

Driving the case for a sustainable long-term approach to fundraising

Zilla Efrat speaks with Nigel Harris about longevity of relationships, relationship progression and the life-time value of donors.

If boards just focus on the revenue aspects of fundraising alone, they are missing a fundamental understanding of what fundraising is about and what drives it.

That's the view of Nigel Harris, CEO of the Mater Foundation and chair of the Fundraising Institute of Australia, who believes it's vital for boards to think of fundraising far beyond just being an exchange or a transaction.

'If you are doing things that are just about getting money, some of the consequences could include a disconnect and a disregard for the donor relationship because you are just focused on the organisation's needs rather than the donor's needs,' he says.

He defines fundraising as a mechanism around people's desires to do something useful which, in essence, is philanthropy. This is then supported through the construct of meaningful relationships that must be focused on those willing to give, rather than what the organisation wants.

Harris believes charity boards need to take a longer term, bigger picture perspective rather than focusing on meeting immediate needs.

Many charities are just trying to survive in the short term, but he says: 'If you really exist to serve a mission, it's likely that your mission is longitudinal and that it won't be achieved in months or even a couple of years. So unless you

have a sustainable long-term approach to funding your mission, there's a fundamental question as to why you are actually there and even doing what you are doing.

'That's confronting to many organisations because we can all be convinced of the good work we do. But it all feeds back to the question: are you focusing on the transaction or the relationship? It's relationships that create value and meaning over time.'

Harris warns that boards focused just on short-term revenue may be wasting money by repeating activities and on re-engaging donors, rather than enjoying the long-term efficacy that comes through relationships.

'In sales, it's far better to retain a customer than to acquire a new customer. The same is true in fundraising. It is far better to retain a donor than to acquire a new one,' he says.

Harris is concerned that some boards still talk about measurements like the costs of fundraising and apply basic ratios without considering the nature of fundraising and the desired outcomes.

'There is a validity around a cost-based metric if it is considered in an informed context, but what I see happening is that organisations are using this in a very general way and are also seeking to use it in a comparative fashion, which makes no sense,' says Harris.

Instead, he believes boards should be asking for long-term measures on factors like the longevity of

relationships, relationship progression and the life-time value of donors. And they should be looking at least three years ahead, although five years is better.

'Questions around donor engagement are very important. Unless you are really focused on your market — that is, the donor cohort — there is a massive risk of being very self-indulgent in how you see your programs.'

In addition to relationships, another long-term funding risk that boards need to consider are third party representatives as the recent 'chuggers' class action against fundraising company Appco demonstrates.

While it often makes sense to use third party representatives to raise funds, Harris says it's vital that boards don't neglect their oversight of this area and carefully watch how arrangements affect relationships with supporters.

'If you are compromising the nature of your relationship with donors or the reputation of your organisation or if there are questions around the way the third party may be operating, this really needs to be examined. From a commercial perspective, it makes sense to look at this as a question across different modalities, but it really does come back to the very specific and individual questions for each organisation. The way every board will answer this will be slightly different.'

'It's not a case of being so risk averse that you resist third party representation, but it is necessary to



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understand the nature of the process, what you are outsourcing, what's happening behind the fundraising activity, who you are working with and why, what the risks are and how these are being managed and mitigated.'

Recent fundraising scandals in the UK where unscrupulous fundraisers were accused of targeting old and vulnerable givers highlight just how important this understanding is, he says.

'Some people in your audience may be vulnerable — for example, they may be older. But there are many older people who are perfectly capable of making good decisions and are at stage of their lives where they want to give back. You don't have to avoid this market. You just need to be conscious about what conversations you are having with it.'

Harris continues: 'The whole proposition of asking people to support you is factored around emotional engagement. It won't necessarily resonate with some and it will inevitably disturb others. If fundraising is soft and comfortable and no one remarks on it, you are probably going to have a very ineffective fundraising program that will have little or no outcome.'

'But if everyone's feathers are ruffled, that's also a problem. Also of concern is if the people who present your message behave in a way that's confronting, inappropriate or unnecessarily intrusive. That's not okay.'

Harris adds that the oversight of volunteers and staff is just important as that of third parties. They also

represent the organisation and could just as easily damage its reputation or relationship with its donors. And there's no easy way to prevent this.

'Organisations are built on the back of volunteer effort. You have greater means to exercise control over third parties through the commercial arrangements than you have with volunteers in so much as they have goodwill and emotion,' says Harris.

'All you can do is be aware of the risk and mitigate that through the training and development of people and by observing behaviours. We are talking about a relationship-based activity. It's all about human interaction.'

'Just understanding what the risks are and having them managed properly is the key to all of this. You can never remove the risks entirely.'

Boards also need to take a long-term view to the organisation's cultural health, its people and retaining staff, says Harris.

'Fundraising staff turnover in Australia is still around the 18 months' mark and there are problems with the supply of staff. You can't make good progress if the nature of the job is all about long-term relationships. It's costly to retrain and hire new people and this almost never seems to be considered.'

Harris says many charities aren't prepared to spend money on things that don't directly get a financial return. 'This gets back to the problem of short-termism. For example, we

talk about customer or donor care. If every communication you have with your supporters is around asking them for their support, you are exercising a very transactional approach in how you go about your business. It's also important to engage the people that support you more broadly about what they are supporting and what happens as a result of their support. That's good donor stewardship, but the problem is that it costs money.'

He observes: 'A statistic I heard recently was that around 85 per cent of donations or gifts that are given occur through fundraising activity. So, even though people are philanthropically wired, they won't find their way to give on their own by and large. Thus, fundraising isn't a necessary evil. It's an important way to help people fulfil their own philanthropy.'

Harris also believes it's vital for boards to show leadership in philanthropy and to set the tone that encourages others to give. 'If you are asking others to give support, but your leaders aren't, then there are some big questions to be asked. Lead from the front. That does not mean giving the biggest gifts. It just means engaging in philanthropy in the same way as you are asking others to.' ■