



## 2008 Research Council Think Tank

# Leadership, Governance and Giving



### DISCUSSION GUIDE

Association of Fundraising Professionals

Rollins College Philanthropy and Nonprofit Leadership Center

Edyth Bush Charitable Foundation, Inc.



# Discussion Guide—Introduction

The purpose of the 2008 Think Tank was to highlight and respond to key issues presented by fundraisers' ultimate leadership challenge:

**Guiding those to whom they report—board members and senior executive staff—so they, in turn, provide the organizational leadership at the highest levels required for successful fundraising.**

The Research Council is indebted to a generous grant from the Edyth Bush Charitable Foundation to the AFP Foundation that made it possible to engage nationally recognized presenters for the 2008 AFP Think Tank.

**Dr. Elizabeth Boris, Director**

Center on Nonprofits & Philanthropy  
The Urban Institute

**Dr. Rita Bornstein, President Emerita**

George D. and Harriet W. Cornell Professor of  
Philanthropy & Leadership Development  
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**Professor David Renz**

Midwest Center for Nonprofit Leadership  
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**Professor Adrian Sargeant**

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Plenary presentations by these leaders analyzed the current status of the nonprofit sector with regard to the themes, and articulated possible scenarios for in-depth discussion sessions in which all attendees participated.

The material presented in this discussion guide follows the Think Tank's organization.

**Part I: Overview of the Nonprofit Sector—Dr. Elizabeth Boris**

(The giving statistics in the original presentation have been updated to reflect the Giving USA report for 2008.)

**Part II: Leadership—Dr. Rita Borstein**

**Part III: Governance—Professor David Renz**

**Part IV: Giving—Professor Adrian Sargeant**

Each part is comprised of both printed material and a power point presentation. The printed material is keyed to the power point slides. Part I compiles diverse data that define the structure of the sector and provide context for addressing major issues the sector faces. Parts II, III, and IV include each speaker's presentation, as well as a summary of Think Tank participant discussions, which are expressed as questions that merit further reflection and research.



### Doing Your Own Think Tank

The Research Council encourages local chapters to organize their own discussions on **Leadership, Governance and Giving**. Since the material from the Think Tank is from a full 2-day event, discussion groups may want to focus on Parts II, III, and IV in separate sessions spread over time. Part I may also be a separate session, or each participant might review it prior to discussions on other parts. One suggestion for facilitating discussions is the following.

1. Select a focusing statement or question for your gathering that frames the higher purpose and widest context for your discussion in a positive way. The questions in the article may provide starting points for your discussion. You may also want to ask participants to do some preparatory reading for the discussion.
2. Write the focusing statement or question on news print and post in a prominent place.
3. Open a free form conversation, recording observations, ideas, questions, etc. on newsprint. Edit only to be sure a statement is clearly stated.

At the end of a predetermined time period (e.g. 30-45 minutes), begin to organize the newsprint list into groups of related statements. These groups may point toward assertions, questions, a need for more information, recommendations—whatever is appropriate to the discussion.

The group can continue its meetings over several months to explore other issues around the Leadership, Governing and Giving theme.

When the initial group is larger than 15 people, it is advisable to extend step 2 by inviting participants to propose sub-themes derived from the primary focusing statement or question. The facilitator determines how many discussion groups are appropriate to balance size and to assure easy communication in each one. Participants self-select to discuss a subtheme as described in step 3. Time should also be allowed to reconvene the entire group to debrief, sharing highlights, “ahas” and key learnings.

Neither the Think Tank nor this discussion guide purports to provide specific answers or outcomes. Rather, it follows the dictum—you have to know enough to ask the right questions. Thus, the content provided by presenters can be compared with participants’ actual situations, with critiques being directed toward the presenter’s content or towards a participant’s reality. Likewise, the discussion material from the Think Tank indicates only what Think

Tank participants examined and are not intended to limit others’ observations in any way.

In addition to the content presenters, the Think Tank is indebted to Mark Brewer, president and CEO of the Community Foundation of Central Florida, who designed and facilitated breakout discussions on the issues raised by plenary speakers and how the sector can respond.

# Discussion Guide—Part I

## Overview of the Nonprofit Sector

Dr. Elizabeth Boris, Director

*Center on Nonprofits & Philanthropy, The Urban Institute*

**D**r. Boris opened the proceedings with an overview of the nonprofit sector. Research on the sector began fairly recently, she said, and there is still much we don't know about how the sector serves society's needs. What we do know is that the context of the sector impacts who we are and what we do.

### Environmental Trends [Slide 4]

- National economic status
  - Financial meltdown/sub-prime mortgage crisis
  - Federal and state budget deficits
  - Growing income inequality
  - Health care crisis
- Status of U.S. democracy: trust, engagement
- Changing demographics: aging, diversity
- Global warming/environmental degradation
- Globalization

### Political Trends [Slide 5]

- Intense partisanship
- Financial crisis and the war dominate political agenda and resources
- Limited discretionary dollars for other programs
- Search for revenues leads to the nonprofit sector
- Malfeasance in the nonprofit sector leads to stronger government oversight

In this context, we can identify key trends in the nonprofit sector [Slide 6]:

- Fast growing part of the U.S. economy
- More transparent than ever before
- Increasingly visible via electronic media
- Heightened Congressional interest
- Declining government grants and direct support
- Growing fee for service revenues leading to fears of “blurring boundaries with business sector”

These sector trends are heightening the interest of government policy makers [Slide 7]. Congressional hearings on nonprofits seem to threaten the sector's charitable status. There are demands for:

- Enhanced accountability and disclosure
- Governance standards
- Documented efficiency (reasonable costs)
- Effectiveness metrics
- Evidence of diverse beneficiaries

Responses in the sector to this mélange of trends and influences are both reactive and proactive [Slide 8]:

- Burnout/turnover/financial stress/shut down
- Entrepreneurial activities
- Innovative communications, fundraising, program delivery, volunteering—via the internet



- Mergers, partnerships, infrastructure creation
- Advocacy, policy development, lobbying and political activities

The historic character of the nonprofit sector continues to anchor its existence [Slide 9]:

- Values Base: trust, integrity, commitment
- Mission: promote and enhance common good
- Governance: oversight for public purposes
- Finances: donations, volunteer labor, government grants, contracts, fees for services, events, member dues
- Accountability: transparency, performance

And the sector continues to fulfill critical roles in our country [Slide 10]:

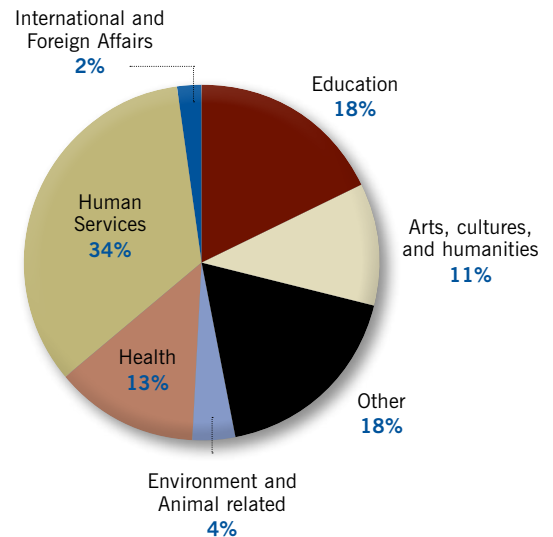
- Social, cultural, religious, economic
- Service providers
- Values guardians
- Employers
- Advocates
- Individual and community engagement
- Civic and political participation

The scope of the sector is an important factor in the public recognition of its role [Slide 11]:

- 1.9 million nonprofits in mid 2008 [National Center for Charitable Statistics]
- 1.5 million registered with the IRS [Nonprofit 501(c)(3) and other organizations]
- 0.4 million religious congregations
- 1 million registered charitable 501(c)(3) nonprofits [including public charities & private foundations]

The sector impacts all areas of United States' society, and its growth assures this will continue to be the case [Slide 12].

**Total Nonprofits  
(n = 328,690)**



**Sector Growth Over Ten Years,  
1996–2006**

Subsector	Total Percentage Change, 1996–2006
Arts, cultures, and humanities	72.1
Education	81.6
Environment and Animal related	119.8
Health	28.0
Human Services	56.8
International and Foreign Affairs	103.4
Other	79.6

The diversity of the nonprofit sector can be one of its strengths [Slide 13 & 14]:

- Diverse types: hospitals, shelters, museums, rights advocates, research institutes and more
- Varied sizes: financial giants like Harvard University and small-budget agencies like PTAs

- Different structures: federated, membership, etc.
- Varied organization: staffing, revenue generation
- Innovative: new program and outreach models

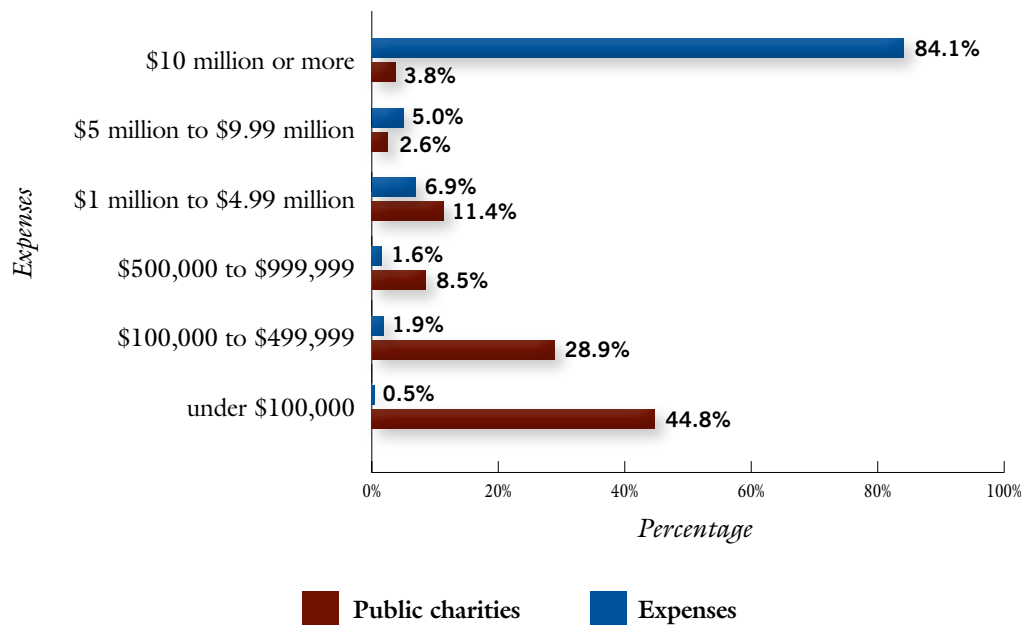
The sector's economic impact is clearly documentable [Slide 15]:

- Contributed \$666.1 billion (5%) to GDP
- Paid \$489.4 billion in wages and salaries
- Employed an estimated 12.9 million (9.7%) of U.S. employment

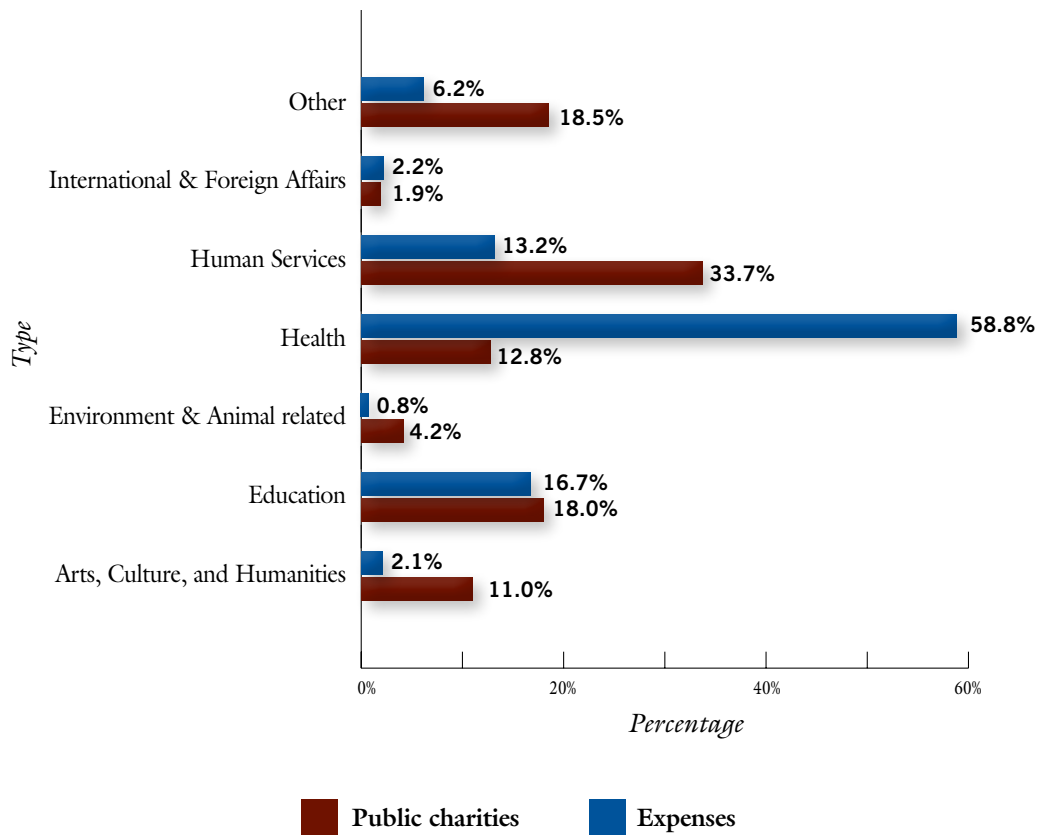
- Spent \$840.5 billion and gave away another \$74.7 billion for total outlays of \$915.2 billion
- The 38% of nonprofits that report to the IRS held assets of about \$3.4 trillion

The reality, however, is that a very small proportion of nonprofit organizations and institutions account for the vast majority of the sector's economic impact—a function of the prominence of health care and education [Slides 16 & 17].

### Distribution of the Total Expenses of U.S. 501(c)(3) Public Charities by Expenses, 2006



### Distribution of the Total Expenses of U.S. 501(c)(3) Public Charities by Type/Expenses, 2006



Private contributions continue to be a defining quality of public charities, even with the 2008 decline in giving [Slides 18 & 19]:

- Estimated \$307.65 billion in 2008, a 2 percent drop in current dollars from 2007
- The first decline in giving in current dollars since 1987
- Adjusted for inflation, total giving declined 5.7 percent, the largest drop recorded since *Giving USA* has been keeping track of America's charitable donations
- Tax itemizers account for about 4/5 of individual contributions in dollar terms



<i>Source</i>	<i>Amount</i>	<i>% of Total</i>	<i>Change from 2007</i>
Individual giving	\$229.28 billion	75 %	-2.7 % in current dollars -6.3 % adjusted for inflation
Charitable bequests	\$22.66 billion	7 %	-2.8 % in current dollars -6.4 % adjusted for inflation
Corporate giving	\$14.5 billion	5 %	-4.5 % in current dollars -8 % adjusted for inflation
Foundation grantmaking	\$41.21 billion	13 %	+3 % in current dollars -0.8 % adjusted for inflation

In spite of all that the nonprofit sector contributes to American society, Boris pointed out that we need new tools to measure performance.

With regard to fundraising effectiveness, giving has been at about 2 percent of GDP for the last 40 years. What would it take to move that percentage upward? Research suggests a greater focus on retaining past givers might yield benefits [Slide 20].

Studies on overhead and fundraising costs of nonprofits show underinvestment in the infrastructure of nonprofits [Slide 21]. Cost ratios are not an effective way to evaluate what nonprofits are doing for those they serve. “Research suggests that a focus on efficiency, least amount spent, results in below optimal investment in organizational effectiveness,” Boris stated. “The sector needs to make a better case for the legitimate costs involved in administration and fundraising. We undermine the sector when we claim we have no overhead costs.”

Another powerful component of the nonprofit sector is the contribution made by volunteers [Slide 22]:

- 26.7 % of the population volunteered in 2006, or 61.2 million volunteers
- 6.5 % of the population volunteers each day, or over 15 million volunteers per day
- 12.9 billion hours were volunteered, equivalent to 7.6 million full time employees earning \$215.6 billion

Boards will continue to have a critical role in the sector, although their involvement in key areas will have to be strengthened [Slide 23]:

- Financial oversight and policy 52%
- Planning 44%
- Monitoring programs and services 32%
- Fundraising 29%
- Community relations 27%

The regulatory environment depends upon how directly a nonprofit interacts with government [Slides 24 & 25]. NPOs that contract with government result in oversight related to:

- Performance measurement
- Overhead costs
- Charitable contributions (especially for hospitals)

Recent research reveals that regulation of nonprofit political activities results in complex multi-organizational structures of environmental, business, and social action nonprofits:

- 501(c)(3) charitable activities
- 501(c)(4) lobbying activities
- PAC political activities
- 527 electioneering

Calls for accountability will likely increase [Slide 26]:

- Codes of ethics, professional standards, accreditation
- Governance standards
- Financial efficiency
- Outcome and impact measurement

Nonprofits will also be asked to strengthen their effectiveness with [Slide 27]...

- Contingency planning for crises
- Coordination and collaboration with nonprofits, government, businesses

- Creation of regional, local and national networks

Boris concluded by emphasizing several summary observations for the sector [Slides 28 & 29]:

- The U.S. nonprofit sector is large and visible
- Demands on the sector are urgent and growing
- Resources to meet these needs are often inadequate
- Efficiency and effectiveness are key, but are not sufficient
- Transparency and accountability must be improved
- Leadership by board and staff is necessary
- A nonprofit voice at the policy table is critical
- Greater coordination and collaboration are required



# Discussion Guide—Part II

## Leadership in the Nonprofit Sector

**Dr. Rita Bornstein, President Emerita**

*George D. and Harriet W. Cornell Professor of Philanthropy & Leadership Development, Rollins College*

**D**r. Bornstein organized her presentation around two clusters of observations: (1) what we know about leadership in the non-profit sector and (2) what we need for future leadership [Slide 4].

We know that leadership is more professional and respected than once thought of, as reflected in [Slides 5 & 6]:

- The proliferation of nonprofit centers, courses, degree programs
- Many more professionals being certified or degreed
- Higher compensation, inducements and incentive pay
- More career mobility
- Greater respect, status, and voice (for example, leadership on community and government boards and commissions)
- The focus on ethics, standards of practice, and accountability

We also know that leadership is more complex, as witnessed by [Slides 7 & 8]:

- State and federal laws, regulations, and reports
- Public scrutiny and mistrust
- Proliferation of nonprofits and competition (worldwide)
- The pressure for coordination and cooperation
- Demands for program expansion
- An escalation of goals for fundraising campaigns



- Pressure for improved performance
- Technology benefits & costs

Finally, we know that leadership is being impacted by a shifting (i.e. boom to bust) job market [Slides 9 & 10]:

- Boomers are retiring if they can afford to
- Professional mobility is impeded by economics
- Turnover means a loss to the organization of relationships and personal knowledge

- A lack of turnover (i.e. opportunities for career advancement) may lead to resentment and burnout for individuals
- The likelihood of an inadequate pipeline of diverse, trained, and experienced professionals

Bornstein argued that we need systematic recruitment, training, evaluation and mentoring in nonprofit organizations for staff and volunteers alike. Home-grown talent is preferable to recruiting outsiders who tend to have a high failure rate. Organizations will benefit by providing in-house opportunities for cross-training, lateral shifting, career mapping, promotion, rewards, and recognition [Slides 11, 12 & 13].

She stressed that leadership no longer takes place in a hierarchical system in most organizations. Instead, there is a more holistic, team-based approach to leadership. Governance should be achieved through shared leadership between the CEO and the board, and the development team should reflect a distribution of expertise among professional fundraisers, the CEO and the board [Slide 14].

Three styles of leadership were identified [Slides 15, 16, 17 & 18]:

- Integral leadership sees the organization as a coherent whole and aims to weave mission, program, and fundraising/giving together
- Integrative leadership is comfortable considering two opposing ideas at once, not seeing them in terms of “either-or” but forging an innovative third way, incorporating elements of each and improving both
- Conceptual age leadership depends highly on the intuitive and creative right-brain and less on the analytical logic of the left brain

Such changes will also require substantial reshaping of how boards work [Slides 19 & 20]:

- Increased board engagement
- Focus on board composition, orientation, communication, participation, evaluation
- Transparency and accountability
- Develop a culture of philanthropy (embedded in materials, activities, presentations, etc.)
- Shared leadership (team work among the CEO, fund raiser, board member)
- Distributed expertise for fundraising (e.g. Gladwell’s Connectors, Mavens, and Closers)

### Discussion Summary on Leadership

Leadership in nonprofit organizations is defined by both role and function. Board members and CEOs are expected to lead because of their institutional positions. Others in an organization may lead because of their knowledge or specialized expertise. Leadership may involve vertical as well as horizontal relationships, with influence flowing down, up and sideways. The content of leadership may be strategic or operational.

In all circumstances, successful leadership is the result of people and ideas coming together around an organization’s mission and shared vision. The effectiveness of leadership in all its manifestations directly affects an organization’s success in obtaining philanthropic support.

Leadership and public trust:

- How can you instill or regain a high level of public trust in the nonprofit sector? In nonprofit sector leadership? In fundraising?
- Will definitive metrics help to achieve renewed confidence in what nonprofits deliver as public benefit?



### Leadership in new times:

- How do you lead in tough times, having only the experiences of good times?
- How do you support leaders of the next generation to lead for their times, not yours?
- What will a new leadership style look like that is less driven by task and function and more open to relationship building? What are the required competencies?
- How do you overcome differences in communication styles and content among generational groups (the greatest generation, baby boomers, gen X and millennials), especially with regard to the role and purpose of organizational leadership?

### Leadership at different levels:

- What are the distinctive leadership challenges for different organizational actors: boards, CEOs and individual development professionals?

- How will the fundraising professional champion philanthropy from the middle with the board, staff, the community and donors?

### Nonprofit leadership as a business model:

- To what extent can the nonprofit sector become more business-like without losing its mission-centered culture?
- How can nonprofits increase salaries and strengthen infrastructure without compromising the primary commitment to mission?
- What will you do in hard times when you have to choose between client services and employee remuneration?

### Leadership influences fundraising:

- Why do some organizations welcome development staff in strategic discussions and decision making while others banish them from top-level participation?





# Discussion Guide—Part III

## Governance of the Nonprofit Sector

Professor David Renz

*Midwest Center for Nonprofit Leadership, Cookinham Institute  
University of Missouri—Kansas City*

**D**r. Renz provided context for examining governance issues by outlining numerous dynamics that impact the sector [Slides 4, 5 & 6]:

- The sector is more important than ever
  - And it is a premiere venue for bridging sector boundaries
- Nonprofits are making a critical difference
  - And boards make a pivotal difference in the performance and effectiveness of their nonprofits
- We know how to grow boards
  - It's not rocket science!
- The general climate (e.g. corporate collapses)
- Increased bad press
- We do poorly at telling our story
- Financial stresses are taking their toll
  - Tough economic environment
  - Running closer to “the edge”
  - Executive issues
  - Boards that aren't in the game, don't get it
  - Crooks and exploiters
- More competitive
- The financial structure is changing
- Volunteering is different
- New roles for nonprofits
- Alliances, partnerships, mergers
- Press for outcomes and accountability

Boards themselves are not necessarily constituted by individuals who are committed to strong board governance [Slide 7]:

- Those who make things happen
- Those who watch things happen
- Those to whom things happen
- Those who don't know what's happening

Board competency includes an awareness of the multiple layers of expectations and accountabilities to which nonprofits respond [Slide 8]:

- Donors and funders
- States and attorneys general
- Congress
- Federal government—especially IRS
- Our communities and key stakeholders
  - Beneficiaries and clients
  - Civic leaders

Stronger and appropriate governance will develop only as boards understand and apply to themselves three standards of accountability: legal, political and organizational [Slide 9].

Legal accountability centers on fiduciary responsibilities [Slides 10 & 11]:

- Core fiduciary duties
  - Duty of care
  - Duty of loyalty
  - Duty of obedience

- Recent new federal layers
  - Sarbanes-Oxley Act (commonly referred to as SOX)
  - Pension Protection Act of 2006
  - And the IRS is thinking...

**“The Internal Revenue Service believes that governing boards should be composed of persons who are informed and active in overseeing a charity’s operations and finances. If a governing board tolerates a climate of secrecy or neglect, charitable assets are more likely to be used to advance an impermissible private interest. Successful governing boards include individuals not only knowledgeable and passionate about the organization’s programs, but also those with expertise in critical areas involving accounting, finance, compensation, and ethics.”**

The IRS suggests that boards are accountable for certain good governance practices *[Slide 12]:*

- Mission statement
- Code of ethics
- Due diligence
- Transparency
- Fundraising policy
- Financial audits
- Compensation practices
- Document retention policy

Through the recently revised Form 990, the IRS gives particular attention to certain financial themes that fall under a board’s fiduciary responsibilities *[Slide 13]:*

- Excess benefit
  - Conflicts of interest
  - Compensation
  - Insider deals
- Use of endowments
- Commensurate test

The political layer of accountability may be not be legally mandated but we know we had better pay attention *[Slides 14 & 15]:*

- How are the organization and board perceived in the community/by their constituents?
- Are they viewed as credible? Effective? Accountable?

The Sarbanes-Oxley Act has put pressure on nonprofits that is largely political in nature, but no less real.

- Legally binding
  - Whistleblower policy and protection
  - Document retention and destruction
- The political “guidance”
  - Independent audits and audit committees
  - Quality of financial statements
  - Insider transactions and conflicts of interest
  - Full disclosure of status and changes

These all flow into and support organizational accountabilities *[Slide 16]:*

- Building and sustaining effective boards
- Attracting essential resources
- Efficiency and stewardship
- Making the difference the organizations exists to make—achieve organizational effectiveness

The kinds of tasks that are included in a board’s organizational accountability are *[Slide 17]:*

- Selecting the chief executive
- Supporting and assessing the chief executive
- Ensuring adequate financial resources
- Developing systems of accountability (financial and other resources, performance outcomes)

Too often, boards don't do enough to develop their own capacity as leaders in policy and governance. Renz emphasized that assessing and developing board effectiveness requires [Slide 18]:

- A systematic approach to building board capacity;
- Refining board design to meet future needs;
- Implementing thoughtful recruitment and selection;
- Preparing members to serve;
- Developing systems to support monitoring (benchmarks, dashboards);
- Setting actual goals for the board and measuring the board's achievements.

Boards that intend to “add value” to an organization through their work will [Slide 19]:

- Organize around critical issues and strategic priorities to advance the mission
- Focus on how the board will add strategic value
- Build the board to work as a strong team
- Strengthen the board-executive partnership
- Refine board structures and processes

These boards will also involve themselves in [Slide 20]:

- Redesigning structures
  - Size, committees and more
- Strengthening membership
  - Improving recruitment and selection
  - Investing in member performance
- Changing how they meet
- Growing the next generation of leaders
- Committing to ongoing development
- Holding themselves accountable

Renz posed three simple questions that, if answered well, remove a lot of clutter from discussions about board effectiveness [Slide 21]:

- What enhances board member engagement?
- What hinders or diminishes board member engagement?
- How are these factors affecting your fundraising?

We know a lot about how to strengthen governing boards that we don't use very well [Slide 22]:

- Effective volunteer leadership and management
- High-involvement teams and team leadership
- Nonprofit leadership and management

Senior executives must provide the fundamentals that enable boards to perform at their best [Slide 23]:

- Clear and manageable roles
- Preparation and education
- Engagement and motivation
- Support and assistance
- Follow up and accountability

Ultimately, board members have to believe [Slides 24 & 25]:

- Our board service must be all about the mission of our organizations and the success of the programs
- We exist to enrich the lives of the people of our communities
- Everything we do as a board clearly must advance this mission and all it entails

**“If your institution does not have the financial resources to fulfill its mission, no matter how heavily involved trustees are, and no matter how wise they are—you will flag, falter, and fail. Your high ideals and promise will go unanswered and unresolved.”**

### Discussion Summary on Governance

Boards of directors play a decisive role in building and sustaining philanthropic support. While this includes many of the actions involved with major-gifts fundraising, the scope of a successful board is much broader. The most successful boards demonstrate a capacity for all the following:

- Knowing and telling the organizational story, which provides the narrative for its values
- Educating board members about the organization as well as their own roles and responsibilities
- Creating a collective identity and sense of well-being within the board itself
- Analyzing issues and problems in all their complexity
- Developing strong constituency relations
- Shaping a strategic approach for the organization’s future

These dimensions of board life have an enormous impact on an organization’s operational competence. A board that gives attention to its performance in all these areas practices governance at the highest level. Rules and regulations that pertain to the organization’s corporate life will be implemented with a vision and purpose that establish a sound organizational future.

Designing governance:

- What structures and processes make it possible for a board to work more effectively and efficiently?

- Do you fully understand the CEO’s and board’s roles? How do these roles affect the board’s work?
- How do you develop succession planning for boards as well as executive staff?
- How do you build organizational cultures that honor the commitments (and the work) of volunteers, staff and donors, without allowing the exploitation of any “for the sake of the mission”?

Developing and evaluating governance:

- How do you ensure the board creates and sustains mutual accountability among its members for governance and advocacy?
- How can you collectively educate your boards about their fiduciary responsibilities?
- How can you help produce better board chairs?
- What do you know about optimal complementary mixes of skills/knowledge/types of people on boards?
- What circumstances and conditions make it possible to improve governance and giving on a sustained basis?



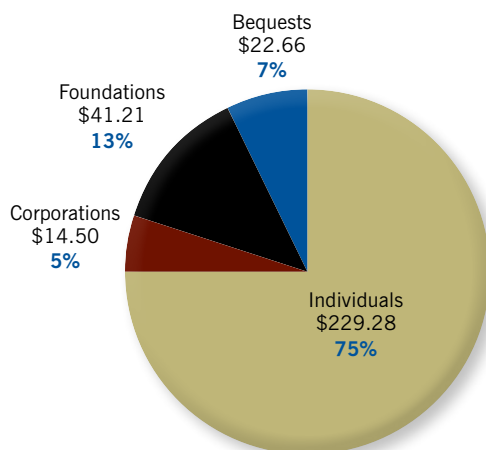
# Discussion Guide—Part IV

## Giving in the Nonprofit Sector

Professor Adrian Sargeant

*Robert F. Hartsook Professor of Fundraising, School of Public and Environmental Affairs  
Indiana University*

The \$307.65 billion of voluntary contributions in the United States during 2008 is a very substantial amount, even if it was a drop of 2% in current dollars from 2007 (5.7% in inflation adjusted dollars) [Slide 4].



**Professor Sargeant** cited Brookings Institute data on the low level of public trust in the nonprofit sector [Slides 5 & 6]:

- Only 16% of Americans have a great deal of confidence in nonprofits
- 34% have not much or none at all!
- In 2003 34% of Americans said nonprofits were ‘very good’ at helping people—now only 25%
- 70% say we waste money—up 10 percentage points in 5 years

For knowledgeable people, credibility is stretched by the way many nonprofits report on fundraising costs [Slides 7 & 8]:

- Roughly 40% of U.S. nonprofits claim zero costs of fundraising—that “100% of your gift goes to those who need it”
- In other reports, 6% of nonprofits indicate no direct costs associated with fundraising and 59% indicate no overhead costs associated with fundraising

Sargeant explored in detail two examples from the United Kingdom for building public confidence in the nonprofit sector [Slides 9, 10, 11 & 12]:

- The CharityFacts website ([www.charityfacts.org](http://www.charityfacts.org)) provides information on fundraising and philanthropy for members of the media, researchers and the general public;
- The Impact Coalition ([www.impactcoalition.org.uk](http://www.impactcoalition.org.uk)) is a group of charities that promote better public understanding of how charities work and the benefits they bring to society by improving accountability, clarity and transparency (ImpACT). The group has agreed to speak with one voice on a specific set of messages:
  - Charities are effective and do a good job
  - To raise more money, charities have to spend money
  - Charities use donations carefully and wisely



- Charities are highly regulated and adhere to a range of strict standards
- Charities work together
- Charities need the public's donations because they really do make a difference

The matter of public confidence in nonprofits is critical to stemming the declining number of donors. Donor retention is the single largest challenge facing fundraising [Slides 13 & 14].

It is clear that the donor pool is steadily decreasing [Slides 15 & 16].

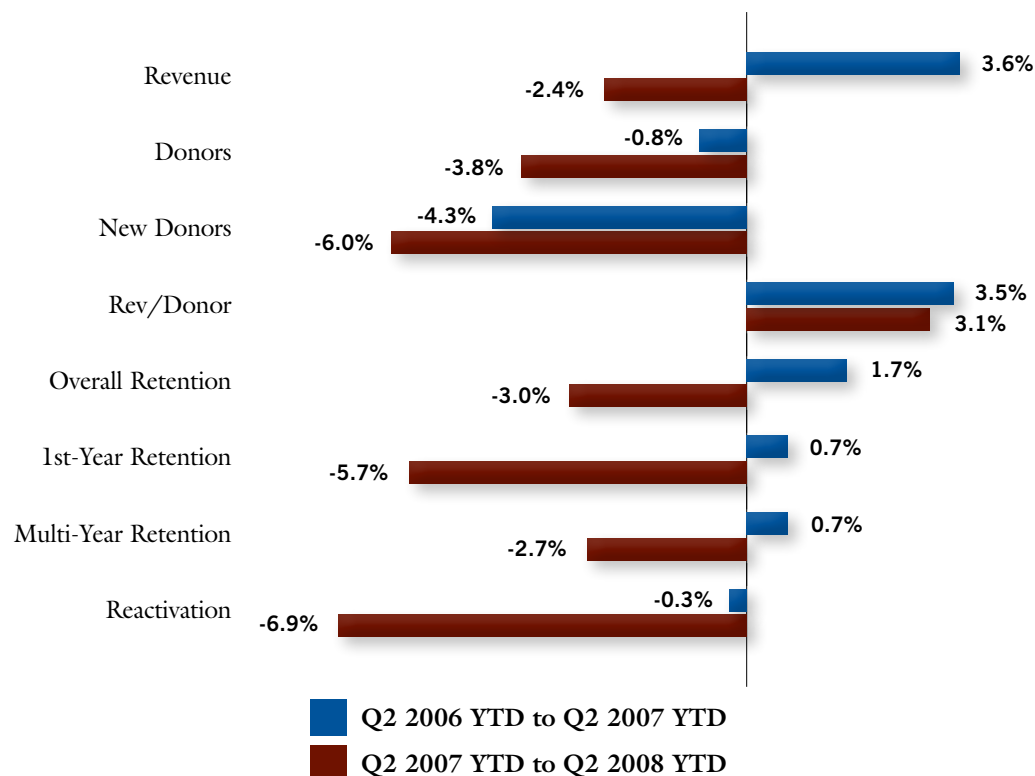
In addition to the declining pool of donors for current gifts, Sargeant reported that participation in bequest giving is unchanged in a century of our best efforts and online giving still accounts for only 2 percent of giving in

spite of the tremendous growth of e-commerce [Slides 17, 18 & 19].

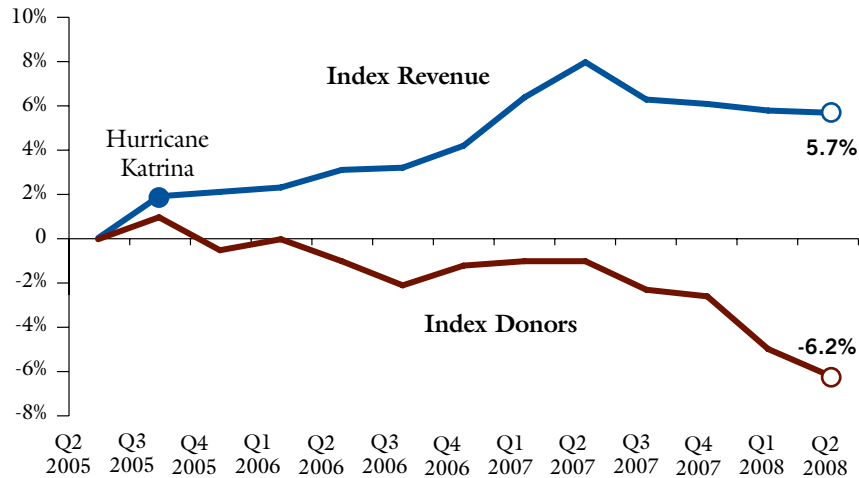
Sargeant asks, "Wouldn't it be good if every fundraiser knew . . ." [Slides 20 & 21]:

- One or two models of giving behavior?
- The underpinning psychology of giving? Philanthropic psychology?
- What drives bequest giving?
- How people make decisions about the future—and what language is most effective?
- What drives public trust in the sector—and in organizations—and why does this matter?
- The three things that drive donor loyalty—and why this matters?

## Overall Index Medians, Year-over-Year Change in Key Measures



**Three-Year Overall Index Revenue and Donor Trends,  
Cumulative Rolling 12-Month Median Change from Q2 2005**



- The characteristics of successful nonprofit websites—and the links between these characteristics and facts of performance?

He also suggested we set standards for the knowledge and skills needed for effective fundraising, and incorporate what we have learned from research into educational programming for fundraisers, CEOs and board members [Slide 22]:

- Set real performance standards— aspirational standards
- Create a formal qualification framework
- Pursue education, NOT just credentialing
- Value research and integrate it into the books we write and our fundraising practice
- Establish ethical standards with teeth
- Implement public information and education
- Coordinate action

**Discussion Summary on Giving**

Fundraising professionals who aspire to philanthropic leadership and governance usually strive to achieve “transformational giving.” Their work is driven by the vision of the organization that engages donors through meaning and satisfaction, adding a sense of value to their lives as well as to the donee organization. This approach contrasts with the organization where fundraising is motivated by a utilitarian or transactional philosophy, often expressed as, “We need more money. Let’s hire a fundraiser.”

Integrating fundraising into an organization’s leadership and governance requires that fundraising professionals be well grounded in the principles and techniques of philanthropic fundraising. They also may need certain organizational development skills, such as change management and coaching.

### Cultures of giving:

- To what extent is the language of mission overcome by the language of organizational need in fundraising practice?
- What should be our response to the poor public perception regarding trust of the nonprofit sector?
- How do you practice accountability to those who give? How does accountability contribute to a culture of philanthropy?
- How does good governance strengthen giving?
- What successful approaches to building diversity in giving and fundraising can you build upon?
- How might we utilize the concept of Impact Coalition?

### Competencies for philanthropic fundraising:

- To ensure that fundraising becomes a true profession, what will constitute a more systematized education program involving staged assessments of competency?
- What need is there for a common syllabus to teach fundraising?
- How could licensing and accreditation further the fundraising profession?
- What knowledge and competencies will best equip fundraising professionals to contribute to an organization's philosophy of governance and leadership?



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2008 AFP Think Tank “Leadership, Governance and Giving”

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