GonserGerber LLP

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FOR PHILANTHROPIC ORGANIZATIONS, AGENCIES AND ASSOCIATIONS

Helping Administrative Colleagues Value Development

Today's development leaders face numerous challenges. From a tactical standpoint, donors appear busier than ever resulting in declining response rates and difficulty securing visits. Strategically, resources are being stretched thin at most every organization. The working mantra for today's development leaders? "Do more with less." Making the case with organizational administrators for new or additional development resources (i.e., added budget or new positions) can seem like an unattainable goal.

Added to the resource reality for many development leaders can be the difficult work of helping administrative colleagues understand the importance and value of development. The nuanced work of securing philanthropic resources is often difficult to grasp for those not working daily in the field. It is not unusual for leaders across our organizations to question the value of our development activities or struggle to believe our strategies will produce the promised financial benefits. Simply put, it can be easy for others to view development as an organizational expense as opposed to an investment.

As development leaders, though, we understand that our work entails a diverse set of engagement strategies for a variety of constituencies. We inspire. We educate. We provide meaningful engagement. We enhance the reputation of our healthcare organizations. And we do this work with donors and potential donors who have various ties and relationships to our organizations. Some of these strategies are not designed, in and of themselves, to have an immediate financial return. For instance, the mailing of a magazine or newsletter, a donor stewardship event, a campaign event, or a volunteer activity all may have up-front costs associated with them with no corresponding income stream. Yet each can have immense value to the education, inspiration, and engagement of today's and tomorrow's donors.

Development leaders are thus compelled to help colleagues understand better the value of the development program. We should be able to assure our colleagues that some of our programs and initiatives, while not providing an immediate financial return, are necessary and will enhance the likelihood of significant philanthropic revenues to come.

In this edition of the *Bulletin on Advancement*, we explore several perspectives that, when shared with colleagues across your organization, can enhance their understanding and value of the development enterprise. Our aim is to provide a clear, concise, and compelling rationale regarding development work and why it is wise for organizations to view development as an investment. Among the perspectives explored are:

1. Relationship Building Takes Time and Effort
2. There Are No Formulas
3. Asking For Money Isn't the Real Work
4. Technology Can Help But Can't Replace
5. Focus on Lifetime Giving Value

Perspective 1 – Relationship Building Takes Time and Effort

Philanthropy headlines can be a blessing and curse. When a substantial gift is made, it can be inspiring to read the news about the donor, her intent, and to understand how the organization will put the gift to work. On the other hand, those same headlines can encourage people to believe that major gifts, "just happen." Our administrative colleagues can look to us with the question of "why didn't you ask her for that gift?"

Last year it was reported with great fanfare that billionaire Michael Bloomberg made a $1.8 billion gift to his alma mater, Johns Hopkins University. Much of the news surrounding this gift was focused on the size (it is the largest single gift ever to a higher education institution) and the impact of the gift (it will be used for need-based scholarship aid). What was largely lost in the coverage, however, was the longstanding relationship between this now famous donor and his alma mater. While most nonprofits will not receive billion dollar plus gifts, we believe the longstanding relationship that shaped this gift should serve as an exemplar for all nonprofit leaders.

As it turns out, Bloomberg:

- Made his first gift to Johns Hopkins in 1965 (a $5.00 gift through a phonathon);
- Had a history of making prior smaller major gifts for years to Johns Hopkins;

- Served on the institution's governing board, including a tenure as chair;
- Previously partnered with the institution on the development of several programs; and
- Has long-standing relationships with multiple leaders across the institution, each of whom serve different functional roles.

In other words, even the original seeds of a billion dollar plus gift can be planted in meager soil. Ordinary development strategies and activities, implemented over time, can produce extraordinary results. It is important to remind our administrative colleagues that evaluating the return on any single development investment will not happen fully in the moment. More specifically, building strong relationships that result in major gifts requires significant and intentional effort over long periods of time. Research from Bloomerang, DonorSearch, and others suggest that major donor prospects emerge after having given consistently for at least five years and that, on average, first-time major donors will have thought about making the gift for a full 10 years before actually signing the gift agreement.

Much of that effort along the way is made up of smaller, seemingly inconsequential acts – gestures, engagements, meetings, conversations, communications, etc. that, standing alone, can appear unnecessary at best and, perhaps, an unwarranted outlay of resources at worst. It is part of our leadership work to consistently convey examples and research to our colleagues so that they might better understand how our development strategies have the potential to culminate, over a period of years, into significant acts of generosity.

Perspective 2 – There Are No Formulas

It can be common for administrative leaders unfamiliar with the basics of development programs to seek the "formula." "What steps," they ask, "taken in succession will move donors to making bigger gifts?" The presumption is that there exists a specific set of actions that when implemented lead us along a straight and smooth road to a major gift. This line of thinking reduces development work to something akin to the following:

1. Meet major gift prospect;
2. Send the prospect your magazine or newsletter;
3. Take the prospect to lunch to discuss your programs;
4. Play a round of golf with the prospect;
5. Have the CEO/ED ask for a major gift; and
6. Repeat this process multiple times with as many people as possible.

Those of us who devote our professional lives to inspiring generosity might wish that such a simple formula existed. The reality, of course, is that each donor and each gift are unique. Identifying prospective donors, engaging and educating them, listening to them, inviting their support, and stewarding them all happen in a variety of ways. Each journey with a donor toward their next gift includes unexpected twists and turns.

There is, indeed, an artistry involved in this work. Experience has taught us that rarely do gifts unfold in a formulaic, predictable pattern because the source and circumstances of each gift are so different. Life events, liquidity events, personal and professional obligations, business challenges, market uncertainties, family discussions, advisor opinions, existing philanthropic and financial commitments, court proceedings (and many other contexts), are all real-life variables that can emerge as donors consider their gift.

Our role as development leaders is to communicate with our administrative colleagues the importance of creative strategies to help donors give generously. Educating our administrative colleagues that development work cannot be reduced to formulaic steps will help them better understand the strategic importance of our efforts.

Perspective 3 – Asking For Money Isn't the Real Work

Thoughtfully inviting a prospect to make a personally meaningful gift is an important and ongoing part of the work we do. However, it would be incorrect to say that inviting gifts is all development professionals do or should do. When evaluating the work of development leaders – either formally or informally – it's not uncommon to hear a CEO or ED exclaim, "We just aren't asking enough!"

The belief behind that sentiment is that asking more will equal more gift income. And while there is some logic to this notion (indeed, the most effective development professionals do ask for gifts), we know that spending the bulk of our time firing off philanthropic proposals to prospective donors supposedly waiting anxiously to make major gifts, is not a successful strategy. There is far more to it.

As our firm provides counsel to some of North America's most effective development programs, we see major gifts officers being held accountable for between 10-25 major gift solicitations annually. Within mature and successful development programs, such major gift officer goals reflect an understanding of the intentional, purposeful, personalized work necessary to inspire a prospect to make their best possible gift (as opposed to just giving any amount).

Effective donor engagement not only takes time (as highlighted in Perspective 1), it also can mean involving the donor in substantive ways in support of the mission and vision of your organization. This type of in-depth donor work may include inviting their input and voice into important organizational discussions and engaging them carefully as volunteers. It may include inviting them to join an Advisory Council or participate in a strategic planning process, or sit on a search committee for a leadership position. The most productive development programs engage donors and prospective donors in a variety of significant ways.

These activities help support a culture of giving based on mission and vision. As the old development saying states: "If you want money, ask for advice." Showing interest in the whole person is not only the right thing to do, it is the wise thing to do.

What this means, of course, is that the highest performing gift officers take the time necessary to earn the right to invite a prospect's best possible gift. And, it means that asking for a gift is the culmination of an engagement process comprised of many intentional steps completed over a period of time.

Perspective 4 – Technology Can Help But Can't Replace

When budgets are tight and an organization's leaders view the development program as an expense rather than an investment, it can be easy for "budget solutions" to include development strategies that appear effective but far less costly. In these settings, it can be common for organizational leaders to wonder if they should be deploying more digital solutions (because they are less expensive) in lieu of more highly personal solutions (because they are more expensive).

Two examples frequently questioned today are development's reliance on print communication (e.g. magazines, newsletters, direct mail), and personal, face-to-face donor relations activities. The primary arguments against continued investment in both of these activities revolve around the idea that technological developments should allow us to conduct our work using less expensive methods without diminishing the results.

Most development leaders have had the following question asked of them: "Nobody reads print direct mail/magazines/newsletters anymore. Wouldn't it be better just to use electronic means to deliver these?" The key problem, of course, with questions and discussions such as these is that they typically start with underlying assumptions that need careful assessment.

For instance, the idea that "nobody reads print materials any more" is simply not found in research. All age ranges read print materials (older folks more so, but even younger adults still read printed pieces). Additionally, consider just a few of the findings from a survey done last year by Freeport Press with 1,141 respondents:

- 25% report reading no print magazines in a month, but 55% report reading no digital magazines in a month;
- 34% report reading at least 3 print magazines a month, while only 17% report reading at least 3 digital magazines in a month;
- 62% report spending 30 minutes or more with each print magazine they read, while only 26% report spending 30 minutes or more with each digital magazine they read.

Printed pieces remain viable and helpful tools to build brand, educate donors, and share the good news about our effectiveness. And while technology allows the opening of various communication channels (i.e., email, social media, web-based), those channels should not be seen as replacements to print, but rather as complements to print.

Similarly, there can be arguments made that getting out of the office to visit donors or prospective donors is not cost effective. Perhaps a better use of email or video conferencing could suffice to make these connections. The reality, though, is that real-time, face-to-face human interaction contains an energy and ability to capture nuanced communication clues that simply cannot happen over digital pathways. Indeed, we know from research that the mere act of physically going to see someone communicates a strong and positive feeling in the person being visited. While Zoom or other video platforms offer wonderful services and email is a quick and efficient tool, neither is a helpful proxy for physically visiting donors and prospective donors.

In general, it is accurate to say that replacing more traditional development activities with digital "solutions" will, over time, negatively impact the overall results of a development program.

Perspective 5 – Focus on Lifetime Giving Value

A chief financial officer recently exclaimed to one of our firm's consultants that his organization should cease all direct mail and phone efforts because neither produces strong financial returns. When pressed to consider the number of donors that would be lost if that were done, this leader's response was that most donors who give through these appeals are modest donors so they wouldn't be losing much gift income.

If we evaluate the financial return of our appeals or strategies primarily on their individual return, we might come to the same conclusion as this chief financial officer. However, if we understand that giving tends to grow over a donor's lifetime then the fundamental purpose of direct mail campaigns and/or phone campaigns changes. The purpose of any direct mail or phone campaign is not to raise extraordinary amounts of money. In fact, these development strategies almost never raise extraordinary amounts of gift income.

The central purpose of such strategies is to develop habits of regular giving within the donor base, to provide multiple choices and multiple chances for people to signal their support of the mission by responding, and to identify areas of the enterprise specific donors might want to support. Experienced development professionals understand that a donor's financial support over their lifetime tends to;

- be habitual,
- steadily increase, and
- serve as the best predictor of major and planned gift likelihood.

If we discard all strategies that seek to invite and receive more regular, modest gifts from larger numbers of donors because the financial return isn't significant enough in that moment, we risk losing the very opportunities over time to receive much larger charitable gifts from a subset of those very same donors. Just imagine if Johns Hopkins University had decided to end its phonathon because $5 gifts were "too small."

Conclusion

Your work as development leaders is important to the fulfillment of your organization's mission today and to its longer-term future. For healthcare organizations to thrive over time, administrative leaders must understand and value the opportunities that development provides. The aim of this issue of our *Bulletin on Advancement* is to provide perspectives that will help your leadership colleagues better understand and embrace the work you do. We encourage you to invite an ongoing conversation with your leadership colleagues around the strategies and investments in the development program at your organization. Over time, there simply isn't a more productive financial investment your organization will make.