
CHAPTER 1

Let's Start Here

An Important Introduction

Philanthropy is the act of individual citizens and local institutions contributing money or goods, along with their time and skills, to promote the well-being of others and the betterment of the community in which they live and work. Philanthropy can be expressed in informal and spontaneous ways or it can also be expressed in formal, organized ways whereby citizens give contributions to local organizations, which in turn use the funds to support projects that improve the quality of life.

—European Foundation Centre, Brussels

Where to Start

Should all books begin at the beginning, especially professional books? My book *Keep Your Donors: The Guide to Better Communications and Stronger Relationships* (co-authored with Tom Ahern; John Wiley & Sons, 2008) began at the beginning, even using that title for the first chapter: beginning at the beginning.

So what's the beginning to this third edition of *Strategic Fund Development*? I'll start with a mini overview of definitions, resources, and happenings. Not all-inclusive nor even fairly comprehensive. Just some thoughts and perceptions that set the context for what comes next.

What's Happening Out in the World

Does that sound too big? Well, it isn't. This is the place to start: the environment in which you and your organization operate.

Think about world events like the great recession (its name in the United States) or the global economic crisis (with its own acronym, GEC). The economy affects your community and your organization.

Think about demographics and lifestyles. What do you know about Baby Boomers, Millennials, and gender differences? What are the implications for serving your clients and hiring employees? What trends affect your fund development program and marketing/communications? Think about politics and public policy.

How will legislation and regulation affect your clients and donors, your programs and advocacy?

How about technology? Think about the Internet, Google and googling, YouTube, and social media. What's the effect on your programming and administration, your relationship building, and your marketing/communications? And there's more, of course: Think about war, safety, security, science, and religion. Think about all the elements in your environment that you cannot control but do have to manage. See Exhibit 1.1, a tiny snapshot just for fun. How out of date is this snapshot as you read it right now or again in six months or later?

Exhibit 1.1 Tiny Snapshot of What's Happening in the World

Ten Trends You Have to Watch

1. Globalization under fire.
2. Resources feeling the strain.
3. Trust in business running out.
4. A bigger role for government.
5. Shifting consumption patterns.
6. Management as a science.
7. Asia rising.
8. Industries taking new shape.
9. Price stability in question.
10. Innovation marching on.

Curious about what this means? Read "The 10 Trends You Have to Watch," by Erick Beinhocker, Ian Davis, and Lenny Mendonca, *Harvard Business Review* (July–August 2009). "After a full year in heads-down crisis mode," many business executives think the result is a "restructuring of the economic order." What do you think? How do these affect your nongovernmental enterprise (NGO) and its environment? Read the article. Check with McKinsey & Company as it tracks these forces.

Five Trends That Will Reshape the Nonprofit/NGO Sector

1. Demographic shifts redefine participation.
2. Technological advances abound.
3. Networks enable work to be organized in new ways.
4. Interest in civic engagement and volunteerism is rising.
5. Sector boundaries are blurring.

Curious about these? Read "Convergence: How Five Trends Will Reshape the Social Sector," by Heather Gowdy, Alex Hildebrand, David La Piana, and Melissa Mendes Campos of LaPiana Consulting (November 2009). What do you think?

Where do you get your information about what's happening in the world? What research sources help you the most? How do you nurture strategic conversations to talk about issues, trends, and their implications for your community and your organization?

By the time you read this book, resources I suggest may no longer exist or may not be so great. But you'll find more. That's part of your job. For now, here are just two examples:

1. Pew Research Center (www.pewresearch.org): Nonpartisan fact tank that provides information through public opinion polling on the issues, attitudes, and trends shaping the United States and the world.
2. Center on Philanthropy, Indiana University (www.philanthropy@iupui.edu): Resource center for increasing the understanding of philanthropy and improving its practice through research and education.

Visit the various associations and resource centers around the world that focus on the nonprofit/NGO sector. Look at their research and publications. Then go beyond the nonprofit/NGO sector. Stay on top of business theory and happenings in the for-profit sector. Check out my home page blogs and "newsyletter" for recommended research, resources, and readings. See the booklists and links on my website at www.simonejoyaux.com.

Defining Philanthropy and Fund Development

Years ago when speaking in Mexico City, I heard philanthropist Don Manuel Arango Arias talk about philanthropy as "freeing the talent of the citizenry." That goes well with my favorite definition of philanthropy, coined by Robert L. Payton, that philanthropy is "voluntary action for the common good."¹ Consider, too, what other leading sector experts say: John Gardner talks about "private initiatives for the public good," Lester Salamon refers to "the private giving of time or valuables ... for public purposes" and Robert Bremner notes that "the aim of philanthropy ... is improvement in the quality of human life."²

Philanthropy is not defined by wealth. Everyone can give. Many choose to give. And it is hoped that organizations value all donors and respect all gifts. As Alfre Woodard says in the preface to *Robin Hood Was Right*, one of the best books you'll ever read: "Giving isn't a posture reserved for the rich or powerful. It is the responsibility and privilege of every man, woman, and child to participate in the task of building more just and humane societies."³ The concept of justice—too often excluded from philanthropy—broadens our horizons.⁴ The common good demands our attention. And Woodard continues, "Charity is good, but supporting and creating social change are about power. Power can infuse lives with purpose and dignity. That opens up the possibility of joy. The life of the giver, as well as that of the receiver, is transformed."⁵

While the word *philanthropy* comes from the Greek, the philanthropic tradition is neither a Western invention nor Western-dominated. Think about Islam's Zakat. Think about Confucianism and Buddhism. Imagine the earliest societies working together to help each other.

What Is Fund Development?

Hank Rosso described fundraising as the servant of philanthropy.⁶ I don't much like the term *fundraising*. I prefer *fund development*, which seems more strategic and encompassing.

What's most important is that philanthropy and fund development belong together. Fund development helps engage people in philanthropy. Do your staff and board members understand this partnership? Do your staff colleagues and board members honor fund development as much as they honor philanthropy?

When I combine philanthropy and development, here's my definition. Philanthropy means voluntary action for the common good, freeing the talents of the citizenry. Fund development is the essential partner of philanthropy. Fund development makes philanthropy possible by bringing together a particular cause and donors and prospects who are willing to invest in the cause.

Perhaps it's called "development" because we never find the answer . . . only questions that lead to more questions.

—Cohort 20, Master of Arts in Philanthropy and Development, Saint Mary's University of Minnesota

The goal of fund development is to acquire donors of time and money who stay with the charity. This is done through the process of relationship building. With the donor at the center, fund development nurtures loyalty and lifetime value, thus facilitating philanthropy. You know if your relationship building works, because your retention rates and the lifetime value of your donors and volunteers increase.

Philanthropy and Mission

Philanthropy—and its essential partner, fund development—do *not* merely serve your organization's "greater purpose" or its "true mission." Your organization's mission is *not* just about saving the whales or feeding and sheltering the homeless or educating youth. Your organization has two missions: saving the whales + philanthropy and fund development. Or educating you + philanthropy and fund development. Never forget this!

Some Basic Definitions and Distinctions

Constituents are different from prospects, but there are similarities. Prospects may not be what you think (or hope) they are. Maybe you've confused prospects and the predisposed. Your organization needs a shared vocabulary to move conversation and decision-making forward. Try these:

Constituent: Someone who relates to or cares about your organization. Can be an individual, business, service organization, mosque, or other entity.

Constituency: Group of constituents.

Stakeholder: Not so different from a constituent. Someone who has a direct interest in your organization or your cause. *The AFP Fundraising Dictionary* has a nice angle: "a person who has a special interest in the activities and decisions

of an organization.”⁷ Stakeholders are actually interested in the decisions that your organization makes. Do you think your organization understands that? What would happen if your organization actually reported on the decisions it makes? What would happen if your stakeholders actually watched your organization make decisions? Would your organization perform better if stakeholders were watching how the sausage really got made?

Predisposed: An individual, business, or some other entity whose interests and actions suggest a possible inclination or susceptibility toward your organization’s cause or mission. “Suspect” is common fundraising terminology. But who wants to hear anyone referred to in such a pejorative manner? So I’ve invented this alternative term. In *The AFP Fundraising Dictionary*, a suspect is defined as “a possible source of support whose philanthropic interests appear to match those of a particular organization but whose linkages, giving ability, and interests have not yet been confirmed.”

Prospect: An individual, business, or some other entity that has demonstrated an interest in your cause or organization. The individual has raised his or her hand by buying your services or asking to join the mailing list. In some manner, in some way, the individual, business, or entity has signaled an interest in your cause and your organization. Think of a prospect as a constituent who has moved along the constituency development continuum and is now considered qualified to receive a request of some sort. For example, a request to join your board or to give a financial contribution. The Visual Thesaurus (www.visualthesaurus.com) uses the phrase “the possibility of future success,” also defined as somebody or something with potential.

Donor: Here comes our favorite definition, right? Donor: an individual, business, or some other entity that has given a gift of time or money or service to your organization. (So when this book refers to “people,” I mean individuals, foundations, corporations, civic groups, whatever.) A donor of time is usually called a volunteer. But remember, a volunteer is a donor. Donors may be called contributors and investors, too.

And just a little P.S. What’s a customer? Someone who uses or pays for goods or services. Watch the little diagram at www.visualthesaurus.com shift. Follow the other words for customer, for example: client, consumer, patron, user, subscriber, frequenter, business relation.

Naming the Sector and Its Organizations

Over the years, many have questioned the sector’s name. It seems strange to define an entire sector by what it isn’t and what it doesn’t do (e.g., “not-for-profit” or “nonprofit” or “nongovernmental”). Others have proposed alternative terms like “independent sector” or “third sector.” But these terms never seem to stick. I suspect “nonprofit” and “nongovernmental” are here to stay. And it isn’t a battle I want to fight. In this book, I use nonprofit/NGO.

How about those terms “earned” and “unearned” income? “Unearned” references charitable gifts. Hey, nonprofits “earn” those gifts through very hard work! I say “income” with two subsets: revenue (referencing fees and tuition and box office, etc.) and public support/charitable contributions. Both equally earned, thank you!

By the way, it’s okay that organizations generate excess income over expense. In fact, healthy organizations do just that. I wonder how well those outside the

sector understand that. Actually, I wonder how many outside the sector understand how the nonprofit/NGO sector is financed. I wonder how well those outside (and inside) the sector understand the financing conflicts, the lack of capitalization, the inadequacy of resources, and the inappropriate expectations forced upon the sector.⁸

Why Does This Sector Matter?

The third sector has been called the “keystone of a caring society,”⁹ as contrasted with the for-profit and government sectors, which might not be so caring. The nonprofit/NGO sector is essential for the “spirit and character of our society and for the freedom and fulfillment of each of us.”¹⁰ So says Waldemar A. Nielsen in his marvelous paean to the sector. The third sector is comprised of a myriad of organizations large and small, focused on education and human services, arts and culture, public society/benefit and health, and more. The third sector is essential to a healthy community.

Nielsen describes the sector as doing three key things:

1. Delivering a wide range of services to people—often bridging the gap between government investment and actual community needs.
2. Strengthening the other two sectors—the for-profit marketplace and government—often producing corrective and compensatory effects.
3. Serving as a humanizing force—offering people an opportunity to give. (Nielsen uses the phrase “an outlet for the nearly universal impulse to altruism.”¹¹)

More than two decades ago, Nielsen ended his remarks with the following: “The Third Sector is now in serious difficulty—under simultaneous assault by inflation, government regulation and competition and the negative effects of some misbegotten tax policies. [The Third Sector’s] own mismanagement of its affairs is another worrisome problem. To preserve its freedom and vitality will require a long determined and persevering struggle by all of us who are committed to the preservation of a humane, compassionate, and free society in this country. That cause is eminently worth fighting for.”¹²

What might you say today? Something very similar. The third sector is in serious difficulty. As the saying goes, *plus ça change, plus c’est la même chose*.¹³ The more things change, the more they stay the same.

Think about Nielsen’s statement that the nonprofit/NGO sector provides corrective and compensatory benefits to the marketplace and government. During his 1979 remarks, Nielsen cited Kenneth Boulding, noting that without the nonprofit sector, the economy would quickly develop “conditions that would be widely regarded as pathological . . . [the economy] might easily produce distributions of income which would be regarded as unacceptable.”¹⁴

Isn’t that where we are in 2010, as I write this third edition? In the United States, this unjust economic situation has been developing for many years. And there’s injustice everywhere in the world. As Nielsen said, the nonprofit sector is the counterbalance to government and the for-profit sector. A critical role of the nonprofit/NGO sector must be questioning the status quo. A major role for the sector must be advocating appropriate public policy.

Nonprofits and Democracy

Without a doubt, the nonprofit/NGO sector plays a critical role in creating and sustaining democracy.¹⁵ Through voluntary association, citizens gather together and question, rally, and act.

In his nineteenth-century examination of life in the United States, Alexis de Tocqueville wrote extensively about voluntary associations. Beginning with the act of associating, de Tocqueville notes:

*The most natural privilege of man, next to the right of acting for himself, is that of combining his exertions with those of his fellow creatures and of acting in common with them. The right of association therefore appears to me almost as inalienable in its nature as the right of personal liberty. No legislator can attack it without impairing the foundations of society.*¹⁶

De Tocqueville goes on to say:

*In democratic countries the science of association is the mother science; the progress of all the others depends on the progress of that one. Among the laws that rule human societies there is one that seems more precise and clearer than all the others. In order that men remain civilized or become so, the art of associating must be developed and perfected among them in the same ratio as equality of conditions increases.*¹⁷

Through the right of associating, people push back against issues as diverse as laws and elected officials, corporations and their acts. By associating voluntarily, people exercise their right to question and critique, advocate and lobby. As associations—not just individuals—people can hold accountable their government as well as the marketplace.

Look at the movements that forced government to change and forced the for-profit sector to change somewhat. Think about the antismoking and environmental movements. Think about the Civil Rights movement. Look at the marriage equality movement and the antiwar movement. Remember the fall of the Berlin Wall. Look at the freedom movements around the world.

Citizens voluntarily engage in nonprofit organizations. NGOs fight and fight hard, including protests and litigation. And change happens. With change sometimes come—one hopes—stronger democracies and more justice. Thanks to the third sector. But still more must be done. The third sector must fight harder. More nonprofits must join in.

What stops NGOs from embracing their role in democracy? Why doesn't the sector step up and fight harder? Lots of reasons: Insufficient time. Not enough resources—after all, big funders (especially foundations) don't always support advocacy and public policy work. Why else? Fear of donor reaction. Lots of donors give to direct service and don't want to make systemic change. Systemic change means questioning the status quo, and lots of donors *are* the status quo. Why else? Regulatory threats. For example, the U.S. government invents laws and regulations to reduce the advocacy power of nonprofits. And nonprofits often don't find the wherewithal and motivation to fight this. On and on it goes.

The nonprofit/NGO sector does not live up to its potential to fight government. But let's not just blame the sector. The people—our donors and volunteers and voters—must stand up and speak out on behalf of the sector and on behalf of democracy, which is reinforced by this unique sector. The time is always now.

Why Does This Sector Matter? Redux

Read Michael Edwards's book *Small Change: Why Business Won't Save the World*.¹⁸ It's his response (critical, fortunately) to the philanthrocapitalism movement. It's his challenge (come on, people, let's wake up) to society. It's an invitation (a much-needed battle cry) to you and me to fight.

For a society so enamored of capitalism, the United States is particularly vulnerable to the fascination of social entrepreneurship and philanthrocapitalism. I must ask my international colleagues if they are so easily seduced. I hope that they aren't. And I'm sad that the United States is.

Like me, Edwards wants to provoke conversations so there's public discourse. And through public discourse, we can hear each other, learn from each, and ensure a stronger future for philanthropy and its results.

In sum, philanthrocapitalism claims that the "traditional ways of solving social problems do not work, so business thinking and market forces should be added to the mix."¹⁹ Or, in other words, "business thinking and market methods will save the world."²⁰ (And make a lot of money for a limited number of people, too!)

Now, that's where I get stuck, and so does Edwards: the excessive admiration for business thinking and market methods. Let's see. . . . Would that be General Motors' almost-bankruptcy and the 2010 BP Gulf oil spill?

I guess all those philanthropic responses to natural disasters, civil rights, poverty, education, the arts—from NGOs and millions of people—don't count for much? Weren't sufficiently efficient? Didn't produce meaningful and long-lasting results?

It's human to want quick solutions and facile answers. Nonetheless, it reflects a dangerous naïveté and a lack of understanding about what is required to make change. For example: This philanthrocapitalist approach hopes to fix the problems caused by capitalism. Honestly, I'm not trusting that. This approach fixes problems but doesn't change the underlying systems like racism or sexism. I want more than Band-Aids; I want real change. Moreover, philanthrocapitalists represent only a small portion of our society, but hold a disproportionate amount of control. That doesn't work for me. I believe everyone should and must have access. Philanthropy—and the value of the nonprofit/NGO sector—is about social transformation. Edwards justifiably asks, "Can these new approaches transform societies, or do they simply treat the symptoms of social problems in more efficient ways?"²¹ I know my answer. What's yours?

Sure, philanthrocapitalism can make a difference. It can find cures for various diseases and produce jobs. But that doesn't fix the systemic issues that confront our society—things like greed and inequality, fear and prejudice, privilege and disadvantage.

*Few areas of business expertise translate well into the very complex social and political problems, where solutions have to be fought for and negotiated—not produced, packaged, and sold. And, so far at least, there aren't many philanthrocapitalists who are prepared to invest in the challenges of long-term institution building, the deepening of democracy, or the development of a different form of economy in which inequality is systematically attacked.*²²

Economic growth doesn't fix racism, sexism, homophobia, and the fundamental inequities of our world. Economic growth doesn't fix poverty, either—just look at the growing disparity in income over the past few decades. As Edwards notes, “no great social cause was mobilized through the market in the twentieth century.”²³ And I don't believe that the market will *ever* mobilize any great social transformation. But that's okay. That's okay as long as philanthrocapitalists quit promoting their excessive value and societies stop looking for quick fixes. Business thinking is different from nonprofit/NGO sector thinking. Capitalism—even philanthrocapitalism—focuses on the financial bottom line first. The bottom line in the nonprofit sector is different. The bottom line is mission, not money. The bottom line is the common good, not the marketplace's good. The result is social transformation, not reinforcement of the status quo. Certainly, nonprofits need to follow some good business practices, to stay healthy. But the bottom line is fundamentally different.

Edwards asks us to reflect on what is meant by the nonprofit sector, often called civil society. He defines civil society as “the things we do together, not because we want to make a profit or earn a material reward, but because we care enough about something to take collective action. . . . [Civil society] provides a space free of government control and the pressures of the market, a space in which private citizens can organization for public work. . . . It's that independence that enables civil society groups to hold government and business accountable for their actions and to act as crucibles for new or unpopular ideas, for democratic politics and the birth of social movements, and for speaking truth to power.”²⁴

Compare Edwards's remarks to Nielsen's. Look at de Tocqueville's commentaries. Read the recommended articles about the nonprofit sector's role in democracy. Review my monograph about “philanthropy's moral dilemma.” What do you think? Are you ready for renewed battle? I hope so.

We must reject the idea—well intentioned, but dead wrong—that the primary path to greatness in the social sectors is to become “more like a business.”

From *Good to Great and the Social Sectors: A Monograph to Accompany Good to Great*, by Jim Collins (New York: HarperCollins, 2005), 1

A Sad Truth

“Is there something in society's subconscious that expects nonprofits to operate in ‘poverty-like ways?’” That question was a showstopper in the Cohort 20 classroom (Master of Arts in Philanthropy and Development, Saint Mary's University of Minnesota), summer 2010.

We were talking about the starvation mentality in so many nonprofits. You know, things like: really old, rather dysfunctional computers; such poor wages that employees cannot afford a reasonable mortgage and may have to visit the soup kitchen for a meal. We talked about the chronic underfunding of necessary infrastructure and overhead. We ranted against Guidestar, Charity Navigator, and their ilk that rate nonprofits based on spurious ratios. We recognized that inadequate infrastructure causes employees to work excessively long hours with poor tools and insufficient professional development. And we realized how hard it is to explain this to boards that make decisions.

There in the classroom, members of Cohort 20 explored why this happens. Who decided that 90 percent of the charitable gift must go to direct service, thus starving the organization and its employees of necessary resources? Who decided it was okay to pay less than a living wage to people who work in nonprofits?

One cohort member asked: "Does society think nonprofit employees should be paid low wages because then the employees will relate better to the clients?" Another cohort member observed: "Why does a willingness to accept lower wages (much lower wages than for-profits) seem to be an indicator or qualification for one's job in the nonprofit sector?" This is terrible. And unjust.

Is this a holdover from religion? (Although why should religious orders take a vow of poverty?) Is this some implied mandate from government that because the nonprofit sector gets certain benefits, the working conditions and wages can be lousy? What's going on?

I believe in a living wage for everyone, including employees in the nonprofit/NGO sector. I believe that adequate infrastructure is necessary to support the programs and services provided to fulfill the mission. And by the way, I believe that competent people work in the nonprofit sector, just like competent people work in the for-profit sector. I also believe that there are incompetent performers in both sectors. I also expect that wages in the nonprofit/NGO sector will not be outrageous. I think it's a violation of the integrity and ethics of the nonprofit/NGO sector to pay the excessive salaries, benefits, and bonuses found in some for-profit jobs. That said, I have no problem with a decent wage, a *darn* decent wage for nonprofit staff.

It's time for the sector to fight this. It's time for nonprofits to invest in infrastructure and demand fair wages for their employees. It's time to stop honoring the unrealistic expectations of government contractors and scared boards. I believe we can explain this to our donors. Let's get it together and make change.

Basic Principles of Fund Development

What are the key messages that you want your staff and board members to understand? How do you define the basic principles of fund development? Here's my current list—current, I say, because as time passes, maybe I'll modify it. To check for any modifications, visit my website at www.simonejoyaux.com. For now, read on. Use Appendix 1-A, "Basic Principles of Fund Development," on this book's website to stimulate conversation with your staff and board. Make sure everyone is using common vocabulary for your conversations. Check the definitions earlier in this chapter.

Culture of Philanthropy

The right attitude matters as much as anything. Culture refers to the personality and attitude of your organization. A culture of philanthropy means that everyone accepts and celebrates the beauty of philanthropy and donors, no matter the type or size of the gift. It's your job as a leader to nurture a culture of philanthropy in your organization. See Chapter 3 for more.

Donor-Centered Organization

Successful fund development requires donor centrism.²⁵ Focus on the donor or prospective donor. "It's not what your organization is selling; it's what I'm buying that counts. I'm interested in my interests, my motivations, and my aspirations. Match those and then I'll give to you. Otherwise, leave me alone!"

Don't universalize your own passion. Not everyone is interested in your cause, no matter how convincing you are. Do not try to convince them. That's offensive. Instead, find those who share your passion.

Emotions as Key Decision-Makers

Giving is an emotional act not a financial transaction. Your organization is the means by which donors live out their own interests and aspirations. Your organization is the conduct to achieve the donor's desires.

Neuroscience and psychological research document that all human decisions are triggered by emotions.²⁶ Then rationale steps in.

Emotion is multi-dimensional: it focuses on a person's core goals, directs attention and interest, arouses the body for action, and integrates social group and cultural factors. It is thus a central component of meaning making.

From "Emotional Dimensions of Watching Zoo Animals: An Experience Sampling Study Building on Insights from Psychology," by Olin Eugene Myers Jr., Carol D. Saunders, and Andrej A. Birjulin, Curator: *The Museum Journal* 47, Issue 3 (July 2004): 299–321

Research from the direct mail industry says that people give in response to one or more of seven emotions: greed, guilt, anger, fear, flattery, exclusivity, and salvation. These really resonate with me. And for those who say, "Those emotions are so negative," get over it. They're emotions, feelings—neither positive nor negative. (By the way, I imagine that both Mahatma Gandhi and Martin Luther King Jr. were angry, very angry. And look what they accomplished.)

People move from one emotion (e.g., anger) to hope, by using your agency as the means to make change. Tom Ahern refers to this partnering of emotions as "twin sets."

Importance of Volunteers

Remember, philanthropy is defined as voluntary action for the common good. Volunteer participation is critical. Engage volunteers, including board members and others in the fund development process.

Make sure your staff effectively enables volunteers to participate in this meaningful work of identifying, cultivating, and soliciting. See Chapter 8 for a complete description of enabling volunteers.

Trespassing

Don't do it! Don't ask your board members and other volunteers to trespass on their personal and professional relationships. Don't you do it, either.

This favor exchange doesn't focus on donor interests, instead relying on personal relationships. What happens once the favor giver or receiver feels no further reciprocal obligation? Or when the solicitor asking for the favor is no longer affiliated with your organization? Instead, use connections to identify those who might be predisposed to your cause. If you cannot qualify them as prospects (and it's their choice!), then leave them alone. Nurture relationships between prospects and your organization, getting them ready to be asked and asked again.

Permission Marketing

Effective fund development is like permission marketing: People opt in or opt out. Seth Godin explored this term in his 1999 book of the same name. Godin contrasts permission marketing to interruption marketing, the traditional advertising/marketing approach. You know, the billboards and glitzy ads—and sending me a newsletter that I didn't ask for.

Godin observes: "Rather than simply interrupting a television show with a commercial or barging into the consumer's life with an unaccounted phone call or letter [or in fundraising, the uninvited newsletter or a solicitation], tomorrow's marketer [and top-notch fundraiser] will first try to gain the consumer's consent to participate in the selling process."²⁷

So you identify the predisposed—those you suspect might have interests similar to your cause or organization—and introduce yourself.²⁸ Then, if the person (or corporation or foundation, etc.) expresses interest, that gives you permission.

Permission marketing is the privilege (not the right) of delivering anticipated, personal and relevant messages to people who actually want to get them . . . treating people with respect is the best way to earn their attention. Permission doesn't have to be formal but it has to be obvious.

From a blog by Seth Godin called "Permission Marketing" on January 31, 2008, www.sethgodin.com

Visibility

Visibility does not produce more contributions. Everyone focuses on his or her own interests. Your agency can be more and more visible—but if I'm not interested, I'm not paying attention. And I sure won't send money. Just take a look at Exhibit 1.2, "Simone, Sports, and the Myth of Visibility."

Exhibit 1.2 Simone, Sports, and the Myth of Visibility

First, here's the backstory.

Every spring in the United States, March Madness, engulfs sports enthusiasts. This is the month for the annual collegiate basketball playoffs. The actual formal title is the National Collegiate Athletic Association (NCAA) basketball championship. Board members change board meeting dates to stay home and watch the games on television. Television networks battle with big bucks fighting for the rights to televise. Employees talk about the games at work. And apparently, all the media participate in March Madness at equally frenzied levels. Headlines, feature stories, newscasts. Evidently this is quite a show. I, however, don't pay attention. Why? Because I'm not interested.

I don't like sports. I don't watch them—nope, not even the Super Bowl thing. I don't engage in sports chatter. Often I don't know if a sports team is football, basketball, or baseball. Actually, I had to get my sister to verify that I correctly recited the backstory! So here's my story about the NCAA basketball championship.

In March a few years ago (see, I don't even remember which year!) my sister Nicole called me. I could tell she was very excited.

"Hey, Simone, I know you don't pay any attention to sports, but guess what?"

"What?" I responded with no enthusiasm whatsoever.

"MSU is one of the teams in the final game of the NCAA basketball championship!"

Unless you're familiar with the NCAA basketball championship, you probably wonder what MSU is. It's Michigan State University. I'm an alumna and so are most of my siblings. But it's bigger than that. My dad was a professor at MSU. I grew up in East Lansing, Michigan, home of MSU. The campus dominated the landscape because of its land mass and numbers of students. My family socialized with MSU professors. I visited my dad in his office at MSU, beginning, I assume, in my infancy.

I'm actually very interested in MSU! I even approach strangers wearing Spartan sweatshirts. You would think, given my deep attachment to MSU, that I would have noticed its name blaring at me in such a highly promoted activity as the NCAA basketball championship. But I didn't. Even though I'm very interested in Michigan State University, I didn't even notice its name when it was all over every single form of sports media for weeks. Because I—along with all other people—pay attention to what interests oneself, and little else.

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Here's another sports example: World Cup football, probably the major sporting event worldwide. In June 2006, Tom and I were visiting our home in Valros, France, a tiny village in the Languedoc region. There was a big outdoor movie screen in the center of the town square. Traffic no longer passed that way. This was really weird.

I asked a neighbor what was going on. He looked at me strangely, very strangely. "*Mais madame, c'est le Coupe du Monde ce soir. Et l'équipe de France joue.*" Ah, the French team—les Bleus—was playing in the World Cup. The World Cup of soccer. Soccer, the biggest sport worldwide. The World Cup arguably the biggest global sporting event. The outdoor screen in Valros stayed up for two games, the semifinal and the final. In Paris, people crowded the Champs-Élysées to watch the final game on big screens. That's the year that Zinedine Zidane head-butted the Italian player in the chest. Les Bleus lost.

What's the moral of these stories? People pay attention to what interests them, and little else. If sports don't matter to you, the NCAA March Madness basketball playoffs or World Cup football, among the world's most heavily publicized events, simply disappear.

Source: Modified from Keep Your Donors: The Guide to Better Communications and Stronger Relationships, by Tom Ahern and Simone Joyaux. (Hoboken, NJ: John Wiley & Sons, 2008).

It's okay if someone doesn't know who your agency is or what it does. Tell them, if they seem interested. That's identifying the predisposed. By the way, do *not* solicit someone unless you know for sure that the person knows about your agency.

Where do you need to be visible? Among your current donors, because you want to build their loyalty. Absence does *not* make the heart grow fonder—it's out of sight, out of mind! Nurture these donor relationships. Do you need more convincing? Are you hounded by board members who talk about community awareness? Is some marketing/public relations firm telling you it can help increase your marketplace position, thus making it easier to raise more money? Just read Tom Ahern's comments in Appendix 1-B on this book's website.

Give before Asking

You have to give first. *You* means each board member, the CEO and development officers, and fundraising volunteers. Why? Because you cannot represent an agency or cause without demonstrating your own financial and volunteer investment.

Every board member can afford to give a financial contribution every year—whether it's 5 euros, 500 Indian rupees, or 50,000 Kuwaiti dinars. I once listened to a single mother on welfare tell her fellow board members to quit patronizing her. "I can give, even if it's only two dollars. Just don't compare my gift size to someone else's gift size."

Yes, volunteering time is giving. But that gift of time does not substitute for a gift of money. Both are necessary. Both are expected of all board members.

Give to the best of your personal ability. And make this nonprofit/NGO one of your top commitments.

Ask to Receive

Why do most people give? Because they are asked. It's really that simple. But ask only those who are interested. Ask the right prospect for the right amount at the right time for the right project in the right way with the right solicitor.

An Individual Giving Program

Build an individual giving program. Each year, individuals, not foundations or corporations, give the largest portion of philanthropic gifts in North America. What about elsewhere? What's happening in your country? Can you afford to ignore—or postpone—the importance of individual participation? By the way, in my experience, individuals are more loyal donors than foundations or corporations or any other source of charitable gifts. Yes, individuals continuing giving, even in a bad economy.

Profession

Fund development is a profession. Like any profession, fund development relies on a well-researched body of knowledge,²⁹ has a code of ethical principles and standards,³⁰ and protects the public through voluntary certification³¹ of professionals.

The documented body of knowledge and best practices guide the profession. Research tests new ideas, and validates and adds to the body of knowledge.

So what about personal opinions? You know, those comments about what your boss or your board member likes or doesn't like, but couched in terms of "what works" and "what is best." Qualified opinions from people who know the body of knowledge and possess the particular skills and expertise—those opinions matter. Strategic questions about the body of knowledge—exploring why and testing new ideas—they're okay, too. But personal opinions without knowledge and expertise are rarely germane, often distracting, and mostly inappropriate. Facts trump opinions. Expertise in the particular subject matters more than position and power. Personal opinion—without the body of knowledge—doesn't and shouldn't count for much.

Balanced Funding Mix

You know the maxim "Don't put all your eggs in one basket." Your organization needs a balanced mix of funding sources and solicitation strategies. That balanced mix fosters stability and credibility. However, a balanced mix does not mean equally apportioned between source and strategy. Different organizations have different funding models. For example, as a human services provider, your organization might rely more heavily on government contracts. Most educational institutions rely more heavily on tuition. Some performing arts institutions depend on box office receipts. Check out "Ten Nonprofit Funding Models"³² in the spring 2009 *Stanford Social Innovation Review*.

Funding sources include individuals, foundations, corporations, governments, civic groups, and sometimes faith groups, too. Solicitation strategies include personal face-to-face solicitation³³ (the most effective and least expensive), direct mail, formal proposals, telephone, and fundraising events.

Just a reminder—to you and especially your board members: Whenever possible, the best way to solicit a gift is through face-to-face solicitation.

Fund Development Problems

Most fund development problems are actually *not* fund development problems. Most problems relate to other areas of operation. Good fundraisers and quality organizations identify and fix the real problems. See Chapter 4, which describes the best fundraisers as organizational development specialists.

Competition for Gifts and Donor Fatigue

Whenever fundraisers and organizations say they're "competing" for gifts, I twitch. And me twitching is not a good thing, not for me and not for others nearby. Twitching often leads to rants.

You're not competing for my money. I give to what interests me. And I'm not interested in most of your organizations. The same goes for most donors and prospects. People (and foundations and businesses and ...) pay attention to what interests them. And that's usually where they give and volunteer, too.

On the other hand, there's a lot of congestion. Lots of worthy causes and lots of quality nonprofits/NGOs. Lots of messages bombarding you and me and all the others regularly. I pick what interests me. You and the others do, too.

Of course there are many dimensions to identifying interests and linking to those interests. Obviously, relationship building and fund development are not small activities. Yes, this is a lot of work. But the complaint of competition is an easy excuse and not particularly useful as a context for doing this work. Competition also seems to give organizations and fundraisers permission to avoid their own responsibility.

How about donor fatigue? I've never understood that one, either. Donors are tired of giving? Donors are tired of all the world's problems? How does that fit with loyal givers of time and money? I think donors are tired of getting solicitations from organizations and causes that aren't of interest to them. I think donors are frustrated that they don't know how organizations spend their gifts, what impact results from gifts. And why don't donors know this? Because organizations don't tell stories well, don't use donor-centered communications, and so forth.

Nothing Can or Should Substitute for Philanthropy

And I end this introductory chapter with a battle cry for nonprofit, nongovernmental charitable organizations: Nothing substitutes for donors.

I'm worried by what I see as an excessive focus on generating revenue by nonprofits. There's a new old chant in town: "Let's start a business where customers buy stuff and then we won't have to rely so heavily on donations!" Articles proclaim that nonprofits are "finally wising up."

It sounds like revenue is better than charitable contributions. Hey, we need both. Lots of both, revenue and charitable gifts. But increasingly, it seems that the reliance on donations is seen as somewhat demeaning. Even the term *nonprofit* suggests—in our capitalistic, profit-driven society—that to be nonprofit is less than. (As an aside: Notice the trend of hiring for-profit people to lead nonprofits. This worries me. See the section entitled “A Digression” in Chapter 4.) In summary, the revenue/charitable gifts equation seems to be: Revenue is better than charitable gifts. Customers produce revenue so customers are better, better than donors.

Generating Both Revenue and Charitable Gifts

Let's step back a moment. Since time began, many nonprofits have generated both revenue and charitable gifts. So the new news is pretty old—just more egregious with moneymaking entrepreneurs sneering about how to start business ventures. Theaters and symphonies produce revenue by selling tickets and refreshments. Museums generate revenue with admissions and gift shop sales. Colleges and universities charge tuition. Hospitals charge fees paid by insurance companies and government contracts.

In addition to revenue streams, these organizations run fundraising programs that garner charitable gifts. When I worked at Trinity Repertory Company, one of the top regional theaters in the United States, we generated 70 percent of our income from revenue and 30 percent from charitable gifts. Nonprofit hospitals, on the other hand, may get only 10 percent of their income from gifts. Revenue is great, as are the customers who produce the revenue. Nonprofits that can generate admissions, sales, and the like may well enjoy a more balanced financing stream.

Uniqueness of Nonprofits/NGOs

But nothing substitutes for donors and their charitable gifts. I repeat: Nothing substitutes for donors. And not because of the money. Donors are different from customers. The uniqueness of any and all nonprofits is philanthropy, voluntary action for the common good.

Voluntary action for the common good . . . the uniqueness and, yes, the strength of nonprofits. Individuals, families, businesses, service groups, and faith groups giving their time and their money to build strong communities. Moms and dads and little kids and teens volunteering in the soup kitchen and cleaning up rivers.

People with a little and lots of money giving gifts to help others. The woman who sent a few dollars to help a charity. The school kids who sent all the pennies they collected. The banker, the janitor, the nonprofit executive director, the pastor—all sending donations to causes they care about. And sure, Bill and Melinda Gates, too. Voluntary action for the common good. Nothing substitutes for these donors. I say “these donors,” not their gifts. Again, it's not the money; it's the donors. It's the meaning of donors investing, committing, engaging in a cause.

Donors worry about the lives of others and the state of the world. Donors want to make a difference. And nonprofit charitable organizations are the means by which donors make that difference. Nonprofits/NGOs are the conduit for donors to live out their feelings and fulfill their aspirations. Nothing can substitute for these loyal

donors. Nothing can substitute for voluntary action for the common good, not even buying things.

Customers and Donors

Are donors stickier than customers? Yes, says *Giving USA*.³⁴ Even in tough economic times, charitable giving still happens.³⁵

Sure, revenue is good, but it doesn't substitute for charitable gifts. Sure, customer loyalty is great. I'm an ardent Apple fan. I'm a very loyal customer. But in a tough economy, I may not buy the newest iPod or the even newer laptop, which is so cool and better than the one I have.

I was a loyal customer of Michigan State University, my alma mater. But I'm not a customer any longer. I am, however, a donor. I'm a loyal donor. I've made a bequest in my will to MSU, too. Loyal customers are wonderful . . . those Apple buyers and Trinity Repertory Company subscribers. But the Trinity Rep subscribers who are also donors—now that's really something.

Customers and donors are not interchangeable, not even the really loyal ones. Yes, customers and donors have much in common. Just read Adrian Sargeant and Elaine Jay's book *Building Donor Loyalty* (Jossey-Bass, 2004). But customers and donors are not exactly the same.

Loyal customers can be affected by the economy. Customers can move on once their need is met, or in search of product enhancements. Ticket buyers may not buy tickets to the most challenging and controversial plays, even though that's the mission of the theater.

Donors, however, allow the theater to fulfill its mission rather than produce popular plays only. (Popular plays, subject to customer whim, are Broadway.) Donors give beyond a particular play because they're committed to the theater's mission. Donors give in tough economic times. Donors increase their gifts without the expectation of goods and services. Donors can be forever, even after death.

Fundraising Events Aren't as Good as Charitable Gifts, Either

Nothing substitutes for donors. And there's a parallel in fundraising itself: Nothing substitutes for charitable gifts, not even ticket purchases for fundraising events. Fundraising events cannot substitute for requesting a donation. The reality is that buying a ticket to an event is often about attending the event. If people are not interested in attending the event, they may not buy the ticket. And far too many fundraising events have no real connection to the cause, anyway; the event is just about making money. (Oh, don't even get me started on golf events!)

Also, in my experience, the economy affects fundraising events more than the economy affects charitable giving. Corporations back off of event sponsorship, but still may give a gift. Individuals don't buy tickets to events when times are tough, but these same individuals will still give a donation. The ticket is equated with the event. A donation—with no goods or services exchanged—is about the cause. So beware of too much focus on fundraising events.

In Conclusion

Spend more time on charitable gifts and donors. Beware of too much time focused on revenue generation—or overreliance on revenue, which is subject to the whim of customers. Nothing substitutes for donors. Nothing. Ever. Never.

Summary

This seems like a good way to end this introductory chapter. Thank you, Jeff Brooks, fundraising leader, from his July 29, 2010, blog at www.futurefundraisingnow.com.

If fundraising isn't important, you won't survive.

How important is fundraising within your organization?

Is it a necessary evil?

Is it the red-headed stepchild?

Is it an honored and celebrated part of what you do?

I've seen all of the above. And let me tell you: The more fundraising is respected and integrated with the organization as a whole, the better that organization does—financially and otherwise.

Fundraising is absolutely necessary to make all our good works possible, but it's more than that.

Fundraising is noble and good, but it's more than that.

Fundraising is just as important as program, but it's more than that.

Fundraising is itself a Good Deed of the highest order. Because it motivates people to become more conscious, evolved, effective, and integrated. No matter what else your organization does, if you are raising funds, you are making the world a better place by soliciting donors for funds.

The organizations that grasp this are the ones that will be raising the most money. Those that don't will fade away in the coming years. I know this will make me sound like a Republican, but market forces will take care of this for us. The clueless nonprofits will fail; the excellent ones will succeed. It's that simple.

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