UNDER DEVELOPED

A National Study of Challenges Facing Nonprofit Fundraising

A Joint Project of CompassPoint and
the Evelyn and Walter Haas, Jr. Fund

AUTHORS
Jeanne Bell &
Marla Cornelius
CompassPoint

RESEARCH ASSOCIATES
Jill Casey
jdcPartnerships

Erin Lingren
CompassPoint

evelyn & walter
HAAS JR. fund

CompassPoint
NONPROFIT SERVICES

This study reveals that many
nonprofit organizations are stuck
in a vicious cycle that threatens
their ability to raise the resources
they need to succeed.

FORE**WORD**

At the Evelyn and Walter Haas, Jr. Fund, we are privileged to support so many visionary, deeply committed nonprofit organizations that are advancing social change.

But at the same time, we are acutely aware how many of these organizations are working on the edge of a knife. Relying on voluntarily provided support, they struggle year in and year out to keep the money coming in and to identify new, more sustainable sources of funding. Many can't find the right people to build and grow their development operations, and most feel that their fundraising results fall short of what they need to realize their aspirations.

We joined with CompassPoint to develop this first-ever national survey of executive directors and development directors on fundraising because we wanted to know more about the development challenges nonprofits face today. We wanted to understand why this work is so difficult for so many leaders and, most importantly, what we and others can do to help.

All too often, nonprofit organizations pin their hopes and dreams for fundraising on one person—namely, the development director. And, our survey data confirm that many of the fundraising challenges facing nonprofits today can be traced to high turnover and other problems in the development director position.

But the survey also reveals that nonprofits cannot just hire their way out of the problems they face. Organizations need to make fundamental changes in the way they lead and resource fund development in order to create the cultures and systems that support fundraising success. Fundraising can't be a priority for just one individual. It has to be a priority, and a shared responsibility, for the board, the executive director and the staff alike.

There is a lot of concerning news in these survey results about what's happening (and what's not) as nonprofits strive to attract the resources they need to succeed. But we believe strongly that all nonprofits can create the conditions for sustainable fundraising success.

We're hopeful that by shining a light on these challenges, we can help find the way to solutions—and the report suggests some initial steps the field can take. Addressing these challenges will require fundamental shifts in thinking and action

across the nonprofit sector. This will only happen if we can start a serious, field-wide conversation about how to move forward on this all-important topic.

We hope this report can serve as a conversation starter, and we invite you to join in.

Many thanks to the CompassPoint team for its typically excellent work and leadership on this important issue.

> Linda Wood
> Senior Director, Leadership and Grantmaking
> The Evelyn and Walter Haas, Jr. Fund

NOTES ON **TERMINOLOGY**

Executive Director/CEO: The titles executive director and CEO are both used throughout the nonprofit sector. For the purposes of this survey, we use executive director or ED to mean both.

Development Director: In the nonprofit sector, there are various titles used for the highest ranking fund development staff position. For the purposes of this study we use the title development director to mean the staff person in the highest ranking development position within the organization.

Fund Development is the process of cultivating relationships with people who will support a nonprofit organization. Cultivation is defined as any activity that builds awareness and connection for donors/funders and prospective donors/funders with your organization, and increases your understanding of why someone might give to your organization. Fund development includes fundraising which is the specific methods used to secure charitable donations (e.g. annual fund, face-to-face asks, online, proposals, etc.).

Culture of Philanthropy: While familiar to fundraising professionals, the term culture of philanthropy is not yet well understood nor commonly used across the sector. Not to be confused with institutional grant making or the act of giving money as a donor, a culture of philanthropy refers to a set of organizational values and practices that support and nurture development within a nonprofit organization. For the purposes of this study we used the following definition: Most people in the organization (across positions) act as ambassadors and engage in relationship building. Everyone promotes philanthropy and can articulate a case for giving. Fund development is viewed and valued as a mission-aligned program of the organization. Organizational systems are established to support donors. The executive director is committed and personally involved in fundraising.

INTRODUCTION

For years now, there has been widespread concern in the nonprofit sector about premature turnover of development directors, lengthy vacancies in the role, and the seemingly thin pool of qualified candidates from which organizations can choose. The development director is commonly labeled a "revolving door" position, and "the hardest to fill and retain" by executives, board members, funders, and capacity builders alike. Moreover, the challenge of assessing development director performance when so many factors influence an organization's fundraising success can leave executives and board members suspecting—but uncertain—that they could raise more money with someone else in the role. At the same time, development directors frequently lament the lack of consistent attention to fund development from executives, staff, and board members, rendering their job a frustrating set-up.

To better understand these dynamics and to uncover potential solutions to the fundraising challenges nonprofits face, CompassPoint surveyed more than 2,700 executive directors and development directors across the country. Our sample includes a great diversity of organizations—a wide range of budget and staff sizes, a multitude of mission types, and diverse geographic representation—but the organizations have a critical commonality: a senior-level development staff person on their organizational chart, whether in place or currently vacant. We included both development directors and executive directors in this research because of their potentially distinct perceptions of the "revolving door" and its causes.

Our bottom-line finding: Yes, there are considerable problems in the development director role across the sector, but there are also deeper challenges that undermine the ability of nonprofits to raise the money they need to succeed.
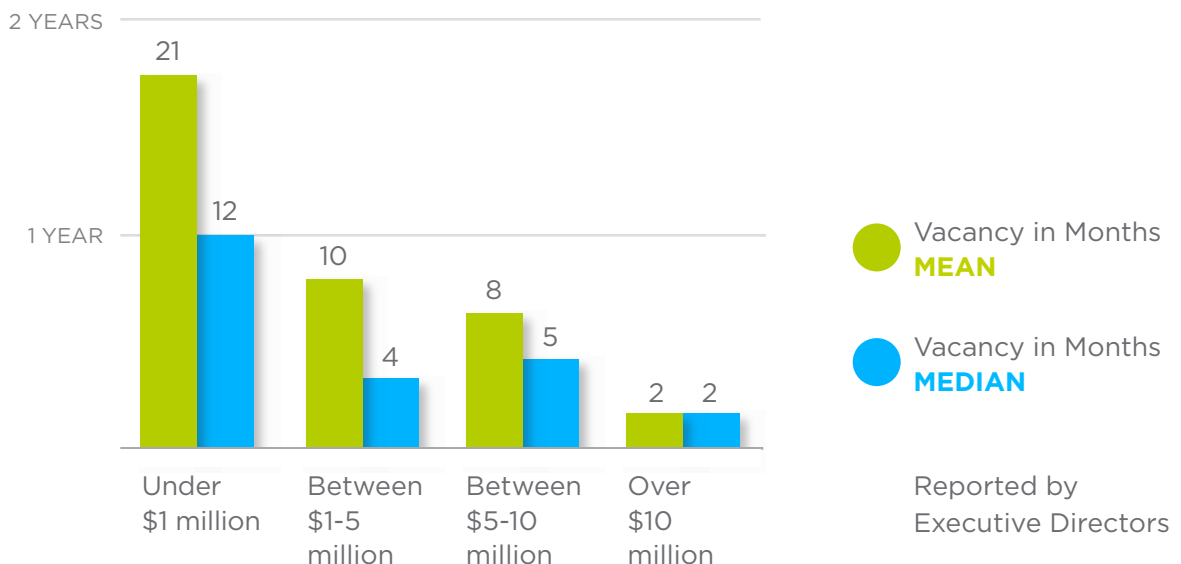
In the following pages, this report illuminates what we learned about the specific dimensions of the staffing and organizational challenges, concluding with a set of recommendations to jumpstart a national conversation about what we all can do to help nonprofit organizations take their fund development to the next level.

REVOLVING DOOR:
Instability in the Development Director Role

Our data suggest a high level of instability and uncertainty in the development director position in nonprofit organizations. Among the concerns: high turnover, long vacancies, performance problems, and the fact that large numbers of development directors are not committed to careers in fundraising. Most concerning is the combination of long-time vacant positions—especially among smaller organizations—and high rates of anticipated departure among current development directors.
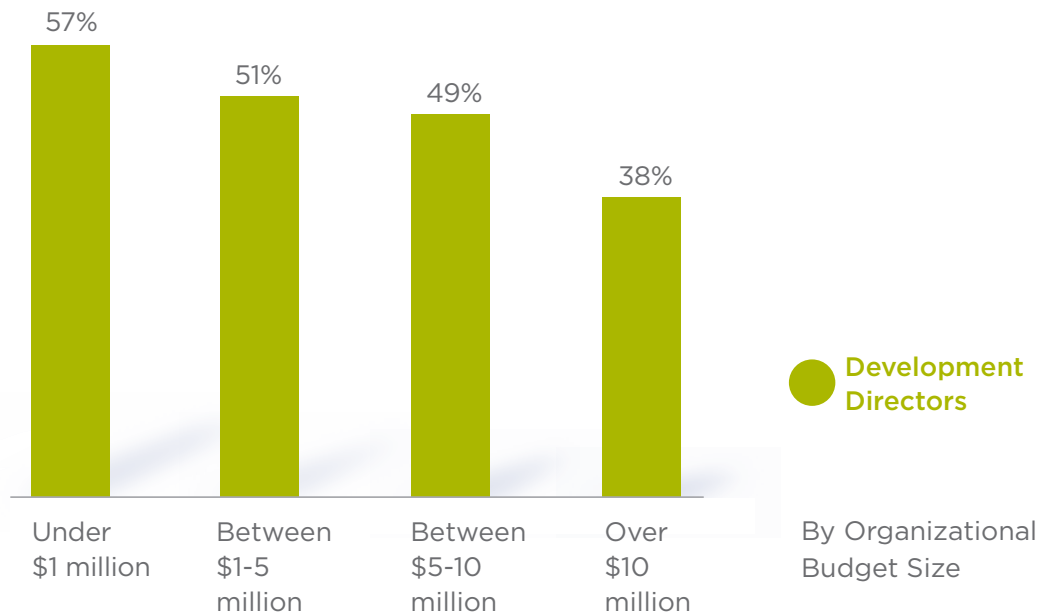
At many nonprofits the development director position has been vacant for months, or even years. Executive directors at organizations where the development director position was vacant reported a median vacancy length of 6 months, with 46% reporting vacancies even longer than that. Among organizations with operating budgets of $1 million or less, the median vacancy length jumps to 12 months. Overall, 16% of executive directors at organizations with vacant development director positions reported vacancy lengths of two or more years, confirming anecdotal evidence that some organizations essentially give up on finding someone to fill the role for periods of time when multiple rounds of hiring have been unsuccessful.

Development Director Position
Vacancy Lengths

Chart data:
- Under $1 million: Mean 21, Median 12
- Between $1-5 million: Mean 10, Median 4
- Between $5-10 million: Mean 8, Median 5
- Over $10 million: Mean 2, Median 2

Legend:
- Vacancy in Months **MEAN**
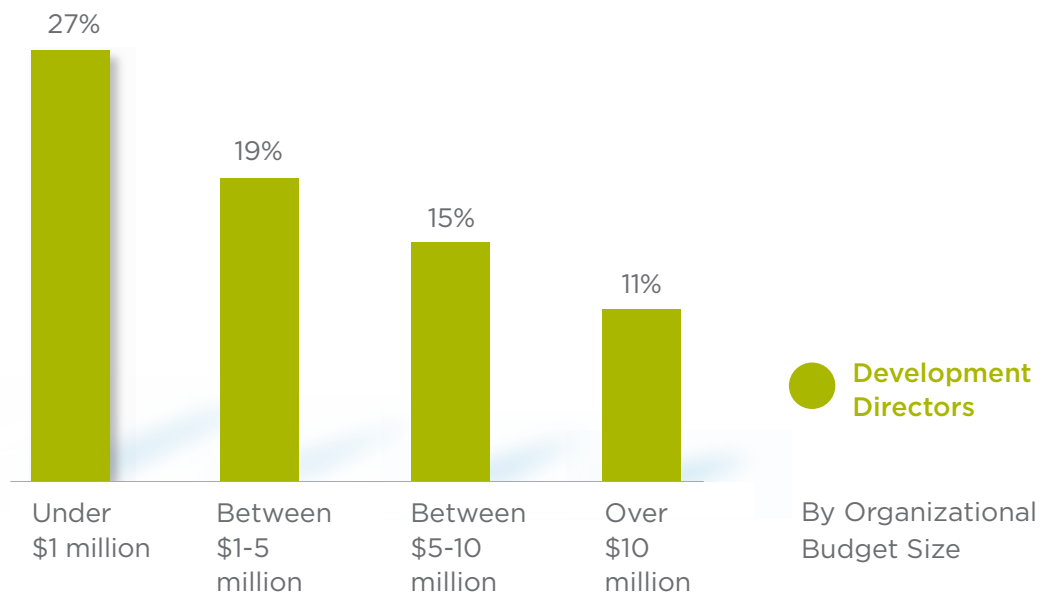- Vacancy in Months **MEDIAN**

Reported by Executive Directors

Large numbers of current development directors expect to leave their jobs. Adding to the instability, half of development directors (50%) anticipated leaving their current jobs in two years or less; and again, smaller organizations are more vulnerable with higher rates of turnover risk. By contrast, just 34% of executive directors anticipated leaving in two years or less in CompassPoint's most recent national study, *Daring to Lead 2011.*[i] Further, the proportion of development directors reporting that they had already given notice or were actively considering leaving also exceeded the comparable figures for their executive counterparts in *Daring to Lead*: 22% among development directors compared with 17% among executive directors.

Development Directors
Anticipate Leaving the Organization within 2 Years

57%
51%
49%
38%

● Development Directors

Under $1 million
Between $1-5 million
Between $5-10 million
Over $10 million

By Organizational Budget Size

Many development directors aren't committed to staying in development. Beyond anticipated rates of *organizational* departure, significant numbers of development directors reported that they anticipate leaving the *field* of development within two years. This was significantly more common among development directors at small and mid-sized organizations suggesting that these positions at larger nonprofits are more likely to be held by career development professionals. Overall, 40% of development directors reported that "fund development is my current field of work, but I am not sure if I will stay in it for my entire career." Even without knowing the degree of professional competency among survey respondents, this nonetheless reflects a significant potential drain of fundraising experience from the sector in the coming years.

Development Directors
Anticipate Leaving the Field of Development within 2 Years

27%

19%

15%

11%

● **Development Directors**

| Under $1 million | Between $1-5 million | Between $5-10 million | Over $10 million | By Organizational Budget Size |

Taken together, these development director position vacancy lengths and high rates of anticipated organizational and development field departure suggest a level of instability with significant negative effects on the capacity of organizations—especially small and mid-sized nonprofits—to develop and sustain the skills, systems, and culture that undergird effective fundraising over time. While repeated turnover and long vacancies are costly in any position, not having consistent leadership of a fundraising program almost guarantees that an organization will not achieve consistent results. As the fundraising expert Kim Klein wrote in *Fundraising for Social Change*, "The purpose of fundraising is not to raise money, but to raise donors. You don't want gifts, you want givers." [ii] Cultivating these relationships with a broad base of donors takes multiple years and constant attention—difficult if not impossible with premature departures and long vacancies in the development role.

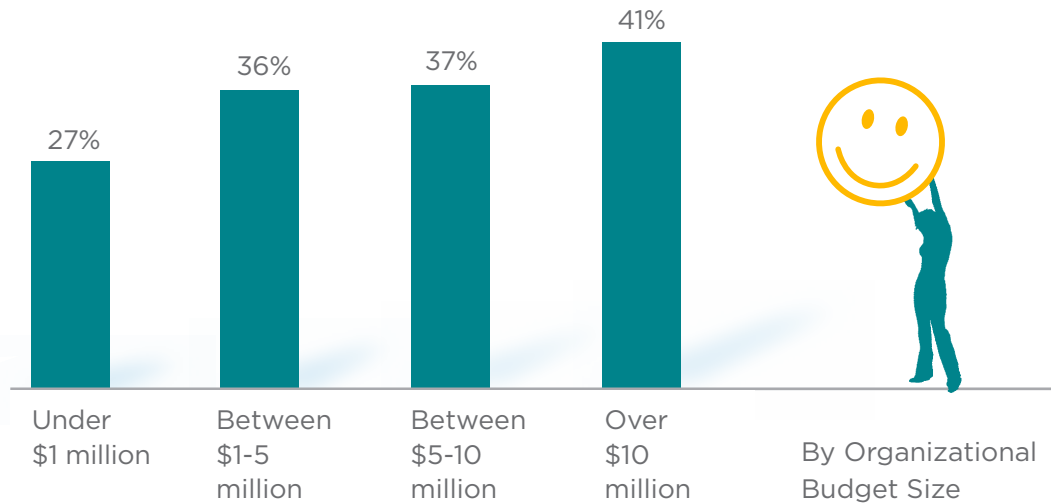# HELP WANTED:
An Inadequate and Uneven Talent Pool

Our data confirm that the supply of qualified development directors is smaller than the demand for them across the nonprofit sector. Executives report a lack of credible candidates for open positions, and many are dissatisfied with the performance and the skills of their current development directors. In addition, smaller nonprofits are finding they can't compete for experienced fundraising talent with larger organizations that offer considerably higher salaries.

Organizations aren't finding enough qualified candidates for the job. More than half (53%) of executives reported that their most recent development director hiring process attracted an insufficient number of candidates with the right mix of skills and experience. The development director supply challenge is likely to get even more severe as the economy recovers and as more nonprofits look to invest in their fundraising capacity. Research by Nonprofit HR Solutions, based on a survey of 450 organizations across the country, found that 30% of executives anticipated hiring additional development staff in 2012; just 16% had planned for development staff growth in 2011.[iii]

Many executives aren't happy with the performance of their development directors. Nearly one in three executives are lukewarm about, or dissatisfied with, the performance of their current development directors. Satisfaction with development director performance is significantly associated with organizational size; executives at smaller nonprofits were less satisfied on average than their peers at larger nonprofits. Twenty-seven percent (27%) of executives leading organizations with operating budgets of $1 million or less reported being "very satisfied" with their development director's performance, compared to 41% of executives leading nonprofits of $10 million or more.

Overall, 25% of executives reported that their previous development director was fired. The most frequent reasons cited for termination were poor performance in fund development (31%), poor performance generally (31%), and misfit with organizational culture (22%).

Executives Very Satisfied with Development Director **Performance**

27%	36%	37%	41%	
Under $1 million	Between $1-5 million	Between $5-10 million	Over $10 million	By Organizational Budget Size

Executives report that significant numbers of development directors lack key fundraising skills. One in four executive directors (24%) say their development directors have no experience or are novice at "current and prospective donor research." Among the smallest nonprofits, the number rises to 32%. When it comes to securing gifts, executives report that 26% of development directors overall—and 38% among the smallest nonprofits— have no experience or are novice. The survey results suggest that people with the title of development director in the nonprofit sector have widely varying levels of training and competency for the job. In addition, development directors in small organizations are much less likely to have the range of skills and experience that their counterparts at larger nonprofits do.

Smaller nonprofits struggle to compete with larger organizations for experienced development directors. The mean salary of development directors working in organizations with operating budgets under $1 million is $49,000, compared with a mean salary of $80,000 in organizations with operating budgets of $5 million-$10 million. And, compensation is significantly associated with skill levels. For instance, among development directors earning $50,000 or less, 23% have no experience or are novice at securing donations, compared with only 8% of development directors earning over $50,000.

Development Director **Compensation**

By Organizational Budget Size

Budget Size	Average Salary
Under $1 million	$49,141
Between $1–5 million	$65,974
Between $5–10 million	$80,015
Over $10 million	$100,127

"
I think some kind of self-perpetuating cycle is going on where, on one hand, the jobs are really hard and not that many people are successful at them, and then there is the issue of salaries, they just keep going higher and higher and higher. So development directors who are good can write their own tickets and command what they want. And the larger institutions pick off the best. And so then there's scarcity, so all of us have to pay more for a shrinking pool of people.
"

—EXECUTIVE DIRECTOR

IT'S ABOUT MORE THAN ONE PERSON:
Lacking the Conditions for Fundraising Success

Development experts have long cautioned that having a skilled development director is not enough. Beyond creating a development director position and hiring someone who is qualified for the job, organizations and their leaders need to build the capacity, the systems, and the culture to support fundraising success. Among the signs that an organization is up to the task:

➤ It invests in its fundraising capacity and in the technologies and other fund development systems it needs;

➤ The staff, the executive director, and the board are deeply engaged in fundraising as ambassadors and in many cases as solicitors;

➤ Fund development and philanthropy are understood and valued across the organization; and

➤ The development director is viewed as a key leader and partner in the organization and is integrally involved in organizational planning and strategy.
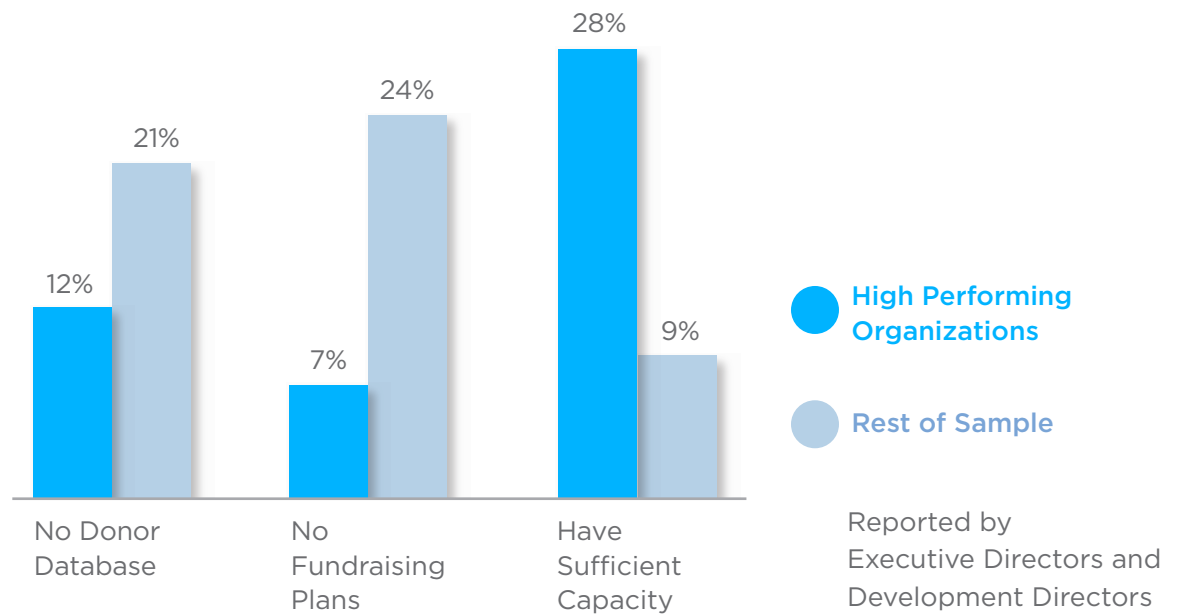
All of these are widely accepted indicators that an organization is doing what's needed, and yet our survey results indicate that many nonprofits haven't created the conditions for fundraising success.

NOTE: As we explore the impact of these organizational factors, we'll compare the rest of the sample to a subset we'll call "high performers." These are executive director and development director respondents whose organizations have created a broad base of support from individuals—25% or more of their annual budget—and who rated their overall fundraising program as "very effective."

Many nonprofit organizations lack basic fundraising systems and plans. More than one in five nonprofits (23%)—and 31% of organizations with operating budgets of under $1 million—have no fundraising plan in place. By contrast, just 7% of the high performers are without a plan. In addition, 21% of organizations overall—and 32% of organizations with operating budgets of under $1 million— have no fundraising database. Just 12% of the high performers have no database. Across the rest of the sample, only 9% of respondents strongly agreed that their organizations had sufficient capacity to carry out their fund development activities. The comparable figure among high performers was 28%.

Fund Development Capacity

High-performing Organizations and Rest of Sample
Comparative Responses

	High Performing Organizations	Rest of Sample
No Donor Database	12%	21%
No Fundraising Plans	7%	24%
Have Sufficient Capacity	28%	9%

Reported by Executive Directors and Development Directors

> " *I was with an organization once with no fundraising infrastructure at all and I was responsible for building it. It was a five-year project that was probably the hardest thing I've ever done. We raised the money we needed to every year. We built the relationships. The process was managed well. But the hardest thing was to build an internal culture of philanthropy with staff and board, when they had no idea what it was and how it related to them.* "
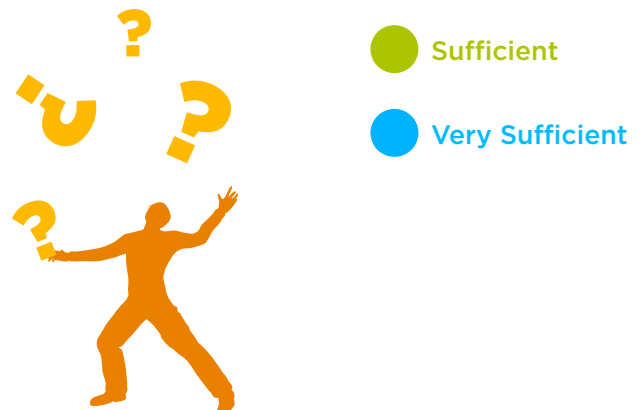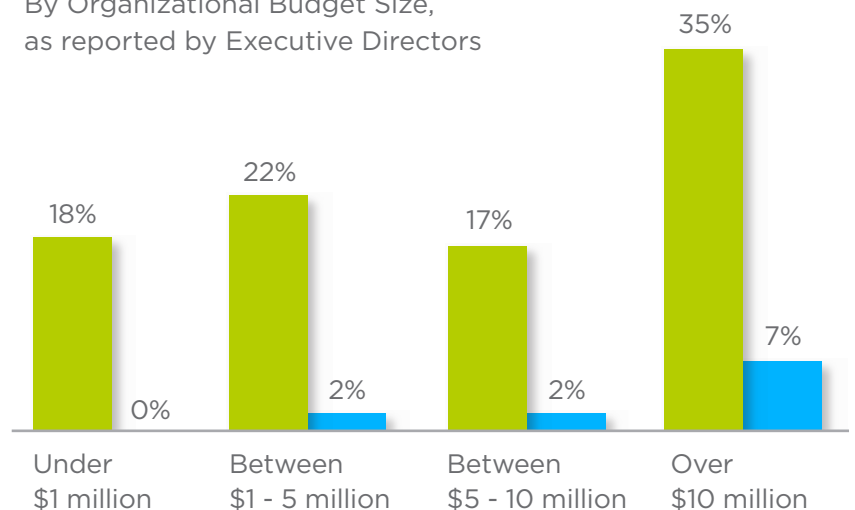
—DEVELOPMENT DIRECTOR

Executives overwhelmingly say board engagement in fundraising is lacking. Three out of four executive directors (75%)—and 82% of executives among organizations with operating budgets of under $1 million—call board member engagement insufficient. Forty-eight percent (48%) of development directors at high-performing organizations reported having "a lot of influence" on board member participation in fundraising, compared to 37% of development directors in the rest of the sample. And, while there is some debate in the nonprofit sector about the efficacy of appointing board fundraising committees—as opposed to making all members of the board equally responsible for fundraising—the survey shows that a significant number of organizations haven't adopted this relatively standard practice. One in four organizations (25%) had no board fundraising committee and 11% were currently in the process of forming one, meaning that 36% were without that structure in place. Finally, 17% of executive directors reported that their boards have no involvement in fundraising at all.

> *It is really, really difficult to motivate the board and get them to see the value of what we do. We have people who renew their term, but these are the very same people who will not pick up the phone, will not attend board meetings, will not come to a donor meeting or partner with the executive director, which is a huge, huge obstacle.*
>
> —DEVELOPMENT DIRECTOR

Board Members Sufficiently Engaged
in Asking Individual Donors for Contributions

By Organizational Budget Size,
as reported by Executive Directors

	Under $1 million	Between $1 - 5 million	Between $5 - 10 million	Over $10 million
Sufficient	18%	22%	17%	35%
Very Sufficient	0%	2%	2%	7%

● Sufficient
● Very Sufficient

One in four executives report that they lack the skills and knowledge to secure gifts – and one in five don't particularly like doing it. An overwhelming majority of executives—79%—agreed that executive competency in securing gifts is "very important." Still, 26% identified themselves as having no competency or being a novice at fundraising. Further, among executives who reported that asking individuals for contributions was one of their primary responsibilities, 18% said they dislike it. More executives among high-performing organizations—89% compared with 72% of their peers— said they are "knowledgeable" or "expert" at securing gifts. In fact, 39% of executives at high-performing nonprofits had previously been development professionals, compared with 24% across the rest of the sample. And, executives at high-performing organizations were twice as likely as their peers to say they "love" asking individuals for donations.

> *Fundraising is not something I enjoy doing. I don't like having to ask people. And the problem in this community is that this is a very involved community of people, and you just get to the point where you feel, 'I can't ask my friends anymore.*
>
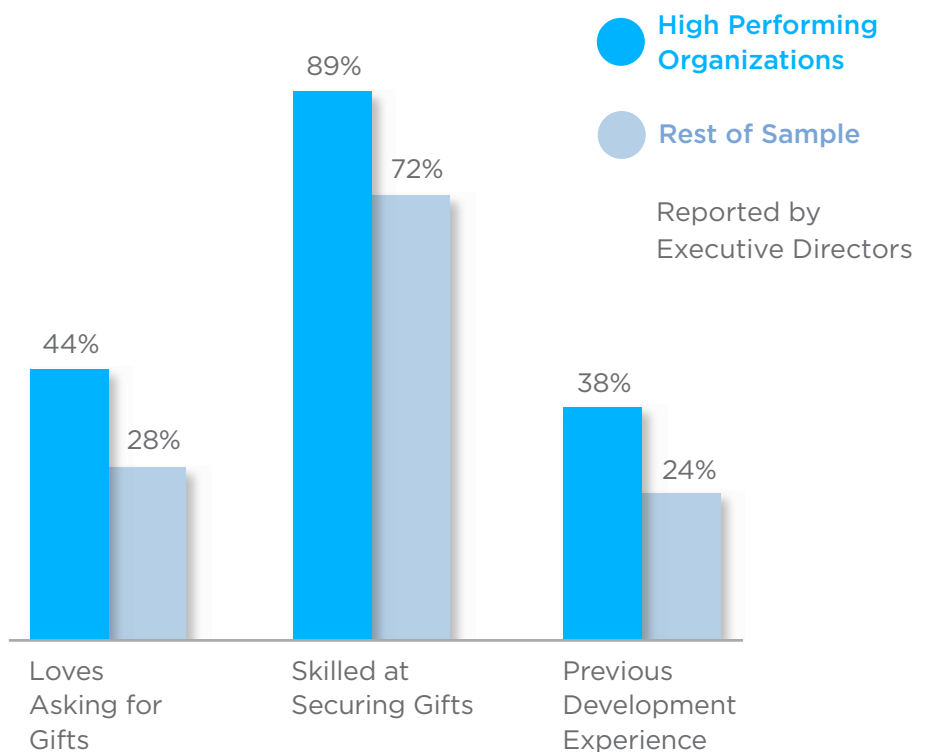> —BOARD MEMBER

> *I was the first development director. Previously the executive director had been doing it and when I started it was like, 'Oh thank God. Here's someone to take this lump of work off my plate.*
>
> —DEVELOPMENT DIRECTOR

Executive Director Fundraising Capacity
High-performing Organizations and Rest of Sample Comparative Responses

● **High Performing Organizations**

● **Rest of Sample**

Reported by Executive Directors

- Loves Asking for Gifts: 44% / 28%
- Skilled at Securing Gifts: 89% / 72%
- Previous Development Experience: 38% / 24%

Less than half of development directors say they have a strong relationship with the executive director. Both executives and development directors reported moderately strong relationships with each other, but executives were considerably more likely to think the relationship was strong. Forty-one percent (41%) of development directors characterized the partnership with their executives on fund development work as strong, compared with 53% of executive directors. And, 21% of development directors characterized the partnership with their executives as weak or nonexistent, compared with 14% of executive directors.

Strength of Partnership in Fund Development Work
Executive Director and Development Director Comparative Responses

Legend:
● Executive Directors
● Development Directors

	None	Weak	Fair	Strong
Executive Directors	1%	13%	34%	53%
Development Directors	3%	18%	38%	41%
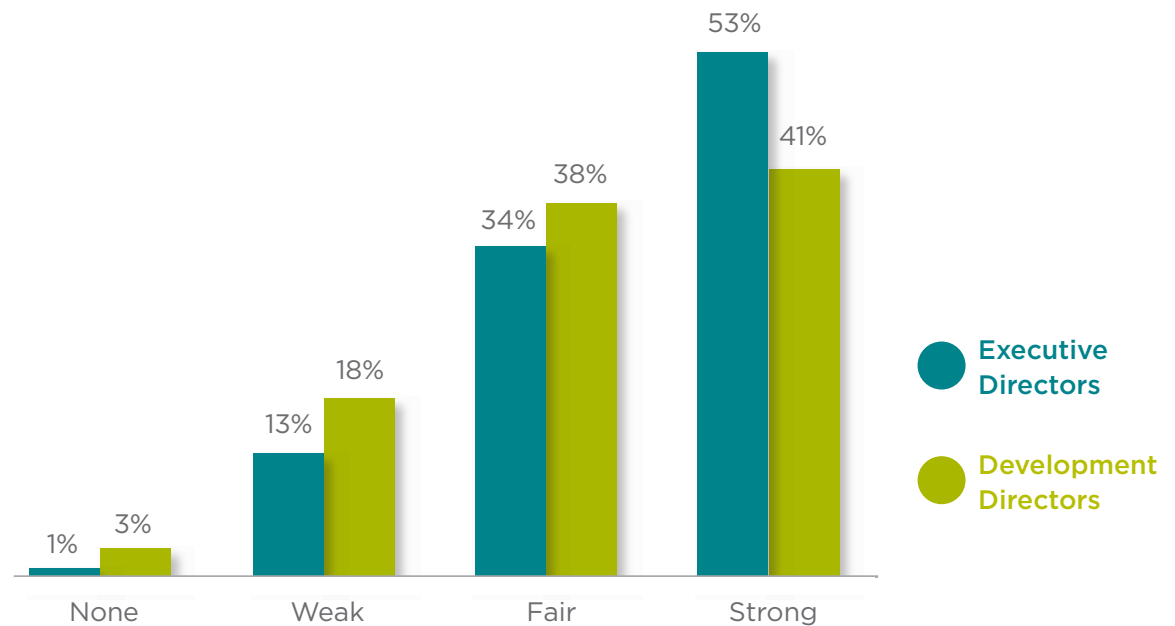
We [the executive director and development director] have a close relationship, and there has to be a lot of trust there. And having an executive director who is excited to fundraise makes a huge, huge, huge difference, someone who doesn't see it as a chore.
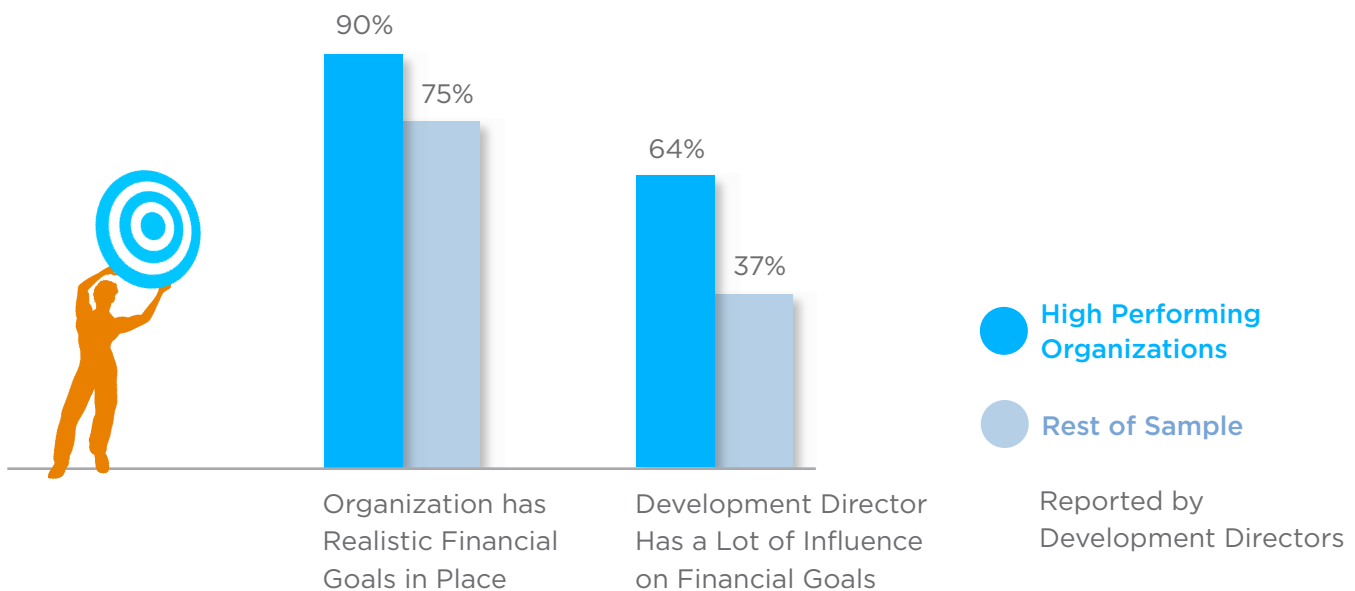
—DEVELOPMENT DIRECTOR

> *My first week, one of the artistic staff said to me, 'I'm so glad you're here. We need video recorders...' as though I could just run out and get whatever is needed – a $50 item or a $50,000 grant. I'm the person who will ride in on the white horse and save the day.*
>
> —DEVELOPMENT DIRECTOR

Development directors' influence on key organizational activities and goals is uneven. Despite the fact that nearly all development directors— 89%—serve on management teams, a majority reported only little or moderate influence on the engagement of other staff in fund development or on annual budgeting. High-performing organizations were significantly better on both fronts. Sixty-one (61%) percent of development directors in high-performing organizations reported "a lot of influence" over staff participation in fund development, compared to 41% of development directors in the rest of the sample. Sixty-six percent (66%) of development directors in high-performing organizations who reported that they have "a lot of influence" over setting financial goals report that the goals are realistic, compared to 42% of development directors in the rest of the sample.

Realistic Financial Goals and Development Director Influence
High Performing Organizations and Rest of Sample Comparative Responses

- 90% — Organization has Realistic Financial Goals in Place (High Performing Organizations)
- 75% — Organization has Realistic Financial Goals in Place (Rest of Sample)
- 64% — Development Director Has a Lot of Influence on Financial Goals (High Performing Organizations)
- 37% — Development Director Has a Lot of Influence on Financial Goals (Rest of Sample)

● **High Performing Organizations**

● **Rest of Sample**

Reported by Development Directors

Defining a "Culture of Philanthropy"

What determines whether an organization has a culture that supports fundraising success? Experts point to a range of factors. For example, are fund development and philanthropy widely understood and valued in the organization? Are its fundraising efforts "donor-centric" and focused on building deep relationships over time, not just asking for money when it's needed?

In her recent book, *Strategic Fund Development*, Simone Joyaux, ACFRE, writes that organizations that can answer "yes" to these questions have a "culture of philanthropy." She adds that when this type of culture is in place, "each volunteer and every employee feels it. Clients and donors recognize it whenever they connect with the organization."

Because the term "culture of philanthropy" is widely used by experts, but not yet well understood across the sector, we defined it in our survey as having these elements:

> *Most people in the organization (across positions) act as ambassadors and engage in relationship-building. Everyone promotes philanthropy and can articulate a case for giving. Fund development is viewed and valued as a mission-aligned program of the organization. Organizational systems are established to support donors. The executive director is committed and personally involved in fundraising.*

Many nonprofits do not have an organizational culture that supports fundraising success. More than two out of five respondents (41%) reported having no culture of philanthropy (see previous page for definition) at their organizations.* This is one area where smaller nonprofits appear to be better off than their larger peers; the larger organizations were more likely (50%) to report that they lacked a culture of philanthropy, compared to 38% of the smallest organizations. This may be because larger nonprofits create a development function that is more professionalized and departmentalized; the development team is expected to be self-sufficient rather than deeply integrated with the rest of the organization and its culture. Smaller organizations also have organizational cultures that are based on more teamwork and role-sharing, which may make them more likely to have a culture of philanthropy than larger, more hierarchical organizations.

> " *I think the fundraisers don't always manage up because they think, 'It's all on my shoulders.' They forget that you've got 20 some board members and another group of volunteers, an executive director, and other direct staff — that this is a partnership.* "
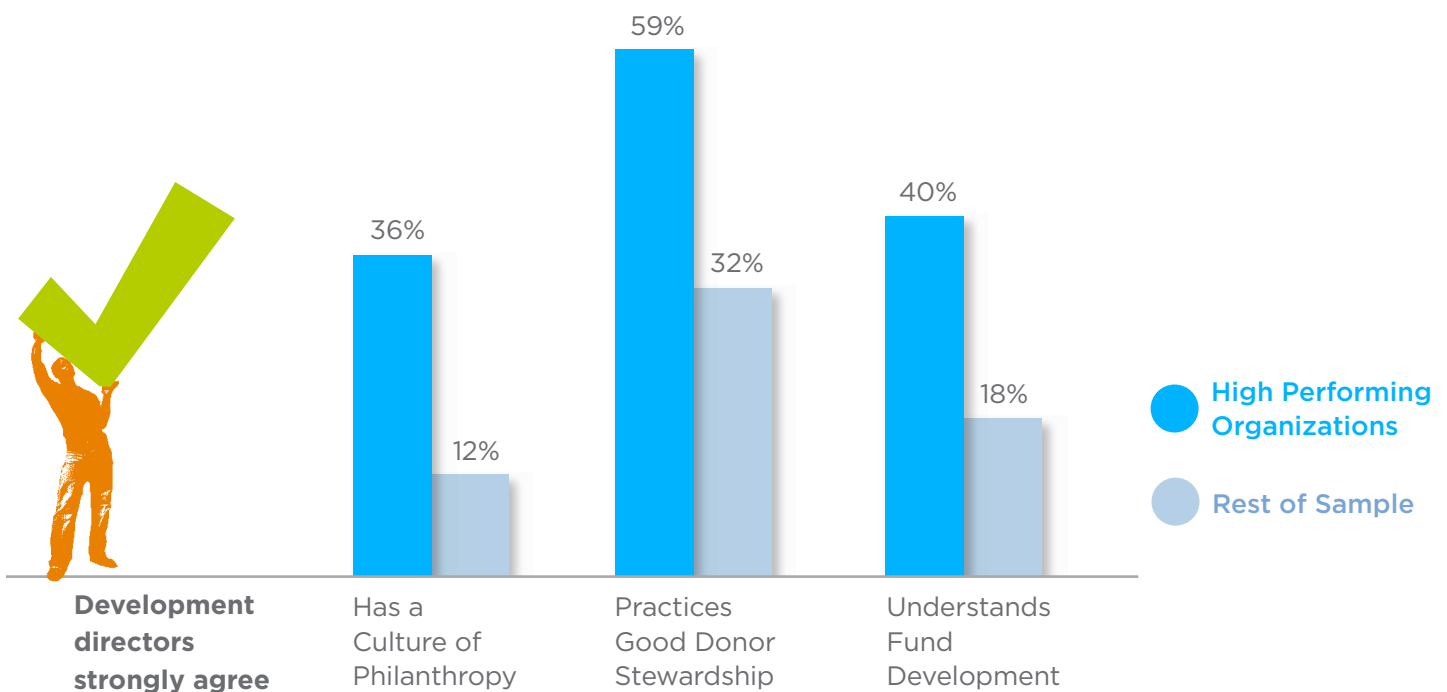>
> —EXECUTIVE DIRECTOR

Predictably, the high-performing organizations are markedly different when it comes to creating a culture of philanthropy. Thirty-six percent of these organizations—compared with just 13% across the rest of the sample—said they "strongly agree" that a culture of philanthropy exists at their organizations. Further, 59% of respondents from high-performing organizations "strongly agreed" that their organizations practice good donor stewardship, but just 33% of the remainder of the sample did. And, 57% of development directors at high-performing organizations strongly agreed that their organizations valued them for their fund development skills, knowledge, and expertise, compared to 31% of other development directors.

*Reported by executive directors and development directors.

Executives and development directors often disagree about the fundraising culture in their organizations. One area where we saw meaningful differences in the perceptions of development directors and executive directors was in their opinions on the culture and the practices at their organizations. For example, one in five executives (20%) "strongly agreed" that a culture of philanthropy was in place at their organizations, compared to just 12% of development directors. In addition, 41% of executives strongly agreed that their organizations practice good donor stewardship, compared to 32% of development directors. Most dramatically, 34% of executives strongly agreed that there is an understanding in their organizations that fund development has a documented body of knowledge, code of ethics, certification, research, and continuing education; the comparable figure for development directors was 18%. These divergent opinions on issues that are so fundamental to fundraising success could partially explain the high levels of frustration, burnout, and premature departure among development directors.

Development Director
Assessment of Culture of Philanthropy

Development directors strongly agree

Has a Culture of Philanthropy — 36% / 12%

Practices Good Donor Stewardship — 59% / 32%

Understands Fund Development — 40% / 18%

High Performing Organizations

Rest of Sample

Many development directors question the effectiveness of their organizations' fundraising. Large numbers of respondents self-assessed the overall effectiveness of their fundraising activities as either "not at all effective" or only "somewhat effective." Development directors were far more critical of their fundraising programs than executive directors were, with 43% characterizing their programs as "not at all effective" or only "somewhat effective" compared with 17% of executive directors. Such a divergence in perception suggests that many development directors believe they could be raising much more money if their organizations' leaders would devote more attention and resources to building fundraising capacity and developing a culture of philanthropy.

Effectiveness of Overall Fundraising Activities
Executive Director and Development Director
Comparative Responses

	Executive Directors	Development Directors
Not at all Effective	4%	3%
Somewhat Effective	14%	39%
Effective	56%	43%
Very Effective	27%	15%
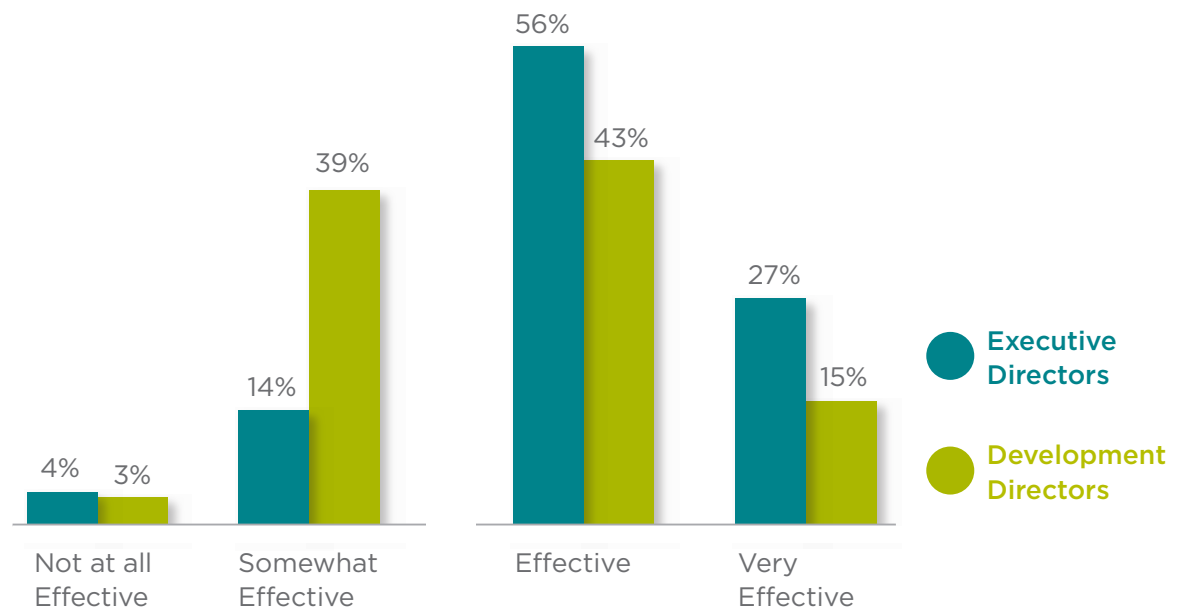
In sum, the data reveal that a surprising number of organizations lack the fundamental conditions for fund development success—basic tools such as a fundraising plan and database, essential board and executive leadership and development skills, and a shared culture of philanthropy across the organization.
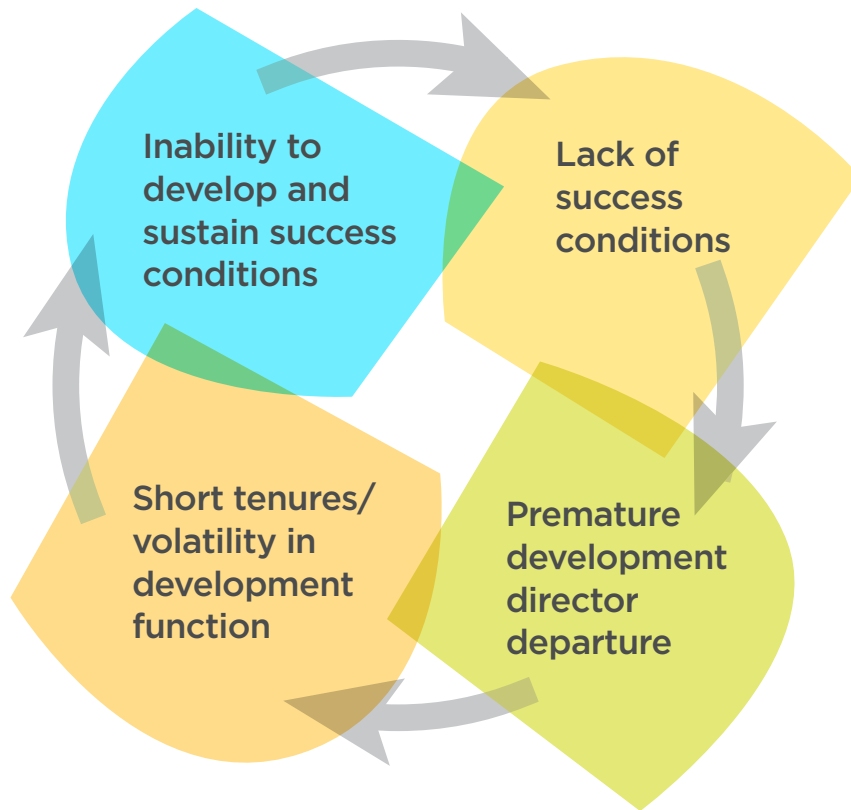
Breaking the
Vicious Cycle

CALLS TO ACTION

The fact that the organizational conditions and culture necessary for fund development success are uneven or outright lacking in many organizations feeds a vicious cycle that is hard to break. The lack of a favorable climate for fundraising leads to premature development director departures. These departures, in turn, disrupt the relationship building that is key to individual donor cultivation, and prevent organizations from developing and sustaining the conditions for development success. This, in turn, makes it harder for an organization to recruit and retain its next development director, and so on.

This vicious cycle poses a significant threat to the stability of nonprofit organizations, and to the sector's broader success. The question is how do nonprofits break the cycle and begin laying the groundwork for sustainable fundraising success.

The nonprofit sector has typically framed the problem of the revolving door as a staffing issue: "We just can't find good development directors, and when we do make a hire, they don't perform well or they leave too soon!" And these data confirm that there are real recruitment and retention challenges, but by framing the issue as a talent pool problem alone, we neglect to focus more critically upon entrenched organizational factors that contribute to the inability to establish development as a shared function and nurture an organizational culture to sustain it. The right development director hire alone will never break the cycle, but the right person inside an organization that has a culture of philanthropy, can.

The Vicious Cycle

Inability to develop and sustain success conditions

Lack of success conditions

Short tenures/ volatility in development function

Premature development director departure

Creating the conditions for success—at both the organizational and sectoral levels—requires nonprofit staff, executives, boards, funders, and capacity builders to make small and large changes in belief and practice. Fundamentally, it requires all of us in the sector to adopt a profoundly different stance towards fundraising—moving away from an approach that is passive, apologetic, and siloed in nature, to an integrative approach that deeply values donors and constituents and puts them right in the center of our organizations and movements.

The following calls to action are inspired by this research; we hope that they spark conversation and provoke action.

1 Embrace Fund Development— A Mental Model Shift across the Sector

Because our mental models shape our views of the world, ourselves, our capabilities, and the tasks that we are asked to perform, leaders—at all levels—need to adopt a mental model that genuinely embraces and values fund development and philanthropy. Throughout this research, we heard numerous stories from development directors who are misunderstood at best, and distrusted and isolated from organizational work at worst. And from executives and boards, we heard plenty of complaints about fundraising, but very little enthusiasm. And, these attitudes are reflected in the data; just 12% of development directors reported that their organization had a culture of philanthropy in place. To foster and develop a culture of philanthropy, individuals' beliefs and perspectives cannot be at odds with its principles. In other words, a culture of philanthropy has little chance of taking hold when people think asking for money is distasteful or just hate doing it. In this study, 14% of development directors dislike asking for money and 18% of executive directors feel the same. Respondents—especially in smaller nonprofits—also reported low levels of engagement in fund development among their staff and board. This call to action is individual in nature yet powerful in aggregate. If nonprofit leaders don't adopt this major shift in thinking and come to embrace fund development as a central and valuable part of their work, rather than an unpleasant distraction, fundraising success will continue to elude too many organizations.

2 Elevate the Field of Fundraising

Fundraising suffers from a bad reputation. As explained by Kim Klein, "Money is one of the great taboos in our culture. We are taught not to think about it or ask about it... As with the subjects of sex, death, mental illness, religion, politics, and other taboos, people say little about their experiences with money. With people so carefully taught that it is rude to talk about money, it's certainly not an easy task to ask for it."[iv] Additionally, fundraising is still fighting to be recognized as a profession even though it has many of the characteristics generally associated with professional status (a body of knowledge, a professional association, education programs, and a code of ethics among others[v]). Leaders from across the sector—not just those focused primarily on fundraising—should join together to promote fundraising as an attractive and rewarding career and the development director role as integral to positive change in our communities.

3 ▶ Strengthen and Diversify the Talent Pool

Despite the fact that there are numerous existing organizations and academic institutions that focus on fundraising professional development, more work is needed to create a healthy and diverse pipeline of skilled, committed fundraising professionals. Like their executive director counterparts, development directors are predominantly over 40, female, and white (see about the sample on page 32). Targeted efforts are required to recruit and prepare new fundraisers from communities of color and underserved populations. Capacity builders, many of whom focus their leadership development work on preparing the next generation of executive directors, can expand their programs to emerging development directors as well.

4 ▶ Train Boards Differently

For all the board fundraising training the sector does, levels of board engagement in fundraising are still woefully inadequate according to this study and many others. While training is an important aspect of building individual skills and organizational capacity, the sector's over-reliance on fundraising training without commensurate attention paid to the conditions for success is futile and contributes to the vicious cycle. Capacity builders need to update their board fundraising curriculum to address what it takes to systematically create and sustain a culture of philanthropy, including the specifics of effective partnership among the board, the executive director, and the development director.

5 ▶ Apply the Transition Management Framework to the Development Director Position

Over 15 years, the sector has come to embrace the concept that an executive transition is a pivotal moment for organizational reflection, re-evaluation of strategies, and investment in capacity building. What if development director

transitions were approached with the same care? Search consultants focused on fund development can apply transition management frameworks to the development director hiring process—expanding the scope of work to include meaningful assessments of fundraising strategy and capacity. Just as in an executive transition, this will result in a better hire, more thoughtful on-boarding, and a deepening of board and staff's attention to creating the conditions for fundraising success.

6 Invest Strategically in Grantee Fundraising Capacity

Funders typically inquire about sustainability as part of due diligence, but they don't typically look deeply at an organization's capacity to develop sustainable income. Drawing on the organizational factors highlighted in this report, funders could develop a more sophisticated "due-diligence" checklist to guide their evaluation of the leadership, governance and operational components of fundraising capacity. This would have the dual benefit of helping to identify strong and sustainable grantees while communicating to grant seekers what we think strong development capacity looks like.

In a December 2012 Chronicle of Philanthropy op-ed, foundation executive Gara La Marche wrote: "'The most significant regret I have in looking over my 15 years as a leader of two big philanthropies is that while we thought a lot about sustainability at the Open Society Foundations and at the Atlantic Philanthropies, we rarely made grants to strengthen organizations' fundraising in a way that encouraged innovation and democratization."

As more funders embrace investments in grantee leadership and organizational capacity as integral to achieving their programmatic goals, attention to fundraising innovation is critical. Investments could include development director transition management as described above, and support to leaders for building skills, developing systems, and creating the cultural change often needed for fundraising success. The most important thing is to start experimenting with new grantmaking strategies that recognize fund development capacity as central to a grantee's success in realizing its vision.

7 Leverage Technological Innovation— Embrace Creativity

Social media, online fundraising, and innovations such as crowd funding are fundamentally changing the means of cultivating and retaining donors. These tools allow multiple staff and board—beyond a single development director—to be in continuous dialogue with stakeholders, a central tenet of a culture of philanthropy. They also have the potential to draw a new generation of activists to the development director role, people drawn to the storytelling and movement building aspects of fund development.

8 Set Realistic Goals for Development

Nearly one third of development directors in this study reported that they have been charged with unrealistic performance goals. All experts agree that goal-setting should be a collaborative effort inclusive of the development director from the start. Moreover, performance expectations defined in financial terms alone deny the reality of what it takes to get givers, not just gifts, as Kim Klein reminds us. Expectations might include, among other dimensions of performance, the development and maintenance of the development department, cultivation and stewardship of relationships, staff and board relationship-building, and contribution to the vision, strategy and overall leadership of an organization.

9 Share Accountability for Fundraising Results

The development director's success is inextricably linked to staff, executive director, and board success. One of the tenets of a culture of philanthropy is deep and passionate engagement across the organization, which translates into shared accountability for the organization achieving its fundraising goals. Executive directors should consider setting clear expectations for staff other than the development director—identifying specific activities in which all can participate. One simple mechanism to reinforce accountability is to include development goals in the annual performance evaluation process for staff. Just as important, boards of directors—with strong leadership and modeling from the chair—should include fund development goal-setting as part of their own annual work planning and monitor their own performance regularly.

10 Exercise Fundraising Leadership

Development Directors

Development directors should embrace the challenges outlined in this report by stepping-up their leadership and driving the change that is required within their organizations. While it is often impossible for one person to change an organization, the development director is in a key position to identify the organizational changes needed and then lead a process to realize them. This should include a plan for building the necessary fund development capacity within the organization. It will also require that the development director enthusiastically educates staff and board about what a culture of philanthropy entails, and just as importantly, what it promises for organizations and communities. It also includes taking responsibility for their own professional development by seeking out leadership development opportunities and identifying management skills-building needs. As suggested in the other calls to action of this report, capacity builders and funders can support these efforts by offering and supporting relevant technical assistance and leadership programs specifically for fund development professionals.

Executive Directors

As with all aspects of organizational culture, executive directors have to commit deeply to inspiring and aligning their staffs and boards around a culture of philanthropy. This begins with their own beliefs and behaviors about cultivating and stewarding donors. It includes prioritizing and investing in fundraising capacity. It includes having a passion for asking for money for their organizations and movements. It includes ensuring a strong partnership with their development directors. And it includes partnering with their board chairs to engage the full board in ambassadorship and donor cultivation. It's impossible to build a strong culture without an executive director; she or he has to be an instigator, a champion, and a role model to bring fundraising into the heart of the organization and keep it there.

ACKNOWLEDGEMENTS

The project team—Jeanne Bell, Marla Cornelius, and Erin Lingren from CompassPoint and Rachel Baker, Paula Morris, and Linda Wood from the Evelyn and Walter Haas, Jr. Fund—deeply thank our Advisory Committee, partner organizations, and focus group participants for their tremendous support of this project. Without their many hours of volunteer time and thought-partnership this research would not have been possible.

Hartford Foundation for Public Giving

Hawai'i Community Foundation

Institute for Conservation Leadership

Meyer Foundation

Minnesota Council of Nonprofits

Nonprofit Association of Oregon

The Annie E. Casey Foundation

The Cameron Foundation

The David and Lucile Packard Foundation

The Forbes Funds and the Greater Pittsburgh Nonprofit Partnership (GPNP)

The Foundation Center

The James Irvine Foundation

The Nonprofit Roundtable of Greater Washington

Weingart Foundation

FOCUS GROUP PARTICIPATING ORGANIZATIONS

Alive Hospice

Asian Law Caucus

Audubon Canyon Ranch

Boys and Girls Clubs of SF

Coaching Corps

College Summit

Council for Court Excellence

Father's Support Center of St. Louis

FiftyForward

Foster and Adoptive Care Coalition

Girl Scouts of Middle Tennessee

Good Shepherd Housing & Family Services

Grace Hill Settlement House

Habitat for Humanity of Greater Nashville

HIP Housing

Horizon Foundation

International Development Exchange (IDEX)

Juma Ventures

JVS

Larkin Street Youth Services

Latino Econ Development Corporation

Literacy Council of Northern Virginia

LYRIC

Minnie Pearl Cancer Foundation

Miriam's Kitchen

Nashville Ballet

Nashville CARES

Nashville Humane Association

Northern California Community Loan Fund

Parents as Teachers

People Organized to Win Employment Rights (POWER)

Rebuilding Together

Saddle Up!

Safe Haven Family Shelter

SouthSide Early Childhood Center

St. Luke's Community House

Sunny Hill Services

The Restaurant Opportunity Center

TransForm

United 4 Children

United Services for Children

Voices for Children

YWCA Metro St. Louis

METHODOLOGY

National Survey

CompassPoint and the Evelyn and Walter Haas, Jr. Fund developed and tested two versions of the electronic survey with input from a national advisory committee. See page 28 for a list of advisory committee members. One version was for executive directors/CEOs of nonprofit organizations that have a senior level position with the primary role of fund development on staff. The second version was for senior level (highest ranking position) fund development staff working at nonprofit organizations. To download a PDF of both surveys, visit www.compasspoint.org.

CompassPoint, the Haas, Jr. Fund, and 23 partner organizations distributed the survey electronically from May through July 2012 to their constituents using email, social media, and website placement. We chose partner organizations that fund and support nonprofits and that share with us an interest in nonprofit leadership and organizational sustainability. This is a sample of convenience and as a result does not include as many very small organizations as the IRS master file; and hospitals, universities, and large national organizations are underrepresented in the sample. See page 28-29 for a list of partner organizations and foundations.

The surveys yielded a sample of 2,722 responses: 1,852 from senior development staff and 870 from executive directors. The data were collected and analyzed using the statistical software SPSS by CompassPoint in San Francisco, California.

Focus Groups

CompassPoint also conducted 11 focus groups with executive directors, senior development staff, and board members as part of this research. A total of 53 participants participated in a focus group either in-person or via conference call in the summer of 2012. Participants were from four regions within the United States: the San Francisco Bay Area, the Greater Washington D.C. Area, St. Louis, and Nashville. Their responses are critical to telling the full story of the data collected by the surveys and they are quoted throughout the report. See page 29-30 for a list of participating nonprofit organizations.

ABOUT **THE SAMPLE**

Respondent Demographics

The following charts include demographic information about the sample of executive directors and development directors who responded to the national survey.

Age	% Development Directors	% Executive Directors
Mean	47	53
Median	47	54

Race/Ethnicity	% Development Directors	% Executive Directors
African-American	3%	6%
Asian/Pacific Islander	2%	3%
Latino	3%	2%
Middle Eastern	0.2%	0.2%
Native American	0.2%	0.5%
White/Anglo	88%	83%
Multiracial	2.5%	3%
Other	1%	2%

Gender	% Development Directors	% Executive Directors
Male	21%	34%
Female	79%	65%
Transgender	0.1%	0.2%
Decline to State	0.4%	0.7%

Current Annual Salary	Development Directors	Executive Directors
Mean	$70,452	$104,446
Median	$65,000	$90,000

Due to rounding, some categories do not total 100%.

Sample Organizations

The following charts include information about the survey respondents' organizations of employment.

Mission Area	% of Organizations
Human Services	22%
Educational Institutions	10%
Arts, Culture, Humanities	11%
Health - General & Rehabilitative	7%
Youth Development	7%
Environmental Quality Protection, Beautification	5%
Housing Shelter	6%
Mental Health, Crisis Intervention	4.5%
Civil Rights, Social Action, Advocacy	4%
Community Improvement, Capacity Building	2%
Disease, Disorders, Medical Diagnoses	2%
Religion, Spiritual Development	2%
Animal Related	1.5%
Public, Society benefit	2%
Agriculture, Food, Nutrition	1%
Employment, Job Related	1%
Crime, Legal Related	1%
Philanthropy, Volunteerism, and Grantmaking	1%
Mutual/Membership Benefit Org	1%
Recreation, Sports, Leisure	1%
International, Foreign Affairs, and National Security	0.4%
Medical Research	0.3%
Science and Technology Research Institutes	0.2%
Public Safety, Disaster Preparedness and Relief	0.1%
Social Science Research Institute	0.1%
Other	7%

Paid Staff Size (FTEs)	% of Organizations
0	0.2%
1 to 5	13%
6 to 15	27%
16 to 25	12%
26 to 50	16%
51 to 100	12%
100 or more	19%

Sample Organizations
(continued)

Annual Operating Budget Size	% of Organizations
Under $1 million	28%
Between $1–5 million	43%
Between $5–10 million	12%
Over $10 million	18%
Region	**% of Organizations**
West	30%
Midwest	30%
South	27%
Northeast	13%

Due to rounding, some categories do not total 100%.

ABOUT COMPASSPOINT

The mission of CompassPoint is to intensify the impact of fellow nonprofit leaders, organizations, and networks as we achieve social equity together. We are a diverse and deeply integrated staff practice working in cross-discipline teams to design and deliver management, leadership, and strategy programming to leaders at all stages of the pipeline and organizations focused broadly on social equity. We intentionally blend learning methodologies depending on program needs—mixing teaching, coaching, peer-learning, and consulting to achieve the desired outcomes with an individual, a cohort, an organization, or a network. Our program work is also informed by our national research. We design studies to better understand and shape the sector's understanding of the most critical issues facing nonprofits today. Our reports are written to be timely, practical, and accessible. To learn more about CompassPoint's work and to download this report, visit our website at www.compasspoint.org.

ABOUT THE EVELYN AND WALTER HAAS, JR. FUND

The Evelyn and Walter Haas, Jr. Fund is a private family foundation established by Evelyn D. Haas and Walter A. Haas, Jr. that has awarded more than $433 million in grants since its founding in 1953. The Fund is located in San Francisco, California. The Fund strives to contribute in meaningful and effective ways at the local, state and national levels to create a just and caring society where every person deserves the chance to live, work and raise their families with dignity. The Haas, Jr. Fund's focus is in five areas: We're working to promote equal opportunities for immigrants to become fully engaged citizens. We're fighting for equal marriage rights and other protections for gays and lesbians. We're developing new partnerships to close achievement gaps so that children and young adults get the education they need to reach their full potential. We're helping nonprofit leaders gain the skills, knowledge and understanding that will allow them to take their organizations to new heights of excellence and service. We're supporting community partnerships and initiatives that create opportunities for people from all backgrounds to enjoy the diverse civic and cultural assets of the Bay Area.To learn more about the Haas, Jr. Fund, visit our website at www.haasjr.org.

For reference purposes, please use the following citation: Bell, Jeanne and Marla Cornelius, *UnderDeveloped: A National Study of Challenges Facing Nonprofit Fundraising* (San Francisco, CA: CompassPoint Nonprofit Services and the Evelyn and Walter Haas, Jr. Fund, 2013).

Please visit **www.compasspoint.org** to download a PDF of this report.

i   Cornelius, Marla, Rick Moyers, and Jeanne Bell, *Daring to Lead 2011: A National Study of Executive Director Leadership* (San Francisco, CA: CompassPoint Nonprofit Services and the Meyer Foundation, 2011).

ii Klein, Kim. *Fundraising for Social Change*, Jossey-Bass, 2007. p. 19.

iii 2012 Nonprofit Employment Trends Survey™ by Nonprofit HR Solutions

iv Klein, Kim. *Fundraising for Social Change*, fifth edition. Jossey-Bass. 2006. p. 385.

v   Wagner, Lily. *Careers in Fundraising*. John Wiley & Sons Inc. 2002. pp 45-46.