



# trends [4]

The definitive [4] times per year source of philanthropic trends analysis in Canada



## How time flies!

We are celebrating a milestone anniversary this year at KCI. For 30 years, we have had the honour and privilege of working with thousands of organizations across Canada, helping them to tackle their most difficult challenges, achieve their loftiest goals and make our collective dream of better communities and improved lives a reality.

Over this time, we have had the chance to work with an incredible group of clients from coast to coast to coast - clients who ask us tough questions that push our thinking...and who also share observations and ideas that help to shape that thinking. In addition, we have the chance to speak to hundreds of volunteers and donors every year thanks to the projects we work on. With the help of these inputs, we have enjoyed exploring and writing about the issues that are

important to you as leaders in the sector through our *Philanthropic Trends* publication.

To celebrate our 30th anniversary, we pulled together the "Top 30" Trends articles from throughout the years and put them into a special compilation entitled **30[4]30**. In creating the book, we had the chance to "walk down memory lane," an activity that was interesting and fun. It was fascinating to see what was on our minds as a sector and profession at different times in the past and to reflect on how things have changed...as well as how they have stayed the same.

It also reminded us how fortunate we are to have support from our Trends Advisory Board, a group of senior leaders in the sector who help shape the direction of *Philanthropic Trends* and who share deeply valued insights about the topics that are

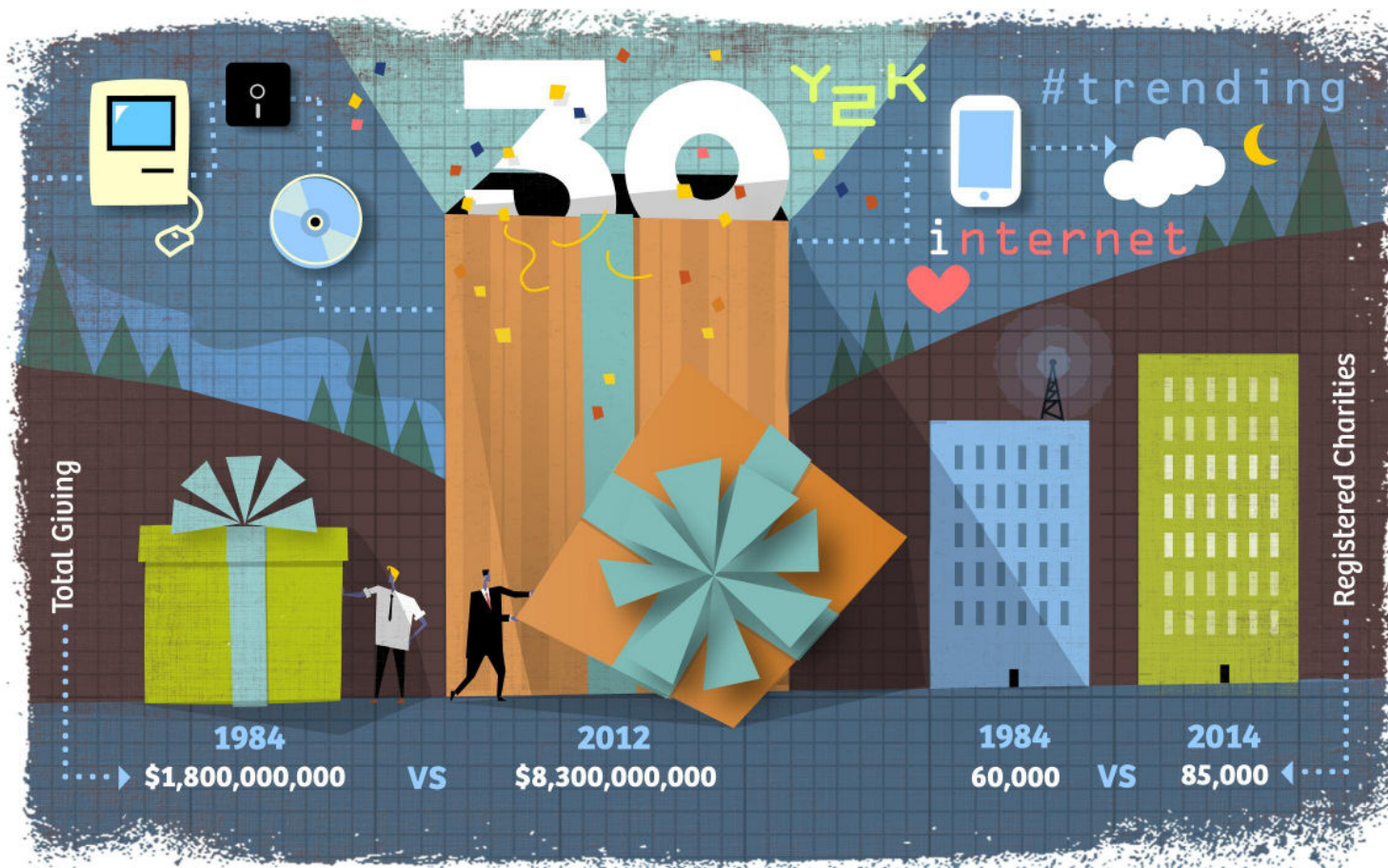
explored in its pages. The book gives us the opportunity to acknowledge, thank and celebrate all our Trends Advisory Board members, past and present, for their assistance and thought leadership throughout the years.

They say that "time flies when you are having fun" and that certainly has been the case for us here at KCI. I hope you enjoy this special 30th Anniversary edition of *Philanthropic Trends Quarterly* in which we highlight some of the articles included in **30[4]30**... as well as share a few thoughts about what the future may hold.

Already looking forward to '60[4]60'...!!

Marnie Spears  
President and CEO





To say that a lot has changed since 1984 feels like an understatement. To illustrate just how different the world is today, consider that in 1984 the average house price in Toronto was \$96,000, the first Apple computer was going on the market and Sony and Phillips were introducing the very latest in audio technology – the CD player!

The world of fundraising and philanthropy, too, has changed significantly. In numeric terms, there were about 60,000 registered charities in Canada in 1984 compared with well over 85,000 today, an increase of 42%. And according to Statistics Canada, 3.9 million Canadian taxfilers (25.7%) claimed charitable donations in 1984 totalling \$1.8 billion with an average donation of \$458. Fast forward to 2012, the latest year for which data is available, and we see that total giving has

increased to \$8.3 billion, the number of donors has grown to 5.7 million and the average gift sits at \$1,482.

And we see evidence of change not only in terms of numbers but also in terms of how the sector and organizations in it have evolved, becoming more sophisticated and mature in response to what is an increasingly competitive landscape when it comes to fundraising.

### Organizational Health

In that highly competitive fundraising marketplace, the health and vitality of the organization is paramount. And one of the most enduring elements of a healthy fundraising organization is a strong culture of philanthropy.

First explored in depth in the pages of

Trends in 2006, it continues to endure as one of the most critical elements of any fundraising organization, as charities that successfully embed philanthropy into all aspects of their organizations are more likely to succeed and achieve sustained excellence in fundraising results.

When building a strong culture of philanthropy, there are several characteristics on which organizations should focus. First and foremost, the role of philanthropy in achieving the mission must be well understood by all in the organization, particularly senior leadership. Tied to this is the notion that development must be recognized as a core function, with all staff and volunteers understanding that they play a role in raising funds. Accountability must be deeply engrained throughout the organization and be understood and valued as more than a

technical or regulatory requirement. And finally, donors must be seen as key partners in the organization, valued as much for their financial contributions as for all else they can bring to the table.

While this focus on building a strong and robust culture of philanthropy continues to be directed by these guideposts almost a decade later, the approach to strategy development is evolving, as we discovered in our Strategy Issue (Issue 4, 2013). Strategic planning as an episodic undertaking is no longer as popular as it once was. Because things are changing all the time, there is a need to take a dynamic approach to setting and refreshing organizational strategy. As a result, organizations are choosing to undertake “strategic conversations” on an ongoing basis and teaching people to think strategically every day.

What hasn’t changed is that strategy continues to be fundamentally about three things – understanding where you are now, establishing where you want to be, and determining what you will need to get there. Depending on scope and circumstances, this guide can be applied at any level in the organization – from the macro of setting overall strategy for the organization to the micro of setting strategy to move a prospective donor to a major gift...and everywhere in between.

Another article that made it into our **30[4]30** “best of” compilation is the issue about cost of fundraising (Issue 3, 2009). We have explored this topic in depth numerous times over the years and, sadly perhaps, it continues to be an important topic in the sector today. Looking on the bright side however, it also falls into the category of “we can’t change it if we don’t talk about it”, so the fact that it is still part of the conversation is most definitely a positive.

*“We need to help all stakeholders in the sector understand our reality when it comes to cost of fundraising – government donors, the general public...even our boards.”*  
Issue 3, 2009

In a nutshell, this issue boils down to educate, educate, educate. We need to help all stakeholders in the sector understand our reality when it comes to the cost of fundraising – government, donors, the general public...even our boards. All of us in the sector need to get behind and constantly reinforce three key messages related to cost of fundraising: 1) there is no “right number”, as an organization’s cost of fundraising is highly dependent on numerous factors; 2) while an important metric, it shouldn’t be the only metric by which an organization’s worthiness is judged; and 3) less doesn’t necessarily mean better, as fully assessing a charity’s worth requires information about its outputs, outcomes and impact.

### **Team and Talent**

“The challenges of recruiting, retaining and managing talent are consistently identified among the top management issues facing non-profit organizations in Canada.” This statement was made in our Spring 2007 edition, and is just as applicable in 2014. In the increasingly sophisticated and competitive Canadian philanthropic marketplace, talent management is only growing in importance.

Turnover has long been an issue in non-profit organizations, particularly related to development staff. Recognizing that as fundraisers we are in the “relationship business”, it goes without saying that it is

an issue of significant concern – tough to build deep, long lasting relationships with our donors when the prime keepers of those relationships keep changing. While we discovered in our edition on retention (Issue 3, 2013) that this issue is not unique to the non-profit sector (the VP Sales position in the for profit sector, one that is similar to the scope of the chief development role, has an average tenure of between 24 and 32 months), it behooves us to ask why the issue is so persistent and what can we do about it.

Among numerous other suggestions and ideas, one concept that is beginning to take hold is to “mindshift” our thinking related to our talent and the Human Resource function. We need to start thinking about employees as assets and about HR as a strategic function in our organizations which certainly doesn’t mean that everyone should hire an HR professional. What it does mean, though, is that everyone in a leadership role needs to learn and understand some fundamentals of organizational behaviour, human psychology and how to strategically leverage talent.

Managing performance to achieve desired results and building strong teams go hand-in-hand. And so another topic that has gained significant interest in recent years is developing robust performance management programs that measure progress against goals and motivate staff. As described in our Spring 2007 edition, the best guide in developing performance management programs continues to be the 4C’s: 1) **Collect** – determine key result areas and associated measures from long term strategies; 2) **Create** – develop performance measures based on key areas; 3) **Connect** – connect measures to the daily life of the organization by creating appropriate tools and reports; and 4) **Confirm** – periodically assess the effectiveness of measures and revise as appropriate.

## Core Fundraising

Of course, no compilation of top articles from *Philanthropic Trends* would be complete without an exploration of the fundamentals of fundraising, starting with perhaps the most important element – our donors.

Donor behavior has changed significantly over the years – they want more involvement, more information, more detail, more impact and more choice, even at the level of modest gifts than ever before. As society changes, so too, it would seem do our donors - what they want from us, how they behave.

One of the key takeaways from our exploration of donors (Issue 3, 2012) is the need to better segment and target, something that can only be achieved by doing a better job of listening. Gone are the days when it's enough to categorize our donors by gift size and giving method (i.e. the "\$100 direct mail donor").

## A final look back

The last section of 30[4]30 may be the most fun and interesting read of all! This section takes readers back through thinking since we started publishing in the late 1990's. Have a look and see if you can correctly match the statements described below with the year in which they appeared in *Philanthropic Trends*!

1. An essential factor in the flourishing of Canadian philanthropy are significant changes in tax policy, beginning with the reduction of the capital gains on gifts of publicly traded securities.
2. An increasing number of Canadians are choosing to establish foundations as a vehicle for their personal giving. As well, donor advised funds have become a significant force in American philanthropy and are beginning to surface in Canada.
3. A new definition and two recent polls are broadening the corporate definition of "social responsibility" to include more than philanthropy. The Center for Corporate Community Relations at Boston College declared corporate citizenship to be "about companies acting as economic and social assets to the communities they impact by integrating societal interests with other core business interests."

4. "Catalytic philanthropy" (a term coined by the Stanford Social Innovation Review) is emerging, and sees funders becoming implicated in the creation and delivery of the solution to a problem rather than passively providing funding.

5. Today's donors and volunteers are asking hard questions and demanding measurable outcomes of their charities and those who manage them.

6. Emerging technology is providing new tools for the fundraising arsenal and many organizations are exploring the opportunities associated with new technological applications.

7. According to sector opinion leaders, some charities are testing the value of continuing major gift programs as a replacement for special campaigns. In a special survey for *Philanthropic Trends*, results show there is a place for combined strategies.

8. The largest cash gift in Canadian history made headlines across the country last year. Michael DeGroot's extraordinary gift of \$105 million to name the School of Medicine at McMaster University was heralded as not only a landmark

for the University and Hamilton, but for all of Canada.

9. Stewardship and donor relations becoming more of a focus and it has become the norm for organizations to have full-time stewardship staff on their development teams.

10. In tandem with Canadian philanthropy flourishing, charities have begun to encounter a more sophisticated cadre of donors who seek evidence of outcomes, are likely to designate their gifts and are on the lookout to leverage their giving through matching dollars.

11. Successful development functions are facilitating collaboration and communication among all fundraising program areas, and challenging development officers to familiarize themselves with (and to promote) all aspects of giving, including planned giving.

12. The alignment of corporate giving with strategic business interests continues to be an important trend and the practice of establishing a donations policy with a clear focus has become the norm.

## Answer Key

1,2007 2,2004 3,2001 4,2010 5,2001 6,2010 7,2001 8,2004 9,2007 10,2007 11,2001 12,2004

Organizations now need to be much more sophisticated than that, finding ways to relate to donors as people. This is the spot where “big data” and analytics is finding relevance in the world of philanthropy and fundraising. Gathering data about donors and then using that information to help us better build relationships with them is a requirement both now and into the future.

We have also seen some significant shifts in the needs and behaviours of our corporate donors, as highlighted in Issue 4, 2011. While the corporate sector continues to be a key partner of the charitable sector in all ways, including as a key funder, giving from corporations has evolved (and is continuing to evolve) significantly. Some of the key trends we noted at the time were greater alignment between community relationships and business strategies, the desire for corporations to look for relationships that go beyond the dollars to include ways their employees can be involved in the community and a growing interest in funding issues as opposed to specific organizations.

No exploration of fundraising would be complete without a look at another group of key partners – our volunteers. In fact Issue 3, 2010, which explored this topic in-depth, was introduced by the following statement: “We must never lose sight of the fact that volunteers are not an interruption of our work, but rather our partners in accomplishing it.” And sure enough, that edition revealed that volunteers continue to be critical components of the work that we do, but that like most areas related to fundraising, times are changing. Key findings from this edition illustrated that no matter at what level (board, campaign cabinet, fundraising committees) no one size fits all, roles must be clearly defined and that to get the best from our volunteers, we must invest time and resources to supporting them in their work.



Collage featuring illustrations by Timothy Cook and Doug Ross

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*Issue 3, 2010*

In Issue 1, 2013, we turned our attention to the topic of campaigns. We noted that not so long ago there was debate about whether campaigns would become a thing of the past. But as we discovered, not only are they alive, but thriving. Whether a \$1 Billion campaign for a university or \$500,000 campaign for the local community centre, campaigns continue to be very relevant and effective ways to raise funds.

But, they are evolving and dare we say, becoming more sophisticated in ap-

proach. This increasing sophistication is particularly evident when it comes to campaign planning. In the “old days”, preparing for a campaign was often as simple as putting together the case for support and testing it through a feasibility study. Today, that planning is much more rigorous and complex, involving a combination of assessing internal readiness, creating the “product” or case and testing the external marketplace.

**Emerging Opportunities and Tough Times**

While the topics described in our “Core Fundraising” section of 30[4]30 have many elements of innovation, they certainly fall into the category of the more “traditional” components of the fundraising mix. A number of areas of opportunity related to fundraising are emerging, whether they be new technologies (Issue 2, 2010), new sources of funding (Issue 2, 2013) or mid-level giving (Issue 2, 2012).

And as the makeup of the Canadian population shifts, there is a need and opportunity to find ways to engage people of increasingly diverse ethnic and cultural backgrounds in our organizations. We explored this topic in Issue 2, 2011 and discovered a lot of misunderstanding, confusion – and downright fear – when attempting to reach out to sizeable community ethnic groups. Tending to think there must be some “magic bullet” or precise rule book, many organizations did not know where to start, which combined with the fear of making a mistake, prevented many from going forward.

The good news is that we discovered we know more than we think; there are far more similarities in fundraising within diverse ethnic groups than differences. Essentially, fundraising in ethnic communities is based on linkage and interest.

*“Challenging events force us as organizations to take a good hard look at ourselves - at what works during times of “business as usual” and what changes we need to make during times of “business as unusual.”*”

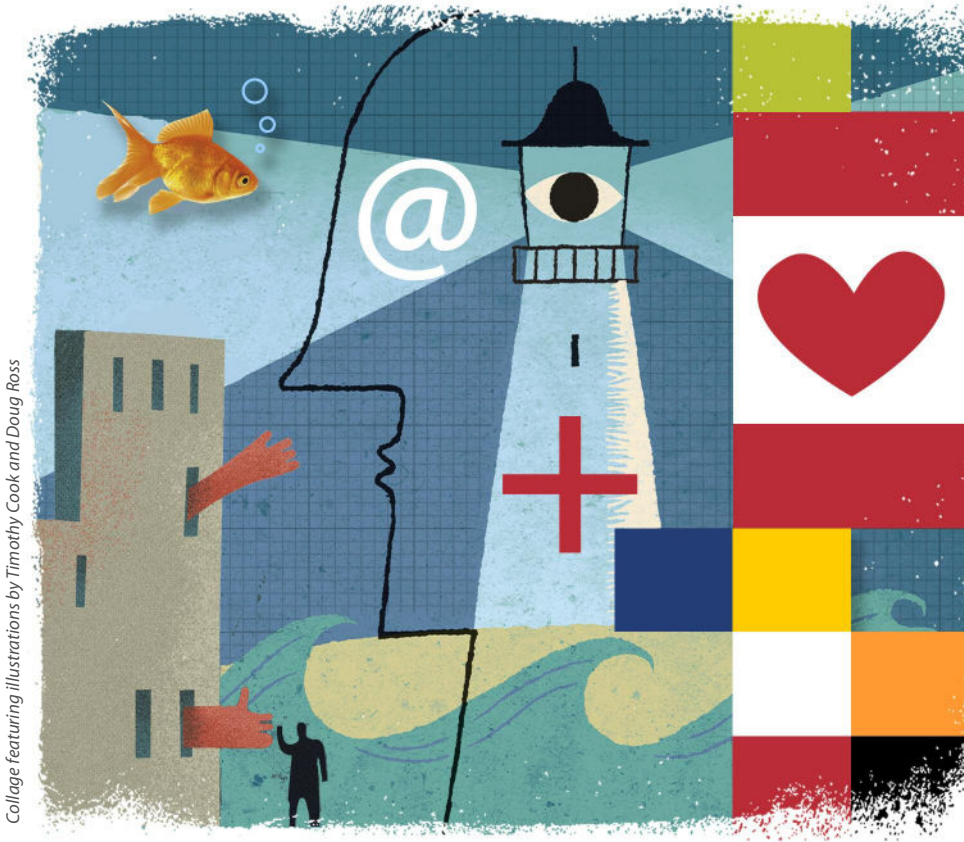
*Issue 1, 2009*

How relevant is your organization to that community? And can you find linkages to it? Once you’ve answered these questions, the guiding fundraising principles are identical to fundraising from any group of prospective donors: build the relationship and the money will follow.

In addition to responding to emerging opportunities, we also discovered that navigating tough times is a wonderful opportunity to learn, grow and improve our resiliency as organizations. Whether it was 9/11 or the Great Recession, we discovered that challenging events force us as organizations to take a good hard look at ourselves – at what works during times of “business as usual” and what changes we need to make during times of “business as unusual”. Serving as catalysts for review, reflection and assessment, crises commonly lead to positive change and innovation by forcing us to re-evaluate priorities, question assumptions and deconstruct processes. And, those who seize the opportunity and do it well generally emerge stronger and wiser as a result. (Issue 1, 2009)

We’ve also learned how best to interact with donors and other stakeholders during times of volatility and uncertainty. Just as staying invested for the long-term is universally understood as the right strategy for investors during uncertain times, staying active in building relationships with donors is the right strategy for charities during these times as well. And rather than putting efforts on hold, it’s important to be strategic with fundraising efforts and to ramp up stewardship and cultivation efforts. When situations stabilize, as they always do, this approach pays dividends as donors and prospects will be ready to contribute. (Fall, 2008)

So in navigating tough times, it is critical to remain focused and avoid distraction, to communicate often with external stakeholders such as donors and prospects, to stay on mission and not lose sight of who you are and the value you provide. And finally, don’t forsake the long term for the short term. >>



Collage featuring illustrations by Timothy Cook and Doug Ross

## A look ahead – what the future may bring?

While we anticipate the amplification of some of the key trends that have been emerging over the past decade, we also believe that we are entering a period of significant transformation. And while there will undoubtedly be challenges, we believe that “opportunity” is the best way to describe many of the changes that we are anticipating.

**1. Emergence of The Digital Age** – Consider the following signposts that we are now living in what can best be characterized as The Digital Age: The average washing machine today has more computing power than *NASA used in its Apollo 11 mission in 1969*. More text messages are sent each day *than the population of the planet*. 100 hours of video are *uploaded to YouTube every minute*. The volume and pace of technological change and innovation in the world today is staggering, with implications reaching into every aspect of our daily lives, including how we interact with and give to charities.

**2. The Next Generation** – While it can safely be said that each generation is different from the ones that came before it, the impact of the Millennial Generation is expected to be significant and far reaching. Tech savvy, impatient and used to being able to choose, their emergence into adulthood will have impact on charities from donor and employee perspectives.

**3. Shifting views of Major Donors** – The trend of major donors becoming more “deliberate, discerning and demanding” is expected to amplify. Greater expectations and the desire for more details and information should be anticipated when working with donors who make significant investments.

**4. Institutional Impatience** – For better or worse, we now live in a world that wants immediate gratification and response and where the time horizons for results are shorter than they used to be. This pressure to raise more money in shorter periods of time can sometimes overlook that the organization’s relationships and readiness for what is expected just isn’t there yet. Best to address the issue head on. To determine what should be realistic expectations, facts speak so analyze programs, do a pipeline analysis and educate your staff and volunteer leadership.

**5. Reacquiring your Acquisition Strategy.** “Fewer donors giving more” has been a universal and constant theme for many years now. We have reached a critical point where it is imperative for a concerted effort to be made to reverse that trend. As a result, it is time to make acquisition a priority and to tackle it differently than in the past. We need to think of it like “business development”, applying a holistic strategy to acquisition that goes beyond the

acquisition mailing in the direct mail program.

**6. Relentless commitment to Stewardship** – Tied to an enhanced acquisition strategy is a relentless commitment to stewardship in order to retain donors once you have acquired them. Once considered a “nice to have”, stewardship must be viewed (and resourced) in a way that acknowledges it as a core function.

**7. Mass Customization** – One emerging trend in consumer behaviour that charities are going to have to come to grips with is the desire to customize everything to specific needs and tastes – from cars to clothes to media consumption. Expect this behaviour to spill over into how individuals will want to make gifts to charities.

**8. Your People Plan** – Organizations that have a focus on talent development and management will have a strategic advantage in the future. As fundraising organizations, we work in a “relationship business” where relationship building and strategic thinking are the flywheels and advantage comes from having the best people to do the best work. Those organizations that invest in developing and retaining the best people will be the ones that will have a real competitive advantage.

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Aussi disponible en français. Illustrations by Rocco Baviera.

Cover image featuring illustrations from past issues by Mark Airs, Steve Adams, Rocco Baviera, Timothy Cook, Jim Frazier, Marie Lafrance and Doug Ross.



FORWARD THINKING