

***Mind the Gap! : Fundraisers and their nonprofit organisational leaders do  
think differently and this difference matters***

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(This paper is a work in progress and may be refined following conference inputs.)

**Acknowledgements:** *Thanks go to the Perpetual Foundation, the E.F. and S.L. Gluyas Trust and the Edward Corbould Charitable Trust for generous support of this research.*

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Australian fundraisers and their organisational leaders (CEOs and board members) diverge sometimes in how they think about fundraising. In fact, eight key differences emerged in the recent Australian study that sparked this paper. A strong fundraising/leadership accord in attitudes toward fundraising would seem to be important, especially in tightened funding regimes. Both demand and competition for funding beyond the government dollar is growing. Many organisations are moving into community fundraising for the first time due to imperilled government funding. The sophistication of all donation sources is likewise on the rise. These factors add complexity to the fundraising role and to the task of boards and CEOs in managing fundraising strategy and activity. Some variances in professional outlook might be predictable between fundraisers and fundraising organisation leaders. However, the differences found in our study are in areas that potentially affect the organisation's ability to fill its mission. It is advisable then to 'mind the gap' and also to explore it.

As context to presenting the findings, this paper briefly considers why fundraising and fundraisers are important in nonprofit organisations. It visits some points from the literature about fundraisers and their nonprofit leader relationships. Recent work on the board role in fundraising is charted. The eight areas of dichotomy in thinking are reported and their implications discussed before some conclusions are drawn for theory and practice.

*The role of fundraising and fundraisers*

Knowing more about fundraisers and their leadership is important firstly because the number of fundraising organisations is growing in Australia. Some 60,755 charities were registered with the Australian Charities and Not-for-profits Commission (ACNC) in July 2014, a 10% growth from October 2011 (Australian Charities and Not-for-profits Commission). In 2012–13 nearly 57,000 'economically significant' nonprofits existed in Australia and of these approx. 36,000 were non-market nonprofits, meaning they rely on funds other than sales revenue, principally donations (Australian Bureau of Statistics 2014). This data pinpoints that giving to such organisations in this period totalled \$8,614 million (8 per cent of total sector income and 0.57 per cent of GDP).

Charitable funds have also been growing, with 6,015 such funds registered with the Australian Taxation Office (ATO) in October 2013 with net growth of 145 funds since 2011 (Australian Taxation

Office 2014). Private Ancillary Funds (PAFs) created in 2001 to foster establishment by affluent Australians of private foundations numbered 1,002 in October 2012 according to the ATO (2014). These received \$354.49 million in donations, and distributed \$251.66 million in grants, with a remaining corpus of \$2,933.6 million. Since 2001 PAFs have distributed more than \$1.2 billion. Thus the size of giving and fundraising is increasingly significant.

Recent work by Scott (2013) suggests that donated funds are also noteworthy because they are often the critical operational income that enables an organisation to exist. Scott's findings from a qualitative study of health and medical research nonprofit organisations suggest that even if fundraising is not the core income source it supplements government and other income, sometimes enabling services that should be paid for by governments but are not covered by this source in straightened times. Whether fundraising contributed a small or large proportion of the budget, these dollars were acknowledged by the sector respondents as an invaluable resource underpinning sustainability and often leveraging further funding or bankrolling additional services that would not have been provided otherwise.

Organisations will not typically employ a fundraising arm at the outset, with volunteers filling this resource building role in early stage entities. However, as organisations grow often some form of professionalised fundraising element may be instigated. Ideally this happens organically as capacity and scale build but more recently in Australia the imperative to fundraise has been thrust upon organisations that are not necessarily prepared for the task. As with many countries, the Australian nonprofit funding landscape is in flux. Many organisations are needing to think differently and develop fresh skills either to enter the fundraising market or to cope better with rising competition for the community and corporate support that enables their work. This new reality affects boards, CEOs and fundraisers alike. Issues such as attracting, retaining and effectively leading professional fundraisers capable of building strong funding relationships are becoming ever more pressing.

The issue of leadership/fundraiser understanding is made even more vital given the acknowledged shortage of fundraising skills to fill this widening pool of organisations needing them. While the landscape is only mapped anecdotally in Australia, the issue of skills shortage is evident in both Europe and the USA. A European survey of 17 national fundraising associations, by the trans-continental European Fundraising Association found that the most frequently cited barrier to fundraising over the past decade was a lack of fundraisers (Ribeiro 2013). This skills shortage was a critical issue preventing growth and was seen as more damaging to their organisations than the global economic crisis. The challenge is replicated in the USA where more than half of the charity leaders in a major 2013 study report inadequate applicants for development (fundraising) positions (Bell and Cornelius 2013).

The situation is particularly dire for the niche and essential work of small charities. Savage, Broomhead and Hill (2013) have investigated issues facing the UK's small charity sector, which, like Australia represents the vast majority of all charities (96% in the UK). Their *Small Charity Sector Skills Survey* definitively places fundraisers as the hardest vacancies to fill. The challenge is exacerbated they say by the best fundraisers often being attracted by larger organisations with impressive salary and development budgets who offer fundraisers the chance to specialise in one aspect of the profession. The smaller charity fundraiser in contrast must cover the gamut of fundraising. The survey showed salary as the biggest reason for hard to fill vacancies, along with the

lack of funding for professional development. Largest demand is for major gift fundraisers, people with online fundraising ability and corporate fundraisers. In the small charity the need for board involvement in fundraising is sharply defined with 90% of respondents stating their trustees should be involved compared with a finding of 53% actual fundraising involvement.

### *Gaps in understanding fundraising*

Organisational leaders' understanding of fundraising emerges as a critical and often lacking element more broadly. Prelude work to the study in this report (Scaife, Williamson and McDonald 2011) found that fundraising and resourcing of fundraising are not seen as capability areas for many local boards and CEOs, largely due to a deficit in training or prior experience. This study spotlighted that the reality was at odds with how fundraisers and donors felt it should be and that a fundraising leadership vacuum was a prime factor in major giving not reaching its potential in Australia. An echo is evident in the USA where for two decades nonprofit leaders (boards and CEOs) have rated their performance on a set of leadership competencies as part of the Boardsource Governance Index. Fundraising scores consistently lowest and most in need of improvement. The 2013 study entitled *Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising* (Bell & Cornelius 2013) is damning in its assessment of leadership support for fundraising. It links leadership distance from fundraising to high turnover especially in senior fundraising roles detailing evidence of a leadership lack and poor resourcing to carry out successful fundraising. The study concludes fundraising must be a shared responsibility of the board, the CEO, the fundraising team and the wider staff.

Other writing backs these perspectives and ventures towards some remedies. Lindahl and Conley (2002: 63) see 'the one constant in this changing fundraising environment' as the need for fundraisers and board members to be partners in generating private sector support. How to achieve this includes suggestions such as board fundraising education and clearer role expectations on recruitment to the board (Swanson 2000, Talisman 2000 and Perry 2010). Brown, Hillman et al (2012) have helpfully investigated factors that predict a board members' participation in monitoring and resource provision. They found gender, experience on nonprofit boards, mission attachment and training to be the keys to board members' confidence and contribution. Much of this background resonates with the findings of our study, which adds to the field by surfacing eight areas of attitude difference to fundraising on the part of fundraisers and nonprofit leaders.

### *A snapshot of method*

The research reported here is part of a larger 60 question online 2013 survey of fundraising leaders and fundraisers, complemented by focus group discussions with both types of respondents. While 279 people responded to the survey, this analysis refers only to those with a formalised fundraising function in place (148 respondents of whom 60% were fundraisers and 40% nonprofit leaders). These respondents had fundraising as their largest revenue source.

### *Findings about the divergence in nonprofit leader/fundraiser views on fundraising*

Statistically significant differences emerged between organisational leaders and fundraisers emerged in eight areas, namely:

- The extent to which fundraising is a profession

- Whether boards fully understand the role of fundraising
- The need for fundraising experience on the board
- Whether board leadership strongly influences staff turnover
- Donor satisfaction levels with the organisation's performance
- Satisfaction levels with current compensation,
- Satisfaction levels with training and professional development, and
- Satisfaction levels with resources provided to undertake the fundraising role.

### *Implications of these findings*

Discussing these in turn, the question of fundraising as a profession has some clear interplay with the later points about compensation and funding for ongoing professional development. Writing on this topic, the world's only Professor of Fundraising, Adrian Sargeant (2009) notes that fundraising meets two of the three core criteria to be considered a profession: mapping in national occupational standards (in the UK and progressing elsewhere) and also agreed ethical principles in Codes of Fundraising Practice that for some years have been the subject of international consultation. The third criterion of a well-defined body of knowledge is a work in progress. Sargeant argues that this element is needed more fulsomely if boards are to have a firm idea of the tools and frameworks fundraisers need for successful outcomes. Boards are most likely unaware of the growing array of education and certification avenues in use by fundraisers to cement their professional standing. The discipline is increasingly evidence-based and predicated on career-long learning yet assumptions remain that fundraising requires little specialist knowledge.

The sense on the part of boards that they do not fully understand fundraising in dissonance to what fundraisers believe again has some counterpoint with other areas of attitude divergence. The issue of appropriate resourcing to drive fundraising outcomes and to achieve donor satisfaction and retention are the most pertinent links. Fundraisers might contend that boards who understand fundraising will seek to optimise the activity. This would be by funding to build relationships over the long term and extending and multiplying the impact fundraisers are able to make by board members adding personal time and involvement and picking up more skills in fundraising themselves. The issue of inadequate resourcing whether in infrastructure such as databases or realistic goals in line with the staffing levels is noted in our own and others' research as a force for turnover. The impact of turnover on the organisation, the individuals involved and on donors can be very damaging (Scaife et al 2011, Bell & Cornelius 2013) and extremely costly in dollar terms too. Work by Canadian researcher Burk has found the cost of fundraiser replacement in the face of the skills shortage is in the range of 65-83% of the fundraiser's annual salary. The scarcity of fundraising skillsets is also likely to affect the chances of fundraising experience being available to fill this need on boards as fundraisers in our study felt should be in place. It is concerning that nonprofit leaders do not acknowledge the role boards may be playing in costly turnover of fundraising staff. It is unlikely to be voiced in an exit interview and poor practices are perpetuated. This is an important message from this research.

Fundraisers, who are arguably closer to donors than board members in the current situation, do not agree that donor satisfaction with the organisation's performance is high. Donor satisfaction and

donor loyalty are intrinsically linked (Sargeant & Shang 2012) and it is well documented that it is far more effective – not to mention morally correct – to care for supporters appropriately so they will continue to feel sufficiently connected and informed to want to keep donating. It takes time and quality interactions for donors to gain confidence and trust in organisations and boards have a definite role to play in this outcome, both in terms of resourcing and personally connecting with supporters.

Figures in the USA (Association of Fundraising Professionals & Urban Institute 2012) denote donor loyalty on a downward spiral with typically 70% of first time donors not continuing on to give a second donation. Fundraisers in our study refer to the lack of broad enough key performance indicators that go beyond dollars to embrace repeat giving.

Bell and Cornelius describe USA nonprofits as facing ‘a vicious cycle that threatens their ability to raise the resources they need to succeed’ and point to lack of leadership and poor resourcing as factors that result in high fundraiser turnover. They call for boards and CEOs to promote an organisation-wide culture of philanthropy that supports the concept of a fundraising organisation, rather than reliance on isolated fundraisers alone. They go further to suggest that such a culture is one where the board inadequately resources fundraising for success.

Our Australian study seems to be pointing in a similar direction. One solution seems to be for fundraisers to strengthen their own leadership skills and ideally to serve on the leadership management team if not already there. According to Williams (), ‘Organizational leadership is... a prerequisite for fundraising to excel. Leadership in the fundraising context... is a dynamic that emanates from the top of the organization, influencing strategic directions... and inspiring communities to be intentionally generous and thoughtfully engaged’.

Acquiring and sustaining resources is a preoccupation for an increasing number of nonprofit organizations. The study and this paper aim to add to what is known about the important fundraiser/organisational leaders’ relationship both in terms of empirical literature and organisational attitudes and behaviour needed to that fosters strong fundraising outcomes.

This paper draws on the literatures that link fundraising and leadership, as well as the small empirical work about fundraiser and nonprofit leader characteristics to provide a broader understanding of their sometimes dichotomous thinking. The paper discusses implications of these differences and proposes target areas for organisational behaviour change as well as further research.

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