



Winning Resources and Support

Finding and Cultivating Major Donors

Terry

Welcome to this podcast on finding and cultivating major donors, a subject of perennial interest to fundraisers. I'm Terry O'Sullivan, Chair of *B625 Winning Resources and Support*, and joining me to talk about this subject is Theresa Lloyd, whose two books, *Why Rich People Give* and *Cultural Giving* are essential reading for anyone interested in the psychology of big gifts from individuals. Theresa's career started in international banking, so she has an insiders understanding of high net-worth individuals. She now consults in strategic planning, fundraising and governance for non-profits, having had high-profile positions at Save the Children and ActionAid UK. As director of Philanthropy UK, a three-year project under the auspices of the Association of Charitable Foundations, she has been in the vanguard of promoting new philanthropy in the UK.

Terry

Theresa, perhaps, we could start by exploring the question of motivation.

Why do rich people give?

Theresa

There are five key areas. Two very closely interlocked.

One is belief in the cause and it's very much aligned with that is wanting to make a difference.

So, it's wanting to make a difference to the constituencies of people or the artists or the academics or scientists who are delivering the mission with which the donor empathises.

And those two were, in all the people I've interviewed, were absolutely the key driving factors.

For some, there was also an element, but not all, an element of the moral dimension. People who feel that there's something wrong with society and they want to do something about it. Also in that category of a moral dimension, I think, I would put the whole very interesting sub-category of people who want to put something back into society.

I think the fourth key area -- the fourth and fifth areas are extremely important, but they don't necessarily come into play until after the initial gifts have been made.

One is the, what I've called 'self-actualisation', some people call it the 'psychic benefits'. It's how I feel about it. I feel good. People appreciate me. People thank me. People respect me. But, of course, that experience of being appreciated, of feeling good, only happens after you've made the first gift. So, ensuring that that experience is repeated is a key lesson for fundraisers.

And the other key thing, which is a motivator, is about relationships. Relationships with other donors. Relationships with the beneficiaries. Obviously,

it's not always appropriate, but it can be. And relationships, crucially, with the people in the organisation who deliver the mission.

Terry

What practical implications would you say our understanding of donor motivation has for fundraisers?

Theresa

I think the crucial one is about the internal corporate culture of the organisation and this reaches far beyond fundraisers. Indeed, I would say that successful fundraising organisations are characterised by a culture which reflects the fact or the attitude rather that major donors are seen as partners. So, development or fundraising is not something that the development office does in some distant office. It is absolutely integral to the senior management and the person responsible for it has a very -- a place around the senior management team table.

Secondly, an implication is that every donor is different and of course, there should not be a one size fits all approach to the management with the relationship. It's very important to meet often, to learn what it is that motivates them. And a very common mistake is that if people give to a charitable trust, they are treated as though, exactly in the same way, as though they are a major institutional foundation.

And yet, I found that, in my research, 50% of the people whom I met had in fact established charitable foundations. They had done so, because it's a tax efficient way of giving. It's a strategic commitment to a long-term focus on philanthropy instead of a one-off gift. However, it is, in terms of their relationship with an organisation, they are an individual donor. So, I think that, of course, they should be treated as individual donors.

And people spoke to me of the irritation of getting a letter from so and so trust and statutory foundation fundraiser or lottery and trust fundraiser. That is a nonsense and it shows a complete misunderstanding of why people set up trusts as opposed the relationship that they expect.

And I think what this goes on to, in terms of implications, is that major donors are very high maintenance. It's a mistake to think that it will hardly cost you much more to raise 100,000 than a 1,000.

And looking at recent data on major donors, the costs are running, I mean the investment ratio, is running at well over the 25%. It's very high maintenance.

I think the question of this investment ratio is crucial. Too many organisations will tell you proudly that they only spent 10% and they raised a million and they feel very good about that.

Oh yes, by the way, they netted 900,000 for the cause.

At the other end of the spectrum, you will meet people who say, it was absolutely fantastic. We raised £4 million. That meant £3 million for the cause and with that we were able to do X, Y and Z and they don't get hung up on the 25% which is absolutely within a prudent investment ratio for an organisation.

So, I think those are key practical implications. It is about investment and it is crucially about the internal culture of the organisation.

And another crucial implication for all of this, therefore, is the need to have effective, committed, indeed passionate, I would say, ambassadors and advocates, because as the research showed, people like to be asked to by somebody whom they respect. It's not just a question of being a friend. It is a question of somebody whom they respect.

And so, building up a stable, if you like, of ambassadors is crucial. And such ambassadors will include professional staff in the organisation, but who, for the purposes of the fundraising are volunteers.

Terry

Can you describe what you see as a relationship between volunteer fundraisers and professional fundraising staff in soliciting major gifts?

Theresa

It can be very challenging, not least because in this country, it's not expected that boards will be -- board members will be donors.

My own view, and I feel very strongly about this, is that every board member should give something to the organisations where they sit as a trustee.

This is not about board members being wealthy, but it is about everybody making a gift according to their means.

It could be £5 a year, but it's the very fact of signing a cheque and not only that, such commitment is hugely supportive for the fundraising team, to be able to go out particularly in a major appeal and say, every single board member has contributed to this.

An example, a recent example is the Royal Shakespeare Company who has said publicly that it was extremely helpful to them to be able to say that every single board member has made a donation.

So, that's one strand. I think it's extremely important to invest in some kind of training for boards and senior management, whom as I've said in this context might be regarded as volunteer fundraisers, about why their involvement matters, what donors will look for and actually that it needn't be frightening. I mean, that fundraising, I know it's a truism, fundraising is fun. The buzz one gets when one finally lands a donation is terrifically reinforcing.

Terry

Do you think that there are some causes and organisations that are more naturally attractive to major donors than others? And if so, why?

Theresa

I think it's very hard to know whether some causes have more success with major donors than others, because it may be that certain causes are working harder to attract major donors.

It may be that they're higher profile. It makes it easier or it maybe that they're inherently more attractive. I think it's very hard to distinguish, because in my research, people cover the whole range. There are people covering -- who support every major organisations and at the same time, might be supporting a small organisation.

Also, I think, there's a certain glamour, if you like, in the very large gift. And it may be that for one organisation, a £1 million gift is appropriate -- the

organisation can absorb it and indeed the turnover will be many times that. For another organisation, it would be ludicrous. It could be that a £10,000 gift is a major gift or it will make a dramatic difference.

Now, that may not get the publicity, but is a major gift for the organisation.

So, I think one needs to be slightly careful about how one defines the major gift.

Terry

How can smaller charities and charities who've got no experience in this kind of field begin to develop a major donor strategy?

Theresa

I think, the way to develop a major donor strategy for large or small charities, and there are actually some very large organisations who do not have a major donor strategy in place yet, is to take it very seriously. And to invest in capacity.

And crucially, I think, the starting point is to ensure that the board and senior management team are with them and understand what's involved and if the board and senior management team don't or won't, then don't do it.

If the director says 'I'm not prepared to give a day a week of my time to do this', If the board of trustees say, 'this has nothing to do with us. This is not why we were signed up to be board members', then frankly, forget it.

The role of the fundraiser should be to orchestrate the management of the relationships and to ensure that the donor feels the response and the respect and understands the effectiveness but it's not only the fundraisers that they want to meet.

So, that maybe sort of fairly harsh, but that's I think the most important thing.

Then we come to the question of, it takes a long time to develop a relationship. It may well be over a year. So, there's a question of seed money. Where does one get the money before the donations start rolling in?

But, I think there are various sources of funding, a starting point, probably strike terror into many organisations is that of a loan, linked to board underwriting.

Well, I've seen this work. If there's real confidence in the board, in the strategy, there are organisations such as the Charity Bank, which will help invest in organisational capacity.

A major donor strategy is not sitting around saying, 'What about Bill Gates?'

I assure you, I've heard this in many quite large organisations. It is thinking about who are the people in your area who are really likely to support this. So, the next strand is research. It really is investing in prospect research in a serious way.

And a very good place to start for many organisations is the donors who are already supporting you. It is astonishing, and indeed terrifying, what can be found out about people in your database from information which is now in the public domain.

And many organisations have successfully developed a major donor strategy on the back of wealth screening.

An example, very recently, is English National Opera, which did a major wealth screening programme for its donors and its audience and there are other organisations, universities and so on, who have embarked on similar strategies.

Terry

Could you explain a little more about what wealth screening involves for listeners who might not be experienced in it?

Theresa

Right. It's a question of taking the database, the list of supporters and their addresses, and essentially, that is a starting point. A list of who they are and where they live. We may well know their profession and, armed with this information, it is possible to glean a huge amount of information. If they are regular supporters, you can then know how frequently they give, how recently they gave, the level of their giving and this provides a further way of categorising people.

And I think, in most people's experience, the cost of undertaking this exercise, which is not insubstantial and for which there are specialist agencies, is more than outweighed by the return on its effective exploitation.

Terry

How do you see the environment for this kind of philanthropic activity changing? And what opportunities would that present for fundraising?

Theresa

I think the environment is changing significantly in the sense that there is more focus on impact. I think there is more focus on competence, on standards and on people really wanting to know where their money is going. I think that is the most significant development in recent years.

The corollary of this is that there is more professionalism in fundraising, particularly, of course, among the large organisations who can afford to invest, but not only the large organisation.

I think there are two very different trends which one might think about.

One is that donors are gradually realising that organisations which run too tight a ship are actually not effective. So, along with the focus on impact and effectiveness, people are realising that actually in order to be effective, you do need to be able to have administrative costs. You do need to invest in monitoring and evaluation of your projects. You do need to be able to learn. You do need to be able to share expertise with others operating in the same field. You do need to pay the electricity bill as well.

I think that's a very important and positive trend.

The corollary of that is that organisations should learn how to budget so that they do include the core costs in every bid, and don't pretend that there aren't any.

So, I think it's a lesson for organisations there, particularly those who perhaps competing, who see themselves as more likely to get a grant if they knowingly underestimate what it will really cost.

But, of course, that way lies failure, because if they really underestimated it deliberately, they will not be able to provide the service the donor expects and in the end they will be seen not to be competent. And will not get recurring funding.

So, I think that's one trend.

I think that, if I may say so, the days of the UK looking over to the United States and saying, oh, if only we could learn from them, I think, are changing, not least because it recognises the very different environment in which donations happen, a very different tax environment, a very different attitude to giving and a very, very different attitude to the role of the state.

And I think that is a major international trend, the role of the state. Perceptions of where responsibility begins and ends is changing. It's changing in this country, too.

For example, more and more organisations in the NHS are raising money from the private sector.

And, as in the arts, people are, and people I've spoken to, are saying, it is the job of the state to provide the basics and it's the job of the private philanthropist to make the basic the best.

Terry

Thank you very much indeed, Theresa Lloyd.