Positive Sum Strategy

Fundraising Success in the Networked Nonprofit

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Foreword

It is through the size and reach of networked nonprofits that amazing programs and services are delivered to some of the most needy and vulnerable populations across our country and around the world. The pathway to maximizing this impact, however, requires constant evolution to address difficult operational challenges if a network is to be strengthened as a whole. Networked organizations achieve remarkable impact despite their inherent complexities thanks to strong and visionary leadership, committed staff and volunteers, and generous benefactors at all levels of the organization.

To maximize a networked organization's impact, we see the need for consensus between headquarters and affiliates on a number of core principles: transparency, efficiency, prospect market share, performance measurement, and internal and external communications, with clearly defined goals and objectives for each. While the following report addresses these challenges through the lens of fundraising, it is more and more evident that applying clearly defined core principles across all business functions is key to creating stronger networks with the potential for even greater social impact.

To remain relevant, headquarter and affiliate leadership must be forward-looking and willing to evolve the network as the world around them changes. Goal-setting must be collaborative and decision-making has to account for implications at all levels. And while the pace of change may vary from one network to the next, the core principles we outline in this report can serve as a framework for maximizing collective impact by enhancing fundraising results across networks.

We have had the pleasure of partnering with many leading networked organizations, gleaning insights from dedicated teams working at every level who grapple with critical questions, such as: "What is the benefit of being part of this larger network?"; "What should or could headquarters do to have a greater impact locally?"; "How can a stronger headquarters enhance both efficiency and effectiveness of a network as a whole?"; and "How should we be defining success at the network level?"

We are delighted to present the following report and hope that it fosters continued dialogue on how each of you approach these core principles, address the challenges inherent in each, and position your network to maximize your impact and fulfill your mission.

Sincerely,

Brian Crimmins
Chief Executive Officer
Changing Our World, Inc.

Executive Summary

Nonprofits that operate as hub and spoke networks, with affiliates tied together and/or into a central headquarters, represent a significant part of the nation's nonprofit sector. The problems of leadership, management, communications, and brand are often myriad.[1] The challenge extends to fundraising and fund disbursement, which are the focus of this white paper. How funds are raised, how prospects are managed, how funds flow among elements of the network, how accountability and transparency are established – all are challenges.

The key to fundraising success for networked nonprofits is a "positive sum" approach – the whole must be more than the sum of the parts. That is, success at each of the affiliated levels is obtained such that the total of funding success for the organization is greater than simply the balance sheet sum of the funding received by the parts. The gains to the entire organization from the success of its parts lift the nonprofit to higher and higher levels of recognition, leadership and funding. Rather than being "zero sum" – what one part gains, the other loses, or what headquarters gains the affiliate loses – the successful networked nonprofit will turn fundraising success at all levels to even higher levels of success for the whole.

Having worked with dozens of networked organizations globally, the long experience of Changing Our World teaches that four basic categories of issues require resolution.

Transparency between the center and the affiliate periphery is critical and turns on trust. The process for setting fundraising goals and holding all elements of the organization accountable for meeting those goals must be explicit, fair and transparent. The balance between demands from the center and consensus of all affiliates is often difficult to strike, but system-wide participation and consultation is essential.

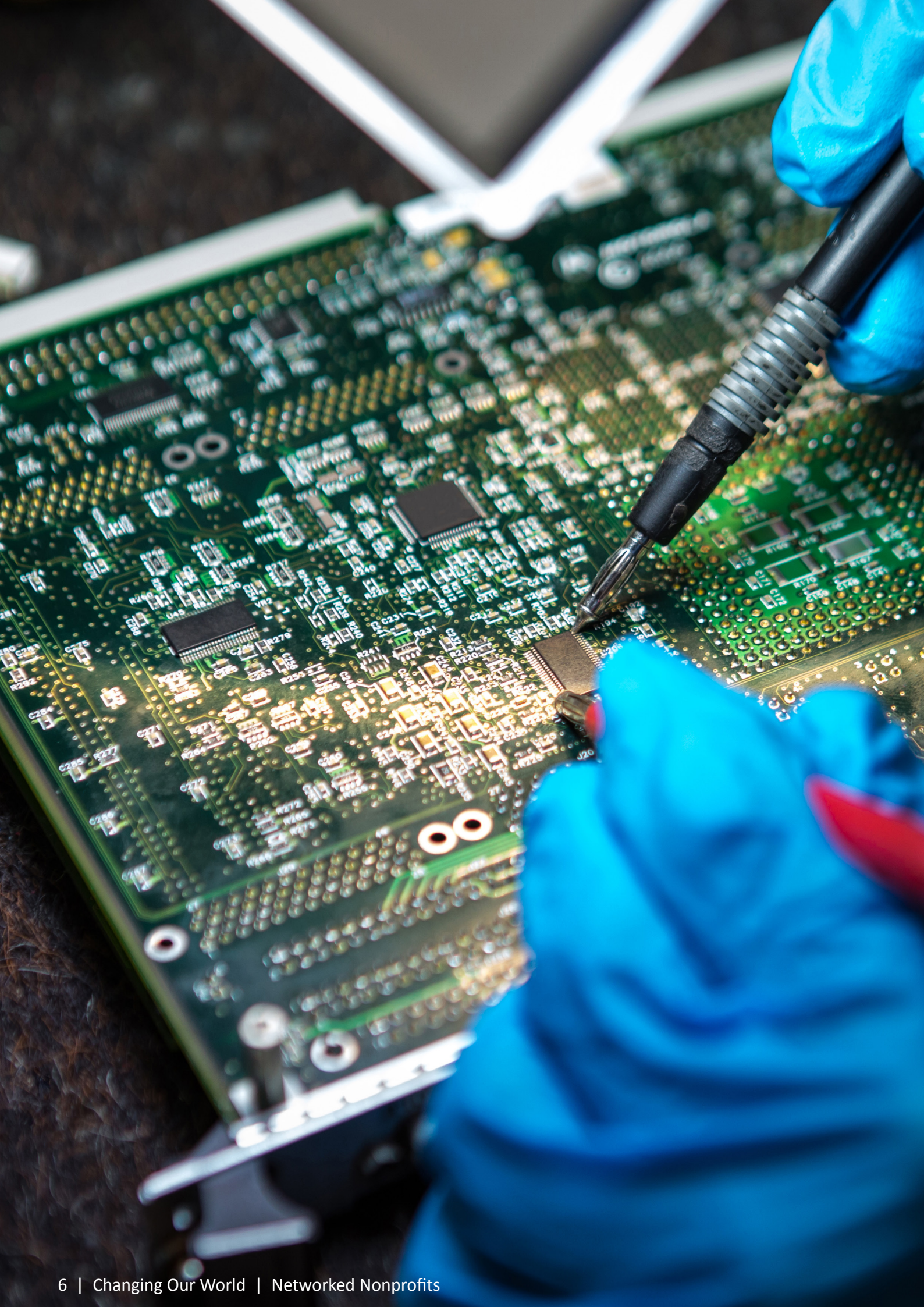
Efficiency is demanded by donors and an expected characteristic of good management. The resources and systems at the center are usually greater than those at the periphery which may create unfair goals and inhibit the ability of the periphery to meet them. The critical need is for common metrics across the organization and a willingness of headquarters to make technical and personnel resources available to the affiliates to help meet goals.

Prospect Market Share is always, always a sticking point. Whose prospect is this? Who gets the credit? Who gets to count the gift against the goal? For fundraising there must be zero ambiguity about prospect roles and rules. There must be no "case by case" approach, because every case will result in a dispute. The wisest nonprofits incentivize prospect sharing between affiliates and headquarters through sharing the application of gifts toward financial goals.

Performance Measurement, of both programs and fundraising, always creates tension. Programs feel that fundraising is not meeting their needs. Fundraising feels that programs do not understand what donors want. Affiliates feel demands are excessive. Headquarters feels that no one is delivering the information that is truly needed to grow. The key is shared clarity of expectations, shared reporting of metrics that are absolutely common across the organization, and evidence provided to affiliates that proves the utility of program and fundraising performance on organizational growth overall and, equally importantly, growth of the affiliates.

External and Internal Communications consistency is difficult for geographically disparate organizations. The primacy of local needs or customs, or the preferences of local leaders, can often take precedence over the logic of shared messaging. In its most dangerous form, this leads to the erosion of brand and donor understanding of what, in fact, the entire organization does. Donor confusion rarely leads to donor loyalty. Both the need for a shared, central message, and the flexibility to adapt to local needs, are critical to successful fundraising for all networked organizations.

1 For a recent and excellent case study of the adaptation of an affiliate structure to a changing world see Sarah Murray, Upgrading a Network. Stanford Social Innovation Review, Summer 2016.

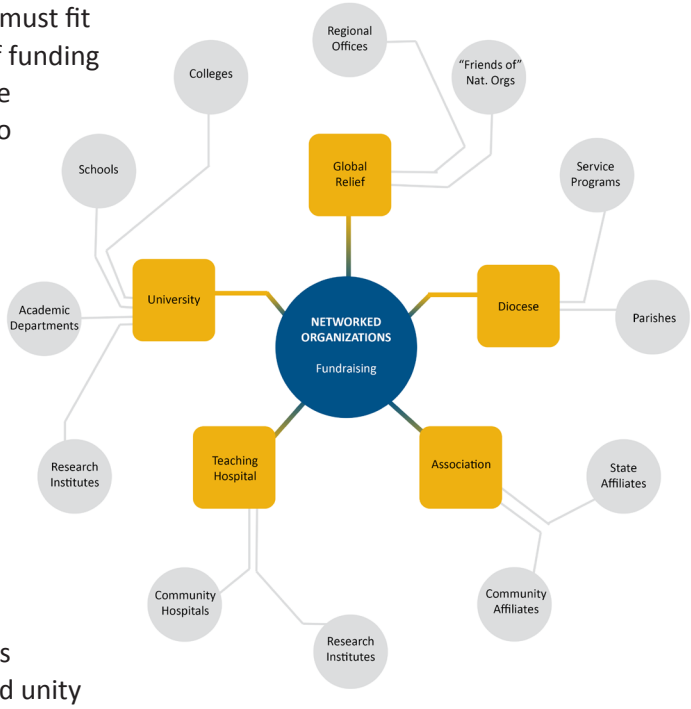


Introduction

The purpose of this white paper is to examine the fundraising and grant making challenges and opportunities faced by systems of related nonprofits that constitute networks. The pressures of management at the center and the necessity of responsiveness to local needs and culture at the peripheries can create tensions of many types. The challenge is how to create and maintain organizational unity yet respect adequate degrees of autonomy in the constituent parts. That challenge applies equally across systems for human resources, technology, governance, and programming. The challenge extends across the organization. We recognize that these organizations exist in widely differing settings – an affiliate in New York City, an affiliate in Moline, Illinois, an affiliate in Odessa, Texas and one in Nairobi, Kenya may operate in very different ways. Nevertheless, we at Changing Our World have seen the pressures between each affiliate and a central headquarters share a number of the characteristics described in this paper.

In this essay we focus on the fundraising and associated communications issues. We do so because resources empower mission, and how resources are best obtained across organizational complexity is a core management concern. How do you create balance between unity and autonomy in a way that drives fundraising success and promotes the perception of a strong national (or international) brand?

This requires a positive sum approach. What any single part of the nonprofit gains - fundraising success at any single node or at multiple nodes - must fit within a strategy to lift the entire organization to new levels of funding and leadership success. It requires that fundraising strategy be constantly reinforced throughout the organization, that it be to the maximum benefit of each part of the organization, and that success be purposefully managed so that it redounds to the benefit of the entire entity.



The reader will be relieved to learn from the beginning that this is not a dissertation, although we have been struck by the lack of published literature on this topic.[2] We have resisted the siren call of the academic, and instead offer a practical discussion of the tensions within five issue areas and the necessary balances to be struck.

Changing Our World has worked with a range of affiliate or networked structures in both nonprofit fundraising and corporate philanthropy. We have seen systems that operate as well-oiled machines, we have seen systems that have sacrificed unity to autonomy and therefore lacked a central case and brand, and we have seen systems that have crushed autonomy with central control and therefore lost representative leadership and local philanthropic ownership and engagement. There is no perfect approach - no "one way." But there are core principles that, if followed, can help affiliate structures in nonprofits find a balance that is appropriate to the organization and productive in supporting fundraising at all levels.

This white paper isolates five issue areas. In each area, the discussion:

- Describes the issue and its importance
- Highlights the tensions that occur between the center and the periphery of affiliated or networked nonprofit systems and what is at stake if those tensions are not resolved
- Sets out core principles for that resolution in two sets, principles for the center and principles for the peripheries

2 Case material has been written on specific nonprofits, and general commentary has been written on the overall management of networked organizations. But a literature review has found no recently published work focused specifically on the funding challenges – fundraising and grant making – of affiliate-structure nonprofits.

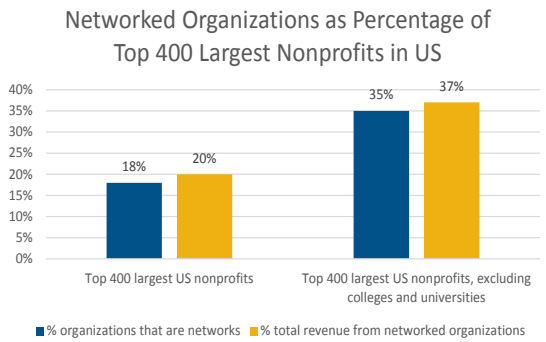
We hope this discussion will prove useful to the nonprofit sector, and that it sparks a deeper discussion of how best to manage fundraising and communications in these often exceedingly complex settings.

DEFINITIONS

Before we proceed, it is important to get definitions straight. What do we mean by networked nonprofits? In this white paper we use the term to refer to "hub and spoke" systems - any group of nonprofits with a central headquarters (which may be virtual) and distributed independent nonprofits that share the same brand and carry out a central mission at each of the sites. These systems have different degrees of financial, programmatic or governance inter-dependence. They often involve different levels of decision-making authority at different organizational points or nodes. There can also be different uses of nonprofit status, with some organized as a collection of separate nonprofits and some as chapters of a single nonprofit.

Each, however, represents a constellation of nonprofits that share brand and mission, and have common programmatic content and target constituencies (at least to a large extent, although programs can be specific to community).

They are roughly of three types, as depicted in the diagrams on page nine. Simple networks in which affiliates are tied directly into headquarters; layered networks in which affiliates are tied into regional organizations; and virtual networks in which organizations sharing a brand and mission are tied together with only a virtual center.



Such networked organizations exist internationally, with headquarters not necessarily located in the U.S. but affiliates located in the U.S. Conversely, U.S.-based organizations can have affiliated (as defined) nonprofits in other nations, and the U.S. base itself may be not a nonprofit but an international agency, such as UNICEF or the UN Fund for Population Activities. In these cases, the issues set out in this white paper apply, but may be even more complex as they deal with the differing societal, economic, and religious dimensions that need to be accommodated across countries. A white paper of this size does not permit us to explore the depth of cross-national complexities, but we acknowledge that this discussion can only scratch the surface of international implications.

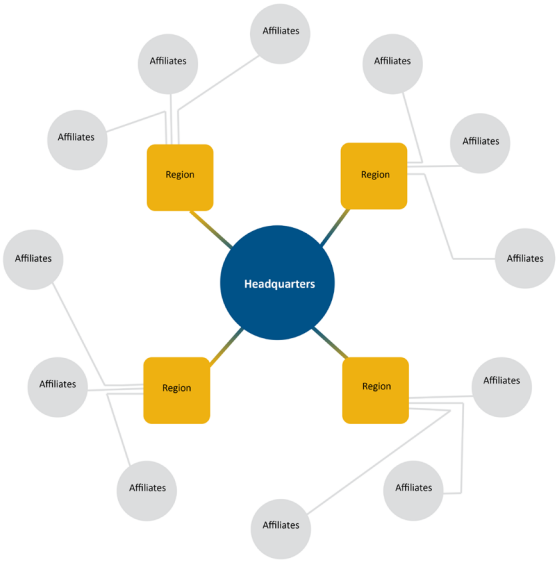
SCOPE AND SCALE

The discussion is not unimportant in the nonprofit sector because affiliate structures are common and often very large. Changing Our World examined the 400 largest nonprofits in the nation. Of these nonprofits, 18% are networks made of associated or affiliated groups. The annual revenues of this portion are nearly $50 billion, which represents 20% of the total revenue of the list of the 400 largest nonprofits. But 32% of the 400 organizations and 42% of the revenue is concentrated in colleges and universities. If we subset these out, then networked organizations represent a third of non-university nonprofits and nearly 40% of all the revenue in the non-university group.

Even small subsets of the affiliate brands can represent huge numbers of autonomous but linked nonprofits. For example, the total of only the YMCA system, Boys and Girls Clubs of America, Habitat for Humanity and the American Red Cross represents nearly 6,000 separately registered nonprofits, with the center representing between 22% and 80% of all funds raised in the system. The scale is huge and the ways in which money moves are extremely varied.

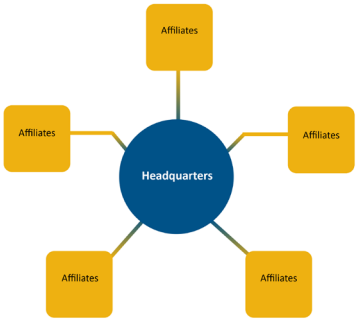
And this rough measure of scale markedly underestimates the whole because it does not include religious organizations. Yet, most religious organizations are networks. Dioceses and parishes, religious communities and their regional or national groupings, national religious youth groups, religious humanitarian organizations – all are networked organizations. Most do not report financial data. Hence, we have no true measure of the actual size of the networked systems in the nonprofit sector. So, even if we talk of tens of thousands of organizations and hundreds of billions of dollars, we still only grasp a portion of the importance of networked and affiliated organizations in the nonprofit sector.

But all of these systems have similar problems in managing prospects, developing systems for the flow of funds from donors and outward to programs, and ensuring coherent and consistent communications and identity.



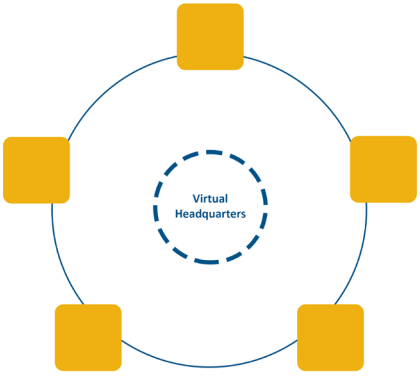
Model 1

Affiliates report to sub-management units that themselves report to headquarters. These sub-units are often organized by geography. This is common for very large nonprofits with very broad national or international reach. Fundraising can be done at all levels, or only at the headquarters and region levels.



Model 2

Simple network, with affiliates that carry mission and brand, but have a specific focus. That affiliate focus is often geographic (e.g., a disease association) but it can be by subject matter or type of constituency (e.g., the various schools of a university). Fundraising is done at both the headquarters and within affiliates.



Model 3

Organizations share a mission and brand, but operate relatively independently, held together by an annual meeting that may set policy and, for example, allow the election of an annual leadership group. Students' cause groups often have this structure. Fundraising is done at each node often without any geographic limitations.

Anatomy of the Issues

There are five critical dimensions of potential conflict within networked nonprofits that can disrupt fundraising success or impede efficient fundraising management. They intersect and at times overlap, but we separate them here for purposes of discussion.

DIMENSION 1: TRANSPARENCY

Transparency will be a constant theme throughout this discussion, and hence is called out as the first dimension of concern for networked nonprofits. How does the center of a networked organization provide transparency to its peripheral units with regard to fundraising goals, and the resource allocation to achieve those goals? What is the role of each in decision making about those goals and the strategies for their attainment? What are the various roles about how funds are raised or used?

THE ISSUE

Any organization (at least any organization that is not an autocracy) – public, commercial or nonprofit – with disparate parts must worry about transparency between its center and its constituent parts. This extends from core management to program implementation. For most networked organizations, the affiliates are the "boots on the ground," the points of critical mission-driven contact with those being served and often with those funding that service. The pathways between the center and the constituent affiliate parts, therefore, must be clear.

And that transparency turns on trust. The center needs to believe that the programs and actions of its constituent affiliates are consciously aligned with central priorities. The center must be able to "see" itself in the work of the affiliates.

> **"A perception of implicit asymmetry undermines trust."**

Similarly, the affiliates need to believe that the center has its best interests at heart, and that mutuality of commitment underpins the relationship. It is the affiliate that often carries the overall brand into the community being served. Therefore, the inability of the local network affiliates to articulate and represent the overarching organizational mission, vision, goals, processes, and priorities erodes the larger organizational image and brand. It also erodes donor trust in the integrity of the entire organization. For local affiliates to be able to represent the core adequately, there must be complete transparency between them and the center.

A perception of implicit asymmetry undermines that trust. That may be either a perception of asymmetry between the center and affiliates, or, even more corrosively, a perception of asymmetry among the affiliates. A perception that the center has veiled power kept in the shadows is bad enough; a perception that this veiled power has implicit "favorites" among the affiliates is an organizational death wish.

PUSH-ME-PULL-YOU TENSIONS

There are, of course, countervailing tensions inherent in any organizational choices about transparency.
On the one hand, a totally flat, totally non-hierarchical organization can impede getting anything done at all. Being consumed with transparency can result in endless meetings, endless communications, endless efforts to align and reassure. The very process of striving for equality and consensus on all levels can become itself a burden and a source of frustration. More time will be spent seeking consensus on fundraising goals and tactics than raising money. In the end, too great an effort at transparency through consensus can be an ironic source of the corrosion of trust.

On the other hand, simply dictating goals (especially fundraising goals) from the center outward will naturally result in push-back from affiliates who will perceive a lack of concern over local conditions or needs that impact the ability to generate resources. The resistance will not be to the transparency of the goal – what is expected may be clear – but to the transparency of the process by which the goal was (at best) proffered or (at worst) imposed. If the why and the how are not equally open, then resistance will be understandable.

WHERE TO BEGIN

There are three dimensions of transparency that are amenable to being designed into a nonprofit organization's fundraising efforts.

1. Rules. The rules need to be clear. Too often we have seen networked organizations become lazy about the rules. The standards by which decisions are taken, the structures for decision making, the principles that underlie those structures all are left unspoken and undocumented. Things are done because "we have always done it that way" with no one really able to explain (or often even recall) why that is so. Where nothing is documented it is hard to find clarity, and where there is no clarity there can be no transparency. So start by going back to basics. Codify the rules and the rationale for the systems in place. Let the sunshine in.

2. Consultation. Subject that codification to system-wide discussion. Managers in charge will need to make decisions, except for the nonprofit that is a commune. For all others, someone will need to be in charge. But, open the consideration of process to discussion and suggestion at all levels. And set out a continuous (but not endless) process of consultation on goals, strategies and tactics between the affiliates and the center.

3. Documentation. Document what works and what doesn't. Transparency is not just about process, it is about results. Put in place a log or performance system that captures not just what people think is working, but what is actually working. Compare performance pre- and post- policy or process changes. Too often we see nonprofits caught up in commentary, constantly searching for who agrees and who does not, constantly trying to sort through the tangle of opinions to isolate reality. Opinion and impression are important. People need to feel involved and consulted. But, fundraising is a fortunate sector in that there is, after all, an empirical result. Carefully design performance systems and metrics so that, at any change to the approach to transparency, there is clear evidence of the effect.

DIMENSION 2: RESOURCE EFFICIENCIES

Fundraising is process-driven, and process is often resource-intense. Donors care about how their money is used. Hence, attention to resource efficiency is important.

THE ISSUE

Effective fundraising is supported by research, data, policy, and management systems. This often poses a challenge to networked organizations. Should central hubs select and design those systems and force them onto peripheral affiliates? Or should those affiliates be allowed to select, design, and control their own systems in ways that meet their own needs, and simply report results to the center?

On the one hand, centralization can result in cost containment. And cost containment in successful fundraising settings reduces the cost-per-dollar raised metric, and in turn, pleases and attracts donors and drives resources to programs. The sword is two-edged. Inefficiencies not only bleed resources from programs but also result in donor dissatisfaction.

On the other hand, from the affiliates' perspective, overall fundraising cost reduction on the part of headquarters does not necessarily drive efficiency for affiliates. Data or systems solutions that fail to meet local needs or fail to reflect local information or intelligence can increase time allocation to such things as data maintenance rather than reduce it. And those failures can erode any sense of data ownership on the part of affiliates, and hence any commitment to, or even interest in, improving system efficiency that benefits headquarters.

It is a human reaction. Lack of feeling engaged and involved, lack of a sense of ownership, erodes commitment to the whole.

The issue is made exceedingly complex when there is a disparity between the centralization of systems and the decentralization of fundraising responsibilities. The situation is even more contentious in affiliate structures that are very large and operate in extremely different cultures (or countries) with different wealth and leadership capacities and structures.

At Changing Our World, we have seen this issue of systems centralization vs. decentralization in the pursuit of resource efficiency play out as a key Achilles heel in networked nonprofits of nearly every size and in nearly every sector, secular and faith-based.

PUSH-ME-PULL-YOU TENSIONS

The interplay of tensions that are created, and which nearly any option will, to be frank and to some extent, exacerbate are several-fold.

Fundraising is inherently a personal matter. Where fundraising relies on local affiliate networks and where accountabilities are at the periphery, it is local systems flexibility and control that can be valued by affiliate managers. "This suits us" is the trump card. On the other hand, a consequent (almost inevitable) proliferation of disparate systems, or even disparate applications of central systems for research, data, or prospect/donor management can mean that no one at the center actually knows what the state of play in fundraising actually is. People on the ground may be satisfied philanthropically, but the organization can be at sea strategically.

> **"The center must be willing and able to help affiliates or local organizations get the fundraising job done. The center must be a servant leader."**

Second, fundraising data and prospect modeling are increasingly complex and sophisticated. Data consistency and coherence are mandatory. Disparate and distant ownership of and accountability for data can make enforcement of rigor difficult, but it is actual on-the-ground knowledge that makes that data accurate.

WHERE TO BEGIN

There is no single solution to these tensions. One size does not fit all. That is especially true if the network includes a range from very small affiliates in remote locations and very large affiliates in central or major urban locations. To some extent, the solution must fit organizational culture and history. Traditions of loose affiliation will bias coordination toward the affiliates. Traditions of close control will bias coordination toward the center. Experience teaches, however, that sensitivities about the balance between the center and the affiliates are particularly important, whichever bias is chosen.

If the culture or management tradition is to bias systems toward local control, toward predominance of the affiliates, then the center needs to control standards and performance metrics.

1. A Common Core. There must be common (and enforced) processes and policies for all aspects of data or management systems. Local control must be within clear quality and process standards if the system-wide picture of an organization's fundraising trends and status is to result. Local control cannot lead to the inability of central leadership to report (internally and to major donors) the status of the organization's fundraising.

2. Common Metrics. Similarly, there must be common performance metrics and performance reporting. Local control must be accompanied by commonly held definitions of all performance indicators (e.g., what constituted net event revenue), and common reporting on those indicators (e.g., average per event, average per attendee, average donation). Again, without that shared central metrics system, central management will not be able to tell how any element of fundraising is actually doing. More will be said on this topic under Dimension 4.

3. Technical Assistance. The center must, must, must have the ability to provide technical assistance to the peripheral affiliates. The center must be willing to help affiliates if it is to combine local control with central standards and reporting demands.

Where organizational tradition biases toward centralization of control of fundraising management and data systems, three elements must be in place.

1. Input. Peripheries must have their say. They must have continual buy-in and the ability to communicate what is not working in the field.

2. Action. The center has to be flexible and willing to act on what is not working. We have seen so many instances in which headquarters listens, and then ignores what affiliates have said. Listening means a willingness to act, or simmering resentment will result. That, in turn, means that headquarters must be humble.

3. Outputs. If the center is going to control the fundraising systems and data process, and do so with continual credibility to affiliate managers and donors, then the center must be absolutely best-in-class in all ways. It must continually bring forward evidence across the organization that there is a positive return on investment to all affiliates associated with its control. Too often we have seen situations in which, for example, headquarters controls all fundraising policy and data, and takes for granted that the benefits are understood by affiliates. Without providing clear output of evidence that centralization is, in fact, in the best interests of affiliates, the perception is one of dictatorship.

DIMENSION 3: PROSPECT MARKET SHARE

The most divisive struggles within fundraising in networked organizations involve matters of prospect "ownership." This is a huge source of conflict – among affiliates and at all organizational levels – for many hub-and-spoke organizations in which fundraising is carried out by both headquarters and affiliates.

THE ISSUE

Is a high net worth individual the prospect of the affiliate in whose city he or she lives, or of the center? If an individual has multiple homes, in New York and Florida for example, to which affiliate does he or she "belong" for purposes of cultivation and solicitation? Is the multinational corporation the prospect of the center or of the affiliate(s) where the plants are located? Who "owns" the prospects?

The question is how to develop the most strategic way to manage prospects that will, in turn, create a donor relationship that leads to the maximum financial support. Without a clear system for prospect ownership and management, donors can become confused and confusion usually leads to annoyance. Donor annoyance and donor loyalty do not go hand-in-hand.

It is not realistic to expect affiliates to act against their own self interests.

PUSH-ME-PULL-YOU TENSIONS

From the point of view of the affiliates, accountability for bringing in funding provides a powerful motivation to protect prospects. This motivation can override the interests of the larger organization. For example, a local relationship, locally managed and focused on local needs, might result in a $100,000 gift from a high net worth individual. That is $100,000 counted against the local affiliate's fundraising expectation. If that same individual were positioned in a national context against national needs and with national exposure, that gift might be $1 million. But that $1 million would not be credited to the local organization's fundraising. From the point of view of the center, the failure of local affiliates to lift up the "best" prospects to the national (or international) level impedes the entire organization. Often more heavily budgeted, the fundraising office of an organization's headquarters may be better positioned to manage significant prospects for the benefit of the entire organization, and use those prospects to raise the visibility of the organization across donor segments. Hence, the perspective of the center is that the highest value achieved is when the largest donors are "owned" by the center.

Furthermore, even if both the center and the affiliate solicit donors in a coordinated fashion, the donors themselves may choose to send a partial gift to the affiliate and a partial gift to the center, resulting in a diluted investment for both parties.

WHERE TO BEGIN

Regardless of which prospect ownership direction an organization takes, experience teaches that three principles must underpin the system.

1. Zero Ambiguity. Everyone at all levels must be clear about how the process will work. The criteria for defining

prospects and prospect levels must be explicit. The ownership system must be explicit. In some cases, the donors themselves may also need to be educated as to ownership policies.

2. Sharing the Credit. A system for sharing financial credit for major prospects must be developed. It is not realistic to expect affiliates or local organizations to act against their own self-interests. Those interests are two-fold: close relationships with major donors who influence other community leaders, and financial performance. Those interests must be recognized and protected. Affiliates need consistent, local support, and holding on to prospects is natural behavior. Therefore, "rules of the road" about how participation in prospect management and how financial credit will be allocated must be established.

3. Joint Solicitation. Changing Our World has worked with affiliate structures in which the sharing is highly collaborative. The affiliates "own" the prospect but take the lead in introducing that prospect to the headquarters' representative. The solicitation is joint, to benefit both the overall organization and the affiliate, and the resulting funds are shared (e.g., 60/40) between the affiliate and headquarters. This can result in larger gifts, with more flowing to the affiliate, than might have been the case if the gift were purely local. This is the standard approach in Catholic Diocesan/Archdiocesan work with parishes, and it can be effective in most other settings. Assuming, of course, that the history and culture of the organization is not one of center-periphery animosity, in which case the missing ingredient is not collaboration, it is leadership.

The wisest nonprofits incentivize prospect sharing through financial sharing, and supplement that strategy by making available to affiliates national representatives or major gift experts to assist with local prospect cultivation and management. The combination creates a mutual stake in local prospect cultivation and stewardship, and strengthens both overall fundraising performance and the skills and capacities of affiliates to grow major gifts in general.

DIMENSION 4: PERFORMANCE MEASUREMENT

If prospects are the most contentious area of coordination in networked nonprofits, performance is a close second.

THE ISSUE

There are two areas of performance that must be aligned. Expectations about program performance are increasingly critical. Donors, large and small, want to understand what is being accomplished with their funding. They want to see results. Indeed, an articulation of results is often needed before a gift is given, as well as after it is deployed. Common expectations and metrics for local programs are absolutely essential both for local fundraising and for national or international fundraising at the center. The relationship between program officers, implementation sites and fundraising at all levels is not the subject of this white paper, but it is a critical issue. We refer readers to the *Advancing Philanthropy* article on building bridges between fundraising and programs that addresses these issues.[3]

The second area of performance is financial: the expectations about funds raised, efficiency in fundraising, and future trends. The issue is standardization, having shared performance measurements so that all efforts can be "rolled up" into a single dashboard for the overall organization to assess and predict resource mobilization performance and efficiency.

PUSH-ME-PULL-YOU TENSIONS

Fundraising is both an art and a science. This can be particularly true for affiliate organizations, especially in small communities where everyone knows everyone, and fundraising relationships are deep and longstanding. That can be equally (or even more) true in international settings where relationship development and maintenance is complex. Money is an important measure, but perhaps not the most accurate measure, of the health and sustainability of local relationships. Affiliates want performance accountability to encompass these softer elements of fundraising at an equal level as monetary performance. They want the center to understand and value the nature of the relationships they have with their donors, not just the amount of money that comes in. Affiliates want to be valued as managers of relationships in the interests of the larger cause, not just as financial vaults.

3 Susan Raymond, "Leading Not Pleading: Evidence as the Bridge Between Fundraising and Programs." Advancing Philanthropy, Summer 2014, 47-51.

But, at the end of the day, the center has to worry about the money. The primacy is on financial performance against goals. Central fundraising management is accountable to the Board for financial health. While insightful Boards appreciate the subtleties inherent in relationships, the fiduciary responsibility is for fiscal health. However sympathetic central fundraising offices are to the art of fundraising, the pressures in their organizational world are on the science of finance.

WHERE TO BEGIN

1. Quantitative Clarity. Create a shared financial performance dashboard across the entire organization, with the same financial measures for everyone. This does not necessarily mean real-time financial performance transparency horizontally across affiliates. Explicit comparison of peers is common in the commercial world, with sales units publicly measured against one another. This is more sensitive in the nonprofit world. Still, the entire fundraising organization should know that everyone is reporting the same way on the same metrics with absolute objectivity.

> **"The entire fundraising organization should know that everyone is reporting the same way on the same metrics with absolute objectivity."**

2. Accommodate the Qualitative. Performance metrics should leave room for indicators of qualitative relationship performance. The simplest (and most informative) measures are indicators such as visits or calls. More creative measures can track length of relationship, or the percentage of gift growth from the start of the relationship to the current moment. These performance measures should not be ad hoc. They should be as structured and common as the quantitative fundraising measures to ensure that all affiliate units believe that all units are being viewed equally, and that "favoritism" does not creep in simply because the measure is not quantitative.

DIMENSION 5: EXTERNAL COMMUNICATIONS

The link between communications and fundraising is fundamental. What people know and what they think increasingly drives their giving, perhaps as much as how they feel. In a complex, networked nonprofit system, the strategy for forging and maintaining that link can be fraught with difficulty. ONE HUNDRED has been formed to unify communications and fundraising strategy. This section of this white paper is not intended to address all of the aspects of that integration and its importance. The thought leadership pieces on the ONE HUNDRED website provide greater scope to this discussion. We will highlight issues and tensions inherent in networked nonprofit models, but urge readers to more deeply understand the overall dimensions through that resource.

ONE HUNDRED

ONE HUNDRED is a new agency that believes a modern nonprofit needs all its brand assets working together – internally and externally – to drive its mission forward. It specializes in public relations, branding, digital, fundraising, research, advertising, and marketing to provide holistic services to its clients.

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THE ISSUE

It is important to speak about the overall organization in a consistent and cohesive way. And it is critical that all aspects of the organization – not just fundraising – share a common message. So, the communications issue is not simply between central and local needs, but also consistency of communications and messaging as carried outward by leadership, Boards, programs, and fundraising. Commercial organizations are very good at this, because markets and competition will reward or punish communications strategies. Commercial organizations live and die by their brand and its perception in the marketplace, and the results of errors are swift and sure.

Nonprofits, on the other hand, do not always have strong communications offices, and even where strength is present, those offices are often not linked to the needs of fundraising. For many nonprofits, then, the communications/brand function itself can be weak, and therefore its ability to support and promote the fundraising function is weaker still.

For all nonprofits, this issue is made more complex by the need for communications strategy to be linked not simply to "fundraising" but to the specific donor segments. For hospital fundraising, for example, grateful patients may need to be messaged differently than corporate social responsibility partners, who will need to be messaged differently than private foundations with very specific disease or research interests.

PUSH-ME-PULL-YOU TENSIONS

For a networked nonprofit, the overall complexity between communications and fundraising is made more intense because of the need to also meet the needs of local markets and cultures. That complexity is fed by the world in which we live, a world that is highly networked with instantaneous communications. A donor being told one thing in New York and told something else on the West Coast will quickly share the difference. On the one hand, it is important for donor communications and cultivation to be highly flexible and sensitive locally. On the other hand, it is also important that policies and overall communications systems be consistent across an entire networked system.

Similarly, tying a network together through consistent brand is also complex. We at Changing Our World have seen networked nonprofits where the central brand has been allowed to morph into multiple variations and "looks" that respond to local preferences. Even letterhead is not the same, nor is the logo the same. Everyone is happy locally, but no national donor, viewing the entirety from 30,000 feet, would recognize that it was, in fact, an organization with a common mission and common programming.

For donors who desire to support local initiatives, if the affiliate's messaging and brand too strongly reflects the 30,000-foot level, the donor may not perceive that his or her investment is locally significant, and may choose to give to another local organization where they perceive their dollars are more "felt." Conversely, national donors who want scale and broad-based impact may scale back their gift to the affiliate if they perceive impact is too localized for their tastes, or find another nonprofit altogether.

Communications and brand ambiguity cause donor confusion – and may lead the donor to believe that his or her money isn't going to achieve the desired impact.

WHERE TO BEGIN

For fundraising, of course, solving problems in networks that involve communications requires partnership WITH communications as well as across the organization. For many large nonprofits, that means inviting to the strategy table sections of the organization that do not normally find themselves in the same room – major gift officers, public relations experts, brand experts, fundraising database officers, grantwriters, and program leadership. They speak different languages and look at the world through different eyes. But there are practical places to begin.

1. Reach Out. Fundraising needs communications. In some ways, fundraising begins with communications. The inverse is often not perceived to be true. Therefore, the leadership rests with fundraising to reach out to include communications and public relations offices and experts in early discussions of annual fund or campaign efforts.

2. Integrate Teams. Through ONE HUNDRED, Changing Our World has learned that integration between fundraising and communications is critical at all stages of a fundraising effort. Developing strategies for donor segments within the specific contexts of each affiliate, as well as nationally, makes for extremely complex messaging for communications and public relations experts. The fluidity and flexibility needed for fundraising across a complex networked nonprofit requires that communications experts be regular and reliable team members in a fundraising effort. This is not a matter of a planning meeting, it requires deep and constant integration of expertise between fundraising and communications functions. That integration must also be between affiliates and headquarters so that the communications strategy and tools reflect sufficient local adaptability. This integration is overwhelmingly absent in most nonprofits, and that reality must change for fundraising messaging to be heard by new donor segments in multiple locations when all communications for all purposes and causes is instantaneous and constant.

Key Takeaways

Five Equations for Fundraising Success

Knowing that all organizations have differing structures, needs and tensions, below are the chief components within each issue area, that when applied, enhance fundraising outcomes.

1 Explicit Rules + Joint Decision Making = **TRANSPARENCY**

2 Shared Measures + Common Purpose + Technical Assistance = **RESOURCE ALLOCATION AGREEMENT**

3 Zero Prospect Ownership Ambiguity + Prospect Sharing Incentives = **PROSPECT MANAGEMENT**

4 Quantitative Metrics + Qualitative Integration = **MUTUAL PERFORMANCE MEASUREMENT**

5

$$\left(\frac{\text{Transparency} + \text{Resource Agreement} + \text{Prospect Management}}{\text{Performance}}\right) \times \text{Communication} = \textbf{FUNDRAISING SUCCESS}$$

> "In the *Fundraising Success* equation, why do we divide by *Performance*?"

The closer performance comes to being valued at 1, the more the values of the first three variables (Transparency, Resource Agreement, and Prospect Management) hold their integrity. This representation emphasizes the importance of performance excellence in maximizing the fundraising value of the first three variables.

About the Authors

Susan Raymond, Ph.D. is Executive Vice President for Research and Analysis for Changing Our World. At Changing Our World, Dr. Raymond is responsible for designing and conducting business operating environment research for both nonprofits and foundations, as well as developing business plans and program evaluations for new and existing institutions. Susan is also an established author. Her fourth book, *Recession Recovery and Renewal: Nonprofit Strategy During Rapid Economic Change*, was published in April 2013. She is a regular international conference speaker on the future role of philanthropy in economic growth and civil society.

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Kate is the co-author of *The Young and the Relentless: An Original Survey of the Next Generation of Philanthropy and Nonprofit Leaders*, a report regarding the next generation of philanthropic leaders. Kate also serves on the Board of Advisors for Nexus; a global community of young philanthropists, which convenes annually for a global youth summit.

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About Changing Our World

Changing Our World is a fundraising and philanthropic consulting firm with extensive experience in designing, implementing, building and managing strategic initiatives that enable nonprofits, foundations and corporations to achieve their philanthropic goals.

Our mission is simple: **to change the world through philanthropy.**

To do this, we offer our clients full-service fundraising and philanthropic counseling at its highest level performed by passionate and experienced professionals. **We have the expertise to do it right and the passion to see it through.**

Our services include:

- Capital Campaigns
- Comprehensive Campaigns
- Increased Offertory Campaigns
- Feasibility Studies
- Online Fundraising
- Annual Fund Design & Support
- Fundraising Audits
- Corporate Partnerships
- Planned Giving Programs
- Major Gift Programs
- Development Outsourcing
- Board Development & Training

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