

## **A FEW THINGS THE U.S. GOT WRONG ABOUT FUNDRAISING, AND HOW AUSTRALIA CAN STILL COURSE-CORRECT**

I have spent twenty-five years working in development for universities and academic medical institutions, raising millions for research and educational opportunities. Most recently, I led the University of Sydney's Medical Foundation and Faculty of Medicine's fundraising team whose work was critical to the success of the largest fundraising campaign in Australia at the time.

Although the U.S. is widely considered to be the world's leader in philanthropy, no system is perfect, and analysis is the key to evolution. There are ineffective fundraising practices and beliefs, some vanishing, some very much alive, which are best avoided, if one is to be as successful a fundraiser as possible. From my work in both cultures, I have identified some of these practices that Australia can avoid, learning from U.S.'s missteps and not through trial and error.

I define a fundraising activity as ineffective when it has a low return on investment (ROI) *for its purpose*, when it provides an unsatisfying experience for the prospective donor or donor, and/or when it doesn't serve an organization's mission.

### **Using Special Events to Raise Funds**

Special events, such as a gala, auction or dinner raising thousands of dollars, can seem like an easy and exciting way to raise funds. But while the amount of money collected can be impressive, the cost of hosting, and the talent needed to do it successfully, isn't so obvious. Aside from Direct Mail (for acquisition purposes), on average, special events have the lowest ROI of any fundraising activity (most optimistic estimates reckon a 50% return). But almost anyone finds it easier to send an invitation or sell a ticket or table instead of asking directly for a major gift, the activity with the highest ROI. Major gifts (generally defined as five figures or more), are subject to the 80/20 rule, i.e., 80% of the funds come from 20% of the donors. So, asking those capable of such generosity is the best place to focus your efforts. Like many things in life, the most difficult route is the most rewarding.

Using events for *other purposes*, like showcasing research talent, stewarding donors or community outreach, increases engagement without risking money and staff time. So-called "friend-raising" events provide cultivation opportunities, which lead to more successful solicitations.

### **Chasing the Unicorn, i.e. Endowment Funding**

If we only had (fill in the blank) billions or millions of endowment dollars, we would never have to fundraise again. We would be financially sustainable! Not exactly, even though this is the most common fantasy of anyone who has run a not-for-profit operation. Endowments, especially if established to exist in perpetuity, generally expend, on average, 5% of the value of their assets (calculated as a combination of historic market returns and inflation). One million dollars would produce a \$50,000 payout annually, not a particularly sustainable amount even for a very small organization. And while one billion dollars would produce an annual payout of \$50,000,000, Mackenzie Scott aside, billionaires are not willing to make that large of a gift, especially to a single organization.

Seeking multi-year, unrestricted funding is a healthier ideal, and some foundations in the U.S. are adopting more of a partner relationship with their grantees and creating such commitments. This kind of attitude should be encouraged. Establishing a bequests program is another high ROI activity that can provide unrestricted monies to an organization, although it also requires taking a longer view. As studies show that few people change their wills once made; inertia is on the recipient organization's side.

Some of the members I work with at the Science Philanthropy Alliance have established extremely successful hedge funds or investment firms that manage (and greatly increase) returns. What possible incentive could there be for them to hand that principal over to amateurs?

### **Grateful Patient Fundraising: Engaging Doctors**

Grateful patient fundraising, i.e., soliciting patients or their families who appreciate the medical care they have received from an institution, is now a major source of philanthropic giving for hospitals and medical research institutions in the U.S. Until the last 20 years, doctors were considered exempt—and discouraged—from engaging in such conversations with patients under their care. However, as doctors are (usually) the primary point of contact, and most likely to be targets for gratitude, such exclusion meant relying on less effective methods of fundraising (see Special Events, above). Fortunately, comprehensive curricula now exist to train health-care providers to identify and skillfully refer grateful patients to the development office. Such curricula were created largely through the work of the U.S. based training firm Advancement Resources. While at Sydney, I introduced the Advancement Resources programming throughout the medical faculty's clinical schools and hospitals with some success, acknowledging that changing culture—and sustaining that change—takes time and effort.

Wider acceptance of grateful patient programs has been aided by emerging evidence that expressing gratitude has positive health outcomes for patients and promotes healing.

### **Hiring for Connections, not Competence**

The old boys' (and girls') network is alive and well across the globe, and it is natural to assume those who know high net worth individuals (HNWIs) can access those connections for the good of an organization. Although HNWIs contribute a much higher percentage of absolute philanthropic dollars in the U.S., low- and middle-income donors routinely donate a higher percentage of their available resources. And having wealth, and giving away that wealth, are two separate things.

Also, wealthy people are prone to the almost universal distaste for asking others for money, no matter how worthy the cause. I have worked with people (both with and without means) who were fearless in engaging with and soliciting strangers, but incapable of approaching friends or family. Others have the opposite limitation. Proximity to wealthy people is only one part of the success equation for development, and often the least reliable. The knowledge (and experience) of conducting 1:1 solicitations is the much more valuable skill set.

If a contribution is made based on friendship, not interest in an organization, it is often token in amount, and carries a future quid pro quo expectation.

### **Avoiding Discovery Research**

Although private philanthropy is ideally suited to fund discovery, or curiosity-driven research, many funders shy away from projects without a well-defined target. The questions explored via discovery research are often complicated, and difficult for a layperson to understand, but the knowledge uncovered can translate into enormous and unexpected advances in understanding, impacting multiple fields. Philanthropists, free from political considerations, the need for a return on an investment and a fixed timeframe could choose to study the big questions, such as the beginnings of life or the nature of consciousness.

Most funders who support such research are made, not born. It generally takes experience-- making "learning" gifts to build confidence, gaining comfort about engaging with science and scientists and being open to new avenues of inquiry. Although a high-risk investment, the possible legacy is high reward.

My current organization, the Science Philanthropy Alliance (Alliance), was founded a decade ago by the major basic science foundations in the U.S. with the mission to support new and emerging philanthropists with an interest in funding discovery science. These founders sought to remove obstacles of all kinds (operational questions, lack of access to unbiased scientific expertise or a peer network) so that more funders would feel the curiosity, satisfaction--and even awe--from the experience. Now, 10 years later, the Alliance has introduced nearly 100 new HNWI's to the joy of funding discovery science, influencing billions of new monies in the process.

The Alliance's member organizations continue to underwrite our advising activities, so we are able to offer complimentary, agnostic advice, driven solely by the intentions of the funder. Our business model is unusual but effective, and we do have members in other countries (currently Canada and the U.K.). We would welcome hearing from Australians interested in joining the effort.

### **In Conclusion**

I hope these observations have some helpful takeaways as you lay out your fundraising strategy. Just remember, you don't actually need to make mistakes to learn from them.

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