

## Smart Outsourcing

### A Focus on Fundraising

#### Part II

As a young executive director newly hired at a middle-sized human service nonprofit, I was presented with a three-person development team: A director of communications who did not want to be involved in fundraising. A development assistant who managed the donor data base, prepared biographical profiles on donors and coordinated special events. And an executive assistant who spent a quarter of his time on direct mail. The organization was about to hire a director of development and had identified three finalists, all good candidates. But I was worried.

I did not want the new development director to get bogged down with grant deadlines. I wanted the new hire to focus entirely on the lucrative area of major gifts solicitation. (The strategy worked out very well as we made up a \$187,000 deficit within four months and established the agency's first reserve fund three months later.) So I decided to venture into unknown territory and outsource the grant-writing function. A few board members frowned: it was an additional expense. But I went a step further and secured a restricted grant from one of our most loyal supporters to underwrite the consultant's fee.

I have always been an avid reader of the Chronicle of Philanthropy. Reading it as a freshman E.D., I realized that small and mid-sized organizations were grossly underperforming in raising funds. Specifically, they were—and are—failing to energetically apply advanced fundraising strategies in major gift solicitation, planned giving, and capital campaigns.

The reason became obvious to me when I began to see ads for major gifts officers in the Chronicle increase by a factor of five. Like law, fundraising has become an increasingly specialized field. Large nonprofits, of course, employ a corps of specialists to write grant proposals and direct mail appeals; identify, cultivate, and deepen relationships with major donors; obtain and manage relationships with corporate sponsors, and build endowment funds. Small and mid-size organizations, such as the one on my resume, usually hire one or two full-time staff members to discharge all fundraising functions. But the generalist is more of a liability than an asset in today's economy. An intellectual property lawyer may not litigate, and on probate cases an expert on mergers and acquisitions will defer to a specialist on trusts and estates. Similarly, a proficient grant writer may not be a skillful steward of major donors or be able to help an agency increase its endowments through planned giving.

Just as a for-profit business may lose money if its legal team cannot cope with the complexities and nuances of all relevant areas of law, so too may a nonprofit lose potential revenue if its development personnel are one- or, at best, two-dimensional players and critical areas of fundraising are not being effectively explored.

I was thinking seriously about these matters by the time I started my second executive directorship, this time at a health services agency. Our organization had to file an application for a Certificate of Need to obtain third-party Medicaid reimbursement, a documenting consisting of a couple of hundred pages. As no one on my staff was equipped to discharge this task, I outsourced the assignment to BTQ Financial, an NYC consulting firm. David Terrio, president of BTQ, became a trusted colleague. David is an apostle of the outsourcing model as a means of providing nonprofits with high-caliber administrative and financial services at an affordable price. I quickly saw the fundraising applications of that model.

Highly specialized outsourced fundraising services are multiplying in many areas of the country. The Dayton Foundation, a community foundation based in Ohio's Greater Miami Valley region, has established a Legacy Partnership Program for the outsourcing of planned giving for local charities. Outsourced planned giving options are exercised in other parts of the country through private consultants. Alternatively, many nonprofits have been turning to consulting firms that, like major law firms, offer the services of a cross-trained team. Such firms can assemble polished grant writers, proficient capital

campaign managers, and experienced major donor and planned giving specialists, etc. in accordance with an agency's needs over the course of a multi-year contract. Since services are based on a defined scope of service, the retainer fee remains highly competitive.

Outsource fundraising counsel can also help scrape off the rust that nonprofits tend to accumulate in their fundraising machinery. As Richard N. Foster, a management consultant in the for-profit world, has shown in his book *Creative Destruction*, organizations tend to become locked into certain mindsets that adversely affect their performance. Here, by way of illustration, are eight fundraising dilemmas which outsourcing can rectify by exposing outmoded beliefs, assumptions, and modes of operation. These examples derive from conversations with colleagues who are leading fundraisers and from twenty years of personal observation.

**“We try new ways of increasing revenue, but keep getting the same results.”**

Outsourcing in this scenario functions as the intervening variable needed to make the changes you seek. The consultant's task is to re-organize the overall development strategy to allow for more lucrative activities. Approaches that are not bringing in a good return on the fundraising dollar will be identified and revised or deemphasized, and the development staff assisted in making the requisite shift in other tasks and priorities.

**“I have a great staff, but they don't know how to close a major gift.”**

Your competitive edge has to be sharpened by acquiring advanced skills. The consultant can add value to your organization by working alongside your existing team, or the consultant can do the work, thereby adding greater capacity to your operations.

**“The board keeps asking me why we aren't raising more money.”**

Do you know what it is costing you to raise a dollar? You may want to hire a fundraising consultant to audit your development program, determine your ROI (Return on Investment), and suggest what fundraising opportunities you may lack the expertise to pursue.

The development audit often starts with an analysis of your donor cultivation process, donor data, and revenue projections. It also appraises the extent to which your revenue sources are diversified and the role of the development department in assuring program outcomes. The process is relatively short, taking 30 to 90 days.

**“I've got a great idea for a program, but...”**

Starting a new program should not be a total leap of faith for nonprofits. It is often prudent to call for a feasibility study. Feasibility studies clarify the assumptions underlying the proposed initiative and test those assumptions in a series of interviews with both donors and clients.

Feasibility studies can also assess your current fundraising program to see if the necessary foundation has been established for a major or capital campaign. In this connection, the development audit mentioned above can be an effective tool.

**“I don't know what I'd do if the government doesn't renew our contract.”**

As the collapse of communism, the rise of terrorism, and the advent of the internet have made clear, the world we live in is continually changing and reshaping itself. Funding sources change. A new generation of donors emerges with different interests and needs. The demand for services change. The AIDS epidemic, to cite one example, ceased being a death sentence and became a life sentence. Those afflicted with HIV are now living longer with the virus and require different kinds of support.

Strategic Planning, Operational Planning, or Results Management is often needed to better prepare for the fundraising future. Such planning may require intensive research from a fundraising specialist whose area of expertise aligns with your mission. An advanced level of planning would not only look at your agency but also analyze your competitors and document various best practices. Such planning almost always makes nonprofits more fundable.

**“I know he’s not the right person, but I’m going to hire him anyway.”**

You may want to take your time and not rush to replace a key member of your development staff. It is not unusual to spend six months in a search process for a senior development position. During that time, you need not lose capacity. Outsourcing certain fundraising functions will keep the wheels spinning. Further, you can provide a new staff person with a proper transition period if the consultant overlaps with the new hire for the first 30 to 90 days on the job and smoothly transfers the details of your fundraising program.

**“It’s becoming harder and harder to raise a dollar, and I’m getting burned out.”**

The culture of most nonprofits is to expect a fast return from fundraising activity, which is a slow and painstaking process. That’s why it’s called development. The expectation of rapid results is a heavy burden for development professionals to bear and a major cause of burn-out. The best first-aid for development burn-out—and an even better preventive measure—is to enjoy the support of a coach, particularly one trained in the art of transferring development skills. Surveys show that senior executives who have coaches perform at higher levels. For this reason, for-profit companies, on average, budget \$13K annually for coaching each of their managers according to Vistage, Inc. who’s been in that business since 1957.

The two reasons most often given for not finding a coach are “I don’t have the time” and “I don’t have the money.” Yet those who experience coaching say, “It was the best thing I ever did.”

**“Things are happening out there that are not on our radar screen.”**

You may be trying to add a new dimension to your development program or invent something that has never been tried. Perhaps you have read Valerie Reuther’s article, “Individual Donor Trends,” in the Fall 2007 issue of *The Nonprofit Quarterly*, and are wondering how to reach “younger donors [who] often look for some stellar project or individual to fund that will propel things forward.” A consultant can explore areas of expansion and growth potential, and devise appeals to a new constituency.

Outsourcing basically means aligning the right person with the right skill set with the right task. For small and mid-sized agencies that understand the need to equip themselves with advanced techniques of fundraising, that person is more likely to be based outside of the agency than in-house.