FACTORS INFLUENCING

PHILANTHROPY IN 2022

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FACTORS INFLUENCING PHILANTHROPIC OUTCOMES

The Angeletti Group, LLC (TAG) issues this whitepaper for consideration by nonprofit leaders as they seek to plan their organizations' short and longer term futures. Specifically, TAG encourages nonprofits to focus on three external and six internal factors that will inevitably affect their goals, objectives, and outcomes. While your organization cannot control external factors (e.g., post-pandemic shifts, the economic climate, and global unrest), it can – and should – identify potential internal challenges on the horizon, make appropriate adjustments that will minimize their negative impact, and ensure that the necessary resources and efforts are deployed to support your organization's upward trajectory.

EXTERNAL FACTORS:

Reports as recently as December 2021 suggested that 2022 would likely prove to be beneficial for nonprofits. The stock market at the end of 2021 and in early 2022 had been performing well, with the S&P, NASDAQ

Figure 1

Composite, and the Dow Jones Industrial Average all enjoying fairly significant gains. Indeed, many financial institutions were predicting that the S&P would surge past 5,000 by the end of 2022. As *Giving USA* pointed out, **philanthropic giving is highly correlated to the strength of the stock market,** and the authors **were therefore anticipating a robust year of giving ahead** (see Figure 1).[1]

Giving USA The Numbers

Total charitable giving graphed with the Standard & Poor's 500 Index, 1980-2020
(in billions of inflation-adjusted dollars, 2020 = $100)

Just three months later, however, much of the excitement over the potential post-pandemic surge has waned. Indeed, *The Chronicle of Philanthropy* declared in March 2022 that a series of "**troubling economic developments — stubborn inflation, a bear market for stocks, and sagging consumer confidence — have clouded the environment for nonprofits**…"[2] **Also contributing to this less optimistic outlook are dramatic increases in the cost of gas and oil and the growing anxiety over the war in Ukraine**. This is further complicated by the fact that the services and programs offered by many nonprofits are still very much in high demand, but most have yet to fully rebound from the effects of the Covid pandemic, especially in the area of staffing. In fact, recent estimates from the Johns Hopkins University Center for Civil Society Study indicate that "as 2021 came to an end, U.S. **nonprofits employed 3.7 percent fewer workers than before the pandemic**."[3] To further exacerbate the decline in staffing, "A 2021 study conducted by fundraising consultancy DickersonBakker found that, among the nation's nonprofits, turnover among fundraising staff is a persistent problem, with more than one out of every four fundraisers staying in their jobs 18 months or less. According to the report, many nonprofits are struggling to fill open positions, with 30% reporting current vacancies in

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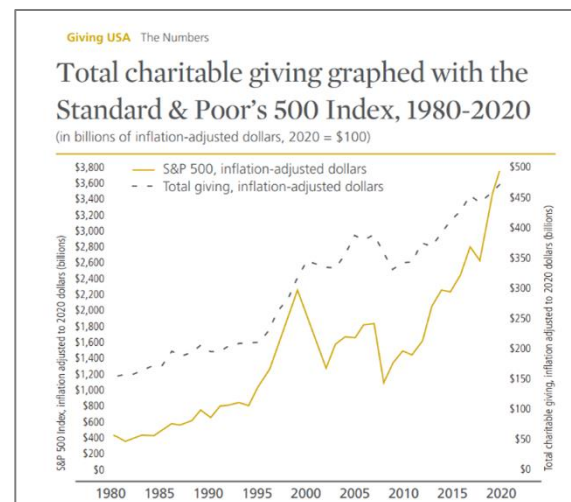
[1] Jessica Browning, "Trends that will Shape Philanthropy in 2022," Giving USA, https://givingusa.org/trends-that-will-shape-philanthropy-in-2022 (accessed March 16, 2022)

[2] Dan Parks, "Economic Data Shocks Charity Officials Just as They Were Hoping for a Post-Pandemic Boom," The Chronical of Philanthropy, https://www.philanthropy.com/article/economic-data-shocks-charity-officials-just-as-they-were-hoping-for-a-post-pandemic-boom? (accessed March 15, 2022)

[3] Michael Theis, "Nonprofit Work Force Still 3.7 Percent Smaller Than Before the Pandemic," The Chronical of Philanthropy, https://www.philanthropy.com/article/nonprofit-work-force-still-3-7-percent-smaller-than-before-the-pandemic (accessed on March 15, 2022)

their fundraising teams. A 2019 *Chronicle of Philanthropy* study identified major drivers of staff turnover including people feeling tremendous pressure to succeed, little appreciation for their work, and an overall feeling of burnout."[4]

INTERNAL FACTORS:

When the COVID-19 pandemic began, many offices were forced to adapt to and fully adopt a work from home policy. Two years later, nearly 67% of office workers remain either fully at home (41%) or have adopted a hybrid schedule (26%)[5]. Additionally, as we look toward the future, 74% of professionals expect remote work to become the standard, with 97% expressing that they do not want to return to the office full-time ever.[6] Even more important is that those seeking new jobs or changing careers have indicated that the ability to work from home is a top priority when considering a new position. What does this mean for the nonprofit sector? It requires that many organizations **rethink and evolve their office culture to meet the needs and requirements of today's employees**. In order to attract and retain the best and brightest front-line fundraisers and back-office staff, organizations will need to offer current and future employees the flexibility and technology to work remotely. In doing so, your organization will increase the likelihood that your team will remain intact, thus providing the consistency needed to be successful, especially during a campaign.

In a similar vein, if your organization is currently undergoing a leadership or organizational transition, it is likely that you are noticing **a general sense of unease**. This can lead to anxiety and wariness, not just among external constituents but also among the internal team. As the inevitable apprehension about the future sets in, however, it is likely that your organization's seasoned development officers will increasingly open their eyes to other opportunities – and become the target of the best executive search people who capitalize on any type of transition. Given that fundraising – especially major gift fundraising – is the result of well-stewarded relationships between the development officer and the donor, any loss of staff will have a significantly negative effect on your organization's philanthropic production. According to a study conducted by Penelope Burk, president of Cygnus Applied Research, the direct and indirect costs of finding a replacement Major Gift Officer is $127,650, whereas it costs just $46,650 to retain a good fundraiser. Additionally, Ms. Burk noted that "demand for good fundraisers is so high that it is vastly outstripping the supply. Most good fundraisers are on the job just three to six months before they get recruited for a new role."[7]

An additional component that often leads to frustration for frontline fundraisers in any organization is **the ability to remain current about key funding priorities**. Effective fundraisers work diligently to match a donor's interests with the needs of the organization. The key to sustaining this productive dynamic is clear and consistent communication, both from the top and throughout the organization, as well as a firm commitment that approved projects will move forward without delay or interruption. To this end, it

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[4] Donna Orem, "The Forecast for Fundraising," National Association of Independent Schools, https://www.nais.org/learn/independent-ideas/january-2022/the-forecast-for-fundraising (accessed March 17, 2022)

[5] Lydia Saad and Ben Wigert, Ph.D., "Remote Work Persisting and Trending Permanent," Gallup, https://news.gallup.com/poll/355907/remote-work-persisting-trending-permanent.aspx (accessed March 17, 2022)

[6] Ashira Prossack, "5 Statistics Employers Need To Know About The Remote Workforce," Forbes, https://www.forbes.com/sites/ashiraprossack1/2021/02/10/5-statistics-employers-need-to-know-about-the-remote-workforce/?sh=338985eb655d (accessed March 16, 2022)

[7] Raymund Flandez, "The Cost of High Turnover in Fundraising Jobs," The Chronicle of Philanthropy, philanthropy.com/article/The-Cost-of-High-Turnover-in/226573 (accessed June 28, 2019)

is imperative that the comprehensive list of funding opportunities be monitored – with Organizational and Development leadership at the decision-making table. Ideally, this list should be nearly static for the three to five years and represent a broad array of capital, programmatic, and technological needs. Having these approved funding priorities at the ready will enable fundraisers to engage donors in fruitful major gift discussions from the beginning of the process (which typically takes 18 months to two years before a major gift is made). Without a current list of confirmed funding priorities, frontline fundraisers will be hampered in cultivating, soliciting, and closing significant major gifts.

Just as important is **the creation of a single prospect pipeline process**, which will significantly enhance the efforts of frontline fundraising staff. Donors typically (and not unjustifiably) view an organization's development function as one coordinated operation (regardless of the organization's size), even if they happen to be aware that there are regional fundraising teams or different divisions within one department. Thus, when they are contacted to support worthy funding opportunities at each location or in each department, the prospective donor often feels as though he or she is being "over-solicited." This type of situation not only makes the development operation appear disorganized and unprofessional, it also has the potential to anger donors and lead to their disengagement. Likewise, frontline fundraising staff can become frustrated and embarrassed when meeting with donors who reference conversations with their development colleagues, and those conversations have not been communicated to the whole team. The prospect pipeline process will facilitate the intentional sharing of information across the organization and will greatly reduce the incidence of these uncomfortable and possibly negative situations. Furthermore, having an organization-wide method to track the status of development officers' interactions with prospects and donors will allow leadership to have a better understanding of the timing of solicitations and commitments. This will enable leaders to more intelligently forecast gift income and, ultimately, apply this information to the strategic planning process.

A key component of successful fundraising is the ability to **provide donors with exclusive access to senior leadership**. Such entree to the decision-makers gives donors the level of comfort and security often needed or desired when making a significant philanthropic investment.

According to the report Gilded Giving 2020, "the percentage of households in the United States that give to charity has declined significantly over the past ten years (see Figure 2)."

Figure 2

Percent of U.S. Households Giving to Charity (2000-2016)
University of Michigan Panel Study of Income Dynamics

Source: Chelsea Clark and Xiao Han, "Changes to the Giving Landscape:
Giving before and after the Great Recession," Lilly Family School of Philanthropy, October 24, 2019.

More important, however, evidence has continued to reveal a slow but steady decline in the participation of low-dollar and mid-level donors in charitable giving.[8] By contrast, at the top end of the spectrum, giving by individuals who have a net worth of $30 million or more has increased and accounts

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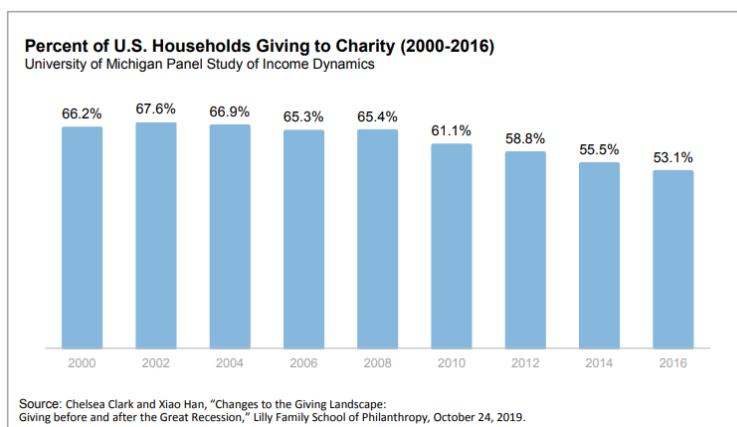
[8] Chuck Collins and Helen Flannery, "Gilded Giving 2020: How Wealth Inequality Distorts Philanthropy and Imperils Democracy," https://inequality.org/wp-content/uploads/2020/07/Gilded-Giving-2020-July28-2020.pdf, August 2020.

for a substantial 36% of all global individual giving.[9] Regardless of the level at which the individual falls on the giving pyramid, all donors want assurances from the top that their gift will have a direct impact, will fulfill an enduring community need, and will be used for its intended purpose. In order to attract and retain low- and mid-level donors (with an eye toward cultivating them to become major / planned gift donors) and attract high net-worth donors who have an interest in your mission, nonprofits should identify multiple opportunities for donors at all levels to have access to your organization's leaders – not just the CEO or President but other members of the c-suite and your board.

A final factor for consideration is **the lifecycle of a campaign**. During a campaign, donors closest to the organization are asked to serve as shining examples for others by making "stretch" gifts in support of the organization. On occasion, these individuals are approached not once but twice (at the beginning and end of a campaign). Thus, as the campaign draws to a close, lead donors often experience "donor fatigue" or believe that this gift is their final contribution. This is particularly true for those who have included the organization in their estate plans. As a result, with a thinning prospect pool and in the context of the current uncertain climate, your organization may experience a lower conversion rate and fewer major gifts in the year or two immediately following a campaign.

To reiterate, there are three external factors and six internal factors that have the potential to impact your organization's ability to meet key philanthropic targets:

External Factors:

(1) Fast-rising inflation, a bear market for stocks, and sagging consumer confidence.

(2) Global security uncertainty.

(3) Slower than expected recovery of the nonprofit sector, specifically with regard to staffing.

Internal Factors:

(1) Rethinking and evolving the organization's office culture.

(2) Feelings of anxiety and wariness, among both external constituents and the internal team.

(3) Establishing a comprehensive list of funding opportunities so that frontline fundraisers are able to stay current about key funding priorities.

(4) Developing an organization-wide prospect pipeline process to track the status of development officer interactions with prospects and solicitations to more intelligently forecast gift income and plan.

(5) Cultivating and securing the support from mid-level and high net-worth donors with limited access to senior leadership.

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[9] Maya Imberg and Maeen Shaban, "Ultra High Net Worth Philanthropy 2022," Wealth-X, PDF, January 2022.

(6) The completion of a campaign and the potential dip in support from key donors in the year or two immediately following.

RECOMMENDATIONS

To successfully navigate the external and especially internal challenges it faces, TAG recommends that your organization's leadership consider the following recommendations as it plans for the future:

(1) **Provide your current and future employees with a flexible work schedule in order to attract and retain the best and brightest.** Work with your organization's leadership to determine the appropriate policies and technologies needed to ensure that you have the ability to offer a work-from-home option where appropriate.

(2) **Develop a retention bonus system for your organization's staff to remain a part of the team.** A series of bonuses tied to a campaign's successful conclusion will improve your retention of, and will raise self-esteem and motivation among, your highest producing, donor-facing colleagues.

(3) **Develop a core list of funding priorities** that, when needed, is updated in real-time with Organizational and Development leadership at the table. This list will equip gift officers to develop and sustain maximally productive relationships with donors and prospects.

(4) **Identify and set a clear prospect pipeline process that inspires collaboration among frontline fundraisers**. Organizing and unifying all frontline fundraiser prospect pipelines across your organization will enable you to better forecast philanthropic efforts and significantly minimize overlapping outreach to individuals.

(5) **Utilize your organization's leadership to help maintain the personalized aspect of fundraising.** While there is no substitute for a significant amount of the CEO's time spent on fundraising for principal gifts, you need to develop a second level of executives/high-profile organizational leaders to assist in securing transformative gifts. It is imperative that your organization identify and encourage more active participation in fundraising and engagement activities across the entire leadership team. To help all of those involved be successful, a considerable amount of time will need to be spent educating and coaching these executives who may be untried in this area.

(6) **Conduct a philanthropic scan and donor engagement survey to uncover new prospects that can be cultivated for future major gifts.** It is imperative that your organization begin to identify and cultivate future major gift prospects and build a robust prospect pipeline.

CONCLUSION

From TAG's perspective, until the six recommendations outlined above are executed, your organization's efforts to significantly increase the amount of philanthropic support that it receives annually will be hindered. Executing all of TAG's recommendations will position your organization for a robust and strong development operation that is capable of identifying, cultivating, and soliciting truly

transformational gifts. Consequently, TAG advises that your organization should focus on making the necessary adjustments, applying the appropriate resources, and investing in the team in order to minimize any negative outcomes that are likely to occur during this continued period of instability and uncertainty.