

Effective Fund Raising For Human Service Organizations

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Many of the basic fund raising principles which have proven to be effective over time are based on the experience of large hospitals and universities. The knowledge gained from work in these institutions has made an enormous contribution to the core technology of the entire fund raising profession. Other nonprofits such as human services, arts, advocacy, research, and a wide variety of small to medium sized organizations raise funds under very different circumstances. While human service agencies ignore the basics at their peril, there are real differences which must be recognized if a nonprofit is to be successful in raising the funds it needs to fulfill its mission.

- Hospitals and educational institutions generate their own donors on a continuing basis as patients and students come and go. Other nonprofits have to bring every donor in off the street--one by one.
- Larger institutions can devote substantial resources to the fund raising process. Smaller organizations have proportionately less money to invest in this area.
- Larger institutions have the potential to be more visible and prestigious, thereby attracting high powered board members. They are recognized and often highly regarded in the community, making the fund raiser's job easier. Fund raisers in other nonprofits, who often have no public relations support at all, must work on building awareness in order to attract donors.
- Many nonprofits deal with causes or constituencies that are not glamorous or visible enough to attract high-level board members or high dollar donors. Human service and other less prestigious causes have boards which may have never been involved in fund raising.

This article seeks to explore the difficulties faced by the other nonprofits, such as human service, environmental, advocacy, research, etc. as they compete in the philanthropic marketplace.

Management

All the fund raising skills and techniques in the world will not yield stable financial support for organizations which are poorly managed. Donors of all kinds want to see their dollars well spent. Human service organizations and smaller nonprofits face a variety of obstacles to achieving sound management.

Foundations, watchdog groups, and government agencies are taking a closer look at management indicators such as budgets, deficits, board composition and policies. Spurred by press attention to a few cases of egregious mismanagement, nonprofits are becoming burdened with expectations

which are often misinformed and unrealistic. Current scrutiny of the ratio of program to administrative expenses is a case in point. Burdened by pressure to keep administrative and fund raising expenses as low as possible, too many social service agencies underpay, under-staff and under-invest in activities which would strengthen their long term viability. Fund raising and public relations are especially vulnerable. It is interesting to note that these pressures do not seem to fall as heavily on the fund raising investments of universities and hospitals.

Many social service agencies have long been able to rely on the government for more than 90% of their revenue. Government policies prohibiting the use of grant revenues to support fund raising have left social service agencies with very little to invest in diversifying their sources of revenue. Their boards of directors and administrative staff, who never needed to pay much attention to fund raising, are not equipped to help the agencies shift gears as quickly as they need to in the face of severe and lasting cutbacks in government support.

Many smaller nonprofits have been founded by one or more zealous individuals who are totally dedicated to the cause. Zealots are wonderful at starting organizations but are not good at building and maintenance for the long run. Founders have difficulty letting go which assures that the organization will never grow beyond the size that one person can manage directly. Fund raisers face special difficulties when working with founders because, whether or not they are aware of it, the control of any single individual diminishes as the organization's sources of revenues become more widely dispersed.

With the rapidly growing body of knowledge available in books, training programs, and institutions of higher learning there is no excuse for the leadership of any organization, no matter how small or unique, to ignore the fact that nonprofit management and fund raising are not all common sense. Nonprofit administrators and board members have an obligation to learn and keep up with nonprofit management and fund raising as distinct disciplines to be learned and maintained.

Misconceptions about Fund Raising

In view of all the difficulties faced by human service organizations and the fact that many have limited experience with fund raising, they tend to harbor some common misconceptions:

- **The fund raiser brings in all the money.** This--not lower salaries--is a major reason for the high turnover among fund raisers at social service agencies. Executive directors and board members are shocked to discover that bringing on a professional fund raiser means more work for them, not less.
- **Fund raising is all common sense.** In fact, many fund raising principles are counter-intuitive and fund raisers find themselves in conflict with those who insist that fund raising letters be as short as possible or that donors be contacted only once a year.
- **Fund raisers must be aggressive.** When was the last time you gave money to an aggressive fund raiser? Nevertheless, too many fund raisers are evaluated by how many

phone calls they make or how many letters they send without regard for the effort required to make sure they are making the right contacts with the right people.

- **Good fund raisers bring high level contacts with them.** An experienced fund raiser should have the respect of the philanthropic community and know a good deal about how to approach funders. However, if a fund raiser is really doing his or her job, the donors stay with the organization. Does anyone really think all the donors move when the fund raiser changes jobs? The real skill a fund raiser brings is knowing how to find the donors who would be best suited to any organization.
- **Superior writing is the major skill of a good fund raiser.** While writing is a very important element in the mix of skills, it is not the holy grail of fund raising. This philosophy leads to distortions such as the impression that a grant is something to write rather than a project to be developed. There can be many different opinions about what constitutes good writing and the beleaguered fund raiser often has to waste enormous amounts of time rewriting to please all kinds of internal constituencies. Under these circumstances, the management, research, strategic planning, and interpersonal relationships essential to good fund raising suffer.

The Board

There is no getting away from the importance of the board to any nonprofit organization's fund raising efforts. An organization will never achieve its full potential without the board. But this does not mean that the only criteria for board membership should be the ability to give or get large sums of money. An organization needs a good mix of skills on a board which is responsible for guiding its overall policies and maintaining its fiscal health.

Board members of social service agencies are very often nowhere near as helpful to the fund raising process as they might be. One problem is the intense competition for high powered individuals who tend to gravitate toward more visible, prestigious organizations. Social service boards often take the position that they are not wealthy and do not have access to wealth, so the fund raising burden falls upon the staff. Or the board hires a well connected, charismatic executive director who has a lot of contacts but wrecks management havoc.

Every board member, no matter what his or her financial means or social status, can make a valuable contribution to the fund raising process--and no one should be let off the hook. Board members can call and thank major donors, offer additional information, and invite them to visit. They can also go along on foundation and even individual solicitations when it is clear that someone else will be doing the actual ask. They can participate in cultivation events and represent the organization at functions which enhance its visibility.

The concept of new member orientation and continuing board training is the key to making sure that every board member understands the resource development process and feels a personal responsibility for supporting it. Without this commitment there will always be limits to how much money the organization can raise.

The Fund Raising Process

All of the above notwithstanding, a nonprofit which relies on philanthropic dollars has to get on with the process of raising funds as best it can. While the basic technology applies to every organization, human service organizations must adapt these to their own unique situations.

Technology. Computers and access to the Internet are indispensable to all nonprofits seeking to raise funds effectively. Far from being too costly for smaller nonprofits, computerization can save on staff costs and increase efficiency. In addition to word processing, spreadsheet, and data base management, the Internet offers access to a wide range of information available previously to large institutions with departments devoted to donor research. The initial investment pays off handsomely. In fact, as the twenty-first century approaches, it is clear that nonprofits will not remain competitive without adequate computerization.

Staffing the department. One of the most difficult fund raising tasks for smaller organizations is maintaining the optimum size of the department. It is very important to keep track of the staff time devoted to various fund raising activities when doing cost/benefit analysis. Labor intensive vehicles such as events begin to look a lot less profitable when staff time is factored in. Since organizations on tight budgets hire less experienced staff, budgeting for staff training and professional affiliations is a good investment in building a stable and increasingly competent staff.

Consultants. It is usually well worth the cost to hire an experienced consultant to manage the fund raising strategy, teach the staff a new fund raising activity the first time out, and to see if the activity is worth the investment of a staff line. Interviewing several consultants will get a better fit and a more competitive price. However, it is important to remember that an experienced professional, who keeps up with the field, cannot afford to work cheaply and maintain quality services.

The mix. As in many other life situations, the more alternatives and options available for generating revenue, the less vulnerable an organization is to sharp, unexpected drops in income. Smaller organizations have a tendency to rely on one or two forms of fund raising and then get into serious difficulties when those funds dry up. The most successful nonprofits tend to be those which have a variety of funders making up a diverse and healthy constituency with the potential to deliver a lot more than just cash.

Grants. Too many human service agencies rely disproportionately on grant funding, most of which is project based. This is partly the result of the abundant government funding available during the War on Poverty in the late sixties and early seventies. Many see it as a way to avoid the nasty business of asking real people for money. Whatever the original reason, the organization finds itself in the position of pasting one project on top of another to maintain some semblance of stable funding. General operating funds are scarce making good management practices almost impossible to implement. The organization faces frequent crisis situations as grant funders inevitably change their focus.

Events. Special events can be very effective if they are seen as part of a larger mix of fund raising activities. Problems arise when organizations use special events as their only or major source of funding. This is one of the most expensive forms of fund raising. Most of those who attend the event do not become loyal donors if that is their only contact with the organization. Too often, events become another means by which the leadership feels it can avoid the unpleasantness of asking for money. A committee attached to the event can wield disproportionate power if the event is the main source of private income. Events work best if there is solid board support--that means they will buy tickets and bring their friends. Everyone who attends should be put on the list for other solicitations and contacted personally if they are major donor prospects. In evaluating an event it is important to be sure costs are under 30% of the gross and staff time is factored into the internal cost/benefit analysis.

Direct mail solicitations. Larger organizations which have been soliciting by mail for many years, or those who create their own constituencies get a great deal of long term value for their investments. However, renting lists is very expensive because there is such a small return the first time out. An organization has to be able to absorb a significant net loss for at least three years if it is building a mailing list this way. Most small nonprofits can't afford to do this. This does not mean that smaller nonprofits must miss out on the benefits of fund raising for general donors through the mail. Many nonprofits have build in-house lists by asking board members and others supporters to supply names. Program and annual reports from similar organizations can supply names for a general mailing list. Organizations which sell tickets, publications, or other products should always put the names of purchasers on their lists for future solicitations. Even a small list can be a valuable source of ongoing support. But it is very important not to use the mailing list as yet another means of avoiding direct solicitation. Major donors sometimes make their first gifts through the mail, but they must be cultivated and solicited personally before they come anywhere near to their full giving potential.

Major gifts. The most effective and efficient way--by far--to bring in the largest gifts is through the right person asking the right prospect at the right time for the right amount--face to face. It is well known that more than 80% of all private philanthropic dollars come from individuals. Yet human service agencies, and not always the smaller ones, often give direct solicitation from individuals a low priority if indeed they do it at all. If even a small portion of the energy exerted in the effort to avoid direct solicitations were directed toward building an organization's base of major donors, many struggling nonprofits would be financially secure. It is not necessary or productive to try and compete with--or be discouraged by--the major donor programs of large cultural, educational, and health care institutions. Whatever the organization's giving level, it should set fund raising goals which will result in 80% of individual donor funds coming from twenty percent of the donors. The trick is to work from the top down. It is important to do the research necessary to develop individual cultivation and solicitation strategies for each donor and prospect who has the potential to be in that top 20%. The long term effort necessary for successful major gift cultivation is often undermined by continuous crisis fund raising and organizational leadership which values quick returns. Overcoming the obstacles to successful major gift fund raising is one of the most significant challenges human service agencies need to face in order to build stable bases of unrestricted funding.

Planned giving. Since planned giving programs work hand-in-hand with major donor programs,

this aspect of fund raising often suffers from the same problems. Social service organizations are often put off by the complexities of trusts, pooled income funds, tax rulings, legal issues, etc. Even simple wills programs can be derailed by an emphasis on immediate funding and board member reluctance to deal with anything related to human mortality. The ultimate value of even a modest planned giving program is enormous--even for small, understaffed organizations. Placing reminders in publications, reply envelopes, and other vehicles of communication which remind people that they can remember the organization in their will cost almost nothing and can result in amazing windfalls. Many who give modest gifts during their lifetimes have pension funds, insurance, or other assets of which, even a small proportion can result in a meaningful gift. For current gifts, it takes almost no effort to remind donors about the advantages of giving appreciated stocks. Since it is foolish to try and build operating budgets based upon predictions of bequests and other forms of planned giving, bequests can become the building blocks of an endowment or cash reserve which, if not invaded, can grow significantly over time. As an organization's base of high net worth donors grows, it becomes increasingly important to present them with more sophisticated giving options. Consulting help is available and worth the investment. If you are not offering these options to major donors, you can be sure someone else is.

Summary

This article has attempted to acknowledge the problems faced by human service agencies, large and small, which do not have the resources or the self-generating constituencies available to large institutions. Successful organizations learn and acknowledge good fund raising practices and develop strategies to adapt them to their own situations. The worst possible strategy is to ignore them. The entire leadership of the organization must support the efforts essential to effective income generation. Most important, without good, enlightened management, no nonprofit will come anywhere near to reaching its full fund raising potential--no matter what that is.