

# What Influences Alumni Donations?

Y. Wang

**Abstract**—With the help of previous studies on people's incentive to donate, this paper explores why people donate and what influences their decisions of donation, especially why alumni donate to schools. At a first glance, donations seemed misaligned with the common understanding of one's rational wish to maximize wealth. However, economists have established that people measure wealth in much more complicated ways than simple economic possessions. People donate due to a wish to increase others' impression on them so they have a better feeling for themselves. Donation to schools is a big, maybe the biggest, part of people donation budgets each year. I found that people donate more to the schools they had or wish to have stronger ties. Specifically, the most important factors influencing people's donation to schools can be categorized into four major parts: alumni's financial ability to donate, alumni's association with their school, alumni's experience at their schools, and their hope to earn an advantage in college application process for their children.

**Index Terms**—Alumni donation, social influence.

## I. INTRODUCTION

Many schools receive alumni donations each year, helping them better operate. However, the amount each of them receives varies on a very large scale, and each donor's giving amount is also very different. Schools can use the money to build infrastructures, hire better faculties and appeal to more promising students with scholarships. Therefore, it is significant for schools to learn about what affects the donation decisions. In order to understand this difference, it is important to understand why people donate first. A rational economic behavior would be to maximize wealth, but a donation, on the contrast, reduces individuals' wealth, making it counterintuitive. So why would people choose to donate?

The answer turned out to be that people build better self-perception in the process of donating. This I call the social influence, which generates the sense of doing better than others in the process of donation. I believe that it is the primary reason to donate. Also, some donors, like companies and organizations, donate to different fields to gain social recognition, and, ultimately, to increase profit. Some studies on alumni donations reveal that alumni donation shares many common grounds with general donations. I surveyed the literature and analyzed what factors have impacts on alumni donation. I believe that my analysis can help schools to gain a more comprehensive understanding of school donation, which eventually would enable better fundraising strategies accordingly.

## II. INCENTIVES TO DONATE

First of all, a reason that immediately stands out among all the others is the social influence. It makes sense that pressure from peers motivates people to act and show their readiness to help the society. And when sometimes the acknowledgment from peers outweighs the economic cost, people decide to donate. People who value other people's opinions on themselves a lot, especially tend to make donations to improve their names among friends and family. In addition to offline pressure from friends and family, the same motivation of peer opinions is also demonstrated online by social networks users who increase their pro-social behaviors when their followers do so [1]. Social media gives extra stimulation for people to behave as a generous person. When followers have made a financial contribution, users encounter a huge amount of pressure to maintain a good reputation and keep the number of followers. Therefore, they make donations to prevent their reputation from decreasing because their followers mean certain value to them. As a result, public solicitations for donations are more effective than the private ones. Moreover, there appeared to be a positive proportional relationship between the size of "peers group" and the amount of donation: donors are more likely to donate under the watch of numerous audience. In the case that the social media role is played by a company other than an individual, they have the opportunity to attract more consumers and increase their profit, because people often feel responsible to support behaviors that are beneficial to the society when the costs of the products are equal. The donation they make can generate real financial benefit [2]. Therefore, companies can assess the potential influence of a certain amount of donation and make the giving. The method of increasing a good reputation through donating has become a prevalent strategy to increase profit.

By understanding the incentives of making donations, there is a preview of the possible factors that may affect alumni donations. General donation and alumni donation are similar in the way that they both require motivation to ignore the economic loss by the behavior. As mentioned above, a wish to leave a good impression on the others and a plan to gain personal benefits are two prospective answers to the question of the why people donate.

## III. KEY FINDINGS ON ALUMNI DONATION

Research on the public's motivation to donate shed light on alumni's motivation to donate to their schools. There are also many studies that specifically give explanations to why alumni donate. My analysis of previous studies found four major categories covering ten factors: 1) alumni's financial ability to donate, 2) alumni's association with their school, 3)

alumni's experience at their schools, and 4) their hope to earn an advantage in college application process for their children.

People's financial power relates to donation, and their bonds between alumni with their friends at school and between alumni with their school are shown to be important factors [2], [3]. When the bonds get stronger and closer, alumni show more interest in donating. Moreover, alumni also decide whether to donate depends on their experience at their schools [3]-[5]. When alumni get more help from their schools, better academic performance, particular majors, they tend to be more ready to donate and donate more. Last but not the least, when alumni are in "Child-cycle", they will donate for their children to gain an advantage in the admission process [6].

#### IV. FINANCIAL POWER VERSUS DONATION

First of all, whether students are willing to donate back to their schools is greatly determined by their financial power to make donations. It makes sense that students who can not even feed themselves have no extra financial resources to donate. Lower income leads to lower likelihood to donate back to their schools, because money is utilized to live a good life. As it is found that people who have higher job titles tend to donate more. For example, statistics have shown that alumni who have a higher job title, like CEO or president, donate 12 % more than those whose who have a lower job title [3], [7]. As we know, higher place in a company does not only means more executive powers but also means more income. Thus, they would have more resources to donate. Therefore, it is reasonable to strategically target more on those students whose demonstrate stronger financial ability.

#### V. ALUMNI'S ASSOCIATION WITH SCHOOL

Secondly, the emotion-charged bonds created in the school are also important. Whether the bonds connect students with students or students with schools, they all have the ability to drive students to make donations back to their schools to either maintain the connection or memorize the value of the bonds. Students who have a lot of friends in their school life at their schools usually tend to be more willing to donate, because they have acquired friendship and social network that are significantly valuable to them and cannot be evaluated by monetary value. Therefore, they are much more ready to contribute to the schools that have provided them precious opportunities that serve to fulfill different aspects of their life. On the contrary, the students who have fewer friends demonstrate less interest in making a giving.

As the connection between students is a motivation for students to donate, schools, especially like Liberal Arts schools, that have a relatively smaller campus and less population, have advantages in encouraging alumni donation. In such an environment, students have better chances to make friends with each other since they will have more time meeting each other and building friendships. Besides this type of organic growth of connections on smaller campuses, the organized opportunities for students to build bonds is also a factor that influences donation behaviors. For example,

students attending Greek Life tend to donate more, because Greek Life is an offered chance for students to join a community, which promotes friendship and networks. This kind of bond between students is also exhibited by athlete teams. Athlete teams always require students to be extremely united, therefore team players more likely have experienced stronger bonds than others. This close relationship is enhanced further when the team earns glory together. Records of wins tighten the bond not only between the players but also between players and their school. The players have something to remember and cherish after they graduate so they would donate to show gratitude for those valuable memories.

For the alumni who had limited social affiliations in school, there is still an opportunity for schools to strengthen bonding by keeping in touch with their them after they graduated. If a school loses connection with its alumni, it certainly loses its every single chance to solicit donations from them. In order to increase this bond, the school can utilize different communication methods to keep in contact with alumni. A social network is a good example of a convenient and effective communication tool to occasionally invite alumni to participate in any kinds of activities. Communication demonstrates that schools still care about their relationship with the alumni. When the alumni feel themselves being cared, they show their willingness to care their school, usually in the form of donation. However, the way of communication matters as well. Appropriate communication can increase the possibility of alumni donation, while inappropriate ones may drive them further away. For example, if a school chooses to communicate with their alumni with numerous emails that only focus on their need for donation, it will be very hard to attract donation. Continuous request for donation will undoubtedly agitate alumni and gradually reduce alumni's patience and eventually reach the opposite result that is hoped. Therefore, a better strategy would be to use the majority of the communication time to interact with alumni and demonstrate their attention to alumni. With the help of carefully built bonds, schools can have a higher possibility to receive an alumni donation or receive a larger amount of donation.

#### VI. ALUMNI'S EXPERIENCE WITH SCHOOL

Thirdly, alumni also make their donation decisions based on their experience in their school. They have a clear assessment of their life in their school. When they think what they obtained in the school is more than what should be offered with their tuition, they will tend to make donations to their schools. Financial aid and scholarships are signs of good treatment from schools to students and they have positive impacts on future donations of alumni. The impact of schools' generosity also has a positive proportional relationship with the amount of the donation like the previously mentioned factors, meaning that when schools that are more generous on scholarships and financial aids, they are more likely to receive donations and larger amount of donations. Financial aids to students help them relieve financial burden. The majority of the students feel responsible to pay back to their schools in the form of donation if they received financial help.

In addition to financial help from schools, a better

academic performance at the school can boost a student's confidence, and therefore increase their affection of the school. As students with higher grades continuously improve their self-feelings, their experiences become high-quality ones, driving them to donate more as a return for a better enjoyment. Students with a higher GPA show more interest in donating [4]. GPA is the best interpretation of a student academic success in the school. Moreover, the strength of a good grade is not only restricted to the highest ranked student. Besides most commonly acknowledged GPA index, academic success can also be assessed by other honors, like awards and honor rolls, and those who receive honors also tend to be donors. This fact again substantiates the impact of academic success.

Furthermore, particular curriculums have shown their ability to drive alumni to donate, such as economics and government-related classes. Compared to students from other classes, students who take economics and government classes donate much more. Alumni who have experience of taking Economics and Government majors tend to have a better understanding of how schools operate with their financial systems. Therefore, they have a clearer awareness of the importance of the donation and therefore the necessity to make donations, and they take the responsibility to make the contribution.

**VII. ALUMNI'S EXPECTATION WITH SCHOOL**

Lastly, alumni sometimes donate because they want to give their children better chances to be accepted by the school. Many universities have started to create a higher acceptance rate to those who make a financial contribution to the particular university. In many cases, alumni want to create a family line in a particular school, and are more willing to give to the schools in order to enhance opportunities for their children. Alumni with children of the age of college application are more likely to donate because it is time to create better chances for children's admission into certain universities. Some studies show that alumni start to donate to the universities when their children grow to roughly 15 years old. As their children graduate from universities, those donors start to reduce donation each year, which clearly underlines their intention is to help with their children's admission. This clear intention explains why higher-ranked schools usually receive more donations. Schools with a relatively lower reputation are usually less selective, eliminating the necessity of making donations to increase the possibility to be accepted.

**VIII. CONCLUSION**

Based on my research, there appeared to be three mathematical relationships between each specified potential factors and alumni donation: positive, negative and other. Positive relationship indicates that as the magnitudes of the factor increases, the alumni donation increase. As Fig. 1 showed, this category includes academic performance, school rank, school's connections to alumni, financial background, school generosity, the closeness between students in the school. In the contrast, negative relationship includes school

size. In addition to the mentioned two relationships, alumni who have children trying to apply to schools, who have been an athlete at school, and who have Economics or Government major at schools tend to donate more.

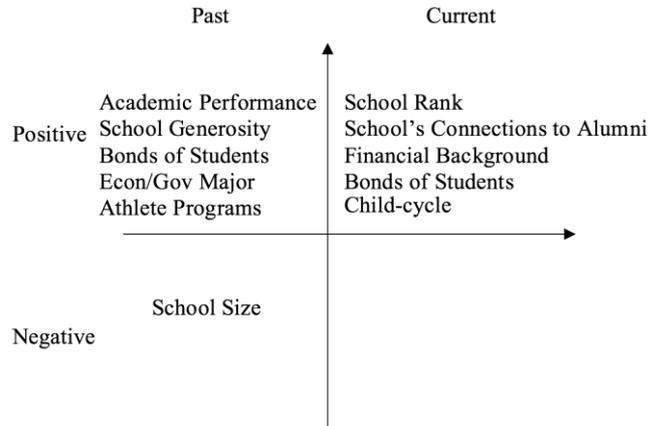


Fig. 1 factors' relationship with alumni donations.

From concentrating on studying human's incentive to make donations and then particularly alumni's incentive to donate to their schools, there are many similar elements that can drive people to make donations. Generally, people donate for a better reputation, or more broadly defined as a better feeling for themselves. That is why people care about their peers' opinions, and alumni care about schools' attention on them in the form interactive communication, generous financial aid. Also, some companies donate as a strategy to increase profit. Similarly, some alumni donate for their children's admission to better universities.

Based on my analysis of factors impacting donations, schools can adjust their strategies accordingly in order to encourage more alumni donation now and in the future. Whereas some factors are hard to change, like school size and ranking, some other factors can be easily regulated to improve the possibility of earning alumni donation. Schools can offer more economics and government-related classes, provide more athletic programs and teams, build better-connected student communities, and interact more with alumni. With an increase of donation, schools increase annual fund, which can ultimately help them develop. This would create a beneficial cycle in the long run.

**IX. FUTURE RESEARCH**

Although it is an overall summary of what factor can potentially influence alumni donations, the influence of the mentioned factors is previously studied as individuals by researchers. Currently, there is no statistical data evidence to give a comprehensive assessment of how each factor impacts alumni donation collectively. Therefore, an ideal future research topic should concentrate on gathering data to testify how influential the potential factors are. I can make a survey that contains questions for each factor, so I can study how each of them works on every single subject collectively. With the data collected by the surveys, I can build a mathematical model to demonstrate the listed factors' influence as a whole.

REFERENCES

- [1] X. Tan, Y. Lu, and Y. Tan. (August 8, 2016). Why should i donate? Examining the effects of reputation, peer influence, and popularity on charitable giving over social media platforms. *SSRN*. [Online]. Available: <https://ssrn.com/abstract=2820219>
- [2] S. Lertputtarak and S. Supitchayangkool, "Factors influencing alumni donations," *International Journal of Business and Management*, vol. 9, no. 3, pp. 170-178, 2013.
- [3] A. A. Okunade and P. V. Wunnava, "Alumni giving of business executives to the Alma Mater: Panel data evidence at a large metropolitan research university," *IZA Discussion Paper No. 5428*.
- [4] R. Del, F. Alison, and T. M. Loffredo. (October 7, 2011). Young alumni donations to a selective liberal arts college: Who gives? [Online]. Available: <https://ssrn.com/abstract=1940632>
- [5] J. Meer and H. S. Rosen, "Does generosity beget generosity? Alumni giving and undergraduate financial aid," NBER Working Paper No. w17861, February 2012.
- [6] J. Meer and H. S. Rosen, "Altruism and the child-cycle of alumni giving," NBER Working Paper No. w13152, June 2007.
- [7] L. Popkowski, T. L. Peter, and M. H. Rothkopf, "Charitable motives and bidding in charity auctions," *Management Science Forthcoming*, November 2009.



**Yuzhe Barry Wang** was born in Jiaxing, China. He is currently a junior at Cushing Academy, Ashburnham, MA. He is a student with enthusiasm for economics. In the summer of 2017, he took economics classes taught by professor Watson, professor Laibson, professor List, and professor Acemoglu, at Harvard University. He is currently taking AP economics at Cushing Academy.