of the total raised. While most donors will say that they do not require this form of recognition, many will be candid about the fact that it's of interest to see where they stack-up in relation to other supporters. This type of friendly competition can be a very useful tool in fundraising. The preparation of honor rolls can be tedious, and they must be checked multiple times to assure that they are error free. The ability to make changes as necessary, as well as cost savings offered, are strong reasons to move the delivery of honor rolls from print to online. This, in fact, is a very frequent topic of best practice research. This decision, however, must take into account the potential impact on donors, particularly those giving at major and principal gift levels, and must be in-line with the overall communication strategy of the organization.

- ***Donor walls*** and ***named space signage*** provide very visible recognition, usually for those giving to campaigns and capital projects. Donor walls can also be used to recognize annual and lifelong giving. It is critical to define standards for listings, and to confirm those standards with internal decision-makers, before approaching donors about listing options.

A very important consideration for both types of physical recognition is the handling of the removal of walls and signage when spaces are re-purposed or demolished. Organizations should have policies for dealing with these situations, and should communicate early with donors, or heirs of donors, who will be affected.

- ***Donor profiles*** in publications such as newsletters, magazines and annual reports, as well as their online counterparts, and ***external publicity*** such as press releases, are also very public forms of recognition. Donors or their representatives should be actively involved in the preparation and review of these materials to mitigate potentially embarrassing errors or omissions.

- ***Donor recognition events, awards, mementos and volunteer engagement opportunities*** are also important forms of donor recognition. They can be features of giving societies, annual funds, and campaigns, or can stand-alone as opportunities to engage and cultivate donors as they move toward their next gifts.

Events have a prominent place in the donor relations toolkit because they are an effective way to reach and foster long-term relationships with a broad spectrum of donors. As such, they are often the focal point of the work of donor relations professionals, and can range from large-scale events where the objective is to create and reinforce connection, to intimate gatherings that deepen personal relationships between the organization's leadership and its most important donors.

The final element is ***reporting*** to donors on the impact of their gifts on the mission of the organization. This involves standards, systems and methods of delivery for demonstrating fiscal accountability—prudent investment and spending in accordance with donors' expectations—to donors, to convey ongoing appreciation, and to report on the impact of philanthropic support. Reporting falls into two broad categories: 1) qualitative, which is the storytelling that confirms to the donor that the investment was a sound one because the support is making a difference in the mission of the organization, and 2) quantitative, which verifies the carrying-out of fiduciary responsibility. Further, reporting can be included in print and online vehicles that are broadly distributed, or can be highly personalized. The latter can range from simple financial reports regarding the status of an endowed fund to comprehensive philanthropy impact reports that chronicle several decades of investment in the organization. Information technology tools are providing opportunities to “mass-customize” reports, so that each follows the same templated format but includes donor-specific data.

It is common today for this element to be referred to as ***stewardship***. This word, however, has been defined historically as the safeguarding of the assets of others and, therefore, is considered by some to be misused in the context of donors, as in “donor stewardship.” Rather, these individuals state that it is gifts, not donors, that are stewarded. In this view, the activities associated with stewardship are focused on ensuring that the funds provided by donors are utilized in the way intended as conveyed in gift agreements and fund terms. By this definition, stewardship is a function inherently internal to an organization, rather than a donor-facing, external function.

Those who subscribe to a broader definition of stewardship, and who are comfortable with the use of the phrase “donor stewardship,” are, however, clear in the understanding that while all stewardship is donor relations, not all donor relations is stewardship.

The field of donor relations has grown, in part, as a response to the greater sophistication of donors as informed philanthropists and their increasing scrutiny of the outcomes of the organizations they fund. This has necessitated more reporting which has the potential to uncover organizational weaknesses in terms of spending donations in the manner intended. This is not due to ill intent but, rather, to the inability to track the numerous documents and the clauses they contain in any kind of systematic fashion. Advances in information technology have certainly improved the situation, but, in the meantime, many organizations have implemented “donor

stewardship” activities that take an externally-oriented view of bringing donors closer to the outcomes they are making possible, thereby demonstrating that the organization is indeed fulfilling its fiduciary responsibility to deploy the funding as the donor intended. In fact, in many organizations the terms donor relations and stewardship are now used interchangeably.

The use of these terms and the activities that comprise a specific donor relations or stewardship professional’s responsibilities are often driven by the organization’s structure and where these people are situated on the proverbial organizational chart. These responsibilities can variously be in the operational, financial, communications, or fundraising or “development” areas. There is no one best practice approach to defining the donor relations role, but the following are general observations regarding how these roles are defined based on organizational structures:

- Not surprisingly, there is more specialization in larger organizations, whereas donor relations professionals in small organizations tend to be in “one stop” shops.
- Gift acceptance and management is generally part of the donor relations role when donor relations is part of operations, and not part of the role when donor relations is aligned with communications.
- Responsibility for events can be separate from donor relations in very large organizations.
- Management of giving societies is often part of the role of the annual fund team, rather than the donor relations team.
- Donor relations and stewardship are sometimes separated into different functions, with donor relations being part of fundraising or communications, and stewardship being aligned with operations or finance.

Wherever the donor relations function is placed in the organization, and irrespective of the specific portfolio of responsibilities for which it is responsible, a crucial factor in its success is the partnerships forged with other areas and functions. Strong internal relationships with other development disciplines such as planned giving, principal and major giving, and prospect research, as well as functions such as finance and the actual philanthropic beneficiaries, are key to ensuring that the organization puts its best face forward to the donor. Partnerships with vendors enable donor relations work and can, if vendors are used repeatedly, extend the reach of staff in building long-term relationships with donors. The most important partnership, though, is that developed with the donors themselves, because well-tended long-term relationships produce effective ambassadors, stewards, and peer-to-peer fundraisers.

In implementing or evolving a donor relations effort it is useful to note that donor relations and stewardship activities should be proactive but can be organized according to donor actions that fall broadly into five categories, as follows:

- The first is *transactional*, which refers to the arrival of a gift or pledge (a new commitment). Pledge payments and matching gifts are also transactional, though they may not elicit the same response from the institution.
- *Annual giving*, the second category of donor activity, is often associated with giving societies.
- The third category of donor activity is *lifetime giving*, which can also be associated with giving societies. It is important to note that a first gift should be considered a first step toward reaching a lifetime giving milestone.
- The fourth category, *deferred giving*, depends on the sophistication of the gift planning options the organization extends to prospects, as well as its fundraising priorities. If an organization does offer an array of vehicles, decisions should be made in terms of how each will “count” toward giving totals, giving societies, and honor rolls. Importantly, these activities should differentiate gift intentions from irrevocable planned gifts.
- The final category of donor activity concerns the gift designation—*endowment versus current use versus capital project*. In other words, is the gift supporting people, programs or buildings? In many cases this last category will, during a capital or comprehensive campaign, align with specific fundraising themes or goals.