

## CHAPTER I — FUNDAMENTALS OF MAJOR GIFT FUNDRAISING

“I’ve never been asked for money”

— MURRAY KOFFLER

Major gift fundraising is the high-octane fuel that accelerates the non-profit engine toward fulfillment of its goals. By building relationships with potential donors, and clearly communicating its values and mission, a non-profit organization may successfully marry its needs with those of major benefactors who wish to see their investments prudently used to meet specific challenges.

Major gifts are increasingly important in Canada’s non-profit sector. Faced with the challenge of decreasing government funding and expanding societal needs, non-profit organizations need to employ the most innovative and successful fundraising methods available.

At this time in Canada, individual giving represents the vast majority of all giving. However, With the number of individuals with discretionary income or wealth growing exponentially, significantly more people are in a position to contribute substantially larger charitable gifts.

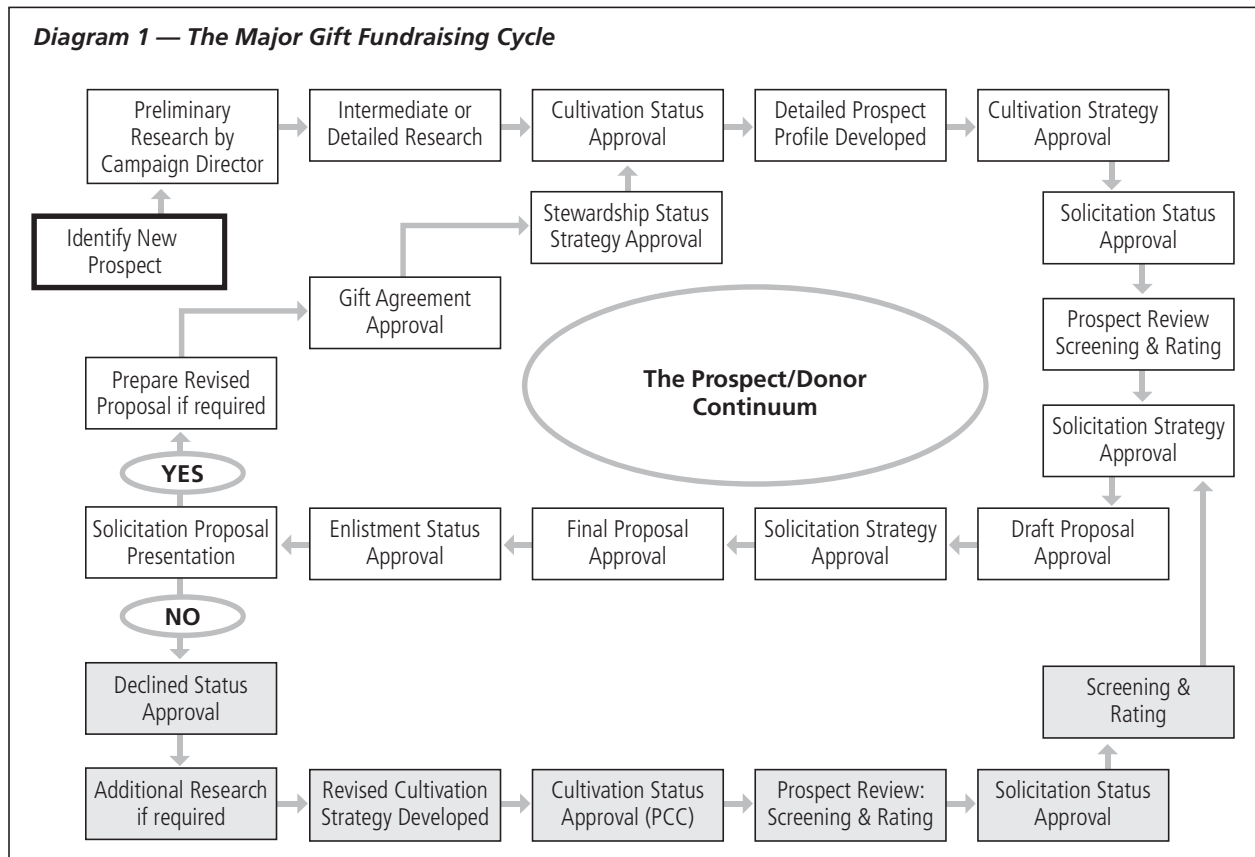
Combine the immense number of people who can make larger gifts with the increased need for expanded charitable programs, and the result for non-profits is a greater opportunity to raise funds to meet the needs of our community.

Major gift fundraising can help the non-profit organization raise more money by providing a more diversified revenue stream, thereby reducing its dependency on grants and labour-intensive special events.

Successfully implemented major gift programs help organizations upgrade existing donors from smaller to larger gifts more cost-effectively. Major gift programs often attract strong volunteer leadership, enable future endowment opportunities, and build the foundation of future institutional traditions. Consequently, organizations serious about their growth and future stability should fully consider the potential impact of this source of support, in addition to existing revenue sources.

To understand more about the principles of major gifts, consider The Major Gift Fundraising Cycle (**diagram 1**), showing a number of important decision-making steps that often take place in the cycle. It is also fundamentally important to build genuine relationships with potential major gift donors as they move along the philanthropic journey.

This journey involves a number of time-consuming and intensive key actions leading to the meaningful engagement and solicitation of the prospect. Preparation is critical to this relationship-building process, and in fact, some argue, that this cultivational activity is more than 90% responsible for major gift success. It is critical that donors understand the case for support, are touched



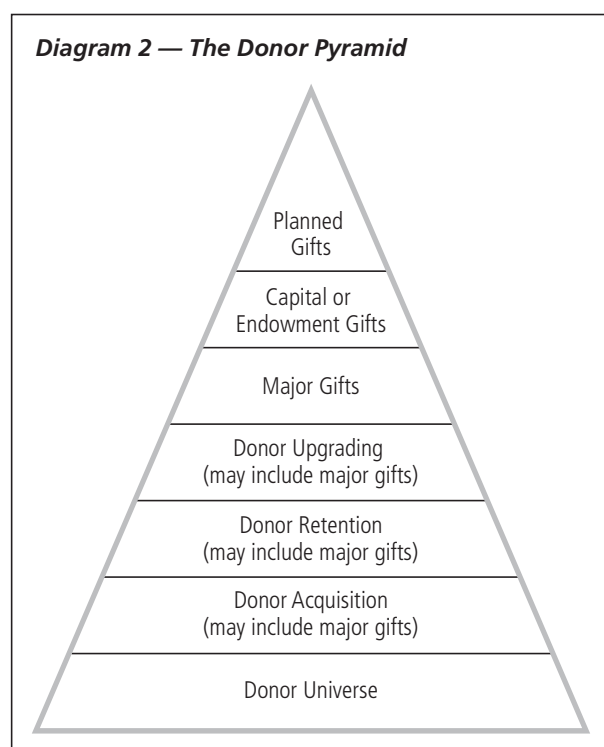
by key individuals associated with the institution, and understand that they have been heard, in order to connect their individual needs with institutional aspirations.

Proper development programs involve many gift sizes, from many sources, through many vehicles.

Face-to-face solicitation is the primary means of securing high-touch major gifts, as compared to direct mail, the method of choice for smaller donations.

Major gift donors are often identified and are introduced to others through the various

development programs, their vision evolving in the process to increasingly larger gifts. The Donor Pyramid provides an outline of this ideal progression (**diagram 2**).



The base of the overall donor universe is usually the larger group of supporters first acquired from a larger pool of suspects and prospects often through direct marketing programs, and then asked to gradually upgrade their gift amount. Some of these donors provide a degree of frequency and recency in their

giving patterns that helps determine the future of their medium to large giving potential.

A major gift may be provided immediately, or pledged over a period of time. Non-profit organizations will generate a range of gift sizes among different donors, as each benefactor has a unique inclination of interest and capacity to give. Major gift fundraising evolves over time, as the relationship with the prospect is cultivated, often involving a personal approach from a volunteer and/or a member of the institutional staff.

Each non-profit institution will define its major gifts differently. For a smaller social service organization, a major gift might be \$5,000 or more; for a large hospital or university a major gift could be \$25,000 or more.

Similarly, each organization will have different fundraising efforts to meet the different needs of all of its benefactors. Once the acquired base of donors begins contributing on a regular basis, their sights may be raised by inviting them to invest in something uniquely tied into the mission of the enterprise. This might include, for instance, a scholarship in memory of a loved one or a concert dedication paying tribute to a personal contribution of a particular artist. These special-purpose contributions are often larger than annual fund contributions, and may lead to an even greater understanding of future institutional capital requirements.

Capital requirements within major giving are often associated with items such as new and/or renovated

buildings and facilities, investments in human capital, endowments and special program funding. These larger or major gifts are key to supporting institutional needs. Planned giving, often described as deferred major gifts, may be directed or donated towards any of the needs described above, and often takes into account the benefactor's long-term personal investment or wealth strategy from an estate perspective.

All of these giving methods – annual, medium/special, major capital and/or planned giving – comprise an integrated fundraising program that offers a unique opportunity to interact with each level of donor. Understanding your giving patterns will help create a clear perspective of the gifts required by your organization in the upcoming year, as well as the longer term. In other words, knowing what the organization is currently doing to acquire, retain and grow its existing giving levels will certainly determine the most effective strategic approach for future major gift initiatives.

A major gift program is a recurring fundraising effort to identify, cultivate, solicit and steward major gift prospects for both designated and undesignated purposes. This typically annual approach will often involve a major gift officer(s) and board member(s) dedicated to this initiative.

A major gift campaign is also somewhat different from many other fundraising programs, in that it involves the establishment and implementation of a greater degree of discipline and structure.

The campaign goal flows from a prospect research program and from feedback usually received regarding the acceptability and perception of the institutional need(s). There will usually be a much greater involvement of volunteer leadership, and this cadre of individuals needs to be engaged with their own support, time, training and passionate effort. Moreover, major gift campaigns generally have specific timelines and are deadline-driven.

All successful major gift campaigns involve a range of important elements. First and foremost, there must be an adequate number of qualified prospects. Once a prospect is identified, prospect research is needed to more fully understand the background and probable opportunities will lead to a mutually-successful relationship with the institution, especially in today's increasingly competitive philanthropic marketplace. Next, there must be staff in place to manage this research process and coordinate ongoing activity. In fact, major gift campaigns require a separate budget line to fulfill all of these cultivation and stewardship-related activities. Finally, highly respected volunteer leadership is crucial, both from board members and community members outside the board. They will need a clear and inspirational case for support, and in-depth knowledge of how the campaign needs will accomplish the mission and vision of the non-profit. And as it matures, the campaign will require a stewardship program that properly recognizes and acknowledges benefactors who become involved in the philanthropic journey.

Planning and managing a major gift effort is a labour-intensive process. With the increased complexity of institutional fundraising it is important to emphasize that careful planning and goal-setting is critical for everyone involved.

There must be clear delineation amongst the different types of fundraising underway in the organization. This entails staff and volunteer job descriptions and role responsibility outlines that include details of communication, specific tasks and ongoing periodic reporting of measurable objectives. In a larger fundraising operation, staff will be more highly specialized, while in a medium-sized organization, there may be some overlapping responsibilities. In a small operation, one person may be doing virtually all the fundraising. Many, if not most, small and medium shops will depend heavily on volunteers to share the responsibility to achieve the desired goals and objectives.

As the program gradually passes each goal, synchronized development and finance functions must be in place record gifts, generate reports, and produce acknowledgments. This must be a transparent process that provides development and finance records on which all the fundraisers involved can rely.

All of the fundraisers and enlisted volunteers must participate in the planning process as communication with and among all institutional staff, board members and prospective benefactors is integral to achieving fundraising goals. Essentially, everyone

involved needs to understand the importance of the purpose of the major gift program and/or campaign, the difference it will make, and why and how the resulting financial support will help transform the future of the non-profit. The result: a win-win proposition for everyone – directly or indirectly involved with and touched by the philanthropic process.

All organizations have a variety of needs, and non-profit leaders are challenged to set priorities for what limited funding may be achieved. Tough questions always arise: Are new staff are required? Will new programs advance the institution? How can facilities be improved? And what endowment funds will be needed in the future? For years, Dr. Jon Dellandrea, Pro-Vice-Chancellor at Oxford University, has argued that fundraising is servant to institutional priorities, and in this context it is clear that the major gift process is critical to achieving success in supporting the organization that *knows its vision*.

Each organization needs to have a plan for how it will use funds it seeks; otherwise the institution may be steered off-course and moved in new directions by a benefactor providing support for areas that are not core to future priorities.

Strategic planning, the process of planning where the non-profit is headed in the future, will help determine institutional goals and, ultimately, the scope and extent of the major gift fundraising program. Even if the planning process is long and drawn-out, the internal planning and assessment will ultimately benefit the people the institution aims to

serve and accelerate its programs. Moreover, donors of large gifts are increasingly savvy at knowing whether an institution is prepared and organized enough to use their financial support effectively.

These planning efforts may include a “master facility” process including new projects designed with built-in flexibility to allow support through major gift fundraising efforts, and including estimates of the future income required to support the initiative. New programs, after costing and scoping, should include operating budgets, indirect and direct costs associated with staff and overhead. Then they can be packaged and/or catalogued as name gift opportunities for prospective benefactors.

In his book *The Artful Journey*, Bill Sturtevant, a widely recognized North American fundraising practitioner and professional, provides an intense perspective on institutional needs and how they are positioned. He notes that donors give to organizations they believe in – whose aspirations they share – not to needy causes.

Let’s expunge the term “needs” from our fundraising vocabulary. People do not give because our organizations need the money. In fact, organizations don’t really have needs. The beneficiaries of our services certainly have needs, but even here it is better to sell the outcome in terms of a changed or saved life. This principle helps explain why successful organizations continue to reach greater fundraising heights. Donors don’t want to be associated with a sinking ship. Rather, they want to support well-

managed organizations which efficiently accomplish shared visions. Pleading needs is ineffective from a fundraising standpoint. Let’s find something more compelling to discuss with our prospects.

Experience proves that the standard major gift vehicles, such as persuasive case statements and program brochures, are merely superficial instruments for positioning major gifts. Essentially, when engaging individuals a non-profit must reflect upon the constituencies it serves, the mission it undertakes and ultimately, the societal values it represents. Communicating those characteristics allows the major gift benefactor to make a contribution to a shared and passionate purpose.

Experienced major gift practitioners understand that this face-to-face philanthropic experience is often an emotional one. Major gifts are tied to an institutional connection, and are often contingent on the giver’s knowledge of the accountability of the organization. Notwithstanding the above, never forget that many major gift benefactors regularly consult with financial advisors to ensure they are maximizing the measurable outcomes of their philanthropic investment from an estate planning perspective as well.

A benefactors’ passion for an organization often stems from his or her involvement with the organization, and this connectedness in the decision-making process far overshadows any brochures, annual reports or cases. Personal relationships are at the heart of securing major gifts.

This is why successful organizations approach major gift benefactors to discuss the vision and shared values and interests that ultimately foster an opportunity for philanthropy. The development professional is often considered an enabler in this relationship-building process, someone adept at working with all of the other considerations at play, such as timing, governance structures, scalability of programs, and resource limitations.

Hiring experienced major gift professionals to achieve the ultimate advancement of the non-profit is critical to achieving the complex objectives described above. Experience in asking for, and closing gifts is the core skill that will produce the best long-term results. As a result, major gift practitioners will often be recruited from within the institution, because of their long-established knowledge within the donor community.

The skills and characteristics of a successful major gift officer will include integrity of the highest standard, strong oral and written communications, personal commitment to the mission and goals of the organization, high levels of energy and enthusiasm, ability to interact well with individuals in social and business settings, and experience with donor cultivation and solicitation techniques.

They'll need to be motivated, trained and remunerated appropriately within a coordinated, well-managed environment. And they'll need to "own" their portfolios.

Fundamental to engaging major gift professionals is understanding and endorsing the Association of Fundraising Professionals Code of Ethics regarding the compensation for development officers. Pay tied to money raised is considered unethical. Rather, the pay-scale should reflect priorities of the position.

The compensation section of the AFP Code of Ethical Principles and Standards of Professional Practice states (amended 2004) (See Appendix 2):

- Members shall not accept compensation that is based on a percentage of contribution; nor shall they accept finder's fees.
- Members may accept performance based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of contributions. Members shall not pay finder's fees, or commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.

In assessing the major gift process David Dunlop, often referred to as the architect of the Moves Management process in North America, points out that each major gift professional needs to examine and periodically evaluate their institution's program with the following questions in mind:

1. Are the initiatives taken with each major gift prospect consistent with the institution's strategic plan?
2. Has each major gift prospect been asked for an annual gift?
3. Has each major gift prospect received the quality, frequency and continuity of initiatives required for the successful development of their awareness, understanding, caring, involvement and commitment?
4. Has there been an appropriate distribution of initiatives among the program's prospects?
5. Is the program focused on the correct prospects?
6. Is the program working with the optimal number of prospects?
7. Have the most appropriate natural relationships been identified for each prospect?
8. Is the staffing and budget of the program sufficient to support its gift potential?

The organizations that are decidedly successful in major gift fundraising demonstrate a standard of behaviour that attracts the support of caring people to their compelling causes. Major gift fundraising helps provide a means to an end that involves leadership, principles, planning, accountability, understanding and above all, passion.