

Growing Philanthropy in the United States

A Report on the June 2011 Washington, D.C. Growing Philanthropy Summit

by Adrian Sargeant and Jen Shang
October 2011

presented by

blackbaud[®]



**HARTSOOK
INSTITUTES**
for fundraising

HARTSOOK

Table of Contents

Introduction 4

Theme 1: Enhancing the Quality of Donor Relationships 5

 Recommendation 1: Redefine relationships from donor relationships to individual relationships 5

 Recommendation 2: Re-orient toward longer term measures of fundraising performance. 6

 Recommendation 3: Enhance focus on retention and building supporter loyalty 7

 Recommendation 4: Develop a more integrated approach to fundraising 8

 Recommendation 5: Break down organizational silos and encourage greater collaboration between teams 8

 Recommendation 6: Give supporters greater control over the relationship 9

 Recommendation 7: Promote the development of shared back office facilities 9

 Recommendation 8: Tackle high turnover rates in the fundraising profession 9

 Recommendation 9: Educate all stakeholders about the necessity of a longer term and integrated approach 10

Theme 2: Developing Public Trust and Confidence in the Sector 11

 Recommendation 10: Empower the regulators to enforce 100 percent filing of Forms 990 and increase their utility 11

 Recommendation 11: Blow the whistle on organizations claiming to have zero costs of fundraising 11

 Recommendation 12: Fund the development of a website in the United States to educate the public, boards, and other stakeholders 12

 Recommendation 13: Encourage nonprofits to develop complaints schemes. 13

 Recommendation 14: Fund the development of a website to facilitate peer-to-peer evaluations of nonprofits. 13

 Recommendation 15: Develop new and more appropriate measures of performance. 14

 Recommendation 16: Develop the self-regulation of fundraising. 14

Theme 3: Identifying New Audiences, Channels, and Forms of Giving with Strong Potential for Growth 15

 Recommendation 17: Encourage the adoption of monthly giving 15

 Recommendation 18: Improve the sector’s engagement with young people. 16

 Recommendation 19: Encourage and promote best practices in social media 17

Table of Contents (continued)

Recommendation 20: Encourage asset-based giving	17
Recommendation 21: Develop expertise in broadening participation in giving	18
Recommendation 22: Improve the quality of bequest fundraising practice	19
Recommendation 23: Challenge the wealthy to plan their own philanthropy	19
Recommendation 24: Create a nonprofit mutual fund	20
Recommendation 25: Leverage companies to promote philanthropy	20
Theme 4: Improving the Quality of Fundraising Training and Development	21
Recommendation 26: Invest in the development of fundraising research	21
Recommendation 27: Create a fundraising research institute	21
Recommendation 28: Redesign the system of professional development and certification for fundraisers	23
Recommendation 29: Encourage the development of academic qualifications in fundraising	24
Recommendation 30: Appoint a “sales force” for the body of fundraising knowledge	25
Recommendation 31: Call out institutions offering certificates purporting to be qualifications	25
Recommendation 32: Educate board members about the intricacies of fundraising	26
Conclusions and Next Steps	27
About the Authors	27
References	28
Acknowledgements	33

Introduction

In 2010, in the United States alone, there were 1,280,739 registered 501(c) (3) organizations garnering total support of \$291 billion (Giving USA Foundation 2011). Despite fears of a slow economic recovery, the contribution from individual donors still rose by 2.7 percent to \$212 billion.

As impressive as these figures are, the data must be set in context. In the U.S., charitable giving is estimated to be only 2 percent of average household disposable (after tax) income (Giving USA Foundation 2011). Regrettably, this is also the 40 year average for this figure, indicating that, despite an increasing marketing effort on the part of nonprofits (Sargeant and Jay 2010), individuals today are no more generous than their predecessors were over four decades ago. The picture is very similar in other countries (e.g. National Council for Voluntary Organizations 2010).

While giving has remained static, demands on the sector have not. The number of natural disasters has tripled since the 1960s and the number of armed conflicts has almost doubled (Forman and Stoddard 2002). The level of human need met by the sector continues to grow (CRED 2010) and in the United States the sector has also found itself with increasing responsibility for social welfare provision as successive governments have sought to withdraw from this domain. One in six Americans is said to be fighting hunger (Feeding America 2011) and 1 percent of Americans are homeless (National Coalition for the Homeless, 2009). Encouraging voluntary contributions to fund the work of nonprofits must therefore be a priority.

However, the question remains how to best achieve this goal in the face of the stubbornly static pattern of giving we allude to above. Forty years of increasingly sophisticated fundraising practice, the development of planned giving vehicles, the appearance of the Internet and the rise of new digital channels have done nothing to move the needle on giving. The intention of this paper is to address this issue, drawing on the available research and the discussions that took place at the nation's first Growing Philanthropy Summit, held in Washington, D.C. on June 9, 2011. Thirty influential leaders from across the nonprofit industry were assembled to look at how giving might be developed by the nonprofit sector itself. While there are many ways in which governments, businesses, or individual philanthropists may seek to develop philanthropy, the focus of the Summit was squarely on what the sector might do itself to increase its income from individual donors.

Our initial findings were reviewed by participants in Blackbaud's 2011 Nonprofit Executive Summit, also held in Washington, D.C. in August. In the report that follows, we structure our discussion of the conclusions of both events into the four broad themes that emerged:

- 1) Enhancing the quality of donor relationships
- 2) Developing public trust and confidence in the sector
- 3) Identifying new audiences, channels, and forms of giving with a strong potential for growth
- 4) Improving the quality of fundraising training and development

For each theme, a summary of the discussion is provided with illustrative quotes from the Summits and supportive references from both academic and practitioner research.

The views expressed below are those of the authors and do not necessarily reflect the views of all Summit participants.

Theme 1: Enhancing the Quality of Donor Relationships

Recommendation 1: Redefine relationships from donor relationships to individual relationships.

At present, the sector is highly focused on maximizing the return on its fundraising investment. Journalists, legislators, watchdog groups, and philanthropic advisors are all calling for the lowest possible cost of fundraising and as a consequence fundraisers are encouraged by their boards to hit a variety of short-term targets and goals. Measures of fundraising success such as response rates, conversion rates, and the total amount raised by a given campaign predominate. Against this backdrop, donors are communicated with and regarded as a dollar value, with the express intention of maximizing that value.

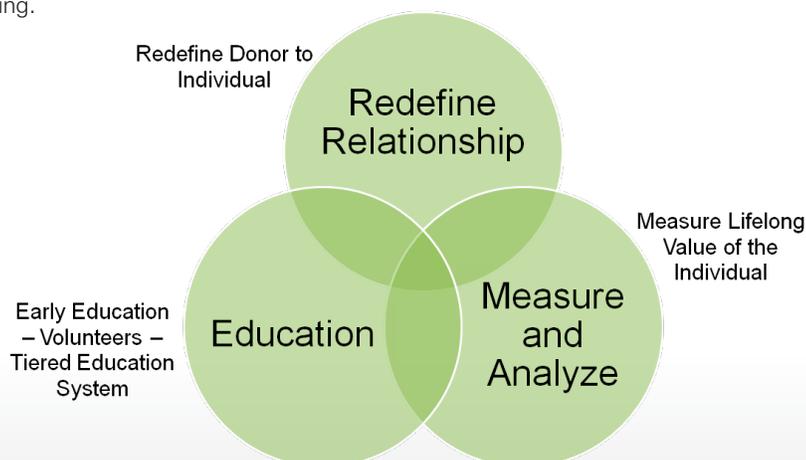
The advent of relationship fundraising has shifted the emphasis slightly, prompting a trend toward respecting donor preferences, improving communication, and offering choices - but even here we would argue that the concept of the relationship is unnecessarily narrow and too focused on the perceived needs and interests of the donor in giving to the focal organization, frequently neglecting the fact that:

“Organizations are the conduit by which donors fulfill their own aspirations. Donors don’t give to organizations but through organizations.”

As a sector we’ve become increasingly sophisticated at using “technique” to manage what we refer to as “donor relationships”. The key problem with this approach is that donors don’t want to be seen as a “piggy bank”; they want to be seen as partners in a cause and are increasingly looking for more meaningful ways of expressing their support than merely offering money (Sargeant and Woodliffe, 2007). Organizations therefore need to develop a more holistic perspective on the relationships they have with their supporters and break down the traditional organizational silos between fundraising, campaigning, service provision, lobbying and volunteering. In doing so individuals could be given multiple ways in which they might choose to interact with the cause and organization they care about.

To be clear, though, we are calling for much more than a new orientation around the notion of “support”. Implicit in the model depicted in Figure 1 is the notion that rather than seeing supporters as donors we should regard them as individuals with their own philanthropic aspirations and goals. Some they will be aware of, some they will not. In seeking to grow giving we should be striving to find new and creative ways through which individuals can discover and express their own philanthropic identity and thus experience the joy of giving.

Figure 1



In our view, relationship fundraising focuses much too narrowly on the donor relationships. The new orientation we are calling for would focus on the individual and how they articulate their sense of who they are through their giving (Sargeant and Shang, 2011; Aaker and Akutsu, 2009). It would require a fundamental shift in the way that fundraisers approach their role, moving away from responding to the motives that donors are consciously able to articulate, to a deeper understanding of donor identity and what people are saying about themselves when they give of their time, money, or talent. Identity is, by definition, at the core of self, and so it is an intrinsically powerful determinant of behavior. As an example, if we understand that individuals support our organization because of their identity as an American (i.e., they are expressing a patriotic identity), we can remind them why they should feel good about that identity and allow them to explore and derive value from it, through their support of our programs. That exploration may move the individual away from just offering money to engaging in other forms of support, but it may also lead them away from our organization to another better suited to who they are and their aspirations for their personal philanthropy.

In practical terms, this change in emphasis would require organizations to conduct a higher degree of donor research to identify relevant identities and seek additional ways to create value in the supporter relationship. It would also require organizations to recognize that some donors may be interested in their cause, but would derive greater value from supporting a second organization addressing the issue from a different perspective. Charities would therefore need to offer broader opportunities to impact the cause – including the promotion of the work of related nonprofits.

We do not make this recommendation lightly. While there remains a need to develop the body of evidence that such an approach does indeed build philanthropy, early field experiments with actual fundraising solicitations have yielded effect sizes of between 10 and 30 percent (Shang and Reed, 2011; Shang et al, 2008). If such an approach were adopted across the sector, the uplift in giving would likely be substantive.

Recommendation 2: Re-orient toward longer term measures of fundraising performance.

Figure 1 also makes clear that a change in emphasis would require nonprofit organizations to develop a new set of fundraising metrics focused on the long-term value in relationships. This shift involves two equally important aspects. One, fundraisers need to know their numbers. Two, fundraisers need to know what the right numbers are. It is not the case where the more numbers they have in their planning process, the better; they need to focus their limited resources on knowing the right numbers and making the most use of that data.

The continued use of performance measures such as response rates, immediate ROI, and total amounts raised by a given campaign is crippling the long-term performance of the sector's fundraising programs. These simplistic metrics need to be replaced by measures indicative of longer term value. This might be captured directly by "lifetime ROI" or "supporter lifetime value", or indirectly by measuring those aspects of donor behavior that drive these figures, such as supporter satisfaction, commitment, and trust. Fundraisers should be focused on building longer term value and must be motivated and remunerated accordingly.

Recommendation 3: Enhance focus on retention and building supporter loyalty.

In a large-scale analysis of database records, Sargeant (2001) identified that even small improvements in the level of attrition can generate significantly larger improvements in the lifetime value of the fundraising database. A 10 percent improvement in attrition can yield up to a 200 percent increase in projected value, as significantly more donors upgrade their giving, give in multiple ways, volunteer, recommend others, and ultimately, perhaps, pledge a planned gift to the organization. In this sense the behavior of supporters and the value they generate appears to mirror that reported in the for-profit consumer sector where similar patterns of value and behavior are exhibited (See for example Reichheld and Sasser 1990).

Despite all the potential advantages that enhancing donor retention could convey, the scale of the opportunity remains as sizeable as ever. Sargeant and Jay (2004) examine the retention of both cash and regular (i.e., monthly) donors, concluding that a typical charity will lose 50 percent of its cash (i.e., annual) donors between the first and second donation and up to 30 percent year over year thereafter. In respect of regular or sustained giving, attrition rates of 20 to 30 percent, year over year are common. Recent data collected by the Association of Fundraising Professionals suggests that the pattern of retention for cash giving in the U.S. has worsened, with some organizations experiencing upwards of 70 percent attrition between the first and second gift. (Levis 2008). A substantive opportunity for improvement remains.

In our view, the sector remains too focused on donor acquisition, content simply to refill an increasingly leaky bucket and ignoring opportunities to build meaningful relationships with supporters over time. Summit participants felt that this is due, in part, to a failure to understand what is meant by “relationship building”, but it is also due to an underlying (and seriously flawed) business model. The following quotations from Summit participants are illustrative:

“We need to build loyalty through understanding the why of loyalty and donor psychology and then apply that to relationship building. Relationship building is a donor-centered activity that includes two core elements: donor-centered communications and donor-centered engagement activities.”

“Most of the fundraising industry operates on a business model that pays by volumes of pieces mailed, phone calls made, and online impressions garnered. So agencies are compensated by quantities of solicitation and not by the quality of donor base that results. It’s a business model that affects donor file churn. This will not change until buyers’ minds are informed and changed.”

The potential exists to achieve this. We now understand a lot about the key drivers of loyalty and that understanding needs to be fully integrated with professional fundraising practice, with the loyalty metrics we highlighted earlier forming the primary basis for reward.

We should be under no illusion that even small improvements in loyalty have the potential to have a huge impact on the lifetime value of a fundraising database. Given what we know, in seeking to grow giving, enhancing donor loyalty is a particularly easy hit.

Recommendation 4: Develop a more integrated approach to fundraising.

In our view, one of the key barriers to achieving a focus on retention is the terminology employed by the sector to describe the interaction it has with its donors. In particular, the use of the term “annual fund” is widespread, reflecting the purpose to which the donated funds will be put. However, in the view of some Summit participants, the terminology is dangerous because it suggests that the nonprofit does not want or need a relationship with its supporters. From a donor’s perspective, support is seen as something that only needs to be offered once a year, while from a fundraiser’s perspective, the mind is focused on securing a series of transactions without the need to think through how longer term value might be engineered. In our view, the terminology of the “annual fund” should be abandoned.

The sector is also too fixated on the categories of campaigns it runs, be it annual fund, capital campaign, planned giving, or endowment. No one supports a single nonprofit because they happen to have an annual fund or an endowment. It is not the vehicle that matters to donors; it’s the difference they can make in society. While supporters are presently solicited by campaigns, often by different members of the fundraising team, they should actually be approached with the issues they are likely to find most personally relevant and fulfilling.

The food bank Harvesters, for example, used to approach its donors for annual gifts, capital gifts, and so forth. In contrast, it now asks donors to help them feed children, feed families, feed seniors, and promote healthy eating (Sargeant 2010). The new approach is immensely more powerful.

Recommendation 5: Break down organizational silos and encourage greater collaboration between teams.

It is not just the category of campaigns that can lead to unnecessary silos. In most medium- and larger-sized nonprofits, separate teams are employed to manage fundraising, campaigning, volunteering, lobbying, and service provision activities. While at an organizational level it can make good sense for this to be the case, such silos make no sense from the perspective of a supporter. An individual may be a donor, but he or she may also have the potential to volunteer, campaign, or even use some aspect of the nonprofit’s service provision. Breaking down these traditional silos and encouraging teams to collaborate on communication planning – and thus the opportunities that might be offered to different categories of supporters, could therefore add substantive value, building giving as a consequence.

Even within the fundraising function itself there is an emerging problem of silos. As the profession expands into a plethora of new media, expertise is fragmenting; fundraisers now specialize in social media, search engine optimization, digital communications, direct mail, and advertising. While this enhanced specialization in our sector should be welcomed, we need to ensure that donors are not similarly placed into silos with the relationship managed accordingly. Some supporters will interact through a variety of different channels yet want only one relationship with the nonprofit they support. Importantly, there is an emerging body of evidence that those individuals who do interact through two or more channels can be significantly more loyal. This behavior should therefore be actively encouraged and facilitated.

Recommendation 6: Give supporters greater control over the relationship.

As highlighted above, we believe that the relationship fundraising paradigm suffers from a number of weaknesses – but there is evidence that many of the practices it advocates can lead to enhanced supporter satisfaction and loyalty (e.g. Bennett and Barkensjo, 2005). Notable here is the issue of supporter choice, particularly in respect of communication and forms of engagement. Offering choices can increase loyalty because when supporters choose what they want, communications move from intrusion to invitation. We therefore recommend that where organizations have the capability to offer communication options, supporters should be encouraged to take greater control over the relationship they have with the nonprofit. This respects the privacy of the individual but would also allow them to explore for themselves the nature of the relationship that would add most value.

While offering choices for communications and engagement channels should impact positively on loyalty, we sound a word of caution over when such options might be offered. In some cases it may be better for supporters to deepen their understanding of the work of the organization and what it has to offer, before options are offered. Doing so too early may paradoxically preclude a meaningful set of choices and damage loyalty (Sargeant et al, 2011a).

Recommendation 7: Promote the development of shared back office facilities.

Summit participants were cognizant of the small scale of the vast majority of nonprofit organizations. While many might have a dedicated fundraising function, it was recognized that many more would not. Fundraising might be one of a number of responsibilities resting on the shoulders of just one individual. It was therefore suggested that groups of nonprofits in a given community might get together and share fundraising expertise with the creation of one central back office facility. A professional staff might be appointed with the consequent benefits both in terms of efficiency and effectiveness, but also in terms of the quality of service afforded to donors.

Recommendation 8: Tackle high turnover rates in the fundraising profession.

A key barrier to the development of ongoing donor relationships was believed to be the high level of turnover in the fundraising profession. As one participant noted:

“We have a 28 percent turnover in our development staff every single year. That’s a big problem. When I was a CDO at [another large national nonprofit], we conducted a study because we thought we could do better. It turned out that our numbers were the same as everybody else’s – the national average.”

The causes of this turnover aren’t entirely clear because factors are reported only in aggregate, not in respect of particular levels within an organization or even by job role. What is clear, however, is that the relationship between the fundraiser and the CEO are key. Poor quality peer relationships and low regard for the profession of fundraising, rather than compensation per se, are the biggest issues to overcome:

“If the CEO or CFO does not understand what you do, they don’t value what you do. So you’re getting rejected internally. It’s hard to fight that.”

“And that’s why, typically, fundraisers only last 18 months in a job, because they don’t feel valued and they hear, ‘Get me the money, get me the transaction.’ Yet they know that it’s about the relationship.”

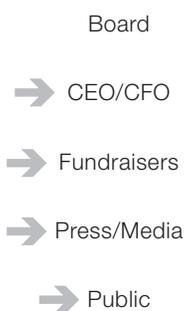
It is interesting to note that the highest rates of turnover are reported at the entry level, especially in the lowest-paying jobs and often in arts organizations and human service organizations. Female fundraisers appear to be particularly impacted (Duronio and Tempel, 1996).

The education of board members, CEOs, and other stakeholder groups was felt to be the only way of changing the status quo. The need for such fundraising advocacy is a recurrent theme in this report.

“Over and over, I (and every consultant I know) hear complaints from staff fundraisers who are trying to explain good fundraising to bosses and boards. And these bosses and boards won’t allow the fundraisers to do the right stuff, based on the body of knowledge, best practice, and research. Instead bosses and boards push their own opinions and personal experience.”

Recommendation 9: Educate all stakeholders about the necessity of a longer term and integrated approach.

Indeed, the final element of the model in Figure 1 focuses attention on the realm of education. Achieving the change in culture we describe above will only be possible if a variety of different stakeholders are educated about the longer term value that might be created for the sector were our recommendations to be implemented.



Boards need to understand the economics of successful fundraising management and understand the long-term financial implications of the changes we recommend. Holding the chief executive and his or her fundraising team to account on a range of short-term and “siloesd” metrics will only be counterproductive, damaging philanthropy and undermining the cultural shift that we aim to achieve. Boards need to understand the fundraising approaches in their own longer term self-interest, but they also need to understand their wider role, namely, the stewardship of philanthropy.

Equally, executive officers must also be educated about the difference between transactional and relational approaches and the need to plan from a longer term perspective based on the mutual respect of supporters and concerns for each others’ needs (Clark and Mills, 1993). They, too, need to develop an operational knowledge of best practices in fundraising, being prepared to champion it, as necessary, to their boards.

An enhanced focus on the individual also requires a supportive environment. Members of the public and the media will therefore need to be informed about the realities of modern fundraising practice and the benefits of the switch in emphasis we propose. In the case of individuals there is also a wider need to teach the topic of philanthropy, the questions to pose of organizations they may be looking to support, and the role that each of us might play in shaping the causes we care about.

As the topic of education cuts across all sections of this report, we will return to it in detail below.

Theme 2: Developing Public Trust and Confidence in the Sector

Recommendation 10: Empower the regulators to enforce 100 percent filing of Forms 990 and increase their utility.

The public reporting of nonprofit performance is key to developing the public trust and there have been moves in many western countries to make the accounts of nonprofits more readily available to the public (McCarthy 2007). There has, however, been considerable debate within the sector about whether the provision of accounting data to the public offers utility commensurate with this investment (Sargeant and Lee 2003), particularly given that published accounts are ill-suited to the public's needs and that the latest scholarly research has identified much better forms of reporting (Keating and Frumkin, 2003; Steinberg, 1987, 2006).

Despite their weaknesses, our Forms 990 do offer a window onto the performance of nonprofit organizations and we recommend that all nonprofits be compelled to file, with action taken to “call out” the organizations who subsequently fail to do so. We would also like to see the development of a greater narrative requirement to the 990 that would focus on the outcomes achieved by the focal nonprofit and thus shift the emphasis from efficiency to effectiveness. In our view, this would greatly enhance the public utility of the 990 documentation.

Recommendation 11: Blow the whistle on organizations claiming to have zero costs of fundraising.

Although donors are interested in the ratio of administration costs or fundraising costs to total expenditure (Tinkelman 1998; Margolis 2001), there is evidence that many nonprofits simply exaggerate this performance in the absence of a well-regulated reporting regime, thereby misleading the public. In their analysis of Forms 990, Cordes and Wilson (2000) found that 59 percent of nonprofits receiving direct public contributions did not report any fundraising expenses, including nearly a quarter of those receiving more than \$5 million in contributions. Similarly, Krishnan et al. (2005) document that nonprofit hospitals in California report greater program spending on their Forms 990 than they do in state regulatory filings which are subject to audit by the state government. Such blatant manipulation can only serve to damage the public trust (Rooney 1999; Sargeant and Lee 2002; Gronbjerg, 2003). Ensuring *meaningful* disclosure must therefore be a key objective for the sector.

The Summit was emphatic that no nonprofit reporting public donations should claim to have zero costs of fundraising. If they do so, they should be called out and held accountable for the damage that they do to the public trust.

It is interesting to note that in the UK there is now some precedent for this approach. The newly established Code of Fundraising Practice for Transparency and Accountability requires members of the Institute of Fundraising – the professional body for fundraisers – not to claim or imply that they have zero costs of fundraising. Those who fail to adhere to the code can have their membership of the Institute revoked.

Alongside greater honesty in reporting, we also need to challenge those leaders inside and outside of the NGO sector that continue to promote inappropriately low ratios and pretend this is good business. At least one “watchdog” body continues to award top ratings to those organizations who claim to have zero costs of fundraising; this practice is immensely damaging, as it actively encourages the kind of creative accounting we allude to above.

To be clear – it is well established that fundraising and administration ratios provide no meaningful basis for comparison between nonprofit organizations (Steinberg 1991, Hager et al 2001, Sargeant et al 2009). Fundraising ratios will be a function of variables such as the nature of the cause (some are more appealing to the public than others), the age of the nonprofit, the nature of the fundraising undertaken, the split between donor recruitment and donor development undertaken, the interpretation of various accounting conventions, and the size of the organization’s fundraising program (i.e., there are substantive economies of scale in some forms of fundraising).

Recommendation 12: Fund the development of a website in the United States to educate the public, boards, and other stakeholders.

There are many misunderstandings on the part of the public about the nature of the nonprofit sector, the behavior of our costs, and the way in which fundraising is carried out. Many Americans still believe the sector is populated largely by volunteers, that managers are paid poorly (if at all), and that income can be generated at zero (or close to zero) cost. When individuals bump up against a reality, their trust and confidence can therefore be damaged as a consequence (Saxton, 2004).

We must therefore do more to educate the public about the nature of the sector and to dispel key myths that act as a barrier to giving or enhanced participation. It is regrettable that the bulk of these misunderstandings are in the domain of charity costs. Organizations regarded as inefficient or as spending too much of their income on fundraising find it significantly more difficult to raise funds (Schlegelmilch et al. 1997; Bennett and Gabriel 2000; Sargeant et al. 2000), yet public perceptions of these figures are wildly inaccurate. The public believe that the ratio between program and fundraising and administrative expenditure is 50:50, while the actual ratio is closer to 80:20 (Bennett and Savani 2003). This matters because Harvey and McCrohan (1988) identified 60 percent as a significant threshold, with nonprofits viewed as spending at least this portion of their donations on charitable programs achieving significantly higher levels of donations. Further work would be necessary to establish whether this issue is merely re-distributive in impact or stimulates additional donations, but it does seem intuitive that educating the public about the realities of nonprofit costs could offer considerable utility.

We therefore recommend the creation of a U.S. nonprofit information website like www.charityfacts.org. The British website dispels common myths about the sector, provides detail in respect of costs, presents case studies of successful campaigns, and lists subject matter experts for journalists wanting to explore

any of the issues raised by the site. It also prompts supporters to ask the right questions when selecting nonprofits for support. A U.S. version of the website could serve as an independent source of information about the realities of modern organizations and their fundraising.

Recommendation 13: Encourage nonprofits to develop complaints schemes.

Many nonprofits shy away from the development of meaningful complaint handling schemes because they fear that creating such a scheme could create false expectations about the organization's ability to resolve any issues. This, they believe, would in turn lower supporter satisfaction and damage long-term value. The reality is very different: good complaint handling actually boosts loyalty. It has even been demonstrated that a successful service recovery can result in higher levels of satisfaction and loyalty than would have been the case if a problem had not been encountered in the first place (Durvasula et al 2000). McCollough and Bharadwaj (1992) refer to this as the service recovery paradox and their observations have since been confirmed on numerous occasions in a variety of different contexts (see for example Tax et al. 1998; Hansen and Danaher, 1999; Maxham and Netemayer, 2002).

Other benefits of effective complaint handling have been reported, including the lowering of negative word of mouth (Bolfing, 1989; Blodgett et al, 1993), the building of trust (dos Santos and Van der Heyde Fernandes, 2008), and the generation of constructive ideas that can subsequently be used to enhance the quality of the service offered (Soderlund 1998, Slater and Narver 1995). This prompts Naylor (2003) to describe complaining customers as the firm's biggest asset. Mistakes are inevitable in the domain of fundraising and nonprofits must therefore focus on satisfaction with their handling, the development of a customer focused attitude and the cultivation of the skills necessary for ultimate service recovery. The variety of benefits described above will accrue if they do.

Recommendation 14 : Fund the development of a website to facilitate peer-to-peer evaluations of nonprofits.

Many categories of household purchase may now be researched online. One might look at the evaluations of experts in that particular domain, or at the evaluations of other consumers who have recently purchased the product. We believe that the development of a similar online system for philanthropy would add genuine value for donors. Alongside the achievements and outcomes attained by a nonprofit one might read about the experiences of others, why they gave, how it made them feel, and the benefits they felt their support delivered. Such a site might also allow participants to rate the quality of the organizations' work and the quality of service the organization provides them as supporters. While at its base such a scheme might reassure potential donors about the legitimacy of an organization, reading the stories of others may well inspire more people to give.

There was considerable debate in the Summit about the merits of permitting third party evaluations. Some participants felt that the information provided would be of little value because most users would lack a qualification or detailed understanding of the sector on which to base their evaluation. Others felt that the same criticism could be leveled at other such online systems and yet, in aggregate, individuals appeared to derive significant value.

We take the view that any initiative that would stimulate a debate about philanthropy and encourage individuals to share their experiences, both good and bad, would ultimately provide a benefit to the sector. We also believe that it may be possible to mitigate the impact of the lack of qualification by instigating a parallel system of “expert” evaluations where a panel of individuals with a detailed knowledge of the sector would offer their own evaluation in respect of the outcomes achieved by the nonprofit, the degree of transparency offered, the organization’s governance, and the consistency of its filing of Forms 990.

Recommendation 15: Develop new and more appropriate measures of performance.

The Summit recognized the need to move the public away from judging the sector on the basis of simplistic financial ratios designed to capture efficiency. As one participant noted:

“Right now, the yardstick looks like the balance sheet. So, our whole sector is being criticized based on whether or not our efficiency rating is X amount. We’re pushing it out; we’re our own worst enemy – we’re telling people the current metrics are okay.”

Participants recognized the need to develop a new series of measures, more appropriately oriented around the notion of effectiveness. Given the wide variety of organizations that comprise the sector it was recognized that such a project would have to be undertaken looking at categories and sub-categories of nonprofit in turn. Reporting could then be encouraged of the relevant metrics. It was further recognized that such reporting alone would not serve to build the public’s trust; equal attention would have to be paid to the specification of what might constitute appropriate standards of performance. Again, as one participant noted:

“We’ve not only got to go out and help people see us as effective; at the same time, we’ve got to tell them what effectiveness is.”

Recommendation 16: Develop the self-regulation of fundraising.

Are organizations such as the Better Business Bureau® really well-placed to form a view on the appropriateness or otherwise of a nonprofit’s fundraising activity? Summit participants felt they are not. Many such bodies employ entirely inappropriate metrics to reach their conclusions about an organization’s worthiness, typically based on Forms 990 or accounts.

The lesson from other countries is that while aggregate issues of efficiency and effectiveness are deemed important by donors (Sargeant and Lee, 2002; Sargeant et al, 2011b) they are not the sole determinants of trust, either in an organization or in the sector as a whole. The key concerns of the public appear to be:

- A perception of an ‘excessive’ volume of communication
- The quality and tone of that communication
- The use of enclosures in mail
- The use of inappropriate or shocking imagery
- Data errors in the communication
- A sense of intrusion, created by the media employed for the message

No one is yet specifically addressing these issues. State governments concern themselves largely with matters of fraud and the regulation/control of fundraising consultants and professional solicitors. Membership bodies such as CASE, AHP, and AFP address only the broad professional ethics of their membership base. No one is currently focused on regulating the specific fundraising practices that are currently of the greatest concern to our supporters.

In our view, there should be a greater focus on the development and promotion of professional standards. Bodies such as the AFP should map out best practices for each form of fundraising, specifying the legal requirements that should be met, together with what should be considered as best practice in each case. These “Codes of Fundraising Practice” would be developed by the profession and periodically reviewed to ensure that an appropriate standard of best practice was maintained. While these codes may initially offer guidance to fundraisers in respect of appropriate behavior, we believe that, in time, they should outline the minimum standards required of individuals who wish to remain as members of the profession.

A more radical proposal was for the creation of a body that would accredit good quality fundraising in the same way that the Better Business Bureau accredits organizations who agree to adopt sound business practices. A “seal of approval” might be awarded to nonprofits who sign up to an agreed set of standards, with supporters and/or members of the public being afforded the opportunity to complain if they feel aggrieved by what they regard as an unacceptable practice.

Such a scheme would require start-up funding from a foundation, but might thereafter be funded by fees from participating nonprofits. It, too, would require the development of detailed codes of conduct and the development and implementation of an appropriate procedure for handling and ultimately being the arbiter of complaints. It would also require a high level of promotion, both within the sector and to members of the public. Nevertheless, we would argue that tackling those issues of greatest concern to the public should be an immediate priority for the sector to address.

Theme 3: Identifying New Audiences, Channels, and Forms of Giving with Strong Potential for Growth

Recommendation 17: Encourage the adoption of monthly giving.

The wider adoption of monthly giving (also known as regular giving or sustained giving) in the United States could itself transform philanthropy. The lifetime value of supporters giving in this way is estimated to be 600 to 800 percent higher than the annual giving (also known as cash giving) (McKinnon, 1999). Regular giving is also popular with younger donors; it is regarded as more convenient and environmentally friendly, removing the need for annual renewals and the associated communications. For the charity, it provides a high value, predictable income stream that is less susceptible to the impact of fluctuations in the economy than other forms of giving (Rapidata, 2011).

It will not be a viable option for every nonprofit to pursue, but there is evidence that it is attractive to donors where:

- The charity owns the cause (e.g., American Cancer Society)
- There is a moral imperative to give (e.g., WaterAid)
- There is a clear long-term need
- Staff or volunteers are viewed by the public as heroes (e.g., Salvation Army, MSF, ASPCA)
- Support for the charity adds to an individual's lifestyle statement (e.g., Greenpeace, NPR, Liberty)
- Sustained use of DRTV is possible
- A younger audience is targeted (e.g., ages 40-65)
- The product being offered is membership (i.e., regular giving is merely a convenient payment method)

Source (Pidgeon 2011)

It was also noted that the switch in emphasis toward regular giving should pervade other forms of fundraising outside the domain of direct response. There are many possible scenarios where it would make more sense for a nonprofit to solicit a monthly or sustained donation than a one-off gift. This might include peer-to-peer fundraising, house-to-house collections, and solicitations at nonprofit and other events.

Recommendation 18: Improve the sector's engagement with young people.

The sector should continue to promote giving at an early age. Helping to set up youth philanthropy programs, for example, could inculcate a giving habit and increase the lifetime value of donors accordingly (Sargeant and MacKenzie 1998). The importance of habit cannot be overemphasized in determining human actions (Ouellette and Wood 1998), as habit formation has already been shown to influence volunteering (Grube and Piliavin, 2000; Lee et al, 1999) and the giving of monetary donations (Lee et al 1999).

Against this backdrop we recommend the adoption of a "first gift" scheme where young adults would be given the opportunity to make one "planned" gift to a nonprofit of their choice. Such a scheme might be managed at the local level and sponsored by a corporate or major donor, giving even children on very low incomes the opportunity to make such a gift. This could be linked to the existing youth philanthropy curriculum and allow young people to think through and research one organization that they feel best articulates their personal vision for philanthropy. The long-term impact of such an initiative could be profound.

It was also recognized that the sector needs to stay at the forefront of new digital media, facilitating new ways for young people to engage with the sector that are generation-appropriate. Mobile communications, digital applications ("apps"), virtual environments, social networking, QR codes, personalized URLs ("PURLs"), and gaming were all felt to hold potential. To take advantage of this opportunity, nonprofits must empower individuals to take action and allow them to articulate their support in ways that they personally find appropriate.

“We broke down the illusion that we’re in control of the message, or how we’ll deliver it, because the people we’re trying to reach are the ones that are determining that, and they’re going to do it how they do it whether we want them to or not.”

“If you want Millennials, you have to give them a way to talk about you that’s culturally okay for them. They don’t open email unless it’s on their phone and they’re talking through FaceBook, Twitter or someplace else.”

“Millenials aren’t out there saying, ‘What did the review in Computer World say about Microsoft’s new software release?’ They say, ‘I’m going to throw it out there and see what my friends are using, and if it’s making them happy, it’s going to make me happy, too.’ They source and use information differently.”

Recommendation 19: Encourage and promote best practices in social media.

There remains a significant opportunity to grow giving and develop supporter engagement through social media. Recent work by Network for Good (2011) identified that social giving accounts for only around 11 percent of total online giving and that the percentage is falling. We believe that those figures have the potential to downplay the importance of social media, because the quality of professional fundraising in the domain is currently poor and because the value added in respect of supporter engagement is not recorded in such measures. Social media can build donor commitment, trust, and loyalty to the cause, thereby impacting the totality of an individual’s support. Summit participants therefore felt that social media should be more effectively integrated across our core fundraising processes.

A need was identified for universities and the fundraising professional bodies to bring together and disseminate case studies of successful fundraising practice. A specific social media curriculum could be developed. There would be a requirement, too, for nonprofit organizations to be more willing to self-identify instances of best practice and to be willing to share the details of the results they were able to achieve.

“What we talked about was integrating social media driven fundraising into the core fundraising processes of fundraisers, so it becomes a natural extension of everything that individuals do in their outreach and engagement. We talked about empowering individuals, and really asking them to be the drivers of our outreach, to take action because of their passion for our mission.”

It was also suggested that organizations could work more closely with related business partners. In some instances this might allow for an exchange of technology, but it may also allow companies to help nonprofits to find new and creative ways of adding value for their supporter groups. The potential for partnerships with organizations such as Groupon® were specifically highlighted.

Recommendation 20: Encourage asset-based giving.

It is estimated that the average American’s wealth is comprised of only 7 percent cash. The other 93 percent is made up of stocks and non-cash assets such as real estate, business interests, and various types of valuable personal property. 93 percent of a person’s giving potential is therefore through their assets and largely untapped by fundraisers who continue (in the main) to ask for cash.

It was therefore felt that wealth advisors and fundraisers should do more to encourage asset-based giving. The education of both groups was considered key in a bid to foster a greater understanding in each case of the work of the other. Fundraisers were, in general, believed to lack the financial literacy necessary to talk meaningfully with donors about asset based gifts, while wealth advisors often lacked an understanding of the value they might add by integrating philanthropy in the planning of a financial portfolio.

Summit participants called for “total portfolio management” and called on bodies such as the AFP and FPA to act as advocates, collecting data on the performance of the respective sectors, and publicizing and sharing best practice.

Recommendation 21: Develop expertise in broadening participation in giving.

“By making fundraising about money (rather than fulfilling the aspirations of donors), we focus on big money and board members with big money and big connections. That automatically excludes the majority of U.S. citizens. In the U.S., traditional philanthropy has a tendency to focus on money.”

The notion of trying to encourage the giving of traditionally under-represented groups has become something of a cliché in reports on philanthropy. Calls for such a broadening of participation have been in evidence for over 40 years (Gittell, 2000) and adding yet a further generic call will likely do little to encourage such participation.

Instead, the discussion in the Summit focused on the tangible steps that might be taken to make a genuine difference in this domain, allowing all in our society to explore and express a personal philanthropic identity. Notable here was strengthening the sector’s ability to learn from the experiences of others. Many organizations, for example, can and do fundraise from ethnically diverse audiences, respecting the very different reasons there might be for engagement and the very different ways in which individuals might choose to participate. The sector thus has the capacity to teach itself how to do better.

“We need to consider all the other ethnic groups that should have a place at the table, and develop respect for how they would like us to communicate to them, and how they would like us to express how they would want to be philanthropists or givers.”

There is also an emerging body of literature adding to our knowledge of how and why women give and how this might differ from the behavior of men (e.g. Andreoni et al, 2003; Brown and Rooney, 2008). Women are increasingly seen as carving out a distinctive philanthropic identity requiring nonprofits to offer new forms of giving or support and to rethink the nature of solicitation and communication. As one participant put it, “We need to teach nonprofits to speak female to women.”

So we focus our attention on a call to collect and share information on best practice and the latest academic research that might help underpin this. As this information becomes available, universities, training providers, and the fundraising professional bodies should take a lead in developing teaching and learning materials that may disseminated throughout the sector.

Recommendation 22: Improve the quality of bequest fundraising practice.

While over 80 percent of Americans will support the nonprofit sector during their lifetimes, only around 8 percent of them will do so on their death. Evidence suggests that the percentage of estates containing a charitable bequest has remained static for over 100 years (Harris, 1911).

We believe that the issue here is again one of education. In many nonprofits bequests are regarded as a planned gift and therefore solicited and administered by the planned giving department. We argue that the solicitation of bequests should be regarded as matter for everyone and integrated with an organization's ongoing communications.

With the baby boom generation now moving into retirement, there will be growth in the nation's death rate over the coming years. As James (2008) notes, 90 percent of this enhanced mortality will result only in the loss of annual giving, if the quality of bequest fundraising is not improved. Giving at death should become as normal an activity as giving during life.

There is a surprising amount of research in this domain that can be used to inform professional practice: identifying appropriate prospects, specifying motives and/or barriers for support and delineating the forms and wording of solicitations that would be most impactful. In our view, this knowledge should be informing professional fundraising practice; to date, it is not. While there have been efforts through the Leave A Legacy campaign to encourage members of the public to spontaneously consider a gift, there has been no corresponding effort to heighten the standard of bequest solicitation. This needs to change.

Recommendation 23: Challenge the wealthy to plan their own philanthropy.

There was much discussion of the initiative championed by Bill Gates to encourage the wealthy to give away a substantive proportion of their wealth. The following quotes are illustrative of the discussion.

"One of the things that I have struggled with intellectually is whether things like the Gates/Buffet billionaire giving pledge helps or hurts in expanding giving. On the one hand, it's wonderful that people of enormous wealth want to give back. On the other hand, it seems to hearken back to the nobles oblige, and does it tell people who don't have \$1 billion, 'There's no role for you, so wait until you get there.'

"I have several issues with the giving pledge. I think in terms of high net worth folks, it's certainly going to force a lot of them to take a look, which is good. The problem is it communicates broadly that there's one formula that fits all: 50 percent. I know they had to set a mark, but that's not what I believe in. I believe that giving is very personal and very individual, and everybody should be encouraged to develop their own formula. They have to discern it through a personal journey. I think part of our challenge is helping folks of high net worth to create the epiphanies in their personal lives that allow them to understand what their wealth is really all about. That's a huge challenge."

On balance, while initiatives such as the challenge issued by Bill Gates and Warren Buffet were welcomed, many participants felt that the most impactful way of increasing giving would be to encourage the wealthy to think through for themselves what might constitute an appropriate portion of their wealth to give away. The scholar Paul Schervish talks of the need for “self-reflective discernment” which doesn’t neglect an aspect of “duty” for the wealthy in giving, but recognizes that the obligation is at its most powerful when it is self-discovered. The scolding model only takes us so far and how best to trigger that discernment is the real concern. Gates and others may thus have more of an impact by sharing with others what excites them about philanthropy and the rewards they have found personally in the domain. A new generation of philanthropy advisors might then guide others on that journey of self-discovery.

A further interesting idea to be expressed during the Summit was the notion of leveraging gifts from the wealthy to encourage higher level giving by the balance of the population. As one participant explains:

“We could empower the whole country to feel what it’s like to give a significant gift if we get the very wealthiest to pledge some chunk of their giving to matching everybody else’s gifts.”

In this way a donor who might normally give only \$50 might be persuaded to give \$100 if the aggregate impact of that gift would be \$200 to the focal nonprofit. We would counsel against the use of multiple matching (i.e., having a major donor double or triple match a given donation). Work by John List at the University of Chicago suggests that the money would have more of an impact if it merely matched the gifts of a larger number of supporters (Karlán and List, 2007).

Recommendation 24: Create a nonprofit mutual fund.

We recommend the creation of a mutual fund that would donate the amount typically charged in fees by its managers, to a nonprofit of the investors’ choice. The value of the fee waiver might then be matched by a number of finance industry donors that want to stimulate philanthropy and/or gain publicity from their support of the idea. Summit participants felt that such a scheme might be advocated to companies who currently offer 401(k) and 403(b) plans, but recognized that large institutional investors would also be required to place significant sums of capital into the fund. Summit participants also felt that sources of capital should be identified from communities of a variety of ethnic groups so that the fund would be available not only to those in the majority, but to all.

Recommendation 25: Leveraging companies to promote philanthropy.

The Summit also explored how employers might be leveraged to promote public awareness and education about philanthropy. During the Summit the example was cited of a recent campaign to combat obesity where the nonprofit would:

“Literally go into a law firm and set up a fajita bar where people come in and prepare fajitas and learn how to cook. They chose that strategy because they identified that most people spend most of their time during the day at work. The company is the major community now for most people in America.”

The Summit therefore recommended that the sector think through ways in which it might harness the time spent at work and the social-peer relationships that individuals have at work as the delivery mechanism for much of the public education we outline above. Nonprofits could collaborate to provide an educational roadshow for employers in their area. The goal would not be to solicit gifts per se, but rather to educate participants in the realities of the modern sector and to think through their own philanthropic interests and aspirations.

Theme 4: Improving the Quality of Fundraising Training and Development

Recommendation 26: Invest in the development of fundraising research.

As we noted earlier, the majority of nonprofit organizations are small. They don't have the budgets to consider the 5 to 10 percent of revenue investment in research and development that would be the norm in the commercial world. As we also noted above, we live in an age where everyone is concerned about the costs of fundraising, so adding to that cost is singularly unattractive for the vast majority of nonprofits. As a consequence, comparatively little research into fundraising and giving is undertaken.

Although there are a number of academics who regularly conduct research in the domain of fundraising, there are only a handful who focus solely on the domain. The number is small, not because of a lack of interest, but because of the difficulty in securing research funds. While a number of the large foundations have invested in grander-sounding initiatives such as the study of philanthropy or the study of generosity, no one is as yet focused on what would make the biggest difference to growing giving in this country, namely the study of fundraising and donor behavior. This is an egregious gap in current sector infrastructure.

A separate and distinct pot of funding should therefore be created to which those interested in growing giving and enhancing the quality of the donor experience might apply. In the 1960s marketers were quick to recognize the utility offered by the emergent field of consumer behavior and the time has now come to create the equivalent field of donor behavior developing applied knowledge in this domain.

Recommendation 27: Create a fundraising research institute.

We further recommend that the monies for fundraising research should be made available through a dedicated research center that would specialize in this domain. It may conduct its own research, but it could also commission the work of others. Such an institute would require seed funding from a foundation in the first instance, but it may then apply for research grants from other foundations and charge nonprofits for some of the additional services we list below with the goal of becoming self-sustaining in the medium term.

A further source of income could be consortia research where nonprofits come together to fund specific projects of mutual interest.

"Maybe you would put together 20 or so organizations, probably the larger organizations, but they would put in \$10,000 each and we would use the money to tackle one of the big gaps in our fundraising knowledge each year. We might have 20 hospitals researching something that was of interest."

Aside from conducting new research, the institute could also facilitate the mining of existing datasets. Modern fundraising software and a plethora of sector initiatives have led to the creation of a number of high quality datasets, the potential of which has yet to be fully exploited. A key task for any new center would be to collate and facilitate the analysis of this data.

“Just think of the databases that are in this room today. John’s got one. Andrew’s got one. Carol’s got one. You’ve got one. How do we get databases like that together in such a way that we can provide useful information to people? We need to get decent researchers into that data.”

The point was also made that much of the existing research was not making the difference it should in informing professional fundraising activity.

“One of the things I would say about the current research environment here in the U.S., and I think everywhere in the world frankly, is that there is a lot of research out there, but it’s incredibly fragmented and of variable quality. So the challenge is knowing where to access the data, how to put it together, and then how to present it centrally – and we haven’t gotten anywhere near that at the moment.”

We therefore recommend that a new research institute should act as a hub or clearinghouse for all fundraising research, whether it was created by academics, agencies, or nonprofits themselves. It would provide a focal point where all might go for information and guidance on a given topic.

Finally, the new body should be encouraged to become a think tank for new ideas. These may be driven by research, but they may also be driven by an analysis of the flaws of current fundraising infrastructure and thus involve the institute in substantive advocacy, challenging others to achieve change. A Summit participant provided the example of text messaging infrastructure.

“In the United States, it’s both wonderful and horrible because it teaches a lot of people to give money, but you don’t know who they are. So it’s one of the things that we could change in the infrastructure that would move the needle, because if you had that data you could at least talk to them again and get another \$10. It’s not completely gone.”

Any new body could assemble evidence on such fundraising issues and the difference that could be achieved through change. It might publish recommendations for the sector, providing an evidence base on which others might act.

Recommendation 28: Redesign the system of professional development and certification for fundraisers.

We recommend significant improvement in the current system of professional development and certification for fundraisers. We have already highlighted a number of gaps in current educational provision, but perhaps

the most notable is the poor integration of existing fundraising theory and research.

We must better integrate the best of current professional practice with the available lessons from published research, both work conducted by academics and that conducted by sector bodies and agencies.

In particular, knowledge of donor behavior must be seen as central to a career in fundraising, just as knowledge of consumer behavior is central to a career in marketing.

"I think we have to create a stronger voice which includes all of us in our roles that says to fundraisers, you need to do better. You need to learn more. And what you're currently coming to this profession with in terms of training and education is nonsense."

To start, we recommend strengthening the route to professional qualifications and certifications, and that this route be shared across the sector, including professional associations, academic institutions, and other sector associations (e.g., United Way, Girl Scouts, etc).

Currently, fundraising has three certifications: CFRE, ACFRE, and FAHP. Each of these is based on a rigorous job analysis and role delineation supported by professional testing services. But now, more is possible and necessary. An aggregate set of skills for a fundraiser no longer fits with the modern reality of the profession. The fundraising profession should give equal attention to the skills it expects fundraisers to exhibit and the knowledge that it expects to underpin those skills. Skills should focus on best practice (not typical practice) and supporting knowledge should integrate academic models, frameworks and research. We have to specify what a fundraiser should know about donor retention, what they should know about public trust and confidence, etc.

The fundraising profession should map out the skills for generalist fundraisers as well as that required of specialists in such roles as grantwriting, digital fundraising, and planned giving. Formal qualifications should be mapped in three tiers, from introductory to advanced levels.

Those wishing to gain a qualification must be assessed in a manner consistent with the stated learning objectives and the profession must identify a way to do this that is at once practical and financially realistic, but sufficiently rigorous and reliable.

A new advanced level qualification might be developed to meet the needs of more senior fundraisers. There is little on offer for them at present. This level could be shared internationally to jointly fund the development costs with other associations, but more importantly with the goal of exposing participants to practice ideas in other countries that could potentially inform their own approach. It would also permit portability for senior fundraisers who might wish to develop their careers abroad.

In aggregate, we recommend that a task force be established to revise the existing framework of fundraising qualifications and voluntary certification. Members of this task force should include representation from the existing fundraising certifications – specifically CFRE, ACFRE, and FAHP – along with representatives from all the professional bodies, fundraisers in a variety of organizations, both large and small, and fundraising researchers and academics.

With revised and enhanced professional qualifications in place, professional development (both continuing

education and academic education) can be enhanced. By enhancing professional development, we can improve the quality of professional fundraising practice and through that, the quality of the donor experience. Improving the supply of qualified individuals both entering and developing within the profession has the potential to greatly improve the supply side of philanthropy and to stimulate it as a consequence.

Recommendation 29: Encourage the development of academic qualifications in fundraising.

To our knowledge, there is not a single undergraduate degree in fundraising currently available in the United States. Degrees in marketing are plentiful, yet a degree to prepare an individual for a career in our profession is notable only by its absence. We recommend that the fundraising professional bodies work with employers and universities in those states with large concentrations of nonprofits to foster one such program. Bright young people, passionate about the sector might then be equipped with the skills and knowledge they would need to succeed in our profession, taking with them abilities that would make a tangible difference to any subsequent employer.

At the masters level of higher education, the picture is slightly better, with programs specializing in fundraising being offered at six institutions in the United States. The majority of courses on these programs are taught by practitioners, often with many years of experience. While this ensures practical relevance, it is not optimal for the sector; a better mix of fundraising academics and practitioners is required. A new generation of dedicated fundraising faculty would add depth to the topic and expand our body of knowledge through their writing and research.

To achieve this, these new individuals must be encouraged to enter the field. They may be professional fundraisers looking for a change in career direction, but they may also be individuals completing PhD programs in relevant disciplines. More could be done to encourage PhD students to focus in this area and scholarships are one such mechanism that might be employed. At present, a dearth of qualified faculty and the absence of a professionally agreed syllabi hamper growth in fundraising education and leads to wide variations in the quality of provision.

A further way that this growth might be stimulated is by a greater insistence on the part of sector bodies and employers that every nonprofit management degree in the United States include a module on fundraising. While many institutions now teach nonprofit management, it is still unusual to find compulsory modules on fundraising. Many graduates who will go on to become the nonprofit leaders of tomorrow will currently complete their education with no knowledge of how their future organizations will raise the funds they need to operate. This is unacceptable and, aside from the obvious benefits that would be conveyed by all nonprofit managers having a basic command of fundraising, such an insistence would also require colleges across the U.S. to consider developing and appointing the specialist faculty needed to teach these programs. As the field grows, so too will the body of knowledge.

Recommendation 30: Appoint a “sales force” for the body of fundraising knowledge.

The parallel was drawn at the Summit with the profession of marketing, which 40 years ago was also ill-served by the university programs of the time. Qualifications in marketing were rare and the attitude of employers was that such things were unnecessary because it was possible to learn everything that would

be needed on the job. Over time, as new programs were introduced and their benefits were demonstrated, individuals began to enter the workforce who understood their value. As these individuals progressed to more senior roles, the attitudes of employers began to shift as a consequence. There is now a clear body of marketing knowledge and it is valued by commercial employers across the United States.

Fundraising has a long way to go to get to this point. As one participant put it:

“The problem is that directors of development don’t know what they don’t know, so they equate everything with the lowest common denominator, assuming that [academia] as a whole has nothing to offer.”

We therefore recommend the creation of “knowledge champions” who would act as a sales force for the body of knowledge, educating employers about the breadth of knowledge that might assist them in enhancing the quality of their supporter experience. There is a real danger in the absence of these champions: that any new education programs we create would fail, not because they did not deliver value, but because employers genuinely would not understand the nature of that value and how they might benefit. No one would think of appointing an unqualified accountant, yet the profession of fundraising is currently open to all.

Recommendation 31: Call out institutions offering certificates purporting to be qualifications.

A number of organizations, including colleges across the United States, currently offer “certificates” that have the potential to confuse employers. Dressed-up in the language of education, these certificates are often deliberately marketed as qualifications, yet in most cases the individual need complete no formal assessment. Neither the individual nor the awarding body has any way to assess the learning that may or may not have taken place and, as a Summit attendee stated, “All who attend the program and emerge with a pulse will qualify.”

We believe that such programs have the potential to mislead employers and thus to devalue our emergent body of knowledge. We call on the bodies engaged in such practices to be clear in their promotional material that these awards are merely certificates of attendance, not certificates of attainment. This would make it clearer to employers what was being offered by individuals on their CVs or resumes.

While such an approach would also be more in keeping with the standards required of us by the Independent Sector Code of Ethics, it would also give individuals and employers a clearer choice about the programs they may, or may not, choose to participate in. It is essential that as a profession we differentiate those who have demonstrated the attainment of skills and knowledge from those who have not.

Recommendation 32: Educate board members about the intricacies of fundraising.

We end the series of recommendations in this paper by specifically addressing a recurrent theme. One of the critical barriers to developing philanthropy in this country is the endemic lack of understanding on the part of nonprofit boards of how to fundraise. Boards lack both an understanding of the process of

fundraising and their own role within it. As a consequence, poor investment decisions are taken, supporter relationships are neglected, and the high level of turnover within the fundraising profession continues.

Tackling this problem requires a concerted effort to push those sector bodies who serve the needs of board members to include a greater focus on fundraising in their activities. Teaching and learning resources could be developed and made available to facilitate both new board member induction and ongoing board development.

We also believe that there may be value in considering the funding of an educational road show that would visit towns and cities across the United States to share best practices in fundraising and demonstrate to boards how their organizations might benefit as a consequence. The program would be promoted as something that both a fundraiser and at least one board member for an organization should attend. It could even be promoted as an essential component of new board member induction. Seed money would be needed to develop and promote the program, but it could ultimately be self-sustaining through a small participation fee charged to delegates. In our view, such a program would only work if leading sector figures and speakers were willing to participate and thus lend their weight to the overall marketing and positioning of the initiative.

Echoing a point made earlier, we must also ensure that any educational programs board members might be exposed to would also include a module on fundraising. Nonprofit management degrees should be our immediate priority, but there are other relevant short courses and certification programs that might also be targeted.

Finally, as the profession of fundraising, we should do more to support and encourage our peers to stand for election to nonprofit boards. If a greater number of fundraisers would be willing to serve in this capacity, they would in time inculcate a much wider understanding of what the profession of fundraising stands for and what it aims to achieve.

Conclusions and Next Steps

A number of broad themes emerged from our discussion. The need for greater education of boards and other nonprofit practitioners was highlighted many times in this paper. If philanthropy is to be increased, board members must be willing to take the actions necessary not only to steward their own long-term income, but also to steward the philanthropy of the sector. Similarly, a number of barriers to giving were highlighted, caused by public misconceptions of the sector and the manner in which it, and fundraising in particular, now operate. The need to educate fundraisers was also clear. Improving the supply side of philanthropy was felt to be critical in enhancing the quality of the donor experience.

The sector also needs a substantive investment in fundraising infrastructure, including the provision of a new and dedicated body whose role would be to focus on compiling the evidence base necessary to grow philanthropy. A research center collating relevant research from a wide range of different scientific disciplines, and conducting and commissioning its own research was felt to be a necessity. It is astonishing how little effort has currently been applied to helping fundraisers to do a better job of creating an environment conducive to philanthropy.

Finally, we end where we began by highlighting the need for nonprofits to reconceptualize the nature of the supporter relationship. Instead of viewing donors as a source of revenue and maximizing the value of that relationship, they need instead to focus more on the individual and the articulation of that person's philanthropy. Only when we stop asking for money and instead ask individuals to reflect on their own philanthropic identity will the needle truly be moved on giving.

In the coming months it is our intention to prioritize the 32 recommendations listed above and to assemble working parties of individuals to take the lead on developing and implementing the action plans necessary to make each idea a reality. It is our intention to begin work in Fall 2011.

About the Authors

Adrian Sargeant is the Robert F. Hartsook Chair in Fundraising at Indiana University in the United States. He is also Professor of Nonprofit Marketing and Fundraising at Bristol Business School in the United Kingdom and an Adjunct Professor of Fundraising at the Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, in Brisbane, Australia. He is one of the world's foremost authorities in the domain of nonprofit marketing and fundraising. In 2010, he received the Civil Society Award for his Outstanding Contribution to Fundraising and was named to the prestigious Nonprofit Times' Top 50 Power and Influence List.

Dr. Jen Shang is the world's only philanthropic psychologist and an assistant professor at the School of Public and Environmental Affairs at Indiana University – Bloomington. Her past research showed that a better understanding of donor psychology increases donation revenue by 10% with minimal additional cost. This work has appeared in *The Economic Journal*, *Experimental Economics*, *Marketing Science*, *Journal of Marketing Research*, *Organizational Behavior and Human Decision Processes*, and *Psychology & Marketing*. It has been featured in *The New York Times*, *The Nonprofit Times* and *The Chronicle of Philanthropy*.

References

- Aaker, J. L and Akutsu, S. (2009) 'Why Do People Give? The Role Of Identity In Giving.' *Journal of Consumer Psychology*, 19, 267-270.
- Andreoni, J., Brown, E. and Rischall, I. (2003) 'Charitable Giving By Married Couples: Who Decides and Why Does It Matter? *The Journal of Human Resources*, 38(1), 111-133.
- Bennett, R., and Barkensjo, A. (2005) 'Causes and Consequences of Donor Perceptions of the Quality of the Relationship Marketing Activities of Charitable Organizations,' *Journal of Targeting, Measurement and Analysis for Marketing*, 13(2), 122-139.
- Bennett, R. and Gabriel, H. (2000) 'Image Building for Charity Organizations.' *Social Marketing Quarterly*, 6(3), 77-81.
- Bennett, R. and Savani S. (2003) 'Predicting the Accuracy of Public Perceptions of Charity Performance.' *Journal of Targeting, Measurement & Analysis for Marketing*, 11(4), 326-343.
- Blodgett J.G., Granbois, D.H. and Walters, R.G. (1993) 'The Effects of Perceived Justice on Complainants' Negative Word of Mouth Behavior and Repatronage Intentions.' *Journal of Retailing*, 69:4, 399-428.
- Bolting, C. P. (1989) 'How Do Customers Express Dissatisfaction and What Can Service Marketers Do About It.' *The Journal of Services Marketing*, 3(2), 5-23.
- Brown, M. and Rooney, P. (2008). Proceedings from the Center on Philanthropy at Indiana University Symposium: Men, Women, X, and Y: Generational and gender differences in motivations for giving. Indianapolis, IN.
- Clark, M. S. and Mills J. (1993) 'The Difference between Communal and Exchange Relationships: What It Is and Is Not.' *Personality and Social Psychology Bulletin*, 19, 677-683,
- Cordes J. J. and Wilson S. (2000) 'Costless Fundraising: Deconstructing The Evidence.' Presentation at the Annual Meeting of the Association for Research on Nonprofit Organizations and Voluntary Action, New Orleans, Louisiana.
- CRED (Centre for Research on the Epidemiology of Disasters) (2011) Annual Statistical Review: Numbers and Trends, CRED, Brussels.
- dos Santos, C.P. and Van der Heyde Fernandes, D. (2008) 'Antecedents and Consequences of Consumer Trust in the Context of Service Recovery.' *Brazilian Administration Review*, 5(3), 225-244.
- Duronia, M.A. and Tempel, E.R (1996) *Fund Raisers: Their Careers, Stories, Concerns, and Accomplishments*, Jossey Bass, San Francisco.
- Durvasula, S., Lysonski, S & Mehta, S.C. (2000) 'Business to Business Marketing: Service Recovery and Customer Satisfaction Issues With Ocean Shipping Lines.' *European Journal of Marketing*, 34(3/4), 433-52.

References (continued)

- Feeding America (2011) Hunger in America, <http://feedingamerica.org/hunger-in-america.aspx>, Accessed July 1st.
- Forman, S. and Stoddard A. (2002) International Assistance in L. Salamon (ed) The State of Nonprofit America, Washington, DC: Brookings Institution Press.
- Gittell, M. (2000) Advocacy, Democratic Theory, and Participation, Center for the Study of Philanthropy, New York.
- Giving USA Foundation (2011). Giving USA, Giving USA Foundation, Indianapolis, IN.
- Gronbjerg, K. (2002) 'Evaluating Nonprofit Databases.' American Behavioral Scientist, 45(11), 1741-1777.
- Grube, J. A. and Piliavin J. A. (2000) 'Role Identity, Organizational Experiences and Volunteer Performance.' Personality and Social Psychology Bulletin, 26(9), 1108-1119.
- Hager, M., Pollak, T and Rooney, P. (2001). Variations in overhead and fundraising efficiency measures: The influence of size, age and subsector. Paper presented at the 2001 Annual Conference of the Association for Research on Nonprofit Organizations and Voluntary Action, Miami, FL.
- Hansen, D.E., and Danaher, P.J. (1999) 'Inconsistent Performance During Service Encounters: What's A Good Start Worth?' Journal of Service Research, 1(1), 227-235.
- Harris, V.M. (1911) Ancient and Curious Wills, The Lawbook Exchange Ltd. New Jersey.
- Harvey, J. and McCrohan K. (1988) 'Fundraising Costs: Societal Implications for Philanthropies and Their Supporters.' Business and Society, 27(1), 15-22.
- James, R.N. (2008) 'Causes and Correlates of Charitable Giving in Estate Planning: A Cross-Sectional and Longitudinal Examination of Older Adults.' Report to the Association of Fundraising Professionals and Legacy Leaders, Washington, D.C.
- Karlan, D. and List, J.A. (2007) 'Does Price Matter in Charitable Giving? Evidence from a Large-Scale Natural Field Experiment.' American Economic Review, (2007), 97(5), 1774- 1793.
- Keating, E.K and Frumkin, P. (2003) 'Re-engineering Nonprofit Financial Accountability: Toward A More Reliable Foundation For Regulation.' Public Administration Review, 63(1), 3-15.
- Krishnan, R., Yetman M. and Yetman R. (2005) 'Expense Misreporting in Nonprofit Organizations: An Agency Based Analysis.' Working Paper, Michigan State University and University of California, Davis.
- Lee, L., Piliavin, J. A. and Vaughn R. A. (1999) 'Giving Time, Money, and Blood: Similarities and Differences.' Social Psychology Quarterly, 62(3), 276-290.
- Levis, W. (2008) Fundraising Effectiveness Project, Association of Fundraising Professionals, Washington DC.

References (continued)

- Margolis, A. (2001) 'Causes and Effects.' *Financial Management*, March pp 18-22.
- Maxham, J.G. and Netemayer, R.G. (2002) 'A Longitudinal Study of Complaining Customers' Evaluations of Multiple Service Recovery Efforts.' *Journal of Marketing*, 66(4), 57-71.
- McCarthy, J. (2007) 'The Ingredients of Financial Transparency.' *Nonprofit and Voluntary Sector Quarterly*, 36(1), 156-164.
- McCullough, M.A. and Bharadwaj, S.B. (1992) 'The Recovery Paradox: An Examination of Consumer Satisfaction in Relation of Disconfirmation, Service Quality, and Attribution Based Theories, " in *Marketing Theory and Applications*, Allen, C.T., Madden, T.J., Shimp, T.A., Howell, R.D., Zinkhan, G.M. Haisley, D.D., Semenik, R.J., Dickson, P., Zeithaml, V. and Jenkins, R.L.(eds). Chicago: American Marketing Association, 119- 134.
- McKinnon, H. (1999) *Hidden Gold*, Bonus Books, Chicago.
- National Coalition for the Homeless (2009) *How Many People Experience Homelessness?*, http://www.nationalhomeless.org/factsheets/How_Many.html. Accessed July 21st 2011.
- National Council for Voluntary Organizations (2010), *The UK Civil Society Almanac*. London: National Council for Voluntary Organizations.
- Naylor G (2003) 'The Complaining Customer: A Service Provider's Best Friend?' *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 16, 241-248.
- Network for Good (2011) *Online Giving Index*, Network for Good, <http://www.onlinegivingstudy.org/> Accessed July 20th 2011.
- Ouellette, J. A. and Wood W. (1998) 'Habit and Intention in Everyday Life: The Multiple Processes by Which Past Behaviour Predicts Future Behaviour.' *Psychological Bulletin*, 124(1), 54-74.
- Pidgeon S (2011) 'Planning The Fundraising Mix.' Presentation to the Institute of Fundraising Academy, Southampton, UK.
- Porter, M. E. and Kramer, M. R. (1999) 'Philanthropy's New Agenda: Creating Value.' *Harvard Business Review*, 77(6), 121-130.
- Rapidata (2011) *Charity Direct Debit Tracking Report 2011*, Rapidata, London.
- Reichheld, F.F. and Sasser, W.E. (1990) 'Zero Defections: Quality Comes To Services,' *Harvard Business Review*, Sept-Oct, 105-11.
- Rooney, P. M. (1999) 'A Better Method for Analyzing the Costs and Benefits of Fundraising at Universities.' *Nonprofit Management & Leadership*, 10(1), 39-56.

References (continued)

- Salamon, L. M., Sokolowski, S. W. and Associates (2004) *Global Civil Society: Dimensions of the Nonprofit Sector*, vol.2. Kumarian Press, Bloomfield, CT.
- Sargeant, A. (2001) 'Relationship Fundraising: How To Keep Donors Loyal,' *Nonprofit Management and Leadership*, 12(2), 177-192.
- Sargeant A (2010) *Harvesters: A Teaching Case*, School of Public and Environmental Affairs, Indiana University, Bloomington.
- Sargeant, A., Ford J. B. and West D. C. (2000) 'Widening The Appeal of Charity.' *International Journal of Nonprofit and Voluntary Sector Marketing*, 5(4), 318-332.
- Sargeant, A. and Jay E. (2004) *Fundraising Management*. London: Routledge.
- Sargeant, A. and Lee S. (2002) 'Improving Public Trust in the Voluntary Sector: An Empirical Analysis.' *International Journal of Nonprofit and Voluntary Sector Marketing*, 7(1), 68-83.
- Sargeant, A. and Lee S. (2003) 'Benchmarking Fundraising Practice.' Presentation at the Institute of Fundraising Annual Conference, Birmingham, UK.
- Sargeant A., Lee, S. and Jay E (2009) 'Communicating the Realities of Charity Costs: An Institute of Fundraising Initiative,' *Nonprofit and Voluntary Sector Quarterly*, 38(2), 333-342.
- Sargeant, A. and McKenzie J. (1998) *A Lifetime Of Giving: An Analysis of Donor Lifetime Value*. West Malling: Charities Aid Foundation.
- Sargeant, A and Shang, J. (In Press) 'Bequest Giving: Revisiting Donor Motivation With Dimensional Qualitative Research.' *Psychology and Marketing*.
- Sargeant, A and Woodliffe, L. (2007) 'Gift Giving: An Interdisciplinary Review.' *International Journal of Nonprofit and Voluntary Sector Marketing*, 12(4), 275-307.
- Sargeant A., Hudson, J and Wilson, S. (2011b) 'Donor Complaints About Fundraising: What Are They and Why Should We Care?' Paper Submitted to *Voluntas*, June 2011.
- Sargeant A., Yan, W. and Shang, J. (2011a) *Modeling Donor Retention in Direct Dialogue and Door-To-Door Fundraising: A Report to the PFRA*, Indiana University, Bloomington, Indiana.
- Saxton, J. (2004) 'The Achilles' Heel of modern Nonprofits Is Not Public Trust and Confidence but Public Understanding of 21st Century Charities,' 9 (3), 188-190.
- Schlegelmilch, B., Diamantopoulos A. and Love, A. (1997) 'Characteristics Affecting Charitable Donations: Empirical Evidence From Britain.' *Journal of Marketing Practice: Applied Marketing Science*, 3(1), 14-28.

References (continued)

Shang, J., Reed, A and Croson, R. (2008). 'Identity Congruency Effects on Donations.' Journal of Marketing Research, Vol. XLV (June 2008):351-361.

Shang, J and Reed, A (2011) 'The Effect of Moral Identity Discrepancy on Charitable Giving.' Indiana University (Bloomington), Working Paper.

Slater, S.F. and Narver, J.C. (1995) 'Market Orientation and the Learning Organization.' Journal of Marketing, 59(3), 63-74.

Söderlund, M. (1998) 'Customer Satisfaction and its Consequences on Customer Behavior Revisited: The impact of Different Levels of Satisfaction on Word-of-Mouth, Feedback to the Supplier and Loyalty.' International Journal of Service Industry Management, 9(2), 169-188.

Steinberg, R. (1987) 'Voluntary Donations and Public Expenditures in a Federalist System.' The American Economic Review, 77(1), 24.

Steinberg, R. (1991) The economics of fund-raising. in Burlingame D.F. and Hulse L.J. (eds) Taking fund-raising seriously: Advancing the profession and practice of raising money. San Francisco, Jossey Bass.

Steinberg, R. (2006). Economic Theories of Nonprofit Organizations. In Powell, W. W. and Steinberg, R., 2nd Ed. The Nonprofit Sector: A Research Handbook. Yale University

Press: New Haven

Tax, S.S., Brown, S. & Chandrashekar, M. (1998) 'Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing.' Journal of Marketing, 62 (April), 60-76.

Tinkelman, D. (1998) 'Differences in Sensitivity of Financial Statement Users to Joint Cost Allocations: The Case of Nonprofit Organizations.' Journal of Accounting, Auditing and Finance, 13(4), 377-393.

Acknowledgements

We would like to thank the following organizations for their participation in these Summits.

AARP & AARP Foundation	Drakes Bay Fundraising	NetHope, Inc.
American Diabetes Association	Easter Seals, Inc.	New York University
American Lung Association	GreatNonprofits	Partners HealthCare System, Inc
AmeriCares	GuideStar USA	Planned Parenthood Fed of America
Arthritis Foundation	Hartsook Companies, Inc	Project Hope
Association of Fundraising Professionals	Habitat for Humanity	Robin Hood
Autism Speaks	Humane Society of the United States	Silicon Valley Community Foundation
Avila University	Indiana University	Special Olympics International
Barker and Scott	International Mission Board	The ALS Association
Barker & Scott Consulting	March of Dimes	The Heritage Foundation
Blackbaud, Inc.	Memorial Sloan-Kettering Cancer Center	The Nature Conservancy
Boy Scouts of America	Independent Sector	The Nonprofit Times
Brigham & Women's Hospital	Indiana University - Bloomington	The Salvation Army
CARE	Indiana University Foundation	The Wilderness Society
CASE	Institute for Women and Wealth	U.S. Fund for UNICEF
Catholic Healthcare West	Joyaux Associates	USO, Inc.
CHI Foundation	Lake Family Institute on Faith and Giving	Urban Institute
Common Knowledge	MacKenzie-Romero Consulting	Wealth & Giving Forum
Defenders of Wildlife	National Wildlife Federation	World Wildlife Fund
Donor Trends		

The views expressed in this report are those of the authors and do not necessarily reflect the views of all Summit participants.

About Blackbaud

Blackbaud is the leading global provider of software and services designed specifically for nonprofit organizations, enabling them to improve operational efficiency, build strong relationships, and raise more money to support their missions. Approximately 24,000 organizations — including The American Red Cross, Cancer Research UK, Earthjustice, International Fund for Animal Welfare, Lincoln Center, The Salvation Army, The Taft School, Tulsa Community Foundation, Ursinus College, the WGBH Educational Foundation, and Yale University — use one or more Blackbaud products and services for fundraising, constituent relationship management, financial management, website management, direct marketing, education administration, ticketing, business intelligence, prospect research, consulting, and analytics. Since 1981, Blackbaud's sole focus and expertise has been partnering with nonprofits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in Australia, Canada, Hong Kong, the Netherlands, and the United Kingdom. For more information, visit www.blackbaud.com.

About Hartsook Companies, Inc.

Hartsook Companies, Inc. is a full-service fundraising consulting firm driven to increase giving for nonprofit organizations. Helping nonprofit organizations raise philanthropic dollars through expert, committed and research-based fundraising counsel is a key strategy for meeting Hartsook's mission to grow philanthropy by 25 percent in the next 20 years. With the endowed Robert F. Hartsook Chair in Fundraising at Indiana University, Hartsook Institutes for Fundraising and fully accredited masters degree program in fundraising, Hartsook Institute at Avila University, Hartsook is an established leader in the advancement of fundraising education. Established in 1987, Hartsook's results driven, strategic and highly motivated team is motivated by the urgency of its mission to grow philanthropy.

About Hartsook Institutes for Fundraising

The Hartsook Institutes for Fundraising was founded in 2009 by Bob Hartsook. It serves as a voice and vehicle for a knowledge and research-based approach to fundraising education. The approach was pioneered by the first Hartsook Chair in Fundraising at Indiana University Adrian Sargeant, and the applications of that and other research in fundraising by Bob Hartsook and Hartsook Companies, Inc.