

The Unfolding Century: Promise or Peril?

Opening Keynote
Building Strong Nonprofits
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Our Context: Challenges

- Widening “opportunity gap” (rich/poor in US)
- Natural disasters (this fire, Katrina, tsunami, etc.) calling on nonprofits and donors
- Continuing cost of war (\$142 billion this fiscal year) and diversion of funding from community issues
- Have the 4 Horsemen shown up again? (Pestilence, War, Famine, Death)

Our Context: Opportunities

GDP in America, 1990 to 2006

- Population grew from 250 million to 300 million
- Real GDP from \$7.1 trillion to \$11.3 trillion
- Per capita GDP grew from \$28.5 thousand to \$37.8 thousand
- More money generated in the last two decades than ever before
- More awareness of philanthropic opportunities

These New Realities

How they affect fundraising,
governance and marketing

Changes in Donors

- More knowledgeable about philanthropy
- More experienced as donors
- Demanding more from nonprofits: accountability, transparency, impact, professionalism
- Making larger “entry” gifts
- Impatient for results
- Eager to be involved, but know little about philanthropic board processes

What Donors Are Looking For

- Issues
 - More important than the persistence of needs
- Impact
 - Donors want to make a difference
- Investment
 - Social and community
- Involvement
 - Opportunities to get involved with the investment
- Innovation
 - New approaches/solutions to new/continuing issues

Impact on Governance

- Need to educate new board members not only to the organization, but to philanthropy
- Used to getting information quickly (and briefly)
- Protocols not always known or observed
- Care deeply about the sector's ability to drive change and question how we run our organizations
- Looking for leaders and leadership (study of high net worth individuals and their social investments)

Implications for Marketing

- Incredible competition for attention and dollars
- Messages about "us" just don't work: need issues and values-based messages
- "Nonprofit" is diminishing our true impact: Peter Hero encourages us to say "social benefit organizations" and Claire Gaudiani asks us to call ourselves what we really are: "Social profit organizations" (The Greater Good: How Philanthropy Drives the American Economy and Can Save Capitalism, Henry Holt, 2003)
- Traditional marketing vehicles declining in use: organizations need to become adept at viral marketing, social networking opportunities through web 2.0 sites

What All This Means to You

Challenges and Opportunities

Donor Investment in Philanthropy

- Giving USA for 2006: \$295 billion (up 1% from 2005)
 - \$222.9 billion from living individuals (75.6%)
 - 22.9 billion from estates (7.8%)
 - 12.76 billion from corporations (down 10.5%)
 - 36.5 billion from Foundations (up 9.1%)

Investment in Philanthropy - 2

- Of 764 organizations surveyed, 59% reported increased gifts, 9% were at 2005 levels and 32% were below 2005 levels
- Giving in America remained at 2+% of the GDP: 1966 = \$98.26 billion (2%); 2006 = 295.02 billion (2.2%)
- In 2006, 21 individuals gave \$100 million or more; in 2007, during the past 9 months, 13 individuals have given \$100 million or more, mostly to higher education or health institution campaigns

Individuals as Donors

- They have always been our largest source of philanthropic revenue
- It takes less time for them to reach a decision
- In the past decade, they have become savvy philanthropists, and as demanding as (e.g.) foundations used to be
- They are looking for the “ROI” that is connected to their values
- They want to be engaged with the organizations they fund

Donor Advised Funds: A Major Trend to Watch

- One of the fastest growing forms of giving: donors gave \$6 billion to such funds in 2006 – an increase of 25% from \$4.8 billion in 2005; value of money given to organizations from donor-advised funds was \$3.5 billion in 2006 – up 18% from \$3 billion in 2005.
- Donor advised funds awarded a median of 17% of their assets. The largest is Fidelity with \$3.5 billion in assets – they lowered the initial account level to \$5,000 (from \$10,000) with immediate results.

Donor Advised Funds (continued)

- Donor advised funds make philanthropy accessible. Harris myCFO Foundation, “We’re seeing a trend with younger individuals wanting to get involved in philanthropy at a younger age...we are training the next generation of philanthropists.”
- “Today’s philanthropy is... ‘mobilizing and deploying private resources, including money, time, social capital and expertise, to improve the world in which we live.’”

Where Individuals Give

- 66% of those with philanthropic intentions cited academic institutions and health-related groups as the most likely to benefit
- 43% mentioned religious groups
- 39% favored libraries or museums
- 36% would choose environmental or public policy groups

Although We Are Thriving...

- The Fundraising Effectiveness Project – a survey conducted by 12 fundraising software companies and sponsored by AFP and the Urban Institute – queried 275 nonprofit organizations and charted their fundraising performance from 2004 – 2005.
- This is what they found:

AFP/Urban Institute Survey

- In 2005, organizations attracted \$270.6 million in gifts from new donors or increased gifts from previous donors – that represented 62.6% of the \$325.9 million received from all donors – BUT
- They were also losing \$160.3 million – or 51.9% of their previous year's donations – from those who stopped giving or gave less than the previous year
- “This...is an enormous retention problem..The sector needs to say, “What are we going to do about it?” Bill Levis, Urban Institute

What Organizations Gain When They Retain Donors

- A 10% improvement in the number of donors who give year after year can improve returns by as much as 200% (Adrian Sargeant)
- By acquiring new donors and retaining continuing donors, fund raising returns can double every five years (Bill Levis) Currently the doubling occurs every 10 years
- And...we all know it costs less to keep an existing donor than to attract a new one

What Discourages Donors

- Nearly 75% of high net-worth households reported they would give more if organizations spent more on helping constituents and less on overhead (including fund raising) (Bank of America Study of High Net Worth Philanthropy, IUCOP)
- Organizations need to address this issue and educate their donors about what nonprofits must spend to survive – but they also need to focus on retaining donors to reduce overall fundraising cost

Foundation Giving

- Giving by corporate foundations rose 6% in 2006 to a record \$4.2 billion
- 57% of those surveyed (by the Foundation Center) said they plan to give more in 2007
- Corporate foundations accounted for 11% of all foundation giving
- 25% went to education, 22% to public affairs/social benefit (community development, federated funds, public affairs, civil rights)

Foundation Giving, Continued

- Community foundations grew the fastest, with funding up 13.2% in 2006
- Foundation assets grew by 10 – 12% in 2006
- A record 308 grants of \$5 million+ were given in 2005
- The share of grant dollars to fund capital projects and endowments climbed to 18.5% in 2005, up from a record low of 16.8% in 2004

From Independent and/or Family Foundations

- Foundations (led by Rockefeller) are beginning to rethink their long-time pattern of funding programs rather than infrastructure
- 71,000 grant-making foundations in the US – gave \$40.7 billion according to The Foundation Center; \$36.5 billion according to Giving USA
- Independent and family foundations (nine out of 10 foundations) raised giving by 10.3% (Giving USA reported 10.5%) in 2006

And Another Trend to Watch

- “Blending Business and Charity”
 - Google is operating its philanthropic arm as a for-profit entity (\$1 billion seed and 1% of annual profits), Google.org. “Without the constraints that govern the use of foundation money, Google.org would be able to invest in companies and investment funds that produce a social benefit. ‘We wanted to give ourselves the flexibility to take any approach that we think will have the highest return.’”(Sheryl Sandberg, VP of Global Online Sales and Operations)
 - eBay did this years ago, setting forth the model with Omidyar Network, utilizing “two checkbooks” (\$200 million annually *each*).
 - From the Chronicle of Philanthropy: September 28, 2006

Take Note of These Other Trends

- Less than one-third of all charitable giving is directed towards the poor and others in need (\$78 billion of the \$250 billion given in 2005) (IU Center on Philanthropy)
- Donor-investors believe we should be consolidating more around shared mission (e.g., with other like organizations)
- The newer philanthropists are impatient with our processes and need to be educated about philanthropy

Take Note of Other Trends - 2

- Giving is primarily focused on education (independent schools and universities) and health (hospitals, medical centers, other initiatives): *But -- less than 9 cents per dollar is used for scholarships; 10 cents per dollar for health programs for the needy.*
- People are giving more locally (they can see the results)
- People still report that they “don’t completely understand what their contributions support..” (IU study)

Still Other Trends

- Community vision incorporating a values proposition is increasingly important to donors
- On Maslow’s hierarchy of needs, a very wealthy segment is sitting at the top (self-actualization) and that has inspired a surge in philanthropy – even as poverty swells and the needs of the poor face decreased government funding.
- Our challenge is to employ imagination in our opportunities and to connect with donors’ dreams for their communities.

And to Add to This....

- Even as organizations are failing to persuade donors to keep giving year after year, David Eisner, who heads “Teach for America” reported on NPR July 11 that organizations are losing one third of their volunteers each years because of “lack of professionalism”
- Katherine Fulton of GBN cites our “amateurism”
- Our annual giving programs eat up large sums to attract new contributors to replace the ones we lose, driving up the cost of fundraising
- Turnover among qualified fund raisers has increased – also driving up the cost of maintaining a development office

Overcoming the Peril: Engage These 21st Century Donors in Your Mission, Vision, Values

How To Do It
What It Takes

Some Basic Principles About Giving

- People give to you because you meet needs, not because you have needs.
- A gift *to* you is really a gift *through* you into the community: you are an investment vehicle; you are not the end user of the gift.
- Fund raising is not about money, it is about relationships.
- Giving is all about values. No investors – institutional or individual – will give to an organization whose values they do not share: what do you convey in your annual reports, proposals, marketing messages? Is yours a story of need, or of impact? Of investment in community and future, or “getting back to zero” (making your budget)?

Mission

- Remember that mission is “why” not “what”
- Remember that it is bigger than your organization – it describes the human or societal need your organization is meeting and it should resonate in a way that engages people in a relationship with you
- Master the mission so that it inspires others to desire a relationship with your organization
- Make the mission manifest through your programs and outreach

Mission Example

- Vector Health Programs (medical agency treating hands)
- “Next to the human face, hands are our most expressive feature. We talk with them. We work with them. We play with them. We comfort and love with them. An injury to the hand affects a person professionally and personally. At Vector Health Programs, we give people back the use of their hands.”

What is A Vision?

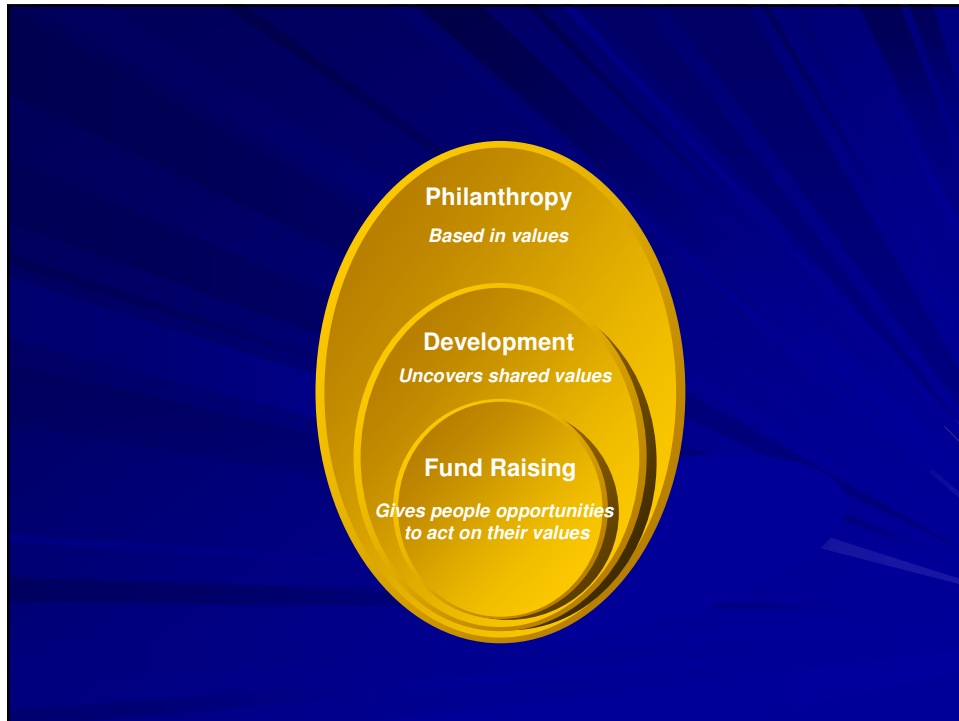
- Vision / It reaches beyond the thing that is, into the conception of what can be. Imagination gives you the picture. Vision gives you the impulse to make the picture your own.” Robert Collier (American motivational author, 1885-1950)
- It is not just what you want to “look like, feel like, be like” as an organization’
- It is what you imagine is possible in and for your community if your programs are effective – it is your vision of the impact you can have
- It relates to mission (why you exist) but is not the same
- The best vision expressions are those that inspire investment and urge response

Two Vision Examples

- “Our vision is that every child in the greater New Orleans area will be ready when it is time to start school.” Pre-school education organization
- “I could see 100 years ahead, when all the present trials were forgotten...the children’s children’s children coming here from the east, the west, the north and the south.” Jane Stanford about the University

Values

- Basis of all philanthropy
- Identify your core values and list them somewhere
- Express them in your messages and work
- Live them in your relationships with board, staff, clients, funders, vendors
- Seek relationships with those in your community who share your values



So, It's No Secret...These Donor-Investors are Demanding...

- Transparency
- Accountability
- Results
- An “ROI” based on their values
- Involvement
- Focus on issues
- Solutions (do you serve or solve?)

Fulfilling the Promise: Social Entrepreneurship

What it is
Where it came from
How to practice it

Social Entrepreneurship

- “Social entrepreneurs seek out opportunities to improve society and they take action. They attack the underlying causes of problems rather than simply treating symptoms. And, although they may act locally, their actions have the very real potential to stimulate global improvements in their chosen arenas, whether that is education, health care, job training, the environment, the arts or any other social endeavor.”
 - Strategic Tools for Social Entrepreneurs, Dees, et al, Wiley, 2002

The Origins of Social Entrepreneurship

- Created by those who generated phenomenal ideas, products and wealth in the late 1990s (and are once again manifesting both wealth and philanthropy in 2007)
 - Confronted with the chronic problems of local, national and global communities, they wanted to solve these issues
 - They looked for ways not only to give back money to the causes they cared about, but also to effect systemic change
 - And, they are looking for us to become partners with them

Practice Social Entrepreneurship

- Adopt a mission to create and sustain social value
- Recognize and relentlessly pursue new opportunities to serve that mission
- Engage in a process of continuous innovation, adaptation and learning
- Act boldly without being limited to resources currently in hand
- Exhibit a heightened sense of accountability to the constituencies served and for the outcomes created.

Creating a Community of Social Entrepreneurs

- Lift the perception of the sector in your community – particularly among the “young and restless” who are impatient with us
- Collaborate, cooperate and mesh your mission with organizations doing like or similar activities
- Sacrifice territory and ego and embrace the larger mission of the need you (and others) are meeting in the community
- Work to strengthen your community, not just your organization (no time for silos)
- The more our sector pulls together, the more impact it will have (do we really need 1+ million nonprofit organizations?)

What About “Traditional” Philanthropy (and Philanthropists)?

- It (and they) remain at the core of our principles
- Honor and engage them, as you always have, and keep those relationships strong
- But we also need to gear our actions to this century and the host of new investors who expect entrepreneurship, problem solving and innovation
- We can engage and educate these “new philanthropists” with our vision and responsiveness

Why the Time is Now

- Wealth transfer and the creation of money offer vast new opportunities for us to attract social investors – if we are perceived as social entrepreneurs and think BIG about solutions
- Increased investor expectations must lead to increased performance
- Increased community needs have put additional strains on already-stressed systems
- We cannot stop the tide: we just need better boats and navigation systems to ride it to the best harbors

Final Thoughts

- “Be daring, be different, be impractical, be anything that will assert integrity of purpose and imaginative **vision** against the play-it-safers, the creatures of the commonplace, the slaves of the ordinary.” *Cecil Beaton, English Photographer*

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