

CHAPTER **1**

# Five Major Fundraising Principles

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*Truth, like gold, is not less so for being newly brought out of the mine.*

—John Locke

**T**o maintain a strategic edge, not-for-profit organizations need to remain flexible. Still, our action plans must be developed in accordance with the key principles that lead to fundraising success.

## **PEOPLE GIVE TO PEOPLE . . . TO HELP PEOPLE**

“People give to people . . . to help people” is the most often quoted fundraising phrase. As well it should be. This wise and simple thought has three aspects, and it is prudent to remember all three.

“People give . . .” reminds us that real living and breathing human beings—not institutions—make the decisions to donate or not to donate. They make their decisions based on relationships and to what degree the appeal responds to the funder’s interests. They also base their decisions on the quality of the organization’s leadership.

Which brings us to the second part of the aphorism, “People give *to people*.” Donors are not in the habit of contributing in response to institutional needs. No rational person will buy a computer to help IBM recover from a weak earnings quarter. Similarly, few donors will give merely in response

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to a not-for-profit organization's deficit. Donors make their investments based on their relationship to the asker. Donors give to people they trust. And donors invest in projects that have a positive impact on their community, nation, and world.

And so we come to the third aspect of the saying, "People give to people *to help people*." From a donor's viewpoint, institutions do not have needs. People do. Donors know that their contributions constitute an investment . . . an investment in enhanced services for people in need.

At its heart, fundraising is the art of nurturing relationships. So, our first job is to build strong, mission-based organizations. Successful fundraisers also form relationships with people who can help garner the resources needed to carry out the organization's mission. We then *ask* for the support required to better serve those in need. Finally, we thank our donors so graciously that they continue their support.

### PEOPLE GIVE RELATIVE TO THEIR MEANS

The second major principle is one of the great keys to understanding the resource development process.

"People give in relation to their means and in relation to what others give."

For some people, \$5.00 or \$25.00 is a generous gift. We also know that there are people who can donate a million dollars or more without changing their lifestyles. Most folks tend to give in ranges between these two extremes.

Do you remember this biblical incident?

. . . a poor widow came, and put in two copper coins, which made a penny. And He said . . ., "Truly, I say to you, this poor widow has put in more than all those who are contributing to the treasury. For they all contributed from their abundance; but she out of her poverty has put in everything she had, her whole living."

Many people have missed the point of this passage. They focus only on the small size of the offering—not the sacrificial nature of the gift. When professional fundraisers stress the importance of pace-setting, leadership gifts, some volunteers ask, "Why focus on large gifts? Aren't we sending

the wrong message? We must not forget what we learned from the widow's mite."

Again, the point of the widow's mite passage is not the size of the offering but rather the size *relative* to the widow's means. For the poor widow, the gift was huge—a sacrificial gift representing "her whole living." Too often nonprofit organizations do not offer more affluent supporters the opportunity to give at such significant levels. Rather than asking for pace-setting leadership investments, they ask for token support. Or worse still, they fail to ask at all.

Would you agree that rich people can afford to donate more than poor people? An understanding of this truism leads fundraisers to the firm conviction that any fundraising plan based on seeking an "average gift" is bound to produce sub-standard results.

Whenever you hear someone suggest that it is possible to raise \$100,000 by seeking one hundred \$1,000 gifts or one thousand \$100 gifts, know that you are listening to a flawed plan—one that is likely to fail. Here's why. Let's say we plan to raise \$100,000 by requesting \$1,000 from each of its constituents in the hope of garnering one hundred donations to make the goal.

Will some of those approached say no? Of course they will.

Will some of those approached give less than the amount requested? Sure.

Can some of those approached give a great deal more than the amount requested? Definitely!

To make this point even stronger, it is important to remember that donors tend to give relative to what others give. If a not-for-profit organization announced that the region's largest financial institution donated \$10,000, many donors would conclude that their contribution could be proportionately lower. Few think that they should donate more than the leading financial institution or the wealthiest person in town.

Professionals avoid schemes based on the "average gift." The plan they prefer resembles a pyramid. To raise \$300,000, they might seek one donation of \$45,000, two contributions of \$30,000, three gifts of \$15,000 each, four contributions of \$10,000, eight \$5,000 gifts, fifteen \$2,500 gifts, thirty \$1,000 donations, and so on. By creating various levels of gift opportunities, the development professional helps assure that everyone—rich, poor and everyone in between—has a chance to make a significant gift.

## THOSE CLOSEST MUST SET THE PACE

“Those closest to the organization must set the pace.”

The value of this principle becomes evident to anyone who spends a few moments reflecting on it. If those closest to the organization do not believe in the project enough to give generously, how can we expect others not as close to make significant contributions? When looking for financial leadership, some people in the not-for-profit sector seem to say, “It’s not you, it’s not me . . . it’s the other fellow behind the tree.” Unfortunately, there is no other fellow behind the tree. Leadership begins with the board, staff, and key volunteers. When they lead in giving, others follow.

## SUCCESSFUL FUNDRAISING

“Successful fundraising is the right person asking the right prospect for the right amount for the right project at the right time in the right way.” The word “right” was used six times in this sentence. These six “rights” are the six critical success factors in any fundraising campaign.

Begin by asking, “Who is the right person to ask for the contribution?” In *most* cases the best person to approach a prospective donor is a volunteer with a peer relationship with the prospective donor. In many cases the most suitable person to approach the prospective donor is the executive director or chief executive officer of the not-for-profit agency—again, someone with a peer relationship with the prospective donor. The ideal face-to-face solicitation occurs when a volunteer leader teams with a key staff member to visit the prospective supporter. The ideal signer of a mail appeal is the board president, agency executive director . . . or a well-known celebrity supporter of your cause.

Let’s now turn to the question of the “right prospect.” A nonprofit cannot succeed in fundraising without asking, “Who are our best prospects? Which supporters are most likely to make pace-setting leadership gifts?” The most likely gifts come from people who have been generous to the nonprofit in the past. Next, we look for people with the capacity to give generously who have a relationship with the organization—but have not yet given. We also look for people who have been generous to similar organizations. And successful fundraisers do not overlook board members, key volunteers, and their network of associates.

“What is the right amount to request?” Remember, you must *decide*

how much to request before mailing a solicitation, phoning a supporter, or going on any solicitation visit. Too often, people in the not-for-profit sector express thoughts such as, “Anything you give would be important and appreciated.” The problem with this thought is that it demeans the organization’s cause. The prospective donor may think you want a \$50.00 contribution. This can be disastrous, especially if the donor has the ability to give \$50,000. Serious fundraisers conduct meetings to decide how much to request from each of their prime prospects. Professionals segment their mail lists and personalize their request amounts.

The “right project” is always the one in which the prospective donor has the most interest. A university that requests funds for the history department from an alumnus who is a history buff will do better than a university that misses the mark and requests general operating support.

Determining the “right time” is not always easy. However, you cannot go wrong with the following rule. The best time to approach a prospective donor for a major gift is when you have nurtured a positive relationship.

The “right way” to ask for a contribution is with poise and grace. Put away your tin cup. You have nurtured a genuine relationship with the prospective donor. Now, you are offering an opportunity for the supporter to make a significant contribution—one that will have a positive impact on many lives for years to come.

## THE 80/20 RULE IS BECOMING THE 90/10 RULE

“Often, 80 percent or more of the funds raised will come from not more than 20 percent of the donors.” This is a variation on the second major principle, “People give in relation to their means and in relation to what others give.” The result of this propensity is a variation of Pareto’s 80/20 rule. Eighty percent of your results will come from 20 percent of your efforts. We see the truth of this observation in many facets of our lives. Twenty percent of all salesmen produce 80 percent of all sales. Twenty percent of all volunteers raise 80 percent of all funds. Twenty percent of a corporation’s product line accounts for 80 percent of the corporation’s profits.

And so it is with fundraising. In many capital campaigns and mature fundraising programs, the top 10 percent now donate 90 percent of the

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amount raised. When the top 10 to 20 percent—those closest with the most resources—are encouraged to make leadership gifts, campaigns succeed.

### THE NEED FOR BALANCE

Often, fundraisers stress one aspect of resource development rather than another. Even seasoned professionals sometimes say, “A major gift program is the most cost-effective fundraising strategy. We have got to work at the peak of the giving pyramid. I really can’t be bothered with broad-based fundraising.” Others say, “We have to broaden our base of support. If we rely on too few donors, our constituents will think we are elitists. It is dangerous to have too few donors. What if we lose several of them in one year? Besides, our organization produces nearly a million dollars a year net contributed income from our mail program.”

I don’t believe that we live in an “either/or” universe. Both points of view have validity. Mature fundraising programs rely on a three-part strategy: treat all donors and prospective donors with the utmost respect, broaden the base of support, and nurture personal relationships with major current and prospective donors. In conclusion, a comprehensive approach is respectful of major donors and modest givers.