

# Working hard for the money

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## As donors demand more input, non-profits change approach to fundraising

Steven R. Strahler

Erik Unger

“The model of the tin cup, as I call it, is going the way of the dinosaur,” says Michael Cleavenger, vice-president for fund development at LaRabida Children's Hospital.

Michael Cleavenger joined LaRabida Children's Hospital three years ago, confident he could double fundraising for the venerable South Side institution.



His timing was awful: First the credit freeze and then a deep recession wrecked expectations. He's searching for new ways to ask for money while he tries to stabilize private support and increase it slowly. All but 5% of LaRabida's \$50-million annual budget depends on Medicaid and other endangered state sources.

“The model of the tin cup, as I call it, is going the way of the dinosaur,” says Mr. Cleavenger, 60, vice-president for fund development, who has worked for a variety of non-profits including the Chicago History Museum and Victory Gardens Theater. Also on his eclectic résumé: manufacturers' rep, bond trader and Peace Corps grant writer.

Helping Mr. Cleavenger and other do-gooders adjust is John List, a University of Chicago economist testing counterintuitive measures to boost fundraising. Among other findings, his field experiments show that donors will give more if given the option of not being contacted again.

Facing a new mindset among donors, fundraising tactics need to change with the times, says Mr. List, 43, whose work on donor behavior is part of his research into microeconomic decision-making and how that information can be used to influence public policy.

“I don't think fundraisers are any better than they were 10 or 15 years ago,” he says. “I'm trying to change that.”

Charitable giving surged seventeenfold—twice the gain of the Standard & Poor's 500—in the 25 years after 1970. As a share of GDP, it rose to 2.2% from 1.8% in the mid-1970s, according to the Center on Philanthropy at Indiana University. But since the crash, the figure has retreated to 2%.

The nation's top 400 charities were projected to raise \$73.6 billion in 2011, still less than was raised in 2009 despite two consecutive years of growth, according to the Washington, D.C.-based *Chronicle of Philanthropy*.

“You're going to see many low-performing not-for-profits close their doors,” warns Sheri Gibson, director of development at Chicago-based Jane Addams Resource Corp. Donors are “just not throwing dollars anymore—they are seriously looking at a return on investment. They're looking for best practices.”

## LINKS

The long-term exodus of corporate headquarters from Chicago has exacerbated the crunch locally. Reliance on volunteers also has waned. The outlook is worse for food banks and other charities that lack the built-in donor bases of churches and colleges.

To cope, charities like the United Way of Metropolitan Chicago are tightening links between donors and recipients.

The stronger bond boosts not only fundraising but in-kind donations and volunteer commitment, says Wendy DuBoe, interim CEO of the United Way, where gifts rose 2%, to \$53.5 million, in fiscal 2011 after two down years.

**John List is a University of Chicago economist who studies donor behavior and advises non-profits on fundraising. Photo: John R. Boehm**

Citing Naperville-based OfficeMax Inc.'s three-year pledge of \$1 million and employee time to help prepare students at Berwyn's Freedom Middle School for high school, she says, “That's a new piece of corporate philanthropy—organizing volunteerism. This is different. Because previously we would have funded those programs, but we wouldn't have had such a direct connection.”

An undisclosed donor paid for half of a \$100,000 LaRabida clinic for patients moving from pediatric care to adult care—something the hospital says is not adequately funded by Medicaid. Woonsocket, R.I.-based CVS Caremark Corp., meanwhile, gave \$25,000 to jump-start an upgrade to a cerebral palsy clinic.

“The days of ‘feel good’ grants are over,” says Mr. Cleavenger, who has cut La-Rabida's development staff in half and trimmed annual fundraising appeals to one from four. He's outsourced grant writing, event planning and research on potential donors.

“You have to demonstrate a need and results, not just say ‘We do good work.’ I’ve passed on grants if I’m not ready to give good, quantifiable results to the donor,” he says. “Better to do that than alienate the donor.”

Mr. List and U of C colleagues are looking at what turns donors on and off. In one tried-and-true area, they found that matching gifts do indeed bring in the cash, but there are limits to their effectiveness: There’s no need for an initial donor to offer more than a 1-to-1 match, Mr. List says. A 1-to-2 match can be just as effective.

For Smile Train, a New York-based charity that pays for cleft palate surgeries in developing countries, the List team devised an experiment to test how potential donors would react to a one-time-only offer. About a third made a gift and checked a box, blocking follow-up solicitations.

Donations from new donors were 121% higher than they were for a control group lacking the option, Mr. List says. Even after subsequent appeals to a smaller audience—now missing those who opted out—overall donations were up 45%.

“Their brains have been invaluable in helping Smile Train raise dollars in the most cost-efficient way,” co-founder Brian Mullaney says.

Mr. List says the secret is shifting the power of “the ask” to the donor—someone who feels in control will give more, he argues.

## SPLITTING FEES

At the Hyde Park Art Center, this means connecting patrons with artists, who split their fees 50-50 for commissioned works with the museum. Although the program, “Not Just Another Pretty Face,” dates to the 1990s, the center has tripled participation recently, raising \$425,000, Executive Director Kate Lorenz says.

“We have advised organizations to help get it going in four other cities,” she says.

Another tactic receiving renewed attention: “earned revenue” projects, where non-profits employ people they serve in profit-making ventures.



The green economy-oriented Delta Institute in Chicago hopes its ReBuilding Exchange, which employs ex-cons to make furniture from discarded building materials, eventually supports 30% of its \$6-million budget, CEO Jean Pogge says. Chicago-based Aspire of Illinois reduced public-sector funding of its developmental-disability mission to 85% from 90% and aims for 50% in three to five years, CEO Jim Kales says.

And it's not only the needy who are asking Mr. List for help.

## MAKING A DIFFERENCE

Donations at the Art Institute of Chicago were off 22% during the 12 months ended in June, from \$90.1 million for fiscal 2008, when a capital campaign for the Modern Wing was in full swing.

"We're trying better to show people how their \$20 does make a difference," says Amy Radick, director of membership and annual giving.

At LaRabida, which serves children with chronic diseases, it's just the opposite: "John's field work has enlightened us on the proven success of having your energy focused on one big gift versus a lot of smaller gifts," Mr. Cleavenger says.

Mr. List's work also has influenced Lincoln Park Zoo, where fundraising dipped and then recovered over the past two fiscal years. Christine Zrinsky, vice-president for development, says the zoo is customizing fundraising pitches after "wealth screening" donor data bases.

A \$25,000 "challenge grant" generated \$125,000 from "modest" donors to pay for non-glamorous operating costs— a first, she says.

As non-profits struggle to show results, not just advertise their good works, attitudes are shifting—but ever so slowly, according to Mr. List.

"In this particular space, people tend to think they have all the answers already," he says. To ask for help, "you're sort of admitting that you don't know what you're doing, and that's hard for managers to do."

quote|John List, University of Chicago

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