



Giving Thanks

Development Efforts Deserve Appreciation and Support

by Bob Jones, Ph.D.

Chair of the Resource Development Services Task Force

In this season of harvests and Thanksgiving, it is appropriate to thank the professionals within the Alliance network who personally pen the many thank you notes to the people across the nation who invest in work that our agencies do for communities, seniors, families, and kids. As I reflect upon their professionalism and incredible efforts, energy, and contributions to our field, I fear that development efforts and impacts are all too frequently under recognized. Worse, they are not understood, and even worse still sometimes minimized as burdensome overhead or relegated to simply the “gatherers of unrestricted gifts.” So, my column is a celebration of the important role of development. In fact, it is a thank you to development executives and staff.

Stressful environment, relevant role

The child- and family-serving world is a tough environment for development professionals. Philanthropy is limited in our sector (about 7 percent of total philanthropy), our culture often fails to support it, and the immediate and almost limitless needs of our communities and clients are at times, used as the very argument not to invest in it. Our development executives and staff work on behalf of our agencies and missions in one of the most stressful and difficult environments, often within an overall culture that can be skeptical, if not downright ambivalent, about their roles.

But development departments make a huge difference in the life of an agency. That difference is not just in financial terms (particularly related to cherished unrestricted dollars). Development efforts build and maintain the foundation of public support upon which our agencies depend. They position our organizations as leaders and worthy of investments through a variety of communications and

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events that have an impact on the perceptions of potential donors, political figures, foundations, United Way, and business leaders. Development manages important key relationships and engages in so many other aspects of public relations and advertising with which we leverage other funding opportunities. Development staff and volunteers also help build life-long and sometimes beyond-life commitments of donors in ways that bring new vigor to the agency.

It is a process that is not just about getting financial support, but also about helping people to invest their time and talents in a cause that will enrich their lives and the lives of their children and their children's children. In these times of skepticism about the very integrity of many nonprofits, development efforts even help “legitimize” our agencies as core supporters of the basic community infrastructure through their involvement of volunteers, key decision makers, and community leaders.

Investing in development

In times of scarce and declining resources the development function opens, creates, maintains, and supports relationships that will be key factors to economic recovery. For example, in early 2002 when the Paramus, New Jersey area around Children's Aid and Family Services suffered the devastating economic impacts of the falling market, the economic consequences of 9/11, and the anxiety and uncertainty of impending war, my agency's revenues from government and private sources were severely reduced. We were required to reduce our expenses by nearly 12 percent through a variety of difficult and painful program cuts. However, we maintained our commitment to development. In fact, it was the first function in which we reinvested precious unrestricted dollars. This was not a popular decision with all staff. But we

simply needed to invest in our capacity to both maintain current, and generate future relationships and revenue, even if there was not an immediate return on investment. We even went into a deficit situation.

In these difficult three years since, we maintained our commitment to the strategic importance of relationship management with donors, communities, foundations, and funders, all of whom were less able to support our work these past years, yet remained committed to our mission and our efforts on behalf of that mission.

Most importantly, as the economy began its slow recovery, these supporters have again begun to invest (as they are able) in us. The results today have proved the wisdom of the decision. Our agency is more focused, we are back on a growth track in core service delivery areas, and our philanthropic revenues (restricted and unrestricted) are slowly beginning to rise.

Achieving long-term program

We all recognize that most populations served by our member agencies are unable to afford the cost of services and programs. Many who look to our agencies are vulnerable and at the margins of the economic life of our communities. Although governmental funding opportunities continue to exist, they are declining and they rarely fund the full or "true" cost of service delivery. This trend continues to quicken and intensify as federal and state mandates for local matching dollars and managed-care strategies become more and more standard in governmental circles.

Philanthropy is one of the agency's few sources of unrestricted funds to support future investments in the mission, allow for flexible and creative responses to unmet or emerging needs, and maintain our facilities and core organizational infrastructure and supports. However, like any successful business, philanthropy requires initial investment and a sophisticated understanding of the dynamics. For example, growing an individual donor base and developing a major gifts campaign all require significant investments. Obtaining new donors actually costs money; it can be as high as \$1.50 for every new dollar raised.

For most agencies, philanthropic support is and will continue to be the keystone in their strategic positioning for building the bridge to long-term organizational viability and health. Given our agencies' history, missions, and community impact, as well as the public sensitivity

SO MANY OPTIONS

Resource Development Services

Since its inception in 1998, the Alliance for Children and Families' Resource Development Services has laid the groundwork for a fund development model that, according to an Alliance for Children and Families research study, has increased revenue from philanthropic sources by an average of 40 percent for participating agencies.

Resource Development Services (RDS) offers distance learning events, workshops at the Alliance national conference, individual mentoring by CEOs, affinity groups, and an extensive self-study manual with seven training modules. It also offers the RDS Listserv, an online discussion group open to all who are responsible for fund raising and resource development in their organization. To sign up, go to the Alliance Web site at www.alliance1.org. On the right side of the screen scroll down to "Online Discussion Groups" and look for "RDN." Feel free to contact the Severson National Information Center at severson@alliance1.org if you have any questions.

With a generous grant from the William Randolph Hearst Foundation, Inc., in 2005 the Alliance will conduct training sessions across the country for nonprofit organizations to help equip them with fund development best practices and to engage them in a national network of ongoing support. This current fund development effort is centered on volunteer board engagement and the critical role board members play in successful fund development.

Contact Mary Riordan of the Alliance at mrriordan@alliance1.org or 800-221-3726, ext. 3678 for more information.



to family and children's needs, there is every reason to believe that there are philanthropic opportunities for our agencies. These opportunities are promising and also indicate that continued investments in this core organizational capacity are prudent investments in our future. Unfortunately, most child and family agencies are relatively new to professional development

and are now only building the capacities needed to yield significant fundraising returns on the initial development efforts of obtaining and building a base of support.

Capitalizing and sustaining professional development commitment in this time of declining resource streams is difficult for many agencies. Yet it is even more important than in

the past—particularly for those agencies with complex restricted funding relationships through United Ways, foundations, and corporations with relatively new and fairly limited unrestricted giving programs. These investments are strategic business decisions and they require responsible allocation of organizational time, talent, and financial resources toward not just the areas where we get the greatest social return on investment dollar for dollar (programs), but also the organizational strategy to support and sustain those returns (organizational capacity and viability).

Defending development efforts

In these times of scarce governmental, foundation, and United Way resources, it is all too common to hear questions such as, “If we’re cutting program services why aren’t we cutting the development function?” Or, “Shouldn’t we be investing scarce and dwindling dollars in what really matters—our programs—instead of overhead?” Another common question is, “What does the program ‘really cost,’ without the burdens of G&A and fundraising with which it is saddled?” Or, “How much of the donation really goes to helping (kids, families, neighborhood, etc.)?”

These all too frequent questions suggest that the methods and culture of accounting of *true and full* program costs in the nonprofit world is most problematic. The proper allocation of development costs and their presentation to

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staff, board, and community are important as we target development activities and objectives toward long-range mission viability. Clearly, in these times of scarce resources the priorities and challenges for many of our member agencies are to align current program commitments and develop new program opportunities so that they are mission-driven,

relevant to the communities served, *adequately supported, appropriately funded*, and built upon their core competencies.

As agency leaders we are constantly being required to further develop an integrated and sophisticated vision of organizational management that combines keen business acumen and sophisticated development strategies so as to enable our agencies to innovate, design, and deliver high quality, flexible, and creative solutions for the changing and emerging needs of our clients, customers, and communities. This requires an understanding of the full and true costs of agency services and programs.

Take for a moment the classic request that a donation only be used to “really help those in need.” The nonprofit community may be the only sector where the price for producing an outcome or service is frequently reduced to the basic cost of the commodities involved, or at best a wholesale level.

Try buying a loaf of bread without recognizing the cost of the bakery ovens, utilities, business insurance, advertising, delivery, packaging, and the retailer who brings that product to the public. To assume the cost of the bread should only be the price of the flour, water, and baker’s labor is beyond naïve. Yet many in the nonprofit world continue to confuse a wholesale cost structure with a fair market price or true cost allocation. And I argue we frequently bring this on ourselves. We perpetuate it with naïve and inadequate cost-accounting practices and inappropriate posturing to appear more “efficient” in the eyes of donors, foundations, government, and other funders.

In “Costs are Cool: The Strategic Value of Economic Clarity” (The Bridgespan Group. © 2003), Susan Colby and Abigail Rubin write, “Executive directors and development staff feel the burden of raising money to sustain their organizations on a daily basis. (Yet) so few organizations have an accurate understanding of the true costs of running their programs. . . . And while it may be idealistic to hope that funders might even be willing to increase their level of giving to meet an organization’s real, demonstrated needs, it is undeniable that a firm grasp of those needs provides the best place for funding discussion to start.”

SAVE THE DATE

Resource Development Services Training Dates

Training for CEOs, development directors, and board members. This day-and-a-half workshop will focus on the governance and operational role of the board in development efforts, the importance of aligning fundraising tactics to organizational mission, and the emerging ethical considerations surrounding contributed funds.

- January 5-6**
New Brunswick, NJ
- April 20-21**
Charlotte, NC
- May 18-19**
Chicago, IL

A May 2004 evaluation of RDS effectiveness revealed extraordinary results. Agencies implementing the principles and practices detailed in the RDS model increased development revenue over 40 percent (+\$163,388).

Colby and Rubin also write, "Many funders seem to create incentives—albeit unintentionally—that encourage organizations to distort their costs. For example, they prefer to support programs and projects rather than overhead expenses such as fundraising and administrative costs. (Those) misallocated costs frequently become the only ones available, obscuring the true costs of operating programs from the organizations themselves."

Even more sadly, many nonprofit organizations reflect a culture that has often internalized this misunderstanding of the true costs of organizational capacity and a false sense of efficiency. The result can be a marginalization of development as a cost burden rather than a core aspect of organizational health. This is often evidenced in the many questions I detailed earlier. It is a view of development expenses as a drain rather than an investment in current or future capacity. Ironically, some in our field seem unable at times to grasp the notion of agency as a "system," with many essential components and functions, all necessary to our success.

Critical piece of operation

Development is one of the critical cogs in the wheel of nonprofit life, a partner with program staff, business staff, and volunteers, all

advancing mission and vision. For many of our agencies who are within the first decade or so of building professional communications and development functions, new unrestricted dollars will be scarce, and they may well need to "capitalize the development plan."

In some communities where traditional funding continues to decline this is particularly challenging and often results in an almost adversarial relationship between leaders of programs and their development colleagues. Furthermore, some agency managers continue to fail to understand the very significant role development plays in either acquiring or maintaining restricted donations from corporations, foundations, or United Ways, thus using only unrestricted dollars raised as a measure of organizational contribution—a very short sighted and myopic measure of organizational and community impact.

It is for these very reasons, and as we enter this harvest season, I take this opportunity to say thank you to our development staff and volunteers. We do recognize the evolutionary

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nature of our philanthropic culture within this sector. We are grateful for the harvest that is possible in these difficult times, and we do believe in the harvests yet to come due to all the planning and cultivation underway.

A final suggestion to my fellow CEOs, make a copy of this column, write "many thanks" on it and send it to the development office.▲



Bob Jones is president and CEO of Children's Aid and Family Services, Inc., in Paramus, NJ. To find out more about Children's Aid and Family Services, visit their Web site at www.cafsnj.org.

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