

# *The Case for Donor-Centered Development: Measures of Fundraising Effectiveness Promote a New Paradigm of Total Philanthropy Planning*

*Steven L. Meyers*

**Editor's Note:** On the anniversary of the publication of the NCPG Guidelines for Reporting and Counting Charitable Gifts, and on the occasion of their first revision, we've invited gift planners at several organizations to report on their experiences using the Guidelines to help make the case for gift planning as part of a fund development program. Those articles will appear throughout 2007. We begin with an update on the application of the Total Financial Resource Development approach that Steve Meyers and his colleague, Bill Samers, introduced in a presentation to the 2003 National Conference on Planned Giving and a follow-up article in *The Journal of Gift Planning* (1st Quarter 2004). Here, Steve Meyers shows how the counting paradigm recommended in the NCPG Guidelines supports an approach to fund development that integrates current and future gifts to meet donors' philanthropic goals.

At the American Committee for the Weizmann Institute of Science, we must be one of the *earliest* early-adopters of the counting practices recommended in the NCPG Guidelines for Reporting and Counting Charitable Gifts. For more than eight years, we have been reporting annual fund raising achievements to our board of directors and staff along the same three dimensions recommended by NCPG: outright gifts, irrevocable gifts and revocable commitments. The pathway we have followed over these years has allowed us to approach, if not always to achieve, an important goal: to keep the donors at the center of all our gift planning.

With encouragement from our executive management, we refer to the NCPG approach as our program of Total Financial Resource Development (Total FRD) when working with our donors. We actually use two types of reports. The first, which closely follows NCPG guidelines, is a *count* of gifts by category, which we use to profile all our fundraising activity in its three dimensions. The second is a more traditional financial *accounting* of present values, with calculations based on FASB (Financial Accounting Standards Board). The two reports peacefully co-exist and, since it is

**Abstract:** The author describes how the application of principles from the NCPG Guidelines for Reporting and Counting Charitable Gifts have reduced competition among fundraising divisions and caused gift planning efforts at his organization to become more donor-centered. Specifically, he discussed the virtual endowment program, which encourages fundraisers to cooperate in structuring gift plans that combine current and deferred gifts. Syllabus for Gift Planners code: 4.04



clear that they refer to the same fundraising, their numbers actually reconcile with each other, as indicated in ample notations and disclosures. Together, they afford our donors with a transparent record of our overall fundraising results, allowing them to see both the numbers and, often more importantly, the meaning behind the numbers. More than any purely financial report could do by itself, our Total FRD report, following the NCPG Guidelines, gives us the opportunity to talk about the true fundraising achievements of our organization with the people who count: our donors.

**A note from Martin S. Kraar  
Executive Vice President,  
American Committee for the Weizmann Institute of Science**

The donor/client-centered nonprofit organization focuses on a total financial resource development approach that both promotes and gives new meaning to integrative gift planning. At the American Committee for the Weizmann Institute of Science, we have practiced a donor/client-centered style for the past decade. It has prompted not only larger gifts, but also greater support for the organizational vision and objectives from many more high-end donors.

The new paradigm that Steve Meyers develops here reflects not only our organizational approach, but also Dr. Meyers' own vision of how the donor must be in the center of the philanthropic universe. As donors become more sophisticated, as organizations become more attuned to serving their clients and as development practices become more definable, accountable and transparent, I think this direction will be universally accepted by successful organizations. The partnership between donors, organizational leadership and the very astute account executives who treat donors as their clients gives great encouragement to the future of philanthropy.



## Cause for Reflection and Celebration?

The one year anniversary of the publication of the NCPG Guidelines (and their first revision) is an ideal occasion to assess their impact on our fundraising practice and to point to a most surprising outcome, at least in our experience. Adopting the Guidelines can help to create an atmosphere in which organizations behave like incubators for developing and testing new gift planning strategies.

The best practical example of how the Guidelines promote innovative gift planning is a technique I will describe in more detail later in this article, which we have named a Weizmann Virtual Endowment. A virtual endowment is a gift arrangement that combines both outright and planned gifts (which can be from Category A, B and/or C), and uses them as building blocks in a donor's larger philanthropic plans. Because virtual endowments are highly versatile, donor-centered strategies, they may be the leading edge of a series of really effective new gift planning applications—"killer apps"—which can emerge from the new guidelines.

Why should we be celebrating this anniversary? Because the Guidelines not only recommend that we report and count completed gifts along multiple dimensions (mirroring the donor's structuring of those gifts), they also enable us to shape and design new gift plans along multiple dimensions.

This motivating (some would say incentive-izing) of donor-centered gift planning along multiple dimensions is the real paradigm shift. As more and more institutions adopt the guidelines, we can expect to see some real cultural change, producing gifts that are better able to meet donors' giving needs while also dramatically enhancing charitable institutions' bottom lines. This

evolutionary, rolling impact of the guidelines could potentially be much more significant than the underlying change in the method for counting of gifts, and well worth celebrating.

## The Prime Directive – One Incredibly Bold Assertion

If NCPG's Guidelines for Reporting and Counting Charitable Gifts have any impact at all, it will likely stem from one bold assertion, which can be best characterized as its "Prime Directive."

*In keeping with the spirit of these standards, it is never appropriate to set a single overall campaign goal or to report only one number when announcing campaign results.*

This sentence from the Guidelines is the equivalent of a First Law, from which everything else springs. Going forward, *fundraising achievement* must be defined along at least three dimensions—outright gifts, irrevocable gifts and revocable commitments—and not solely as one number, as if it were some pure product of a financial calculation. The Three-D concept is not a coincidence, because the essential meaning of the guidelines' categories is that they correspond with the three basic ways donors structure their gifts. This quality, so aptly referred to as the "character" of a gift, is the heart of the matter.

The key here is that this character derives from the structures donors choose for making their gifts, not the organization's purpose, or the timing of the solicitation. Thus, while the counting guidelines have been heralded as a new paradigm, ultimately, the paradigm is not really about how we count, but about how donors give.

The deeper meaning and the impact of the Guidelines is that in explicitly endorsing a multi-dimensional approach to counting, the Guidelines implicitly support a multi-dimensional approach for designing and creating new gift plans! The message the Guidelines promote and carry is: conduct the entire gift planning enterprise as a multi-dimensional, multi-disciplinary donor-centered activity. As this concept begins to take hold, affecting how we work with donors in our own organization, we need a name for it. To place the focus squarely on the donor's big picture, rather than on single

gift or financial transactions, we are calling this new gift planning paradigm "total philanthropy planning" or "integrative gift planning."

### **Guidelines Point to New Era of Integrative Gift Planning**

It is not news that gift officers at the same organization often compete for a donor's attention to annual, capital or endowment needs, or for any kind of current gift. We often treat donors as if had they component parts—annual and capital and endowment parts of their

brains—to which we appeal for gifts. This is a fiction that springs from the institution's needs, not the donor's. But from a systems perspective, we have often structured our institutions into divisions, selling separate "products." We have different staff, and even whole departments, that specialize in selling one type of gift or another. As a consequence of this competition, it is easy to lose track of the donor's concerns, and for our organizations to become even more fragmented.

Working under this old paradigm, lacking a concept of total philanthropy planning, it is nearly impossible to do any "discovery," or even to explore the simple question: what might be the best gift for a donor to make at this particular time in his life, given his financial needs, family interests, assets and charitable aspirations? We tend only to think about, and be motivated by, our quota or campaign goals. While it might seem obvious from a holistic perspective that the best prospect for a bequest would be a donor who makes a gift every year, it can be surprisingly difficult to apply that intuition. The annual fundraiser and the bequest/planned gift professional do not typically share their prospects. These separate staffs just do not live together in the same gift planning space, let alone in the philanthropic space of the donor.

In the culture of most fundraising organizations, the intense competition for the donor's attention so dominates the culture that there can be little or no shared space for the gift officers and lay leaders to work collaboratively, even with the organization's best supporters. The old-paradigm response to the notion of collaboration would be a complaint that there are too many people delivering too many different messages to the donors and, by the way, "that



To consider the options, we brought together a group of professional staff who have different backgrounds, strengths and relationships with the donor, and/or who have something of interest to add from their professional perspective or personal acquaintance.

donor belongs to me."

What will life be like working under the new, integrative paradigm of total philanthropy planning? The NCPG Guidelines can serve as a unifying factor, because for the first time all gifts have a legitimate "standing." And, there actually can be management incentives and goals that encourage staff and donors to collaborate and share the same gift planning space.

At Weizmann, the effort

to use a holistic approach that puts the donor at the center is being translated in several ways, beyond even the types of multi-dimensional gifts we are able to offer under the new paradigm model. For example, with our top donors, we are now piloting a "360-degree" assessment and planning process. One element of this involves a new way for "staffing" a donor that helps us to achieve even greater donor-centeredness.

We are adapting an idea from Moves Management theory about "natural partners," which holds that for key donors, there are select lay leaders, peers and friends who can best help to advance a gift. Extending this idea, we believe that there can also be a natural staffing complement that will work best with a given donor to help bring about the largest and most transformational gifts. Using this very intentional approach to staffing, we are finding that the best staffing often involves an interdisciplinary team of gift professionals working across departments, each playing a distinct role, coordinated by an account manager. Bringing the different elements together (multi-dimensional gift planning and interdisciplinary staffing), our vision is that the 360-degree approach will enable us to provide a much higher level of service and stewardship for our most transformational donors.

The challenge for top management under the new paradigm seems daunting. In order to allow this more collaborative, integrative gift planning space to take shape, they have to set their sights on building a collaborative, risk-taking culture, along with an organizational structure to sustain it over the long term. At worst, it could be a temporary experiment, but if it produces real results, it could represent a solid new structure for fundraising in other organizations.

### **360-degree Planning in Practice**

Our early experiences with the integrative approach to total philanthropy planning are just beginning to demonstrate the energy generated in a group when all types of gifts are on the table to achieve a donor's objective. In a recent case, we applied that energy to the needs and interests of a donor whom we judged had significant capacity and great charitable intent. Her gift could be X—or it could be 5X. Nobody knew. The situation seemed full of risk and possibility, compared to what an individual fundraiser would experience working it out on his own.

The prospective donor had been initially referred to us by a close friend, a “mentor” of hers, so we already had the benefit of influence from someone who was a committed friend of the Institute and a perfect natural partner. On her friend's recommendation, the donor first met with our regional gift officer, and was later introduced to a representative of our senior management. Together, they reached some sense of “yes” about a gift to establish a professorial chair very early in the relationship, but there was no idea if or how such a gift could be structured to achieve the donor's objective. We thought it unlikely that she would want to simply write a check, and so we needed to take a different approach, perhaps considering several types of gifts in combination.

To consider the options, we brought together a group of professional staff who have different backgrounds, strengths and relationships with the donor, and/or who have something of interest to add from their professional perspective or personal acquaintance. In this case, it was the local gift officer from the donor's region, her senior supervisor at the national level, the organization's chief operating officer, and me (the vice president for planned giving). Each of these people either had or would be developing an individual relationship with the donor. All the team members provided input, and we also consulted our director of gift planning, our prospect research specialist, the head of our national programs and events, who also had some connection to the donor, and the New York director, who would soon be hosting a national gala to which the donor would be invited, with her friends.

Before our first meeting with the donor, we held a 360-degree style conference whose primary purpose was discovery of whatever might ultimately impact the gift

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process, including everything from the Institute's needs, to personal motivations, to our social and program calendar. When the donor later visited our headquarters in New York, we arranged a meeting with a dual purpose of getting to know each other better and exploring possible ways to structure her gift.

The net result of all our work was a very positive philanthropic program that would span many years, but provide some immediate rewards for the donor. The program utilizes a technique we have named Virtual Endowment (see sidebar). For the donor, it means that immediately she

will be able to name a chair in memory of a loved one, and that she will be able to enjoy a relationship with its first incumbent. The gift agreement's overall structure consists of a set of several interlocking commitments, providing for both outright gifts to fund the annual costs of the chair and planned gifts that will ultimately endow the future costs of the chair.

Our experience with this donor may seem to illustrate what every good fundraiser would do. But I think our approach is actually very different. Most fundraisers work as individuals, and quickly find themselves up against a wall of great constraints when they want to use larger organizational resources. Fundraisers are also greatly constrained in the types of options they can offer a donor to structure a gift. In the 360-degree process, everything is on the table—current gifts, future gifts, even revocable



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gifts. And throughout the process, we have the full backing of top management because together, we are very deliberately and intentionally focusing institutional resources to help advance the largest, most transformational gifts. Each 360-degree group is, or should be, a highly empowered, self-managing team. It is far from business as usual.

### **Fundraisers See Donors—and Each Other—Differently**

Fundraisers who experience success working under the new Guidelines tend to see themselves, the donors, and their organizations differently. One reason is that integrative gifts tend to be

larger and run longer. Another is that donor "staffings" tend to include fundraisers from different specialty areas, many of whom will share a unique relationship with the donor. Still another difference is the dawning of the realization that because the donor's future gifts combine with her present gifts, this donor clearly requires and deserves a much higher level of service—a "seamless" approach to stewardship, spanning many years.

A critical difference we see is that there is a greater emphasis on monitoring mission "fulfillment" of a donor's plans. The flip-side of fulfillment would be the need for compliance with the terms and promises we make in gift agreements. More is at stake than just one particular donor's plan. It is about how the organization is perceived by all of its donors.

Finally, because we never just report fundraising

results as one number, we find that we have a much greater opportunity, and a need, to explain our numbers to the people who count—our donors. Donors want to know both what their individual gifts mean and where they fit into the big picture of the organization. The Guidelines offer our community of gift planners an understandable language that allows us to have these conversations with our donors.

In the future, how will gift planners actually conduct their jobs under the new paradigm? One answer may be that they would no longer be focused exclusively on soliciting gifts as isolated transactions—whether as annual gifts, endowment gifts or capital gifts—or even separate them under the new categories of A, B or C. Instead, we could hope for a more holistic vision of integrated gift plans. As the Guidelines take hold and evolve, we could expect to see gift planners find creative ways to interlock gifts, timed over many years and possibly across generations, functioning as building blocks in a donor's larger philanthropic plan.

### **A Philosophy of Giving While Living... and Beyond**

In a sense, the Guidelines are actually the realization of a philosophy, one which has often been voiced but is here embodied for the first time in a formally structured system. The donor is the center of the gift planning universe, not the organization. Donors will give now and tomorrow and again in the future. They have many allies and advisors. Our distinctive role as gift planners increasingly is less about gift transactions and more about helping donors maximize the philanthropic impact of their support. In highlighting the donor-chosen “character” of gifts, and not just how or when the organization will use them, the Guidelines promote a more reciprocal relationship with our donors that goes beyond the individual transactions. We'll help them enjoy giving while living ... and beyond, first “with a warm hand” and

then through their estates. If this effect extends to the larger gift planning community, it would indeed be a defining moment for NCPG, for professional gift planners and for donors.

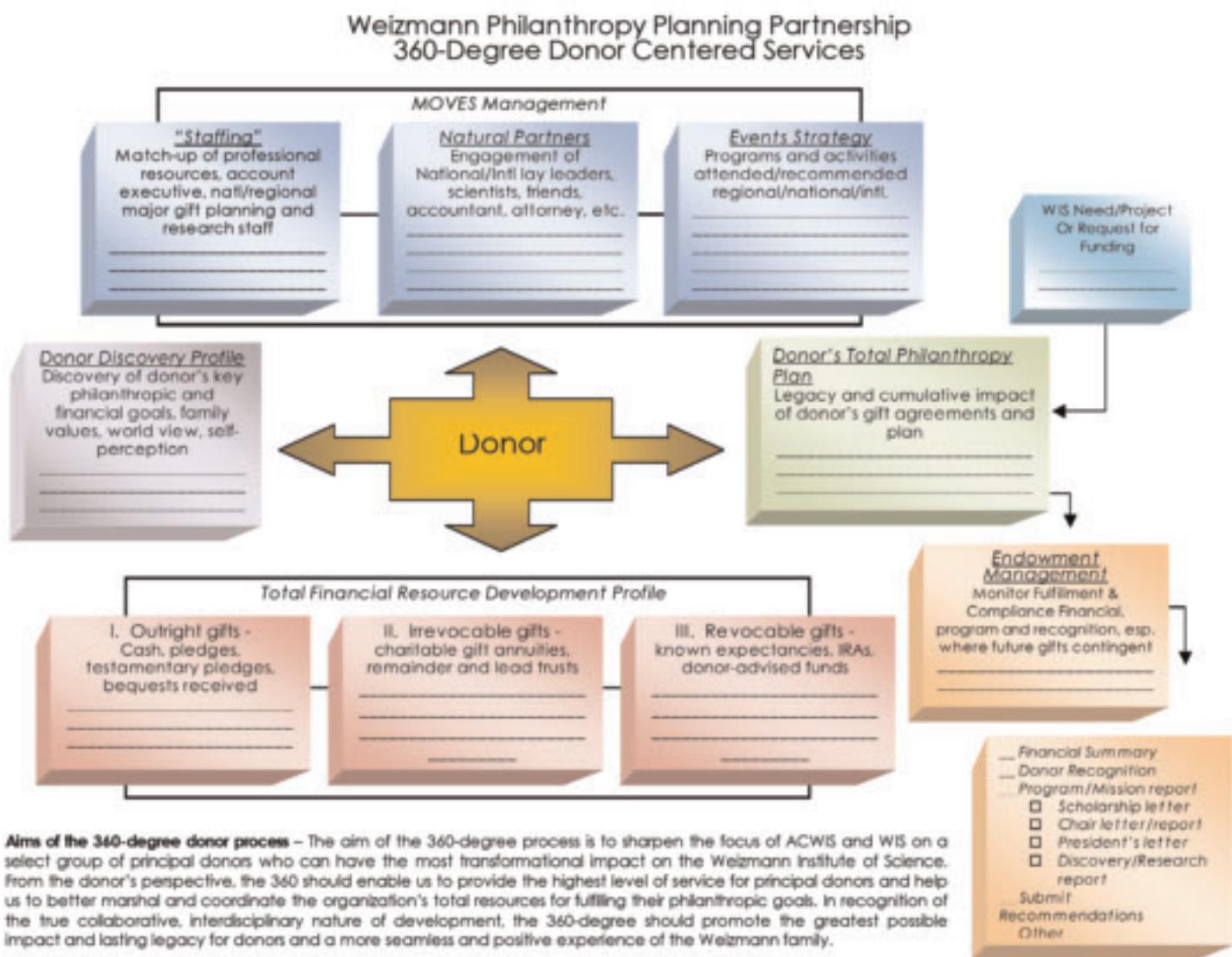
Finally, a personal note about leadership. Over eight years, one subtle but real effect of the NCPG Guidelines on our fundraising has been to facilitate gradual change in our organizational culture to make it more donor-centered and less transaction-focused. As a close adviser pointed out to me, this effect was substantial, and cumulative. It grew in the soil of our own organization and could not have been transplanted here from someplace else. While it is clear that the new paradigm can make a tremendous difference, it ought to be equally clear that the Guidelines will likely take root completely differently in each organization that adopts them. Each experience is different, yet there are common threads we hope will bind them together as a gift planning community.

The organization from which our inspiration springs is the Weizmann Institute, Israel's home of basic curiosity-driven research. The Weizmann Institute was

recently voted in a *Science Magazine* survey as the best place in the world to do science outside the U.S. Our American fundraising organization sees in the Institute a wonderful and powerful model of what can be accomplished in an inter-disciplinary, collaborative setting, amid total academic freedom where innovation and risk-taking are encouraged for the benefit of all. This has created a feeling among us that there is a partnership between science and philanthropy. In the same way as the Weizmann Institute is a great place to do science, our goal is to make the American

Committee for Weizmann one of the great places in the U.S. for donors to do philanthropy.

The Guidelines are playing an important role, as our own gift officers increasingly move away from a "sales" model, towards that of being "gift navigators." We feel we are helping donors find their way to the right gifts they need in order to achieve maximum impact on the organization. This is the best way to ensure that donors get the satisfaction they deserve. ■



## **Virtual Endowment Simply Stated – From the Donor’s Perspective** **To Accelerate, Sustain and Perpetuate Philanthropic Vision**

**Virtual Endowment** is a powerful technique to help Weizmann Institute supporters realize during their lifetime an important philanthropic goal that would otherwise not have been achieved until after their demise. For example, you can name a professorial chair or a major research fund, based simply on your intention to continue your annual gifts and remember Weizmann through your estate. Combining these basic philanthropic building blocks in a unified plan can dramatically magnify the impact of your support.

**How it Works** –Working with our gift planning staff, to create your professorial chair, for instance, there are three steps we would follow.

- (1) First, you would make a commitment to provide **outright annual gifts for life**. The amount of your annual gift would be equivalent to the amount we would provide the Institute to support the chair on an annual basis. The assurance that you will provide these annual gifts for life means that your annual gift is the “virtual” equivalent of a fully-funded endowment.
- (2) Second, you would also **promise to provide a gift through your estate**. The amount of your bequest commitment would be based on the current and future costs of sustaining a professorial chair. While this promise would be in the form of legally binding document, you would also include the same designation to make this gift in your estate planning documents.
- (3) Finally, the third step is taken by Weizmann. In fulfillment of this agreement, Weizmann promises to name the incumbent of your chair during your lifetime, and also to use the principal ultimately received from your estate and other planned gifts you designate to sustain your chair. Future research papers published by your chair’s incumbent will acknowledge your support.

**Recognition** –Weizmann will recognize you immediately for your gift. With your family at your side, you will enjoy the satisfaction of knowing that your program and your values will live on. It will be a great day for you, and a great day for the Weizmann family.

**For Information** – Our gift planning office would be pleased to prepare a personalized plan and work with you and your advisors to help you achieve your philanthropic vision. All gift plans should be reviewed with your own advisors to ensure they fit with your overall financial and tax situation.

*Virtual Endowment – Realizing your bequest during your lifetime*

**Steven L. Meyers, PhD**, has been involved in charitable gift planning and program design for 16 years. He is the vice president for planned giving and a member of the management team at the American Committee for the Weizmann Institute of Science (ACWIS). Previously, Steven established the planned giving program at the Jewish Home for the Elderly of Fairfield County (CT). He holds a Masters in Organization and Management from Antioch and a PhD from the University of Buffalo. He is a member of the Planned Giving Group of Greater New York and the Planned Giving Group of Connecticut, where he was a member of the board of directors. Steven has previously published in *The Journal of Gift Planning* and speaks frequently on the subject of “Planned Giving in the Big Picture” at the national and local level. Steve is the developer of a series of profiles for measuring fundraising effectiveness along key dimensions corresponding to how donors structure their gifts, and was a member of the NCPG taskforce that recommended the organization’s Guidelines for Reporting and Counting Charitable Gifts.