

NONPROFIT HIRING

Great Expectations:

How Executive Directors Can Create Powerful Fundraising Partnerships

by Jeanne Bell and Byron Johnson

Many nonprofits suffer from an unhealthy dynamic: the revolving-door development position.

WE ROUTINELY HEAR DESPERATION among community nonprofit executive directors about finding and keeping a good development director. This frustration is matched only by the exasperation many executive directors profess about the performance of the development directors they *have* hired. “She hasn’t brought in a single new foundation funder yet, and she’s been here six months!” and “I thought he was bringing his donor contacts from his previous job, but our individual giving numbers are where they were before he got here!”

These all-too-common refrains are part of an unhealthy dynamic in many nonprofits: the revolving-door development position. In our practice, we regularly encounter organizations that have hired three development directors in three years as well as those that limp along with a development director position that has been vacant for months. According to the *Opportunity Knocks Nonprofit Retention and Vacancy Report 2010*, over the past year, development positions have

stayed vacant longer than any other in nonprofits.¹ The extent of turnover and vacancy in such a critical role—especially in this challenging economic context—undermines the financial viability of our organizations and, ultimately, the services we provide as well as the movements we lead.

We believe that one thing is at the core of the revolving-door problem: expectations—unspoken, unclear, unrealistic, and unmet expectations. We often challenge executive directors who bemoan their own organizations’ revolving door with the following questions: “Have you considered that maybe you aren’t very good at having a development director?” In other words, executive directors should carefully evaluate the role they expect to play in development, the specific performance expectations they have of a development director, and what they will do every day to nurture a thriving partnership with their development director. Successfully hiring, developing, and retaining a development director starts with setting clear expectations of what the role means and looks like in your organization.

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What Kind of Development Position(s) Do You Need?

Business model, not budget size, dictates when an organization needs to add development staff and



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to resource development
can be successful.**

the kind of development position(s) it requires. An organization with primarily grant and contract funding, for example, may not need a senior development strategist, but rather an effective grant writer to partner with the executive and senior program staff on developing proposals. For this kind of organization, another option is to create a development manager or associate position to handle the administrative aspects of institutional fundraising: maintaining the database, developing the standard proposal attachments, handling acknowledgments, and so forth.

In these scenarios, even a \$2 million or \$3 million operating budget may not warrant a development director. On the other hand, a \$1 million organization that raises most of its operating budget from individuals through mail, Web, events, and a major donor program likely needs the skills and strategy capacity of a development director. In fact, one key indicator of an organization's need for a development director is when it realizes that it has missed out on opportunities because it can no longer effectively manage relationships with its donors and funders.

Increasingly, we have seen success with a team-based approach to resource development. Not only does it develop and leverage the strengths of organizational staff beyond the executive and development positions, but it distributes the work and accountability for building and nurturing relationships and thinking about financing the organization's work over time—which, in our view, are all healthy things to spread within a nonprofit culture. In *Team-Based Fundraising Step by Step*, fundraising expert Mim Carlson argues that “a group with complementary skills can reach far more people, ask for more contributions, and move much faster than any single fundraiser, no matter how expert that one person is.”²

Beware shopping for a development director when you are hungry—that is, when your organization is in desperate financial condition. The notion that even a great development director can single-handedly pull an organization out of financial ruin is rarely accurate. Sometimes external factors beyond your control are at play, such as the economy or a disconnect with donors and funders. If you cannot get the attention of donors now, you

should not just assume that the problem has to do with your lack of a development director. As Carlson warns, “Bringing in a development director to ‘save’ an organization financially is unfair to the person hired and is a poor use of the nonprofit's resources.”

In determining how to staff the development function, it is also important to distinguish between *communications* and *fundraising*. These two efforts are related and need to be well coordinated, but they have key differences. “Communications and fundraising are two sides of the same coin,” says nonprofit communications expert Holly Minch.³ “Both are designed to position the organization as credible and effective. Both rely on the arts of influence and persuasion. Both demand strategic, consistent, diligent effort to be of greatest impact.”

But Minch also clearly distinguishes between their aim and process and generally discourages the lumping of functions into titles such as director of communications and development. “I feel for folks in those combo roles, because they've been charged with Mission Impossible. Because fundraising is linked to the organization's survival, of course communications is going to fall to the bottom of the priority list, which, sadly, makes the fundraising portion of their job more difficult. Smart communications build credibility and ‘tee up’ the ask.”

If you decide to hire a senior-level development position, whether for a manager or a director, then it's time to get performance expectations and accountability extremely clear. Based on our experience with hundreds of executive directors and organizations, we offer these eight “great expectations” that we believe every community nonprofit executive should have of herself, her development director, and her organization.

Eight Great Expectations for Nonprofit Executives

EXPECTATION ONE: Expect the development director you hire to be the development director you hired. If your new development director did not increase individual giving at his prior three jobs, don't expect him to do it for you. More frequently than with any other position, we encounter executive

directors who expect their development directors to suddenly sprout new skills, talents, and community connections merely because an organization needs them.

The range of potentially necessary skills and experiences that a development director might bring to his work is broad, from writing skills to special event planning to major donor development to social-media talents. No one can do all or even most of these things well. Before you hire a development director, it's critical to determine the must-have skill set given the primary funding strategies of your organization. Then, of course, ask each candidate and their references for specific examples of success that bear on your primary fundraising strategies.

Expectation Two: Expect to pay well, but ethically. It is clearly a seller's market for experienced development directors with a proven track record of success. So, yes, you have to pay a good market-rate salary to attract and retain a strong development director. In fact, we frequently have to counsel executive directors that until they are willing to bring their own salaries up to market rate, they cannot hire exceptional talent in other positions given the inappropriate ceiling on their own salaries. Expect to offer a competitive salary and—if consistent with the compensation plans of other senior managers—a performance-based bonus. But you should *not* expect to pay development directors percentage-based compensation. The Association of Fundraising Professionals (AFP) Ethics Committee defines percentage-based compensation as “any compensation that is based on a percentage (sometimes referred to as a commission) of contributions raised.” AFP strongly opposes this compensation strategy, arguing that it puts self-gain ahead of mission, damages donor trust, and can encourage self-dealing. “AFP believes that individuals serving a charity for compensation must first accept the principle that charitable purpose, not self-gain, is paramount,” the committee wrote in a white paper on professional compensation. “It is our view that if, by definition, private financial benefit cannot inure to the charity, it should not inure to the worker.”⁴ AFP does not oppose providing bonuses to development directors so long as such bonuses are typical of

how you reward other senior managers and are based on annual performance goals rather than on a percentage of contributions raised.

EXPECTATION THREE: Expect ramp-up time—but not too much. A classic tension between an executive director and a new development director concerns time and scheduling: how long should it take a new development director to get up to speed? Getting this partnership off to a good start requires clear expectation setting from day one.

You can expect that a new development director can fairly quickly understand and manage fundraising strategies already under way and producing well—within, say, two to three months. The uncertainty comes when you ask a development director to open a new fundraising channel or to significantly expand an existing one. Can you expect a 25 percent increase in corporate sponsorships in a development director's first year on the job? Can you expect to double the response rate on her first holiday mail appeal? The answer is yes only if you develop these targets and their time lines with your development director and are both clear on the expectations to meet them.

EXPECTATION FOUR: Expect to spend more time fundraising. Once you have hired a strong development director, don't expect to do less fundraising. In most community nonprofits with a mix of individual and institutional donors, executive directors are the primary external face of these organizations.

Typically donors want to talk directly with an executive director, so directors make many of the requests for money. The development director, on the other hand, *directs* fundraising efforts overall. As Kim Klein warns development professionals in *Reliable Fundraising in Unreliable Time*, “If the executive director is uncomfortable asking for money or does not understand the long-term nature of fundraising, your job will vary from difficult to miserable.”⁵ Through good planning and prospecting, effective development directors create more opportunities for executive directors to fundraise. So if this partnership works properly, expect to spend *more* time fundraising.

EXPECTATION FIVE: Expect a board to be exactly the board you recruited. If you did not recruit your current board members with a clear understanding

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of their commitment to and skills in fundraising, hiring a strong development director cannot change that. It is *your* job and the chair's—not the development director's—to create the expectations for fundraising on your board.

Indeed, during the hiring process, a good development director asks about board engagement to understand who—if anyone—is her partner in fundraising efforts. Certainly, through excellent planning and coordination of effort, an effective development director can and should increase the fundraising impact of your board. But she cannot reset fundamental board expectations for fundraising. Governance expert Jan Masaoka says that simply hiring a development director does not resolve the “cycle of finger pointing” that plagues many board–executive director relationships in fundraising.⁶ Instead, a third actor joins in the frustration. Again, an experienced development director may be an effective coach for an executive who wants to shift her board's fundraising culture so long as the executive and board leadership take clear responsibility for doing so.

EXPECTATION SIX: Expect to spend money. Beware the new development director who after three weeks on the job says, “I can't raise money if you don't buy me [fill in the blank with expensive software package].” A discussion of the current state of the fundraising infrastructure and planned investments therein should be part of the hiring process. It's critical that before she takes the job, an incoming development director evaluate whether she can be effective with your organization's available resources.

Still, a development director needs a satisfactory budget to develop and maintain effective fundraising strategies and systems. Particularly if an organization has never had a development director or the previous one was not a good systems person, expect to make early and large investments in a new development director. Moreover, recognize that entering a new fundraising channel—say, direct mail or special events—requires initial and ongoing capital investment. Typical investments are software, channel-specific consultants, list rentals, graphic design, and printing.

EXPECTATION SEVEN: Expect a good plan. An

effective development director plans thoroughly and works the plan with discipline. Ask prospective development directors to share their annual development plans from their prior work at nonprofits. These need not be elaborate documents but should indicate that a candidate can conceive of a full year's development efforts; their financial targets; their required expenses; their time line; and their involvement of staff, board, and volunteers. Expect your development director to work well with your finance director during the annual budgeting process so that the development plan and the budget work in tandem to meet your organization's financial needs.

EXPECTATION EIGHT: Expect ROI. Clearly the investment in a strong development director should produce an excellent return. But in this case, how do we define return on investment? First, in your calculations of ROI, include more than annual amounts raised. While dollars are the most obvious metric, also consider the value added by a good development director in training and mentoring less-experienced fundraisers on staff and board; in setting up systems that effectively track, thank, and engage donors; and in many cases, in serving on the organization's senior-management team. In short, don't hire and evaluate a development director as though her only value is represented by total dollars raised.

Still, a development director's job is to direct fundraising efforts, and the theory is that, with someone dedicated to this assignment, your organization is going to raise more money than it otherwise would, and in a more efficient and sophisticated manner. It is critical that upon hire, and then annually, you work with the development director to develop and monitor detailed fundraising performance metrics. These metrics should flow from the aforementioned development plan and annual budget. You'll need a budget and success metrics for each fundraising channel (e.g., your newsletter, your holiday appeal, your foundation grantwriting, and so on). Note that each fundraising channel has a unique ROI. Direct mail may return much less per dollar spent than grantwriting, for instance. And further, the recession and shifts in giving patterns affect each channel

differently.

Understanding your fundraising investment and ROI is a critical executive responsibility. The executive director and development director who work together to make meaning of their development data will be a more focused and effective fundraising team.

In evaluating fundraising performance, the Fundraising Effectiveness Survey by AFP and the Urban Institute goes deeper than dollars raised. In the *2010 Fundraising Effectiveness Survey Report*, the report argues, “To understand what is really happening in a way that is useful for planning and budgeting, it is necessary to analyze both the fundraising *gains* and the fundraising *losses*—in dollars and donors—from one year to the next.”⁷ [For more on this methodology, see “Measuring Fundraising Effectiveness,” at right.]

Whichever metrics you choose together, the critical point is that you and the development director share an understanding of what success looks like and the roles each of you has in getting there. Without clear, measurable targets the ROI on your investment in a development director can never be accurately calculated.

On the Road to Success

Finding and keeping a good development director is not easy. But effective partnerships between executive directors and development directors come about when both sides take responsibility for making the partnership work. Without clear expectations and directives, a new development director can easily fall short of an organization’s needs and expectations for fundraising.

But armed with clear goals, agreed-upon time frames for those goals, and an understanding of how an executive director wants these goals achieved, an incoming development director can get up to speed and deliver on the need that brought her to the position in the first place: the need for solid fundraising. For executive directors, clear expectations are the key to great expectations.

ENDNOTES

1. Opportunity Knocks, *Opportunity Knocks Non-profit Retention Vacancy Report 2010*, (http://content.opportunityknocks.org/research/Retention_Vacancy_

Measuring Fundraising Effectiveness*		
	Total gift dollars	Total number of donors
Gains	<ul style="list-style-type: none"> Dollars gained from new donors in current year Dollars gained from recaptured donors (former donors who did not give in the previous year) Dollars gained from upgraded donors (donors who increased their gift from previous year) 	<ul style="list-style-type: none"> The number of new donors gained in the current year The number of recaptured donors gained (former donors who did not give in the previous year) The number of upgraded donors (donors who increased their gift from the previous year)
Same	<ul style="list-style-type: none"> Dollars from donors who gave the same amount as in previous year 	<ul style="list-style-type: none"> The number of donors who gave the same amount as in the previous year
Losses	<ul style="list-style-type: none"> Dollars lost from downgraded donors (donors who gave less in the current year than in the previous year) Dollars lost from lapsed new donors (new donors from the previous year who did not give in the current year) Dollars lost from lapsed repeat donors (repeat donors in previous year who did not give in current year) 	<ul style="list-style-type: none"> The number of downgraded donors (donors who gave less in the current year than in the previous year) The number of lapsed new donors (new donors in the previous year who did not give in the current year) The number of lapsed repeat donors (repeat donors in the previous year who did not give in the current year)

*The Urban Institute and the Association of Fundraising Professionals, *2010 Fundraising Effectiveness Survey Report*, 2010.

Report.pdf).

2. Mim Carlson and Cheryl Clark, *Team-Based Fundraising Step by Step: A Practical Guide to Improving Results through Teamwork*. Hoboken: Jossey-Bass, 2000, 4–8.

3. Interview with Holly Minch, Lightbox Collaborative, September 15, 2010 (<http://lightboxcollaborative.com>).

4. Association of Fundraising Professionals Ethics Committee, *Professional Compensation: A White Paper*, 2001, 3 (www.afpnet.org/files/ContentDocuments/Professional_Compensation_Position_Paper_102001.pdf).

5. Kim Klein, *Reliable Fundraising in Unreliable Times*. Chardon Press, 2009, 59.

6. Jan Masaoka, *The Best of the Board Café*. Saint Paul: Amherst H. Wilder Foundation, 2003, 169.

7. Association of Fundraising Professionals and the Urban Institute, *2010 Fundraising Effectiveness Survey Report*, 2010 (www.afpnet.org/files/ContentDocuments/2010_FEP_FinalReport.pdf).

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Without clear expectations, a new development director can easily fall short.