



Spring 2011

Highlights of the Third Annual LLS CDO Symposium

Characteristics of High Performance Development Programs

Presented by

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Dear Readers,

This presentation was given on April 12, 2011 as part of the CDO Symposium Series, offered in Boston by Lois L. Lindauer and Susan S. Paresky, Senior Vice President of Development at the Dana-Farber Cancer Institute. Each year, chief development officers from across the nation are invited to the symposium to share best practices and examine solutions to the challenges facing today's fundraising leaders.

This year's meeting included a presentation by John Glier, President and Chief Executive Officer of Grenzebach Glier and Associates (GG+A), one of the world's best known consulting firms and an LLS client. Mr. Glier based "Characteristics of High Performance Development Programs" on a distinguished 35-year development consulting career built by assisting hundreds of charitable institutions create and enhance their fundraising programs. The following is a condensed transcription of his presentation.

If you would like to be placed on the invitation list for next year's CDO Symposium, please contact Lois Lindauer at 617-262-1102. (Please note that attendance is limited to chief development officers.)

Cordially,

Lois L. Lindauer



Characteristics of High Performance Development Programs

My topic this afternoon, "The Characteristics of High Performance Development Programs," is one I think we can spend hours talking about and probably never exhaust the insights from those of you who are sitting in this room. I'd like to share the special characteristics that I've seen time and time again inside first rate organizations and programs – the kinds of strategies, the kinds of core values, and the practices and protocols that are not only indicative of high performance institutions, but those I think *drive* high performance. It is not necessarily an exhaustive list, nor is

it definitive; it's my list, and I add and subtract from it all the time.

In general, I find the strongest development offices drive high performance by:

- Building culture with core values
- Setting goals and metrics, throughout its programs
- Staying donor (customer) focused
- Managing talent
- Remaining strategic in key initiatives
- Taking advice – all the time.

Let's digress for just a minute and talk about the philanthropic landscape. I think all of you know the economic downturn of the last several years has created the largest single challenge to philanthropy that we've seen in years.

The Characteristics Within the New Normal

At the small gift level, consumer retrenchment, unemployment (we lost over eight million jobs), and constituent anxiety have led to lower averages and significant decreases in donor retention and alumni participation. We have been

stunned to look at retention numbers as we drill into our programs and find that those had really eroded; it is a serious issue, because retention drives sustainability in our programs.

At the large gift level, market volatility and asset losses (we lost 14 trillion on one point in household wealth) have slowed major gift decision making almost to a standstill. We have begun to see the pipeline grow again, but it remains at its weakest point in 25 years.

Donors have recognized that these are tough times and they have responded selectively. Gifts over a million dollars decreased significantly during the downturn, but we believe these are coming back, though in fewer numbers than we saw before the recession. Overall, I feel the passion and engagement that inspired big gifts in the past will continue as we enter another great growth period in American philanthropy.

There is still great wealth in America and an extraordinary level of cash on the sidelines. We see it all the time, and certainly in our corporations where profits have been substantial, yet gifts have not risen to meet those profit levels quite yet. The capital markets have clearly re-bounded restoring significant wealth. Main street unemployment has lowered corporate spending, remaining a key contextual challenge in our economy, and this certainly colors the voices at our board meetings. In short, we see a re-set in our philanthropic world similar to what

we've seen in the financial and credit markets. Wherever we land, it will not be back to the pre-recession status quo. In fact, during the last few years we've all described flat as "the new up."

In summary, our donors are still intent on doing permanent good, but they are smarter, more wary of risks, slower to decide, and ask more questions. They also seek more advice, and now more than ever, expect tangible results and transformative change from their gifts. There's no question this sets the stage for real challenges for all of us as leaders in our programs.

Builds Culture With Its Core Values

Of course, high performance programs actively communicate with all their constituents about the importance of philanthropy, but they also:

- Build a culture of philanthropy through the encouragement of sustainable giving practices, creative engagement, and the public recognition of donors
- Engage in conscious brand building, identifying institutional strengths, explicit core values, and excellence that can "differentiate"
- Drive accountability and transparency into management activity and reporting
- Seek alignment within and across staff and key stakeholders.

If you observe sophisticated giving programs you see how a strong culture of philanthropy is imbedded in the culture. Sustainable giving practices means we don't use short term or quick fix donor strategies; we think about long term relationships with donors, even small ones. Because the data and the evidence tells us that small givers incubate to big givers as we practice good stewardship. The minute someone has made a gift the first time, they are unbelievably likely to give us a second gift – if we treat them the right way. And treating them the right way is what our programs are all about. It's important to creatively engage constituencies in the life of the institution so that what we do matters to them. When we watch first rate institutions, we see they are remarkably creative in their relationship building strategies. These strategies include challenging donors to be engaged with us in different ways over time, so they are not stuck on the same rung of the ladder.

Publically recognizing giving encourages others to give. Sixty years ago, Sy Seymour's favorite mechanism for raising money – remember back then consultants did the fundraising for institutions – was visiting people with a list of other people who had already given. To be able to point to a peer, a friend, or someone you admire in the community who has resources similar to yours and who has stepped forward to make a gift, is an incredibly powerful incentive.

High performance shops are conscious of brand-building.

They identify institutional strengths, explicit core values, and excellence that can differentiate them from other organizations. They ask themselves: "What do we do differently?" Not always better, but differently. "What are our core values and do they show? If they don't show, shouldn't they?"

Our commitment to setting goals and making them

should be upheld across the organization, from the chief executive to the annual fund director. Accountability and transparency should be embraced and demonstrated through reporting. I often walk in to high performance organizations and see they've been doing monthly or quarterly reports to their trustees and to their colleagues about their fundraising progress. Do you know how many organizations don't do that?

The sign of a first rate organization is telling people, "We set this goal and we mean to make it. And if we don't, we're going to tell you why we haven't and why we are going to do better."

Transparency to donors is an even bigger issue. **Ultimately, transparency is about high-level, consistent stewardship that is beyond the expectations of your donors.**

Not only are you accountable to donors for spending the gift for the purpose for which they gave it, but going back to

them three years later and showing them that the gift had the impact they wanted it to have. Coming back three years later is an expensive proposition for all of you, because it's a stewardship function and not a frontline function. But it is this level of communication that drives high performance.

Seeks alignment across key stakeholders.

If you go across the institution and ask "What is important to the organization?" and "Why are we raising money" you should get similar if not identical answers. It tells you a lot about alignment. Every constituent outside development, such as deans, faculty, physicians, and volunteers, should understand they are citizens of a broader institution and that there is a collective agenda. Alignment takes time, but if it doesn't exist the effectiveness of your development program is diminished. The worst possible thing is to have a trustee ask a constituent, "Why are we trying to raise \$150 million?" and for that person not to have an answer.

Sets Goals and Metrics Throughout Its Programs

Chief development officers of high performance development efforts focus their offices on accountability and data; they:

- Compete aggressively for internal capital to grow programs and staff, building awareness across institutional leadership of high performance process and strategy

- Set annual program goals and metrics across advancement programs, and links each to a return on investment (ROI)

- Build program initiatives based upon evidence, data, constituency surveys, and market testing

- Push its staff to consistently benchmark with peers

- Look for ways to do more with less.

High performance development shops set goals for every order of their programs.

They also **compete aggressively for internal capital** to expand programs, knowing resources are necessary for competitive growth. To do this successfully, high performance programs demonstrate to leadership what the development process is, what the strategy is, and what performance needs to be to justify additional resources. High performance leaders have learned how to do this very well. Some development leaders expect the Chief Executive to just give them more money. They don't realize they have to build arguments for it.

Sets annual overall program goals and metrics in each program and links them to a return on investment.

That means if we have an event-driven program, and it costs us 66 cents on a dollar, we report that. And if we have a major gifts program, that costs us nine cents on a dollar, we report that too and say, "Our business is complex and it is a blended. We do

events to initiate relationships that we think will be long term – 10, 15, 20-year investments in a sustainable philanthropic culture.” It is our jobs as leaders to understand the balance of those issues and to be conscious of the choices we are making.

Launch initiatives based upon evidence, data, constituent surveys, and market testing; it is really stunning how little we know about what motivates a gift. It’s even more surprising how little testing and strategic intelligence we use regularly in our programs. First rate programs are constantly looking at data. I have one university client who has a fulltime survey professional who examines a different portion of their constituency every month, reviewing attitudinal behavior, response data, and in fact, understanding the nature of the brand of that institution among donors.

Pushes its staff to consistently benchmark its peers. I say to our Vice Presidential clients, “Tell each of your managers to find a similar institution to benchmark.” You don’t always learn from the people who are raising more money than you. When you scan the landscape, you find smart people in many different kinds of institutions. The discipline of constantly knowing who’s doing the best job in a comparable institution drives performance. In fact, enabling people to do that who work for you is

an extraordinary vote of confidence in their growth.

Look for ways to do more with less. This is a direct consequence of the downturn we’ve all been through. It’s been interesting to watch the amazing choices and decisions development programs have made. I’ve worked with one Ivy League institution where the staff was cut by 87 people. At one point we were considering small cuts across the board (not singling anyone out). We quickly realized it was the coward’s way out – not strategic – and we needed to make tough choices that included a reduction in staff. We demonstrated to the university we were interested in building a smaller, but more effective major gifts enterprise, and in that way we were able to regain 22 positions.

Some institutions wanted to cut donor relations staff. But high performance programs understand donors need more attention, not less, as they approach gift making with greater due diligence.

We had a number of interesting initiatives from several institutions that were going through huge cuts, but still came to us for help in improving their operations. One had cut a great deal of money from its budget, but wanted to improve its gift acknowledgement process. They asked us to undertake a study across the university’s eight schools and colleges, all of which

process more than 100,000 gifts annually. They did this right in the middle of cutting costs, so it was a huge strategic decision for them for them to spend the money on such a study. We found the cost to process a gift of any kind of gift, large or small, ranged from a low of \$3 dollars to a high of \$15 dollars.

Now I hope everyone in this room is as surprised as we were with the range of \$3 to \$15. We found management issues, such as legacy staff that needed better guidance. We also discovered that the larger the gift, the longer it was taking for it to get acknowledged (not an uncommon occurrence). This is an example of an institution cutting costs and at the same time looking for ways to be even more efficient and cost-effective.

Stays Donor (Customer) Focused

High performance programs focus on the donor, the customer, and they do this in very creative ways, such as:

- Creating gift opportunities designed to allow the donor to see the importance and impact of their gift, whatever its size, and well into the future
- Engaging internal thought leaders and external partners in the process of developing philanthropic arguments, building a compelling case for

each gift opportunity, facilitating strategic relationships with donors, and where appropriate, soliciting gifts.

- Reconstituting voluntary Board agendas and events to ensure that voluntary partners remain engaged, and derive both intellectual and emotional value from those experiences.

Optimally, you want donors to see the impact of their gifts, whatever their size. There are too many initiatives out there where we say, "This is our \$1000 dollar gift opportunity and this is our \$10,000 gift opportunity." But we don't *directly* say to donors, "This is what your \$10,000 gift will do for this institution." In cultivating donors, keep in mind the two key triggers in major gifts that we've learned through our research. The first one is trust in leadership. Donors want to give to those institutions that have strong, stable leadership. The second trigger is, as we just discussed, understanding the impact of the gift on the institution. These are two huge triggers, and first rate, high performance organizations have focused on them and aligned their programs around them.

Manages Talent

As all of you know too well, **finding and retaining strong development talent is an enormous challenge.**

Strong programs have tackled these challenges by:

- Recruiting to skills, not credentials
- Reformulating recruitment and reten-

tion strategies to meet the growing need for competent staff and the difficulties of a challenging marketplace

- Creating training programs and management structures aimed at building sustainable skills among its professional staff.

When interviewing potential staff, how do you know they have raised what they say they have raised? An essential part of this business is communications. Do you know if they can write?

It is vital to **recruit to skills, not credentials.** Take the time to ask direct questions about solicitation, going beyond the broad metrics of portfolio size and gift range. Ask them to relate best solicitation stories – how did they take donors through the process to successfully close gifts? How did they build their relationships with donors exactly? Drill down on the steps, such as phone calls, connections with program staff, events, and visits.

In terms of communications skills, there are a number of institutions now requiring writing tests or writing samples.

Once hired, **how do you retain and groom star performers for higher level posts?** High performance programs look for future leaders in every part of the enterprise. Two of our large university clients have launched employee training programs to build teams that have sustainable skills. Use extra resources and mentoring to take

strong fundraisers to the next level. Another option is the Center for Creative Leadership, which has an excellent program.

In retaining staff, we see a lot of evidence that money does matter to our professionals and a number of organizations have experimented with incentives. We have found, though, if you give incentives for visits, you may get a lot of visits but not many solicitations. If you provide incentives for solicitations, you might get more solicitations, but that doesn't mean you'll get more closed gifts. So if you go back to some of the basic tenets that drive sales organizations, we suggest providing incentives for the behaviors that you want, focus on the outcomes you want, and connect activities to outcomes.

Now how does this happen? I don't think we have all the answers. I do know that in a review of one major university, I met with a fundraiser who made seven visits to one family and still hadn't asked. When I asked why not, I didn't get a good answer. So we come back to the management issue: What kind of guidance are we giving staff?

There's no question **we are moving toward incentive compensation.** We're looking at a variety of ways to reward performers and reduce the number of nonperformers. Through our work we hear time and time again that the most demoralizing issue for high performers – those who work really hard – is that

nonperformers are allowed to stay within the institution. We have one client who's actually considering a financial services model where annual performance evaluations are scored. Everyone in the department will get a score report every year. At the end of the year, the bottom ten percent of low performers are told if they fall in this range three years in a row they will be automatically counseled out.

Remains Strategic In Its Key Initiatives

Above all, the strongest programs always have an eye to the future, are always working toward better performance, and remain strategic in their key initiatives, which usually include:

- Diversifying constituency bases by reaching beyond natural constituencies
- Investing heavily in long-term engagement strategies, across all of constituencies
- Effectively orienting internal partners and external volunteers to the critical roles they must play in any successful fundraising enterprise
- Remaining vigilant about the strategies and the mechanics of solicitation initiatives, leveraging partners (internal and external) where they add value, and ensuring the effective use of collaterals by reviewing successful and less successful efforts
- Practicing stewardship beyond even the expectations of their very best, and most loyal donors.

Institutions that relied on traditional constituencies in the past are broadening their reach.

One large university client, for example, is successfully branching out beyond alumni and grateful patients in a number of interesting ways. High performance programs are constantly seeking to broaden their bases through innovative engagement strategies.

High performance organizations also know who they are and where they are going for months in advance.

They invest in long-term engagement strategies and programming. They also make the effort to connect with internal partners – doctors, faculty, scientists, curators, all those who drive the mission forward. They are willing to reach out to these vital professionals and ask, "Explain to us the impact of what we do as an organization." By doing this, they have learned how to tell the organization's story.

Over the years, we've watched clients **get better and better at the strategies and mechanics surrounding solicitation**. The high performers are also constantly evaluating their efforts; they know when they are being successful and when they aren't. They are always challenging themselves to be better.

The practice of **outstanding stewardship is, for me, the most important attribute for an institution to achieve as it works**

toward high performance. It is a core value drilled into the organization and it is apparent throughout all internal constituencies that donors feel good and knowledgeable about what their gifts have done.

Takes Advice; All the Time

Finally, chief development officers of high performance programs are open to new ideas. They:

- Seek and encourage feedback in all planning and program execution
- Are willing to take the risk of "change"
- Find and use trusted counsel.

When proposing plans and strategies to senior management, smart, high performance chief development officers assume it's the first draft. They are looking for feedback from colleagues and executives. In general, high performance CDOs find trusted counsel anywhere; a peer in the profession is probably the most common that we see, but a board leader who gets it can be enormously helpful, as can a trusted consultancy who offers candor and insight.

Seeking counsel also means you are willing to take the risk of change. Of course we avoid risks because it disrupts the equilibrium we crave as managers. But such initiative leads to great rewards. It is change that often drives excellence and innovation in our programs.

I want to say in closing, that high performance in our view never just happens. Luck does happen – a large bequest will fall from the sky by way of someone who worked for us years ago. But sustainable excellence, the kind of excellence that our organizations deserve with predictable and reliable revenues from philanthropy, comes from the vigilant

and constant commitment to getting better. High performance shops are always asking, “We’re good now, but

how do we get better?” In that way high performance is a journey, not a destination.

About Grenzebach Glier and Associates: *Grenzebach Glier provides top-tier consulting services in every facet of fundraising, from capital campaigns to major gifts to volunteer development. In addition, GG+A has designed a range of data analysis tools to help institutions optimize fundraising performance; these include bench-marking, Donorscape Wealth Screening and Modeling, and portfolio analysis. With more than 300 clients based in Asia, Australia, Europe, and North and South America, GG+A has served many of the world’s most esteemed charitable institutions.*

You can learn more about the firm’s services by visiting www.grenzebachglier.com. The website also includes GG+A’s excellent publications and webinar schedule.

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Lois Lindauer launched the firm in 1997 to serve nonprofits in the Boston area. The LLLS client roster now encompasses North America’s leading colleges, universities, medical centers, social service and arts organizations.

To see our client roster or our job listings, visit www.lllsearches.com.

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