



United States of America

Critical Fundraising Report #3

Editor - Barbara O'Reilly, CFRE
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ROGARE
THE FUNDRAISING THINK TANK

About Rogare

Rogare (Latin for ‘to ask’) is the independent think tank for the global fundraising profession.

We are the engine that translates academic ideas into professional practice, and we aim to bring about a paradigm shift in the way fundraisers use theory and evidence to solve their professional challenges.

Our main current research topics are:

- Fundraising ethics
- Relationship and donor-centred fundraising
- Beneficiary framing
- Professionalisation of fundraising
- Regulation of fundraising
- Gender issues in fundraising

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Other Critical Fundraising (National) Reports are available for:

- Ireland
- Scotland

And planned for:

- Italy
- Canada.

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About CFR reports

Critical Fundraising Reports are explorations of the issues and trends relating to particular areas of fundraising, providing a snapshot or barometer of the current important and critical issues in those fields.

Rogare produces three types of CFR reports, for:

- Types of fundraising, e.g. telephone, major gifts
- Issues in fundraising, e.g. ethics, regulation
- National reports.

The national reports aim to:

- Identify the key current and emergent critical issues and challenges in those countries
- Identify the knowledge gaps that exist in fundraising in those countries - these could be lack of theoretical knowledge (such as a paucity of ethical theory) or a lack of practical knowledge (such as not enough research on gender differences in giving)
- Outline any suggested, preferred or recommended courses of action - including recommendations for future research (NB these will only be outlines, not fully developed solutions).

Each national report follows a similar framework, allowing comparison between countries, but of course, each report only carries information that is relevant to that country, so not all reports will cover the same areas.

Each report begins with a SWOT and PESTLE analysis, from which some, though not all, of these factors are selected for further detailed analysis.

Critical Fundraising Reports are compiled and collated by members of Rogare's International Advisory Panel and others invited to work on these reports. The content of these reports therefore represents those factors and issues that members of these task groups consider relevant and important. These reports do not aim to be comprehensive, and there may well be issues that other people would have included.

However, the aim of these reports is to highlight trends, issues and challenges that general consensus would most likely suggest are the most important and topical issues that fundraisers in the country need to be aware of.

Critical Fundraising Reports are 'live' documents that will be regularly updated as new things appear on the radar and others drop off.

Finally, it should be borne in mind that Rogare focuses on theory and evidence, and trends and issues; Rogare is not a best practice body. Therefore, *Critical Fundraising Reports* are not guides on how to improve a particular piece of fundraising, whether that is a type of fundraising such as telephone fundraising, or something more wide-ranging such as regulation.

Rogare's aim is to get fundraisers thinking more about the kinds of theory and evidence they need to overcome the professional challenges they face, and so our *Critical Fundraising Reports* are designed to describe these challenges and highlight what kinds of knowledge fundraisers will need to meet them. 📍

2.1

Introduction



Ian MacQuillin
Director, Rogare -
The Fundraising Think Tank

The United States of America holds a special – and perhaps privileged – place in global fundraising, exerting an influence that extends much further than its 50 states.

The Association of Fundraising Professionals is the biggest representative body for fundraisers in the world, with chapters and affiliations in other countries, such as Canada, Mexico and Hong Kong, and was the driver of the set of ethical principles that have been adopted by 27 countries.

As the main formal continuing professional development programme for fundraising, the CFRE has accredited fundraisers in Australia, Canada, China, France, Germany, Japan, Korea, New Zealand, and the UK, among others.

More than examples such as this of the USA's widespread influence on global fundraising – and let's not forget that American speakers are in huge demand on the international conference circuit – there is sometimes a perception, or feeling, that the ideas and practices emanating from US fundraising are world-leading ideas and practices, both from the Americans developing and promulgating these ideas, and fundraisers in the rest of the world who receive them.

And so, with such a reach and influence, it is a good idea to be able to critically reflect on the current state of US fundraising, to look not just at what's working, but also at what's not working so well, where the current knowledge gaps might be, and how we could fill those gaps, and identify any key current and emerging themes or issues.

This *Critical Fundraising (CFR) Report* – which has been researched and compiled by a task group of American members of the International Advisory Panel to Rogare, the UK-based independent fundraising think tank – aims to do just that.

As is standard for all Rogare CFR reports, the team started with PESTLE and SWOT analyses, from which they identified further factors to explore in more depth, with each task group member taking one topic.

This is the third of our CFR national reports, following reports for Ireland and Scotland published in 2017, with reports for Canada and Italy in preparation.

My warmest thanks go to the chair of this Rogare task group Barbara O'Reilly and all her team members for the hard work they put into this project and their dedication, as volunteers, in seeing it through.

This is an excellent contribution to the body of knowledge underpinning fundraising in the USA and makes some very pertinent recommendations for future research and practice. 🧠

2.2

Introduction



Barbara O'Reilly, CFRE
Chair of CFR (United States) Task Group

Philanthropy has been a core tenet of the United States since our earliest days. Many of our social, arts, and philanthropic institutions are the direct beneficiary of generous philanthropists who saw their role in shaping the communities around them. While evidence of philanthropic generosity abounds, fundraising as a more 'formal' activity started a little more than 50 years ago. It really has been only over the last two decades or so that fundraising has grown in professionalization with formalized training and career track. This is due, in large part, because fundraising's importance has grown, evolved, and adapted in response to an ever changing economic, social, and political landscape.

This *Critical Fundraising Report* is our perspective of key issues and trends that affect fundraising in the US. The task group for this project comprised fundraising and nonprofit thought leaders - all of whom are members of Rogare's International Advisory Panel - representing practitioners and consultants from different geographic parts of the country and different verticals within the nonprofit sector. In compiling this report, we present, to the best of our ability, evidence-based information, not personal opinions, focusing on topics we believe are issues that warranted a deeper analysis in the individual reports.

This report would not have been possible without the incredible hard work, expertise, and good humor of all the members of the task group. Over the course of nine months, we dissected external factors that affect the nonprofit sector; probed, questioned, and brainstormed common themes we saw emerging in the external analysis; reached out to other nonprofit fundraising practitioners for their perspectives on key issues; and shared our own experiences and expertise throughout the entire report.

In no way is this report meant to serve as a solution for all the key trends and issues we identified. Rather, we hope that it inspires conversation, reflection, and constructive responses to lift and strengthen the sector in the United States. 🗣️

Task Group members

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Ashley Belanger
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Executive summary

State of public trust and the nonprofit starvation style

Donor trust in the nonprofit sector has been stagnant since the early 2000s. Reports by the media in the late 1990s of mishandling of funds by a few organizations prompted wider questions about how nonprofits spend their budgets. As a result, operational capacity is perceived less favorably than direct program investments, although each is equally important for long-term sustainability. Thus nonprofits feel compelled to limit their operating costs to appear more attractive to donors. But by doing so, they compromise their ability to produce results, scale, innovate, and have reserves.

Recommendations

1. Nonprofits must honestly assess what financial resources they need to perform at their highest degree. They should be candid and clear in forecasting how that increased funding in non-program costs will strengthen them as an entire organization and lead to longer-term sustainability.
2. Nonprofits must evaluate their donor communications and determine if they are appropriately conveying their degree of success and impact. Featuring stories of their work and those they serve and removing all language that promotes the percentage of donor contributions that are allocated for programs will reassure donors how they are investing in results.

Stagnant donor retention rates and national giving levels

Nonprofits in the United States are not doing well at all at retaining existing donors. According to the Fundraising Effectiveness Project, nonprofits are only retaining 45 per cent of donors. This results in increasing focus on the more expensive, lower-yielding donor acquisition strategies and a need for nonprofits to 're-invent the wheel' every year.

Recommendations

1. A more comprehensive research program on donor retention would be to broaden the existing research to include nuances of episodic giving and measurements such as lifetime donor value.
2. Other areas of research to be considered might include:
 - Are soft credits being accounted for or are gifts only going with the one unique identifier?

- Are gifts that are not intended to be renewed annually (campaign) being noted?
- How are we quantifying donors with growing relationships with nonprofits but who only give sporadically?

These added areas of research will help fill out the donor retention puzzle and help nonprofits better fund their mission with a growing group of invested supporters.

Tax reform and what it means for charitable giving

Shortly after the 16th Amendment to the US Constitution was passed, authorizing Congress the ability to levy a tax on income, the US entered World War I and needed additional revenue. Fearing that charities in the country would not survive the war and an increased income tax, the War Revenue Act of 1917 provided a tax deduction for charitable giving. One hundred years later, Congress passed the Tax Cuts and Jobs Act of 2017. The concern over whether income taxes would deter charitable giving continues to rage on in the halls of Congress, in the media, and among charities across the country.

Recommendations

1. Fundraisers should focus less on tax incentives in their messaging. Rather than an average of seven email messages sent in December (twice as much as other months), which reinforces the tax benefit of giving, charities should tell simple but powerful human-interest stories extolling generous people. Reinforcing the tax deadline and the virtue of the deduction creates a false mindset for donors about why their gift matters and the reason for the urgency of the gift.
2. Fundraisers should remind donors of their ability to give from their assets rather than their income. One very clear implication is that highly philanthropic middle-income donors should probably open donor-advised funds. Practitioners will need to develop new tools to solicit and steward donors who give through these means, but also be more nimble in accepting bundled gifts while carefully navigating cash flow issues.

3. The sector should critically investigate core assumptions in giving. As the tax reform bill surfaced in various iterations, nonprofits were quick to sound the death knell of the sector. While it's unclear whether a decrease in charitable giving will occur and the job loss numbers seem to be unsubstantiated at best, few if any interrogated the real issues, opting rather to defensively posture to prevent a perceived loss. The sector should have serious, unbiased, and self-aware discussions about whether the charitable deduction is actually charitable, whether the sector does what it is intended to do, and whether nonprofits are operating as effectively and efficiently as possible.

See s6.3 for a fuller exposition of these recommendations.

The current and anticipated fundraising talent crisis

Nonprofits are not keeping less experienced fundraisers any longer than they have in the past 20 years. And there is no sign the problem is getting better. The average tenure per job for fundraisers under 10 years of experience remains very close to steady over 20 years, at about 2.5 years. There seems to be a significant lack of investment in professional growth of fundraisers by their employer nonprofits and the institutes that fund them.

Recommendations

Nonprofit CEOs and senior leaders need to:

1. Implement plans to reinvigorate their employee advancement and recognition strategy.
2. Address their intention to professionally develop the abilities of their youngest staff and make it known that they personally care for the success of the individual fundraiser.
3. Encourage women, and racial and sexual minorities to apply for lower tenure jobs and open the ranks of the senior levels to diverse populations.

Defining standards for fundraising

The definition of who is or is not a fundraiser is not clear and may include all those who raise funds in some capacity. Are they all 'fundraisers'? This invites a larger question: is fundraising a well-defined profession in the United States? If not, what does that mean for the nonprofit sector?

Recommendations

1. A set of standards for professional practice in fundraising, distinct from those set by professional associations or other membership bodies for fundraisers, should be established. These standards would define a global code of best practice for fundraising and also include required levels of knowledge and education.

This would create a framework for employers to use when hiring for fundraising roles, as well as a guide for aspiring fundraisers to follow in preparing or building upon their careers. This also would eventually lead to protection of the sector from unqualified practitioners who could damage the reputation or productivity of their organizations through uninformed actions in their pursuit of donations.

Diversity, inclusion, and gender equity

Calls for diversity, inclusion, and gender equity have reached mainstream media prominence in the last decade. The nonprofit sector's shortcomings may turn up fewer hits among headlines, hashtags, and smear campaigns than the commercial sector; however, structural exclusion and systemic inequity permeate the field. The third sector's re-inscription of white, male, cisgendered, heterosexual dominance ensures the persistence of a stagnant philanthropic culture in the US.

Recommendations

1. The academic community has already identified a need for more research on demographic differences in giving. In addition to studying the impact of race and other demographic factors on giving (and equity) in the status quo, we should also attempt to impact the trajectory of such impacts and study the success of such interventions.
2. Nonprofits with the budget capacity to fund research-informed diversity pipeline projects should do so. Those without these resources should take advantage of the many free or low-costs mechanisms available.
3. Individuals need to make an effort to change inequitable norms, especially those belonging to dominant groups. Actions and behaviours could include mentoring someone who is different to them, learning about microaggressions and how they impact the health and wellbeing of their victims, and creating inclusive working environments and teams (see s6.6 for the full list or recommendations).
4. Codify new individual behaviors into policies and protocols adopted by organizations, such as (see s6.6 for the full list or recommendations):
 - Adopt a policy and/or protocol that ensures diverse outreach strategies for job postings, board recruitment, and donor prospecting.
 - Use a rubric to evaluate job candidates rather than relying on impressions.
 - Adopt an affirmative action plan (in accordance with laws and regulations).

How data, technology and social media are affecting fundraising

As in all industries, the technological tools available to fundraisers now are myriad and offer solutions to nearly every aspect of fund development. However many nonprofits cannot afford or do not have the expertise or knowledge to implement tools that would drastically increase their fundraising results. Many practitioners may not even know that the resources exist.

Recommendations

1. Fundraisers need to invest in multi-channel comprehensive communications. Standard mail, email and phone are no longer viable stand-alone methodologies and donors of all generations are using multiple platforms for all their communications.
2. Fundraisers must have a rudimentary understanding of data analysis and hygiene, as well as a modicum of technological knowledge to manage both standard communications and newer methodologies. Data quality can have the single largest impact on revenue; as data ages or becomes incorrect, fundraisers lose donors through the inability to contact them, or contact them correctly.
3. As part of a comprehensive, strategic fundraising plan, fundraisers must include the strategies and platforms that make sense in the context of their organization and plans, and that they can manage well and efficiently. The tendency to chase after the newest technology or platform should be tempered against the overall plan for the organization and what can be managed and managed well.

The misalignment of social fundraising data sources and donor relations

Social fundraising and online giving platforms are changing the landscape of fundraising and marketing for nonprofits. In a world where technology innovation is happening at a faster rate than ever before, nonprofits are lagging in their ability to both keep up with the rate of innovation, and also in mining disparate data sources to drive true, intentional relationship fundraising.

Recommendations

1. The sector needs to allow for ample investment in new technologies and social engagement. Nonprofit staff should be given time and dollars for training and continuing education on social engagement and online giving platforms.
2. The sector should push for changes within data transfer between platforms such as Facebook and nonprofit organizations. If we truly want to adapt to the way that people want to engage with us, and meet supporters where they are, then we need to work together with technology innovators to create the greatest growth opportunities.
3. As data will play a crucial role in developing relationships with donors who give online and through social peer-to-peer programs, nonprofit organizations should focus investment in understanding these donors in order to build relationships and loyalty to their cause, via these changing avenues for giving.
4. Nonprofit organizations should embrace the way that donors and supporters want to engage, and stewardship and relationship building should adapt to the platforms where supporters are showing their support. As an example, if data is not accessible, then in lieu of email and or postal stewardship, organizations should be focusing on how to cultivate and build relationships on social platforms where people are engaging. Stewardship and relationship building may vary on these platforms, but we should not be so focused on the method of follow up (i.e. email) versus the preference of engagement of the donor (i.e. a public note of encouragement on a fundraiser's Facebook page). 🗣️

4 PESTLE analysis of fundraising in the USA

Political

- The Trump Administration has destabilized nonprofits and particular subsectors via real or threatened cuts to federal appropriations (Grants Plus, nd).
- Political bases on both sides have become increasingly divisive and even radicalized.
- Surveys reveal that distrust of government is at near historic lows (Pew Research Center 2017b).
- The repeal of the Johnson Amendment could have a considerable impact on the sector – e.g. shifting donor incentives, an influx of new nonprofits, mission drift among existing charities, etc.
- As a result of last year’s proposed changes to the Fair Labor Standards Act, some organizations have increased employee salaries in anticipation of its reappearance. If the legislation passes, overtime benefits will expand to all full-time employees with annual salaries of up to \$47,000.
- Paid leave continues to be a key discussion point on Capitol Hill and in local communities. According to the Bureau of Labor Statistics, 87 percent of workers in business, government, and nonprofits have no paid leave.
- There is variation in all 50 state registrations/regulations by which nonprofits must comply.
- Data shows campaign spending – and by inference, political fundraising – to be at an all-time high (Federal Election Commission, nd).

Economic

- The middle class is shrinking and there is a widening gap in income inequality along racial/ethnic lines (Pew Research Center 2016a; Kochhar and Cilluffo 2017).
- Cyclical markets mean that there are regular recessions every five-to-seven years, for example, the 1986 tax reform, the dotcom bust, 9/11, and the housing bubble burst.
- Employee tenures are shortening in both for-profit and nonprofit sectors. Three years in one job is now seen as an HR win (Society for Human Resource Management 2016).
- Changes in investment rates can affect disposable wealth which will affect giving decisions.
- The uncertain tax climate (i.e. changing levels and deductions, the repeal of the estate tax, the GOP tax plan) are expected to reduce charitable giving by \$13 billion (Lilly Family School of Philanthropy 2017; Joint Committee on Taxation 2018).
- The stock markets are relatively stable despite global/ social/political unrest.
- Most charities persevered through the 2009 recession.
- Predicting job growth in 2017, the restaurant, leisure, and manufacturing industries are leading the way.
- The Fear-Greed Index tipped toward greed (61/100) (CNN 2017).
- As younger generations mature, there will be a generational shift in wealth, which will bring different preferences and expectations around philanthropic engagement (Blackbaud nd).

Social

- The overabundance of information about nonprofits and various issues makes decision-making difficult.
- There is a higher degree of expectation in communication, transparency, and engagement between donors and organizations due to widespread communication channels (Marks Paneth 2015).
- A lack of diversity in the workforce, both at the board level and in grantmaking, is now a topic that is being acknowledged and addressed (Center for American Progress 2012).
- There is still gender inequality in leadership and compensation, but there is a push to change these factors (Society of Human Resource Management 2018).
- National grantmaking tends to focus on urban areas. Only six percent of foundation grant dollars are designated for rural areas.
- ‘Prize Philanthropy’ is changing how big foundations make decisions about their grantmaking (Parker et al 2014). Competitions such as MacArthur’s ‘100&Change’ \$100 million competition for big solutions to major world problems and Gordon and Betty Moore’s \$34 million award for early-career scientists and inventors are also forcing nonprofits to think bigger and more strategically about solutions they can implement and scale for widespread impact.
- There is increased mobility of people, although state-to-state migration is at its lowest rate in recent years. At least 50 percent of the world’s population is migrating, predominantly to US cities (the 2010 US Census showed a migration rate of 80.7 percent in the US).
- There is a great deal of conflicting work between those who are actively overcoming racism and those who are actively promoting it (Pew Research Center 2016b).
- Baby Boomers’ expected retirement will continue through 2050.
- Immigration patterns are shifting towards more diversity: 50 percent of babies born in 2017 were non-white.
- Emphasis on engaging new and younger donors can distract nonprofits from their older, more established supporters (Blackbaud nd; Millennial Impact 2017).
- Online fundraising means ‘anyone can do it.’
- There is a lack of trust in the NPO sector (Perry 2015).
- More donors want to volunteer in addition to giving (Bureau of Labor Statistics 2016). The volunteer rates among high net worth individuals are rising. (US Trust 2018).
- Crisis and rage fundraising has always existed, but it really came to the fore in late 2016 through 2017 (Coffman 2016).
- There is a lack of focus on sustainable, long-term fundraising, and more of a focus on immediacy.
- The growing number of nonprofits increases competition (Haddad 2017).
- The rise of ‘Trumpism’ and the proliferation of anti-intellectualism is affecting the public’s view of national institutions (Pew Research Center 2017a).
- The political climate is having a psychological impact on people, with some people even reporting PTSD symptoms (Sword and Zimbardo 2017).
- America is seeing a shift in social organizations, social patterns, and information sharing, including the demise of the traditional neighborhood and neighborly relations (Foust 2017).
- Political activism is increasing on both the right and left sides of the spectrum (Sydell 2017).
- There is a rise in donor-advised funds (The Economist 2017).

Technological

- Proposals to do away with net neutrality make digital infrastructure available to corporations and governments, but not to nonprofits and other associations. This can limit equal access to the internet and can have a negative effect on free expression (Lee et al 2017).
- There is a collective concern over data protection amidst an increasing surveillance state in digital communication, as well as server data breaches (Pew Research Center 2016c). Most nonprofits have compromised their independence by signing up for commercial software, servers, cloud services, and other technological tools without being fully aware of how these systems and tools counteract their organizations (Segedin 2017).
- There are now thousands of options for consumers, versus the 'three channels and PBS' of years past, which is actually leading to less engagement and conversion, not more (Birkett 2015).
- The proliferation of cell phones and an increase in mobile web viewing have changed how people communicate and conduct business (Pew Research Center 2018).
- Data, both access to it and how it is used, has come under fire in locations around the globe. It is still unclear what sort of impact we will see in the US.
- There is a lack of technological adoption and training in the nonprofit sector. Staying on top of tech trends and advances in data management is a challenge (Arrillaga-Andreessen 2015).
- There is a constant flow of CRMs, fundraising add-ons, and new tools. It's hard for fundraisers to do their job while staying on top of research, data management, and staying in touch with donors.

Legal

- There is a patchwork of laws affecting nonprofits and fundraising from state to state.
- Some NPOs are struggling with uncertain legal statuses, such as the Johnson amendment and filing status.
- Nonprofits are concerned about changes and potential changes in tax laws regarding charitable deductions (Murphy 2017).
- Government and state regulations may impose greater scrutiny on nonprofits.
- Nonprofit governance is in flux, particularly board and leadership roles.
- Recent legal cases have focused on donor privacy (ACLU vs. Agata 2016; Stempel, 2016) and confidentiality (Dolan 2015).

Environmental

- The increasing severity of storms and weather events (i.e. 2016 flooding in South Carolina, Hurricane Harvey, West Coast fires, etc.) has led them to be considered national security threats (Martin and Masters 2017).
- International humanitarian and political crises may affect local grassroots opportunities.
- The US is the world's leader in corn production. The prices of corn and wheat are less than half what they were four years ago. In 2016, major consolidation began to occur in the agricultural sector. These businesses, which provide critical inputs for farmers, are likely to increase the cost of production for all grain and agricultural commodities in the future. As large businesses rather than family farms increase their control of the agricultural sector, philanthropy will shift away from individuals and families that have had a sizeable impact on giving (Hecht 2016). 🌐

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5

SWOT analysis of fundraising in the USA

Strengths

- Philanthropy is strong in the USA and a part of its national culture. Giving in the USA hit a record high in 2017 reaching \$409 billion (Giving USA 2018).
- Eighty-six percent of all contributions reported each year comes from individuals (ibid).
- The USA is the 14th richest country, per capita, in the world so there is great wealth and room for growing the number of donors nationally (Segarra, 2017).
- The nonprofit sector is a relatively strong and well-respected industry with few legal scandals (Coffman 2015).
- There are many nonprofits (approximately 1.6 million) and many of those have some defined staff role for development or fundraising.
- In the US, fundraising dates back to the early 20th century although many feel that philanthropy is an integral part of the ethos of America from its earliest days. Formalized fundraising activities and efforts took shape in the mid-20th century so we have practitioners with much longer experience than other parts of the world. This provides depth and a richly documented history, body of knowledge, and best practices grounded in experience that are easily shared through fundraising organizations, online resources, and professional development opportunities. Many are with well-organized infrastructures nationally and within states (e.g. AFP chapters) (Burlingame 2004).
- Americans generously respond through spontaneous giving such as in response to disaster fundraising (Giving USA 2018).
- Nonprofits are growing in marketing savvy so even small organizations can share their message well, with smart use of news, ads, and social media to keep in front of people and raise money.
- Legally forming and maintaining nonprofits is relatively easy compared to other parts of the world like Europe or the UK.
- Philanthropic contributions are tax-deductible, giving another incentive for philanthropy.
- Increasingly better technology tools like CRMs, research tools, and independent data verification are being used by both the profession and donors. There is a general openness by the sector to using tools like wealth capacity screening and other prospect data tools to gain insight into donors.
- A growing number of university programs are offering students formal training as a way of encouraging them to enter the fundraising profession while also adding to the existing body of research of fundraising best practices.
- Donors have more resources to make more informed decisions. This has led to a growing emphasis from donors on metrics for demonstrating impact, which is making nonprofits think about how they design their programs to be attractive and how to showcase that in their fundraising (Perry 2015).

Weaknesses

- Giving in the USA is stuck at two percent of GDP – a statistic that has remained stagnant (Perry 2013) for many years likely due to transactional fundraising practices across the sector.
- There are 718 nonprofits opening each week, which creates intense competition with multiple nonprofits offering the same program, adversely affecting economies of scale and proliferating under-resourcing of nonprofits (National Center for Charitable Statistics nd).
- There remains a degree of lack of public trust due to a few public reports of mismanagement and skepticism of administrative spending. This scrutiny forces nonprofits to limit their investment in themselves which reduces their effectiveness (Coffman 2015).
- Many nonprofits are still chronically under-resourced, which results in smaller to mid-size organizations often having limited development staff who split their time with other responsibilities, earn low salaries and have limited internal opportunities to advance their careers. More qualified staff tend to go to larger organizations that have resources to pay competitively.
- Many organizations practice a transactional fundraising model of asking and receiving. They don't have the skills, experience, or capacity to develop relationship-based strategies or innovate, test, or adapt new fundraising models. Moreover, a competitive nonprofit landscape combined with these limited skills for effective fundraising by nonprofit staff creates donor churn with the average donor retention rate stuck at 46 percent nationally (Sargeant et al 2015).
- Fundraising is an all-encompassing term that varies within different niches and verticals in the nonprofit sector. It is not seen as a recognizable field, compared to sales/marketing, law, accounting, and other professions. There is a lack of entry requirements to the industry and an absence of buy-in from organizations regarding a body of knowledge or standards required of fundraisers (MacQuillin 2017).
- Because there is no formal source of fundraising training, best practices, and research, fundraising at nonprofits can be subject to the whims of non-fundraiser leadership and boards (Bell and Cornelius 2013).
- Racial segregation in giving and fundraising lack of diversity exists within the philanthropic sector – donors, staff, boards, prospective donors (Blackbaud 2015).
- There is no vetting process for fundraising resources which makes it difficult for fundraisers to discern good tools from ineffective ones. Strategies are often based on what has worked without understanding the reasoning. This leads to challenges in being able to replicate results or apply to other settings.
- There is no single voice for nonprofit sector issues. The Association of Fundraising Professionals (AFP), Association of Healthcare Professionals (AHF), the Council for the Advancement and Support of Education (CASE), Association Foundation Group (AFG) are a few examples of the variety of professional organizations of which fundraisers can be members. No one agency serves as an umbrella for sector-specific issues and needs.
- The absence of universally applied ethical norms or formalized/agreed upon structures to prevent abuses e.g. state bar associations, medical boards, etc. have led to limited and detrimental discussions around the ethical frameworks for fundraising (e.g. MacQuillin 2016).
- Front-line fundraisers don't use technology well (MacLaughlin 2016). Poor-quality data has a negative impact on the ability to reach donors. Getting research and information to front-line fundraisers is difficult.

Opportunities

- People can use philanthropy as a way of expressing their opinion, beliefs, and their voice in strengthening certain parts of community infrastructure. This was especially evident after the 2016 election when certain subsectors saw a surge in giving (Coffman 2016).
- Crowdfunding – such as the Ice Bucket Challenge and peer-to-peer campaign platforms on Facebook and other social media outlets – has offered new ways to encourage donor involvement and increased the visibility of causes and organizations in more widespread ways. Statewide giving days and opportunities like Giving Tuesday also provide avenues for nonprofits to promote their work across a wider marketing network.
- The proliferation of communications platforms has enabled fundraisers to more easily connect with their donors and with each other such as through social media and networking platforms like Facebook, Twitter, and LinkedIn and other online forums. There are also many conferences at the regional, national and international level through which to address weaknesses and get access to quality information and training.
- Access to data is changing how nonprofits work – it can make them fundraise more strategically and efficiently and can enable nonprofits to create a greater sense of transparency by sharing that data with donors through impact reports.
- According to Boston College's Center on Wealth & Philanthropy, an estimated \$58 trillion is expected to be transferred from Baby Boomers to their heirs by 2061. (Havens and Schervish 2014)
- There are more research centers dedicated to the thought and practice of fundraising, facilitating more thoughtful discussion and debate based on analysis and research. If we can agree on unification and standardization of curricula, we could advance the formalized training of the fundraising profession via existing certification and other education structures.
- Younger donors and philanthropists are impacting the profession of fundraising by expressing more of what they want and need out of their experience as donors.
- There is great opportunity to clarify for potential board members what their responsibilities and functions are as the stewards of governance of a nonprofit.
- Other fields, such as marketing, sales, social sciences, etc, can inform the fundraising profession and help drive comprehensive communications strategies and relationship management.

Threats

- Rapid growth in the nonprofit sector – there are now 1.6 million nonprofits in the US and approximately 30,000 more each year registering with the IRS. Fear of failure and of redirected donor interests make nonprofits unwilling to collaborate (Haddad 2017).
- High turnover of staff remains an issue in the nonprofit sector and limited training and few paths for growth are contributing factors to staff turnover (Bell & Cornelius 2013). The retirement of Baby Boomers over the next two decades will create a looming leadership shortage (Milway et al 2015).
- There is no central authority that monitors and regulates compliance in the fundraising sector or enforces ethical standards. Donor confidentiality/privacy challenges driven by technology/data breaches as well as lawsuits (a number of which are currently under appeal) require nonprofits to now disclose donor information.
- Changes in legislation/tax law implemented in 2017 can mean a reduction in charitable giving of between \$10-\$20 billion in the US (Rooney 2017).
- Fundraising may never be seen as a ‘legitimate’ profession because there is a lack of understanding of what fundraising means and there are few formal entry points and training to encourage this field as an attractive career choice (MacQuillin 2017).
- Boards continue to not be taught their role so they naturally overstep them and they lack understanding or are resistant to embracing best practice or profession. They do not always value the professional expertise of paid development staff (NonProfit Times 2016).
- The over-focus by donors on overhead versus program expenses is perpetuating the nonprofit starvation cycle (Grey Matter Research).
- Staff at nonprofits, particularly smaller shops, aren’t equipped to take advantage of great wealth transfer by incorporating planned giving in their fundraising strategies (Sargeant et al 2015).
- Platforms like Gofundme, Kickstarter, Venmo, and others makes it easy for individuals to do all the fundraising functions for their personal causes. These platforms are crowding the market.
- Mobile and online giving tools promote ‘impulse giving’ rather than long-term philanthropy (Philanthropy News Digest 2012).
- The widening economic gap between the rich and the poor affects the demand for social services, shrinking of the middle class, and increasing perception of competition for major donors.
- The attempts of GuideStar, Better Business Bureau, and Charity Navigator and large foundations to create standard KPIs may not be possible to implement and may not be inclusive of the wider nonprofit sector. 🚫

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6.1

State of public trust and the nonprofit starvation style

🗣️ Barbara O'Reilly, CFRE

Problem statement

Donor trust in the nonprofit sector has been stagnant since the early 2000s. Reports by the media in the late 1990s of mishandling of funds by a few organizations prompted wider questions about how nonprofits spend their budgets. As a result, operational capacity is perceived less favorably than direct program investments although each is equally important for long-term sustainability. Thus nonprofits feel compelled to limit their operating costs to appear more attractive to donors. But by doing so, they compromise their ability to produce results, scale, innovate, and have reserves.

Description of the issue

Over the last 20 years or so, the dynamic between donors and nonprofits has shifted. Widespread media coverage of errant nonprofit spending and excessive operations caused donors to increasingly scrutinize nonprofits. An article in the *Chronicle of Philanthropy* cited examples of charities that either had overtly mishandled funds or had raised questions about programming choices (Perry 2015a). In 2017, despite the political and economic roller coaster, charitable giving in the US jumped nearly 10 per cent topping the \$410 billion mark – a new record.

But peeking below the topline results, we see that individual giving is still stuck at two per cent of GDP (Giving USA 2017) and donor confidence and trust in nonprofits has stayed stagnant since 2002, according to polls conducted by the *Chronicle of Philanthropy* (Perry 2015b). In the four polls conducted, 47 per cent of survey participants showed a 'fair' degree of confidence. Donor trust is directly tied to how well they think an organization is spending their resources (Grey Matter Research 2018). Media reports of mishandled funds always included stories of excessive spending on facilities, staff trips, executive salaries, as a few examples (Stiffman 2016). As a result, donors came to believe that charitable organizations 'waste' money on staff salaries, fundraising expenses, or other core costs considered administrative or anything not directly benefitting programs.

With the advent of the internet, donors gained access to information resources like never before and increasingly sought guidance on how to make their giving decisions. Guidestar was founded in the late 1990s to serve as a resource for grantmakers looking to conduct due diligence on grant applicants. Digitizing the annual nonprofit tax returns (Form 990) was revolutionary because it made it easy for funders to study a nonprofit's financials. Other evaluators like Charity Navigator devised a ratings system – which created a scorecard showcasing "high performing" organizations – to serve as a leader in benchmarking of charitable giving guidance. Their ratings system was initially based on nonprofits' 990s, which does not accurately depict the true breakdown of indirect and direct expenses. This does not imply that organizations fraudulently fill out the 990. They and their accountants simply do not know that there are some activities that can qualify as direct expenses despite being 'administrative,' such as a newsletters, fundraising mailings providing updates about programs, ED/CEO time spent with donors, to name a few.

In fact, 54 per cent of donors who participated in that *Chronicle* poll said they like charities that get good ratings by validators like Charity Navigator or the Better Business Bureau. This concern about expenses is also cited in the 2015 Camber Collective's *Money for Good* report (Camber Collective 2015). These nonprofit 'best practices' the validators highlighted led to external definitions of what is an appropriate percentage that can be allocated for administrative costs. Administrative expenses vary depending on the sector specialty and state of the nonprofit (i.e. start-up, growth, well-established). There is no one standard that can be applied to all charitable organizations.

Constant questions about or references to 'overhead' have forced many nonprofits, such as Wounded Warrior Project and American Red Cross, to cut non-direct costs, stripping funding and human resources for core operations because they think they will appear more attractive to donors (Koenig 2011; Sandoval 2016). As a result, they remain caught in a vicious cycle of not investing in their capacities which results in not having funds to pay appropriate or even competitive salaries, let alone to have enough staff needed. They will also not have financial resources to weather uncertain times. Their programmatic effectiveness remains stifled. Ironically,

6 *Constant questions about or references to ‘overhead’ have forced many nonprofits, such as Wounded Warrior Project and American Red Cross, to cut non-direct costs, stripping funding and human resources for core operations because they think they will appear more attractive to donors.*

this has compromised the impact and effectiveness that are identified as top drivers for donors according to the 2016 U.S. Trust Study of High Net Worth Philanthropy (Osili et al 2016).

Yet, despite this constant focus on administrative expenses, a recent study conducted by Grey Matter Research found that even though donors “feel” that nonprofits spend far too much on administrative costs, when pressed further, they don’t actually know what “too much” means. Participants in this study believed 19 per cent was an acceptable “overhead” percentage (Grey Matter Research 2015). But the charities they cited as ones they support all had administrative costs that were higher than the 19 per cent they found acceptable. We can conclude that donors regard a nonprofit’s financial management as important. But they cannot conclusively establish a standard baseline for measurement. Nor do they spend time understanding the implications of investing in non-program costs or what an organization really needs to be effective.

The conundrum the nonprofit sector faces is that donors are defining their level of trust based on external validation of criteria such as financial management. We know that impact of programs is the primary driver for their charitable decisions. The degree of effectiveness is directly tied to financial investment in the *entire* organization, not just programs. This can lead to the conclusion that nonprofits do not adequately describe or quantify their programmatic impact in a way that leads donors to feel satisfied.

6 *Even though donors “feel” that nonprofits spend far too much on administrative costs, when pressed further, they don’t actually know what “too much” means.*

Implications

There are two specific implications that exist as a result of this focus on allocation of nonprofit expenses. The first is that nonprofits will continue to face a “starvation cycle” (Goggins and Howard 2009) that limits their effectiveness and growth if they do not choose to invest the funds they need in their own organizational capacity. This mindset shift of their staff and board leadership is an important first step in order for the nonprofit to run effectively and stay focused on demonstrating results toward meeting their mission goals.

The second implication is that many nonprofits do not sufficiently communicate with their donors in a way that demonstrates the results they have achieved because of the charitable gifts from their donors. In the absence of strong reporting of stories of impact and success, philanthropists will continue to define their own metrics of success, which will remain focused on financial tracking that they can more easily measure. Charity validators can serve as a useful starting point for donors looking for guidance on new charities to support. But the ratings and evaluations they provide to donors must continue to qualify all of the various factors that determine a solid philanthropic investment.

Recommendations

Nonprofits must honestly assess what financial resources they need to perform at their highest degree. They should be candid and clear in forecasting how that increased funding in non-program costs will strengthen them as an entire organization and lead to longer-term sustainability.

Nonprofits must evaluate their donor communications and determine if they are appropriately conveying their degree of success and impact. Featuring stories of their work and those they serve and removing all language that promotes the percentage of donor contributions that are allocated for programs will reassure donors how they are investing in results.

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6.2

Stagnant donor retention rates and national giving levels

🗣️ Marc A. Pitman, CFCC

Problem statement

A vital part of a nonprofit's success is growing a group of supporters who will invest in the nonprofit year after year. While attracting new donors is important, retaining them is needed if nonprofits are going to effectively fund their mission. Nonprofits in the United States are not doing that well at all. According to the Fundraising Effectiveness Project, nonprofits are only retaining 45 per cent of donors (Levis et al 2017). This results in increasing focus on the more expensive, lower yielding donor acquisition strategies and a need for nonprofits to 're-invent the wheel' every year.

Description of the issue

Funding a nonprofit is vital to the organization's ability to complete its mission. But as seen in the essays in this volume on fundraiser retention (Green 2019) and professional standards (Hill 2019), fundraising is not considered an important skill by many people starting a nonprofit. People in the United States start nonprofits to solve a problem. While planning for the strategy may be well thought out, fundraising is not something most plan: sixty-two percent of nonprofit leaders reported their nonprofit's strategic plan lacked a fundraising plan (Pitman 2016).

When a nonprofit starts fundraising, the focus is naturally to get new donors. And the focus rarely evolves past that initial stage. Ask many nonprofit executive directors or board members what their biggest fundraising problem is and they will usually say they do not have enough new donors. This focus on 'new donors,' also known as donor acquisition, is seen as so central to fundraising it regularly shows up in job descriptions for executive directors and as well as fundraising staff.

While increasing an organization's pool of supporters is important, research indicates that in the United States little to no attention is being paid to 'retaining' donors. For years, the Fundraising Effectiveness Project has reported that more than half of the donors that a nonprofit brings in are lost the next year (e.g. Levis et al 2017). So the benefit of growing a deeper relationship with donors who invest more in the

cause is lost. Nonprofits are effectively in a perpetual quest for starting a small gift supporter relationship rather than building growing long-term major donor relationships.

One consequence of this is nonprofits trying to put on bigger events to attract new donors. The preference for group events like large galas and 'a-thons' is so common in the United States that the term 'fundraiser' often refers to an event, not a person, and these events are not good at retaining donors.¹

Treating donors as though they were first-time prospects not familiar with the nonprofit results in more expensive mailings and events with decreasing results. Fundraising gets harder and harder with increasingly less return (Sargeant and Jay 2004). Nonprofits that spend ineffective money on fundraising are taking away from other aspects of their organization. As Jay Love, CEO of Bloomerang said, the hidden costs of poor donor retention are (Love 2016):

- Drives up donor acquisition costs
- Causes more fundraising appeals
- Results in fewer major gift prospects in the future
- Reduces donor referrals of new prospects.

Research indicates that getting a repeat gift from a donor costs less than acquiring a new donor. So various researchers have focused on 'donor retention' as way to help nonprofits raise more money while reducing donor churn. Research has shown that one of the biggest predictors of retaining a donor is getting the donor to give a second gift. A first-time donor retention rate may be as low as 17.5 per cent. Donors that give a repeat gift can have a retention rate as high as 76 per cent (Urban Institute 2016).

The value to the nonprofit over time is remarkable. Seemingly even a small increase in donor retention can achieve the holy grail of fundraising – higher giving with lower costs (Sargeant 2010, p350).

The donor retention problem is often described by using the image of a leaky bucket. If a bucket is full of holes, no matter how much water you put in, the bucket will never get filled because more than half the water keeps draining out.

¹ Comment made by Ashley Belanger during conversation with the Critical Fundraising (USA) Report team.

6 *The preference for group events like large galas and ‘a-thons’ is so common in the United States that the term ‘fundraiser’ often refers to an event, not a person, and these events are not good at retaining donors.*

But is a leaky bucket seeing the entire ‘donor retention’ picture? Could the existing research be incomplete?

Over the last decade, advancements such as those explored in the section on technology (Buck 2019) along with projects like The Fundraising Effectiveness Project and authors like Roger Craver’s *Retention Fundraising* have raised the battle cry. But nonprofits in the United States are not getting the message. Year after year of the Fundraising Effectiveness Project study shows the retention rate hovering around 45 per cent. And, described as “the stubborn two per cent giving rate” in an article in the *Chronicle of Philanthropy*, giving in the USA rarely goes above two per cent of GDP (Perry 2013).

This retention failure could be rooted in the lack of seeing fundraising as a core component of running a nonprofit and relegating fundraising to an afterthought or a ‘necessary evil’ (MacQuillin 2017, p19). Rather than spending time to implement best fundraising practices, boards and staff keep doing the same thing – mailings and events and ‘nagging people’ – without measuring what works. It could also be connected to the issues raised in the section on retaining fundraisers (Green 2019, this volume).

Existing donor retention research is important. But there may need to be more nuanced research. One area of concern in the existing research is the role of donor advised funds. Since the gift is coming from the fund and only soft credited to the donor, are these gifts seen as ‘repeat’ or ‘retained’ donors?

Another area to explore is donors who may give every other year but would consider themselves regular supporters. With the changes in the standard tax deduction explored

6 *The message of donor retention’s proven ability to have a disproportionate positive impact on fundraising needs to be heard by nonprofits. But there is no need to artificially harangue nonprofits as irresponsible organizations losing 55 per cent of donors each year. If donors want to give every other year, that desire should be honored, not berated.*

in the section on taxes (Koshy 2019), this every other year giving may increase. Some donors are being advised by their financial team to consider ‘bundling’ their gifts every other year to maximize the deduction. With the current annual focus on donor retention metrics, these donors would not be considered ‘retained’ (ibid).

Implications

This single focus on annual giving as ‘retention’ could cause nonprofits to discount or alienate otherwise generous supporters. Undoubtedly, donor retention needs to remain a focus in the United States. The constant sole focus on donor acquisition is mistreating regular supporters leading them to stop giving. And as seen in the section on public trust (O’Reilly 2019), it perpetuates a form of the ‘starvation cycle’ of trying to raise more with decreasing budgets (Goggins 2009).

The message of donor retention’s proven ability to have a disproportionate positive impact on fundraising needs to be heard by nonprofits. But there is no need to artificially harangue nonprofits as irresponsible organizations losing 55 per cent of donors each year. If donors want to give every other year, that desire should be honored, not berated.

Recommendations

A more comprehensive research on donor retention would be to broaden the existing research to include nuances of episodic giving and measurements like lifetime donor value. Other areas of research to be considered might include:

- Are soft credits being accounted for or are gifts only going with the one unique identifier?
- Are gifts not intended to be renewed annually (campaign) being noted?
- How are we quantifying donors with growing relationships with nonprofits but who give sporadically,

These added areas of research will help fill out the donor retention puzzle and help nonprofits better fund their mission with a growing group of invested supporters.

Suggested citation

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Marc's expertise and enthusiasm engages audiences around the world and has caught the attention of media organizations as diverse as *The Chronicle of Philanthropy*, Al Jazeera, SUCCESS Magazine, and Fox News. Marc tweets regularly at @marcapitman.

6.3

Tax reform and what it means for charitable giving

Cherian Koshy, CFRE

Problem statement

Shortly after the 16th Amendment to the US Constitution was passed, authorizing Congress the ability to levy a tax on income, the US entered World War I and needed additional revenue. Fearing that charities in the country would not survive the war and an increased income tax, the War Revenue Act of 1917 provided a tax deduction for charitable giving. One hundred years later, Congress passed the Tax Cuts and Jobs Act of 2017. The concern over whether income taxes would deter charitable giving continues to rage on in the halls of Congress, in the media, and among charities across the country.

Description of the issue

Current tax reform took effect in 2018, so much of the fundraising sector is awash in predictions regarding the future state of fundraising. Those predictions will take time to validate. In the meantime, this report seeks to identify several of the major issues that practitioners should follow over the course of the next several years.

Of primary import to those concerned about the sector's financial future is the state of the standard deduction, which has doubled from approximately \$12,000 to \$24,000 for couples. The number of taxpayers that will itemize their charitable deductions will decrease as more people opt for the standard deduction (Tax Policy Center 2018). Some in the sector suggest that absent the incentive of favorable tax treatment, fewer gifts will be made. Estimates claim there could be losses of \$13 billion (Lilly Family School of Philanthropy 2017; Joint Committee on Taxation 2018). There is also a claim that is oft repeated by the media that more than 200,000 jobs could be lost in the sector (Ku et al 2017). This claim, however, is not substantiated by relevant data.

It is important to note that economists generally support the idea that tax deductions increase charitable giving (Bakija 2013). The magnitude of that incentive continues to be debated. It is also the case that 82 per cent of total giving comes from people who itemize, and those that have high

incomes are more responsive to tax reforms (Rosenberg et al 2016).

The second issue is the doubling of the estate tax exemption to about \$22 million for couples. Absent a tax consequence for these estates, some claim that this will result in a decline in bequests to charities. According to Giving USA, bequests made up \$30 billion in 2016, or less than eight per cent of all giving in the US, which was approximately \$390 billion in the same year (Giving USA 2016). Economists also generally agree that a repeal of the estate tax would alter incentive structures such that bequests are likely to fall (McClelland 2004). The continuing question is how significant a decrease will be experienced. This is because modeling based on the attempt to repeal the estate tax in 2010 estimated a 22-37 per cent decrease, or between \$4 billion and \$6 billion. The Tax Policy Center quantifies this by saying, "[In 2017], after allowing for deductions and credits, 5,460 estates will owe tax. Only an estimated 80 small farms and closely held businesses...will pay any estate tax in 2017" (Tax Policy Center nd). In 2018, this same modeling indicates that the number of estates subject to the tax would fall from 5,500 to 1,700 and the tax owed on those estates would decrease from \$20 billion to \$14 billion.

The final issue is the 1.4 per cent excise tax on net investment income of nonprofit college and university endowments. While this issue exclusively impacts institutions of higher education, specifically those with more than 500 students and net assets of \$500,000 per student, there are both specific concerns for that subsector of practitioners as well as a more general area of concern. While the majority of giving in the US goes to religious causes, the second largest beneficiary is education (Giving USA 2018). As a result, many donor dollars in terms of gross assets are subject to the new tax.

Private foundations are already subject to an excise tax (Legal Information Institute, nd). This new tax on higher education endowments will certainly alter fundraising strategy, which will have spill-over effects across various sectors. The impact of this specific tax is hotly debated, with some suggesting that the approximately three dozen institutions impacted by the tax will move towards capital projects rather than endowments in their fundraising strategy (Krasnov et al 2017) while others suggest that it will encourage institutions to spend rather than save, and

others suggest that it will create a moral hazard encouraging institutions to keep assets below \$499,999 per student (Gilbert and Hrdlicka 2017).

With both private foundations and higher education endowments subject to an excise tax, practitioners should continue to be wary of whether other taxes may be imposed in the future on endowment dollars. As with all of these charitable vehicles, one advantage is the absence of a tax implication either on the donor or the institution. The ongoing concern for practitioners is whether the next phase impacts donor advised funds (DAF), which have broader implications for the sector. Education represents 15 per cent of all charitable giving but 28 per cent of all DAF giving and is the largest recipient category (Wyland 2018). Of the top 10 endowments in the US, five are not institutions of higher education with the Ford Foundation in 11th place as of 2013 (Shen 2015). Whatever the arguments against large endowments at universities in the US, they would likely also apply in some form to other institutions as well. There continues to be a non-zero risk to endowment dollars from a tax policy perspective.

Implications

The United States is unique in its views on financial incentives such as tax policies with regard to charities and its reliance on charities to fill the space between private and public sector investments. The US spends approximately 20 per cent of GDP on government assistance, far less than other democratic, market-based countries such as Germany (25 per cent) and the UK (24 per cent) (OECD 2014). At the same time, Americans are uniquely charitable, donating nearly two per cent of overall income to nonprofits with more than 80 per cent of households making gifts (GALLUP 2013). The charitable deduction has historically been the way that Americans tolerate social welfare programs by accepting a reduction in revenue to the state while shifting them to nonprofit organizations. However, the charitable deduction has been and will continue to be regressive. The current law merely changes the threshold where the standard deduction can be claimed. While nonprofits scramble to argue that there are fewer tax benefits to fewer households, the reality is that fewer than a third of households in the US were itemizing prior to the tax law change, meaning that more than 67 per cent of all taxpayers were taking the standard deduction.

6 *The charitable deduction has historically been the way that Americans tolerate social welfare programs by accepting a reduction in revenue to the state while shifting them to nonprofit organizations.*

While the new tax law reduces that number significantly to 1 in 20, the risks of incentives occur at the extreme margin. The 16 million taxpayers who will continue to itemize gave an estimated 75 per cent of the \$221 billion deducted by individuals in 2015. Those who will probably not itemize gave less than 20 per cent of giving in 2015, but a three per cent decline in giving could be offset by current economic growth (Hrywana 2018). It is important for practitioners to understand that the after-cost of donating will reduce by approximately seven per cent. Most individuals making charitable decisions are not evaluating complex, academic tax codes. When most people are making philanthropic decisions, evaluating tax-wise benefits is difficult, if they are attempted at all. In particular, when complex retirement taxation rules are factored in, even middle income households would need professional guidance regarding tax implications. It is also important to note that giving in the US has hovered at two per cent of GDP for quite some time independent of tax policy (Nonprofit Pro 2009; Carman and Clerkin 2013; see also Pitman 2019 in this report). Historically, the charitable deduction has rarely been an issue except for the wealthiest in the US. Among the highest net worth donors, the reduction or elimination of the charitable deduction may not have a substantial impact on giving, most noting that “they were moved at how their gift could make a difference” (Center on Philanthropy 2012).

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Recommendations

While three major issues are highlighted here, several other elements of the Tax Cuts and Jobs Act of 2017 are not addressed that will continue to require vigilance on the part of practitioners. Likewise, these issues are undoubtedly compounding and deeply inter-related. As a result, it is important for practitioners to decipher between correlation and causation in tax policy and be aware that there is never a simple cause and effect relationship between tax policy and giving. There are well-documented academic studies regarding the implications of tax policy on charitable giving (Clotfelter 1980; Brooks 2007; Lily 2017). In these studies, either a real change in tax policy is observed and a resulting change in charitable giving is documented, or a change is modeled. In either case, donor motivations are not easily quantified. The reasoning for donor actions would require expensive and time-consuming qualitative study. As giving trends continue to inform practice and strategy, and as additional studies are conducted, a few important recommendations need to be addressed for practitioners and the sector.

First, practitioners should focus less on tax incentives in their messaging. In addition to the ongoing risks of shifting tax policy and the difficulty in conveying these to donors, it is independently important for charities to reinforce their case for support based on their impact. Rather than an average of seven email messages sent in December (twice as much as other months) (M+R Benchmarks 2018), which reinforces the tax benefit of giving, charities should “tell simple but powerful human-interest stories extolling generous people” (Steuerle 2017a). Reinforcing the tax deadline and the virtue of the deduction creates a false mindset for donors about why their gift matters and the reason for the urgency of the gift.

Second, practitioners should remind donors of their ability to give from their assets rather than their income. While giving appreciated assets has always had the double benefit of avoiding capital gains as well as qualifying for a charitable deduction, it is much more prescient under the current tax law. Tax-wise giving strategies will continue to be important as a unique way that charities can answer the objection, “I wish I could do more.” Given the right rationale for philanthropy, giving from assets achieves both the aim of the donor in supporting beneficiaries as well as providing the donor the most financially effective means of doing so. One very clear implication is that highly philanthropic middle-income donors should probably open donor-advised funds. By itemizing every other year through a strategic use of donor-advised funds and bundling gifts, donors can achieve much more even with more limited wealth. Practitioners will need to develop new tools to solicit and steward donors who give through these means but also be more nimble in accepting bundled gifts while carefully navigating cash flow issues.

Third, the sector should focus on strengthening individual giving. For the past 100 years, charitable giving in the US has wavered around two per cent of GDP regardless of tax policy (Nonprofit Pro 2009). A variety of authors suggest a variety of means of doing this that are beyond the scope of this paper. However, Eugene Steuerle’s conclusion cannot be overstated: “While we can debate what ideas are most worth trying, there should be no question that it’s imperative for nonprofits to make their own efforts to increase the share of giving. Doing that might not only raise significant sums for great causes but also would demonstrate that nonprofits are willing to take on the same challenge to raise giving rates that they put to Congress in its consideration of tax reform” (Steuerle 2017a).

⑥ *Reinforcing the tax deadline and the virtue of the deduction creates a false mindset for donors about why their gift matters and the reason for the urgency of the gift.*

Finally, the sector should critically investigate core assumptions in giving. As the tax reform bill surfaced in various iterations, nonprofits were quick to sound the death knell of the sector. While it’s unclear whether a decrease in charitable giving will occur and the job loss numbers seem to be unsubstantiated at best, few if any interrogated the real issues, opting rather to defensively posture to prevent a perceived loss. The sector should have serious, unbiased, and self-aware discussions about whether the charitable deduction is actually charitable (Margalioth 2017), whether the sector does what it is intended to do (Quigley 2015), and whether nonprofits are operating as effectively and efficiently as possible (Bradley et al 2003).

Perhaps, the charitable deduction and tax reform are not the droids we’re looking for.

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6.4

The current and anticipated fundraising talent crisis

🗣️ James Green, MBA, CFRE

Problem statement

The fundraising sector in the United States remains very healthy from a talent availability perspective. The overall projection for hiring in the sector continues to increase, the professionalization of the sector is growing, and the average age of individuals is trending downwards. These are all very positive signs for fundraising. But the sector faces significant challenges. Nonprofits are not keeping less experienced fundraisers any longer than they have in the past 20 years. And there is no sign the problem is getting better. The average tenure per job for fundraisers under 10 years of experience remains very close to steady over 20 years, at about 2.5 years. There seems to be a significant lack of investment in professional growth of fundraisers by their employer nonprofits and the institutes that fund them.

Description of the issue

Turnover

Despite substantial improvement in the quality and amount of talent available to nonprofits, high turnover among younger fundraisers remains a problem. Contrary to predictions of decline, the fundraising field is growing. Since at least 2006, nonprofits have been warned about a coming talent shortage. The conventional fear has been that Baby Boomers are retiring at a rapid pace, Generation X has too few members to fill all of the vacating leadership positions, and the Millennial generation is too young to fill the remaining roles. Fortunately for the fundraising profession, these predictions have not come to pass.

Over the past 20 years, the sector has done an admirable job of professionalizing the field and making sure that people know fundraising is a viable career option for younger, talented people. According to the United States Bureau of Labor Statistics (USBLS), the self-identified occupation 'Fundraiser' steadily increased from 55,230 in May of 2014, to 68,910 in May of 2016 (USBLS 2018). The USBLS also estimates that there will be 103,800 fundraisers in the US by 2026. Though these are likely estimates, the trend is clear: there is a projected 14.8 per cent annual growth in the fundraising occupation from 2016 to 2026,

nearly double the average occupational growth rate (ibid). According to new research from Indiana University's Lilly School of Philanthropy, nonprofits looking to hire the best possible candidate for entry level fundraising have never had better prospects (Nathan and Temple 2017).

Today, the Association for Healthcare Philanthropy (AHP), Association of Fundraising Professionals (AFP) and many universities are offering an abundance of more affordable training opportunities than ever and preparing the current cadre of fundraisers for the workforce like never before. In *Fundraisers in the 21st Century*, a longitudinal study of today's fundraisers compared with their 1995 counterparts, Dr Sarah Nathan and professor Gene Temple found an overall increase in the number of college-educated fundraisers with a graduate degree, an increase of almost nine per cent (Nathan and Temple 2017). They also found that more new entrants are coming to fundraising as a first career. The average age of fundraisers today has dropped to 27 from 33.5 in 1995 (ibid).

Yet all of this activity and progress has not resulted in a gain where it really matters: tenure. Early career fundraisers (under 10 years) average merely two to 2.5 years per job (ibid). These young fundraisers are making a passionate but calculated decision about where and with whom to spend the incredibly valuable and productive early years of their career.

Lack of investment

Many nonprofits are not taking the time, energy or resources to invest in their employees' working potential. This could be due to an outdated organizational theory which dictates that employees are obligated to 'remain loyal' to their employer for an ill-defined period of time (Korkii 2011). Outside institutions have also decreased their funding for employee growth. Funding for professional development and capacity building from foundations has decreased from 1.24 per cent to 0.8 per cent of total awards to nonprofits from 1992 to 2011 (Stahl 2013). This is a reduction by nearly half and represents a significant drop in funds available to increase the effectiveness of staff. This lack of investment and external funding in growth appears to let the employee know that they should remain in a specific job until an unspoken tenure was satisfied.

On the other hand, it has been Millennials' experience that the world operates without a promise of lifelong employment from employers. For employees from the Greatest Generation and the Baby Boomer generation, the promise from a company to care for the individual worker after their work life may have kept many employees loyal to their individual company. With an American jobless rate at an all-time low (Kitroeff 2018) and without hope of the business providing a pension and benefits for the retirement life of the individual employee, many Millennials are not willing to increase their tenure unless there is a promise of career growth. This doesn't mean that Millennials job hop or are any more disloyal than previous generations. In a recent study, Pew Research Center found that Millennials actually have a slightly longer tenure per job as do Gen X'ers (Fry 2017).

In *Staying Power*, employee retention expert Cara Siletto sees this short tenure from Millennials as a trend to be confronted and dealt with. She claims it is possible to increase young talent tenure by providing different paths of advancement if nonprofits mentor their fundraisers with senior staff, offer mentorships outside their organization, and allow young professionals to mentor others (Siletto 2018). While mentorship shows personal concern for Millennials' careers it is also important to provide formal development and training. Young fundraisers are eager to learn. Taking a caring and personal interest in their professional career can have a dramatic impact on their tenure.

Also according to Siletto, Millennials have grown up in a world of instant gratification and quick rewards (ibid). This is what they know and the assumption from which they operate. By rethinking fundraising job levels and titles, providing more levels of advancement and decreasing how long it takes to award the next level of advancement, nonprofits could increase how long they hold on to that talented individual.

Likewise, Adrian Sargeant and Harriet Day of the UK's Philanthropy Centre emphasize that nonprofits in the USA are, regrettably, not stewarding the top levels of fundraising talent and other leadership in their top positions (Sargeant and Day 2018). While this is not an exact correlation, with the appreciable lack of tenure among lower skilled fundraisers, it can be inferred that there is also a lack of investment

in the growth of lower skilled fundraisers. The focus for leaders seems to be on conferences and seminars. While these types of training have their place as transactional versions of fundraising and employee stewardship, they do not encompass the most transformative types of learning. Transferring this ideology it seems improbable that nonprofits would allow a more junior member of a team to experience far more impactful training, such as mentoring, coaching or even workshops (ibid).

6 *By rethinking fundraising job levels and titles, providing more levels of advancement and decreasing how long it takes to award the next level of advancement, nonprofits could increase how long they hold on to that talented individual.*

Lack of diversity

Finally, there is a significant diversity challenge among nonprofits. A sizeable minority of nonprofit organizations (31.4 per cent) do not include fundraising as an integral strategy in their strategic plans (Sargeant and Day 2018). This lack of emphasis in fundraising, from nearly one third of all nonprofits, could have upper level and junior fundraisers feeling unimportant to their organization's mission. This sizeable chunk of nonprofits lacking a strategic focus could reasonably be a driving factor in a shorter tenure for nonprofits (ibid).

Despite record low unemployment and jobs increasing by the day, nonprofits continue to retain their lack of diversity. Eighty-eight percent of fundraisers are white and 75 per cent are female (Nathan and Tempel 2017). And despite the overwhelming majority of female fundraisers, men are over-represented in leadership roles and earn substantially more money for similar roles (ibid).

6 *This lack of emphasis in fundraising, from nearly one third of all nonprofits, could have upper level and junior fundraisers feeling unimportant to their organization's mission. This sizeable chunk of nonprofits lacking a strategic focus could reasonably be a driving factor in a shorter tenure for nonprofits.*

Implications

Turnover: Short tenures for early career fundraisers are a trend and not a fad. In the nonprofit sector we have made assumptions about short tenure, whether or not to combat it, how to deal with it, and to plan for it. Choosing to ignore this problem will not make it 'go away.'

Lack of investment: Early stage fundraisers are and will continue to be short-term hires. When nonprofits hold firm to previously-developed management and advancement techniques, these workers will consistently leave organizations at predictable times and often earlier than their value is realized (Sargeant and Day 2018).

Lack of diversity: Continued lack of diversity poses serious challenges. Nonprofits run the risk of missing donors of a different race, sex, sexual preference, religion or national origin. In addition to donors, when diversity is not prioritized, organizations run the risk of not including outlying volunteer or staff viewpoints in their strategy, simply because diverse viewpoints are not present. From a purely staff and hiring point, because they are only hiring a mostly white and male cadre, nonprofits miss out on nearly 88 per cent more possible applicants due to their skin color alone. See also Belanger (2019) in this volume.

Recommendations

The American fundraising workforce holds a lot of promise. There are many projected fundraising professionals in the future and an increasing number of highly qualified and professional applicants. These applicants are getting younger and more well-trained than 20 years prior. This abundance cannot and should not be taken for granted. The sector faces many of the same challenges it faced when confronted with far fewer numbers of aspiring fundraisers: short tenures, lack of investment in professional growth and lack of diversity. These persistent problems indicate that these challenges are neither small nor are they a fad. These obstacles will not go away without attention from the leaders and nonprofits which have created them.

Nonprofit CEOs and senior leaders need to implement plans to reinvigorate their employee advancement and recognition strategy. They need to intentionally address their intention to professionally develop the abilities of their youngest staff and make it known that they personally care for the success of the individual fundraiser. Finally, they need to encourage women, and racial and sexual minorities to apply for lower tenure jobs and open the ranks of the senior levels to diverse populations.

By showing that they are serious about each of these measures they will be able to keep younger, talented and more diverse talent for longer.

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James Green has had an extensive career in the nonprofit sector with roles that encompass volunteer management and campaigning as well as fundraising. He has worked for the United Way, Rise Against Hunger and Mercy Health Foundation for the state of Oklahoma, where he was regional vice president for philanthropy. He is an avid community volunteer and has served on numerous committees and boards, including Rogare's International Advisory Panel. He is a member of AFP and AHP. James has a wife, two kids, an MBA and CFRE.

6.5

Defining standards for fundraising

6 Heather Hill, CNM, CFRE

Problem statement

In reviewing fundraising in the United States, one first must ask how fundraising is being contextualized. Is the question regarding those employed in positions within an organization that have a title related to fundraising, other positions that have fundraising included in their duties, volunteers acting on behalf of an organization, or public-driven initiatives that raise funds to benefit a charity or cause without having a formal link to it? All are making an effort to raise funds, but are they all fundraisers? The definition is not clear. This invites a larger question: is fundraising a well-defined profession in the United States? If not, what does that mean for the nonprofit sector?

Description of the issue

When inquiring about required knowledge, skills or experience needed for fundraising roles, the answers given vary from organization to organization. For other professions, such as lawyers, doctors, accountants or marketers, there is an established and accepted body of knowledge to which they can point for what is required. These standards typically include a combination of required education, skills and professional guidelines for practice. This is not the case for fundraisers or individuals performing fundraising work in the United States.

A cursory review of job descriptions for fundraising positions on indeed.com and idealist.com, and sample descriptions provided by the Association of Fundraising Professionals (AFP), show tremendous variation in qualifications. Even the duties and responsibilities listed for the role of director of development range wildly from one job posting to the next.

For hiring managers and organizational leaders, there is not a clear understanding of what should be required for education and experience when seeking someone to fill a fundraising role. In *Underdeveloped: A national study of challenges facing nonprofit fundraising* (Bell & Cornelius 2013), it was noted that one in four executive directors reported that their development directors lack key fundraising skills. Nearly one-in-three executives reported

being lukewarm or unhappy about the performance of their development directors. The survey conducted for the study also reported that “people with the title of development director in the nonprofit sector have widely varying levels of training and competency for the job.” High turnover rates and lack of success were reported as two key issues for directors of development.

While the study did not investigate causality related to high turnover and lack of success in depth, it would be reasonable to assume that there is at least a correlation between the lack of competency and the lack of success. This also points to a set of skills and knowledge that is necessary for success in fundraising. Where or how, though, is this defined in the United States?

CFRE International conducts a global job analysis of fundraisers every five years. This analysis looks at functions and knowledge required in fundraising roles. The results of the job analysis are then used to develop a set of domains for the CFRE (Certified Fundraising Executive) exam, which tests fundraisers on best practices for those domains, as defined by published and vetted references. Prior to sitting for the CFRE exam, however, a fundraiser is also required to complete an application that demonstrates foundational and continuing education, as well as professional practice and a commitment to ethics. This could be considered the closest to a source for standards as is currently available, but the CFRE accreditation is not a mandatory certification and not required for employment.

6 *One in four executive directors reported that their development directors lack key fundraising skills. Nearly one-in-three executives reported being lukewarm or unhappy about the performance of their development directors. While the study did not investigate causality related to high turnover and lack of success in depth, it would be reasonable to assume that there is at least a correlation between the lack of competency and the lack of success.*

Where, then, does this leave the profession for its standards?

Rogare explored the question of whether fundraising is a profession in a green paper, *Less than my job's worth: Is fundraising a profession and does it matter if it isn't?* (MacQuillin 2017). In its review of Sarah Nathan's research on how US fundraisers acquired their professional knowledge, 55 per cent of US fundraisers surveyed described themselves as self-taught, 92 per cent said they learned through on the job training and 58 per cent said mentors taught them. Only 22 per cent reported formal education as a source for their knowledge. While an increase from findings from research conducted by Gene Tempel and Margaret Duronio in 1996¹ when a mere 10 per cent reported formal education as a source for their knowledge, it still represents less than a quarter of fundraisers with formal education in their field of work. This leaves many variables in play as to the quality and breadth of information with which fundraisers enter into their roles. When volunteers, boards or members of the public are included in the definition of fundraisers, there is even greater variance in what relevant education and training they may or may not possess.

Implications

A lack of consistency is problematic for nonprofit organizations, which put themselves and their beneficiaries at risk if they assign fundraising responsibilities to individuals that may not be best equipped to perform their role successfully, as well as abide by legal and ethical guidelines. A well-meaning volunteer who violates ethics codes could irreparably damage the reputation of the organization, leading to insufficient support for its mission. This goes beyond a human resources issue; this can impact the financial health of the organization by compromising its ability to secure funding, and ultimately results in a failure to serve its beneficiaries, which is its sole reason for being.

The nonprofit sector relies on public trust for its success. When controversy or questionable behavior by a charity in regards to its fundraising practices makes its way into the headlines, the members of the public naturally ask questions related to professional standards and accountability. With no standard to which one can point, the profession is vulnerable and exposed to problematic practice with no way to regulate or ensure accountability.

Recommendations

A set of standards for professional practice in fundraising, distinct from those set by professional associations or other membership bodies for fundraisers, should be established. These standards would define a global code of best practice for fundraising and also include required levels of knowledge and education. This would create a framework for employers to use when hiring for fundraising roles, as well as a guide for aspiring fundraisers to follow in preparing or building upon their careers. This also would eventually lead to protection of the sector from unqualified practitioners who could damage the reputation or productivity of their organizations through uninformed actions in their pursuit of donations.

A set of standards would serve as a screening tool. Should an organization choose to disregard it, the sector will be able to point to the disregard of the standard as problematic, rather than being vulnerable to the critique that the profession has no standards, which leads to what could be deemed as bad behavior.

Suggested citation

Hill, H.R. (2019). Defining standards for fundraising, in: O'Reilly, B (ed). *Critical Fundraising (USA) Report, v1.1*. London, UK: Rogare – The Fundraising Think Tank.

¹ Sarah Nathan's research was a revisit of earlier research of Tempel and Duronio, and examined differences between the original study responses and responses received when the same questions were asked 20 years later.

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Heather R. Hill, CNM, CFRE

📍 Independent fundraiser

Heather is a seasoned nonprofit executive and AFP Master Trainer, experienced in several areas of the philanthropic sector, including higher education, human services, associations, faith-based and international relief and development organizations. A highly rated international speaker, she has worked as a consultant in the sector and most recently served as vice president for advancement at Concordia College New York.

With two decades of nonprofit experience, she has an extensive background in leadership and management; fundraising; marketing and communications; grant seeking; strategic planning and analytics. She has held the CFRE credential since 2009.

Heather received a BA in psychology from Case Western Reserve University and earned a graduate certificate in nonprofit management (CNM) from the former Mandel Center for Nonprofit Organizations at Case Western Reserve University. She serves as Chair of the CFRE International Board of Directors and is a member of the Association of Lutheran Development Executives (ALDE). She received the Jay Bleeke Award in 2014 for outstanding service as a young ALDE member and the ALDE Creativity Award in 2017 for her 'thanksGiving Tuesday' initiative. Heather is also a member of AFP's Growth in Giving Working Group and an International Advisory Panel member of Rogare.

6.6

Diversity, inclusion, and gender equity

🗣️ Ashley Belanger

Problem statement

Calls for diversity, inclusion, and gender equity have reached mainstream media prominence in the last decade. Widely broadcast first-hand accounts and extensive dissemination of quasi-scientific research illustrate gross misconduct and systemic prejudice in the tech and entertainment industries, among Fortune 500 companies, and in higher education. *En masse*, the nonprofit sector's shortcomings may turn up fewer hits among headlines, hashtags, and smear campaigns than the commercial sector; however, structural exclusion and systemic inequity permeate the field. The third sector's re-inscription of white, male, cisgendered, heterosexual dominance ensures the persistence of a stagnant philanthropic culture in the US.

Description of the issue

The status quo

The US Census Bureau predicts that in 2044 the country will become a majority-minority nation, with no single group constituting an ethnic or racial majority of the total population (Colby and Ortman 2015). Although non-Hispanic white will continue to comprise the largest group at that time, the gap between white and minority populations has been steadily decreasing since the seventies (Misra 2014). Yet this marked population shift is not reflected in the nonprofit sector's workforce (Brown 2015) or in US charitable giving (Rovner 2015).

Although 72 per cent of the US population identifies as white (Humes et al 2011), the nonprofit sector skews whiter. People of color comprise only 18 per cent of overall nonprofit staff (Brown 2015), and a 2017 analysis of 315 of the largest nonprofits and foundations in the US revealed that among the ranks of leadership (executive directors and presidents), only 13 per cent were non-white (Medina 2017) – disparities that remained constant between 2005 and 2015 (Mills 2016). Reports published by the Association of Fundraising Professionals (2016), the Council on Foundations (Mills 2016), and BoardSource (2017), all support the same conclusion: the third sector, like all

sectors, has an equity and inclusion problem on multiple fronts. In aggregate, the people governing, operating, and funding nonprofit organizations in the US do not reflect the makeup of the population – and thus, the communities they serve.

As a subset of the nonprofit workforce, fundraising professionals demonstrate even greater demographic deviations. A 2015 study of fundraising professionals found that the field is overwhelmingly female (73 per cent) and overwhelmingly white (88 per cent) (Nathan and Temple 2017). The same research suggests that although women dominate the profession, men receive higher salaries even when experience, age, and education are the same. And although analysis of the fundraising profession does not take into account intersectional identities, research on the US population overall shows that the gender wage gap is compounded by race (National Women's Law Center 2017).

US charitable giving also reflects the nonprofit sector's – and society's – equity and diversity lag. An analysis of diversity in giving published by the Blackbaud Institute in 2015 found that African-Americans and Hispanics, in particular, are underrepresented among donors and that they reported less frequent solicitations than other groups, as well as a likelihood to give more if asked more often (Rovner 2015). Other analyses of giving found that these very same groups – African-American and Hispanic – give more than whites as a percentage of income (Ashley and James 2018), suggesting that we're missing out on a significant opportunity to diversify and thus grow philanthropy.

But one of the challenges for fundraising practitioners in analyzing differences in giving among racial and ethnic groups is that there are few readily accessible and reliable data sources. Much of the research and analysis in this area presents conflicting conclusions (Bekkers and Wiepking 2011), and some of the research suggests that racial differences in charitable giving could be accounted for by survey methodology (Rooney et al 2005), by respondent misreporting (Lee and Woodliffe 2010), or by other factors such as educational attainment, income, wealth, or religious affiliation (Bekkers and Wiepking 2011).

There are a number of institutions, federal agencies/ departments, and private companies that collect and analyze data related to charitable giving in the US, but their

indicators and methods vary widely (Urban Institute 2017), and no method is perfect (Soskis 2017). Since there is no generally accepted (and ethically permissible) standard or mechanism for collecting demographic data from all donors, much of the research to date utilizes surveys. This means that for many fundraising professionals, our understanding of demographic differences in giving habits and attitudes may rely heavily on two dubious sources: donors' unverifiable memories of past experiences, and potentially flawed research methodologies.

Looking to the social sciences

It is generally accepted in the social sciences that personal identity shapes interpersonal and intergroup behavior. Our unconscious biases both shape and are shaped by our environment. And even within the same environment, different people will respond differently to the same situation, depending upon their own groups' cultural norms (Kenrick et al 2005).

If we look at the environment of the fundraising field, we see that the dominant group is white and the (earning) power is male (Nathan and Temple 2017). That is the norm. And according to theories of unconscious bias and social behavior, norms can be sticky and tricky to circumvent (Kahan 2000).

In theory, our lizard brains are hard-wired for survival. We show preference for helping that which is genetically similar to us because it increases our own and our groups' chances of long-term survival (Kenrick et al. 2005), and it is hard-wired to be on alert for that which is unfamiliar or surprising because it represents a threat to survival (Kahneman 2011). Similarly, being part of a group delivers benefits, and conforming to the (unspoken) social contract is often how one earns acceptance by the group (Kenrick et al 2005). So we gravitate towards people who are similar to us (Chen and Li 2009), and we are likely to conform to the behavior of our group once we've been accepted into it, even when that behavior is ethically questionable (Kenrick et al. 2005).

So when white nonprofit staff seek to fill open agency positions, they reach out to their primarily white networks for applicants. And if those applicants with non-white sounding names even get through to the interview process, they are less likely to be recommended for the job by white interviewers, even if they have the same credentials (Brown 2015). Given what we know about the makeup of nonprofit boards, which are 84 per cent white (BoardSource 2017), it seems likely that we're using the same processes in that arena as well. So the effect is cyclical: we keep ending up with a homogeneous group until and unless we break the cycle.

When we bring it back to diversity in giving, the question becomes: If we are more likely to 'pick ourselves,' so to speak, how does this impact our pool of prospective donors? How does this impact our pool of prospective

grantees? Or, better yet, what could happen if we did something differently to disrupt the cycle?

Implications

For the last 40 years, total philanthropic giving as a percentage of US gross domestic product (GDP) has remained relatively stagnant, hovering around two per cent (Giving USA 2018). Given what we know about the homogenous makeup of nonprofit leaders and fundraisers (BoardSource 2017), coupled with the existing research on differences in giving, however, it is possible that this static state of stinginess more accurately reflects the base rate of white giving and the fact of racial wealth inequality than it does objective generosity of the US populace. If people of color are, in fact, undersolicited and underrepresented in the donor pool and/or are more generous than whites, the future of the third sector – and the power dynamics it espouses – could end up looking very different in the foreseeable future. As the US demographic shifts to a minority majority, there is huge opportunity to grow, shape, and diversify fundraising and philanthropy. Or, if we keep doing what we've always done, we might just get what we've always gotten.

For the last 40 years, total philanthropic giving as a percentage of US gross domestic product has remained relatively stagnant, hovering around two per cent. Given what we know about the homogenous makeup of nonprofit leaders and fundraisers, coupled with the existing research on differences in giving, however, it is possible that this static state of stinginess more accurately reflects the base rate of white giving and the fact of racial wealth inequality than it does objective generosity of the US populace.

Suggested citation

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Recommendations

The academic community has already identified a need for more research on demographic differences in giving. The processes for obtaining that, thanks to the Indiana University Lilly Family School of Philanthropy and the University of Michigan's Panel Study of Income Dynamics (PSID), is already under way. But in addition to studying the impact of race and other demographic factors on giving (and equity) in the status quo, we should also attempt to impact the trajectory of such impacts and study the success of such interventions.

Just as there is a well-researched body of knowledge about the pervasiveness and dangers of implicit bias in decision-making processes, there is also a well-researched body of knowledge about how to combat implicit bias, create inclusive and equitable teams, and redefine group norms by redefining 'the group.' And many voices in the nonprofit and fundraising fields are talking about the importance of diversity and inclusion as a mechanism to improve performance of organizations and teams, increase satisfaction and well-being among employees, and design better, more innovative solutions to address the entrenched problems nonprofits are designed to address.

It's true, structural and systemic racism and classism (to name just two of the various and sundry 'isms' determining who 'has and has not') limit the pipeline. There are still fewer people of color earning degrees at all levels of education, and fewer people of color pulling salaries high enough to afford a charitable contribution that would be captured in the IRS's Statistics of Income or in the Federal Reserve's Survey of Consumer Finances. But this pervasive cycle of oppression is not a free pass to re-inscribe the status quo simply because it's easier. In fact, I will argue, it's the opposite of a free pass: it's a moral obligation.

Most (but not all) nonprofits don't have the kind of marketing and professional development budgets to adequately fund research-informed diversity pipeline projects. However, some do and they should fund them. And for those that don't there are many free or low-cost mechanisms for shifting dominant practice that re-inscribes the inequitable status quo. The nonprofit sector is not alone in seeking to address systems of structural inequality, which is in part why there is no shortage of research or resources to inform the process.

First and foremost, we - as individuals - need to make an effort to change inequitable norms, especially those of us belonging to dominant groups. Here are some things individuals could do immediately that don't cost a thing:

- Engage in honest and critical self-reflection
- Call out your dominant group peers (according to

social psychological theory, they are more likely to be persuaded by those in their own group [Kendrick et al 2005])

- Read about how systems and cycles of oppression function
- Read about unconscious bias and how to overcome it
- Read about microaggressions and how they impact health and wellbeing of their victims
- Read about how to create inclusive working environments and teams
- If you are asked to circulate a job posting for an open position, create a list of board member prospects, or generate a list of predisposed individuals, challenge yourself to comprise it of at least 50 per cent people who aren't part of the dominant group
- If you have trouble creating a list of people outside the dominant group, expand your social and professional network
- Mentor someone who's not like you
- Search the Internet for other things like these you can do as an individual.

And since institutional norms ultimately lead to systemic change, we also need to codify new individual behaviors into policies and protocols adopted by organizations. So if you are a decision-maker or change agent within the organization, consider the following:

- Adopt a policy and/or protocol that ensures diverse outreach strategies for job postings, board recruitment, and donor prospecting
- Use a rubric to evaluate job candidates rather than relying on impressions.
- Adopt an affirmative action plan (in accordance with laws and regulations)
- If you don't have or can't afford an attorney to help draft an affirmative action plan, find a *pro bono* lawyer or a law school partner with a designated *pro bono* program. (The American Bar Association tells lawyers they should aspire to commit at least 50 hours a year to *pro bono* work)
- Adopt a board composition policy
- Have difficult conversations, even if and especially when they're uncomfortable.
- Allocate professional development funding to training on: overcoming unconscious bias, understanding systemic oppression, and building inclusive teams
- Create a talent pipeline program, formal or informal
- See the first set of bullets for individuals; pick something on it (e.g. "Read about microaggressions and how they impact health and well-being of their victims"), assign it to all members of your team, and talk about it together
- Search the Internet for other things like these you can do as an institution/organization.

These are by no means the only or the best researched

methods for changing the landscape and norms in the nonprofit world – and thus, potentially in the donor universe. We won't truly know what works best until we try something – anything – to disrupt the existing cycle of homogeneity and inequity. However, future research could help answer some of the following questions that would inform how we go about that work:

- Does a diverse fundraising staff produce a more diverse donor base?
- Do outreach policies and practices regarding circulation strategies and identification of candidates impact the diversity of applicants – and ultimately, hires?
- Do outreach policies and practices regarding identification of board and/or donor prospects impact diversity of boards and/or donors?
- Does board diversity impact diversity of donors?

Although the transfer of wealth in the coming years may go from stingy (relative to wealth index) white hands to stingy white hands, we need to recognize and

acknowledge that the philanthropic and nonprofit sectors cannot and will not be able to meet our mission without adapting to a shifting population. Whether because it's a moral obligation among organizations seeking to address inequality or because it's the best thing to do for the fundraising bottom line, we must pay attention and act.

6 *Most (but not all) nonprofits don't have the kind of marketing and professional development budgets to adequately fund research-informed diversity pipeline projects. However, some do and they should fund them.*



Ashley H. Belanger

6 Principal Sparkplug at Ashley H. Belanger Consulting

Ashley is the Principal Sparkplug at Ashley H. Belanger Consulting and a bona fide nonprofit nerd. She delights in converting staff and board members from reluctant beggars (yuck) to ambitious peddlers of joy (insert glitter here). She is grateful for the various ways in which she gets to co-create strategies, systems, and practices that enable her awesome clients to achieve even greater impact.

Prior to launching her consulting business, she served as founding Executive Revolutionary for the Rhode Island Urban Debate League in Providence, RI. During her 10-year tenure she led the organization in its transformation from a student-run university program to a full-fledged non-profit boasting a 70 per cent donor retention rate.

In addition to Rogare's International Advisory Panel, Ashley serves on the Professional Development Committee for the RI Chapter of AFP, the Providence Juvenile Hearing Board, and as an adjunct instructor of Non-Profit Studies at Blackstone Academy Charter School.

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6.7

How data, technology and social media are affecting fundraising

🗨️ T. Clay Buck, MFA, CFRE

Problem statement

In a 2014 study of 142 fundraisers, 80 per cent indicated a belief that better technology leads to more effective fundraising; however only 33 per cent felt they had the necessary technology to raise more funds (Bluemner 2014). As in all industries, the technological tools available to fundraisers now are myriad and offer solutions to nearly every aspect of fund development. However many nonprofits cannot afford or do not have the expertise or knowledge to implement tools that would drastically increase their fundraising results. Many practitioners may not even know that the resources exist.

Description of the issue

In his 2016 book *Data Driven Nonprofits*, Blackbaud's Steve MacLaughlin writes: "Just having access to modern technology does not mean that it is used in the right ways. [Roger] Craver says, 'Many organizations still use technology as an electronic filing cabinet. They don't use the power of that software to do what they could with it, and that's because they don't understand what can be done with it.'" (MacLaughlin 2016, p21).

While the proliferation of technology and data services available to the fundraising industry continues to grow, the effective implementation of these systems remains the purview of larger organizations with higher budget and more staff. At mid-size and smaller nonprofits, there is a lack of knowledge and prioritization of both integrating technology into operational structure and using data to make informed decisions about fundraising results and strategy.

A fundraiser today has far more choices in technology, in everything from donor relations management (CRM) systems to online giving, prospect research, data analysis, data integrity and hygiene, peer-to-peer giving platforms and mobile technology. There is also far more data about

fundraising available, such as the annual *Giving USA* report and the Fundraising Effectiveness Project. However, many development professionals either do not have the resources or do not know how to implement this data into their work.

Our sister profession of marketing is effectively using data to predict buyer behavior based upon demographic indicators that are unique to individual tastes and preferences. While some fundraising programs have utilized similar data, the nonprofit sector lags far behind in the use of predictive analytics to target donor engagement. At the same time, many of the larger consulting firms and fundraising vendors - and consequently nonprofits that either purchase or copy their services - rely on a business model of using high volumes of data to increase results.

While larger nonprofits have the luxury of a large staff of employees with specific areas of responsibilities and expertise, smaller nonprofits need to rely on fewer people to be generalists in fundraising, expected to wear many hats and accomplish multiple goals. Integrating technology and data has to become a second or third-tier priority when weighed against immediate need for revenue. That is to say, the activity that will generate the most dollars in the quickest way becomes the priority when weighed against technical concerns that may take longer to implement because of complexity or lack of skills.

🗨️ *A fundraiser today has far more choices in technology, in everything from donor relations management systems to online giving, prospect research, data analysis, data integrity and hygiene, peer-to-peer giving platforms and mobile technology. There is also far more data about fundraising available. However, many development professionals either do not have the resources or do not know how to implement this data into their work.*

According to the team behind the Brookings Institute's report on the digitalization in the American workforce: "Between 2002 to 2016...the shares of US jobs and employment that require substantial digital knowledge rose rapidly, whether because of changes in the digital content of existing occupations (the largest effect, by far) or thanks to shifts in the distribution of occupations toward mid and high levels of digital activities." (Muro et al 2016.) It is easily arguable that this trend exists in the nonprofit sector generally and in fundraising specifically, and that today's fundraisers may not have the computer literacy - or 'digitalization' - to keep pace with technological and digital advancements.

Discussing data, technology and social media is not a simple issue. These are broad topics with huge implications and range from information technology infrastructure (e.g. CRM and network architecture) to best practices in digital solicitation. There are specific issues related to each of these areas:

Technology infrastructure

"Donor management needs have always been a function of organizational size, budget, and management's appetite for growth. But as technology and how we use it changes, shifting toward digital and mobile communications and cloud-based software, so do nonprofit needs, adjusting fundraising and communications staffing models to keep pace." (Stein 2016.)

As demand increases for multi-channel fundraising solutions, technology providers continue to expand the services their products offer. Today's fundraiser is faced with a dizzying supply of CRM systems, each with different features and products that promise to solve all - or nearly all - fundraising problems. Ever more products enter the market each year and existing platforms continue to offer new features, integrations and strategic partnerships. The challenge to the fundraiser comes in matching functionality with business need and revenue demands. Fundamental commonality to all systems is the time and experience required to manage them to their full potential. While a database system may promise higher fundraising results, that outcome is completely dependent upon how the system will be used and what priority it is given in context of the full fundraising plan.

Data science

"Data science is responsible for mapping social networks and illustrating customer personas. It also identifies demographics and locations, in addition to tracking target audience responses and moods. Data science has enabled companies to customize their customer experiences. It also helps develop new approaches to long-held marketing challenges." (Olenski 2018.)

While the concept of prospect research is not new to the fundraising field, fundraising in the era of big data

gives nonprofits far more information than was previously available. Predictive modeling is now a standard practice in many for-profit industries to determine buying patterns and customer profiling. However, this has yet to make its way into fundraising, particularly in mid-size and smaller development organizations. There is a common hesitancy to embrace publicly accessed data, as well as concerns about usage in context of data privacy regulations. There is a perceived hesitancy to use data science to its full potential, again in smaller organizations, due to a lack of experience and knowledge in basic data management and reporting, and a lack of prioritization of its necessity from leadership.

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Online giving

The ability for a donor to make a gift online via an organization's website is as old as the internet itself. As soon as web commerce became a safe and easy methodology, nonprofits began making online giving available on their websites. In 2017, however, one study reported only 7.6 per cent of total fundraising revenue came from online giving (MacLaughlin et al 2018). This result would indicate that a majority of gifts are being made through more traditional vehicles such as mail or personal solicitation. Online giving capabilities are offered as both integrated systems in CRMs or with digital content/email delivery systems, or as stand-alone products that can be added to existing platforms. With the wide array of options available and most nonprofits having the capability, the share of gifts made online is still not large (but see Shanklin 2019 in this volume.)

Online giving is further confused by second-party platforms and social media functions, such as crowdfunding, Facebook giving pages and cause-related giving days (e.g. Giving Tuesday and regional giving days) where gifts made to an existing foundation or fund, which are then transferred to the organization as a payment. While donors made the gift online, the actual transmittal would be directly from the payment center, so these gifts would not necessarily be categorized as online donations. In some cases, this problem is further exacerbated in that the actual demographic data is not transferred to the nonprofit.

Mobile platforms

According to Blackbaud's *Charitable Giving Report*, in 2017 an estimated 21 per cent of online gifts were made using mobile devices (MacLaughlin et al 2018). As noted above, with only 7.6 per cent of gifts made online, this 21 per cent represents a very small percentage of gifts made via mobile device. Comparatively, though, one-third of all e-commerce (i.e. online) purchases during the 2015 holiday season were made on a smartphone, and e-commerce dollars now represent 10 per cent of *all* retail revenue (Smith 2018). While the for-profit sector is slightly outpacing fundraising, the trend in e-commerce is moving upward, and more and more donors will expect to have the capabilities to give via smartphone. It will be incumbent upon fundraisers to watch trends closely and ensure mobile remains a viable option for giving.

Implications

Regardless of size and complexity of a fundraiser's available infrastructure, there are more technological choices available than ever before, leaving many struggling with having to determine what is best for their fundraising program. There is also, clearly, a greater need for investment in quality data and the systems that provide and support more direct communication with donors via traditional methodologies such as personal solicitation, phone and direct mail, as well as the newer media of digital, mobile, online and social media. We can no longer consider email a new technology as it has been a standard on the workforce for more than 20 years, yet there is still somewhat of a reluctance to embrace it as a viable fundraising methodology.

Recommendations

The primary recommendation that can be made is that fundraisers, first and foremost, do need to invest multi-channel comprehensive communications. Standard mail, email and phone are no longer viable stand-alone methodologies and donors of all generations are using multiple platforms for all their communications.

Second, fundraisers must have a rudimentary understanding of data analysis and hygiene, as well as a modicum of technological knowledge to manage both standard communications and newer methodologies. Data quality can have the single largest impact on revenue; as data ages or becomes incorrect, fundraisers lose donors through the inability to contact them or contact them correctly.

Third, as part of a comprehensive, strategic fundraising plan, fundraisers must include the strategies and platforms that make sense in the context of their organization, and plans and that they can manage well and efficiently. The tendency to chase after the newest technology or platform should be tempered against the overall plan for the organization and what can be managed and managed well.

Suggested citation

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A frequent presenter and trainer at conferences and workshops, Clay's focus is on donor-centered, relationship-driven fundraising with individuals, grounded in solid data practices - which he frequently blogs about on The Annual Fund Lab (www.annualfundlab.com). He has presented on using wealth intelligence in the annual fund and major gifts at the national APRA conference and on data-inspired fundraising at the AFP International conference.

Clay is the immediate past president of the Las Vegas AFP chapter, a certified AFP master trainer and serves on the Advisory Panel of Rogare, the international fundraising think tank. He teaches the fundraising courses in University of Nevada, Las Vegas nonprofit management certificate program.

6.8

The misalignment of social fundraising data sources and donor relations

Taylor Shanklin

Problem statement

Social fundraising and online giving platforms are changing the landscape of fundraising and marketing for nonprofits. In a world where technology innovation is happening at a faster rate than ever before, nonprofits are lagging in their ability to both keep up with the rate of innovation, and also in mining disparate data sources to drive true, intentional relationship fundraising that builds donor loyalty.

Description of the issue

Forty-six per cent of Americans say they check their smartphones as soon as they wake up, while they're still in bed. Email and social media are the first apps opened (Report Linker 2017). With changing technology, our human behaviors are changing and expectations are changing. "Eight-seven per cent of consumers are now using a second device while watching TV. While they're watching Netflix, they're reading ebooks, watching YouTube videos and talking to friends on social media. As a result they will not come to you...you need to go to them." (Lord 2018.)

We need to cater to donors and meet them where they are. Donors expect that nonprofits should recognize and acknowledge where they want to engage; a recent study on social donors found that ease of giving is a top priority when evaluating different giving opportunities (OneCause 2018). However, with the rise of social fundraising and pace of innovation, it is hard for nonprofit organizations to keep at the same pace of change (Buck 2019).

Additionally, through social fundraising efforts, nonprofits are having a hard time keeping up with the online giving data (ibid). Twenty-one per cent of peer-to-peer fundraising dollars raised are the result of a direct click-through on social media (Lord 2018). As an example of this, Facebook

fundraising continues to be both a blessing and a curse for nonprofit organizations. With the ability to capture large amounts of transactions through the Facebook fundraiser platform, nonprofits are able to capture gifts they may have otherwise not received. Yet, on the flipside, they are not able to receive much (if any) donor data from Facebook, which makes stewardship and cultivation efforts moot.

It's hard to embrace new technology when there is little time or budget to spend on training and learning.

6 *Therefore, nonprofit communications staff are left feeling exhausted and overwhelmed by the juggling act that they feel they have to perform.*

During the fall of 2018, Facebook announced that Facebook birthday fundraisers have raised in excess of \$300 million for more than 750,000 nonprofits (Sharma 2018). This leaves many nonprofits feeling excited but also overwhelmed at the same time. Through identification of this type of giving as one which warrants research (as with the 2018 Social Donor Study by OneCause), and in speaking with nonprofit peer-to-peer program leaders at conferences such as The Nonprofit Technology Conference and Bridge, questions like: "Should we support and promote Facebook fundraising, even if we cannot get the donor data?" are prominent throughout the industry.

Some can argue that this is a means of income that nonprofits should welcome. While others say that if you cannot do the proper follow up and stewardship, it is not something to promote. The most important thing of note is that the user behavior is changing and the numbers do not lie. With this much support from donors, this type of

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online fundraising and social engagement is only growing and therefore nonprofit organizations need to become better equipped to handle such changes, and to nurture supporter relationships in an omnichannel environment.

On top of all this, because the world around us is changing quickly, it can be harder than ever before to apply the appropriate rigor, budget and study time to learning new platforms and methods of engagement. It's hard to embrace new technology when there is little time or budget to spend on training and learning. Therefore, nonprofit communications staff are left feeling exhausted and overwhelmed by the juggling act that they feel they have to perform.

Recommendations

There are four major hurdles to get over in order to embrace the change instead of denying the change.

First, in order to better equip ourselves and our industry for changing technology and behaviors of our donors, we need to allow for ample investment in new technologies and social engagement. Nonprofit staff should be given time and dollars for training and continuing education on social engagement and online giving platforms.

Second, as an industry, we should push together for changes within data transfer between platforms such as Facebook and nonprofit organizations. If we truly want to adapt to the way that people want to engage with us, and meet supporters where they are, then we need to work together with technology innovators to create the greatest growth opportunities.

Third, data will play a crucial role in developing relationships with donors who give online and through social peer-to-peer programs. Nonprofit organizations should focus investment in understanding these donors in order to build relationships and loyalty to their cause, via these changing avenues for giving.

Fourth, nonprofit organizations should embrace the way that donors and supporters want to engage, and stewardship and relationship building should adapt to the platforms where supporters are showing their support. As an example, if data is not accessible, then in lieu of email and or postal stewardship, organizations should be focusing on how to cultivate and build relationships on social platforms where people are engaging. Stewardship and relationship building may vary on these platforms, but we should not be so focused on the method of follow up (i.e. email) versus the preference of engagement of the donor (i.e. a public note of encouragement on a fundraiser's Facebook page). Ease of communication will be key in developing relationships with supporters and fans that lead to loyalty, trust in the organization and greater lifetime value of those relationships.

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