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Leading Fund Development: New Roles in a New Era of Philanthropy

By Debra Nussbaum Cohen

The work of leading nonprofit fundraising is changing, and changing so quickly that experienced development executives sometimes wish they could stop and catch their breath. What's new about the work today relates to nearly every aspect of the nonprofit endeavor.

There was a time, when some of the experienced professionals interviewed for this article were starting out as fundraisers, that the skills they needed to do their job well were all learned on the job, and related to being organized and good at solicitation.

From the magnitude of gifts today to donor expectations, to how quickly newly-trained staffers are often out the door on their way to higher salaries, things are notably different than they were even a decade or two ago.

To meet the new needs, development executives today must possess a far more complex skill set than ever before.

In addition to the fundraising fundamentals, top performers also need to be conversant with ever-evolving technological, ethical and legal issues.

But it's also a time of unparalleled opportunity and creativity, with chances to make use of new technologies and to work with energetic, visionary funders who need the pros' help in realizing their potential for bettering the world.

Underlying everything is the expansion of the overall philanthropic enterprise.

Nearly 1.8 million American non-profits raised \$285 billion from the private sector last year, according to fundraising guru Naomi Levine, executive director and chairman of the board of New York University's George H. Heyman, Jr. Center for Philanthropy and Fundraising. "This is very big business," she says.

Philanthropy has even become one of the largest drivers of New York City's economy, says Jay Golan, a former senior fundraiser at Carnegie Hall and now the president of the birthright israel foundation.

It's not just that the size of donations has swelled with booming investment markets, but that the number of funders and causes has grown, and grown dramatically.

And that can make it much harder for directors of development to make their non-profits stand out.

"The size of the pie is bigger, but it's also a challenge to make your cause known, keeping your visibility and making a compelling case to an American public that is bombarded with millions of messages a day, and being solicited by more organizations than ever before," says Jeff Towers, senior vice president for marketing, development and communications at UNICEF, the international children's aid organization.

"There are 1.8 million 501(c)(3)s competing for the charitable dollar," he said.

"There's a lot more pressure on the development directors now," says NYU's Levine. "Money has become extraordinarily important, there's huge competition to get it, and it has become a more sophisticated field. You have to know technology and research now, and understand the legal and ethical dimensions and board governance."

Changed Culture of Giving

Much of the boom is being fueled by the newly wealthy, who frequently bring the same entrepreneurial zeal to their philanthropy that they do to their business life.

This poses new challenges for development directors, who are having a harder time meeting the donors' ever-more-specific needs. They're also learning in this changed culture of giving that it's increasingly difficult to secure the long-term donor commitment needed to build an institutional foundation.

"With the explosion of philanthropic organizations and concurrent sense that people can start their own philanthropy, you get a fluid sense of buy in-buy out," says Golan of birthright israel. "The net effect is that it's less reflexively supportive of institutions. That is a huge change on the psychodynamic and zeitgeist level."

The advent of "venture philanthropy" has also caused the conventional ground to shift under fundraisers' feet in ways that are still being sussed out. The very vocabulary used in such transactions seems to be evolving quickly, as a growing number of funders speak of investing and leveraging rather than of donating, and of return rather than of results.

But what is clear is that the newest generation of major funders intends to do things very differently than their predecessors did, and expects executive fundraisers to keep pace.

"The donors are changing. There was a generation that was very content to write a check and feel like they'd done a good thing. But the current group of donors look at philanthropy as an investment," says Paula Kerger, president and chief executive officer of the Public Broadcasting Service.

"Now we have to not just solicit donors, but involve them in the work the organization is pursuing, and that is a challenge. That will be the biggest difference in the way non-profits raise money" in the future as well, she says.

Donors are "seeing themselves as catalysts of change, more than the previous generation, which saw giving as an expression of gratitude," says Jane Karlin, until recently senior vice president for financial resource development at UJA-Federation of New York.

Sector veterans speak of how challenging these new donor expectations can be for development directors to meet.

It can be "so donor-centered that the nonprofit loses the ability to bring its expertise to bear in important ways," says Karlin, who has also worked as The New School's vice president for development and alumni relations. "Colleagues in the field have spoken about some venture philanthropists coming to the problem as though they're the first ones to look at it.

"In some ways it's a certain sense of elitism and not acknowledging that the nonprofit has real experience and expertise in the issue."

Karlin says that it can lead to the feeling that "those in the business world are looking down their noses at those in the nonprofit community."

"The seven and eight figure gift individual is no longer satisfied just giving his money and having his name on something and walking away. Today's philanthropist wants to be engaged and involved in the projects they support and to measure the return on their investment," says Rick Geswell, president of the Crohn's & Colitis Foundation of America, which raises money to fund research on the debilitating intestinal diseases.

"For some organizations like ours, it makes it a real challenge to work with those high level donors to get them into an area where all that can occur.

"It's not as easy as it sounds. Generally the return on investment isn't as measurable as dollars and cents, it's not always that we cure a disease or develop a new drug. Sometimes the outcome of the research is just knowledge for its own sake."

The fundraising director needs to make sure that what the organization can offer the donor will meet the needs of both sides. "You can't always measure up to the donor's expectations, and may not be the right match or fit," says Geswell. "Just the other day I had a donor say 'I earned my money by being smart about my investments,' " suggesting that somehow the foundation wasn't investing in research as wisely, Geswell says.

"You just can't be everything to everybody, so you just have to be responsible and try to find ways to work with today's new donor. That's the bottom line."

New Donor Expectations

These new donor expectations are changing the way fundraisers – and even people working in other parts of the nonprofit – work.

"The development officer today is unlikely to be able to sell a donor on a project alone. Now it's more a partnership between the resident expert and development officer in creating a strategy. The head of a science department is always out talking to donors. The donors want to hear from the scientist," says Geswell. "Rather than being a sales conversation it now needs to be steeped in science."

Geswell's organization "is finding ways to be more directive in our research so we have more products to offer donors," he says. "We've had donors say they want to help find treatment for "X." Sometimes you can accommodate it and sometimes you can't, but if you're nimble enough you can design a program to meet donor needs."

But, he warns, there are things to be wary of.

"The worst thing for a development officer to do is bring to their scientific community something the donor wants that they just can't do. The major gift officer has to be very careful of what they're selling and promising these folks to make it clear what the expectations are for the donor and the organization. You need to get to the bottom of that real fast so you don't waste a lot of their time or yours."

Even so, the new concepts and terminology are gaining traction, getting integrated into top fundraisers' thinking.

Half of Kerger's \$300 million budget at PBS comes from the system's 354 member stations, the rest from government funding and earned revenue, like the sale of program-related merchandise. The PBS Foundation is two years old and has \$18 million in assets. Kerger's goal is to build an endowment for the public broadcasting system, and to raise money for new projects.

"If we have the seed money we can develop new content but also have the risk capital to try new things," she says, using the new "new donor" vocabulary herself.

Overall, however, she says, "it's challenging to see where our nonprofit organizations fit in this landscape. I struggle to understand what some new donors are thinking about in terms of investment,

where the venturist gets a return. It's important that we stay true to our mission, but we get into interesting territory when people want to offer up capital and want a return."

As to whether this is truly a new way of doing philanthropy, NYU's Levine offers a contrarian view. "The title 'new philanthropy' bothers me a little," she says. "Old philanthropists were also interested in creative ideas and improving society. The idea that there is a 'new philanthropy' does a disservice" to those who preceded them.

"I never met an 'old' philanthropist who gave me a check and said goodbye. New philanthropists want to be involved, but what do you think the old philanthropists did?"

Technology Means Challenges

What is indisputably true, however, is that technology is changing the way development directors work, just as it is altering work in every other industry. And the long arms of technology are reaching into almost all aspects of fundraising execs' lives.

Leading development "feels more intense now than it used to," says Karlin. "I didn't have a Blackberry before last year. You can be on 24/7. It's very easy to obsess. I love it for the convenience, but it also means that you can get anxious any time of day or night about checking it and having others think you should be responding to it."

"Development is a demanding job. All of us in the trenches know that with the advent of email and far flung time zones that we're basically on call 18 hours a day. Email and cell phones just erase the boundaries," says birthright's Golan.

Last year, he raised nearly \$22 million for birthright israel, which sends Jewish young adults to Israel on free 10-day trips in an effort to bolster their Jewish identity. That \$22 million is one-third more than was raised the year before, and Golan projects another 20 percent increase for 2007.

Another reflection of technology's impact is that donors come in through the door already schooled in facts that they used to turn to the top professional for.

It's no longer enough today to say to the donor, "We know more about research than you do", says Geswell of Crohn's & Colitis. "The Internet has armed donors with information that they've never had before. That's why sometimes they come in with completely unreasonable expectations."

And in this age of instantaneous information, donors expect to be kept constantly updated by their development contacts.

Working with donors "includes a lot of time spent in the communications process, because a year-end report just isn't enough to satisfy them anymore," Geswell says.

Another reflection of technology's growing reach is the increase in funds raised online.

Online contributions for local political and social causes already account for over 20 percent of what they raise. Twenty percent of membership renewals in nonprofit organizations today also happen on-line, says birthright israel's Golan.

And it promises to figure far more prominently in the future.

"The web is becoming the primary source of information for a younger and younger target set. So as they grow older and move into their most significant giving years, by virtue of their comfort with the web, the demands of nonprofits to make more sophisticated use of it is just a given," says Unicef's Towers.

"What is happening on the web, we haven't even scratched the surface of the potential. What more do we need to do to be ahead of it?"

For development directors working in culture and media, embracing new content distribution channels is a new challenge.

"We're struggling right now to get our arms around the whole new media landscape," says PBS' Kerger.

Watching PBS programs doesn't only mean tuning into your local affiliate anymore; the NewsHour is one of the top 100 files downloaded from iTunes, Kerger says, and a Bill Moyers show on Faith and Reason was among the top 20 iTunes downloads. People are watching Frontline on their computer in Streaming Video.

"So much of our content has possibilities for new media, and more and more people are accessing content that way."

Strategic Targeting

Another expensive technological endeavor that development directors are increasingly impelled to embrace is data mining, or data sorting. That's the science of culling the millions of pieces of data available on every person who has ever used a credit card to identify the characteristics of the most likely contributors.

It's a centerpiece of the successful direct marketing campaigns waged by Richard Naum at Memorial Sloan-Kettering Cancer Center in Manhattan, where he is vice president for development.

While there is lots of software on the market for development offices, it is "crude," Naum says. "They only go so far, and then we're still left with a list of 100,000 people with great capacity in our backyard. Where do you start with that, when you have just 10 salespeople?"

Instead, he employs a very targeted approach and his own staff. For the direct mail campaigns, Naum's staff mines the 3 million donor names in his organization's data file using a model based on 125 different characteristics. They tweak the model every year, he says.

The results seem to speak for themselves. "It's a predictive model that has allowed us to drop our mail expense by over 20 percent and enjoy 25 percent increases in income."

Sloan-Kettering's direct marketing overall now nets \$30 million a year in small donations from 1 million donors. That's a small part of the \$250 million or so he Naum raised in 2006 in addition to capital campaign contributions of \$400 million. But as unrestricted cash gifts, the direct marketing contributions are still critical. They also lead to about three-quarters of the 500 estate gifts that Sloan-Kettering brought in 2006, adding another \$40 million to its development revenue.

Naum has recently increased his development staff's size by about 25 percent, to just over 100 people, in addition to 25 people in a separate office processing the direct mail gifts. He anticipates adding more staff as soon as our data mining exercise warrants it. We've doubled income in the last four years. If we can identify enough prospects, we could probably double it again in the next four."

While many other nonprofits can't afford to create their own information management departments, the future for directors of development is still going to be focused on making use of technological capabilities.

And that will require hiring people who have those skills. There's going to be a "huge crunch in getting the technical expertise to do that," says birthright's Golan. The non-profit world "will have to have much more technologically savvy base level development staff."

Development's Revolving Door

Attracting, and then retaining, capable staff is already a challenge, our panelists say.

"If you look at a lot of major gift resumes, people are two years here, three years there," says Geswell. "Too many people are leaving jobs too fast to grab the next ring."

"There are so many new development jobs that people get approached probably before they're ready for certain jobs and are offered a great deal of money to do it," says Naum. "We just had someone with no direct-contact fundraising experience offered a 45 percent salary increase and a director of development job. I had to say 'God speed.' It shows you what the marketplace is like."

So how, as managers, do they try and put a foot in to block the revolving door from spinning their best staff right out?

"You have to continually make the job interesting and involve them in things other than the day to day grind of dealing with donors. You have to compensate them, though there are some inflated compensations going on with major gifts staff," Geswell says.

"The industry has to get a bit more realistic about that. I don't know what you do, but it has to stop, because it's costing everyone a lot of money," he says. "Good major gifts people are somewhat hard to find. In nonprofit health organizations, which are notoriously low paying, even here folks are making \$100,000-\$200,000 a year. And in a university setting they're doing a lot better than that."

"Stealing people and giving everyone a raise is not in our best interest," agrees Karlin. "The ad agencies realized a few years ago they were recycling the same people and inflating salaries, so they made a pact to slow down a bit. Years ago people expected to stay at a job for a long time, today that expectation just doesn't exist. Today, you hope you get more than a year or two out of people."

"I accept it as the nature of the business," says Unicef's Towers. But to try and stanch the tide from his own office, he has beefed up the benefits package.

Yet "the most important thing when it comes to employee retention is the culture. It has to be a place where people feel affirmed, appreciated, that they have an opportunity to grow and learn, and to apply that learning. They want to feel that the organization is investing in their growth.

"It's not about the money," he says. And no matter what changes come to the work of fundraising, one thing stays the same for development staff at every level, Towers says. "People want to go home every day knowing that the hours they spent advancing the cause important to them make the world a better place."

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