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Dollars & Sense

ABOUT THE AUTHOR...

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Dr. Johnston has spent his entire career working on behalf of non-profit organizations. A well-known development consultant and lecturer, Larry has taught at the Graduate Program of Fund Raising Management, the University of San Diego, and lectures at conferences internationally.

He holds an M.A. degree in Organization Development and a Ph.D. in Human and Organizational Systems from the Fielding Graduate Institute. Larry's doctoral research resulted in the creation of new concepts for determining and maximizing donor value.

Having consulted internationally with clients in Canada, Europe and Latin America, he has a special interest in strategic management and organization development, and leading and managing organizational change. Larry and his wife Rebecca live in Woodland Park, Colorado.

When it comes to allocating limited budget dollars, be sure to heed

The Call of the Cosmograph

by Larry F. Johnston

Okay, maybe I'm weird (close associates might say there's no "maybe" involved!). But the simple truth is that I loathe waste. I'm sorry. I can't help it. Inefficiency bothers me, and not being strategic just drives me up the wall. It's possibly little more than some quirky personality traits, but I suspect the issues run far deeper. You see, when you take a desperately needy world, limited time and resources, a calling to bear fruit that really lasts, and add constantly increasing competition for funding, it just chafes my hide to see organizations stuck in the thick of thin things. And nowhere is this more troubling than the allocation of limited fund-raising resources.

Lest you think this only a theoretical issue, let me briefly recount the story of a new client several years ago. I'm sorry to say the organization is not a rare exception.

As a first step to assisting the organization with the segmentation of its donorbase, I asked them for a cosmograph (see sample on the following page). Since they were unfamiliar with this type of graph, I proceeded to explain the concept and how they could gather the data. I explained how the Principle of the Critical Few (also known as the 80/20 Principle or Pareto Principle) – one of the most critical principles to anyone thinking strategically – often applies "in spades" to donorbases and smart fundraising. In fact, not only is it often the case that 20% of an organization's donors provide 80% of the income, it is not unusual for 5% to provide 50%, or 10% to provide 90% of the income.

When organizational staff had completed the necessary research and constructed the cosmograph, they were embarrassed to say the least ("ashen" might better describe the looks on their faces). Why? Because for literally decades the organization had allocated the bulk of its resources to communications and fundraising programs aimed at thousands of small donors who were having virtually zero impact on the organization! As a consequence, they had chronically neglected the critical few donors who were having a huge impact on the organization and also had the resources to do much more. I informed our client that the French have a great word for those types of practices: "Stupide!"

Why is it critical to have a cosmograph inform your fundraising, and more importantly, your segmentation practices?

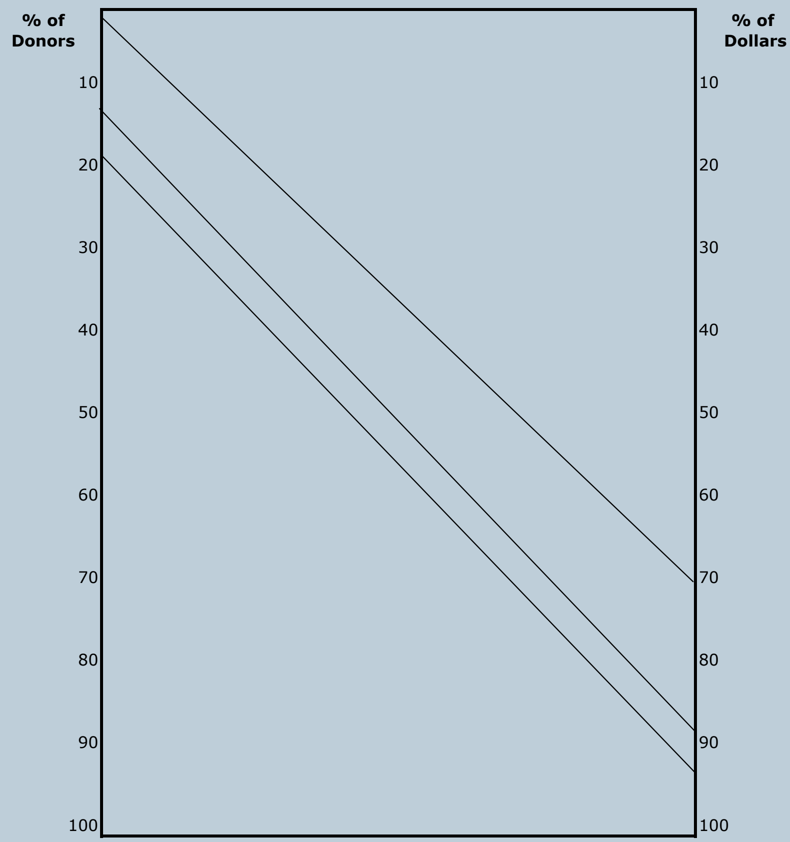
First, it's a matter of stewardship. Your donors are investing in your work to make a difference. To see results. To witness lives changed. And when the work of development staff is not informed by these cold, hard numbers, donors' gifts are simply wasted. Rather than having their gifts allocated to life-changing programs, these funds are unwisely (and generally unknowingly) invested in programs and communications to large numbers of donors who have little potential to make a real difference in the organization's work (e.g., the 81% of donors giving only 7% of gift income). Typically, as a consequence, the organization wrongly believes they lack the resources to focus where they should focus, on major donors and major donor prospects.

Second, it's a matter of strategy. Part of strategy is how to achieve the greatest possible impact with the fewest resources, and this can't be done when organizations continue to indiscriminately shovel out resources well past the point of diminishing returns, which happens quickly with some segments of the typical donorbase.

THE COSMOGRAPH…

WHO IS REALLY GIVING?

Donor Cosmograph



Note: 2.52% of donors gave 71.77% of gift income
12.43% of donors gave 88.63% of gift income
18.99% of donors gave 92.59% of gift income
81.01% of donors gave only 7.41% of gift income

Third, it's just plain smart. Many years ago I learned a great truth from the mining industry: You're either an inch from a million dollars, or a million inches from a dollar. Whether you're into mining or fundraising, it's simply smart to know where you're digging.

The Formidable Challenges You're Up Against

Unless your organization is very different than most, let me share what you're up against when you begin to think and work strategically to allocate resources to areas of greatest fundraising potential:

Egalitarianism.
Equality is a great notion, but when it comes to successful fundraising, it's simply a dumb idea. Dumb, but formidable. Trust me… tackling the deeply ingrained beliefs about treating people equally should not be taken lightly. These beliefs continue

to depotentiate the performance of more organizations than we can imagine. But here's your (hopefully easy) choice: You can be egalitarian or you can be strategic. You cannot be both.

Widow's mite.
Many well-intentioned people in your organization are likely to protest, "But what about the widow's mite?" Well, "What about it?" What most people apparently believe is that her gift was important because it was small. Wrong! It was important because she gave all she had to live on! Thus, small donors who give small amounts annually shouldn't be confused with the widow's mite (unless, of course, you know that certain donors are giving sacrificially which is an entirely different matter). Those who are quick to cite the widow's mite should give equal attention to the parable of the talents (Matthew 25.14-30), recognizing we'll be held accountable for the returns on our investments.

Favoritism.
Other well-intentioned people in the organization will quickly cite the admonition of James (James 2.1-4) not to show favoritism. Certainly we need to constantly heed that counsel, but muddle-headed thinking too often causes us to throw the baby out with the bathwater and miss the point entirely. The point is to avoid mistreating the poor while favoring the wealthy. Note that the cosmograph – and strategic segmentation – doesn't call for mistreating anyone. It simply recognizes that "From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked. (Luke 12.48) From my vantage point, strategic segmentation has nothing to do with a spirit of favoritism and everything to do with wise stewardship and sound management.

Once you've crunched the numbers and constructed the cosmograph, you've taken the first critical step to turn the lights on regarding strategic segmentation, which is simply a somewhat technical way of setting the stage for better stewardship of the resources entrusted by donors to your organization. It's only the first step of many you should take when it comes to segmentation, but without a doubt it's a step in the right direction.

To learn more about segmenting your audiences, mailing list and donorbase for better stewardship and improved fundraising, talk to one of our consultants. Many organizations are glad they did!