

Increased social network can have big payoff for nonprofits, study shows

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Charitable fundraising once depended primarily upon a charity's size, efficiency and longstanding reputation. That was before Razoo, Chipin, Facebook and Twitter came to town.

In the first academic study to look at what determines charitable giving on social-media sites, researchers found that those media have created a more level playing field in the nonprofit world, one in which successful use of technology can make up for limited organizational size.

Technology and social media, it turns out, can not only raise the online profile of even small organizations, but increase their support bases and their ability to generate donations online and off. That is among the findings of "The Social Network Effect: Determinants of Giving Through Social Media," a study by Gregory Saxton, associate professor in the University at Buffalo Department of Communication, and Lili Wang, assistant professor of nonprofit studies in the Arizona State University School of Community Resources and Development.

It was published online in the current issue of *Nonprofit and Voluntary Sector Quarterly*.

"This paper is innovative in several ways," Saxton says. "It is the first to look at the predictors of donations in a social media setting. It also appears to be the first study of donations on a crowdfunding platform. Furthermore, it examines variables the 'traditional' studies have ignored—the size of the organization's social network and the

organization's 'Web capacity.'

"It is in analysis of these variables," says Saxton, "that the study contributes to the theoretical discussion around the determinants of donations."

"The first, and major, unexpected finding," he says, "was that financial ratios, especially the level of a charity's organizational efficiency, were simply unimportant in online giving, although they are known to be prominent determinants of off-line charitable giving.

"Studies that use the economic model of giving have shown that aggregate levels of charitable contributions are positively related to organizational size," says Saxton, "so our second and more minor finding was unexpected as well.

"It was that the size of an organization (measured as total financial assets) did not have a significant positive effect on the number of donations received," he says. "This led us to surmise that donors on social media and crowdfunding sites do not seem to care how efficient the organization is or how large it is. Instead, they are swayed by what we called the 'social network effect,'" says Saxton, "which is an effect provoked by the size of an organization's network of followers; that is, the number of online 'friends' or fans it has."

The study, which analyzed the fundraising activities of more than 50 organizations using Facebook for that purpose, suggests that if charities understand and cultivate this effect, they could experience a payoff in the number of donations and supporters.

Among the study's findings in that regard:

- Online donations are driven by the number of 'friends' that a

cause elicits through online sites. Friends often recommend a cause to other friends, which extends the reach the cause or group has.

- Donations are also influenced by the Web capacity attached to the charity, which is measured by the number of users reached by the organization's website.
- A nonprofit looking for success in social media fundraising should increase the quality and reach of its website, the latter measured by the size of its online constituencies, and encourage its supporters to promote the cause online.
- To accomplish this, the organization needs to have the appropriate level of "tech savvy." Having employees who strategically deploy social media strategies can be just as important to their success as having adequate financial resources.
- Nonprofits in some fields are more likely to succeed in social media fundraising than others. Especially successful are those that support health-related causes and, in particular, present an immediate need or benefit to the public—treatment for a sick child, a home for a wounded soldier, a campaign to save a life.
- Social factors may be pushing donors to give more to popular and socially acceptable causes. This has implications for organizations whose efforts are less well-known than others or do not focus on popular "warm and fuzzy" social issues.
- Online donors appear to be more willing to fund specific and new projects, rather than pre-existing programs, especially those that offer tangible deliverables like a clubhouse or a new film.
- Attention-getting organizations and projects are more likely to receive funding than those that are more passive in their approach to donors.
- Such practices as crowdsourcing and mobile donations, which represent a major change in the way individuals donate to charities, offer new ways for nonprofits to generate greater [donations](#).

- Online and traditional fundraising methods complement one another. Large numbers of "fans" generated by a good website and social media outreach can be approached using traditional methods as well.

Saxton conducts research on the organizational implications of new and [social media](#), particularly with regard to nonprofit organizations and financial markets. His studies in these areas typically touch on organizations' communication with their external stakeholders, including such issues as organizational disclosure, organizational accountability and stakeholder relations. He is interested in understanding not only why organizations are more or less successful in these areas, but also the effects of different disclosure, stakeholder relations and accountability practices on organizational success.

Provided by University at Buffalo

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