EDJ The IEDC Economic Development Journal

734 15th Street, NW Suite 900 • Washington, DC 20005

Volume 14 / Number 1 / Winter 2015

Six Questions and Six Keys to Better Fundraising

By Susan P. Blansett, CEcD, CM

LEVERAGING PASSION, COURAGE, AND LEADERSHIP TO ELEVATE PERFORMANCE AND RAISE MORE MONEY

Economic development organizations may be among the most impactful nonprofits working to improve community competitiveness and regional sustainability. Yet they often share the same frustration as other social-change organizations when it comes to securing financial support. The good news is that fundraising is not as onerous as most people believe it to be. Given sufficient attention and a good understanding of a few key concepts, almost any ED organization can learn to improve its bottom line and generate more resources for operations. As EDOs get better at fundraising and leadership engagement, their capacity to positively impact their cities/regions grows, which ultimately leads to greater economic opportunity.

six questions and

SIX KEYS TO BETTER FUNDRAISING

By Susan P. Blansett, CEcD, CM

INTRODUCTION

According to Merriam-Webster, the first known use of the term "fund-raising" was in 1940 – unfortunately, the circumstances of that first use are not provided with the definition. But since modern economic development is largely a post-World War II phenomenon, it is doubtful the word was coined by a CEcD. More likely it was some agent of social change, intent on improving the lot of the poor, the oppressed, and the religiously or culturally unenlightened.

Good fundraising and good investor relations will make your organization more resilient, more secure, better able to lead, and more effective at creating the kind of *impact* you want to have in your community/region. It's really that simple – and while "simple" is not the same as "easy," *it is within the capacity of almost any EDO to improve its bottom line by even modest alterations to the way it looks at, plans for, and executes its fundraising and investor relations.*

Most economic development professionals would agree that our profession has undergone significant and positive change since the '40s – even since the Great Recession of 2008. Yet as I discuss the issue with my ED and fundraising colleagues, we are forced to admit that there is a multitude of economic and community development organizations that still suffer through ineffective annual fund drives, high rates of investor/member churn, and smaller budgets than they have to. This is troubling for any number of reasons, but there is only one reason for it that really matters: *It short-changes their ability to have impact.* And an economic development organization that isn't firing on all cylinders is not helping its community drive change or create greater opportunity for the next generation.

This is not a universal predicament, to be sure. There are leading chambers of commerce and EDOs that are exemplary at attracting money, leaders, and influence. Whether they employ the services of a consulting firm or do it on their own, they are to be congratulated. The fact remains, too many organizations struggle with fundraising on a regular basis, lacking the resources or the experience to turn it into a strength.

From a professional development standpoint, as we prepare each new generation of ED practitioners with technical competence, it seems fair to ask: *Are we also preparing them to be effective leaders? Are we teaching them how to secure and maintain organizational support?* If not, we may be dooming them and their organizations to mediocrity.

Good fundraising and good investor relations will make your organization more resilient, more secure, better able to lead, and more effective at creating the kind of *impact* you want to have in your community/region. It's really that simple – and while "simple" is not the same as "easy," *it is within the capacity of almost any EDO to improve its bottom line by even modest alterations to the way it looks at, plans for, and executes its fundraising and investor relations.*

This article challenges some common perceptions about fundraising, or at least introduces a perspective that some may not have considered

Susan Blansett, CEcD, CM, is the managing partner of The McCarthy/Blansett Group, a consulting firm based in the Denver area. (susanblansett@gmail.com)

LEVERAGING PASSION, COURAGE, AND LEADERSHIP TO ELEVATE PERFORMANCE AND RAISE MORE MONEY

Economic development organizations may be among the most impactful nonprofits working to improve community competitiveness and regional sustainability. Yet they often share the same frustration as other social-change organizations when it comes to securing financial support. The good news is that fundraising is not as onerous as most people believe it to be. Given sufficient attention and a good understanding of a few key concepts, almost any ED organization can learn to improve its bottom line and generate more resources for operations. As EDOs get better at fundraising and leadership engagement, their capacity to positively impact their cities/regions grows, which ultimately leads to greater economic opportunity.

SIX CRITICAL QUESTIONS FOR BUILDING A STRONGER BASE OF SUPPORT:

1. How many new investors have you called on recently, and what message did you share?
2. What is your investor retention or "churn" rate?
3. What is your long-term vision for the organization/ community, and how do you measure success?
4. What is the compelling, *true* story you can tell about your organization's community impact, past/present/ future?
5. Do you have the right leaders engaged in the right ways?
6. How much money do you want to raise and what will you accomplish with it?

before. By *thinking, talking, and acting differently*, your investors can appreciate economic development on an entirely new level. With that in mind, allow me to pose six questions for you to think about relative to your own organization or one you work with, and six specific, key concepts that can enhance your (and their) fundraising success.

SIX QUESTIONS

I have often heard an ED director or CEO express a desire for more money in their organizational budget, without having seriously considered exactly what it is they propose to do with "more." This speaks to the vision (or lack thereof) and to the core of every EDO's reason for being.

Here are just a few key questions that should be posed in the earliest stage of determining whether a fundraising campaign is a reasonable step to take. If your organization is not in the habit of exploring such questions, perhaps these will help you to clarify your role, your reach or at least your ambitions.

1. How many new investors have you called on in the past month, and what is your message to them?
2. What is your investor retention rate, or rate of "churn" (the amount of new investment you must attract to replace what has been lost)?
3. What is the long-term vision you hold for your organization and the community you serve? How do you measure success?
4. What is the compelling, *true* story you can tell about how your organization has impacted your community and your intention to generate impact in the future?
5. Do you have the right leaders on your bus and in the right seats? (with grateful acknowledgement to Jim Collins, author of *Good to Great*).
6. How much money do you want to raise, and what can you/will you accomplish with it that you can't accomplish within your current budget?

Having a lively, candid conversation with your staff around these six questions is not only enlightening and fun; it will promote greater unity, understanding and consistency across the organization and better communications with your various constituencies.

The first two questions are intended to focus attention on your internal investor development activities and the results they are producing. A candid discussion may well help to uncover ideas for enhancing those results. Questions 3 and 4 will help you clarify what many organizations take for granted – that people know what you do and why, and what is at the very root of your efforts. It's all about articulating unequivocally the future you're working toward and progress you're already making.

Question 5 will help you look at investors as more than financial supporters. By examining their individual talents, influence, and motivations, you'll be able to use them more effectively, which raises the value they receive from their relationship with your organization. And Question 6, I hope, needs no explanation.

Having a lively, candid conversation with your staff around these six questions is not only enlightening and fun; it will promote greater unity, understanding and consistency across the organization and better communications with your various constituencies. In addition to the six questions for building a stronger support base, the following six keys can further enhance your fundraising and performance.

Fundraising is really about many things – passion, vision, leadership, engagement, impact, legacy, and the desire for change among them. In fact, if *money* is truly the end goal of your fundraising campaign, then get ready to be disappointed.

SIX KEYS

Exceptional fundraising is never about the money

This is the first of many great truths I learned about fundraising (some of which will be shared later in this article) back when I was an ED practitioner: *Fundraising is never about the money.*

When fundraising is treated primarily as an exercise in chasing money, it is doomed to failure at worst or mediocrity at best. And judging from the stories I've heard, there are still some pros out there for whom it's still all about the money.

Fundraising is really about many things – passion, vision, leadership, engagement, impact, legacy, and the desire for change among them. In fact, if *money* is truly the end goal of your fundraising campaign, then get ready to be disappointed. Fundraising is finding the visionary high ground you share with other business and civic leaders who are concerned about their legacy and their community's future. And yes, it's about leadership – in many forms.

At any given time in your community, there will be multiple fundraising campaigns underway; it is unavoidable. But when you demonstrate *impact*, you need not fear competition. Impact models can help you demonstrate the positive impact of ED on many sectors in your community, philanthropy included.

If you have a compelling vision, a solid strategy, the right message, engaged leaders, passion and a little bit of courage, the money will follow – it becomes almost secondary, in fact. To quote Robert Eggers, author of *Begging for Change*, "In today's competitive fund-raising climate, too many nonprofits are chasing the money, not their mission. They're begging for money when they need to realize what they need to be doing is begging for change."

SIX KEYS TO UNDERSTAND FOR BETTER FUNDRAISING AND PERFORMANCE:

- Fundraising is never about the money
- Impact drives income
- Engage leaders' time and talent, as well as treasure
- Tell a compelling story and tell it often
- Don't just make an ask, make THE ask
- Lead courageously and passionately

Impact drives income

At times, it seems a vicious cycle: Distrust of institutions is rampant and transparency is a prerequisite in this age of information overload. You need money to generate impact, yet investors want proof of impact as justification to write a check. The late management guru Peter Drucker, who in his later years trained his prophetic eagle-eye on nonprofits, said that every nonprofit should put itself on trial for life every five years to determine its impact. (A fundraising campaign effectively does that, by the way.) Drucker also concluded, after studying thousands of nonprofits, that there really are only two things that differentiate them from one another: how they market themselves, and how innovative they are.

At any given time in your community, there will be multiple fundraising campaigns underway; it is unavoidable. But when you demonstrate *impact*, you need not fear competition. Impact models can help you demonstrate the positive impact of ED on many sectors in your community, philanthropy included. In fact, it is not uncommon to see philanthropies (United Way and community foundations, for example) become substantial investors in economic development programs. More jobs mean income growth, which ultimately means more money in the coffers of philanthropic causes – a correlation that can be substantiated with a good economic impact model.

The best EDOs embrace BHAGS (Big, Hairy, Audacious Goals) but they are astute at defining success in measurable terms that are meaningful to their funding base and key constituents. They readily take the long view, with a simple, smart, but far-reaching vision around which people will rally – even if it takes 10-20 years to achieve it. Then they carve out the interim steps, the critical milestones they must reach near-term and mid-term to show steady progress toward achieving the vision. The IEDC Research Partners' report, "Making It Count: Metrics for High Performing EDOs," asserts that only two-thirds of EDOs regularly use performance metrics, and the majority of those are only counting jobs, capital investment, income and tax base – which often is not sufficient for today's investor base.

One way your EDO can show progress as measured against your own performance (over time) and against other communities you view as peers or competitors is to develop your own composite index based on measures most relevant to you and your constituencies. A competent economist at your local university can help you do this cost-effectively and with a high level of credibility.

Beyond treasure: engaging leaders' time and talent

Much has been written about donor loyalty and maintenance of the nonprofit support base. According to Wikipedia, "Recent research by Adrian Sargeant and the Association of Fundraising Professionals' Fundraising Effectiveness Project suggests the (nonprofit) sector has a long way to go in improving the quality of donor relations. The sector generally loses 50–60 percent of its newly acquired donors between their first and second donations and one in three, year on year thereafter. The economics of regular or sustained giving are rather different, but even then organizations routinely lose 30 percent of their donors from one year to the next."

In my own experience, these numbers vary widely from one organization to the next, and some EDOs that place a high priority on BR&E programs somehow fail to see the value in paying that kind of attention to their own investor base. Conversely, I see those organizations that effectively engage their investor/leaders in the accomplishment of their mission enjoying retention rates upwards of 92 percent. (This is admittedly an area where

One way your EDO can show progress as measured against your own performance (over time) and against other communities you view as peers or competitors is to develop your own composite index based on measures most relevant to you and your constituencies. A competent economist at your local university can help you do this cost-effectively and with a high level of credibility.

the severe pressure on all nonprofits to reduce overhead can sometimes be counterproductive. It takes staff to implement programs. It also takes a strong CEO to maintain staff at optimum levels and confidently defend doing so.)

Attracting investors to economic development is not unlike attracting talented workers or new customers: once you've made the sale, you have to keep them. That takes effort and resources – to know them, to listen to them, to understand why they signed on in the first place, to monitor their participation, and to *employ their time and talent in ways that advance the organization's mission and give them personal gratification.*

I am still surprised each time I hear from an EDO investor that "the only time I hear from them is when they want my check." This kind of neglect not only results in monetary loss, but lost *opportunity* as well – *for impact and leadership*. Investors deserve the same attention that job-generating prospects get; treated well, they may even lead prospects or other new investors to you. Neglected and taken for granted, they'll be a liability.

Jim Collins said this about nonprofits engaging leaders well: "They start by getting the right people on the bus, the wrong people off the bus, and the right people in the right seats." Especially among your high-end investors, the extra time you take to cultivate them and turn them into champions and partners will pay huge dividends. It's important to convene, inform, anticipate their needs, and trust them – without trying to control them.

Treated as trusted partners who share responsibility for community betterment, leaders convened in this manner can achieve miraculous things. Look at Denver's FasTracks mass transit project that is conquering commuter gridlock; look at the Quad Cities of Illinois/Iowa catapulting their economic strength rankings from so-so to the top quartile in the U.S. in only five years; look at Northeast Indiana's unification of 10 parochial, uncooperative counties into a unified effort that is changing their competitive landscape.

Behind each of these transformative wins you will find strategic deployment of countless civic, business, and nonprofit leaders, all convened in a deliberate way by their regional economic development entities in the pursuit of specific goals. Leaders convened under the cause of economic development can evaluate/suggest strategic initiatives, drive transformational change, focus attention on critical civic issues, attract resources and support, exert influence, bring needed voices to the table, and mentor the next generation of leaders while doing it.

Attracting investors to economic development is not unlike attracting talented workers or new customers: once you've made the sale, you have to keep them. That takes effort and resources – to know them, to listen to them, to understand why they signed on in the first place, to monitor their participation, and to *employ their time and talent in ways that advance the organization's mission and give them personal gratification.*

Cast your net wide in the search for leaders to add to your investor group. Look in unusual places, and actively cultivate diversity and emerging young leaders to your cause. They can be the spark that rejuvenates longtime supporters who may be fatigued, and they may see opportunity where others see only barriers. Finding high-end investors has less to do with the size and profits of a company than with what is in the heart and mind of its leader(s).

Cast your net wide in the search for leaders to add to your investor group. Look in unusual places, and actively cultivate diversity and emerging young leaders to your cause. They can be the spark that rejuvenates longtime supporters who may be fatigued, and they may see opportunity where others see only barriers. Finding high-end investors has less to do with the size and profits of a company than with what is in the heart and mind of its leader(s).

Tell a compelling story – then tell it again, and again

A brilliant scholar and conflict resolution expert in Calgary, Dr. Nancy Love is the founder of the PULSE Institute, which stands for People Using Language Skills Effectively. Her mission in life is simple: *To make the world better, one conversation at a time.* Among the many things I've learned from her, two principles have deeply impacted my work:

The Descriptive Principle, which says "Words Create Worlds." *Reality is subjective, it is what we perceive it to be. Reality is socially created, through language and conversations.*

The Anticipatory Principle, which says "Image Inspires Action." *Humans inevitably move in the direction of their imagined future. The more positive the image, the more positive the present-day action will be.*

What is your elevator speech? Your story? The cause you are working toward? What is it you do, and why and how? This is where many communities and organizations lose the game, by being unclear, convoluted or inconsistent in what they communicate to their various audiences and constituencies. Substance matters when crafting your message, and so do style and delivery. If words create worlds and image inspires action, then thoughtful attention to crafting the message is critical to every aspect of ED – from making a positive first impres-

The story you tell keeps people focused on why it's important and meaningful to them as individuals, as well as to the larger community. When your story is compelling and is told often, watch how people start to own it and repeat it. When *investors* start to repeat it, they become *champions* and begin drawing others to your cause.

sion, to attracting investors, to enjoying credibility with media outlets, to influencing others, to simply ensuring that you are speaking in a way that *others can hear you*.

When it comes to fundraising, your message must be compelling, simple, and bold. Clearly state what you stand for, the vision you hold for the future, why you do what you do, and how you plan to change the world – or at least your corner of it.

The Six-C Test is an effective tool for creating or evaluating your message: Is it Clear, Concise, Compelling, Consistent, Congruent and made with Conviction? Remember, as an ED professional, YOU are the carrier of the message, reminding people at every opportunity what it is you're all striving towards.

The story you tell keeps people focused on why it's important and meaningful to them as individuals, as well as to the larger community. When your story is compelling and is told often, watch how people start to own it and repeat it. When *investors* start to repeat it, they become *champions* and begin drawing others to your cause. That's when you begin to see public sentiment shift. Recognize the power of your words, and how you use them, and train everyone on your team to share the message well.

Fundraising for economic development is not so different from philanthropic fundraising, though the vast majority of ED professionals tend to approach it very differently from their charitable counterparts.

Don't just make an ask, make THE ask

Fundraising for economic development is not so different from philanthropic fundraising, though the vast majority of ED professionals tend to approach it very differently from their charitable counterparts. There are two main aspects of "the ask."

First, you're out to make a sale. Whatever the cause, it's important to do your research, to know your audience. What does the company do, how do they make their money? Who are their competitors? What is their market share? Who is the decision-maker and what can you learn about that person or persons? Are they headquartered in your community, and/or how large is their presence and investment? How many do they employ?

What concerns are they likely to have with the local business environment? Are they civically active and if so, what does that look like? Who do you know that knows them? What can you learn about their giving history?

Know your audience. Only then can you make THE ask – the one that is likely to have the most appeal, the one that is likely to get a "yes." Ask too little, and it may take years to get an investor to upgrade to an appropriate level. Ask too much and you may not get another chance for a long time.

The second aspect is this: Most ED professionals in a fundraising situation will pin their pitch on logic, facts, and figures almost every time. Those things are essential, as stated before: Impact drives income. So as you "think differently," consider what gets a prospective new investor excited about what you do? What gets her/him to say "Yes! Count me in!"? That answer comes straight from the heart and is then rationalized by the mind. Because, for as complex as economic development is – aren't we really in the people business?

Think about it: Why do we do what we do, really? Sure, we say it's about jobs, tax base, talent, competitiveness – granted. But ultimately, doesn't it come down to our children and our grandchildren? Doesn't it come down to building a place where they can come back if they want to and live well? Doesn't it come down to leaving a legacy for the future?

THAT'S the stuff that stirs the blood – that speaks to the heart, that gets people excited about change, that gets people to put aside their differences and work together toward a higher purpose. Few people get excited about numbers on a page or about development plans. They get excited about the IMAGINED FUTURE that those numbers and plans represent (remember the Anticipatory Principle?). So engage them FIRST with the heart, THEN with the head. A business owner in Springfield, Illinois, once said, in making his commitment to the local chamber's economic development program, "My passion and my wallet come out of the same pocket."

Leaning in – the courageous CEO

While we're on the topic of passion, let me ask you to think about the last time you made a solicitation call. Put yourself in the place of the person on the receiving end

Know your audience. Only then can you make THE ask – the one that is likely to have the most appeal, the one that is likely to get a "yes." Ask too little, and it may take years to get an investor to upgrade to an appropriate level. Ask too much and you may not get another chance for a long time.

of the ask, and think about how they perceived YOUR commitment. Did they see you as passionate about the cause you were representing? – As someone who rises each morning eager to get to work and advance the community's competitiveness? Or did they see a professional but emotionless case laid out solely on facts and figures?

We often do ourselves a disservice by trying to separate emotion from business. Harvard business guru Michael Porter said emphatically, "Great strategies are a CAUSE." In this age of institutional mistrust and skepticism, people are hungry for passionate, ethical, servant leadership. It takes courage to put yourself out there, to let others see how committed you are to doing the right thing and doing it well. It takes courage to admit you don't have all the answers, to ask another's help to find or drive change. But, as Kay Sprinkel Grace said in *Beyond Fundraising: New Strategies for Nonprofit Innovation and Investment*, "Commitment is sustained passion."

Take the risk. When I see a client, a Chamber or ED leader who can look a company exec in the eye and say, "I'm dedicating myself to making this happen, and I'm not giving up. And I need you there with me to drive it." – Or when I see a prospective investor move from "I'm not interested" to "I'm with you," because a colleague shows genuine understanding of that person's sensibilities and demonstrates her/his own commitment – that's when the magic happens!

Lead. Share your vision and your commitment, then let people see how their time, talent, and treasure can really make a difference. Others will step up to join you, to support you, and to link arms with you as a partner. Then you are on your way to greater performance, to greater impact. The money will follow.

Lead. Share your vision and your commitment, then let people see how their time, talent, and treasure can really make a difference. Others will step up to join you, to support you, and to link arms with you as a partner. Then you are on your way to greater performance, to greater impact. The money will follow.