Not-for-Profit Industry
Does the Nonprofit Sector Need Fundraising Physical Therapy

Muscle memory. It helps us move and function.

When athletes strain a muscle or break a bone, they require months of physical therapy to help re-train their bodies for healing and strength. The body has to re-learn not to overcompensate on just one set of muscles.

It is about behavior patterns. And some experts feel the nonprofit sector has a muscle memory problem.

That is especially true in light of the Giving USA report released in June. Depending on which analysis you read, giving either reached a new record of $427 billion or it was “slightly” down with adjustments for inflation. And nonprofits are still watching whether the Tax Cut and Jobs Act will have a long-term effect on philanthropy, as all the analysts predicted.

(Worth looking at: Claire Axelrad wrote an excellent piece outlining an in-depth analysis of both the Giving USA and 2019 Q1 Fundraising Effectiveness Project reports.)

Cliffs Notes version?

Giving is pretty much flat. But more alarmingly: Donors, particularly smaller and mid-level gift donors, have declined nearly to the point of extinction.

This is the real story. Not the record total giving.

In fact, it was the word of caution in the analysis from last year’s GUSA report.

National giving is still stuck around two percent of the GDP, where it has remained for (at least) a decade. Average donor retention rates in the sector are stuck in the mid-40 percent range (last figure was about 44 percent, down from previous years). And smaller to mid-level gift donors are all but extinct. Oh, and by the way, analysts are warning of an impending recession next year.

What is going on? What do nonprofits do about it?

Nonprofits must re-build two key muscle memories through their own forms of PT: unwavering GRATITUDE and a GROWTH MINDSET.

ABOUT BUILDING UNWAVERING GRATITUDE
The top motivator for donors is making a difference and seeing that their gifts have had an impact on solving a problem. Knowing their gifts mattered is vital to building a lasting relationship. Donor retention, therefore, is directly tied to how valued a donor feels. It is not any more complicated than that.
Penelope Burk’s fundraising research reveals that when donors get these three things, they feel satisfied:

> Prompt and meaningful gift acknowledgement
> Designation of gift to a program, service, or project narrower in scope than the charity’s overall mandate (i.e., donors can correlate the impact of their gifts)
> Measurable results on the last gift, before being asked for another one

These predictors of donor satisfaction matter now more than ever. The fact that on average, more than 50 percent of donors are not sticking with the organizations they give to, indicates there is a huge disconnect between how they feel and how the organizations think they feel.

For nonprofit work in the social-good sector, see how gratitude researcher Michael McCullough defines it:

“The feeling of gratitude [makes us] aware of and appreciative for the benefits we’ve received from others and inspires us to show appreciation, which will, in turn, make others more likely to help us again in the future. In this way, gratitude helps build social bonds and friendships.”

The nonprofit sector needs to practice thanking more than asking. Nonprofits need to practice strategically looking at their donor trends and valuing not just the large donors but all of them—especially smaller to mid-level gift donors who have stuck by them year after year.

What “PT” can nonprofits do to retrain their organization’s gratitude attitude?

> Replace your standard annual report with a gratitude report.
> Segment your donors by giving habit (recurring, first-time, inactive, etc.). Commit to developing a personalized plan to thank and engage them. Even if you are overstretched and understaffed, you must still carve out 5-10 of your top donors (longest, largest, etc.) to steward, celebrate, and build a relationship with.
> Check in with your donors through surveys.
> Use your newsletter to regularly convey how important your donors are to you and to report on progress and impact in a way that the donors see themselves in your story (because of their gift).
ABOUT BUILDING A GROWTH MINDSET
The weight of meeting budgets can be stressful and overwhelming, forcing nonprofit leaders, boards, and staff into a scarcity mindset. They feel constrained to do only what they have funding to do—programmatically and administratively. This often leads to underinvestment (or no investment) in having the right fundraisers on staff. It can lead to considering fundraising a dirty word.

If this sounds familiar, pause for a moment. Close your eyes and take a deep breath. Imagine if money wasn’t an issue (thanks to Dr. Rob Sheehan at the University of Maryland who shared this question). What would your organization look like? What would you do more of? Differently? What staff would you have in place?

Open your eyes. The “what if” scenario reframes what is possible, right?

That vision ignites your donors’ interest. That is where philanthropy is so powerful. Investing in your own fullest organizational capacity by having the right staff in place (and compensating them so they will stay) will lead to programmatic impact.

With more than 50 percent of donors on average not sticking with the organizations they support, AND more than 50 percent of fundraising staff leaving their nonprofits, something has to change. It all comes down to re-learning a growth mindset.

What “PT” can nonprofits do to retrain their organization’s growth mindset?

> Know your donor retention rate and other metrics for donor behavior.
> Commit to having the fundraising resources you need in service of your donors and beneficiaries. No organization can exist without donors. It behooves the nonprofit sector to ensure that they have the right staffing in place to focus on creating a positive donor experience that can lead to transformational gifts. Fundraising staff are as important as program staff. This dedicated staff capacity can leverage greater financial resources from donors.
> Ensure that the development leader/team is part of strategic organizational decisions—especially around planning and projections around your fullest needs for programs and other resources. And that fundraising goals are based on an organization’s reality, not goals that set fundraisers up for failure from the start.

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> Build a plan for everyone to have a role in donor engagement. If the CEO and board leadership are not an integral part of key donor relationships, all fundraising rests on the development person or team (if you have the luxury of a team). No wonder nonprofits have high burnout and turnover. No wonder the time and effort it actually takes to create effective donor relationships gets underestimated.

Let’s face it, therapies can be a little scary. Re-training default behaviors is work. But the individual and collective power of nonprofitivies is to challenge themselves. With clear intention and regular practice, nonprofits got this. Donors, organizations, and the good nonprofits are doing in the world will show the effort was worthwhile.

The preceding is an article by Barbara O’Reilly, CFRE, who has 25 years of fundraising experience at major nonprofit organizations including Harvard University, the National Trust for Historic Preservation, Oxford University in England, and the American Red Cross.