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Leading Development During A Recession -- Strategies for the New Reality

Conversations with Chief Development Officers at:

- Beth Israel Deaconess Medical Center • Boston Medical Center
- Dana-Farber Cancer Institute • Simmons College • Smith College

Dear Readers,

This whitepaper is a follow-up to two 2009 Roundtables LLS held in partnership with Sue Paresky, Senior Vice President of Development and the Jimmy Fund at the Dana-Farber Cancer Institute. The programs, designed for Chief Development Officers at Boston's large nonprofits, gave CDOs an opportunity to candidly discuss the fundraising challenges they were facing as a result of the economic downturn and to share with colleagues promising new initiatives to stay connected with valued donors.

Each Roundtable was attended by over two dozen CDOs, representing over \$1 billion of funds raised for health, education, arts and culture, social services, and international relief. Listening during both sessions, I was struck by the positive, proactive view of philanthropic leaders at a time that has been described as one of the worst economic downturns since the Great Depression. Although they reported the recession had negatively impacted their institutions and development programs, each of them had mobilized and initiated strategic changes to mitigate fundraising losses.

We hope you find the insights of the participating CDOs useful; LLS is devoted to providing you with the latest on innovative strategies that can assist you in our new economy.

Cordially,

Lois L. Lindauer



Whatever Your Fundraising Reality, Resist the Urge to Retreat

In September of 2009, well before the stock market and the American psyche began to rebound, Dana-Farber Cancer Institute hit its ambitious \$1 billion capital campaign goal – one year early. Dana-Farber isn't alone in its campaign success; a September 2009 study done by the consulting firm Marts and Lundy demonstrated that universities engaged in billion dollar campaigns during the downturn were moving forward to their projected goals despite the unsettled economic climate.

Sue Paresky of Dana-Farber, attributes the success of her campaign to the

momentum generated in the years before the downturn. What is also clear is that Paresky, who oversees a highly effective team of 175, wasn't going to place her fundraising plans on hold and wait for the economy to improve.

"After the events of 9/11," she says, "I saw many institutions scale back or eliminate fundraising programs. They were waiting for the economy to improve to ramp back up. When the economy did improve, those institutions were left behind competitively, as they lost many of their donors to the charities that

continued their fundraising at full force. This taught me a lesson – when times are tough, it works to maintain development efforts and even increase them."

During this recession nonprofits and corporations alike adopted belt-tightening measures and Dana-Farber Cancer Institute was no exception. However, the Institute's board and senior administration recognized the importance of the development team and did not require staff layoffs in fundraising. Still Paresky voluntarily cut her budget by ten percent, and at the same time re-allocated funds

to significantly increase advertising and promotional resources for Institute events.

She says, "Dana-Farber is involved in nearly 600 events annually and these are vital to raising revenues and reaching potential donors. We decided this was the time to strategically enhance our visibility through increased collaterals that we produce in-house and by experimenting with radio, TV, and subway advertising."

Paresky explains the art and science of retaining existing donors and engaging new ones has become vastly more complex and competitive. The sheer number of nonprofits has increased and more and more donors are turning to web sites and social media to learn about their favorite charities.

A most unwelcome change brought by the economy has been the decline in mega gifts. "Those who were able to make seven-figure gifts in 2007 are now making gifts of \$250,000," she says. "And the flattening of the pyramid has resulted in a change in research. Gone are the days when prospect research simply updated a donor's file. Our office now is re-doing prospect reports to reflect donors' changing financial situations and seeking new prospects." (For more on Dana-Farber's prospect research efforts see sidebar).

"Simply, we need to work harder and spend more to bring in a larger number of smaller gifts. This increase in the cost per dollar raised is another part of fundraising's new reality."

Renewed Respect for the Smaller Donor and the Unrestricted Gift

With the flattening of the gift pyramid, institutions are paying more attention to courting the smaller donor. At Beth Israel Deaconess Medical Center (BIDMC) in Boston Senior Vice President of Development Kristine Laping oversaw the development of a highly innovative and successful program to engage smaller donors and bring new people into the major gifts pipeline.



Kristine Laping, Senior Vice President of Development at Beth Israel Deaconess Medical Center

Laping had joined BIDMC several years after the merger of Beth Israel Hospital with Deaconess Hospital, taking the office from four staffers generating \$8 million to 50 staffers generating \$60 million before the recession. Like many large institutions in the Boston area, BIDMC was negatively impacted by the sharp economic decline made worse with the fallout from the Madoff crisis

– some of the city's largest, best known philanthropists were simply unable to continue contributing at previous levels.

Says Laping, "We had been enormously successful with major gifts; so much so that we had only one position devoted to annual fundraising and this was pretty much a direct mail job. In the fall of 2008 we realized we had placed all our eggs in the major gifts basket. We knew we had to be nimble, creative, and ready to accept change."

Working in concert with senior administration and the board, Laping implemented a strategy emphasizing unrestricted giving. Board members supported this effort wholeheartedly and dramatically increased their annual fund gifts, and the development team successfully reached out to top prospects securing annual gifts up to \$100,000. The result was impressive – the unrestricted giving increased by 30% over the previous year, and represented more than 25% of the total dollars raised in FY09.

Like Sue Paresky at Dana-Farber, Laping proactively cut her budget, and reallocated resources to increase visibility among donors. The innovative and highly successful BIDMC "Grateful Nation" Web site was the brainchild of a board member who was inspired by the grassroots fundraising success of presidential candidate, Barack Obama. "We designed gratefulnation.org in only a few months," says Laping. "We did much of the work in-house and contracted with outside vendors to help us with the most technical aspects of the new site."

Just a year after its inception, www.gratefulnation.org has nearly 9,000 registered users who are patients, staff, physicians, and friends of the medical center. Once logged in, users can thank a caregiver, learn about special events, share inspiring stories, or send an e-card. Users can also donate through the site or set up their own personal fundraising pages to solicit support for the medical center from friends and family.

Just a few months after its official launch, the new site generated \$1 million from 2000 new donors and generated another 8,000 potential prospects. BIDMC promotes the site through signage and brochures throughout the medical center and affiliated physician offices and clinics.

"At the height of the downturn, I think all of us in development were paralyzed," notes Laping. "But the pressure forced us to work together as a development team and as an institution. It also inspired us to connect with our donors in more creative, but less costly ways. We learned a lot!"

The Business and Power of Successful Development: Educating Leadership

During the October 2009 CDO Roundtable, Boston Medical Center (BMC) Vice President of Development Norman Stein made an insightful presentation on the importance of "managing up." For this paper we asked Stein to elaborate on his remarks on managing fundraising expectations during the downturn.

Under his guidance, fundraising at Boston Medical Center has flourished,

growing from \$500,000 to \$28 million per year. In 2008 BMC completed its first major capital campaign, raising \$60 million for a comprehensive cancer treatment center. By any measure, these accomplishments are impressive, but they are particularly significant as BMC serves as the primary medical facility for the Boston's disadvantaged (more than half of its patients have annual income below \$20,420 and 70 percent come from under-served populations) and that it is surrounded by nearly a dozen hospitals with higher profiles and more mature development programs.

"CDOs should make an extra effort to demonstrate to their Chief Executive Officers how powerful a strong development effort can be."

Norman Stein

Vice President of Development
Boston Medical Center

"The business of raising money now has been the hardest of my professional career," says Stein. "Definitely, donors went through a number of phases – there was the initial shock as the economy went down, followed by a stepping-up of gifts to keep organizations going at their current service levels, then donors began to make cuts as they adjusted to the new normalcy."

He continues, "Our department certainly does have fewer resources than it did before the recession, but the crisis has also inspired our staff to work with new focus and urgency. And because we serve the most vulnerable people in the city, our board and a number of other

donors have stepped up and that has been very gratifying."

In addition to maintaining communications with donors large and small, Stein emphasizes the importance of making the case for development among senior administration and board members, preferably in advance of an economic downturn.

In Stein's experience, metrics are key to taking the mystery out of fundraising for Chief Executive Officers, Chief Financial Officers, board members, and clinical leaders. "Begin with the basics of cost per dollar raised, but go beyond that. Demonstrate how variables impact this number; for instance, launching a planned giving program raises costs but can significantly increase funds raised in the future. Costs for a young development program will be higher than for a more mature program, and capital campaigns tend to lower the number so expect costs to increase post campaign."

He adds, "By sticking to the lowest possible cost ratio you can miss out on tremendous opportunities for raising additional funds. Executive staff and board members must understand these nuances."

Stein makes education a regular part of development presentations to board and institutional leaders, including physicians. "I want them to understand and be comfortable with my business model, and I want them to appreciate our strengths and challenges relative to the fundraising environment."

Finally, Stein says CDOs should make an extra effort to demonstrate to their Chief Executive Officers how powerful a strong development effort

can be. In addition to generating needed revenues, successful fundraising strengthens ties to internal and external constituencies while elevating the

visibility and reputation of institutions and their leaders.

During Difficult Economic Times, Prospect Research Can Focus Efforts and Expectations

The March issue of CASE (Council for Advancement and Support of Education) *Currents* ran an excellent article on the challenges and opportunities within the major gifts area. In "The Way We Ask Now," John DiConsiglio, says, "Not every donor is facing economic peril. And it's up to a fundraiser's due diligence to separate those who knew Bernie Madoff from those who are still flush with cash. In tough times, fundraisers are understandably prone to approach donor meetings with heightened sensitivity. But that doesn't mean you can't still ask for money."

Dana-Farber's Sue Paresky echoed these sentiments in an August 2009 interview with the *Chronicle of Philanthropy*, "Having an accurate picture of a potential donor's wealth is critical.... Without it, a fundraiser risks asking for too much, which is likely to embarrass the prospect, or asking for too little, which can be insulting."

With shifting giving capacities, the prospect research office at Dana-Farber is re-doing many of its key donor profiles, while aggressively looking for future prospects, particularly in the mid-level range.

Barbara Moore is Director of Development Research at Dana-Farber and is Past President of the New England Development Research Association. Barbara and her team of seven monitor the 1.5 million prospect records that inform the efforts of 50 frontline fundraisers.

"Prospect research is valuable in a recession because it can focus your efforts."

Barbara Moore

Director of Development Research
Dana-Farber Cancer Institute

"In our pre-recession work we made more aggressive assumptions about a prospect's capacity, even if he or she had a surprisingly large mortgage, for instance" says Moore. "But many donors – including foundations – have watched their assets decline and some individual donors have lost their compensation. Using all the information we have access to, we are much more conservative now in our ratings."

She continues, "Prospect research is valuable in a recession because it can focus your efforts. You want to be looking at the right donors, be in the right ballpark in terms of ask, and

ask at the right time. Timing can be everything in development. Through prospect research you know when potential donors are in a position to contribute, such as after a major stock sale, the sale of a company, or after an inheritance."

In addition to charting the Institute's current and past donors, Moore's department has spent the past few months launching a predictive modeling initiative. The goal is to push the office's efforts beyond evaluations of current capacity to scientifically forecasting a prospect's likelihood of making a gift. Using a statistical software package designed for predictive modeling, Dana-Farber uses information about current donors to predict who will give in the future and how much. Variables can include age, size of first gift, number of gifts, business title, email address, etc.

"Every prospect gets a score and the one with the highest score should be the most inclined to give," she says. "Predictive modeling is really the next horizon in prospect research and one that is especially important during a recession. When everyone is concerned about expenses, you want your major gifts program to be as cost-effective as possible."

Demonstrating Fiscal Responsibility Through Communications and Transparency

Patricia "Trish" Jackson serves as Vice President of Development at Smith College in Massachusetts. Reflecting on the school's fundraising over the past two years, Jackson says the college fared better than expected. As a matter of fact, due to several very large bequests, 2009 turned out to be one of Smith's best years for philanthropy with \$56 million in monies raised.



Patricia "Trish" Jackson, Vice President of Development at Smith College

"But this certainly wasn't a time without pain," she underscored. "Our endowment did take a hit of 16 percent and the board asked for \$30 million in budget cuts. Salaries were frozen across the campus and staffing levels were scrutinized. I opted to eliminate two staff positions and made other operational changes, though some of these may have been made regardless of the economic climate."

In the early part of the recession Jackson said her office observed a downturn in the number of major gifts prospects/donors who were accepting visits, but this situation had improved toward the end of 2009. The annual fund decreased as well, but there was an increase in the number of donors; on the planned giving front, the college experienced an uptick in the number of annuities.

Even at the lowest point of the recession the Smith board demonstrated confidence in the economy by deciding to lengthen the quiet phase of an upcoming comprehensive campaign rather than postpone the effort.

While staying engaged with donors and prospects during the downturn, Jackson and her team are looking beyond the recession for strategies to strengthen the college's future fundraising. Plans include "passing the philanthropic mantle" from the long-term dedicated donors who graduated from Smith in the 1950s to those alumnae who graduated from the college in the 1970s and 1980s. She says, "This represents a major shift for us in terms of communicating and cultivating donors of a different generation."

She continues, "We are also scaling back the class agent portion of our advancement effort because this requires a great deal of volunteer effort—something women nowadays don't have as much time for. Instead, we are enhancing our volunteer program in admissions which has always been immensely popular among our alumnae and has been a critical tool in helping us to increase revenue through tuition."

Jackson says the greatest lesson she learned from the recession was the immense value in regular, persistent communications across all media. To reassure key constituents, Smith launched an aggressive communications program outlining specific steps the college was taking to reduce the impact of the downturn on the college. Smith College President Carol Christ served as the primary spokesperson for this initiative sending frequent emails to donors/alumnae, current students, parents, faculty and staff, and holding town hall style meetings across campus. A special section "Responding to the Financial Environment" was added to the President's Web page.

The most successful of these outreach efforts was an Internet video message given by President Christ and the Smith College Chief Financial Officer Ruth Constantine. Every alum was invited to watch the video on the Smith College Web site. "This was the first time we had ever tried a live video message and we were amazed at the results," says Jackson. "There were no beautiful graphics, just the President and CFO providing points on what we were doing to address the downturn. We had 4,500 people watch this video and we received a great deal of positive feedback."

She continues, "To those of us in development, it demonstrated the importance of transparency. Donors want to know the institutions they support are stepping up to challenges and are willing to discuss solutions with their constituents."

Making the Best Decisions When Layoffs Are Inevitable

To offset the impact of the recession at the highly regarded Simmons College, the school's leadership implemented a series of campus-wide layoffs and aggressive cost-cutting reductions beginning in the spring of 2009. Kris Schaefer, Vice President of Institutional Advancement at Simmons, found herself in the unavoidable and unenviable position of reducing her staff from 67 to 41.



Kristina Schaefer, Vice President of Institutional Advancement at Simmons College

While this was hard for her, her team, and most especially for those employees affected, Schaefer found that the evaluation and revision of staff roles resulted in a number of unexpected positive changes.

Ultimately, Schaefer merged planned giving with major gifts, annual giving with alumni relations, and donor relations with advancement communications. Before deciding on personnel changes, she carefully reviewed the breadth of each staffer's expertise. "I realized that to continue our effectiveness, we could no longer afford the luxury of holding

on to staffers who were strong in only one area. Silos were gone. We needed people with a multitude of skills – major gifts staff had to know planned giving, alumni relations staff had to be willing to do asks, and everyone I retained had to have strong writing skills and a willingness to help with events."

It was a stressful time for the department as Schaefer and her leadership team made evaluations and the ultimate decisions on who to layoff. To mitigate the pain of the process the leadership team worked with every affected employee, providing personal guidance until all laid-off staffers were hired elsewhere.

She says, "I believe by being careful and thoughtful, we implemented the downsizing in as humane a way as possible, and that was appreciated by the employees who were laid off and by those who remained."

The process had an upside she had never anticipated – staffers, who now had a wider array of job responsibilities, were challenged by increased responsibility. "The synergy created by selectively combining functions has been incredibly positive. It shows you can go through a difficult transition and come out even stronger."

While reconfiguring her staff, Schaefer ensured her frontline staff were focused and positive. Staff were considerate and understanding of donors' financial concerns, but were encouraged "to view every engagement as an opportunity to raise a dollar."

Along these lines, the school significantly boosted engagement opportunities for alumni by rolling out a wider array of

affinity programs and beefed up donor relations activities. Says Schaefer, "Working in this recession has taught me not to make assumptions about a donor's financial situation. We had a slowdown on the major gifts side, but 2010 was our best year ever for the annual fund and we were thrilled with the success we had with high-end annual fund gifts. Our experience underscores the importance of making sure the advancement office – regardless of its size – continues its conversations with donors."

What Now?

In December 2009, a Bridgespan study reported that 93 percent of American charities had been impacted in some way by the recession – 80 percent of the institutions had lost financial support and more than 40 percent had laid off staff.

Now for some better news. In May, the *Chronicle of Philanthropy* released the results of its own survey showing that fundraising in the first quarter of 2010 grew rapidly. Culling information from institutions among its Philanthropy 400, the *Chronicle's* annual listing of those charities raising the most from private sources, the survey found that giving was up a median of 11 percent from the same period in 2009.

This figure is particularly heartening as it excludes enormous funds raised from the devastating earthquake in Haiti.

At LLS we experienced a slow down in 2009, which was followed by an unprecedented surge in demand for recruitment services in the second quarter of 2010. To date, we are 52 percent ahead of where we were last year. For the most part our clients are seeking

frontline fundraisers or fundraising leaders, with a particular emphasis on securing the “best-of-the-best” talent out there.

What are we hearing from potential candidates? Like our clients, they are cautiously optimistic about the future, but they are much more willing to discuss new career opportunities than they were in 2009.

Even with this brightening news, CDOs who participated in our Roundtables and were interviewed for this publication emphasize that this recession has marked a new milestone in the profession. After years of steady increases in American giving, the downturn represented a kind of “correction.”

Of course, as our interviewees for this article have demonstrated, it is possible to raise substantial funds in this new reality.

But expectations need to be adjusted – most notably fewer seven-figure gifts and increased cost per dollar raised – and

these reduced expectations must be effectively communicated to senior administration and board members.

Resources Used for this Whitepaper

“Even During Recession, Billion-Dollar Campaigns in Higher Education Appear on Track to Meet Their Goals,” Marts and Lundy, www.martsandlundy.com (Go to “Special Reports” section.)

“The Way We Ask Now,” by John DiConsiglio, *CASE Currents*, March 2010 (This article is available online to CASE members at www.case.org.)

From the *Chronicle of Philanthropy**

“Recession Means Fund Raisers Have to Re-Assess Each Donor’s Wealth,” by Nicole Wallace, August 18, 2009

“93% of Charities Feel Effects of Recession,” by Ben Gose, December 10, 2009

“Donations in 2010’s First Quarter Show Healthy Signs for Charities,” by Debra Blum and Chris Thompson, May 16, 2010

*These articles are available online to subscribers at www.philanthropy.com. The *Chronicle of Philanthropy* is also available at large academic and public libraries.

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