

Major Gift Qualification and Cultivation in 2009 and Beyond

Foundation Assets Plummet...

Most Funders Expected to Reduce Grants in 2009

...Nonprofit Sector Headed for Tough Times.

Pick up any newspaper today, and you'll be reminded immediately of the multi-faceted challenges facing our nation's nonprofit community: the economy is in shambles; endowments are down; current gifts are down, and the giving capacity of many individuals who were once major prospects is way, way down!

If your organization is like most nonprofits, you don't need to pick up the newspaper to learn this news. All you have to do is look at the contributions reports on your desk or at the empty offices down the hall. How many staff members do you have left to pursue major gifts? What is the best use of their time? How do you know which prospects are still worth their time? "Do more with less," you are told. How much more can you lose before you agree with the fundraising director who said, "I'm down to bare bones. I can close this program more effectively than I can cut it by another 20%"?

Why the Economy is NOT Your Biggest Challenge!

But wait! There's a really good reason to set aside all the economic noise and confusion, if only for a few moments.

If you don't, you (like many other nonprofit leaders) may completely overlook the important changes that were occurring in the major donor landscape long before the global economy plummeted. And if you overlook those changes, you risk making inappropriate choices and missing the best short-term opportunity you have! What's more, this short-term opportunity is one that also positions your organization for long-term success! There IS good news after all.

Here's what you need to know to capitalize on that good news.

During the go-go, wealth-expansion years, starting with the dot com boom and continuing in this decade's economic expansion, many donors (especially major gift donors and venture philanthropists) began to demand more and more control over every aspect of their relationships with charities; they raised the bar for expectations regarding cultivation, communication, and accountability. As a result, pre-gift cultivation and post-gift donor stewardship began to require much more staff time than it ever had in the past.

Moreover, the number of wealthy prospects kept growing; in fact, many organizations had more wealthy potential prospects than they could truly qualify. As a result, many charities engaged in minimal qualification and moved rapidly from observations of "there's wealth there" to intensive efforts to connect the prospect with their charity before competing charities arrived. In minimizing their qualification, a fair number of charities

lost their “edge” in understanding how to qualify prospects properly. Some never bothered to develop any real qualification tools or documentation systems at all.

Fast forward to 2009, and what is the result? Many of these charities who once reveled in whole “haystacks” of wealthy prospects are now scrounging frantically through the haystack to find the handful of “needles” whose wealth survived the economic freefall.

Three Models of Adaptation to Change: One Common Denominator

But some charities did observe the changes in the donor landscape – and adapted. Among these charities, at least three models of adaptive change emerged.

- In 2002, buoyed by the on-the-ground presence of its state chapters, The Nature Conservancy (TNC) created donor relations positions that were specifically charged with qualification, cultivation, and stewardship. These staff members received specific training in understanding how wealth was made and held and how to have conversations about financial circumstances. They gathered critical information from donors through face-to-face visits, as well as through telephone and e-mail contact. Then they made recommendations to their major gift colleagues regarding which donors needed individual relationship strategies and which did not.
- Over a decade ago, World Vision created a very successful internal telemarketing function that served the same qualification and cultivation function as TNC’s donor relations managers. Today, this staff team continues to produce major gifts through its own efforts and keeps the major gifts pipeline consistently filled with prospects that merit the time and attention of on-the-ground major gift officers and organizational leaders.
- In 2008, UNICEF outsourced its qualification/cultivation function to an external vendor. Callers were trained to engage the donors in meaningful conversations about their philanthropy, employment, family and life circumstances. UNICEF split a group of several thousand donors into two sub-groups: both sub-groups received the same mail stream and the test group received a cultivation phone call as well. Donors who had a conversation with a relationship manager performed better than the mail-only control group. Callers achieved clear quantitative success and gathered valuable information that allowed major gift officers to determine the best and most efficient strategy for only the most promising prospects.

These three models share a critical common denominator: each of the organizations recognized that the steps in the major gifts process could be segmented. Moreover, if these steps (generally understood by fundraisers as identification, qualification, cultivation, solicitation, and stewardship) could be segmented, one or more individuals could develop special expertise in managing a particular step. If specialists in steps such as qualification and cultivation could be developed, then it was no longer necessary for

an organization's major gifts officers (always the specialists in solicitation and closing) to handle every single step of the process for every potential prospect. The UNICEF model went further and proved successfully that one could actually go outside the organization to find the specialists: no longer was it necessary for in-house teams to handle initial cultivation and qualification.

Why the UNICEF Model is the Right Choice for 2009

Adapting to the changing major donor landscape has always been important. But in a good economy, adapting to those changes wasn't urgent as well. Guess what? Now adaptation to those changes is both important AND urgent!

The one thing you can't presume in today's fundraising environment is that your donors still have the financial capacity they had prior to the economic meltdown. If you're in the same position as most fundraisers, you have neither the time nor the staff to determine which donors have that capacity and which ones don't. You need to focus the major gift fundraisers you have on solicitation and closing.

You still have time to help your organization adapt to the landscape change – but you no longer have the luxury of using your internal specialists in qualification and cultivation in the same way that World Vision and The Nature Conservancy did. UNICEF realized that the landscape would have changed even in a healthy economy. But its leaders also recognized that an unhealthy economy added a whole new time constraint to the equation. They addressed that constraint by outsourcing the qualification of their major gift prospects and by relying on a vendor that had a proven track record in using the telephone to achieve the desired results.

Those charities that follow UNICEF's example in responding to the short-term crisis will also see their investment in qualification pay off in the long-term. When we do emerge from the current economic woes, they will be ahead of the competition. "This is where we are headed. Our major gift officers must be focused on solicitations" observes David Cooper, Vice President of Development for the National Trust for Historic Preservation. "It's this kind of specialization that enables our gift officers to focus. All nonprofits in general and the major gift community in particular will need to move in this direction."

Best Practices: Implementing Your Decision to Outsource

If you decide to outsource your qualification process, keep these tips in mind:

- Ask potential vendors about the objectives of their programs. What you want to hear is a response that reflects a customized, high-touch approach – one that teases out the best prospects from the suspect universe and "re-animates" the relationship for you. Specifically, the vendor's callers should be able to identify who is still financially capable of a major gift and how ready that person may be to make a gift.

- Try to avoid using a “script” if possible. Instead, ask the vendor about the nature of the questions being asked. Ask about how the vendor trains callers to listen to the donor and what techniques they use to encourage donors to do most of the talking.
- Ask vendors if their callers use a decision tree to uncover information and specifically what information they strive to uncover. (A good vendor will seek information regarding how the donor is feeling about finances, family, philanthropy, and your organization.)
- A good vendor will also gather useful information on major life changes and/or interests that will help your staff continue the conversation and close the gift.
- Ask about turnaround time on receiving information compiled by the vendor. (A good vendor should be able to provide twenty-four hour turnaround in an electronic form.)

Following these non-traditional models of qualification and cultivation will make it possible for your organization to weather this economic storm and to do so with stronger donor relationships and great financial success.

Where Do You Go From Here?

It’s encouraging to see the success stories of TNC, World Vision and UNICEF. These creative organizations replaced the traditional model of major gift fundraising (where the senior staff person had to manage the donor from beginning to end) with a model that included both internal and external outsourcing. At a time when so many nonprofits need to accomplish more with less staff, less money and less time, the three models described above represent an opportunity to continue effective, donor-centered fundraising.

If your organization is having difficulty shifting gears from a more traditional approach, we’d be happy to discuss your specific circumstances. Call 877-727-5400 to set up an in-depth discussion about your needs, revenue goals and staffing structure.

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