**Session 2: Fund Development**

**Learning objectives:**

* To deepen awareness of my own strengths and the strengths of others in my organization and this network
* To apply key fund development terms and concepts to your organization’s income model and ways that you currently raise money
* To understand the characteristics of fundraising and philanthropy in organization culture, leadership orientation and practices
* To better lead and participate in your organization’s fund development activities

#### Introduction

Most executive directors possess several of the talents and skills needed to raise funds for their organization. They are passionate about the mission and they effortlessly reach out to people to enlist their support. EDs often have the entrepreneurial spirit that seeks new ways to bring resources, people and ideas together. What is missing then, for most EDs, is having a working understanding of the fund development and donor development processes, and of healthy organizational practices for raising funds, renewing annual support, and deepening donor and funder relationships. Recent research on nonprofit development practices underscore the importance of building a “culture of philanthropy” (UnderDEVELOPED, 2013)[[1]](#footnote-1).

Culture of philanthropy: While familiar to fundraising professionals, the term culture of philanthropy is not yet well understood nor commonly used across the sector. Not to be confused with institutional grant making or the act of giving money as a donor, a culture of philanthropy refers to a set of organizational values and practices that support and nurture development within a nonprofit organization.

Your organization might lack fulltime development staff, yet it can mount and sustain a successful donor development campaign each year when your activities, your people, and your systems are aligned to a culture of relationship building, asking and giving. The very first step is understanding your own relationship with philanthropy (voluntary action and giving): what you care about when you give money and time, and incorporating your awareness as a donor into who you are as a fundraising leader.

What fundraising leadership can you model for others? How can you make the best use of your time and talents within a work week to cultivate new supporters (individual and institutional) and to ask for money? Integrating fundraising work into your own calendar on a daily, weekly and monthly basis is essential for becoming familiar with supporters of the organization and the ways the organization can best raise funds. And being aware of your “resistance” to fundraising and asking for money is the first step towards becoming an effective fundraising leader. This chapter offers a few ways to develop your own personal approach to fundraising, through “trying on” the mindset of philanthropy and development. Philanthropy through annual and major gifts may not be the best fit as your organization’s *primary* income, yet is often the most strategic source of funds to grow and sustain as the secondary income that is unrestricted. If you have a strong practice of cultivation, asking, and stewardship with individual donors as an executive director, you’ll find that this framework and set of skills will support your leadership and management of foundation development, corporate giving and government contracts as well.

Being clear about your own role in fund development will enable you to enter into planning with staff and board members. Sometimes you will have the benefit of an existing fund development plan and giving program to oversee and build upon. If you don’t (and many groups do not have fundraising programs and plans), then this is an opportune time to gather key staff, board and supporters to create the rationale for development, develop a plan, establish distinct and clear roles, and develop a fundraising system. As much as EDs hope that their board will do this, it won’t get done without your leadership and initiative. Board members as well as staff and volunteers can rise to the challenge of asking and thanking donors when there is a plan, support systems, and leadership.

Almost ***everyone*** in your organization can benefit from practicing donor cultivation, stewardship, and how to ask for money because of the social taboos and fears that are attached to talking about and asking for money. This session is an introduction to those practices, which you may wish to pursue further- through practice, coaching, and additional training on major gift development. There are several online resources for understanding current strategies, tactics, technologies and performance benchmarks for raising funds, and we list some useful sources at the end of this section. We believe that the fundamental challenges that most organizations face in creating and sustaining contributed income is shifting the mindset or perspective of leaders in developing philanthropic relationships as they raise funds.

#### Development Reflection

*Think of the time and energy that you devote towards raising funds…*

What are the things you do during your week to build philanthropic & funding relationships?

Who are you building those kinds of relationships with? Think of actual people, institutions and the kind of support & involvement you are nurturing.

#### Fundraising Terms

### What is fundraising?

Fundraising is the process of securing charitable donations, which are necessary to run a nonprofit agency’s programs to meet community needs.

### What is development?

Development is the process of cultivating relationships with people who will support a nonprofit agency. You can apply many of the principles and practices of development to starting and building effective relationships with governmental and foundation funders as well.

### What is cultivation?

Cultivation is communication activities with prospective donors that build awareness and connection with your organization, and that increase your understanding of why someone might give to your organization.

**What is stewardship?**

Stewardship is building the trust and confidence of current donors that your organization is worth continuing their support and deepening their involvement each year. Annual reports are the traditional way; authentic conversations, sharing important news, involving a donor as an advisor, volunteer, or to solve a problem for the organization are excellent stewardship strategies.

### What is an annual campaign?

The series of fundraising activities your organization implements each year to secure new donors, renew and increase gifts from donors is an annual campaign. The ‘campaign’ requires structure, timeline and leadership for successfully completing the activities and achieving goals.

### What is philanthropy?

Philanthropy is voluntary action and giving to advance the common good. Root meaning is love of humanity.

**What is a philanthropist?**

Not necessarily foundation staff or trustees, nor the wealthiest people who give money away. Think of all kinds of people who volunteer a significant part of their time to a cause, people of all means who give a % of their annual income to improve communities, society, the environment. Think of yourself.

**Self-Reflections on Money & Your Role in Fundraising**

Review & highlight which questions are most relevant to you.

1. **How confident am I in discussing money?** (For example: discussing the organizational financial picture, how much it costs to support the various elements of the work)
2. **How comfortable am I asking for money? What barriers stop me from asking?**
3. **Can I cultivate real philanthropic relationships with people who have much more wealth and social status than myself? What, if anything, will get in my way of authentically representing the organization’s values and stance?**
4. **Can I make a significant gift to my organization? Can I expect my board members to do so?**
5. **What is most compelling to me about the organizational mission- how do I communicate this when asking for support?**
6. **What do I want to learn about the donor when I ask them for money?**
7. **Can I accept “no” graciously and not feel rejected?**
8. **What personal talents and skills can I apply to fundraising? What talents and skills reside on other staff, board and volunteers?**

#### Consider using a fundraising coach to explore the relevant questions and build your fundraising skills.

## Development is a Process that Organizations

## Conduct Year Round…

## How does your organization do this?

## Cultivating Support

Cultivating a donor relationship encompasses lots of activities and opportunities to communicate. Just remember that the process is “two way”- you need to see interest, motivation, and eventually commitment from the prospective donor in order to create a relationship of regular giving or major support. So cultivation is not just telling people why they should care about your work. The ultimate goal of cultivation is to determine “fit” between your organization and the person’s values, and focusing time on the people who care a lot and want to see your work succeed.

**Competitive Marketplace**

* Many worthy causes
* For-profits compete with nonprofits for government contracts; public entities like schools, libraries, parks compete with nonprofits for private donations
* The nonprofit sector continues to grow, and public confidence is declining

**The Exchange Principle**

* Organizations create social value that most individuals can’t create on their own
* Individual donors pay your organization to achieve things that they don’t have time or abilities to do
* There has to be a “match” in the donor’s values for the exchange to be real, and for a donor to keep giving.

**Inquiry and Listening Are Core Skills in Development**

Practice a cultivation conversation by interviewing & being interviewed.

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**What motivates you to give your time or money to an organization or cause?**

**What group/cause do you feel**

**most passionate about and why?**

**What do you hope to achieve when you**

**support an organization?**

### Instructions: In pairs, interview each other, one at a time.

1. Person A asks Person B the questions, and tries to learn as much as possible in the time given to understand Person B’s values.
2. Turn up your listening skills and curiosity in Person B’s values.
3. After signal to end, Person A shares what they learned about Person B.
4. Switch role and turn.

### What values did you hear?

**What was it like to talk about your own values of giving?**

### The Development Cycle & Annual Fundraising

Your fund development activities & information systems segment donors in important ways:

1. Newly acquired donors – welcome & introduce – retain 20 – 35%
2. Annual donors – engage & renew – retain 50 – 75%
3. Frequent donors – involve and ask for additional gifts
4. Those who give through events- encourage sponsorship & table captains
5. Other donor preferences- note and honor requests

sources: 2014 Fundraising Effectiveness Project; Blackbaud white paper 2013

**Response rates for different strategies** (recent benchmarks)

* Direct mail to acquire new donors bulk: 0.5 – 1%
* Email fundraising message: 0.05- 0.10%
* Direct mail to renew an annual gift from current donors: 6 – 12%
* Email, letters & calls to renew annual gift from current donors: 15 – 20%
* Personal calling: 25%
* Face to face asking: 50%

Source: Grassroots Fundraising Journal, NTEN/M+R Benchmark study 2015.

For loads more stats and cool infographics on online giving and advocacy: www.mrbenchmarks.com

**Want to get better results?**

Track your response rates each ask, each year.

# of gifts / # of people asked **= response rate**

# of annual donors who gave in 2015 who gave again in 2016 = **retention rate**

Total dollars raised: \_\_\_\_\_\_\_ in 2014 \_\_\_\_\_\_\_ in 2015 \_\_\_\_\_\_\_ in 2016

Average gift amount: \_\_\_\_\_\_\_ in 2014 \_\_\_\_\_\_\_ in 2015 \_\_\_\_\_\_\_ in 2016

**Donor Segmentation is also tailoring development approaches**

**based upon what you know about ‘types’ of donors**

**Major Donor Profiles**

Used to create outreach & communication strategies based on profile

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **The Close Ally** | **The Best Friend** | **The Working Professional**  | **The Investor Donor** | **The Elder** |
| Current & former board members, other people that know our work close up.  | Have a strong emotional connection us, our work ranks high as a giving priority to them. | Tend to be busy, middle aged people who have little spare time or energy to engage.  | Business and community minded, interested in tangible results, they support many groups including ours. | Retired, possibly over the age of 75. May be cutting back on annual giving, want financial decisions to be simplified. |
| Make opportunities for detailed conversations by phone or email about programs or context of the work where they could give ideas, advice, contacts.  | They are happy to read detailed print information about our work because they are sincerely interested in knowing more. | Offer straightforward, punchy stewardship, ideally no more than 1-2 times/year. Do not try to call because they don’t have time.  | Avoid long handwritten cards, and personalized mailings which may be viewed as wasteful. They may go to website, financial statements to make decisions.  | Could be interested in a conversation with staff. Cards and information about programs works well. Thank you calls might be welcomed. |
| Interested in informative events and may be open to hosting gatherings, could be approached for special major gift asks.  | Most but not all are happy to meet with staff, attend events and being ambassadors. They may not necessarily want to organize a donor gathering.  | Be honest about whether these individuals actually want a relationship with group, events or meetings is rarely possible. | Would not go out of their way to attend our events, if they say yes to a meeting, they will have questions. They might consider a special gift with a budget and proposed results. | They have free time, but not a lot of energy for further engagement, events. May be interested in a visit. Less interested in making a major gift other than bequest.  |

Excerpted from *Surveys and Segments, Building Your Major Donor Strategy* by Jack Hui Litser, Vol. 35, Grassroots Fundraising Journal, 2016

1. Determine who and how many people you can segment with different approaches (eg, Recency – Frequency- Longevity- Monetary score)
2. Create the profiles from a survey, donor records, informal interviews, or your best guesses.
3. Use this example to spark your own hypothesis and ideas for working with your major donors, and keep refining as you get more results.

A full case study and tips for implementing this approach is available in the *Grassroots Fundraising Journal* is included in the post STRONG training email.

**Try it Out: Write down the names of 3 people you want to cultivate for a major gift, and see what profile they most closely fit within.**

**Stages of Engagement & Moves Management**

**Introduce Educate/Understand Involve/Participation Invite/ Commitment Recognize**

**Think of someone you are currently cultivating to support your organization…**

Their Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. What do you know about this person’s giving interests?
2. What do they know about your organization?
3. Which of the stages of action would this person be needing in order to give, or to increase their giving?
4. What is your next action with this person?

**Bright Spots Research – A Look at What’s Working**

So much of how we approach improvement in our culture and in our organizations is by focusing on what’s not working. With **UnderDeveloped:** A National Study of the Challenges Facing Nonprofit Fundraising, we heard from more than 2,700 executives and development directors across the country a lot about what hasn’t been working: the short, frustrated tenures of development directors, the lack of engagement in fundraising by executives and board members, and the unclear expectations among them all about who is supposed to be asking people for money.

For many, these challenges seemed endemic and insurmountable. But, of course, there are organizations enjoying success in raising money from individuals. And it isn’t only universities and other large, mainstream institutions enjoying the success. There are progressive organizations with limited budgets and small staffs that nonetheless have robust individual giving programs. In the spirit of what’s called “positive deviance,[[2]](#footnote-2)” we decided to study 12 of them. In addition to reviewing their individual fundraising performance over the last 3 years, we did in-depth interviews with their staff, board, and donors to glean the essential ingredients to their success. We are calling them *Fundraising Bright Spots*. None of these organizations is perfect and there are many more we could have studied, but they are diverse in size, issue area, and geography and their stories, taken together, inform and inspire us. Instead of focusing on what doesn’t work in individual fundraising, with this report, we are learning from their tireless efforts what does.

**FINDINGS**

What we observed across the entire set of fundraising Bright Spots is captured in four large themes:

1. Fundraising is core to the organization’s identity.
2. Fundraising is distributed broadly across staff, board, and volunteers.
3. Fundraising succeeds because of authentic relationships in every direction: with and among staff, board, volunteers and donors.
4. Fundraising is characterized by persistence, discipline, and intentionality.

**1. Fundraising is Core to Organizational Identity**

Traditionally, fundraising has been viewed as a supporting activity, as an overhead cost, as a means to a programmatic end. That’s not the case for the Bright Spots. For them, fundraising is part and parcel of organizational identity. Whether advocacy or service organizations, or both, they are inherently political and their politics are not muted in their philosophy about how to resource the work they do.

And, who they are and what they believe specifically informs how they approach fundraising from individuals.

*“I encourage other organizations and leaders to feel a confidence and a comfort in focusing on what you do and how you do it and to trust that that will connect you with other likeminded people.”*

--Bright Spot Organizational Leader

**Reflection:**

*How is fundraising viewed and understood in our organization?*

*How can fundraising relate to our organizational identity & values about how we do our work?*

**Example: Breast Cancer Action** www.bcaction.org

|  |
| --- |
| http://www.bcaction.org/wp-content/uploads/2015/11/SIGN-UP-button.png |

For 26 years, we’ve been the watchdog of the breast cancer movement. We believe that women’s health and patient interests must always come before corporate profits. We’re fiercely independent and have a strict conflict of interest policy, which means we cannot be bought or influenced by the powerful industries we’re up against. We refuse corporate funding from any company that profits from or contributes to breast cancer: pharma, chemical, health insurance, etc. – the kind of corporate funding that funds most other breast cancer organizations.

We rely on our grassroots network – people like you – to support our work, and nearly 75% of our funding comes from individuals. One important way Breast Cancer Action members support our education and activism for women’s health is to raise money to fund this work. Members have lots of creative ways to mobilize their community’s support for our activism, from bike rides to knitting parties, online fundraising pages, house parties, and more. If you’re interested in supporting our work by hosting a fundraiser of your own, [join our Hellrai$ers for Health grassroots fundraising team today.](http://cqrcengage.com/bcaction/HellraisersForHealth)

**2. Fundraising is Distributed Broadly across Staff, Board, and Volunteers**

The majority of the people we interviewed from each Bright Spot organization did not have development in their title. Among these organizations, there is a remarkable distribution of fundraising across staff, board, and volunteers. Whereas many organizations assume their board of directors to be the center of gravity for their fundraising—and often bemoan board members’ lack of engagement—the Bright Spots engage non-development staff and volunteers just as actively as they do their current board members. Board members are critical, but they are not viewed, as more or less capable, than other stakeholders of raising money.

For many of the Bright Spots, building the skill set of fundraising is viewed as intrinsically valuable for people doing social change work rather than of value only to those pursuing careers as professional fundraisers. While this distribution of effort requires significant support from key staff, the return on that investment is measured not only in dollars raised but in movement leaders strengthened. In fact, a number of our Bright Spots organizations named “leadership development” as a core organizational strategy, and training and engaging stakeholders in fundraising as a core means of implementing that strategy.

**Reflection:**

*Are there people in your organization with a clear development responsibility, yet who are not a development director, manager, or assistant?*

*Name people who you think have strengths in outreach, networking, relationship building who could begin playing a development role.*

**3. Fundraising Succeeds because of Authentic Relationships in Every Direction: With and Among Staff, Board, and Donors**

The centrality of authentic relationships to successful fundraising came through in every Bright Spot interview we conducted. None of these organizations approaches relationships with donors as transactional or as only about money. As we interviewed their donors, we heard emotional words of connection to the Bright Spots organizations that go far beyond “investing in an important cause” or perceiving an organization to be “well-run.”

**Reflection:**

*Can you have open and principled disagreement with a funder or donor as a part of asking for support or stewarding the relationship?*

*Do you model authentic communication with board and staff?*

**4. Fundraising is Characterized by Persistence, Discipline and Intentionality**

Across the wide range of staff sizes and organizational budgets of these Bright Spots, we found a universal commitment to continuous improvement of the fundraising program; to revisiting the approach to signature events and campaigns; to using the data they have as effectively as possible; to applying discipline to the daily work of an individual giving program. This effort is often championed and led by the development director, but understanding development metrics extended beyond them. Many Bright Spots also use their development committees as a place to make regular meaning of their fundraising performance trends. Overall, a willingness to experiment and learn was pervasive.

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REFLECTIONS & NOTES

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1. Bell, Jeanne and Marla Cornelius, UnderDeveloped: A National Study of Challenges Facing Nonprofit Fundraising (San Francisco, CA: CompassPoint Nonprofit Services and the Evelyn and Walter Haas, Jr. Fund, 2013). [↑](#footnote-ref-1)
2. **Positive deviance** (PD) is an approach to behavioral and social change based on the observation that in any community, there are people whose uncommon but successful behaviors or strategies enable them to find better solutions to a problem than their peers, despite facing similar challenges and having no extra resources or knowledge than their peers. (Wikipedia) [↑](#footnote-ref-2)