

IN THIS ISSUE:

Welcome to the Winter Edition of "LAPA News & Views", a quarterly newsletter from [LAPA/Laurence A. Pagnoni & Associates, Inc.](#), providing indispensable tips on nonprofit fundraising.

To prevent News & Views from getting swept up by spam-starved, overzealous e-mail filters, please add our address, info@lp-associates.com, to your electronic address book. Thank you!

To unsubscribe, please follow the link at the end of this newsletter.

- [A Note from Laurence: Fundraising and Organizational Culture: A Critical Relationship](#)
- [Half-day Seminar at Rutgers Newark: "The Board and Staff Partnership toward Raising More Money"](#)
- [What LAPA Staff and Associates are Reading...](#)
- [Perhaps You've Received our Recent Postcard...](#)
- [LAPA NEWS:](#)
 1. Laurence is now a Fellow and Consulting Associate of Rutgers University Business School
 2. LAPA Welcomes Two New Clients!

We welcome your input on our newsletter! Please submit feedback via email: info@lp-associates.com.

A Note from Laurence: ***Fundraising and Organizational Culture: A Critical Relationship***

The "American Canyon Society" is a fictitious name for a real organization. It is not departing too far from reality to say that its mission is to circulate scientific and historical information about the canyons of America. The "ACS" publishes a quarterly journal about its field of interest. It also sponsors a series of symposia for scientists and outdoor enthusiasts. The journal was initially a black-and-white affair with little original content. In recent years, a new editor took over and turned it into a handsome, color magazine with original contributions from writers who donate their time. The cost of the journal has vastly exceeded its budget.

The "American Canyon Society" is in a quandary about how to make ends meet. It has decided to raise membership dues, its sole source of revenue. Whenever a financial crisis threatens, the "ACS" always raises its dues; like a government, it reflexively "increases taxes." As it happens, one of my colleagues sits on the "ACS" Board of Directors and has presented a development plan for soliciting foundation and corporate support, and individual donations to finance a number of modest initiatives. Some of the board members are intrigued. The President of the "ACS", however, does not want to engage in outside fundraising because he is afraid the organization "will lose its independence".



The dilemma faced by the "ACS" is essentially:

- (a) it is living beyond its means
- (b) the new editor of the journal should observe budgetary constraints
- (c) it should not contemplate new initiatives until the journal is made solvent
- (d) none of the above

If you answered "none of the above," you're right. The problem with this organization has nothing to do with the cost of its journal. It has everything to do with the culture of the organization.

Why Organizational Culture Is Critical

To understand the critical role of organizational culture, stop and think about this: Nonprofit organizations are seeking to realize a vision of a better society. Yet most nonprofits in the United States have organizational budgets of less than \$250,000 and never grow past this threshold. It is painfully evident at present, during an economic downturn, how revenue shortfalls prevent organizations from achieving their visions. But even at peak phases of the business cycle, the nonprofit sector is grossly undercapitalized. One reason among many for this is that in certain cases an internal factor stops the organization from raising more revenue and effectively stunts its growth and thwarts its vision.

The important point to grasp is that organizations, like the societies of which they are a part, have distinct cultures. Anthropologists tell us how the culture of one society may differ from that of another. Management consultants clarify the ways in which the culture of one organization may differ from that of another. For example, some organizations may be highly entrepreneurial. In the nonprofit world, entrepreneurial organizations tend to be those that are extremely outcome-oriented. They emphasize quality assurance and outcome measurements, and focus on customer service. Other organizations may be heavily bureaucratic. An executive I recently met had gone to work for an international children's charity not long ago. "This place," he told me, "is more corporate than IBM where I used to work." The emphasis in that organization is on the leadership hierarchy and compliance with a rigid schedule of reports and procedures.

An organization's culture is created by its leadership (consciously or not), its history, and its shared values, and that culture permeates every cubicle of the nonprofit. *From the point of view of a fundraiser, there are three critical aspects of organizational culture in the nonprofit sector. We will examine each of them in turn. They have to do with the organization's dominant source of revenue and the possible diversification of the revenue stream; the extent to which an organization is "inward-" or "outward-looking;" and the capacity of an organization to revisit its fundamental assumptions.*

A Dominant Source of Revenue or Diversification?

Nonprofits have distinct revenue streams that exert a powerful influence on the organization's culture. Organizations typically become wedded to a dominant revenue source, which to some degree shapes the perception of reality of the board and staff. A nonprofit that, for example, subsists on government contracts might develop a strong financial office to manage those contracts. The board of directors may be well connected to private wealth, but the organization will not "see" the possibility of leveraging those connections to cultivate individual donors. Its individual giving program may, justifiably, be nonexistent or embryonic.

Similarly, a sluggish nonprofit, like the "ACS" that muddles along on membership dues, may be reluctant to solicit grants or major gifts because doing so seems alien and bothersome. Another nonprofit, dependent on special events, will concentrate on booking a celebrity for its annual dinner; the tickets sold to people attending the gala will constitute its fundraising for the entire year. Other organizations build full throttle donor programs because they are dependent on a large number of donations to support their good work. *In each case, one detects a singular focus that excludes other options, even a certain lack of flexibility and a reluctance to depart from customary ways. These self-imposed restrictions curtail the fundraising program.*

In some cases, flexibility may mean finding multiple rivulets within the same revenue stream. That is, an agency living off *federal* contracts may need to seek out opportunities for state funding to minimize its vulnerability to congressional budget cuts. A nonprofit relying on major gifts may be well advised to cultivate smaller gifts to fuel the next phase of organizational growth. In other cases, a dominant revenue source can at least be complimented with a secondary revenue source which the nonprofit devotes significant resources to develop.

In the case of the "ACS," dues were raised uniformly under the assumption that everyone had the same capacity

to give! When my colleague proposed the idea of increasing dues according to each member's capacity, even that new idea was dismissed as "too aggressive!" Culture prevailed: this is how we have done it before and will continue to do it. It was more than one person's stubborn view; it was group-think! This organization needs to look itself in the eye and tell itself the truth: Unless it stops stopping itself from diversifying its revenue, it will not stabilize its finances, let alone advance to the next level.

Inward or Outward?

The second critical aspect of organizational culture, from a fundraising perspective, is the "inward" or "outward" focus of the nonprofit. Discovering which way a nonprofit leans—inwardly or outwardly—is easy to determine from a dialogue with the CEO, staff, or Board.

To illustrate, I introduce you to the "Neighborhood Services League." The "NSL" offers programs that are highly effective in helping a variety of people in need. Although oriented substantially to government grants, this organization has had an eye-opening experience. Senior management developed a 5-year plan for future growth and discovered that their projections fall millions of dollars short of their need. They have therefore determined to ratchet up their grant seeking and establish an individual donor program.

However, as effective as the "NSL" is in providing social services, it is basically invisible in the community. "We have our newsletter," say the executive staff. True, but they do not understand the importance of outside marketing and, unfortunately, have never branded their name nor expanded their network. Raising this subject draws blank stares.

An organization with an inward-focused culture does well with some revenue streams (government and some foundation support) but shoots its fundraising program in the foot with individual donors. You can use state-of-the-art prospecting techniques to identify prospective donors, but their willingness to give depends on how they feel about your organization. If they have never heard of your organization, despite all the good it does, the emotional context for the donation does not already exist. It has to be manufactured, which takes time and effort. An outward-focused organization creates the groundwork for asking for private money from individuals. That is why the Salvation Army (one of the largest nonprofits in the world) spent a fortune on commercials this past holiday season. The cost of those commercials will be repaid by many years of sustained giving, because the image projected by those commercials—the woman ringing the bell—has touched the heart of millions.

The bell in that remarkable ad tolls for all of us in the nonprofit sector. It tells us that fundraising and marketing go hand-in-hand. The impact the nonprofit has on its community is the product the fundraiser is selling to the prospective donor. An "inward-focused" organization needs to think strategically about developing the kinds of programs that will amplify its impact. But it first has to understand the way its culture limits its impact and, as a result, its capacity to connect with individual donors. Even if it chooses to stay inwardly inclined, it should at least be conscious of that choice. Too many nonprofits never decide.

Revisiting Fundamental Assumptions

Finally, I want to tell you about the "Peace and Justice Center." This nonprofit offers weekend seminars, in a rustic setting, on progressive issues. The "Center" has been around for a long time, but its adherents have aged and attendance at its seminars has markedly slipped in recent years. It has lived off of a single revenue source for most of its history—seminar fees—and has perennially been an inward- rather than outward-focused organization. The "Center" has made efforts to correct these faults. In recent years, it has started (then stopped) a grants program, been active in individual donor solicitation, and is seeking to raise its organizational profile. But it is still a failing, stagnant nonprofit. One donor referred to it as "anachronistic." The reason why illuminates the third critical aspect of organizational culture.

It is ingrained in the culture of some organizations to ask hard questions about its fundamental purposes and operations. Other organizations bury their heads in the sand. The "Peace and Justice Center" has traditionally seen itself as a provider of seminars. It considers each seminar as a separate, discrete entity, and is not used to thinking in other ways or open to new ideas. If it only looked at its operations in a larger perspective, it would see that it could reframe itself as sponsor of projects. It could undertake a peace and justice project—creating an "Agenda for Tomorrow," for example. The project would encompass a series of weekend seminars focusing on different aspects of social change. If each individual seminar in the series was marketed as a facet of a larger effort, it might draw more—and younger—participants. The whole package would be more compelling and attract more funders, and at the end of the series the "Center" would have evolved an attention-getting product. The "Peace and Justice Center" might then conceivably realize its dream of playing a more vital role in national

debates.

But the "Center" resists change. It cannot entertain fundamental challenges to the way it does business. It will likely struggle on indefinitely with dwindling finances and the same insoluble dilemmas.

Conclusion

I am aware that the most difficult thing to do is to take a new product to a new market. As a fundraiser I understand the reluctance of nonprofits to commit to a similar process. We are often asking nonprofit organizations to take a new fundraising strategy to a new group of donors. But we recommend these measures because 1) new strategies can be implemented faster than most people think, and 2) they are lucrative.

But the first question that must be addressed is the possible inhibiting effects of an organization's culture. Is your nonprofit overly conditioned to a single revenue stream? Should you go more deeply into that dominant revenue stream or diversify? Should we diversify to a second revenue source and/or more than two? Is the organization too inward-oriented? Is the executive staff unable to take an objective look at its fundamental operations?

Therein may lay the roots of your fundraising dilemma.

Half-day Seminar at Rutgers Newark: "The Board and Staff Partnership toward Raising More Money"

Given the economic downturn, this is an important topic. A panel discussion on fundraising and organizational culture will ensue among three fundraising experts. The seminar will address updated views of fundraising in the climate of recession, and panelists will discuss the role of strategy, development committees, and the executive's special function. Additionally, there will be a moment of "table work" to identify your actual dilemmas concerning your fundraising program, followed by time where volunteers are asked to share the dilemmas identified.

WHEN: Tuesday, March 31, 2009, 9:00 am - 12:00 noon

WHO: This seminar is intended for Executive Directors and Development Directors, plus one or two of their trustees. We require at least two representatives from each agency because we wish for the agency to come as a team.

RSVP: \$45 registration fee. Reserve your spot today! Email Dana at leadership@rbsmail.rutgers.edu

To learn more about The Center for Nonprofit and Philanthropic Leadership see:
www.npleadership.rutgers.edu

Please forward this notice to your New Jersey colleagues. Newark is a 25-minute commute from New York City.

What LAPA Staff and Associates are Reading...

Uncharitable: How Restraints on Nonprofits Undermine Their Potential

By: Dan Pallotta

"Where other well-intended books suggest ways to improve performance within the existing nonprofit paradigm, Uncharitable argues that the paradigm itself is the problem, and calls into question our fundamental canons about charity." ~Excerpt from: http://www.uncharitable.net/about_book.html

Send: Why People E-mail So Badly and How To Do it Better.

By: David Shipley and Will Schwalbe

"Whether you email just a little or never stop, use a desktop or a handheld, here, at last, is an authoritative and delightful book that shows how to write the perfect email—at work, at school, or anywhere. Send also points out

the numerous (but not always obvious) times when email can be the worst option and might land you in hot water (or even in jail!)." ~Alfred A. Knopf

Have you read any good fundraising or nonprofit management books lately? If so, please tell us about them, as they might be of some help to our clients. Thank you!

Perhaps You've Received Our Recent Postcard...

The "R" Word: May we help you become more Recession- Resistant?

The recession is not going to go away any time soon, but some nonprofits may. Are you taking the appropriate steps to prevent a revenue shortfall?

Nonprofits are born survivors. Here are some things you can do to increase your organization's chances of survival:

1. Diversify your organization's funds. Now is the time to ratchet up your individual donor program.
 - Even during times of recession, individuals of high net worth continue to give to charities.
 - Average donors that consistently support your organization should be urged to make stretch gifts.
2. Use the fundraising techniques of the next level to get to the next level.
 - We hear so often the phrase, "Maybe, but we're not ready." The truth is: You may be more ready that you realize.
 - High performing nonprofits that pay attention to fundraising will achieve their revenue goals.
3. Keep in mind that donors are going to be more cautious with their giving this year.
 - Having greater transparency in your organization will help convince donors that their gifts will be used effectively.
 - Promoting planned-giving campaigns may be appealing to wary donors.
4. Will your agency benefit from the upcoming federal stimulus package?
 - Being on retainer with fundraising council will make your agency more nimble to respond to new federal funds.

"It is not the strongest species that survive, nor the most intelligent, but the ones most responsive to change."
– Charles Darwin

MAY WE MEET? Please Contact:

BILL WINSTON, Senior Fundraising Counsel

Tel: 212.868.4800 ext. 8; E-mail: bwinston@lp-associates.com

LAPA NEWS

1. Laurence A. Pagnoni is now a Fellow/Consulting Associate of Rutgers University Business School

Laurence A. Pagnoni, president of LAPA, Inc. (www.lp-associates.com) has been named a Fellow and consulting associate of The Center for Nonprofit and Philanthropic Leadership at Rutgers University Business School. Started in 2005, The Center is funded by The Prudential and Victoria Foundations, among others. In a program called Common Ground, participating nonprofits pay a modest \$500 fee for an executive to partake in monthly peer group sessions and one-on-one coaching. In his new capacity, Laurence is facilitating one of three executive coaching groups, working with ten nonprofit CEOs, helping them move towards higher performance. Common Ground's goals are to improve and strengthen the leadership of nonprofit organizations and help build and sustain our civil society.

"We are delighted to have recruited Mr. Pagnoni to join in our key initiative Common Ground. He brings a solid background in nonprofit management and executive coaching." ~Alex J. Plinio, Co-Director.

Press Contact: Melissa Smith, Director - msmith@business.rutgers.edu
Direct Contact: Laurence A. Pagnoni - lpagnoni@lp-associates.com
Information about The Center can be obtained at www.npleaders.rutgers.edu

2. LAPA Welcomes Two New Clients!

We are pleased to announce that the following clients have joined the LAPA portfolio. We congratulate these organizations for their commitment to providing essential services in their communities.

Northside Center for Child Development, Inc. fosters the healthy development of children and families, and empowers them to respond constructively to negative societal factors such as racism and deprivation. Through comprehensive, high quality mental health and educational services, coupled with research, children and families are assisted in developing to their full potential. For more information, or to make a donation, go to: <http://www.northsidecenter.org/>.

Village Care of New York, Inc. (VCNY) is a community-based, not-for-profit service organization serving older adults, persons living with HIV/AIDS, and individuals in need of medical and rehabilitation services. VCNY offers programs that reflect the experience of many years spent assisting people as they face the physical, emotional, and spiritual challenges associated with illness, aging, disability, and death. For more information, or to make a donation, go to: <http://www.vcny.org/>.

Can we meet with you as well, to explain the benefits of our services?

If you would like Laurence and/or one of LAPA's many associates to speak at your organization, please contact us at 212-868-4800 or info@lp-associates.com. Give us the topic, and we will customize training to fit your particular needs.

LAPA senior staff and associate consultants may be reached as follows:

Laurence A. Pagnoni, MA, MPA, President, lpagnoni@lp-associates.com, 212-868-4800 ext. 1
Bill Winston, CFRE, Senior Fundraising Counsel, bwinston@lp-associates.com, 212-868-4800 ext. 8
Sheldon Bart, MA, Grants Officer, sbart@lp-associates.com, 212-868-4800 ext. 6
Ken Olivo, BS, Grant Writer/Project Manager, kolivo@lp-associates.com, 212-868-4800 ext. 5
Kristin Cappola, MPH, Project Manager, kcappola@lp-associates.com, 212-868-4800 ext. 0

LAPA works with over 30 nonprofit professionals, who provide a wide array of services, such as planned giving, strategic planning, prospect research, and government grant proposal writing and project development.

LIKE WHAT YOU SEE? Forward this newsletter to friends and colleagues to keep them on top of nonprofit development and management issues.

An archive of newsletters, with past tips and resources that you might have missed, is available at www.lp-associates.com/e-newsletter.php. If you received this from a friend, and would like to subscribe, you may do so by using this same link.

You may reprint these articles for educational purposes, but please include an attribution to the author and our Web site.

To unsubscribe from this newsletter immediately, please follow this link:
http://www.lp-associates.com/opt_out_form.php

115 West 30th Street, Ste. 702
New York, NY 10001

Web site: <http://www.lp-associates.com>
[Click here to contact by e-mail.](#)