Giving Circles and Fundraising in the New Philanthropy Environment

by

Angela M. Eikenberry[1]
Center for Public Administration and Policy
School of Public and International Affairs
Virginia Tech

Research Objectives

The purpose of this project is to better understand how fundraising professionals are responding and adapting to tools of the "new philanthropy" environment, especially to funding from "giving circles." Scholars, practitioners, and journalists claim a new era has begun in American philanthropy; one that is more engaged and uses unconventional modes of giving and volunteering. This more engaged philanthropy has manifested itself in several ways, including the introduction of new funding mechanisms and philosophies to enable donors to reach their philanthropic goals. One such funding mechanism is the "giving circle." Giving circles are described as a cross between a book club and an investment group (Jones, 2000) and entail individuals "pooling their resources in support of organizations of mutual interest" (Schweitzer, 2000, p. 32). More than this, giving circles include social, educational, and engagement components that seem to connect participants to community, perhaps to a degree greater than other forms of philanthropy (Eikenberry, 2006).

Though based on an old idea, giving circles seem to be new forms of collaborative giving within the modern philanthropic context. They have been described as representing the "democratization of philanthropy" (Paulson, 2001, p. 18). Questioning this assertion, Eikenberry (2005) conducted one of the first comprehensive studies of giving circles in the United States (and Canada) to understand the degree to which they are impacting philanthropy.[2] The study included interviews with 30 individuals from across the country participating in or working with a giving circle, as well as data from news articles, websites, and other documentation. Eikenberry identified three major types of giving circles across the giving circle landscape: small groups, loose networks, and formal organizations. Each of these types of giving circles is described in more detail below.

Small Groups

Small groups consist of a small number of people who pool their funds and then decide together where to give it away. The amount of funds pooled by each member tends to be in equal

---

[2] See also research done by Rutnik and Bearman (2005).

amounts ranging from $50 to $5,000, though there are several small groups where the amount paid into the fund is left to the discretion of the individual. Because the group is small, leadership is often shared and all are able to participate in the decision-making process. About half of small group giving circles use a consensus decision-making process. The two major foci of small group giving circles seem to be social and educational activities, with the social aspects often taking precedence. The social aspect is emphasized through informal group interaction and discussions. The educational aspect is also relatively informal, taking place through the grant making process, site visits, meetings with nonprofit staff, and information sharing among group members. Several small groups have some staff support to help with administration or fiscal management.

An example of a small group is Shared Giving in Durham, North Carolina. Shared Giving is made up of 16 members who each pay in $500 a year to participate. Members meet every other month to discuss potential fundees and community issues. They gather information about nonprofit organizations by conducting site visits or speaking directly with nonprofit executives about the needs of the organization. They make decisions through a consensus style format. The group gave its first grant in early 2002. Since then they have given grants of between $1,000 and $5,000, usually for specific programs or projects, to things like a family violence prevention center, a community center that provides tutoring for Hispanic children and their parents, and an organization that helps seniors with medical prescription costs and management.

Loose Networks

Loose networks typically consist of a core group of people who do the ongoing organizing, planning and grant decision-making for the group and then individuals, who may or may not be considered members, branch off from that group, often participating intermittently. "Members" tend to gather around a specific event like a potluck dinner or other fundraiser. Individual participants can make funding recommendations but typically do not make funding decisions. There is no staff support within these groups. Rather, loose networks are characterized by their flexibility and organic nature as well as for having low overhead and being as non-bureaucratic as possible. There is typically no minimum fee to participate and decision-making often occurs in an ad hoc fashion in response to the needs of individuals. The activities of these groups are primarily social, with very little emphasis put on educating members about the community. Many see their participation in the group as an alternative to volunteering.

An example of a loose network is Womenade. The first Womenade was created in Washington, D.C. when Dr. Amy Kossoff and her friends decided to hold a potluck dinner and ask attendees to donate $35 to a fund that would enable Kossoff to give financial assistance to her clients for prescriptions, utility bills, and rent. Kossoff did much of her work in homeless shelters and public clinics and regularly provided assistance to her clients out of her own pocket. The women called the group Womenade and held their first potluck in March 2001. Nearly 100 women attended, raising $3,000. A year-and-a-half later, *Real Simple* magazine did a story on Washington Womenade, including a section on "How to Start a Womenade," and the idea spread (Korelitz, 2002). At least 25 Womenade groups have been identified.

Formal Organizations

Formal organizations are more formal in their structure and decision-making processes; looking very much like a traditional membership organization structure with a board or lead group at the top, committees, members, and frequently professional staff support. They are also larger in size of membership then other giving circles and the cost to participate tends to be high compared to small groups and loose networks; the modal amount being $5,000 to $5,500. The grant decision-making process typically involves committees or investment teams making grant decisions directly or making recommendations for a full membership vote. The major activities of formal organizations are education and engagement. All of the formal organizations for which data are available have some kind of formal educational programming in addition to grant making and other informal educational opportunities. There is also a strong emphasis on direct engagement with nonprofit organizations. About half of formal organizations provide opportunities for members to volunteer with nonprofit organizations. In most cases, members volunteer their expertise at the administrative level rather than through direct service.

An example of a formal organization is Social Venture Partners (SVP). SVP started in 1997 in Seattle and now has expanded to at least 25 SVP-type giving circles in the U.S. and Canada. SVP is structured to follow a venture philanthropy model—applying venture capitalist principles to philanthropy. Its major foci are educating members about philanthropy and community issues and creating long-term, engaged relationships with funding recipients. The cost to join SVP is around $5,000. SVP also asks members to volunteer at the nonprofit agencies they fund, providing consulting and capacity building support. SVP affiliates fund in various areas but often take a strong interest in issues related to youth and education.

Eikenberry's (2005) study indicated that giving circles generally bring younger and female participants (as well as other groups not historically active in organized philanthropy) to the philanthropic table, and participation serves to increase levels of giving while bringing "new money" to the nonprofit sector; especially to small and medium-sized organizations. In addition, members are more thoughtful, focused and strategic in their personal giving because of their educational experiences through the giving circle. Further, new relationships are created between giving circle members and individuals in need as well as between giving circle members and nonprofit professionals through the giving circle. This bodes well for enlarging the philanthropic pie as amount of giving often depends on a donor's level of participation and satisfaction in their giving (Independent Sector, 1996; Jackson, Bachmeier, Wood, & Craft, 1995; Schervish & Herman, 1988), as well as the identification they have with the needs of others (Schervish & Herman, 1988; Schervish, et al., 2001). Overall, compared with more traditional philanthropic mechanisms, giving circles seem to be "something different." For example, compared to individual check writing, it is a more engaged, personal experience. Giving through the giving circle is seen by some as a much more proactive approach to philanthropy than has traditionally been the case. Giving circles also seem to be different in that they enable individuals of less wealthy means to actively participate in organized philanthropy at a more significant level (see Eikenberry, 2006).

Giving circles also seem to be creating new and expanded resources for nonprofit organizations; however, we know very little about how fundraising professionals are responding and adapting to these new funding mechanisms. Beyond research to understand the giving circle landscape and impacts on donor-members (Eikenberry, 2005, 2006; Rutnik & Bearman, 2005), little academic research has been done on giving circles[3] and nearly all of the literature on the

---

[3] For a review of the research that does exist on giving circles see Eikenberry (2006).

new philanthropy comes from the perspective of the donor or philanthropist. This study begins to fill this gap by focusing on the following research questions:

1. How do giving circles compare to other types of fundraising from the perspective of the fundraising professional?
2. What have been the impacts of giving circle funding on funding recipients?
3. How can fundraising professionals best respond to and work with giving circles?
4. What lessons can giving circle members and other donors learn about giving considering the experiences fundraising professionals have had with giving circles?

Research Methodology

This study followed a qualitative research design in which research questions were answered through in-depth interviews with fundraising professionals as well as through document analysis.

Data Collection and Analysis Procedures

The methodological process involved first updating the giving circle database created for an earlier study (Eikenberry, 2005) and creating a new database of grantees that have received funding from giving circles. Information for this new database was obtained from interviews and documents from an earlier study of giving circles (Eikenberry, 2005) as well as through a new search for information using the Internet and article search engines. The newly created database includes data for 1,333 grants made to 878 nonprofit (and a few public or quasi-public) organizations and 160 individuals, given by 116 giving circles. Thus, we have information for grants made by about half of the giving circles in the United States and Canada we had identified at the time. Of the 1,333 grants in the database, 1,295 were provided by giving circles for which we could identify the type of giving circle: formal organizations provided 860 of these gifts, which represents 66 percent of the total, loose networks provided 358 grants or 28 percent of the total, and small groups provided 77 grants or 6 percent of the total.

Table 1: Characteristics of Giving Circle Nonprofit Fundees by Field as Identified in Database, 1996-2005

	Human Service	Public Benefit	Education	Arts & Culture	Health	Environment & Animals	International	Religion
#Grants	518	139	237	176	100	50	46	22
% Total Grants	40%	10.8%	18.3%	13.6%	7.7%	3.9%	3.6%	1.7%
$ Received	7,446,769	876,934	15,692,772	2,663,939	566,098	562,284	328,965	269,187
%Total $	26.2%	3.1%	55.3%	9.4%	1.9%	2.0%	1.2%	1.0%

*80 of the above represent fundees with multiple fields so the percentages are accurate for the overall population.

Where possible, funding recipients were organized into fields as noted in Table 1. Complete information was not available for the amounts of all grants (we were able to find this information for 987 or 52 percent of the fundees). At least $28,406,948 was given by the giving circles identified in the fundee database. This represents an average gift of $28,781, which ranged from $90 to $715,000. Grants were awarded between 1996 (1 grant) and 2005. Given that

some of the grants were made to cover several years at a time, it is difficult to be exact but within +/- 2 grants, 57 grants were given in 2000, 70 grants were given in 2001, 231 grants were given in 2002, 230 grants were given in 2003, 301 grants were given in 2004, and 272 grants were given in 2005.

From the newly created fundee database, a purposefully selected sample of organizations was chosen for in-depth interviewing. The interview sample represented organizations funded by the three types of giving circles—small groups, loose networks, and formal organizations—and giving circles of varying identity groups (women-only, young leaders), as well as different organizational budget sizes and fields (i.e. arts, human services, education). As shown in Table 2 below, our sample included 17 organizations. Four of these organizations were funded by more than one giving circle and one of these was funded by three giving circles. Thus, there were 17 nonprofit organizations in the sample funded by at least 23 giving circles. The breakdown of giving circles by type for the sample included 12 formal organizations (52.2%), 3 loose networks (13%) and 8 small groups (34.7%). Formal organizations gave an average sized gift of $33,666 and small groups gave an average sized gift of $16,375. Of the three loose networks only one grant amount of $1,250 was reported.[4] The organizations in the sample represented the fields of: human services, education, arts, health, environment, and public benefit. Some of these organizations were involved in more than one field of interest. Specifically, three of the organizations were education and human services related, and one was education and arts related. The sample organizations ranged in size from small to large in organizational and budget size and the amount they received ranged from $1,000 to $167,000 (in one year—some organizations received multiple-year gifts). Organizations in the sample were located across the United States.

Table 2: Characteristic of Nonprofit Fundee Sample, by Field

Sample Nonprofit Fundees by Field (N = 17)	Fundees by Size	GC's Providing Funding by Type (N = 23+)
Human Service (N = 6; 35.2%)	Small-3 Medium-2 Large-1	Small Group-4+ Loose Network-2
Education (N = 4; 23.5%)	Small-4	Loose Network-1 Formal Org-7
Arts (N = 3; 17.6%)	Small-1 Medium-2	Formal Org-4
Health (N = 2; 11.8%)	Small-1 Medium-1	Small Group-2
Environment (N = 1; 5.9%)	Sm/Med - 1	Formal Org-1
Public Benefit (N = 1; 5.9%)	Small-1	Small Group-1

A total of 17 interviews were conducted (including one interview with both the executive director and development director of one organization) by telephone ranging from 20 minutes to one hour and 17 minutes. Eleven executive-level directors, six development directors or personnel and one board secretary were interviewed. Four of the interviews were conducted by the research assistant and the rest by the principal investigator. An interview protocol was used

---

[4] In several cases (328), published information about grants made by giving circles did not include the amount given. This may indicate that some giving circles prefer not to draw attention to their level of funding.

(see Appendix A). Interview questions were conversational in an attempt to get the participant to discuss further something he/she mentions related to the research questions (Kvale, 1996, p. 237). All interviews were audio-taped and transcribed with the consent of the interviewee (IRB approval 06-021).[5] Articles, websites, and other documentation on giving circles were also analyzed.

MAX QDA qualitative data analysis software was used to systematically organize, code, and analyze the data from interviews, documents, and notes. Analysis followed a strategy set out by Maxwell (1998, p. 90), which involved an iterative process of contextualizing and categorizing strategies. This process included: listening to the entire interview and reading transcripts and other documents completely through to get a sense of the whole, re-reading and coding segments, re-coding and grouping codes into broad clusters of similar topics or nodes, primarily around the research questions though allowing for emergent topics. These clusters were then iteratively re-coded into more specific and simplified nodes, creating "trees" (Coffey & Atkinson, 1996, p. 29). Microsoft Access was used to track data within the giving circle fundee database.

Study Limitations and Enhancing Trustworthiness of the Data

Because giving circles are newly emerging phenomena, locally-based, and little studied, it is impossible to create a complete list of giving circle funding recipients. Though a sample of funding recipients was chosen that attempts to represent key characteristics in the population of giving circle funding recipients, it is difficult to know and account for every attribute. In addition, we were not able to get a proportionate representative sample of organizations funded by the various types of giving circles. For example, only one public benefit organization was represented in the sample although these types of organizations represent almost 20 percent of the identified fundee population. Efforts were made to include more public benefit organizations in the sample but proved unsuccessful. This may have to do with the nature of this type of organization. The low representation of organizations funded by loose networks in the sample may also be attributed to the fact that several fundee organizations could not be reached by email or telephone. This may be because, based on knowledge gained in earlier studies, loose networks are much less organized (looser if you will) and less bureaucratic in nature and in many ways seek out more grassroots oriented organizations as well as individuals to fund. Combined, this made it difficult to reach the population funded by loose networks. Ultimately, the organizational representatives included in the study had to be found and contactable, and then willing to spend the time to participate in the study. Furthermore, we did not attempt to choose sample organizations according to race or ethnic background. As with earlier studies of giving circles, this is a major gap in the research that needs to be addressed.

Because every giving circle funding recipient is likely not represented, there is a chance that the funding recipients chosen for this study may not adequately represent all of the possible information about funding recipients and funding impacts. There is also a chance that the data are skewed to the larger, formal giving circle funding recipients. Formal giving circles have received the most attention from the news media and researchers, perhaps because they are most intimately connected to organized philanthropy. Thus, more is also known about the organizations they have funded as compared to the other two types of giving circles. We have

---

[5] That is, with the exception of one interview in which half the recording was lost.

tried to take this into account in our analysis by gathering data from a cross-section of different types of giving circle funding recipients.

In the context of a qualitative framework, trustworthiness is essential to demonstrate the reliability and objectivity of the study. Lincoln and Guba (1985) state that such research must be able to "establish confidence in the 'truth' of the findings of a particular inquiry" (p. 290). The triangulated use of multiple interviews and document analysis (Berg, 2001, p. 5) as well as looking for and analyzing negative cases in the data (Borman, LeCompte, & Goetz, 1986, p. 44), and using more than one researcher to analyze and discuss the data should help to insure greater trustworthiness of the data. Beyond these measures, there is always a chance that interviewees were reluctant to share personal information. The assurance of anonymity was conveyed to encourage participants to speak candidly.

Research Outcomes/Findings

This section presents findings from interviews and other documentation to address the research questions stated above as well as to discuss key themes and issues to emerge that were beyond the focus of our questions but were relevant and interesting to our overall research purpose.

Character of Funding Recipients

As noted in the methodology section, the fundraising professionals that we interviewed were in organizations funded by the three types of giving circles and generally well distributed in terms of organizational size and field of work. The average amount of funding they received from giving circles ($14,638) appears to be comparable to the overall fundee population ($14,814) and the types of programs they operated were predominantly human services just as in the overall population. Though these organizations were purposefully selected based largely on the type(s) of giving circles that funded them (note that several of those interviewed were at organizations funded by more than one giving circle) as well as on the type of work that the organization conducts (i.e. human services, health, arts, etc.), they were chosen somewhat randomly otherwise and as long as they could be contacted via email and telephone.

We should be careful about making generalizations about such a small group but understanding some of their characteristics might be helpful for discernment about the types of organizations attractive to giving circles. Eikenberry (2005) found that giving circles generally focus on giving to small and often local organizations that are risky and innovative, well-run with strong leadership, or both. Our sample of funding recipients shows that indeed, the majority of organizations were relatively small and locally based. About half also tended to be fairly new, having started only in the past five years or so. Many of these organizations and even the more established organizations seemed to be undergoing a transition period. For the newer organizations, this meant going from start-up to established organizations. Interestingly, nine out of the eleven executive-level directors interviewed were in their mid-30s to 40s and most of them had actually started the organization. This was not information we sought but the level of experience and age of the director came up in nearly every interview with an executive-level director.

We did ask the nonprofit professionals interviewed what they thought made their organization attractive to the giving circles that funded them. That the organizations tended to be

small and had a proven track record came up numerous times as a reason for their attractiveness to giving circles. As one executive director put it: "[Our organization is an] appealing size for local giving circles. They like that it is big enough that we have proven ourselves but it is small enough that they feel like they can provide tangible support" (Interview #3). A few of those interviewed also brought up their business-orientation and focus on showing results as appealing, especially to formal organizations like Social Venture Partners. Many interviewees also thought that their mission was key—they were filling a real need in the community and giving circle members were attracted to this.

Giving Circles Compared to Other Types of Fundraising

One of the goals of the study was get a better sense for how giving circles compare to other types of fundraising from the perspective of the fundraising professionals interviewed. Eikenberry (2006) describes how giving circle members see giving circles as something different; but how do those receiving the funding from giving circles see these new funding mechanisms? Generally, interviewees see giving circles as new fundraising territory to be navigated. On the one hand, giving circles seem to have many benefits that are different from other philanthropic vehicles: They can be easier to work with and bring a multidimensionality or "value-added" element to the philanthropic relationship. On the other hand, the funding relationship is more complicated. We describe each of these below in more detail.

Particularly with small groups and loose networks, interviewees mentioned how easy getting funding was from the giving circle and indeed one executive director found it to be fun (Interview #9)! They noted how much they liked that the process was informal and flexible—there was little bureaucracy and few or no forms to fill out. This made for a much more pleasant experience as one executive director described it:

> You know, I mean people were happy to give away money. Like I said it was just so effortless. I didn't have to write a grant. I didn't have to sign in blue ink. I didn't have to, you know, I didn't have to show a copy of my 501(c)3. It wasn't any of that like checking, "Are you legit? Are you for real? What are you doing with the money?" You know, it's like the people sort of understood that you know their money went to a good cause and whether it went to, you know, buying books or paying a trainer, or helping to pay for my health insurance, or whatever, the money went towards, but it wasn't that sort of "I need a receipt with exactly where this money went." It was that sort of feeling, which was pleasant for me. (Interview # 5)

This was not necessarily the case for funding from more formal organizations such as Social Venture Partners, where the funding process can be much more involved; however, as discussed in more detail below, SVP's focus on capacity building, multi-year funding, and work from volunteers and staff can serve to balance such time commitment (Ghosh, 2005).

The other major benefit noted by several interviewees was the multidimensionality or value-added element that giving circles can bring in addition to financial support. As discussed in more detail below, giving circles do give, in some cases substantial amounts of money, but they also can bring to the funding recipient the introduction of giving circle members with contacts to others in the community, new volunteers, a seal of approval, and other capacity

building resources. Bringing such multidimensionality to the funding relationship is important because giving circles seem to largely fund only for the short-term. Especially in the case of funding from loose networks and small groups, funding recipients may only receive a one-time only gift (as opposed to multi-year gifts which are more often the case from formal organizations). In this context, one executive director described giving circles as practicing "flavor of the month" giving, similar to the money she raises through special events (Interview #1). Another executive director described funding from the giving circle as a "bonus;" funding recipients said they generally could not depend upon giving circles for continual or long-term support (though there are a couple of cases where long-term relationships have been established with loose networks). As one executive director noted:

> …the giving circles, they kind of have, their motivations are a little more complex. Like, they need to keep a membership interested and engaged and all that stuff and people say, "Ah, we've been funding [organization name] for three years, let's go fund some other group, you know, I heard of this one great group blah, blah, blah' and then they're off onto the next thing." (Interview #7)

That is why the value-added element that giving circles can bring to bear on funding relationships is so important.

Several of those interviewed, particularly those who seemed to be quite positive about their experience with giving circles, noted the importance of the more personal dimension to their relationships with giving circle members than they might have with other funders. As one executive director noted about her relationship with a formal organization giving circle:

> But, it's just that you feel, like you feel supported. You know what I mean? Like people call you back. You know, they are always, "Oh this is so great!" They're on our mailing list. On occasion I'll get an e-mail from someone saying, "Wow that was so great!" "We're so proud of you guys." You know, it's just that sort of feedback is great, you know? (Interview #6)

Such personal relationships can lead to members of the giving circle having a more nuanced understanding of the issues addressed by the organization, and a partnership mentality in the relationship, but it can also make the funding relationship more complicated from a fundraising point of view because it can be more time consuming and more difficult to navigate. This is especially true for giving circles that *require* a more cumbersome application process and a higher level of interaction with the funding recipient (which tend to be required by formal organizations). As one executive director noted about her organization's relationship with two formal organization giving circles:

> Umm, you know, it's harder. There's this more kind of perceived and assumed sort of deference and obligation, you know, that I…individual donor cultivation is $20,000 thousand a year and we don't have that many of them, umm, it's easy and they're not looking for a big fat report and they're not having all these sort of underlying assumptions or obligations that they have of you, you know? (Interview # 4)

This is complicated by what some see as the lack of transparency in their relationship with the giving circle. According to another executive director funded by two formal organization giving circles:

> Usually, you're either talking to a private foundation, a corporation foundation, or an individual and you know they somehow express some interest in you and you talk and you have a conversation and you send them materials and they ask questions and sometimes they'll come on a site visit and they'll learn and, you know, it's pretty clear what their goal is. Their goal is to give away money according to certain criteria or values or something… and then, you know, we get it and our job is to spend it on what we said we would and then report back that that's what we did. And I think that has, you know, pretty transparent how those relationships are supposed to work. Like I don't think anybody is sort of scratching their heads and saying, "Gee what happens next?" like everyone understands it. And I think with these giving circles it's a little less clear to us exactly what we're supposed to do so I think there's some ambiguity. (Interview #7)

One example of the new complexity involved with giving circle funding is the more complicated nature of cultivating relationships with individual members of the circle. Over half of those interviewed brought up that it is difficult or impossible to connect with individual donors in the giving circle—either by design or by default. Some giving circles actively discourage funding recipients from following up with or cultivating their members for individual gifts by not sharing the member mailing list or not even allowing funding recipients opportunities to interact with giving circle members. Others noted that they were not explicitly told they could not cultivate individual members, but they got the impression that it was not acceptable behavior. For example, when asked if they had tried to cultivate relationships with individual members within the circle, one executive director said:

> No. No. We haven't. I guess you know, we kind of, it's almost like the, what do you call it, the kind of the rule of thumb around United Way in our region. United Way is, we can't have campaigns when they're having a campaign….every time we go to any kind of corporation that supports United Way…they say that they give their money to United Way. So I guess we just sort of made an assumption and haven't gone directly to the giving circle people. (Interview #9)

This seems to counteract the value added element that giving circles can bring with their funding as mentioned above and can make for a frustrating experience for the nonprofit fundraiser. According to one executive director describing her struggle with this issue:

> Yeah, they have an approach that makes it seem like, "Oh my God this is going to change your whole life." You know, it really, it just doesn't because the challenge for nonprofits especially at this stage is to cultivate individual donors and they have access to so many. And, when you want to send anything to anyone you've ever met there, you have to call and ask, they will not give you contact information. You have to get approval. So they resist. So you have to sort of go

and say, "But, she's come to three of our things and could you ask her if she would let us put her on our mailing list?" and you know it takes a lot of time. You know, which is fine, they're protecting their donors. But the point is if you have an organization that you have somebody who's been on a committee that's reviewed your organization…and they've come to three of your things via [the giving circle]…you should automatically be getting contact information. (Interview #4)

Regardless of the new way of doing things posed by giving circles, interviewees overwhelmingly said that fundraising from giving circles, like fundraising from individuals, corporations or foundations, is still about showing that the organization can make a difference and that it is still very much about relationship building (though perhaps giving circles are harder to find and the relationship is harder to sustain). We discuss this further below in the section on responding to and working with giving circles.

Giving Circles' Impacts on Funding Recipients

The outcomes of interacting with giving circles seem to have generally been quite positive for those interviewed, with some caveats. Certainly, an important benefit is the funding and other resources that the organizations receive directly from the giving circle. Financial gifts ranged from a one-time $90 gift (from a small group) to hundreds of thousands of dollars over several years (from a formal organization). The database shows that these gifts tend to be for a wide range of uses, with general operating and program expenses the most commonly funded category. This was also true among the organizations in our sample. Many of the gifts seemed to go for specific projects but just as many went for broader operating and capacity building efforts. Some giving circles also provided other in-kind and capacity building support such as helping the organization to create a work plan or conducting focus groups with clients. Social Venture Partners in particular focuses their funding and resources on capacity building areas (Ghosh, 2005).

In addition to the financial and in-kind gifts, giving circles also have the ability to bring in other resources such as new volunteers and contacts that lead to additional fundraising and development benefits beyond the giving circle. At least six of those interviewed noted that they have recruited new volunteers for their organization beyond gifts made by the giving circle. In one case, a giving circle member became a board member. Several also noted that they received substantial (and often ongoing) gifts from a member or members of the giving circle beyond the gift provided by the giving circle itself. This correlates with findings from other studies that show giving circle members are giving to organizations in addition to the gift made by their giving circle (Eikenberry, 2005; Ghosh, 2005; Guthrie et al., 2003).

Also of benefit to several of the organizations funded were the new contacts that giving circle members provided or facilitated that did or have the potential to lead to additional resources. By and large, giving circles seem to be made up of people who are fairly well connected in the community and so can easily open doors for nonprofit staff to "qualified leads" as one executive director put it (Interview #3). This characteristic of giving circle members also means that a certain level of prestige is bestowed on an organization funded by the group that might turn into future benefits, including the ongoing survival of the organization. As the same executive director described it:

So I would say actually, I don't want to use the word upgraded, but I think they have helped distinguish [the organization] even more so as a top quality volunteer organization. We are very well known for our volunteers you know, they are very, just because somebody wants to volunteer for me doesn't mean they are the right match for the organization. I hold people accountable, you know, it is like you are applying for a job….So if that makes any sense, I think they have contributed to the caliber of our organization in terms of people and in terms of the actual money, really at this point if it weren't for them, we probably wouldn't exist. (Interview #3)

This matches findings from a study done by SVP Seattle that SVP grants improved their investees reputation among other funders (Ghosh, 2005, p. 21).

Many of those interviewed thought another added benefit of the giving circle was the opportunity it gave them to provide to giving circle members a more nuanced and "larger picture" view of their organization and the context in which the organization operates. Along these lines, three of those interviewed noted the great value the giving circle contributed to their organization and the larger issue area by hosting "convenings" of funding recipients and giving circle members. In one of these cases, a giving circle held an annual event where funding recipients could meet with one another and giving circle members. One executive director described the event as a:

…venue in which we had a facilitated discussion that helped us really stay on target on what would be most impactful for our work. And that kind of, I mean in a way that that almost acts like a strategic planning session for this little movement. And so obviously, within that we are also going to figure out where we disagree as well as where we really do agree and how we can move forward together. So I think that kind of opportunity that doesn't happen so often. Usually it doesn't happen because there is no funding for it and to get a facilitator would be sort of hard. So to have a foundation that wanted to be part of that or a funding circle wanted to be part of that and to learn from that also and really be a partner in this is a really nice thing and it was a really great opportunity. (Interview #16)

Some of those interviewed, however, did not feel that their relationship with particular giving circles was as transformative as the rhetoric of the giving circle conveyed. In these cases, it appeared that the organizations received funding from the giving circle, sometimes as much as $50,000, but nothing else—no new donors, contacts, or other value-added things that make the giving circle unique. Related to this, there were two executive directors in particular, both in small to mid-sized (budgets $1-3 million) relatively new (around 5 years old) and entrepreneurial organizations, and each funded by at least two formal organization giving circles that noted the patronizing attitude that can sometimes come with funding from the giving circle and that can run counter to the value-added, multidimensionality potential of a giving circle. In this context, they described some giving circle members as not really "getting" what nonprofit organizations are about. This is how one of the executive directors described the giving circle members of one formal organization:

Because from their point of view they just think anything they touch would just be worth a million bucks to us when, you know a lot of times they really don't understand the work that we do and they don't, they say that they want to be involved but then a lot of the times they are not really very involved. Like, they kind of barely know what's going on…. they probably need to understand better the nonprofit sector. Like I think they're kind of running in a little like a bull in a china shop. (Interview #7)

Having to educate these donors as they build a funding relationship with their organization can make fundraising that much more difficult for a fundraising professional. We comment more upon this below.

Responding to and Working with Giving Circles

Given our discussion above, how might fundraisers best respond to and work with giving circles? Those interviewed provided several areas of counsel and "lessons learned" in this regard. First, if a nonprofit organization wants to attract giving circle funding, the best way to do so is through networking, building awareness, and so on. In nearly every case of those interviewed, the giving circle sought out the organization as a potential funding recipient as opposed to the organization seeking out the giving circle. In most instances, someone in the giving circle had heard about or was already familiar with the organization (and in most of these cases knew the director or someone on staff) and put the organization forward for potential funding. In three cases, an intermediary organization, such as an associated charity, suggested the organization for funding to the giving circle and in one case the giving circle asked their other funding recipients for suggestions for other organizations doing work in their area of interest to fund.

Thus, a clear message from those interviewed was that in order to attract giving circle funding, the organization needs to be able to "be found" by giving circle members. According to one executive director, having good public relations is critical in this regard (Interview #1). Others noted again the importance of building relationships and generally being available to give presentations and tours of facilities and find "champions" to make the organization's case in giving circles and elsewhere. "Being out there" was a theme that came up repeatedly, especially the need for the executive director to be out there. To this end, at least two of the executive directors interviewed for this study were members of a giving circle. Eikenberry (2005) also found that many nonprofit professionals were members of giving circles.

However, some of those interviewed said that it is a good idea to be cautious in going after giving circle funding, especially in the case of formal organizations that might expect a good deal in their interactions and expectations. Working with these giving circles can be time consuming and difficult (especially because of the new relational terrain), so the fundraiser needs to make sure it is a good match. As one executive director put it:

Well, I guess I'd probably be pretty cautious. I'd say you want to make sure that it's going to be worth your time and energy. Because our experience would be that, I mean we're doing it so you know at the end of the day obviously were saying it must be worth it because we do it, but there's a lot of times where I think, boy this is about the toughest $25,000, I've ever raised. (Interview #7)

Along these lines, several of those interviewed noted challenges to the giving circle funding process. For example, one executive-level director noted her frustration with applying for funding from the giving circle because of the mismatch between the host foundation's[6] and giving circle's application process:

> Well actually one of the things that was sort of funny was that they [the giving circle] were clearly trying to take the lead from the foundation in which they were placed about how to design their grant application and the foundation in which they were placed was much more geared toward direct service work and listing proposals to that. Which is, the funding circle was much more interested in systemic change work and so the grant proposal was a bear of a proposal because it was like trying to fit systemic change language into a direct service-geared RFP. And it was really not at all an easy fit. And I had conversations with four or five people who were also filling out the application and we all agreed that it was the most difficult grant application we've ever written. I mean I write about a hundred grant applications a year and it was honestly, and it continues to be to this day, the most annoying grant application to do every year. (Interview #16)

As we discuss below, this mismatch seems to be indicative of the shift in philanthropy described earlier, where the "traditional" model of the foundation clashes with the newer, more informal model of the giving circle.

Some of those interviewed and other documentation also underscored the tension that can occur when giving circle members are "too directive" in their giving, so that it can clash with the already established board governance structure of the organization. On an indirect level, by targeting their gift for a particular area or thing, the giving circle in some ways takes over organizational governance by taking away the board or staff's decision about where funding might best be spent. On a more direct level, some giving circles—in particular some Social Venture Partner affiliates—require or strongly recommend that one of their partners hold a seat on the board of the organizations they fund. This again might usurp power from the board to form and govern itself and the organization.

As noted earlier, there can also be a lack of sustainability and uncertainty that comes with funding from giving circles. It can be difficult to count on funding from year to year, especially from giving circles that are still formulating their own processes and funding focus. One executive-level director described this as the downside to the flexibility giving circles can bring to the funding relationship:

> ….we sent staff to meetings with them to help them define their priorities and it all seemed like it was pretty much on target and then a month before the next grant proposal was due we got an update where their priorities had completely shifted and it was like "oh okay" and they in fact announced with virtually no warning at all that they wanted everyone to work on, to apply as a collaborative, which meant that we had to all go scurrying around to figure out [how to] get funding for a collaborative when we all really wanted general support money. So

---

[6] Some small groups and formal organizations are housed in or hosted by community and women's foundations. Hosting sometimes means only that the giving circle's money is held by the organization, but in some cases staff and other administrative support is also provided to the giving circle by the host.

it was like somewhat inorganic extreme shifts that would occur. And then the following year they shifted again to something completely different and with sort of no kind of warning. (Interview #16)

It is not surprising, given these challenges, that several of those interviewed also had some suggestions for giving circle members on how they might best work with their funding partners. We turn to this next.

Suggestions for Giving Circle Members

How might giving circle members best enhance the funding relationship they have with their funding recipients? Foremost from several of those interviewed was the suggestion that giving circles view the relationship they have with funding recipients as a "two-way street," where emphasis should be put on open communication, transparency, and paying attention to each other's needs. In this regard, several of those interviewed emphasized the need for a clear and transparent process that is as simple as possible, especially in light of the fact that giving circles are somewhat of a "strange animal" (Interview #16). One executive director who is also a member of a giving circle presented it this way:

> I would make the process as open as possible and as transparent as possible. I think it is… I think the membership wants to feel involved. And I think the groups want to feel like they are being treated fairly. I would make the grant funding process as open and as transparent as possible…So I think the more transparent the process can be and the more criteria that can be set up to guide the giving and the more that can be said up front… the better it is for both parties. (Interview #13)

To do this means that the giving circle members themselves have to be clear about what they want, their own funding philosophy and processes. One executive director advised:

> …it's really important for them to be professional and clear and succinct and efficient even if it's only on the surface. If there's chaos in the back or whatever, but for people that are really struggling and applying for money because they need the money, keeping the process clear and simple is just so important because it is so confusing as it is. (Interview #6)

It would also be helpful if the giving circle provided support that the nonprofit organization *really* needs (rather than what the giving circle members think they need). In other words, that the funding is driven by the need of the organization rather than funding that is donor-directed. For instance, sometimes organizations might be in a stage where they do not need volunteers or have special projects that need to be funded. According to one executive director who leads an organization that has been funded by two formal organization giving circles:

> ….I would discourage groups from saying: "Okay we're going to give money *and* we're going to get involved." I think they should say: "We're going to give money

and get involved if that's what the nonprofit needs." You know, like in our history there's been times where we really needed it like in the beginning and then the [giving circle] did get involved and did some very specific, tangible projects that were really helpful. And now we are up and running and there are just not that many things that we need. Like, we don't really use volunteers for much of anything because we would prefer not to do it that way. (Interview #7)

In most cases, giving for general operating expenses is what is most needed. Yet, as one executive director described it:

> A lot of the times they [donors] really want to hear that the money is going for direct services. But be open to give us a break a little bit, to be open to operating, to understand how important it is to have the right people leading the organization and it takes money to pay for one. You know, because somebody could walk away in a minute and make so much more money in sales or, you know. I wish more giving circles would be open for allowing the money to go to operating costs, administrative costs, overhead, not just to program costs. (Interview #3)

Several nonprofit fundraisers also encouraged giving circles to take a chance on backing new solutions. As one interviewee expressed it:

> I would say to them when you find solutions that are different paradigms and that work…back them with everything you've got. Get in there…Because we don't know what the tipping point is. We've got accustomed to…Oh we're always going to have these social problems. Who says? Like it doesn't have to be the way it's always been. (Interview #10)

To this end, giving circle members should see their participation in the giving circle as a first step for their longer-term involvement in supporting organizations and causes they believe in. As one executive director put it:

> …people shouldn't see the giving circle gift as being the "end of it." Hopefully that's the beginning. That's like their membership fee. And then it should be after that, "What do I *really* care about? And how can this be my portal to get engaged deeply in the work?" I think some people use it as a screen because they don't want to really feel that much more, they just want to feel good that they've given their money to something and be a part of a group so that's why I feel its like a guild. Do you know what I mean? Versus really coming into it and saying, "I really want to make a difference and the way I'm going to do it is, I'm going to get smart about philanthropy and I'm going to find a couple of groups that really do the thing that makes a difference and for me and I'm going to invest in them deeply or I'm going to follow them deeply and I'm going to, you know, not just stand back and assume that my gift to this pooled fund was sufficient." I don't think it happens as much. I think it happens with a smaller minority of people. (Interview #4)

Finally, the nonprofit professionals we interviewed encouraged giving circle members to ask (hard) questions and allow for more contact between them and the giving circle members, as well as encourage and facilitate contact among fundees. Several of those interviewed truly wanted more interaction with giving circle members as would be indicative of a true partnership. This also came up in a SVP Seattle study of their investees (Ghosh, 2005). Overall, those interviewed in this study largely saw themselves as facilitators, wanting to help or partner with giving circle members and other donors to connect to the cause or issue (and/or solve the problem).

Conclusion

The purpose of this project was to better understand how fundraising professionals are responding and adapting to tools of the new philanthropy environment, especially to funding from giving circles. Our findings indicate that the experience nonprofit professionals have had with giving circles is mixed but generally positive. Some have been extremely happy with the relationship and some have been somewhat disillusioned, but still grateful for the funding they received. For the first group, it seems that what makes the experience a good one is that the giving circle members come to the nonprofit organization with openness, a partnership mentality, and with genuine interest in the organization and helping to meet its needs. Rather than being prescriptive and acting as if they have all the answers, giving circles that approach nonprofits with an attitude of "let's work together to figure out how best to solve this problem," are in tune with what the nonprofit organization needs, and give consistent and clear signals (even if for the short term) about what is expected in return for funding, seem to be viewed by nonprofit professionals as providing a good funding experience.

The second group, while still grateful for the funding, saw that there was much more potential to be gained through the funding relationship than was experienced. Among the clear benefits of the giving circle funding experience is the potential for value beyond the financial support. Although the particular nature of the added value varies depending on the needs of the funding partner and the character of the giving circle and its members, it may be argued that one of the reasons giving circles are appealing is because their added value is meeting organizational needs beyond budgetary ones. Needs such as visibility, a voice, appreciation, connections, volunteers, business skills, mentors and a host of valuables other than money are part of what seems to make for an effective funding partnership.

Plan for Dissemination of Results

Results of this study will be disseminated through several avenues. Beyond this final report, a summary may also be created for an article in *Advancing Philanthropy* at the request of AFP. Aspects of the findings will be presented at both the ARNOVA 2006 and AFP 2007 conferences. A discussion of findings will also be submitted to *Nonprofit Management and Leadership*. New Ventures in Philanthropy at the Forum of Regional Associations of Grantmakers has also agreed to post an executive summary of the results on their giving circle webpage and email announcements about the findings will be sent to appropriate listservs (such as those affiliated with ARNOVA, AFP, community foundations, etc.). Findings will also be shared with fundraising professionals who participated or show interest in the research. Other presentations may be made as requested by AFP or others.

References

Berg, B. L. (2001). *Qualitative research methods for the social sciences* (4th ed.). Boston: Allyn and Bacon.

Borman, K. M., LeCompte, M. D. & Goetz, J. P. (1986). Ethnographic and qualitative research design and why it doesn't work. *American Behavioral Scientist*, *30*, 42-57.

Coffey, A., & Atkinson, P. (1996). *Making sense of qualitative data*. Thousand Oaks: Sage.

Eikenberry, A. M. (2005). *Giving circles and the democratization of philanthropy*. Unpublished doctoral dissertation. University of Nebraska at Omaha.

Eikenberry, A. M. (2006). Giving circles: Growing grassroots philanthropy. *Nonprofit & Voluntary Sector Quarterly*, *35*, 517-532.

Ghosh, M. (2005, September). 2005 investee feedback survey summary report. Social Venture Partners Seattle.

Guthrie, K., Preston, A., & Bernholz, L. (2003). *Transforming philanthropic transactions: An evaluation of the first five years at Social Venture Partners Seattle*. Retrieved April 2004 from: www.svpseattle.org.

Independent Sector. (1996). Giving and volunteering in the United States. Survey conducted by the Gallup Organization for Independent Sector. Washington, DC: Author.

Jackson, E. F., Bachmeier, M. D., Wood, J. R., & Craft, E. A. (1995). Volunteering and charitable giving: Do religious and associational ties promote helping behavior? *Nonprofit and Voluntary Sector Quarterly*, *24*, 59-78.

Jones, M. M. (2000, August 1). Circular reasoning can prove most charitable indeed: 'Giving circles' help focus, fuel philanthropy. *Concord Monitor*. Retrieved December 12, 2002 from http://www.givingnewengland.org/press_top_00_08.html.

Korelitz, J. H. (2002, August). Second helpings. *Real Simple,* 85-90.

Kvale, S. (1996). *InterViews: An introduction to qualitative research interviewing*. Thousand Oaks: Sage.

Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry*. Beverly Hills: Sage.

Maxwell, J. A. (1998). Designing a qualitative study. In L. Bickman & D. J. Rog (Eds.), *Handbook of applied social research methods* (pp. 69-100). Thousand Oaks: Sage.

Paulson, A. (2001, October 1). A pooling of funds to boost donors' impact. *Christian Science Monitor*, *93*, 18.

Rutnik, T., A., & Bearman, J. (2005). *Giving together: A national scan of giving circles and shared giving*. Baltimore, MD: Forum for Regional Association of Grantmakers. Retrieved February 18, 2005 from http://www.givingforum.org/givingcircles/research.html.

Schervish, P. G., & Herman, A. (1988, July)*. Empowerment and beneficence: Strategies of living and giving among the wealthy*. Final Report: The Study on Wealth and Philanthropy. Boston: Boston College Social Welfare Research Institute.

Schervish, P. G., O'Herlihy, M. A., & Havens, J. J. (2001, May). *Agent animated wealth and philanthropy: The dynamics of accumulation and allocation among high-tech donors*. Washington, DC: Boston College Social Welfare Research Institute.

Schweitzer, C. (2000, October). Building on new foundations. *Association Management*, 28-39.

Appendix A

Interview Protocol

Date:

Start Time of Interview: Ending Time of Interview:

Organization Type: Interviewer:

Project Description (to be read or summarized at start of interview):

Thank you for agreeing to participate in this study on giving circles and fundraising. This interview will form an integral part of a research project we are conducting to better understand how fundraising professionals are responding and adapting to tools of the "new philanthropy" environment, especially to funding given through "giving circles."

As you may know, giving circles are emerging in popularity among donors—especially younger and female donors—and entail individuals pooling their resources and then deciding together where the resources should be distributed. They can come in many shapes and sizes. We see giving circles as emerging from a new philanthropy environment where anecdotal evidences suggests donors want to be more engaged in their philanthropy. Thus, the main point of our interview today is to find out what your experiences have been with giving circles and these type of donors.

This interview should take no more than an hour of your time. A report of our findings will be made available to participants and may be published more broadly.

With your permission, I would like to record this interview so that we can transcribe the interview. The recording will be destroyed once the project is completed, and all of your responses will be kept anonymous. Do I have your permission to record this interview session? Thank you. Your cooperation and candidness are greatly appreciated. [also need to get them to fax in the consent form].

Interview Questions:

1. Could you first tell me a little bit about your organization?

2. What kinds of interactions have you had with giving circles?
    *   What has been your experience working with giving circles?
        o   How was initial contact made?
        o   Have you worked with more than one giving circle? How do they compare?
    *   What are your impressions of giving circles and members?
    *   Have they been successful in your opinion? [outcomes?]

3. Is there anything specific about your organization that you think is attractive to giving circles and their members?

4. How does your experience with the giving circle compare to other types of fundraising?
   - How are they similar or different from other fundraising that you do?

5. Do you see giving circle members as different from other types of donors?
   - How would describe their characteristics?
   - Are there generational differences?
   - How do they compare to other types of "new" [younger generation] donors?
   - Do you relate differently to these types of funders? Is the role of Executive Director or fundraiser different?

6. What strategies have you used to cultivate giving from giving circles and their members?

7. How has giving circle funding and/or the new philanthropy influenced or impacted your organization?
   - Its mission?
   - Structure?
   - Budget?
   - Have you changed the way you do fundraising because of your interaction with giving circles and their funding?

8. What do you recommend to other **fundraisers** as ways to attract funding from giving circles and their members [or new donors]?

9. What advice would you give to **giving circle members** about giving to and working with your organization?

10. Is there anything else you would like to tell me about the funding you have received from the giving circle(s) or your experience with new donors?

Closing: Thank you for participating in this interview. All interview results will be kept anonymous. Is it okay for me to contact you again if I need to clarify any of your statements?