PHILANTHROPIC TRENDS QUARTERLY

2014: Issue 4

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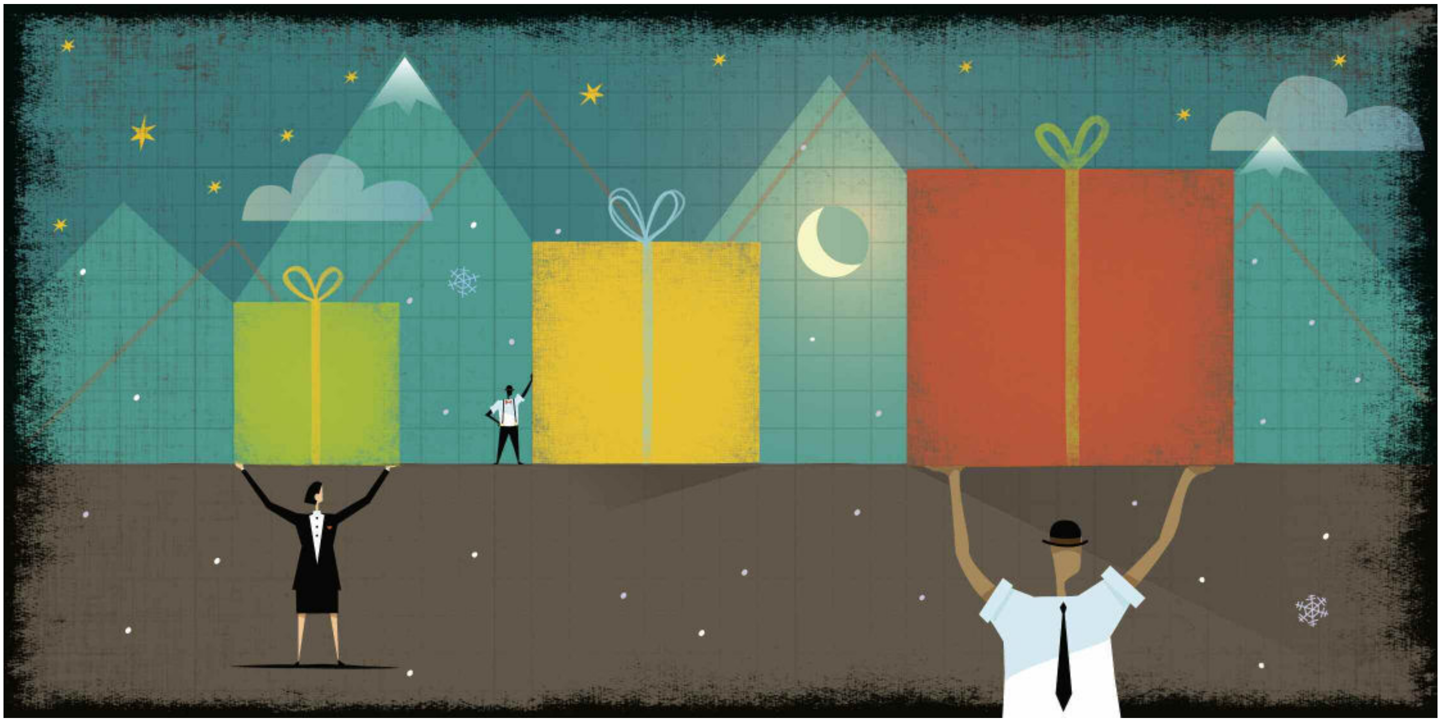


The Expectations Issue

Managing expectations and dealing with the impatience to achieve "better and faster" fundraising results every year is a fact of life for fundraising leaders today.

We live in an age that expects immediate gratification, so impatience for results and a desire for quick wins in a short term has become the norm. Charities are also relying on philanthropy as core funding "to keep the doors" open like never before, resulting in intense pressure to deliver results as promised. And, these two trends have emerged amidst an ongoing overall lack of understanding on the part of many institutional and volunteer leadership of what it takes to raise money.

This issue is here to stay. I believe the best thing to do is name it, address it head on and work with boards and institutional leaders to create realistic and feasible expectations around what's possible in specific time frames – next year, in three years, in five years etc. And then build or refresh fundraising programs to meet what has been mutually determined as reasonable. As fundraising professionals, fundraising is our business and we need to treat it as such.

Looking through the lens of the institution, the lens of the Board, the lens of the volunteer, the lens of the donor and the lens of your staff, think about how you are creating expectations that are achievable, supported by stakeholders and aligned with where the institution wants to go. This is our job. We fail when we don't realize that it is.

Through this exploration of expectations management, our hope is to catalyze discussion within your institutions and your organizational leaders, both board and staff, as well as amongst your fundraising colleagues.

All the best of the upcoming holiday season to you and yours. Here's to a great 2015!

Marnie Spears
President and CEO

KCI

FORWARD THINKING

We live in an increasingly impatient world.

A world where governments have a short-term focus, looking for quick wins while avoiding more complex challenges like healthcare reform, climate change and transportation planning. A world where businesses are obsessed with quarterly earnings and, as a result, often adopt high-risk strategies (something that many economists believe was instrumental in the 2008 financial melt-down). And, a world where we expect immediate gratification in so many parts of our own personal lives.

For better or worse, a similar degree of impatience and short term thinking has become increasingly apparent in the charitable sector, particularly as it relates to expectations of the fundraising function.

Whether it be expecting big leaps forward in revenue growth over very short periods of time, impatience for the next mega gift or the desire for plug and play candidates with little or no tolerance for learning curves, ***'Institutional Impatience'*** has now become a reality like never before. This impatience and over emphasis on the near term can often lead to setting targets and creating expectations that serve the purpose of driving incremental, short term growth, but may not be optimal, appropriate or sustainable in the longer term.

Add to this short term focus the fact that there is ever greater demand for private money to support the work of charitable organizations. While philanthropy used to be considered a secondary revenue stream, organizations are increasingly reliant on it as core funding to keep the "doors open and lights on". Consider, for example, the new reality of many hospital foundations in Canada where the ability to show philanthropy as a guaranteed income stream is often now required in order to get hospital redevelopments approved. And so, the pressure to deliver results as promised has become incredibly intense.

An outcome of this institutional impatience and reliance on philanthropy is the need to manage expectations about what fundraising and philanthropy can reasonably do. As a result, organizations must now be proactive and intentional about setting their fundraising targets so that they can be prepared to stand behind them.

This is something that Ken Mayhew, President and CEO of William Osler Health System Foundation wholeheartedly embraces. "There is nothing wrong with asking questions about our fundraising potential and pushing us to meet the goals we have said we can achieve," says Mayhew. "If we are not prepared to answer these questions, we are not leading with transparency. We need to work with our boards and institutional leaders to set legitimate expectations and then own the outcomes of that process. I think that as fundraising professionals, we must accept that we now live in a reality where "best efforts" is no longer good enough and acknowledge that more is now expected of us."

> *"We need to work with our boards and institutional leaders to set legitimate expectations and then own the outcomes of that process."*

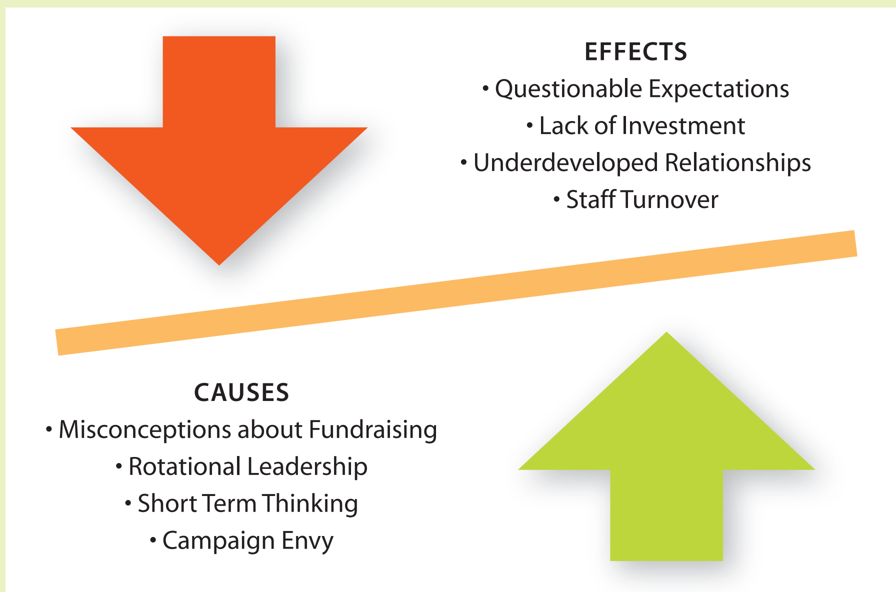
Nothing wrong with high expectations

Tennys Hanson, President and CEO of the Toronto General and Western Hospital Foundation (TGWHF) and Vice President & Chief Development Officer, University Health Network lives in a world where high expectations are the norm…and not just when it comes to fundraising. Toronto General Hospital and Toronto Western Hospital, part of the University Health Network in Toronto, are two of the world's leading research and teaching hospitals. "Our physicians and researchers are stars on the world stage, so they look to other world class organizations as their comparators," observes Hanson. "Because we have the privilege to work with such extraordinary professionals, we must be prepared to give them the tools they need to compete worldwide. Couple this with the outlook and experience of the incredibly successful individuals who make up our Board. All of the exceptional people with whom we have the opportunity to work have very high expectations of themselves, and as a result, of those they work with. They don't achieve their own personal level of success without setting high expectations for themselves…and frankly, neither will we."

Institutional Impatience - causes and effects

While Institutional Impatience has become a reality in many organizations, it is critical to acknowledge that it can have a detrimental effect on the long term health of the organization.

By over-emphasizing near-term fundraising results, charities run the risk of making decisions that may drive incremental revenue but that can have an adverse impact on the long term, particularly related to relationships with donors. As a result, it is critical for all organizational leadership – fundraising, board and institutional – to understand the effects of Institutional Impatience and be on the lookout for its causes.



Causes

Some common causes of Institutional Impatience include…

1. Misconceptions About Fundraising - There continue to be many myths and misconceptions about what fundraising is and how money gets raised, ranging from perspectives that think of it solely through a "sales lens", to others that see it from a grassroots paradigm (e.g. volunteer driven, "bake sale model"). It is incumbent on all involved in making decisions about fundraising strategies and targets to be knowledgeable about how fundraising works, what it is, what it isn't and what type of investments are required to execute programs and achieve the targets that have been set.

2. Rotational Leadership – The constant dynamics of change in both institutional and board volunteer leadership can compromise the base understanding of the organization's fundraising context and programs. New leadership can bring with it a lack of knowledge about fundraising and impatience for results that are unrealistic given the organization's history and potential. This must be overcome with good succession planning and ensuring investments are made with new leaders to grow their knowledge base about fundraising in general as well as how it relates specifically to your organization. *(...continued on page 4)*

While Hanson, Mayhew and others are happy to embrace high expectations of the fundraising function, they also make the point that targets must be legitimate, realistic and reasonable in the context of the organization's reality. No one – not the institution, the board or the fundraising staff – is served by creating expectations that are unachievable in the context of capacity and potential.

Key to establishing realistic expectations around fundraising is having those responsible for setting and approving targets understand how it works…something that unfortunately has long been a challenge.

There continue to be a lot of myths on the part of board, fundraising volunteers and institutional leadership around the true capacity of the philanthropic marketplace in Canada as well as how much time and effort goes into raising money. Many foundations and fundraising departments continue to report that they are viewed like a "bank" or a "line of credit"…without much interest on the part of those holding these opinions to learn more about the reality.

Someone with a unique perspective on this particular issue is Jill Price, Vice President Development and Corporate Affairs at Asia Pacific Foundation of Canada. In addition to looking at the issue through her lens as a development professional, she has also served on the boards of numerous charitable organizations, including her current involvement as a board member with Arts Umbrella in Vancouver. In her opinion, boards should be encouraged to become more knowledgeable about fundraising practices and programs, and that fundraisers must take the lead in making that happen.

"It is incumbent on those of us in the fundraising profession to help enhance our board members' knowledge base related to fundraising" says Price. "And so, board training and orientation programs should include sections related to what it takes to raise money." Many leaders in the fundraising profession agree, noting that boards are responsible for making decisions about fundraising, but many individual board members don't necessarily fully understand how it works. While board members would not tell the organization's accountant or lawyer what to do without

Institutional Impatience - causes and effects (cont'd from page 3)

3. Short Term Thinking – While short term progress and results are important, leadership, both staff and volunteer, must understand that a critical part of their role is to set their organizations up for long term health and sustainability. As a result, we must not only manage to short and intermediate time frames, but also consider the vision for the long term – because without that view, there will be no reason to put in place the type of investments required to make the long term a reality.

4. Campaign Envy – Setting targets based on the goals of other organizations without fully understanding elements like: what is included in the target (includes all fundraising revenue vs. new revenue only), their degree of investment in fundraising, the health of their fundraising programs, the membership of their boards and the depth of their prospect pipeline among other factors. Before comparing your organization to others relative to campaign and other fundraising targets, it is important to gain clarity around all these factors.

Effects

…and can have some significant deleterious effects on organizations such as:

1. Questionable Expectations – Questionable inputs and thinking arising from institutional impatience can lead to questionable expectations that at best are not owned by the fundraising team and at worst, are wholly unrealistic for the organization. Having unrealistic expectations related to fundraising are of no use to the organization in either the short or long term.

2. Lack of Investment – Impatience for results and misconceptions about fundraising can often lead to inadequate investment in the fundraising enterprise. As well, organizations with only a short term time horizon don't make the kinds of investments required to support programs that take a longer time to show returns (e.g. programs like planned giving, stewardship) – programs that in fact can generate significant returns over time and that can also have a very positive impact on the health of the organization in the future.

3. Underdeveloped relationships – Impatience for results, combined with a lack of understanding of how much time and effort it takes to build the sort of relationships that yield significant investments, means that many organizations engage in "just-in-time" cultivation. They don't take the time they need to develop relationships with donors, which can result in donors making smaller investments than they are capable of…or becoming turned off from the organization completely.

4. Staff Turnover – Through our Search Practice, we hear time and again from talented and competent professionals that they feel they must leave their jobs because Institutional Impatience is creating unrealistic expectations about what can be achieved. The issue of turnover of professional fundraising staff is noted as an issue of significant concern in the sector, and it appears that Institutional Impatience may be playing a key role in its perpetuation.

having the knowledge or expertise in the area, it is a common occurrence when it comes to fundraising.

As a result, as new board members are recruited, it is critical to understand what their experience with fundraising has been and for orientation and training related to fundraising be a key part of all board members' responsibilities. In the private sector new board recruits are expected to fully understand the "business" of the organization, often spending several days immersing themselves in its various elements to enable them to make thoughtful and informed decisions during their tenure. Smart and sophisticated charitable organizations are adopting this as a best practice with their own boards, ensuring that a part of the orientation and onboarding process includes an in-depth exploration of the "business of raising money" as it is defined and executed at their particular charitable organizations.

Realistic expectations rooted in planning…

Undertaking rigorous and effective planning is critical to setting legitimate and reasonable expectations. And this is a spot where a lot of organizations get into trouble, choosing not to do the planning required to determine what is realistic and feasible. Whether blinded by the importance of their missions or even because of ego, fundraising targets are regularly set haphazardly without any due diligence to adequately assess the organization's fundraising potential. Mature organizations are those that marry the "need/want" related to fundraising aspirations with the reality of their current capacity and potential.

When asked to identify one of the keys to successfully setting realistic expectations and managing those expectations on an ongoing basis, Tennys Hanson points to having a good plan that engaged all involved in the fundraising enterprise in its creation. "I believe what's really important

is to go through a planning exercise at both the institutional level and at the board level. At TGWHF, we do a five year plan that includes many robust discussions with all involved in the fundraising enterprise – everyone who will be key to executing activities and to owning the fundraising goals that we set. So at the end of the day, everyone agrees on the five year plan and its goals."

When considering the impact of exceptional gifts on revenue, Hanson and the Foundation leadership take a very mature and sophisticated approach when factoring these gifts into their results. "When thinking about exceptional gifts, we view them in that way - as an exception and not an ongoing norm. As our plan lives on and is executed, it must continue to be based on our currently active prospect pool and what we are investing in terms of budgets, not thinking that exceptional gifts will be replicated immediately or in the short term."

Including in the planning are all who are involved in fundraising and, perhaps most importantly, those who are reliant on its results, is an absolute must. Not only does this involvement create alignment and shared ownership of outcomes, it also enables the development of a mutual understanding of everyone's needs. And it is incumbent on fundraising professionals to take the lead in making that happen.

…and driven by data

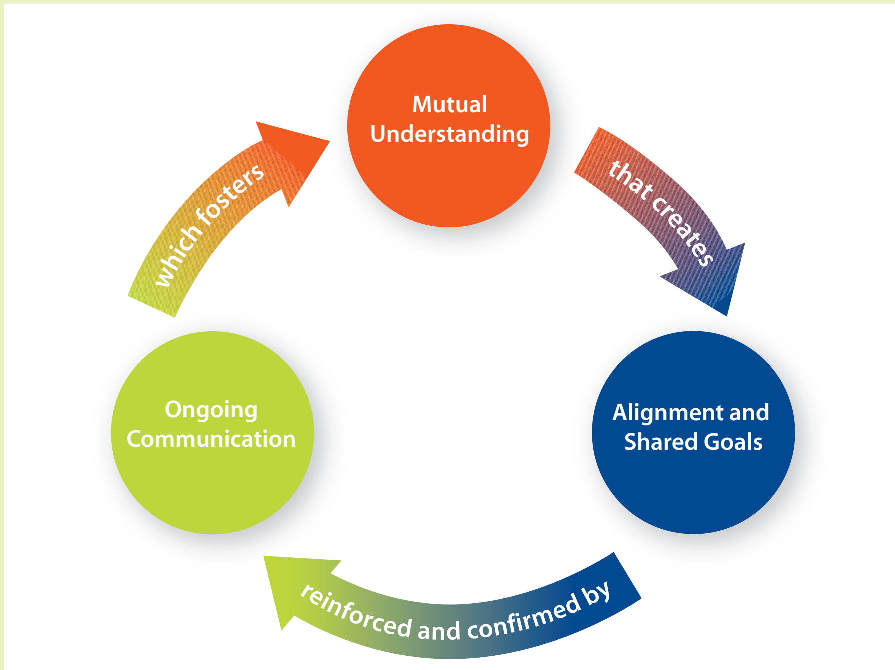
To set realistic expectations about fundraising potential, do your homework; facts speak – analyze your programs, analyze your pipeline and determine what is truly reasonable and realistic in terms of fundraising for the organization in the next few years.

Anchoring decision making in data is something that Innes van Nostrand, Principal of Appleby College, an independent day and boarding school in Ontario, believes is critical to establishing realistic expectations. "When setting targets and expectations for fundraising, sophisticated organizations are run by data – data about their fundraising history, their current capacity and their potential. This information is crucial in painting a realistic picture of what is feasible as well as what investments need to be made in order to achieve targets. Making decisions in the absence of that data is ill advised, and frankly irresponsible."

Van Nostrand goes on to say that one unrealistic expectation that must be addressed is the belief that fundraising revenues will maintain a constant upward trajectory, something that is often not the case as in post-campaign periods. "The misconception that fundraising revenues, like sales revenue in business, will consistently be on an upward trajectory, is in fact rarely the case. I think the post-campaign world works out fine for some organizations and revenues continue to grow, but that is not the reality for many. Rather, there tends to be some wave action in revenue results, something that must be acknowledged as natural when it comes to fundraising… and most certainly should not be assumed to be the result of an ineffective program. Rather than pretend this ebb and flow won't happen, let's acknowledge it as something natural that we must expect and, most importantly, prepare for."

Creating and managing realistic expectations - a virtuous cycle

Managing expectations effectively starts by setting realistic expectations and is further facilitated by building and maintaining healthy, respectful relationships with all involved in and dependent on fundraising. And if the elements involved in setting and managing expectations are well managed, the process can become perpetuating and self-managing, creating a "virtuous cycle" through which creating reasonable and achievable expectations becomes the norm.



Mutual Understanding – While building a base of knowledge about fundraising among all those involved with and dependent on fundraising is essential, it is only part of the puzzle. In addition to pushing out knowledge about fundraising, fundraising leadership must seek to understand the needs, realities and perspectives of the boards and institutional leaders with whom they work. This openness not only demonstrates a willingness on the part of the fundraising function and professional to meaningfully add value to the organization, it also sets the stage well for creating mutually respectful relationships and establishing common goals. And while this activity includes all involved in fundraising, it is incumbent on fundraising professionals to take the lead in creating the process and milieu for this type of mutual understanding to occur.

Alignment and Shared Goals – Managing expectations is made easier when the expectations of all stakeholders are aligned and goals are shared. When expectations are not aligned, often you end up back to square one. With mutual understanding as the underpinning, undertake a planning process that considers internal and external capacity and makes decisions based on data. Facts speak – analyze your programs, analyze your pipeline and determine what is truly reasonable and realistic in terms of fundraising for the organization in the next few years. Then use that evidence to build understanding about what is feasible and create alignment and shared ownership around fundraising goals. Ensure the process is robust, comprehensive and inclusive enough to build confidence and trust in its outcomes.

Ongoing Reporting - This is a spot where relationships are cemented and where the credibility of the fundraiser is reinforced. Create regular updates for all interested in and dependent on fundraising in the organization, including the board(s), institutional senior leadership and the institution's finance function. The update should include results to date and future projections, along with a strong narrative highlighting important messages and information. And speak in a language that is understood, recognizing that many terms and phrases common to fundraising are not well understood outside the sector. Be prepared to highlight areas of risk and vulnerability. Relationships with boards and institutional leadership must be rooted in trust to be effective, and this is a place where significant credibility can be built.

Guiding all of these elements and activities should be the following adage – be honest from the get go, creating the impression that if stakeholders like board and institutional leadership ask, they get a real answer. No one is well served by setting up unrealistic expectations, and being honest about potential and results will prevent challenges and heartache.

Sustainability and feasibility planning

Not only is planning critical to setting realistic goals, donors also expect it – related with regard to the feasibility of fundraising targets but also as it relates to the long term health and well being of the organization as a whole.

"Realistic planning for the future is a fundamental fiduciary requirement of an organization's leadership, both board and staff, and should be taken seriously," comments Jan Belanger, Vice-President, Community Relations for Great-West Life and its subsidiaries. "In today's short-term focused world, strategic planning may seem like a luxury, not a necessity. But in making investment decisions, you want to be certain an organization has thought through both their near-term needs and long-term goals, and identified their risks. If we rethink strategic planning to be called ***sustainability planning***, more people will recognize this is not a 'nice to do', but an operational 'must do'."

> *To set realistic expectations about fundraising potential, do your homework; facts speak – analyze your programs, analyze your pipeline and determine what is truly reasonable and realistic....*

In addition to sustainability planning, she believes testing and assessing the marketplace and its appetite to invest in your organization is a critical best practice and further, points out that the fundraising function has a unique opportunity to bring that outside perspective into the organization. As a result, engaging in conversations with external stakeholders to assess feasibility is an opportunity that shouldn't be missed. "Undertakings like feasibility studies should be viewed by organizations as a means to truly test their assumptions and information - to hold up the mirror to the organization and help them understand their relative strengths and challenges, how they are perceived, and the appetite to engage and invest. The fundraising function is uniquely positioned to bring external perspectives into the organization, that goes well beyond revenue potential – perspectives that must be factored into all aspects of planning."

In the face of any reluctance on the part of boards or institutional leadership to undertake this type of external assessment, fundraising professionals must be prepared to insist on its necessity. Stakeholder input that genuinely tests receptivity and seeks to understand how the organization is per-

Unrealistic expectations - what to watch for

No matter what position we hold, be it fundraising professional, board member or institutional leader, it behooves us all to be on the lookout for the spots where unrealistic expectations tend to pop up. Here is a list of a few to watch out for.

1. "We don't need to invest in order to raise more money." - A commonly held expectation is that organizations can raise more money without having to invest in the team and infrastructure. For this to be true, the current fundraising operation must be ineffective and inefficient. And while this can certainly be the case in isolated instances, it should not be the default expectation.

2. "They are raising $50 million. We should too." - The expectation that an organization can raise a certain amount of money based on the experience of current or aspirant peers is folly. This "campaign envy" is a mug's game at best and perilous for the organization at worst. In order to set realistic fundraising goals, campaign or otherwise, it is critical to assess your own particular starting point and potential, both internally and externally.

3. "Where's our/our next $10 million gift?" - The expectation of the exceptional gift as the norm is not realistic. Six, seven and eight figure gifts are called exceptional for a reason – not just because of the tremendous impact they will have but because they are not common place. The amount of effort, energy and time that goes into cultivating and negotiating gifts of this magnitude preclude them being regular occurrences.

4. "Set the target based on how much we need." - Picking a number solely based on a wish or the need without considering your fundraising potential is another recipe for disaster. While financial need must be considered and goals should be ambitious enough for the fundraising function to stretch and grow, thinking of philanthropy as a "plug variable" that can be adjusted without assessing potential is ill-advised. Campaigns that launch without assessing factors like what is current capacity and the size/value of the market have a long and challenging road ahead of them.

5. "I understand fundraising. It's just like sales." - "Fundraising as sales" is a classic case of mistaken identity. While there are certainly some similarities between fundraising and sales, most notably the need to build strong relationships, they are most certainly not the same thing. Some of the most fundamental differences are that giving is voluntary, philanthropic revenue does not have a constant upward trajectory and fundraisers cannot have their performance measured in the same way as salespeople.

ceived must be an input into decisions about feasible fundraising targets. As leaders of the function, fundraising professionals represent the internal stakeholders to those outside the organization, as well as representing the external stakeholders to the inside. And as fundraising leaders, it is imperative to balance the expectations of both.

Once targets are set, ongoing management of expectations is a must, achieved through regular reporting on both progress and results. The importance of ongoing communication cannot be over emphasized. This is where the credibility of the fundraising function, as well as that of fundraising leadership, is cemented and where trust is reinforced.

Create regular updates for all interested in and dependent on fundraising in the organization, including the board(s), institutional senior leadership and the institution's finance function. These updates should include results to date and future projections, along with a strong narrative that highlights important messages and information. And when looking to the future, create different budget views that reflect two or three different scenarios.

Speak in a language that is understood, recognizing that we can be limited by the use of fundraising vernacular that is not well understood. There is nothing to be gained with sharing information in a format that makes no sense to those who are re-

ceiving it. Words like "suspect", "prospect" and "cultivate" are not commonly understood terms outside of fundraising. So consider language that will better resonate.

Above all, be honest with the reporting, creating the impression that if stakeholders ask, they get a real answer. Be prepared to highlight areas of risk and vulnerability.

This is a trust relationship and reporting is a place where significant credibility can be built by demonstrating that you take your role seriously, and hold yourself accountable.

Lean In

Having perhaps adopted a bit of a "master and servant" orientation in the past, foundations and fundraising operations have historically said "yes" in the face of unrealistic targets and funding requests. But as the sector matures and the function increasingly steps into the role of true partner, fundraising professionals are more and more often appropriately pushing back.

But, that role as "partner" comes with its own set of expectations.

Along with the privilege of being considered a key part of the institution, something that fundraisers have long been seeking, there is responsibility – to lead a process that creates shared, realistic expectations and then to be accountable for the results.

As a result, when it comes to the issue of creating reasonable expectations and managing them on an ongoing basis, this is an area where fundraisers need to "lean in". As the function and profession continue to seek respect and credibility, we must adopt a leadership stance and orientation that is rooted in a high degree of emotional intelligence and maturity. It also requires acknowledgement that fundraising is an art and a science. Fundraising today requires a business acumen that can manage the "business" side of fundraising along with its softer, relational side.

While complex issues like this preclude simple solutions, one key is for organizations to get beyond finger pointing and regroup around creating mutual understanding and shared expectations – something that arises through knowledge of facts, good planning and shared accountability. »

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