

Counsel

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INTERVIEW

Philanthropy Beyond September 11

It has been six months since the tragic events of September 11. The aftermath of that day, including the ongoing war against terrorism and the stock market's volatility, has sent tremors far and wide. Even so, Americans and others from around the world have responded not just with bravado and might but, perhaps more tellingly, with an outpouring of generosity and compassion. Nonprofit institutions are among those just now beginning to sort through the lasting effects of September 11. *Counsel* recently asked Michael Sinkus, chair and CEO of Marts & Lundy, and Charles Howland, the firm's president, to share thoughts about the short- and long-term outlook for philanthropy. Excerpts from that interview follow.

We've experienced crises in the past, but in many ways the events of September 11 put us on new ground. Has the philanthropic landscape shifted in any way since the terrorist attacks or has it been business as usual?

Sinkus: No, it hasn't been business as usual. The differences are subtle, but there has clearly been a refocusing taking place both on the part of institutions and donors. Both are essentially doing the same thing, which is to figure out their fundamental mission and interests. It's a great process, one that has pushed institutions to make sure they haven't strayed from their core mission and moved donors to reconsider what's really important to them. It's brought everyone back to the basics on a lot of levels: the basics of mission and of case and, of course, the fundamentals of successful fund-raising.

Howland: By and large, it has been business as usual, however, as far as giving is concerned, at least for the institutions with which I've been in contact. Some report that they lost two weeks to a month's worth of regular income, such as annual

giving. I've seen recent reports that indicate that a good percentage of other nonprofits experienced shortfalls in funds raised after September 11 when compared to their efforts the previous year (*see related story, page 4*). In that regard, September 11 was a temporary shock to the system. But my sense is that, following the period of mourning and of refocusing our energies, both institutions and donors quickly picked up again and regularly scheduled solicitations continued successfully. There have been few signs of philanthropic paralysis.

We've all marveled at the outpouring of support for the victims of September 11. What does this say about the spirit of the American people, particularly as it relates to philanthropy?

Sinkus: I believe history will look back at philanthropy as one of the miracle cures of our society in the aftermath of the terrorist attacks. There was such a profound outpouring of people trying to help in so many ways—some of them

I N S I D E

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A Look at Post-
9/11 Giving

Nonprofits, Brand
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New Staff
Members Join Firm

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— Michael Sinkus, Chair and CEO



Michael Sinkus

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— Michael Sinkus, Chair and CEO

directly involved with the rescue attempts, others giving blood or money. There was a healing and bonding that occurred from the mass participation of Americans and of other people from around the world. It is not an overstatement to say that philanthropy won the day. Along with patriotism, philanthropy has been a key ingredient in the healing process for individuals and groups and society at large.

It's been reported that more than \$2 billion was raised for disaster relief following the events of September 11. That sounds like a lot of money. Does this represent a diversion that could negatively affect giving to other nonprofit groups?

Sinkus: Not at all. The philanthropic capability in this country is enormous. You have to take that \$2 billion figure and look at it in the context of the \$200 billion that is raised each year by not-for-profit institutions. The giving to relief efforts is one more visible sign of what can happen when people rally around a specific cause. What's interesting about the \$2 billion figure is that this money was not raised in the typical scale-of-gifts fashion. I would guess that there weren't many, if any, \$100 million gifts counted toward the number. All of this came together with many more gifts across a far wider range of people—and that's a good thing. It defies the science that we professionals are always quick to point towards. It shows that there is power at the individual household level.

Howland: If there has been any redirection in giving, it is temporary. The bigger point, I think, is both the capacity and the elasticity of American philanthropy. The \$200 billion figure is not all Americans can give. Most of us can give more. The \$2 billion raised for disaster relief is just another indicator of the capacity of American philanthropy, which has rarely been tested. This was a test, and the people responded magnificently.

Some media reports have gone so far as to suggest that September 11 has turned us from a culture of buyers to a culture of givers. Do you agree with that statement?

Sinkus: I couldn't suggest that the switch was

flipped and that the transition has now taken place. That's a bit simplistic. I think that these things have ways of settling back into their usual patterns. That said, I also think, aside from recent events, that we're continuing to see signs of baby boomers in particular moving away from the accumulation stage of life and into the giving stage. Perhaps this new stage—and new maturity—was made evident in the aftermath of the terrorist attacks.

Since September 11 the spotlight has shone on several trends and issues in the philanthropic marketplace. One such trend is the spike in on-line giving. Will Internet giving have a sustained impact on the way nonprofits raise money?

Howland: I see the Internet as a vehicle for giving, not a reason to give. Certainly as people are getting more comfortable with the Internet and with security issues, it is often a convenient and instantaneous way to give. The Internet continues to shift the method of solicitation and giving and reporting, but I would not say that the technology in and of itself has increased philanthropy. I understand that well over \$100 million was raised on-line following 9/11. In large part, that was because of the passion surrounding the events of that day and the desire to give as a statement of support and compassion.

Sinkus: I sometimes have to curb my unbridled enthusiasm for the Internet. I continually step back in wonder at its influence on society and how it is rapidly changing behaviors and lifestyles. Person after person whom I encounter turns to the Internet for information. It very well may be restoring the library as the resource we once knew it as, only now people can search out information from the comfort of their living rooms and dens. I believe that we're quickly moving toward a time in which nearly all financial transactions will take place over the Internet. Giving on the Internet will continue to increase exponentially; the trend every year at every institution I see is up and up and up.

We've also seen the heat the Red Cross has taken in the weeks and months after September 11. Are there some old lessons that need to be relearned here?

Howland: The Red Cross has a tremendous track record of responding to tragedies in every

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country around the world. It's been understood for years, at least among those who are in this profession, that organizations like the Red Cross have certain windows of opportunity for raising relief funds. It's difficult for agencies like the Red Cross to raise money during more stable and ordinary times, so it was perfectly legitimate in this instance, I believe, to hold back funds as a reservoir for future action. If there's any blame to dole out, it is that the Red Cross should have done a better job upfront informing constituents that money was being raised for this *and* future crises. I would hope that most thinking Americans would not be put off by the Red Cross's embarrassment. I certainly am not.

What organizations have emerged as the unsung philanthropic heroes in all of this?

Sinkus: Perhaps the most involved organization, one that didn't get much of the spotlight, was the Salvation Army. They once again have reestablished themselves as one of America's best nonprofits, one of America's best charities. They were the unspoken heroes, especially in New York, where they dug in and performed miracles. The fact is, the Salvation Army continues to show that the philanthropic dollar can go very, very far.

Even before September 11 the economy was heading in a downward spiral. We continue to be mired in a mild recession. What affect is the present economy having on giving?

Sinkus: It appears that the recession has not yet dramatically altered giving habits. I've run across anecdotal information with some institutions that have suffered a decline in payment of gifts, in appreciated securities and the like. But it's important to remember that the stock market has increased fourfold since 1990. What's happened over the recent decline is that we've given back about one-quarter of that gain. So three-quarters of the gain is still in place. We're finding that many institutions are still benefiting from the wealth that was accumulated before 1999. With all the stories about day traders being tossed around, it's easy to forget that a significant portion of the investing public is more long-term oriented.

Howland: We risk being victims of our own

media hype. The economy is down, more people are out of work, and many have seen their assets drop considerably. I want to be sensitive about those situations. There are cases where people are suffering, no question. At the same time, there's the attitude of, Hey, we're in a recession, and therefore I am poor. There are still many wealthy people out there, many of whom want to give to make a difference. One of the largest gifts ever to a university was made in the weeks following September 11 when Gordon and Betty Moore announced a gift of \$600 million to the California Institute of Technology. When philanthropists take that kind of action, it's a signal to others that our values as a nation, and our willingness to give, have not been deterred.

How would you assess the long-term picture for philanthropy?

Howland: Even with the events of last fall and the ongoing war against terrorism, and the present economy notwithstanding, the projected growth curve for philanthropy over the next five to 10 years—and beyond—is exciting. September 11 was a temporary hiatus in that march. Much of the growth will be fueled by the demographics, in particular the transfer of wealth that already is taking place, but the growth goes beyond statistics. Philanthropy is a uniquely American tradition, one that is undergirded by passion, by commitment, and by long-term relationships.

Sinkus: As Charlie noted, the wealth transfer will continue unabated. Some organizations have taken short-term hits in recent months, but in the aftermath we can expect that philanthropy will quickly settle back into normal patterns—and the normal patterns look great. There are some lessons to be learned from those institutions that have done well during this time. I can't say enough about the need for clarifying and articulating mission and case, and for adhering to solid, fundamental fundraising strategies. As that continues to happen, I honestly believe it will be proven that we've just begun to touch the surface of both the philanthropic capability and commitment of the country. **M&L**



Charles Howland

Philanthropy Beyond September 11 . . .

Most Nonprofits Kept Pace with Giving in Aftermath of Tragedy; 44% Fell Short

ALEXANDRIA, VA.—Although a majority of nonprofit organizations have managed to at least keep pace with the year 2000 in their current fundraising efforts, 44 percent of charities experienced shortfalls in funds raised after September 11 when compared to their fundraising efforts the previous year, according to survey results released in February by the Association of Fundraising Professionals (AFP).

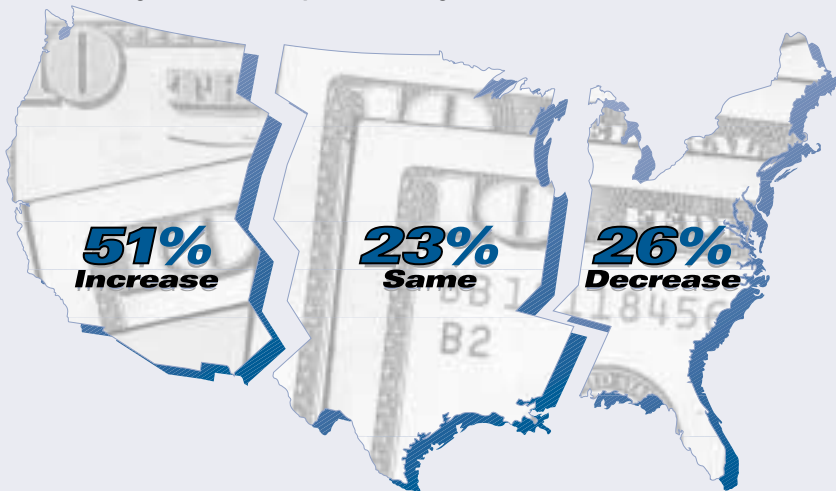
AFP asked a sample of its members to compare fund-raising

totals both before and after September 11 to funds raised during the same time periods in 2000. Prior to September 11, most organizations were having a successful fund-raising year, with more than 50 percent reporting increases in funds raised at the end of August compared to the previous year. An additional 23 percent were keeping pace with 2000 totals. Roughly a quarter of respondents were experiencing decreases at the end of August 2001.

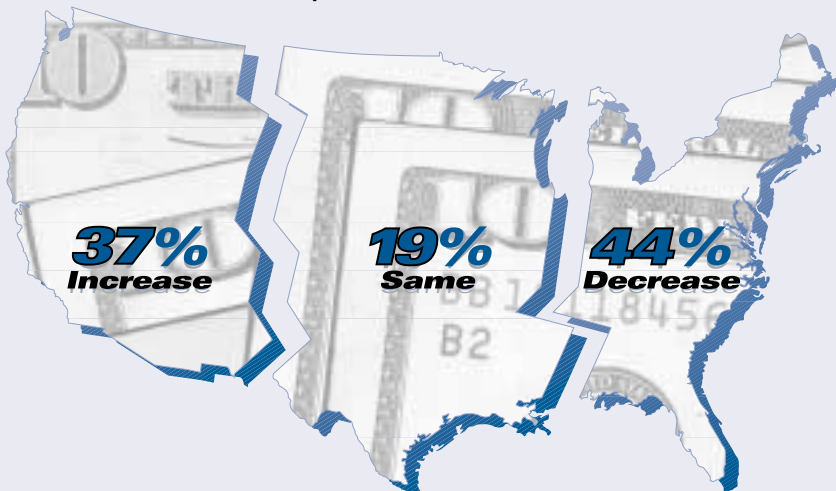
A notable drop occurred in October with 44 percent of organizations reporting decreases in 2001 funds raised vs. the previous year. While a slight majority of organizations experienced the same or increased 2001 fundraising totals, the number of charities experiencing a shortfall nearly doubled. More than 20 percent of respondents reported decreases in giving of 20 percent or more.

Many organizations outlined some of the strategies they're using to encourage giving. Reminding donors that "our needs still exist" proved a challenge-and an opportunity-to many charities. Another common thread running through many of the respondents' strategies was increased personal contact with donors since September 11. "Personal solicitation will continue to be the most powerful solution to the financial needs of the organization," commented one development officer. "After all, people give to people."

State of Fundraising Efforts Before Sept. 11 End of August 2001 Compared to August 2000



State of Fundraising Efforts After Sept. 11 End of October 2001 Compared to October 2000



Some facts from the AFP survey:

- At the end of August 2001, almost three-quarters of survey respondents reported fund-raising totals consistent with or higher than 2000 figures (see chart, top left).
- Roughly 18 percent of respondents reported increases of 20 percent or more over August 2000 figures.
- Almost 12 percent reported decreases of 20 percent or more.
- At the end of October 2001, 44 percent of charities surveyed reported decreases in funding levels compared to the previous year (see chart, bottom left). However, a slight majority of 56 percent was still at or above 2000 totals.
- Almost 21 percent of respondents reported decreases in funding of more than 20 percent over 2000 totals.
- Roughly 16 percent of respondents reported increases of more than 20 percent over 2000 totals.
- Most organizations (67 percent) continued on schedule with a planned special event following September 11, while another 13 percent postponed a special event. Only 7 percent cancelled special events.
- Most organizations (67 percent) continued on schedule with a planned mailing or telemarketing campaign following September 11, while another 23 percent postponed their efforts. Only 2 percent cancelled a mail or telemarketing campaign. **M & L**

Promises Kept in Service to Others: Nonprofits, Brand and the Internet

BY DARROW ZEIDENSTEIN

THIS IS THE FIRST IN A TWO-PART SERIES ON "DEFINING BRAND FOR NONPROFITS."

The Internet is a powerful medium for strengthening a nonprofit's brand. Unfortunately, it is difficult to discuss the Internet's power in brand building because the concept of brand does not enjoy wide currency in the nonprofit world. Often associated with the profit-driven marketing of products, brand ostensibly runs counter to the mission-centered services of nonprofit organizations.

Compounding the confusion is the loosey-goosey use of the word "brand" in business and popular media—ranging from a minimalist notion of name differentiation to the lofty idea of brand as the complete realm of senses and perceptions consumers feel about a product. None of these ideas is strictly wrong, but they are ineffective in doing what a good working concept should do: draw the attention of a nonprofit's leadership to things that matter deeply.

A productive working concept of brand emerges when we disassociate its commonplace connection to the customer and tie it to the cornerstone aspects of mission and commitment that the philanthropic community shares. The distinction between customer and community is crucial in differentiating how a brand works productively in commercial vs. philanthropic contexts. In both contexts, brands are shared public symbols, referring to something of note, something that stands out from the ordinary. Brands are references, and a strong brand's consumers are referenced to something clear and obvious.

But more commercial brands differ sharply from their philanthropic counterparts because they reference individuals to relatively flat memberships of status or preference: a woman wearing Ferragamo shoes is referenced to a status group of preference; and a man driving a Volvo is referenced to those with a preference for safety. Yet, the woman wearing Ferragamo shoes and the man driving the Volvo do not feel in league with their fellow "Ferragamoites" or "Volvonians." They are not united for a common purpose, a shared cause, a lived history, or a desired outcome. Commercial brands are flat because they reference a relatively static image.

Mission and Community

Nonprofit organizational brands work best, however, when they reference a community of

people who, though connected in one way or another to an organization, share a bond that is greater than the organization per se. Strong brands in philanthropic contexts reference a mission, or a defining purpose—which is why an organization and its community exist in the first place. Unlike commercial brands, the strong nonprofit brands are rich in history and even lore—they are not "flat" at all.

Consider two strong environmental brands: Greenpeace International and Woods Hole Oceanographic Institution. These organizations are two very different kinds of communities evolving from two very different historical trajectories. By fashioning itself as an activist organization that achieves change through direct, nonviolent actions, Greenpeace has become a global symbol for people seeking to challenge those who pollute and damage the planet. Its aggressive approach underlies its current motto: "Raising Hell to Save the Planet."

Woods Hole, meanwhile, promotes itself not as an activist organization but a research institute that strives to be the world leader in advancing and communicating a basic understanding of the oceans and why they are important for the world's future. It's clear who each organization is and what a prospective donor can expect from each.

In contrast, a weak philanthropic brand does not set a clear reference to a community of purpose and place. As a consequence, would-be supporters have no clear expectations of what to expect and how to serve the greater mission or cause. For example, institutions of higher education far too often have weak or blasé brands, characterized by:

- Promises that are indistinguishable from any other institution of higher education ("academic excellence," "rigorous curriculum," "lifelong learning," etc.);
- Mission and vision statements that do not reflect the institution's origins, place, unique culture, and vision;
- Personnel who merely work, as opposed to community members who are invested in taking the organization and its community to the next level;
- Alumni who are left out-of-touch save for annual appeals for money.

Strong nonprofit brands emerge from referencing a community, specifically from the special promises of value a nonprofit orga-



Darrow Zeidenstein

Nonprofit organizational brands work best when they reference a community of people who share a bond that is greater than the organization per se.

nization makes and keeps to its community. Promises . . . value . . . keeps . . . community are the four terms that stand out in this formulation of brand. The power of this working concept to focus attention on things that matter lies firmly in the connections between and among those terms, as follows:

- Promises . . . keeps: the onus is always on the organization to know and be faithful to its mission and values of service;
- Promises . . . value . . . community: the organization must seek to do important things (and shun insignificant things) as it delivers goods to its community;
- Promises . . . keeps . . . community: the value of an organization's brand comes from enduring relationships of shared trust that generate greater good to the immediate community and beyond.

Brand vs. Reputation

This definition makes a clean break from common notions of brand as a static symbol or mark and advocates a more dynamic concept of brand as relationship building through service to the community in the form of promises expected and delivered. This dynamic sense of brand is useful in differentiating an organization's reputation from its brand. Case-in-point: the National Rifle Association (NRA) has a strong brand because it consistently delivers on its promise to uphold the rights of gun owners who, in turn, trust the organization and finance it to excel in its mission. However, the NRA has a poor reputation in many quarters because of its hardball tactics in keeping its promise to shoot down (figuratively) gun control.

The same could be said of the American Civil Liberties Union (ACLU) and many other organizations that enjoy strong brands but aren't universally loved. Both the NRA and ACLU neatly illustrate the point that a brand doesn't have to be popular or even well liked to be effective. There are at least two dimensions to brand effectiveness.

First, a strong brand is effective in consistently communicating what prospective members of the community should expect. For example, most people have never attended MIT or stepped foot on campus, but they probably have a fairly clear impression of what MIT is about (the world's foremost researchers and educators in science, technology, and other areas of scholarship). Its current and prospective students, alumni, faculty

members, administrators, and others connected to the school embrace this brand. The ability of the MIT brand to communicate the organization's mission, values, and sense of place enables a powerful process of member self-selection to take place. Individuals first come into some form of interaction with the organization already seeking a longer-term relationship built on expectations of value.

A second dimension to the effectiveness of strong brands is their ability to attract and sustain "true believers"—individuals whose personal hopes are tied to the greater community and mission of the organization. Although there are many psychological and semiotic processes that help create the true believer, the bedrock of the true believer's connection to an organization is a powerful sense of fulfillment. Whether the fulfillment stems from narrow personal gain or a broader sense of public good is immaterial: the promises of value an organization delivers make an important difference in the true believers' lives.

A working concept of brand should keep a nonprofit's eyes on the important things. Defining brand in the moral terms of promises kept, a nonprofit organization's leaders should follow four basic precepts to enhance their brand:

1. Know what the organization promises—and keep those promises. Effective brands are built on the trust community members hold of the organization to keep its promises in the execution of a clearly articulated mission and vision.
2. Don't fault the constituents. Effective brands are built over time, with the burden of executing important tasks on the organization, not the constituency.
3. Be true to the mission, even in the face of widespread unpopularity. Effective brands are not necessarily popular or well liked.
4. Shun insignificant things. Great brands belong to great organizations because they push fast and hard to do more.

Understanding the foundation for creating a strong brand, how then does a nonprofit use the Internet to strengthen its brand? *Part two of this series, in the next issue of Counsel, will explore the relationship between brand building and Internet strategy.* **M & L**

Darrow Zeidenstein is a senior consultant with Marts & Lundy. A graduate of the University of Illinois at Champaign-Urbana and the University of Texas at Austin, he joined the firm in 2001.

New Staff Join Firm

Marts & Lundy has added four new staff persons—John M. Cash, K. Timothy Weidmann, Darrow Zeidenstein, and Robert C. Miskura—to bolster its service to clients.

John M. Cash joins Marts & Lundy as a senior consultant following more than two decades of development work in higher education, most recently as associate vice chancellor for university relations and campaign director at the University of California, Berkeley. In that role, he oversaw Berkeley’s “New Century Campaign,” a comprehensive, university-wide initiative that raised more than \$1.4 billion.

As chief development officer, Cash was responsible for major gifts, planned giving, corporate and foundation relations, international development, and annual giving, as well as communications and events. He also served as vice president of the University of California, Berkeley Foundation.

Before his tenure at Berkeley, Cash was associate dean for development in the School of Humanities and Sciences at Stanford University. He was the lead fund-raiser for Stanford’s largest school during the nation’s first \$1 billion-plus campaign. He also has served in development positions as Mills College in Oakland, Calif., and at the Illinois Institute of Technology in Chicago.

John has been active for many years with the Council for Advancement and Support of Education (CASE), and has led all-day workshops on strategy development for raising large gifts from individuals. He has taught classes and served on panels on campaign planning, corporate fund-raising, and development research. The Golden Gate Chapter of the Association of Fundraising Professionals (AFP) recognized Cash in 2000 as its Outstanding Fund Raising Executive.

Cash earned his bachelor’s degree from the University of California, Berkeley. He holds a master’s degree and Ph.D. in British history from the University of Chicago.

K. Timothy Weidmann brings 18 years of fund-raising experience to his position as a senior consultant with Marts & Lundy. Most recently he served as associate vice president of university development at Northwestern University. In that role, he oversaw the directors of development for the university’s schools and units, rallying those decentralized development operations to implement Northwestern’s \$1.4 billion comprehensive, university-wide campaign.

In his first year at Northwestern, Weidmann solicited and closed one of the largest gifts in the university’s history. He directed the Campaign for Medical Research and the Life Sciences, as well as the Campaign for Engineering and the Physical Sciences.

Prior to his work at Northwestern, he served at Yale University as associate director of corporate and foundation relations. During that time he and his family lived as residential fellows in Timothy Dwight College. He has also worked as a marketing representative for IBM.

Tim holds a bachelor’s degree in English literature from Harvard College and a master of divinity degree from Yale Divinity School. He has served on the boards of several churches and foundations.

Darrow Zeidenstein comes to Marts & Lundy as head of the firm’s growing marketing and technology service group. In that role he will provide specialized services to clients needing assistance in developing effective fund-raising strategies using database marketing techniques and Internet technologies.



John M. Cash



K. Timothy Weidmann



Darrow Zeidenstein



Robert C. Miskura

New Staff Join Firm . . .



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Before joining the firm, Zeidenstein served at the University of Texas, Austin, coordinating its initial efforts to develop and execute marketing strategies to optimize the university's development efforts.

Prior to his work at UT Austin, Darrow started and headed up the planned giving efforts and the development operation's information and research management team at New York University's Stern School of Business. Before entering the development profession, he was vice president for international programs at the House of Tutors, Inc., a private higher educational services company.

Darrow graduated with his bachelor's degree in social anthropology from the University of Illinois at Champaign-Urbana. He holds a Ph.D. in economic philanthropy from the University of Texas at Austin. He is a former Fulbright scholar (Syria), National Science Foundation (NSF) fellowship holder, and Social Sciences Research Centre (SSRC) post-doctoral fellow (Morocco).

Robert C. Miskura, former vice president/treasurer and CFO of The Economic Press Inc., a global marketing and publishing company based in Fairfield, N.J., has been named controller of Marts & Lundy, a new position for the firm.

His responsibilities will include overseeing the firm's financial reporting, preparing and monitoring annual budgets, managing cash flow, serving as the firm's banking liaison, and helping to set pricing for Marts & Lundy's ES Solutions™ products.

Bob brings solid experience to the firm in the areas of accounting, finance, operations, and human resources. Prior to his work with The Economics Press Inc., he served as audit supervisor for KPMG (Klynveld, Peat, Marwick, Goerdeler), an international accounting and consulting firm.

A certified public accountant, Miskura is a graduate of Seton Hall University, where he earned his bachelor's degree in accounting and his master's degree in finance. He will be based at the firm's Lyndhurst, N.J., office. **M & L**

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Fund-raising fundamentals don't change, but today the effective application of those fundamentals is specialized, diverse, and often complex. Marts & Lundy combines decades of experience with new ideas to meet these challenges and serve the wide spectrum of nonprofit organizations.

Marts & Lundy has top specialists in areas such as capital campaign and prospect research counseling, strategic planning, feasibility studies, computer assisted prospect screening, direct mail constituent surveys, planned giving, development office operations, training, fund-raising writing, and communications plans.

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