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FUND RAISING

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CONFERENCE NOTEBOOK

Surviving Tough Times

New research can point out ways for fund raisers to thrive

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San Diego

While concerns about the turbulent economy's effect on donations were on the minds of the more than 4,500 participants at the Association of Fundraising Professionals' annual meeting here, a proliferation of new academic research on giving — and experiences from veteran solicitors — suggested numerous approaches to help charities survive difficult times.

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ARTICLE: Faltering Economy Starting to Affect Charitable Giving, Studies Find

One key to survival is understanding how the entrepreneurial founders of global technology companies are changing philanthropy, said Emmett Carson, president of the Silicon Valley Community Foundation, in San Mateo, Calif.

Charities that cannot adapt to the fast-paced decision-making style and risk-taking bent of these entrepreneurs could lose sizable contributions, Mr. Carson said.

Mr. Carson, who led the Minneapolis Foundation for 12 years before spending the past 14 months working with Silicon Valley entrepreneurial donors, outlined a dozen characteristics of those donors that have implications for the way in which fund raisers and other nonprofit leaders work on a day-to-day basis. Among them:

- Speed and adaptability. Entrepreneurs regularly remake their companies, fire employees, and replace them, sometimes on a weekly basis, Mr. Carson said. They are put off by the lengthy decision-making processes that are the time-honored practices at many charities. "Concepts like committee review don't wash," he said. "They don't respond to the excuse that you are a nonprofit" and must do things differently.

- An independent streak. Fund raisers are used to seeking the endorsement of business leaders who can influence their peers to give, but most entrepreneurial donors "celebrate their own thing, not the group thing," said Mr. Carson. They pick one or two causes and "follow their own drummer, not the pack." In fact, he added, their attitude is likely to be, "If you have others, you don't need me."

- Separate interests for couples. Spouses "don't necessarily share the same interests, and decisions don't get made by a couple," said Mr. Carson. Instead, each individual has his or her own charitable interests, and the couple has worked out how to use their philanthropic resources separately. "In Minnesota, the couple decided, even though one might be more dominant," Mr. Carson said. "Not so much in Silicon Valley. They don't need to check in; they work independently."

- An unprecedented demand for inside information. While many experts have noted that entrepreneurial donors demand more than others from the organizations they support, Mr. Carson said, the degree of involvement they seek can seem extreme to charity leaders. "'Why don't you come on staff?' you might want to ask," he said. "They ask for staff memos; they want to develop strategy with you."

- A high tolerance for risk. Unlike charity leaders, technology-company founders, Mr. Carson said, "risked it all and won and sometimes lost. They are used to betting the farm. They ask, 'Why won't you bet it all? So what if you fail? We'll learn some things.'"

- Expectation of diversity. Entrepreneurs who have created and worked in global companies are "Indian, Asian, Filipino, and not all white. They're younger, more diverse, and comfortable with that," Mr. Carson said. Instead of the typical conversations about diversity in the nonprofit world, which often focus on questions of access, equality, fairness, and why so few minorities lead organizations, global entrepreneurs think that the best ideas come "in any size, shape, and color," Mr. Carson said. "So if your organization is all one color, they wonder if you're getting the best ideas, and not just the hierarchy."

Those characteristics and others, Mr. Carson said, make global entrepreneurs impatient with operations at many charities in the United States. That is one reason, he said, that philanthropists like Bill Gates and others have found overseas projects to be appealing.

"They can go to Africa and solve problems very easily," he said. "Committees and processes and regulatory commissions are not appealing to them. You have to compete for them because they are global citizens."

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Americans get richer by giving money away than they do by keeping it — and the more they give, the more they can stimulate the economy, said Arthur C. Brooks, a professor of public administration at Syracuse University. For every dollar Americans give away, they will gain $3.75, he said.

"I would have told you, as an economist, that the reason we give so much is because we're so rich," he said.

"And I found that when people get richer, they give more money away. But I also found that when people give away more, they get richer."

Mr. Brooks said he reached his conclusion after he analyzed data from a 2000 survey of charitable giving by 30,000 households in 41 different towns and cities across America.

Households that donated money in one year saw their incomes increase the following year, he said.

His findings held up when he compared annual charitable giving from 1957 to 2002 with the nation's gross domestic product. He said he was able to predict whether the gross domestic product would rise by looking at whether charitable giving had increased the previous year.

Mr. Brooks said his research shows that the way to keep America's economy strong is not to spend more, but to give more: "Charitable giving is not just a smart choice, it's a patriotic choice."

Other research shows that people who give money away are happier and less stressed than those who don't, he said, and being happy may make people more successful. Studies also show that people are more likely to perceive charitable people as leaders, and people in leadership positions tend to reap greater financial rewards.

Mr. Brooks said his research has led him to take a different view of people who seek charitable donations. Their work is not a "necessary evil" but a public good, he said. "Giving makes us healthier, happier, and richer individuals. Every time you solicit a gift, you're doing a favor to the people you're soliciting."

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Charities are losing money because they don't pay attention to findings from academic studies on giving and fund raising, said Adrian Sargeant, a professor of fund raising at Indiana University.

"Research should be informing professional practice" when it comes to figuring out what drives donors away and who is most likely to make a gift, he said.

For example, Mr. Sargeant said he has found that women, not men, give the most to charity.

Previous research found that men gave more money to specific organizations than did women with comparable assets or incomes, he noted. But women distribute gifts among more organizations. Once all the gifts are tallied, he said, they have the edge.

Mr. Sargeant also said that many charities are driving donors away from making online gifts by the way they have designed their Web sites. He sought to make online gifts to 50 organizations and found that he had "real problems" with at least 10 of them.

For example, seven organizations refused to accept his online credit-card gift unless he provided them with a phone number, he said. "Is a phone number so important that you're willing to lose a gift?"

Research also shows how charities may be hurting their direct-mail efforts when they swap lists of small donors with other groups, he said. Gifts from a donor to an organization decline an average of 10 to 15 percent once the organization gives that donor's name to another charity, he said. That's because people who give small sums often begin spreading the same amount of money among more organizations.

Such donors also often drift away from the organization they originally supported as a result of the increase in solicitations, he said. "People see themselves as being slowly inundated with requests."

The loss of those donors may be more important than charities realize, Mr. Sargeant said. Evidence shows that loyal donors who make small gifts during their lifetime to a particular organization are more likely to leave it a sizable bequest. Charities that swap names and lose the chance to build donor loyalty may be forfeiting bequests later on, he said.

"Don't look at the initial returns," he said. "Consider the loss in value of those donors, the damage done to public confidence, and the possible loss in bequests."

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Asking for a bigger sum than a donor is likely to give might seem like an audacious idea with only a small likelihood of working, but scholarly research shows that it is an effective technique, said Shaun G. Lynch, a fund-raising consultant from St. Lazare, Canada.

Mr. Lynch noted that Harvard Law School's Program on Negotiation found that when two parties are negotiating over the price of a product or service, the mention of high figures in the conversation by the seller — even if those figures have little or no relation to the item's actual value — result in the buyer's paying more than he or she would otherwise.

The lesson for fund raisers: Start negotiating over the amount of the contribution by mentioning an "anchor" figure that is higher than the amount that the organization actually plans to request, advised Mr. Lynch.

The anchor figure, he said, can be unrelated to the potential donor's desired contribution. For example, fund raisers could mention a bigger gift from another donor, or the cost of a large project that will be named for a supporter, before asking the donor for a specific lower amount that they know the person can afford.

That approach, said Mr. Lynch, allows fund raisers to counter people's tendency to think about giving considerably less than they can afford.

Although some fund raisers prefer to let the donor take the lead in proposing an amount, research on winning negotiation tactics underscores the importance of using specific figures in solicitations with donors, Mr. Lynch said.

"There is science to back this up," he said. "Tell your fund raisers and board members: This is why you need to go in with a specific amount."

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Board members who don't make an effort to seek donations or who throw themselves into other trustee duties often do so because they think it would be inappropriate to say what they really think, said Jan F. Brazzell, a fund-raising and management consultant in Tacoma, Wash.

"I call it 'functional politeness,'" she said. "People say nothing or vote yes in the board meeting for stuff that they complain about later in the hall. I've seen it over and over."

Charities can get trustees more involved by getting rid of boring board meetings and abandoning a board structure dominated by committees, Ms. Brazzell said.

"The stronger the executive committee, the less engaged the board is," she said. An executive committee, she added, dominates board discussion and decision making, making it hard or impossible for other trustees to fully participate.

Ms. Brazzell said charities should abolish most board committees. "Eliminate staff-led committees like development committees," she said.

Trustees on such committees see the staff fund raisers and think, "Here are the three suckers who will do all the work," she said.

Besides, she added, the full board should be involved in fund raising, but a development committee only encourages trustees to think that, unless they're on the committee, fund raising isn't their job.

Another big problem, Ms. Brazzell said, is that trustees spend 80 or 90 percent of their time in meetings listening to dull reports about staff activity that happened in the past.

Instead they should be spending that amount of time discussing the organization's future and whether it is responding appropriately to the people it serves, she said.

Ms. Brazzell recommended inviting other nonprofit leaders or government officials to speak about local issues and trends at every board meeting and holding board planning retreats to shape an organization's future. Trustees "get excited when they're actually doing something," Ms. Brazzell said. "Give the board meaningful work."

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More reports from sessions at the fund-raising meeting are available on Prospecting, *The Chronicle'* s fund-