

ANDREA KIHLESTEDT

CAPITAL CAMPAIGNS

STRATEGIES THAT WORK

THIRD EDITION



ANDREA

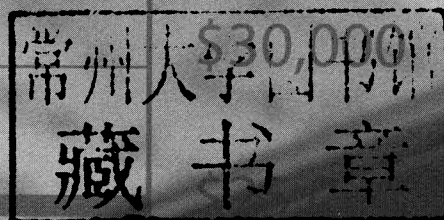
DT, MA

F

CAPITAL CAMPAIGNS

STRATEGIES THAT WORK

THIRD EDITION



JONES AND BARTLETT PUBLISHERS

Sudbury, Massachusetts

BOSTON TORONTO LONDON SINGAPORE

World Headquarters

Jones and Bartlett Publishers
40 Tall Pine Drive
Sudbury, MA 01776
978-443-5000
info@jbpub.com
www.jbpub.com

Jones and Bartlett Publishers
Canada
6339 Ormindale Way
Mississauga, Ontario L5V 1J2
Canada

Jones and Bartlett Publishers
International
Barb House, Barb Mews
London W6 7PA
United Kingdom

Jones and Bartlett's books and products are available through most bookstores and online booksellers. To contact Jones and Bartlett Publishers directly, call 800-832-0034, fax 978-443-8000, or visit our website www.jbpub.com.

Substantial discounts on bulk quantities of Jones and Bartlett's publications are available to corporations, professional associations, and other qualified organizations. For details and specific discount information, contact the special sales department at Jones and Bartlett via the above contact information or send an email to specialsales@jbpub.com.

Copyright © 2010 by Jones and Bartlett Publishers, LLC

All rights reserved. No part of the material protected by this copyright may be reproduced or utilized in any form, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without written permission from the copyright owner.

This publication is designed to provide accurate and authoritative information in regard to the Subject Matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert assistance is required, the service of a competent professional person should be sought.

Production Credits

Acquisitions Editor: Jeremy Spiegel
Senior Marketing Manager: Barb Bartoszek
Production Director: Amy Rose
Production Assistant: Julia Waugaman
Manufacturing and Inventory Control Supervisor: Amy Bacus
Composition: International Typesetting and Composition
Cover Design: Brian Moore/Kristin E. Parker
Cover Image: © Kaspars Grinvalds/Shutterstock, Inc.
Printing and Binding: Malloy Incorporated
Cover Printing: Malloy Incorporated

Library of Congress Cataloging-in-Publication Data

Kihlstedt, Andrea.

Capital campaigns : strategies that work / by Andrea Kihlstedt.—3rd ed.
p. cm.

Includes bibliographical references and index.

ISBN 978-0-7637-5831-8

1. Nonprofit organizations—Finance. 2. Fund raising. I. Title.

HG4027.65.K55 2010

658.15'224—dc22

2008035430

6048

Printed in the United States of America

13 12 11 10 09 10 9 8 7 6 5 4 3 2 1

Preface

Capital campaigns encapsulate the most powerful and effective methods of raising money. The campaign process is cost effective, inspiring, and often heartwarming. Through these campaigns, you can raise more money than you ever thought possible. While you will probably undertake a campaign only once every 5 or 10 years, in most years you are likely to be either planning for a campaign, in the midst of one, or cleaning up from one.

This book is a practical and friendly guide to the campaign process. You will get a great overview of campaign fundraising by reading it from cover to cover, but you can also dip into it again and again as you move through the campaign. Need a job description for your campaign chair? Need a wall calendar to map out your campaign with stickies? Not sure just what you might include in your campaign goal? You can just dip in here and there to find help in answering your questions. Many a dog-eared and marked up copy of the earlier editions of this book have served as daily resources for executive directors, campaign managers, and development directors.

You will not only find explanations and descriptions of the campaign process, but you will also find charts, graphs, and checklists, both in hard copy and in a downloadable CD format. Stories spice the text here and there and provide a real-life flavor of the kinds of oddball and inspiring things that happen during campaigns. You will find tips on how to conduct a campaign even if you don't have a "fundraising board." You will get advice about how to deal with volunteers whose intentions are good but whose follow-through is not. You will learn how to involve groups of people in the planning

process so they gain a real stake in the process. There's a complete section on consultants: how to select the right one, how to assess their proposals, and what you should expect from them.

This book outlines in both broad principle and minute detail most everything you need to know about how to run a capital campaign. It's a clear step-by-step guide to planning for, implementing, and following through on a capital campaign.

While the book is framed in terms of a \$10,000,000 campaign, the concepts and tools can easily be adapted to campaigns of any size. It captures not only practical, how-to kinds of material, but it also highlights the very human qualities that are part of every campaign. There are stories, examples, and tidbits of psychology that bring an important bit of humanity to the process.

For those who own an earlier edition, you might wonder what is different about this version. While the basic principles of capital campaign fundraising have stayed the same, many things have changed in the past few years. We've become more sophisticated about prospect research, our ways of communicating have changed quite dramatically, volunteer time has become scarcer, and the Web plays a far larger role in our lives. This *Third Edition* has been adapted to reflect many of these changes. But at its heart, capital campaign fundraising continues to be about engaging prime stakeholders so that they will invest generously in organizations, and this book, like its predecessors, outlines the best ways to do just that.

While the changes and updates in content are significant, the changes in writing style, format, and tools are even more important. I've rewritten the major portion of the text to make it simpler and friendlier and to eliminate repetition. With the wonderful support of the people at Jones & Bartlett, this version is far easier to read and scan for just the material you need when you need it. Many of the charts, worksheets, and checklists are also included in a downloadable format so you can easily adapt and use them for your campaign.

I'm proud of this *Third Edition*. I hope you'll like it too.

Acknowledgments

Many people have helped me in remarkable ways as I worked on this book. I thank them all from the bottom of my heart. Indeed, one of the pleasures of being able to prepare this *Third Edition* is that it gave me a chance to call on and work with so many people in the field who have great ideas and suggestions. My life is the richer for their help.

Michael Miller has served as a mentor, coach, consulting partner, and friend for many years. Through him, I have become much clearer about the basics of fundraising and have come to understand it in ways that are simple enough to teach to others. Teaching and training with Michael has moved my thinking about this topic to a new level of mastery that, I hope, has been transmitted in the clarity and simplicity of this edition.

Peter Heller and Todd Lindsley have been first-rate colleagues during the rewriting of this book. Always clear-headed, positive, and thoughtful, Peter and Todd have taught me many things that have found their way into this edition.

Paul Jolly read chapter after chapter and made many substantive suggestions in both content and format. I am sad that the realities of my time and energies didn't allow me to include them all. Those that I did include have substantially improved the book.

Paula Peter, Kathy Cole, and Volly Kovary helped me pick apart the *Second Edition*. With their help, I came to understand that simplifying and reformatting the book would make a world of difference . . . and it did!

Mary Hedahl and Molly Galvin of the NYCLU have taken many of my ideas and tried them out—some to great effect and others with more qualified success. Their hunger to learn and willingness to try out new things has enlivened my life and their development practice. And yes, they are raising more money!

Brian Saber set a very high standard for his work with major donors. His ability to develop close relationships with a large number of donors through thoughtful communications through personal e-mail opened my eyes to the fundraising potential of this remarkable communications tool. Brian also offered up his facility for a meeting of consultants who came together to provide their input on this book.

Jethro Miller, who worked for many years with CCS, introduced me to the strengths and effectiveness of large, resident consulting firms that I had condemned in the earlier editions.

Waveney Mason was my fount of knowledge about prospect research for this book. She helped me understand what to include, and, more importantly, what not to include about that subject in this book.

Carole Gravagno and I have spent many hours together talking about the nature of giving and generosity. She has given me a window into what it feels like to be on the giving end of the equation. From her, I've learned what remarkable commitment and courage it takes to be a responsible philanthropist. Carole inspires me. She follows her heart to make the world a better place.

I've been fortunate to have some extraordinary clients during the year in which I have rewritten this book. What I have learned from them as clients has found its way into the book here and there. I thank them for allowing me to be their partners in this fundraising process. I extend my warm thanks to Rich Berlin of Harlem RBI, Keiren Havens of Planned Parenthood of Maryland, TomiJean Fernandez of the ACLU, and Jeff Vessels and Cheri Bryant of the ACLU of Northern California.

Rosalyn Ward knows better than anyone what it takes to keep all of the plates in the air for a capital campaign. She spins 2, 3, 5, or even 10 at a time, and all with good humor and apparent ease. She finds just the right balance between pushing to get everything just right and tolerating a bit of mess in the interest of keeping the plates spinning. Now in her third campaign with challenging organizations, she deserves more than a medal. I learn from her every day.

I am inspired by the many clients I've had the pleasure to work with over these years. They have taught me not only about the nuts and bolts of capital campaigns, but also about character, humor, hard work, persistence,

and commitment. My contributions to the design of their campaigns pale next to their incredible work day after day.

Lauren Moore spent her nights and weekends making sense of the exhibits and charts in this edition and making sure that they were correct and would appear in the right place in each chapter. She took my written manuscript and wrestled with the formatting and outline so that the folks at Jones & Bartlett wouldn't throw up their hands in despair when they received it.

Special thanks to Randy Burgess who helped me become a better writer by looking over my shoulder chapter by chapter as I prepared this edition. His ability to see both the big picture and the detail, to insist on clarity and transparency, and to send me back to the drawing board when it just wasn't right has made this book ever so much better.

And finally, I thank my wonderful women friends who have walked and talked with me through these years, and my husband and daughters who anchor so much in my life. I am so fortunate!

About the Author

Andrea Kihlstedt has been an active capital campaign consultant for the past 25 years. She has worked for organizations small and large, local and national, ordinary and unconventional. She has served as a consultant, coach, and teacher to a wide array of nonprofit leaders and development directors.

Her interest in capital campaign fundraising springs from a fascination with the generous aspect of human nature. In order to understand the psychology of fundraising more fully, Andrea has explored the theory and practice of Gestalt psychology at the Gestalt International Study Center on Cape Cod.

She lives in New York City with her husband and cats.

Contents

Preface	vii
Acknowledgments	ix
About the Author	xiii
 Chapter One Capital Campaigns: More than Money	 1
What Is a Capital Campaign?	1
One Size Fits All	3
Types of Campaigns	3
Special Characteristics of Capital Campaigns	5
The Phases of a Capital Campaign	7
Time for a Campaign?	11
Requirements for a Successful Campaign	12
Building on a Culture of Philanthropy	17
Testing for a Culture of Philanthropy	19
Taking the Leap	21
Reference	22
 Chapter Two Getting Ready for a Campaign	 23
Campaign Readiness: The Institutional Perspective	24
Campaign Readiness: The Board Perspective	30
Campaign Readiness: The Nitty-Gritty, Inside-the-Development- Office Perspective	34
Staffing Requirements	43
Staffing Models to Fit the Need	45
Preparing Staff for the Campaign	48
Campaign Readiness: Tips for Working Smart and Surviving Stress	50
The Rewards of Hard Work	54
References	54

Chapter Three Preparing for a Campaign: Stage 1	55
Campaign Objectives	56
The Case for Support	59
The Fundraising Feasibility Study	77
Reference	94
Chapter Four Building the Campaign Team	95
A Note About Volunteers	95
The Core Campaign Team	98
The Campaign and the Board of Directors	114
Campaign Consultants	118
Expanding the Campaign Team	140
Putting It All Together: Creating a Positive Atmosphere	143
References	144
Chapter Five Planning the Campaign	145
Assembling the Plan	146
Elements of the Campaign Plan	153
A Complete Campaign Plan	187
Chapter Six Identifying Prospective Donors	189
Who Are the Most Likely Donors?	189
What Do You Need to Gather Donor Information?	191
Where to Look and How to Find Prospective Donors	194
How Do You Gather Information on Individual Donors?	201
How Do You Use the Information You've Gathered?	206
Balancing the Need for Information with the Need for Sensitivity and Security	211
References	211
Chapter Seven The Quiet Phase	213
The Nucleus Fund, Part 1: Gifts from the Insiders	213
The Nucleus Fund, Part 2: Lead Gifts	225
Lead Gifts from Other Sources	248
Strategic Giving	252
Keeping Track of Process and Progress	254
The Power of Lead-Gift Fundraising	257
Reference	257

Chapter Eight The Public Campaign	259
Taking the Campaign to a Broader Audience	260
Media and the Campaign Message	269
Soliciting Major Gifts After the Kickoff	271
Soliciting the Broad Base by Phone	289
Direct Mail and Web Solicitations to End the Campaign	301
Chapter Nine Campaign Communications	309
Developing a Communications Plan	310
Communications During the Quiet Phase	313
Campaign Materials	318
Spinning the Campaign	337
Chapter Ten The Discipline of Gratitude	339
Saying Thank You	340
Recognizing Donors and Volunteers Publicly	353
Plaques	354
Reaping the Rewards of Gratitude	362
Chapter Eleven Beyond the Campaign	363
When Is the Campaign Over?	364
Evaluation, Reporting, and Stewardship	367
For the Record	372
Institutionalizing the Power of the Campaign	373
Redesigning the Annual Giving Program	375
Campaign Lessons	376
Chapter Twelve Troubleshooting Guide	379
Campaign Goal Challenges	380
People Problems	384
Gift Problems	391
Public Relations Nightmares	397
Errors and Mistakes	400
Organizational and Project Problems	403
National Disasters or Acts of God	405
A Final Note	406
Index	407

chapter one

Capital Campaigns: More than Money

WHAT IS A CAPITAL CAMPAIGN?

If you bought this book, you are likely thinking about undertaking a capital campaign. Perhaps you are a development director and your board chair or executive director has told you in no uncertain terms that your organization is going to have a campaign. Perhaps you are the board chair yourself, and are wondering how to raise the money for a new building for the organization you lead. Perhaps you are the executive director, exploring whether a capital campaign might be a way to take your organization to a new level of accomplishment. Whoever you are, you may feel excitement, curiosity, even anxiety. The one thing you're sure of is that you need more information.

Relax and get ready to learn! I've written this book with you in mind. It will explain in detail everything you need to know about this amazing fundraising process. Campaigns are scary, exciting, daunting, frustrating—and yes, a huge amount of work. But if your organization is solid, and if you follow the practices spelled out in this book, your chances of success are very high. The basic processes behind planning and organizing capital campaigns

have been tested for decades and found effective; they are based not on some special magic, but on human nature and the cultural norms that influence how we behave in Western cultures.

Capital campaigns are worth undertaking not only for their primary purpose of raising money, but for their many powerful and positive side effects as well.

Rejuvenated People, Renewed Vision

The lure of large financial returns may stimulate your board, staff, volunteers, and major donors to think courageously about the future. Nor is money the only motivator: there's also the challenge, the teamwork, the new vision, and the chance to serve more people. Even the first glimpse of a campaign on the horizon can galvanize a reluctant organization into making critical, much-delayed improvements—strengthening the development office, say, or training or adding staff, or upgrading an outdated information system.

Increased Volunteerism

You will have many opportunities to involve volunteers in planning, locating and cultivating prospective donors, soliciting gifts, and more. If you do it right, a campaign will extend your organizational family with volunteers who continue to support your organization long after the campaign is over.

Improved Fundraising Skill and Confidence

You will have a chance to jump-start a major-gift fundraising program. If, as in many organizations, your development process relies on small gifts from a broad base of donors, from foundations or government grants, a capital campaign can give you the impetus and opportunity to build strong relationships with individual donors and to solicit major gifts—abilities that can transfer to your ongoing development program.

Better Public Image

Capital campaigns tend to boost the visibility and stature of your organization in the community. Some of this is due to increased press coverage, but much comes through word of mouth among donors and volunteers as they share news of the campaign's success.

In this chapter, I'll cover basic information about capital campaigns. We'll look at the various types of campaigns you might be considering, and in

doing so, we'll come to understand the broader meaning of the phrase *capital campaign*, and we'll explore the characteristics that are common to all of these various campaign models. I'll outline the phases of a campaign and discuss how often you might conduct one. Toward the end of the chapter you'll find a set of basic requirements for success to help you begin to assess your readiness. Finally, I'll describe the organizational culture I believe best sets up a successful campaign. The conditions that establish this culture extend far beyond fundraising practices and so create a somewhat broader frame from which to dive into campaign planning. This chapter sets the stage for your understanding of this complex and exciting fundraising process.

ONE SIZE FITS ALL

I have written this book as a guide for leaders of organizations of all sizes and missions. Whether you work for a small community arts center, or a unit in a huge university preparing for a mega-campaign, the fundamentals of capital campaign fundraising remain consistent. The examples and anecdotes I've selected represent a wide range of institutions, so as to speak to people from all walks of campaign life. The charts and models you'll find in each chapter depict campaigns with midrange goals of \$10,000,000 or so, but they can easily be adapted to your own smaller or larger campaign. For a \$1,000,000 campaign, for example, just divide by 10. For a \$100,000,000 campaign, just multiply by 10.

The chapters have been organized in such a way as to carry you through the campaign process from soup to nuts, in roughly the chronological order you'll need the information. The accompanying CD contains samples, charts, worksheets, presentation material, and other information you may find useful.

If your organization is solid, and if you build a capital campaign following the basic practices spelled out in this book, your chances of success are very high. The capital campaign process *works*!

TYPES OF CAMPAIGNS

The phrase *capital campaign* is confusing. Sometimes we use it to refer to building campaigns; other times we use it for fundraising efforts that are much broader. Below are the common types of fundraising that often fall under the *capital campaign* heading. See Exhibit 1-1 for a summary of campaign types.

Exhibit 1-1 Summary of Campaign Types

<i>Type</i>	<i>Purpose</i>	<i>Pros/Cons</i>	<i>Types of Gifts</i>
Brick-and-mortar	Building projects	Clear Easy to articulate Immediate results Compelling results PR opportunities	Cash Appreciated securities Gifts-in-kind
Special projects	Equipment Small construction projects One-time start-up funds	Clear Easy to articulate Immediate results	Cash Appreciated securities Gifts-in-kind
Endowment	Donor-restricted endowment Board-restricted endowment	Long-term results Small return on investment	Cash Securities Deferred gifts
Combined	Building Equipment Endowment	More complex Short- and long-term results PR opportunities	Cash Securities Gifts-in-kind Deferred gifts
Comprehensive	Building Equipment Endowment Program	Complex Harder to articulate Short- and long-term results Larger goals PR opportunities Economies of scale	Cash Securities Gifts-in-kind Deferred gifts Annual fund income

Brick-and-Mortar Campaigns

These campaigns are the literal use of the phrase *capital campaign*. They are fundraising programs that fund capital improvements. Their objectives are usually simple and straightforward, responding to an organization's capital needs—new buildings or building renovations.

Special Project Campaigns

Some organizations use the capital campaign model to raise funds for smaller, well-defined projects. A hospital might raise money this way for a special piece of equipment; a day care center might raise funds for a new bus; a theater company might raise money for a new stage lighting system or renovations to the green room. These small projects lend themselves well to the strategies of capital campaign fundraising without imposing the organizational demands of a larger campaign.

Endowment Campaigns

Some organizations conduct campaigns to establish or develop endowment funds. These campaigns work best for well-established organizations that have proven themselves over many years and have a strong base of supporters with many years of giving history. Because the funds raised through endowment campaigns are not needed for short-term expenditures, they provide an opportunity for donors to make deferred gifts to the campaign through planned-giving instruments.

Combined Campaigns

More common are campaigns that combine brick-and-mortar with endowment. For example, an organization may conduct a campaign to build a new facility *and* to create an endowment fund, the income from which will pay for the long-term maintenance of the new building. Combined campaigns provide opportunities for both immediate and deferred gifts. Some campaigns include both construction costs and endowment for the upkeep of the building, or the sustenance of the program that will be housed there. This is a way of making endowment more tangible and immediate for donors, and it addresses the concern about creating additional operating expense in the future.

Comprehensive Campaigns

Many colleges and universities use their campaigns to raise money for brick-and-mortar, special projects, endowment, *and* annual fund. Comprehensive campaigns often have very large goals that reflect the total amount that will be raised by the organization over a period of 5 or even 10 years. These large campaigns provide opportunities to increase the stature of an institution by making public its overall scope and reach.

SPECIAL CHARACTERISTICS OF CAPITAL CAMPAIGNS

I mentioned at the start of this chapter that campaigns can have a powerful reinvigorating effect on an organization, well beyond the ostensible purpose of the campaign. Below are some additional qualities unique to campaigns that contribute to their transformational effect on organizations.

Campaigns Usually Grow Out Of Strategic Planning

Most campaigns emerge out of extensive organizational planning. The organization has paused to review its mission, evaluate its strengths and weaknesses,