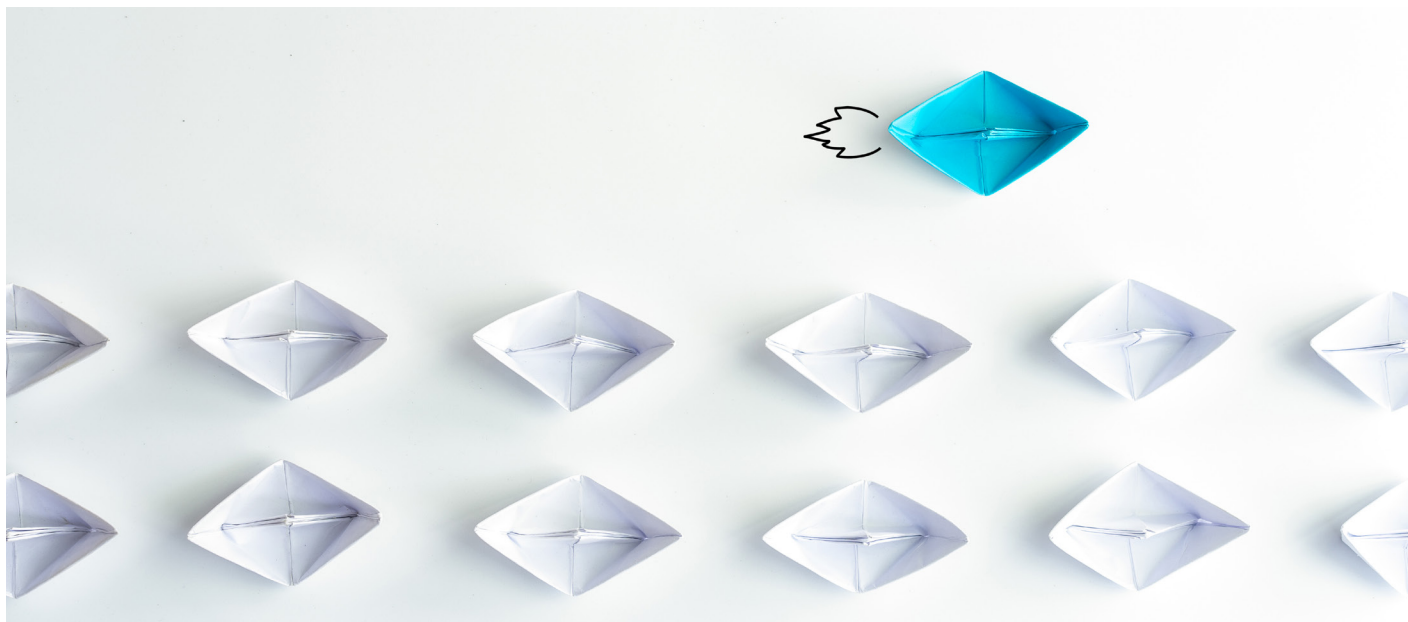


# Is Conventional Wisdom Still Holding Fundraising Hostage?

By Steven A. Reed, Chairman and Chief Executive Officer of Marketing Partners, Inc.



**C**onsider the state of healthcare philanthropy today.

Most fundraising shops are structured and managed the same way they were two or three decades ago. The typical modality mix is the same. Advances like KPI metrics are mostly measuring the same old ways of thinking and doing.

There's still a distance—maybe more so—between donors and the organizations they support. Annual campaign retention rates are still abysmal. Few major donors (who aren't board members) are truly engaged with either the fundraising effort, or the organization itself.

The 2021 “Tipping Point” study commissioned by the Blackbaud Institute noted the speed at which the fundraising *environment* has been changing but also noted little change in how

fundraising *is conducted*.<sup>1</sup> The report, based on surveys of 1,168 professionals at nonprofit organizations and 1,024 donors, pointed out that the fundraising models still widely used today were created by and for the generation that preceded the Baby Boomers.

It is amazing how little fundraising has changed. Is it possible conventional wisdom is holding fundraising hostage?

Total giving has been stuck at 2% of GDP for decades. In June of 2022, Giving USA reported total charitable giving, while increased in current dollars over 2020, remained flat (-0.7%) in 2021 after adjusting for inflation.<sup>2</sup> One month later, the July 2022 *Chronicle of Philanthropy* cover story—titled *The Giving Crisis*—said fundraising can bring Americans back to charity, *but only if fundraising changes* (italics mine).<sup>3</sup> Fewer than half of American households are giving—a big

contrast to the two-thirds who made donations in the early 2000s. Annual campaigns and events are diminishing in both real dollars, and as a percentage of funds raised.

Generational differences, broad societal changes, and long-term deficiencies in fundraising practice are all part of the problem. Indications are today's donors are less engaged, which decreases their likelihood of giving again. This creates a revolving door of donors that must be constantly replenished. The traditional emphasis on transactional fundraising modalities depersonalizes giving, letting the chase for dollars dominate relationships with donors.

The Blackbaud report highlighted a conclusion: "For nonprofits, this moment may be remembered as the time when conventional wisdom came crashing down—a conventional wisdom based in part on oversights and risk aversion, and a refusal to really believe that tomorrow is not going to look like yesterday."<sup>4</sup>

The "truths" cited in fundraising practice, training, and education need to be challenged.

Hope is still not a strategy. We suggest radical change to achieve three goals:

- Engaged Fundraisers working within structures and policies that give people the maximum freedom to excel;
- Engaged Donors welcomed as full participants in the mission and endeavor; and
- Engaged Partners who understand the potential of philanthropy, invest in it, and personally participate as integral parts of the process.

## Engaging Fundraisers

In Gallup's November 2022 employee engagement survey, the Q12®, which measures employees' perspectives on the most crucial elements of workplace culture, only about a

third of employees strongly agreed with the statement: "I have the opportunity to do what I do best every day."<sup>5</sup>

Gary Hamel, in his 2020 book, *Humanocracy*, argues that organizations burden themselves with what is, in essence, a tax on human effort.<sup>6</sup> His book and Frederic Laloux's earlier (2014) book, *Reinventing Organizations*, advocate a radical leap to a whole different set of management principles and practices.<sup>7</sup> Both cite success stories that have inspired thousands of organizations throughout the world.

This isn't about motivating employees. That's a manipulative fallacy. From Douglas McGregor's *The Human Side of Enterprise*<sup>8</sup> to Dan Pink's *Drive*<sup>9</sup>, the formula for engagement hasn't changed in sixty years: purpose, autonomy, collegiality, and an opportunity to gain experience. Unfortunately, as Hamel notes, engagement levels haven't changed much either. "It seems that every generation rediscovers the essential elements of human engagement and then does nothing," he says.<sup>10</sup>

How do you think you or your fundraisers would feel at work if...

- They had the tools and the right to track and manage their own performance?
- They were allowed, without career or compensation penalty, to focus on what they love to do and do best?
- They felt trusted to make decisions using their best judgment?
- They were primarily accountable to their metrics and coworkers rather than a boss?
- They were encouraged to grow their skills and take on new challenges?
- They never felt encumbered by pointless rules and red tape?
- Their influence and compensation depended on their abilities and impact, not their rank?

Do you think you would enjoy a significant increase in fundraising production?

### Engaging Donors

Consider a meta-finding from the Blackbaud institute study: Many organizations appear to be out of touch with the attitudes of their donors ... donors are rarely asked their opinions and feelings. “That is increasingly risky given the speed at which the fundraising environment has been changing,” notes the report.<sup>11</sup>

According to the latest Fundraising Effectiveness Project report (Q3 2022), fewer than one-in-five new donors give again after their first gift.<sup>12</sup> Year-over-year, the number of newly acquired donors is down by 19.2%. And retention of those new donors is down by 24.7%. Overall donor count decreases are driven by weaker acquisition rates as well as less retention of new donors. And the retention rate of even those repeat donors categorized as “loyal” is falling.

How loyal do you think your donors would be if...

- They didn't receive communications from you only when you were asking for money?
- They realized you know why and in what ways they prefer to give?

- They were asked for their opinions and their answers mattered?
- They felt your organization was accountable because you shared performance metrics with them?
- They were encouraged to ask questions and even challenge pending decisions?
- They truly felt they were part of a real community?
- They understood in depth the impact of the work they made possible?
- Investment-level donors were welcomed to the organization's strategy table, were asked for their opinions, and their answers mattered?

Do you think you would enjoy a significant increase in fundraising production?

### Engaging Partners

Partnerships with executives, program leaders, physicians, other clinicians, and established donors are vital ways to connect with and engage potential major donors. But more fundamentally important are those internal partnerships with senior leaders that lead to an organization-wide culture *for* philanthropy.

Much has been written about the need for a “culture of philanthropy.” This has sparked many an employee giving campaign in hopes that employee giving will somehow orient the organization as a whole towards involvement and support for the fundraising operation.

What's really needed is not a culture of philanthropy but a culture **for** philanthropy. What's too-often missing in healthcare is an understanding of the investment and the freedom needed to achieve the potential for philanthropy. (Unfortunately, past performance is usually considered predictive.)

What would fundraising be like if ...



- You had the financial, human, and organizational resources and freedoms to break the “glass ceiling” between you and your fundraising potential?
- Internal partners shared accountability for fundraising performance metrics with you?
- You were allowed complete freedom to use internal services or to contract for external capabilities as best met fundraising’s unique needs?
- You could organize your work and your team in a structure that meets fundraising’s unique needs without forcing people into the boxes mandated by formal hierarchy and HR policies?
- Your periodic and annual financial reports were cast as comprehensive accrual-based operating statements? And cost-per-dollar-raised was replaced with net margin and return-on-investment as financial accountabilities?
- Your annual budget was an update of an evergreen three-year rolling proforma forecast where investment and production were immutably linked?

Do you think you would enjoy a significant increase in fundraising production?

### **Focus on Engagement**

The above are three distinct areas of opportunity, each with its own mix of strategic and tactical elements. What they have in common is a need for an intertwined and different way of thinking about fundraising at both the frontline and organizational levels.

The challenge is to harness the power of engagement—not just donor engagement (as vital as that is), but full engagement of all of the players in the process.

### **Minimize Hierarchy**

Formal hierarchies assume a need for somebody other than the worker to manage the work. This is so pervasive it is rarely questioned. The solution to every problem is “put someone in charge.” This pushes decision-making up, disempowering and disengaging the people who do the work. And, to make it worse, the root of the problem usually is an absence of clear specifications and expectations for the work, compounded by no leading metrics to objectively measure progress. (There is little if anything of value that cannot be objectively measured.)

The solution is to make day-to-day management unnecessary through quantitative feedback along with process-based coaching to facilitate self-management. This alleviates the span-of-control issue that was the impetus for the tiered management structure that dates back to the Roman legions.

### **Catalyze Culture Change**

Streamlining your organizational structure can be a powerful catalyst for the organizational engagement that drives performance improvement. Minimizing hierarchy and silos is a powerful catalyst for organizational engagement because frontline and operations employees alike benefit from a structure that describes and quantifies success while providing the means and feedback to empower the people who do the work.

But ongoing culture change will derail fundraising performance. Do it once. Do it right with a critical path model, no silos and real-time leading-metric performance feedback.

### **Invest in the Frontline**

One of the ways you can raise more money is by achieving a 75% direct staffing ratio that will keep more of your salary budget, and your best fundraisers, on or directly supporting the front line. (Management functions do not meet the definition of direct support.) One of the key benefits of such a radical reorganization



is significant reduction of the amount of time and expense associated with supervision, management, and bureaucracy. You put more resources into direct fundraising work and less into indirect activities. Michael Porter, the Harvard Business School strategy guru, rightly points out the real essence of strategy is what you decide *not* to do.<sup>13</sup>

### **Elevate Philanthropy Within the Organization**

The definition of a culture *for* philanthropy within an organization is a top leadership commitment to, and top-to-bottom understanding of, the importance of philanthropy to the organization's mission. For that to happen, the organization needs to understand the nature of support and amount of investment required to achieve its fundraising potential. This requires an ongoing C-suite effort—and sometimes crucial conversations—by the CDO.

The organization's leadership needs to make investments of both time and money—which requires them to have confidence in the fundraising team's ability to make those investments worthwhile. This means applying the same kind of attention and professional relationship management internally as to the development of external relationships. You don't need a separate critical path model to do this. Just have your frontline relate to internal partners with the same model and intensity as with major donors.

### **Embrace Donors and Partners Alike**

Investment-level donors today are thinking more like investors and favor those organizations willing to treat them as such. Hospital executives, physicians, clinical managers, and other internal partners are more likely to make fundraising part of their responsibilities if they are not relegated to programs that train and treat them simply as referral sources. Today's healthcare philanthropy frontline needs both an external and internal focus.

Savvy fundraisers today understand that the nature of giving is changing and one of the major changes is that support is shifting away from the organization itself, to the mission of the organization. This is subtle but significant.

That shift is a reflection of societal change toward lower trust levels of institutions in general. Larger donors often are interested in making significant philanthropic investments not to support the organization, but to effect what they perceive as positive change to enhance mission achievement.

As one example, Design Forums—structured and professionally facilitated ideation sessions—can be a powerful donor engagement tool to bring key executives, clinicians, board members, and potential major donors together. The role of fundraising as a conduit to valuable input of external expertise into the management and strategic direction of the organization—as well as a source of capital and operational support—is becoming increasingly important.

Tools like this can bring the “voice of the customer” to the organization, as well as significant operating and capital support through subsequently successful major gift solicitations.<sup>14</sup>

### **A Huge Opportunity**

Over 20 years of process improvement work in fundraising have led us to two key observations:

1. Many healthcare fundraising organizations are overstaffed relative to the amount of money they are raising; but,
2. Most are *understaffed* relative to their fundraising potential.

Given the resources and freedom to do so, most healthcare fundraising shops could dramatically increase revenue, typically at least doubling production. But to do so, organizations will

need to change the way they raise money, with emphasis on personalized individual giving strategies. Fundraisers need to adopt tools, processes, and technology that create high-performance development organizations. And—most important—we need to challenge the ways we think about, talk about, lead, and manage fundraising. ■

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## Endnotes

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