Donor Value Management®

An Interview with Larry Johnston, Ph.D.
President, McConkey/Johnston, Inc.

Larry Johnston is president of McConkey/Johnston International, a consulting firm that works with nonprofit organizations across North America and around the world. Larry has served the non-profit sector for more than 35 years, equipping hundreds of charitable and nonprofit organizations in areas of fund-raising, management, marketing and organizational development. In this article, Barry McLeish, vice president for McConkey/Johnston, interviews Larry about Donor Value Management®, a leading edge paradigm and process that helps organizations to be more effective in fundraising.

Barry: I know that Donor Value Management® is a process you developed during your doctoral research. What is Donor Value Management® and how does it relate to Donor Value Mapping®?

Larry: Donor Value Management® takes the work McConkey/Johnston has been doing for decades and simply moves it to a new level. You might think of it as a "software upgrade" of sorts, a natural extension of continuing reflection on our research and work with clients.

Barry: I've heard you say that Donor Value Management® is a new paradigm for most nonprofits. How so?

Larry: For many years, nonprofits have been evolving in their methodology and practice from very rudimentary notions regarding fundraising to some fairly sophisticated practices. If you look below the surface, however, many organizations are not doing much more than trying to effectively communicate their mission and programs in hopes of attracting and retaining supporters. In far too many cases, they're improving their marksmanship without knowing what the target is.

Barry: And that's where Donor Value Mapping® comes in.

Larry: Right. Donor Value Mapping® is the first step in Donor Value Management®. It recognizes that in a marketplace increasingly characterized by fierce competition, you can't do today's business with yesterday's tools and be around tomorrow. Donor Value Management® contends that the new agenda in fundraising is about mutual value creation. That is, it isn't enough to merely hope that donors are getting what they want from their involvement in an organization. Organizations must increasingly know what constitutes value for these key stakeholders and systematically align core development and communication processes — and often organizational processes — around creating and delivering that value.

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Barry: In a nutshell, how does Donor Value Mapping® help?

Larry: Donor Value Mapping® was developed in the interest of maximizing donor value for organizations. The basic logic is that "donor delight" is the best insurance of donor loyalty, and it's loyalty that drives donor retention and ultimately the lifetime economic value of donors to an organization. Donor Value Mapping® is a research process that achieves a laser focus on the "key drivers" of satisfaction and loyalty. It shows organizations which factors have disproportionate impact on donor loyalty and where they must excel in value management if they want to maximize donor retention.

Barry: You emphasized "each individual organization." What about research that says, "What motivates donors is...."

Larry: My response is *whose* donors? *Which* donors? Speaking about donors in terms of some aggregate average may be better than not having a clue as to what motivates donors, but it's folly to think that what motivates donors to one organization is also what motivates them to give to another. For example, in the research conducted for numerous organizations, even though there were similarities in the reasons why donors gave to these organizations, in no case were the factors identical in terms of their importance. To run a development operation based on someone else's research is about as smart as operating on one patient based on another patient's x-rays.

The process of Donor Value Mapping® has resulted in very high response rates. For one organization, 66% of major donors surveyed responded, which provided their staff with invaluable insights.

Barry: What does the research entail?

Larry: It depends on a number of factors, but the full-blown process entails in-depth interviews with donors, focus groups, and a mail survey. For organizations with very limited budgets, the process can be done effectively with just a survey, but interviews and focus groups improve the likelihood that the survey isn't missing any factor unique to a specific organization.

Barry: You said *mail* survey. Why not telephone?

Larry: Good question. The problem is that the value mapping process is simply too complex to conduct by phone. The donor needs to have the survey in hand to thoughtfully reflect on some key attribute ratings, and a phone survey alone doesn't give them that option.

Barry: But aren't response rates to mail surveys atrociously low these days?

Larry: They are in most cases, but depending on the quality of the donors being surveyed, we have seen very high response rates. In fact, 66% of major donors surveyed for one organization responded, but that high rate has a lot to do with our survey methods.

Barry: Back to Donor Value Management®. Knowing your pathological curiosity, I bet this is "multitheoretical."

Larry: Guilty as charged! It's important to understand that by "theory" I don't mean "hypothesis" or some form of idle conjecture, however. I mean a coherent conceptual framework that takes advantage of research and experience in multiple fields. Donor Value Management® really constitutes an intersection of strategic management, value theory, marketing, total quality service, and customer satisfaction. Personally, as reflective practitioners, I don't think there's anything more practical than sound theory. Without it, practice is likely to be somewhat random and slipshod.

Barry: So let's assume that as the CEO or CDO of an organization, I'm fed up with the mounting costs of donor attrition and new donor acquisition and I want to minimize the hemorrhaging of my donor files. You do the Donor Value Mapping®, then what?

Larry: Donor Value Mapping® operates on a fundamental premise of alignment. This premise states that for development to be most effective in creating donor value, it must align development offerings, services, and communications around the key drivers of satisfaction for donors, and to do this, these obviously must be known. Because this typically involves change for the organization, M/J works with them to implement this alignment process.

There's a difference between what we *believe* and what we *know*. In one case, development staff answers to "what really matters" aligned with donors on only two of 10 value drivers.

Barry: Won't development staff think they already know what's most important to their donors?

Larry: Most probably do think that. And it's not only what we don't know that gets us into trouble. It's what we know that ain't so. Because relatively few nonprofits do serious market research, their knowledge base is often one of observation, intuition, impression, anecdote, etc. These aren't necessarily bad, they're just inadequate. For example, in one large nonprofit, I asked a very experienced and knowledgeable senior development team to rate 10 drivers of satisfaction as they thought their major donors would rate them. Their answers aligned with major donor responses on only two of 10 items, and on the factor rated second in importance by their major donors, the development staff rated it ninth. It just goes to show you that there's often a significant difference between what we *believe* and what we *know*.

Barry: I know from some of the limited research that has been published on donor attrition, donors often cite "financial hardship" as one of the reasons for discontinuing support. Do you buy that?

Larry: I do in some cases, but in many cases I'm suspicious. I think for some donors, it's the real reason and they're being candid. For donors on fixed income or reduced income, we need to recognize that this is a factor and remain loyal to them despite their inability to support the cause, especially if they have been long-time, faithful donors. For other donors who cite financial limitations, I'd like to come in the back door with "blind" research that would ask them, "In addition to your local church, how many nonprofit organizations do you currently support?" My guess is that few, if any, would say "none." The implication would be, "*Your* organization didn't make the cut." If the organization failed to make the cut for reasons beyond its control, that's one thing. For example, a donor might have made the decision after much deliberation to discontinue giving to missions, say, in order to focus giving on relief and humanitarian projects. If you're the

Donor Value Management® is the new agenda in donor development. It's about creating mutual value in stakeholder relationships and delivering it through aligned systems and marketing processes.

missions organization, there's probably not a lot you can do about that. You thank them for their past support, express hope that they'll consider becoming involved again down the road, take your licks and move on. If, however, the donor "bailed" on the organization because the organization just "didn't get it" in terms of what was really important to the donor, and, worst of all, never bothered to ask, that can be an expensive proposition.

Barry: You mention "expensive proposition." How expensive do you think it really is?

Larry: I'm not aware of any research nationally on donor attrition, but that would make a nice research project for a thesis or dissertation. What I can reliably extrapolate from organizations M/J has worked with over the years, however, is that the cost would run into hundreds of millions of dollars annually. The folly is that, back to the metaphor of a marksman improving his aim while shooting at the wrong target, many organizations simply crank up the volume in their renewal efforts without ever seeking to determine why the donors lapsed in the first place. From my vantage point, to invest in new donor acquisition for the sake of greater mission impact and organizational growth is more than just understandable. For many organizations, it's a strategic imperative. But to continue to spend significant sums of money each year for donor acquisition simply to compensate for donors who are leaving because of dissatisfaction is simply wasteful. It bleeds the performance potential of an organization by unnecessarily diverting funds from key programs and services to the cost of running the donor merry-go-round. And like other merry-go-rounds, this one just keeps going in circles.

Barry: This is interesting stuff. What counsel would you give to organizations in light of your research?

Larry: First, I'd urge them to consider the wisdom of Abraham Lincoln. He once said, "If I had six hours to chop down a tree, I'd spend four hours sharpening the ax." As a mountain guy who splits his own firewood, I've worked with dull axes and sharp axes, and take my word for it, sharp is better! This means that an organization would be well-advised to pause periodically in their marketing and fundraising efforts and find out what's really most important to their donors. Having honed their axes with market research, they can return to the work of chopping away at donor attrition with a much sharper tool.

Because success in development today isn't just about getting donors.

It's about getting and *keeping* donors. Donor Value Management® provides the tools not only to discover what's really important to an organization's donors, but how to use that knowledge to significantly improve fundraising effectiveness.

If you are interested in discussing your organization's needs, or how Donor Value Management® and/or Donor Value Mapping® can help your fund raising efforts, please contact McConkey/Johnston at the address below.

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