

Abstract for review

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The Benjamin-Franklin Effect: Does nonprofit sector reputation influence donation behavior, or is it the other way around?

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Abstract:

Attracting donations is positively related with the reputation of nonprofit organizations. Consequently, many organizations strive to build and maintain a positive reputation in order to attract necessary resources. However, little is known how reputation is built-up, and in particular how philanthropic behavior in itself influences nonprofit reputation. Therefore, this study aims at disentangling the vast amount of correlational evidence that nonprofit reputation and philanthropic behavior are positively related. On the one hand, donors will be more willing to give when they the nonprofit sector has a positive reputation for them. On the other hand, as individuals try to avoid any inconsistency between their behavior and cognition (Festinger, 1957), donors will adjust their opinion of nonprofit organizations as a result of their behavior. Thus, they might become more positive towards nonprofits after donating, to justify their decision. Finding evidence for this Benjamin-Franklin Effect (Jecker, 1969) of donation behavior on nonprofit reputation has a large practical relevance, as it would clarify the importance of engaging people in actual behavior (for example, in a step-wise relationship building effort) to ensure long-term and sustainable reputational benefits.

To study the reciprocal influence of nonprofit sector reputation and donor behavior, panel data from the Giving in the Netherlands Panel Survey (2010, 2012, and 2014) is examined (N = 3,010). Nonprofit sector reputation correlates positively with donation behavior ($r = .388$; $p < .01$), although, changes in both variables over consecutive years for respondents are not related. However, for the 474 respondents that answered both variables over three consecutive measurements, a significant positive lagged effect is found. This means that changes in perceived reputation between 2012 and 2014 are positively related to changes in donations between 2010 and 2012. In contrast, changes in reputation over two-year periods do not explain changes in donations over time. Our results suggest thus a triggering effect of actual behavior on perceived effectiveness reputation, rather than the opposite.

We elaborate our analysis with sensitivity tests, and discuss further research opportunities and limitations. For practitioners, the findings confirm the relevance of reputation management through engaging people to donate.

Most important references:

Festinger, L. (1957). A theory of cognitive dissonance. Evanston: Row, Peterson.

Jecker, J. (1969). Liking a Person as a Function of Doing Him a Favour. *Human Relations*, 22(4), 371-378.