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Strategy • Planning • Performance

CAPITAL CAMPAIGNS IN CHALLENGING TIMES

*Greater New York Chapter
Association of Fundraising Professionals
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8:00-11:00am*

WHERE ARE YOU AT?

- ◆ Thinking about doing a campaign?
- ◆ If in campaign now, are you:
 - Just getting started?
 - In the middle?
 - Approaching the end?
- ◆ Campaign \$ goal?

CAMPAIGN SUCCESS TODAY

- ◆ Self-assess
- ◆ Address challenges first
- ◆ Do more of certain things
- ◆ Do them better than ever
- ◆ Campaigns *always* hard work
- ◆ Even more demanding today

WHAT WE'VE HEARD

Consultants and Staff Say That:

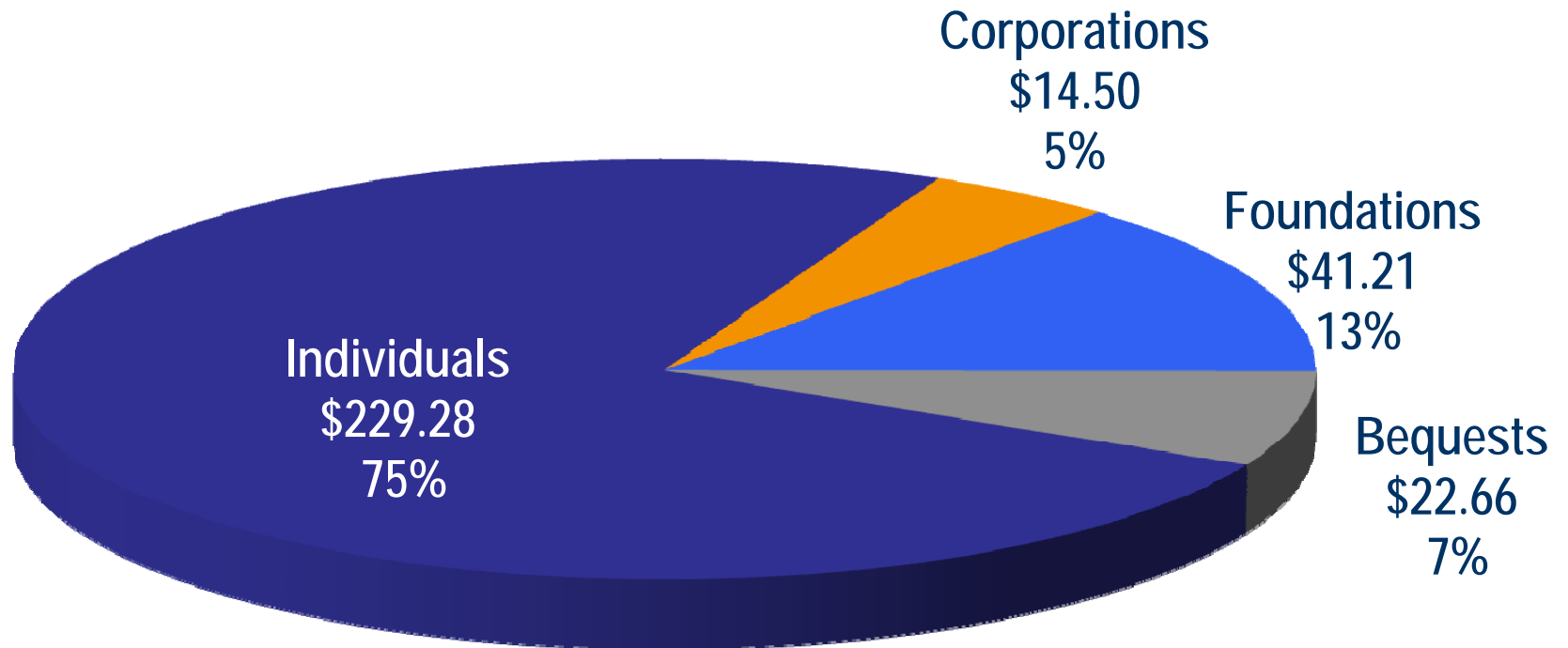
- ◆ Campaigns are:
 - succeeding
 - taking longer
- ◆ Prospects take longer to commit
- ◆ Pledge periods may be extended
- ◆ Leadership more important than ever

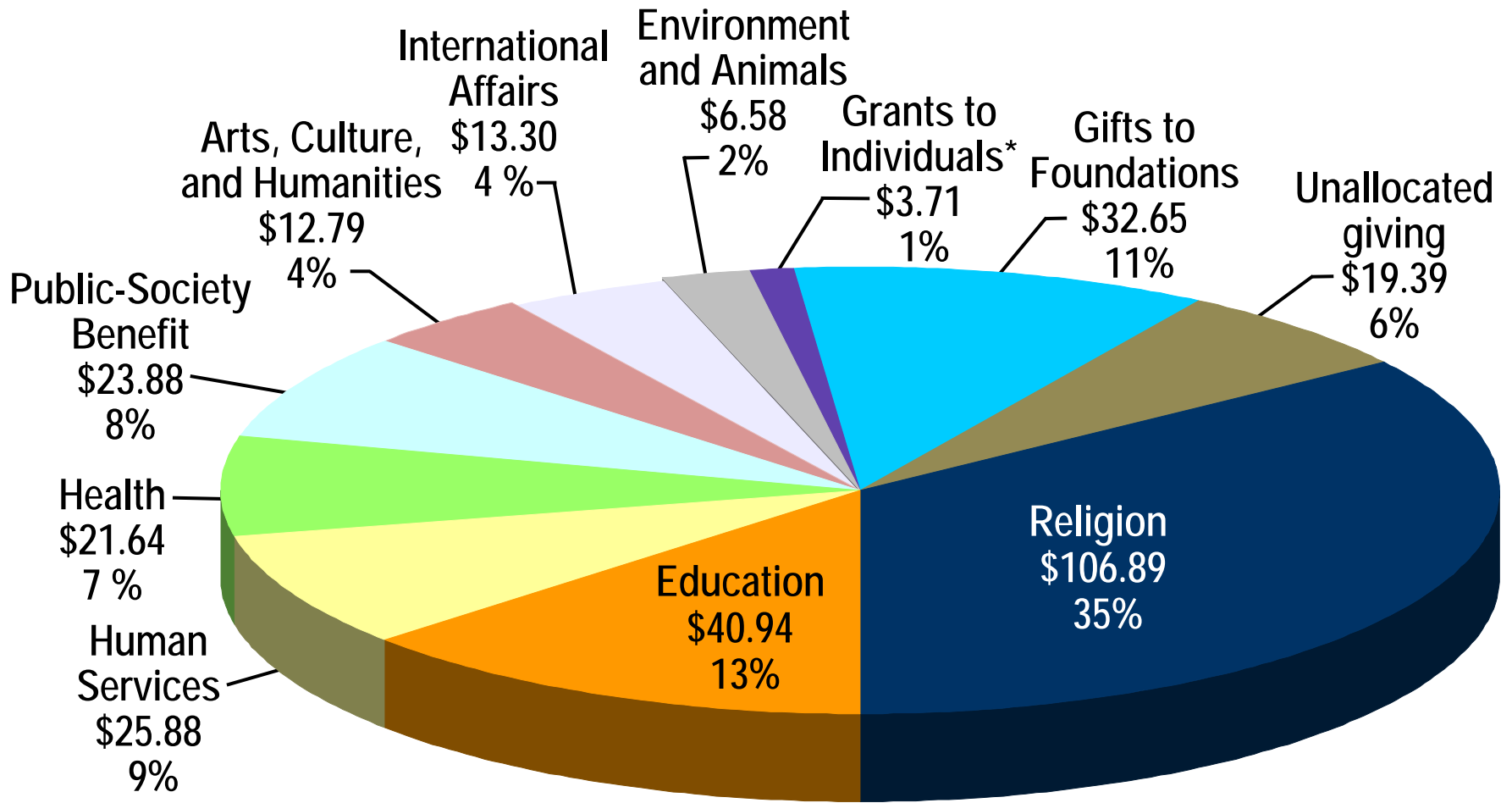


CHALLENGING TIMES



Giving USA: 2008





*Foundation grants awarded to individuals

Giving USA: 2008

- ◆ **2% lower than 2007** (infltn adjusted)
- ◆ **First decline since 1987**
- ◆ **All sectors down except religious (up 1.6%) and public-benefit (up 1.5%)** (United Way, UJA, donor-advised funds)
 - Human services (-15.9%)
 - Health (-10%)
 - Arts/culture/humanities (-9.9%)
 - Education (-9%)
 - Environment/animals (-9%)
 - International affairs (-3.1%)

Giving During Recessions

- ◆ Since 1967, giving has:
 - Increased an average of 4.3% in non-recession years (23 years)
 - Increased by .8% in years of slow down (7 years)
 - Declined an average of only 1% in recession years (11 years)
- ◆ 2008: 2% decline



2009 and Beyond?

- ◆ Slow recovery
- ◆ Decline likely to continue in 2009 (beyond for some sectors)
 - 45% of charity leaders believed outlook will improve in a year.
 - 22% thought would be worse. (Listening Post Project: John's Hopkins)



2009 and Beyond?

- ◆ Individual donors prioritizing (basic human needs vs. arts/culture).
- ◆ Orgs get fewer new donors
- ◆ Impact felt most strongly by mid-sized orgs
- ◆ Declines in individual and corporate philanthropy felt more quickly
- ◆ Foundation declines lag a year or more



2009 and Beyond?

- ◆ *Historically, philanthropy is trailing edge of downturn (feel the effects somewhat later)*
- ◆ *Historically, philanthropy is a leading edge of recovery (comes back faster than other sectors)*
 - *Not known if 2009+ recovery will see philanthropy among leading edge indicators*



2009 and Beyond?

◆ Foundation Giving

- Assets down as much as 30%
- Some foundations out of business
- Increased giving unlikely until 2011, even if economy improves
- Most foundations work on 3-yr avg. valuation
- Trend: screening for outcome information

What About New York?

- ◆ Reported declines in giving: ↓ 10-30% (1st Qtr)
- ◆ But, there is still money out there
- ◆ Less the money and more the mood
- ◆ Most high net worth people still high net worth
- ◆ Who's struggling, who's still got it?
 - Look for non-Wall Street donors
 - Look at mid-level major donors
- ◆ Many organizations aren't asking

CAMPAIGN BASICS

- ◆ What is a Capital Campaign?
- ◆ Campaign Phases
- ◆ Are You Ready?
 - Self-Assessment
 - Feasibility Study
- ◆ Campaign Consultants

What is a Capital Campaign?

- ◆ An intensive, organized fundraising effort
- ◆ Often organized around anniversary/special time
- ◆ Supports capital needs or program projects
 - Construction, renovation, equipment
 - Endowment / Cash Reserves
 - Major ramp-up of program/services
 - Sometimes “all-in” with operating costs

What is a Capital Campaign?

- ◆ Implemented during a specific time frame
(typically one or more years)
- ◆ “Stretch” financial goal
- ◆ Primarily individual donors
- ◆ Raises funds *and* develops stronger relationships



Campaign Phases

- ◆ **Pre-Campaign: Self-Assessment**
- ◆ **Phase I: Feasibility Study, Organizing**
- ◆ **Phase II: Leadership/Lead Gifts**
- ◆ **Phase III: Major Gifts, 2nd Tier**
- ◆ **Phase IV: Go Public to Closing**



Are You Ready?

◆ **Self-Assessment**

Before feasibility study, do you have?

- Long-range plan
- Reasonable estimate of project \$ and timetable
- Case for support
- Potential campaign leaders
- Diversified donor base
- Cash for study/campaign costs



Are You Ready?

◆ **Feasibility Study**

- More important than ever
- Objective and confidential
- Minimizes risk of failure
- Engages and cultivates donors
- Donor feedback informs campaign strategy
- Determines achievable \$ goal

Hiring A Campaign Consultant

- ◆ Why?
 - Objective outsiders, arbiters, and “gurus”
 - “Seen it all”. Accumulated experience
 - Know environment / best practices
 - Keep focus on critical activities
 - Dedicated solely to campaign
 - Serve as needed, not a permanent hire

Hiring A Campaign Consultant

- ◆ What Can a Campaign Consultant Do?
 - Conduct feasibility study
 - Plan campaign, write materials
 - Train solicitors
 - Guide/monitor the campaign
 - Puts problems in perspective, finds solutions
 - Gentle nudges and tough stands

Hiring A Campaign Consultant

- ◆ **What a Campaign Consultant Can't Do**
 - Make the asks
 - Create access where none currently exists
 - Lessen the overall campaign work load
- ◆ **How to Find a Consultant**
 - Ask for recommendations, create scope of work
 - Meet with 2-3 candidates/firms
 - Check references

CAMPAIGN SUCCESS TODAY

- ◆ **The Basics for Success**
- ◆ **The New Essentials**



Basics for Success

THE THREE L's

- ◆ Legitimacy
- ◆ Leadership
- ◆ Leverage



Basics for Success: Legitimacy

- ◆ Excellent, focused programs
- ◆ Visible and valued in community
- ◆ Financially and administratively stable
- ◆ Consensus around strategic plan/direction
- ◆ Documented performance. Compelling needs. Clear case
- ◆ Active constituent involvement

New Essentials: Legitimacy

- ◆ *Make case for crucial needs. Urgent projects most appealing, not “would be nice to have...”*
- ◆ *Detailed, multi-year financial projections for capital and operating*
- ◆ *Strong balance sheet*
- ◆ *Clarity on financing for capital projects*
- ◆ *Clarity on government funding (capital/program)*
- ◆ *Active communications/PR program*

Basics for Success: Leadership

- ◆ Ready, willing, able to carry out campaign
 - 1-3 sparkplugs: vision, energy, motivators
 - Balanced group representing key sectors/skill sets (RE, Finance, Media/Entertainment, PR, Marketing)
 - Stable, committed board/staff
 - Experienced staff
- ◆ Strong governance structure
- ◆ Campaign consultants

New Essentials: Leadership

- ◆ *Ready to lead over extended time. Deep bench.*
- ◆ *Diversity. No over-reliance on finance sector.*
- ◆ *Enhanced solicitation training*
 - *Emphasis on empathy with prospect*
 - *Open to: cut request size, spread payments, offer to come back for later gift*
 - *Updated message (“the elevator speech”)*
- ◆ *Ongoing solicitor feedback & coaching (peer learning)*



Basics for Success: Leverage

- ◆ Prospect lists
- ◆ Broad base of supporters
- ◆ Balance among sectors of support
- ◆ Group of higher level donors
- ◆ Research capacity
- ◆ Record-keeping and support capacity
- ◆ Good timing



New Essentials: Leverage

- ◆ *Educate donors about needs well before campaign*
- ◆ *Recruit for access to new prospects/sectors*
- ◆ *Work harder than ever to engage/excite*
- ◆ *Be donor-centric – one-by-one: know their values, background. Find tailored solutions. Meet their goals*
- ◆ *Up-to-date donor screening/prospect research essential*

CHALLENGES AND SOLUTIONS

Challenges: *Solutions*

◆ Resistance to feasibility study

- *Do Pre-Campaign self-assessment*
- *Get funding for study*
- *Interview smaller pool, if you know your donors well*
- *Add questions to strengthen ongoing fundraising strategies/ communications*

◆ Case/need unclear

- *Convene leadership/ad hoc to review/refine draft case*
- *Refine financial projections and timelines*
- *Work through tough Q&A and FAQ*

Challenges: *Solutions*

- ◆ **Don't know all your donors well**
 - *List screening (outside vendor and/or board/cmttee)*
- ◆ **Hard to recruit campaign leaders/volunteers**
 - *Recruit co-chairs to share responsibility*
 - *Recruit well in advance of need for time*
- ◆ **Right Ask Level: Board/Lead Gifts**
 - *Rating sessions with leadership; prospect research*
 - *Customized approach, no formula (include multi-year annual giving in asks)*

Challenges: *Solutions*

- ◆ **Board giving to campaign not yet 100%**
 - *Campaign does not go forward until 100% giving*
- ◆ **Hard to secure pledge forms/MOUs**
 - *Assure donors re: pledges can be amended*
- ◆ **Donors want to make planned gifts to fulfill**
 - *Have gift acceptance policy in place*
 - *Be clear re: do planned gifts count towards campaign goal?*

Challenges: *Solutions*

◆ Campaign budget tight

- *Ask for in-kind donations (events, goods/services, etc.)*
- *Communicate electronically (campaign updates, invites)*
- *Piggy-back onto existing events/mailings*
- *Creative donor acknowledgement*

◆ Cost of longer campaign

- *Amend timing/intensity of campaign consulting*
- *Consider part-time campaign staff (spread cost over more years)*

Challenges: *Solutions*

- ◆ **Campaign plateaus. Asks not closed. Volunteer burnout**
 - *Leadership applies peer pressure*
 - *Staff goes on select solicitation calls*
 - *Set deadlines, regular reporting of results*
 - *Mini-goals: “just do these three”*
 - *Recruit additional volunteers, new campaign chair(s)*
- ◆ **Donors can't make pledge payments**
 - *Listen. Offer to pause/amend pledge schedule*

Challenges: *Solutions*

- ◆ **Goal 5-15% away and running out of prospects**
 - *Revisit early donors*
 - *Fashion new plan – extend campaign, lower goal, other ways to finance project, hold off going public, challenge grant(s)*
 - *Engage [new] volunteers in smaller goals for specific purposes (“furnish the computer lab” “build the playground”)*
 - *Ask foundation donors to consider amending restricted grants, or altering terms of matching grants*
 - *If needs have changed, can attract new interest (update the case)*

CAMPAIGNS AT CROSSROADS

When to Keep Going?

- ◆ Need for campaign \$ still urgent
- ◆ Within 5-10% of goal
- ◆ Still have good prospects to solicit
- ◆ Challenge grant available
- ◆ Volunteers active and positive
- ◆ Attractive naming options still available



When to Hold?

- ◆ Good prospects not yet seen
- ◆ Donors giving less than they want to
- ◆ Donors saying come back again/later
- ◆ Leadership still committed but wants to suspend until economy improves
- ◆ Need real/compelling; cash not essential now
- ◆ In the public eye

While Campaign On Hold

- ◆ Capital campaign → targeted major gift effort
- ◆ Strong annual fund means stronger campaign
- ◆ Endowment from planned giving (older donors)
- ◆ Continue to target/cultivate prospects
 - Always need to know more about people
 - Always need more cultivation
- ◆ Continue communication about client needs



When to Stop?

- ◆ \$ raised for most important projects
- ◆ Case for last \$ not strong/compelling
- ◆ Unexpected leadership transition
- ◆ Donors much less generous than study indicated
- ◆ Leadership discouraged, tired
- ◆ No new energy/leadership available now
- ◆ Operating budget suffering



How to Stop?

- ◆ Ensure consensus to stop
- ◆ Declare victory with \$ amount that has been raised and projects accomplished
- ◆ Thank donors profusely
- ◆ Continue to communicate impact of generosity
- ◆ Keep cultivation activities going, focus on annual

CONCLUSIONS

- ◆ Do an honest self-assessment
- ◆ Do a feasibility study
- ◆ Campaign not feasible? Take time to get ready
- ◆ Money still there, people still generous
- ◆ Be ready for long haul

CONCLUSIONS

- ◆ Nurture leadership. Ask how you can help them
- ◆ Don't assume people won't give – keep asking
- ◆ Be understanding and flexible. Re-solicit later if needed
- ◆ Don't overreact – reality check, analyze options and amend plan/strategy

CONCLUSIONS

- ◆ Don't belabor financial circumstances. Focus on positives.
- ◆ Present organization as lean, well-managed, and sensitive
- ◆ Be nimble, ready to act

CONCLUSIONS

- ◆ Consider planned giving (for older donors)
- ◆ Keep applying lessons learned today when economy recovers
- ◆ Plan for brighter future – we have been here before and come through

THANK YOU!



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*Sincere thanks to our clients and colleagues
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