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2 OVERVIEW OF FUNDRAISING AND PHILANTHROPY

LEARNING OBJECTIVES

After reading this chapter, students should be able to

1. Define the concepts of fundraising, development, and advancement.
2. Explain the differences between charity and philanthropy.
3. Describe the relationship between fundraising and philanthropy.
4. Define fundraising and the fundraising profession.
5. Summarize key periods and events in the history of philanthropy in the United States.
6. Summarize key periods, events, and influences in the evolution of fundraising as a professional field.
7. Explain why fundraising professionals should approach their work with pride.

If we were to stop people at random and ask them to explain the differences among the sciences of biology, chemistry, and physics, most would probably offer relatively accurate responses. Likewise, if we asked them to define architecture and psychology, almost everyone would say that architecture deals with buildings and psychology with human behavior. Asked to name some historic figures in any of these fields, many would identify names like Isaac Newton, Albert Einstein, Madame Curie, Frank Lloyd Wright, and Sigmund Freud. If we asked what doctors and lawyers do, almost everyone would know the answer. Most universities have departments of schools bearing the names of these disciplines and professions, which also appear on the diplomas of many graduates.

If we were to ask people to explain the difference between philanthropy and fundraising, to name historic figures related to either, to express an opinion on where either subject should be studied within a university, or to define what fundraisers do, many might pause before providing an uncertain response. This is understandable. Like traditional academic disciplines and honored professions, philanthropy and fundraising have been pursued in one form or another for centuries. But they remain ill-defined for many people. And, as discussed later in this chapter, their place in the academic firmament remains unclear, even a matter of debate. To be sure that we have a common understanding as a foundation for the balance of the text, let's begin our discussion by clarifying some vocabulary and concepts that are mentioned throughout the book, reviewing some history, and considering the place of fundraising as a professional field today.

FUNDRAISING, DEVELOPMENT, AND ADVANCEMENT

The Association of Fundraising Professionals (AFP) defines **fundraising** simply as "the raising of assets and resources from various sources for the support of an organization or a specific project" (Association of Fundraising Professionals, n.d.). This is somewhat broad in that it does not necessarily restrict the resources to gifts and grants or the sources to the private sector. Wesley Lindahl (2010) offers a more specific definition: "the management of relationships between a nonprofit organization and its various donors for the purpose of increasing gift revenue to the organization" (p. 4). Three important dimensions of Lindahl's definition are that fundraising involves relationships, those relationships have a purpose, and that the purpose is gifts—that is, financial resources voluntarily bestowed without any expectation of a quid pro quo. Lindahl's definition captures the essential meaning of fundraising as the term is used in this book.

But the definition may be somewhat broader in practice. For example, corporations make gifts to nonprofit organizations, but they also provide support through various partnerships that benefit both sides. These are quid pro quo transactions, and the payments generally are **earned income** of the nonprofit, not gift revenue. By Lindahl's definition, the pursuit of these partnerships would not be fundraising. However, fundraising professionals within nonprofit organizations are sometimes responsible for establishing relationships with corporate partners as well as donors, and many comprehensive relationships between corporations and nonprofits entail both gifts and earned income that are not easily disentangled. For that reason, nonprofit-corporate partnerships are discussed in this book as an aspect of fundraising. Lindahl's definition also does not specifically address **grants,** but grants from private sources (generally corporations or foundations) are gift-like; that is, they support "charitable activities," so the pursuit of them can be considered fundraising (Council on Foundations, n.d.-b). Grants are different from **contracts**, which involve payments for specific goods or services that the organization provides and are thus earned income. The pursuit of contracts might be called new-business development or something similar; however, by the definition used in this book, it is not fundraising. This book is concerned only with private-sector sources of support, not government, and so the pursuit of government grants is not considered.

The organizations with which this book is primarily concerned are those classified as **charitable nonprofits** within the meaning of U.S. tax law. The pursuit of gifts to these organizations is sometimes called **charitable fundraising** or **philanthropic fundraising,** to distinguish the activity from fundraising for political campaigns or for other noncharitable purposes. Two other terms are sometimes used as synonyms for fundraising, although their precise definitions are distinct. One of those is **development.** Depending on which historical account one accepts, the term development was introduced at Northwestern University or at the University of Chicago during the 1920s (Kelly, 1998). At that time, universities typically conducted intensive fundraising campaigns episodically to secure support for specific projects, usually new buildings. However, in thinking about its future growth and development, the university determined that it would be desirable to establish an ongoing structure for cultivating relationships with donors rather than proceeding in fits and starts as individual projects required. The purpose was to look beyond just one project at a time and make fundraising a strategy for continuous institutional development, for which the term development became an abbreviation. A new office was created at the university to manage this ongoing effort, called the "department of development" (Kelly, 1998, p. 150).

Originally, development was a broad concept. It encompassed building acceptance for the institution among its constituencies, recruiting students, and securing financial support. Although the term is often used interchangeably with fundraising today, development relates to longer-term goals. As this author explains in a previous book, with reference to higher education:

> In [the broader] concept of development, fund raising is but one aspect of a complex process involving the institution, its hopes and goals, and the aspirations of its benefactors. Fund raising is episodic; development is continuous. Fund raising is focused on a particular objective or set of goals; development is a generic and long-term commitment to the financial and physical growth of the institution. Successful fund raising requires a specific set of inter-personal and communicative skills; development requires a broader understanding of the institution and its mission as well as patience, judgment, and sensitivity in building relationships over the long haul. A "fund raiser" is an individual skillful in soliciting gifts; a "development officer" may be a fund raiser, but he or she is also a strategist and manager of the entire development process. (Worth, 2002, pp. 8–9)

By the late 1950s, the professional staff at colleges and universities had come to include individuals dedicated to fundraising (development) and others who worked in alumni relations (today commonly called *alumni engagement*), communications, public relations, and other specialties that also involved external constituencies. These functions often had no organizational relationship within the institution, and indeed, staff members belonged to two different professional associations. The American Alumni Council (AAC) encompassed primarily individuals working in alumni relations, while public relations and communications professionals belonged to the American College Public Relations Association (ACPRA). Both AAC and ACPRA included some staff members who were engaged in fundraising, creating an overlap that sometimes led to rivalry. In 1958, representatives of the two organizations met at the Greenbrier Hotel in West Virginia and developed a report that would influence the future of higher education. The report called for integrating the various functions under one campus executive to gain greater coordination and lighten the burden on presidents. The movement initiated at Greenbrier culminated in 1974 with the merger of AAC and ACPRA to create CASE, the Council for Advancement and Support of Education (Worth, 2002). Despite its historically broader meaning, the term development had become identified with fundraising and was not an acceptable umbrella to encompass the diverse work of those who would be members of the new, consolidated association. The term **institutional advancement** was adopted as the common rubric, encompassing fundraising, alumni relations, public relations, communications and marketing, and in some cases, government relations and enrollment management. In ensuing years, the term institutional advancement, or just advancement, has come to be widely adopted in higher education, although not all campuses actually practice the organizational model implied. The term advancement also has been adopted by some nonprofit organizations and institutions outside of higher education, and its use does not necessarily imply that any particular management structure exists. Like development before, advancement has come to be used as a synonym for fundraising by some people. Thus, it is not uncommon to meet someone who works in an office of institutional advancement whose title is director of development and who, when asked what they do, may reply "fundraising." In recent years, the title director of philanthropy also has become common in some organizations. But it is somewhat inaccurate, since the person who holds the position usually is not involved in giving but rather in securing gifts, in other words, fundraising.

This book follows common practice and uses the terms fundraising and development interchangeably. It uses advancement or institutional advancement when those terms are in direct quotes from other authors or to describe specific situations in which fundraising and other externally focused activities are indeed linked in the organization's management structure. Whether development or fundraising is used in this book, what is implied is a process similar to that described with regard to development rather than the narrowest meaning of fundraising as the solicitation of gifts.

PHILANTHROPY AND CHARITY

Like fundraising and development, the terms **philanthropy** and **charity** are often used interchangeably. Philanthropy is commonly used as the umbrella, encompassing all giving, and that practice is followed in this book, except where the distinction may be relevant. But there is a difference between the two concepts.

Charity is often defined as giving intended to meet current human needs, for example, to feed the hungry or to aid the victims of a natural disaster. It is emotionally driven and often impulsive, as evidenced by the outpouring of gifts made to crowdfunding appeals made within days of a catastrophic event. Peter Frumkin (2006) offers a succinct definition: "It [charity] can best be understood as the uncomplicated and unconditional transfer of money or assistance to those in need with the intent of helping" (p. 5).

Philanthropy is investment in the infrastructure of society. It is often undertaken with a long-term view and is more rational than charity. In Robert Payton's (1988) words, it is "the 'prudent sister' of charity" (p. 2). Typical examples of philanthropy might include gifts made to construct new hospitals, endow universities, or sustain museums. Frumkin (2006) offers another way to distinguish philanthropy from charity. He relates it to the old saying about providing a hungry person a fish, which would be charity, versus teaching that person how to fish, which would be philanthropy. So, for example, the goals of both charity and philanthropy might be to improve the lives of children living in poverty. Charity would provide them with shelter, while philanthropy would build them a school.

The difference between charity and philanthropy is perhaps illustrated by giving patterns during the peak years of the COVID-19 pandemic, in 2020 and 2021, compared with earlier and subsequent years. Overall giving increased substantially in 2020 and 2021, as donors responded to the public health crisis by supporting nonprofit organizations that were providing direct services in communities. This response reflected the charitable impulse to meet urgent human needs. But in 2022, as the pandemic gradually receded, many wealthy donors began to redirect their gifts back to their traditional philanthropic priorities, including higher education, hospitals, and medical research (The Conversation, 2023).

The terms charity and philanthropy are sometimes used in ways that can blur the distinction. For example, some taxpayers are able to claim a tax deduction for gifts to nonprofit organizations and institutions. That includes gifts to organizations that most people would identify as charities, those that provide direct services in communities, but it also applies to universities, museums, and others that most people do not think of as charities and that are often recipients of support more consistent with the definition of philanthropy. The deduction is simply called the **charitable deduction,** regardless of whether the nature of the gift meets the stricter definitions of philanthropy or charity.

Some authors give philanthropy a definition that goes beyond the giving of money. For example, Payton (1988) calls it "voluntary action for the public good" in the subtitle of his seminal book *Philanthropy* and includes both the giving of money and the giving of time and effort by volunteers. As discussed in Chapter 1 of this text, the mutual aid movement likely would fit this definition as well. But it is also reasonable to differentiate volunteerism from philanthropy, since a volunteer is actively involved with the organization and/or its beneficiaries, whereas someone who gives financial resources—a philanthropist—may do so without any significant commitment of their time. In this book, philanthropy refers to the giving of financial resources, not to dispute the broader meaning but just to simplify and focus the discussion.

Sometimes public policy debates relate to the concepts of charity and philanthropy. For example, some argue that only gifts that directly assist people in urgent need should be eligible for a tax deduction, since, as explained later in this book, the deduction represents a form of subsidy from taxpayers. (The implications of the charitable deduction are discussed in more detail later in this text.) Those who hold that view might say that giving to universities, symphony orchestras, and similar institutions primarily benefits affluent, highly educated people rather than those in economic need and thus should not receive such a subsidy. But, in Roger Lohmann's (1992) words, philanthropy is an "investment in civilization" (p. 163). The goal of both charity and philanthropy is to improve the human condition. It could be argued that if the goals of philanthropists were ultimately achieved, that is, were there strong institutions to meet human needs as they arise, then perhaps the need for charity would be reduced or eliminated. But philanthropy also has faced broader criticisms, as discussed later in this chapter.

FUNDRAISING AND PHILANTHROPY

Fundraising and philanthropy are intertwined, and both are discussed in this text. Although the analogy is not perfect, the relationship between fundraising and philanthropy is somewhat like the relationship between teaching and learning. In both cases, the purpose of the former is to engender the latter. But there is no guarantee that the activity will produce the intended result, which may occur for reasons unrelated to the activity. In other words, students may not learn from their teachers or may learn on their own. Fundraising may not produce gifts, and some people may offer gifts spontaneously without prompting. But, surely, to be an effective teacher or fundraiser one needs an understanding of how learning occurs or what motivates donors to give. This book is primarily concerned with the practice of fundraising and management of the fundraising function in nonprofit organizations and institutions. But theories and research related to philanthropy are also discussed because such understanding is essential to the effective practice of fundraising.

FUNDRAISING PROFESSION AND FUNDRAISING PROFESSIONALS

Whether fundraising is a *profession* or just an *occupation* is a question that has generated discussion and debate. Many people think it is an occupation, since it does not meet all the criteria that usually define a profession, like law or medicine. However, in this book, the terms fundraising profession and fundraising professional are used to describe the field and individuals who are employed in it, respectively. That is just common usage and implies no position on the abstract debate about the status of the field. When the term fundraiser is used in this book, it refers to those who are paid staff members involved in fundraising, but not to volunteers (for example, members of governing boards) who may be engaged in fundraising without compensation. They will usually be referred to as fundraising volunteers, volunteer leaders, or by similar terms. In this book, the terms **development officer** and **gift officer** are generally synonyms for fundraiser, which again, is common usage. The fundraising professional who has overall responsibility for an organization's fundraising program is called the chief development officer, although the individual holding that position is commonly titled director of development or, as mentioned previously, by some other title, such as director of philanthropy. In many organizations, the senior executive responsible for fundraising is known as the vice president for development or advancement and, in recent years, the title **chief philanthropy officer** also has become common. In this book, nonprofit chief executive officers, often titled president or executive director, are called CEOs. They are not fundraising professionals, although much of their time may in fact be dedicated to fundraising.

Now that we have established common vocabulary and clarified some basic concepts and terms, let's look at the history of philanthropy and fundraising so that we can understand the balance of our discussion in a broad context.

HISTORY OF AMERICAN PHILANTHROPY

Virtually all cultures and religions throughout history have included an emphasis on the importance of helping others, both through giving and service. Kevin Robbins (2006) identifies the roots of modern philanthropy in the Greco-Roman tradition of community, citizenry, and social responsibility and the Judeo-Christian ethic of helping others, especially those less fortunate. The legal foundations of nonprofit organizations and philanthropy in the United States are derived from English common law, notably the Statute of Charitable Uses and the Poor Law, both passed in 1601. These laws clarified the relationship between the English government and the Church of England and defined the legitimate activities to be supported by charity (Anheier & Salamon, 2006). They are still reflected in American legal principles. But despite their ancient roots, the traditions of voluntarism and philanthropy have reached their fullest expression in the United States.

America's Early Centuries

As early as 1835, the Frenchman Alexis de Tocqueville visited America and wrote about his observations in his well-known book, *Democracy in America*. He noted the unique propensity of Americans to establish "voluntary associations" to address social needs that in other parts of the world were more commonly provided by government. Of course, the United States was founded in rebellion against the English monarchy, and some distrust of government has been a part of its culture from the beginning, supporting a preference for private, voluntary initiatives. In addition, its early citizens lived with limited resources on a continent physically distant from established civilizations of Europe, so self-reliance was a necessity. Voluntary action built institutions and infrastructure in the young American colonies, including churches, schools, and even roads. However, government also played an important role, and the separation of church and state that we accept as a fundamental principle today was less established. Indeed, in colonial America, government supported churches. And churches sponsored many of the institutions that served community needs, providing services that today might be considered a responsibility of government.

Emergence of Large-Scale Philanthropy

American philanthropy in the nation's first centuries was small in scale, usually related to religion, to poverty, and to local community needs. Large-scale philanthropy did not arise until the late 19th century and early 20th century, with the growth of large personal fortunes as a result of the industrial revolution. This was the era of John D. Rockefeller, Andrew Carnegie, and other business leaders who constructed and endowed universities, libraries, and other institutions across the country. Rockefeller founded the University of Chicago, Rockefeller University, the Rockefeller Foundation, and other important institutions. In addition to libraries, for which he is best known, Carnegie created more than 20 unaffiliated institutions, including Carnegie Hall, Carnegie Institute of Technology (now Carnegie-Mellon University), the Carnegie Endowment for International Peace, the Carnegie Corporation of New York, and the Carnegie Institution for Science.

Although Rockefeller and Carnegie are perhaps the best-known philanthropists of the early 20th century, others of that era also made substantial contributions. For example, Julius Rosenwald, an early leader of the retailing firm Sears, Roebuck & Company, dedicated his fortune to building thousands of elementary schools for African Americans in the South during the early 20th century (Zunz, 2012). And, although the industrialists of that era were primarily male, women also had an impact on philanthropy at that time. For example, Madam C. J. Walker built a successful cosmetics business, selling products to African American women. She used her wealth to make gifts to the Tuskegee Institution, the NAACP, and other organizations that advanced the status of African American women (Frumkin, 2006).

Carnegie's famous essay "The Gospel of Wealth" was published in 1889 and became the definitive statement of the philosophy behind large-scale philanthropy by the wealthy. Carnegie expressed the obligation of those who have accumulated wealth to give back to the society that enabled them to succeed, saying, "The man [sic] who dies thus rich dies disgraced" (p. 664). This philosophy became a part of American culture and a hallmark of American capitalism. An economy characterized by relatively free markets enables individuals to amass substantial wealth, but it comes with the expectation that they will share their bounty with others, either during their lifetimes or at death. The continuing influence of Carnegie's philosophy is illustrated by the Giving Pledge, initiated by a new generation of wealthy entrepreneurs and investors in the 21st century. Led by Bill and Melinda French Gates and Warren Buffet, the Giving Pledge is a movement to encourage billionaires around the world to publicly commit to dedicating at least one half of their wealth to philanthropy either during their lives or at death. By 2022, 236 individuals or couples had made the commitment (Giving Pledge website). However, as discussed later in this chapter, large-scale philanthropy also has critics, who question the influence it enables the wealthy to achieve.

Emergence of Mass Philanthropy

While the large-scale philanthropy of Carnegie, Rockefeller, and other titans of the industrial revolution had national impact, the early 20th century also marked the beginning of mass philanthropy, a uniquely American phenomenon. As Olivier Zunz (2012) observes,

> Turning large fortunes into public assets for the good of [humankind] was a huge project. But what gave philanthropy even more of a central place in modern American life was the simultaneous creation of a people's philanthropy—or mass philanthropy—that engaged the large American middle and working classes in their own welfare. (p. 44)

Mass philanthropy began in the field of public health. One of the great scourges of the early 20th century was tuberculosis, which afflicted one quarter of New York City children in 1908 (Zunz, 2012). The National Association for the Study and Prevention of Tuberculosis was founded that same year and introduced the idea of selling Christmas seals that people could affix to their holiday card envelopes in addition to postage stamps. The 1908 seals campaign raised $135,000 and "marked a turning point in the acceptance of mass philanthropy by the American population" (Zunz, 2012, p. 48). Other national charities also trace their beginnings to this period, including the Boy Scouts, Girl Scouts, American Cancer Society, and NAACP.

A priest, two ministers, and a rabbi established the first cooperative, or federated, fundraising effort, in Denver in 1887 (Sargeant et al., 2017). United Jewish Charities were established in various cities beginning in 1895 (Zunz, 2012). But the idea gained momentum in 1913 with the founding of the Federation for Charity and Philanthropy in Cleveland. The Federation became the model for community chests established across the country, which eventually evolved into local chapters of United Way. It was also in Cleveland, in 1914, where local banker Frederick Harris Goff created the first community foundation, intended to receive and manage funds from average citizens to meet longer-term needs of the community. As Zunz (2012) observes,

> The two projects sprang from a common idea of pooling resources in an enlarged community. Both promoted an original synthesis between charity and philanthropy, between volunteers and professionals, between lodge and town, between rich and average Americans, based on a vision of a metropolitan society. (p. 53)

The federal income tax was introduced in 1913, and Congress approved the granting of tax deductions for gifts to certain nonprofits in 1917, giving further encouragement to the growth in giving.

Mass philanthropy was given impetus by the compelling national needs that emerged during World War I, the Great Depression, and World War II. Although local community needs remained important, Americans gained a broader sense of national identity and gave to meet the needs of their fellow citizens across the country as well as people abroad who were suffering as a result of the wars. Philanthropy flourished in the post–World War II era, amid an expanding U.S. economy, and became an ever more central component of American life. As Zunz (2012) describes,

> By the 1950s, mass philanthropy was so well integrated into everyday life in the United States that one could identify the season by the door-to-door collection in progress—winter and spring for health agencies and the Red Cross, fall for community chests. A large part of the American population understood that their small gifts cumulatively enhanced the life of the nation and in turn their own. (p. 3)

The combination of elite philanthropy and mass philanthropy continues to characterize giving in the United States today. As discussed in chapters ahead, it is reflected in the fundraising programs of nonprofit organizations and institutions, which include both programs of broad-based solicitation to secure a large number of small gifts and efforts to secure major gifts from the most affluent donors.

New Generations of Philanthropists

The closing decade of the 20th century was a time of economic prosperity, based on the rapid adoption of information technology and the growth of technology companies. Many newly wealthy individuals continued to emerge in the first two decades of the 21st century. Substantial wealth was created among a new generation of entrepreneurs and investors, rivalling and even exceeding the fortunes of Rockefeller, Carnegie, and other giants of the industrial revolution a century before. Like the earlier industrialists, many of these individuals sought to apply their wealth to philanthropy, but they adopted new ideas and new methods. This coincided with some new thinking about the nonprofit sector and some criticisms of traditional philanthropy that gained wide attention.

Particularly influential was a widely read article published in the *Harvard Business Review*, written by Christine Letts, William Ryan, and Allen Grossman (1999). Titled "Virtuous Capital: What Foundations Can Learn From Venture Capitalists," the article was an indictment of traditional foundations' grantmaking practices. The authors argued that the short-term grants made by foundations to support nonprofits' programs were in fact diverting the time and attention of nonprofit executives toward fundraising rather than building the capacity of organizations themselves, thus limiting their impact. Or, to use the terms of Collins and Porras (1994), nonprofit leaders were forced to be "time tellers" rather than "clock builders," with the result that organizations could not gain the scale needed to effect major social change.

Letts et al. (1999) advocated an approach to philanthropy that would parallel the approach of venture capitalists to investing in companies, including a more sustained financial commitment, high engagement by the philanthropist in developing the organization's strategies, and perhaps most significantly, the requirement that organizations meet agreed-on performance standards. For entrepreneurs who had sold their companies and became venture capitalists, investing in young companies with the potential for growth, the concept had particular appeal. The article became the manifesto of a new approach to giving known as **venture philanthropy**. New philanthropic organizations, called **venture philanthropy funds,** were created to practice this approach. Some tenets of venture philanthropy came to be reflected in giving by some traditional foundations, with at least a portion of their grants, under the rubric of **high-engagement grant making**.

Other new terms and concepts entered the philanthropic vocabulary during the 2000s, including **strategic philanthropy**, **catalytic philanthropy**, and **outcome-oriented philanthropy**. Each has a somewhat different definition—and various authors define them differently—but the common element is encompassed by the latter term; it refers to philanthropy in which "donors seek to achieve clearly defined goals; where they and [the organizations they support] pursue evidence-based strategies for achieving those goals; and where both parties monitor progress toward outcomes and assess their success in achieving them" (Brest, 2012, p. 42).

Some philanthropists who have acquired wealth in entrepreneurial businesses do support existing institutions and organizations, but others are **entrepreneurial donors**, who are more committed to a cause or a theory of change than to any specific organization. They are donors with ideas in search of organizations that will implement them. They may support existing organizations that are willing to adopt their approach and grant them an engaged role, but others prefer to create a new organization over which they can exercise more control. They can present a challenge for fundraisers working for traditional institutions and organizations.

Principles of outcome-oriented philanthropy gained adherents and visibility over the first two decades of the 21st century. New journals and research centers were launched, new books were written, many conferences were held, and new organizations and companies were created to advise philanthropists desiring to follow an outcome-oriented approach. Online **charity watchdogs** and rating services, for example, Charity Navigator and the Better Business Bureau Wise Giving Alliance, were developed to provide individual donors with the information needed to make more rational giving decisions. The extent to which most individual donors are indeed influenced by such data is a subject of research and debate. This text comes back to that question and its implication for fundraising in a later chapter.

In today's environment, the simple distinction between charity and philanthropy discussed earlier in this chapter may no longer be adequate to fully capture the array of types of giving. Sean Stannard-Stockton (2011) proposes definitions for "three core approaches" that could provide more clarity, perhaps avoiding some of the misunderstanding evident in some discussions about giving. As Box 1.1 portrays, the definition of *charity* remains similar to the classic one discussed earlier—giving to meet current human needs. Philanthropy is divided into two subtypes. The first, which Stannard-Stockton (2011) calls **philanthropic investment**, is similar to the traditional definition of philanthropy, that is, building institutions and organizations that will meet human and social needs over the long term. The second type of philanthropy, **strategic philanthropy**, is distinct from charity and philanthropic investment. Its purpose is to bring about social change, according to a theory of change held by the philanthropist, to improve the condition of society and human lives. For example, to go back to the example of children living in poverty, mentioned earlier in this chapter. Charity would provide them with shelter, philanthropic investment would build them a school, and strategic philanthropy would support development of a new educational program intended to lift children out of poverty.

Approaches to philanthropy have continued to evolve as new generations of business leaders have acquired wealth and turned their attention to society's needs. For example, in 2015, Priscilla Chan and Mark Zuckerberg launched an innovative approach, the Chan-Zuckerberg Initiative. Rather than create a traditional nonprofit foundation as a vehicle for giving, they created a limited liability company, a for-profit entity that was funded with their shares in Meta (parent company of Facebook). This new company would be able not only to make gifts but also to engage in advocacy and invest in businesses that might have a social impact (Breen, 2016). Very substantial gifts from MacKenzie Scott, totaling more than $14 billion by the end of 2022, also have blurred traditional distinctions. Many of her gifts were unrestricted, that is, they permitted the organization to determine the use. For most of her gifts, Scott also required little or no reporting by the nonprofit on how it used the funds (Connelly, 2023). In other words, recipient organizations could use her gifts to meet current needs or to invest in their own capacity to increase future impact. Scott's gifts thus blur the distinctions between charity and philanthropy. (MacKenzie Scott's giving is discussed further in Case 4.3, at the end of Chapter 4 in this text.)

BOX 2.1 THREE CORE APPROACHES TO GIVING

Approach	Donor's Goal	Donor's Criteria for Success
Charity	Meet current human needs	Impact for the money spent, for example, number of people served
Philanthropic investment	Build organizations and institutions for the long run	Longer-term improvement in programs, strength of the organization
Strategic philanthropy	Social change, application of a theory of change	Program outcomes that demonstrate the validity of the theory of change

Source: Based on Stannard-Stockton (2011). The three core approaches to effective philanthropy. *Stanford Social Innovation Review*. https://doi.org/10.48558/XE6R-HQ90

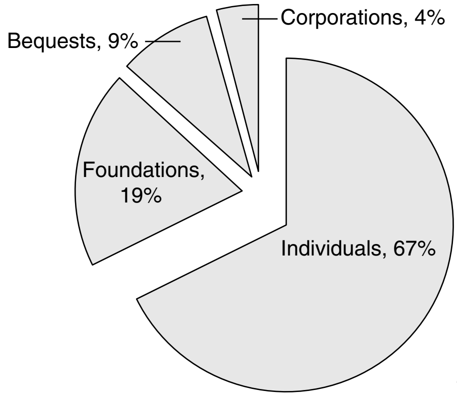
Philanthropy's Scale and Impact

Scott Cutlip's (1965/1990) book *Fund Raising in the United States: Its Role in American Philanthropy* remains a classic and thorough discussion of fundraising's early history in the United States. In that book, he describes American philanthropy as having achieved "fabulous dimensions" in the post–World War II era, increasing from $1.25 billion in 1940 to over $10 billion in 1963 (p. 477). Growth continued in subsequent decades, with overall giving totaling almost $485 billion in 2021 (Lilly School of Philanthropy, 2022a).

As mentioned previously, giving patterns changed in 2020 in response to the COVID-19 pandemic and the nation's focus on racial justice in the wake of George Floyd's murder. However, in 2021, many donors returned to supporting their traditionally favored organizations and institutions, such as universities, hospitals, and arts institutions (Lilly School of Philanthropy, 2022a). Total philanthropy tends to increase in periods of economic expansion and to flatten or decline in recessions. There is also a strong correlation between total philanthropy and the level of the U.S. stock market. That reflects the fact that some gifts from individuals are paid with appreciated securities and giving by foundations is constrained by the value of their investments. Giving by individuals is also influenced in part by what economists call the **wealth effect**, that is, the psychological impact of fluctuations in household wealth, including stocks, on their willingness to spend and make gifts.

As shown in Figure 2.1, the largest source of philanthropy is individuals, who accounted for 67% of the total in 2021. Bequests, gifts made by individuals that become effective at the time of their deaths, accounted for an additional 9%. Thus, in total, 76% of gifts came from private individuals in 2021. While some people may think about corporations and foundations as the most visible sources of philanthropy, they accounted for 4% and 19%, respectively, of philanthropy in 2021 (Giving USA, 2022). However, it is important to recognize that corporations also engage in various types of partnerships with nonprofits that do provide revenue to those organizations. Since many are commercial in nature, they are not captured in data on giving.

FIGURE 2.1 ■ Sources of Philanthropy



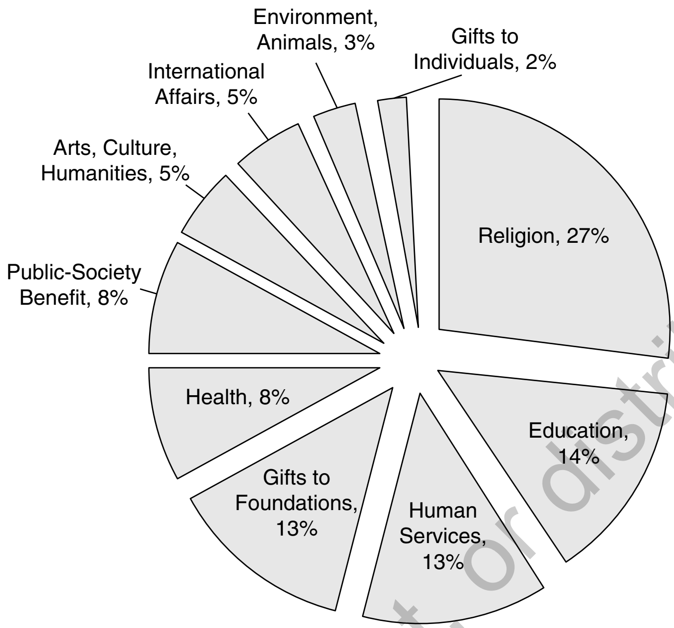
Nonprofit-corporate partnerships are discussed in Chapter 9. Many foundations were established with original gifts from individuals and some are family foundations, essentially legal conduits for the giving priorities of family members. Thus, the impact of individual donors is even greater than the percentages portray. Given this reality, this book emphasizes fundraising from individual donors, with one chapter each devoted to raising funds from corporations and foundations.

As shown in Figure 2.2, the largest recipient of philanthropy—accounting for 27%—is religion, followed by education at 14%. Gifts to religion include funds given to support religious congregations and houses of worship. There are nonprofit organizations that are related to religious congregations but that function independently, for example, Catholic Charities. Giving to those organizations are reflected in other categories. It may be surprising to learn that organizations in the fields of human services; arts, culture, and humanities; and environment and animals together account for only 21% of the total, although they represent a substantial portion of the total number of nonprofit organizations and are address causes of great importance to many people. Giving *to* foundations accounted for 13% of philanthropy in 2021. That total includes gifts from individuals and corporations made to establish or enhance independent foundations. If those foundations then make gifts or grants to support other nonprofits in subsequent years, those payments would be reported as *from* foundations and *to* whatever sector encompasses the recipient organizations.

Criticisms of Philanthropy

While philanthropy has had a demonstrable impact on the advancement of many institutions and causes, it is not without critics. Some criticisms are directed at particular approaches to giving. For example, the high engagement of some philanthropists has raised concerns that donors will encroach on the autonomy of nonprofit organizations and institutions and substitute donors' judgments for the expertise of professionals who have more experience with the issues those organizations address. Other critics fear that the emphasis of some donors on achieving

FIGURE 2.2 ■ Recipients of Philanthropy



measurable outcomes will discourage nonprofits from taking bold actions and to focus instead on more short-term results, which may be measurable but not bring about significant social change (Brest, 2012).

Some criticisms of philanthropy are more fundamental, going beyond any particular approach, and some have a long history extending back to the days of Carnegie. For example, some argue that philanthropy ameliorates the impact of social problems and thus stands in the way of more fundamental change, perpetuating control by wealthy elites. Such arguments became more common during the COVID-19 pandemic, which coincided with the nation's increased concern with social justice following the 2020 murder of George Floyd (Soskis, 2021). The concerns were acknowledged by Darren Walker, president of the Ford Foundation, one of the nation's largest foundations, who advocated a reorientation of giving toward an emphasis on equity (Daniels, 2023).

Others say that philanthropy enables the wealthy to drive social policy in directions that should be determined through more democratic means. For example, some argue that giving by the Bill & Melinda Gates Foundation has had undue influence on global health and development priorities, without any accountability to voters or international bodies (Schultz, 2023). The Bill & Melinda Gates Foundation is discussed in more detail in Case 10.1, at the end of Chapter 10 in this text, which is focused on foundations.

EVOLUTION OF FUNDRAISING AS A PROFESSIONAL FIELD

Like large-scale philanthropy, organized fundraising began in the 20th century. In America's earlier centuries, the methods for soliciting gifts were generally personal and primitive, consisting primarily of "passing the church plate, of staging church suppers or bazaars, and of writing 'begging letters'" (Cutlip, 1965/1990, p. 7). The individuals who solicited funds were generally principals—trustees or presidents of institutions—or paid agents, who were often given a percentage of the funds raised. Solicitations, even by paid agents, often reflected a religious commitment that was extended to other causes, including education. There were no individuals who could be called fundraising professionals comparable to those who are employed today. Most philanthropy was provided by a small number of wealthy individuals, and there were few organized fundraising efforts (Cutlip, 1965/1990). But there were inklings of a more systematic approach and the seeds of modern fundraising methods.

In 1641, William Hibbens, Hugh Peter, and Thomas Weld sailed from Boston to London on a fundraising mission for a struggling young college. The men requested printed material and were sent "New England's First Fruits," the first reported example of a fundraising brochure. Weld remained in England and never returned to America. So, too, did Peter, who was hanged in England for crimes committed under British law. Hibbens was the only one to return to America, a year later, with 500 British pounds for Harvard College. As Scott Cutlip (1965/1990) observes, "Such were the diverse rewards of early fund raisers!" (p. 4).

In 1829, Matthew Carey, a paid solicitor in Philadelphia, introduced new concepts, including rated lists of **prospective donors** and advance promotion of the fundraising appeal. Unfortunately, his effort was unsuccessful. He wrote,

> This experiment was tried for twenty days and a half. The last four days there were but twelve dollars received and on the last day there was but a single dollar collected, which was not sufficient to pay the collector. . . . [It is] surely time to abandon the plan as hopeless. (Cutlip, 1965/1990, p. 8)

However, the techniques that Carey introduced were, in Cutlip's words, "in embryo, the elements of modern fund raising" (p. 8).

Benjamin Franklin demonstrated insight on the fundraising process when he provided advice to Gilbert Thomas on how to raise funds for the Presbyterian Church in Philadelphia. In its essence, the process he proposed is still employed:

> In the first place I advise you to apply to all those whom you know will give something; next to those whom you are uncertain whether they will give anything or not, and show them the list of those who have given; and lastly, do not neglect those whom you are sure will give nothing, for in some of them you may be mistaken. (Cutlip, 1965/1990, p. 6)

But despite these early roots, fundraising before the 20th century was "generally amateur and personal, a transaction between two individuals, with no role for organization, strategy, or professional managers" (Worth, 2002, p. 25).

Beginning of a Profession

A significant innovation in fundraising came in the first decade of the 20th century. YMCA executive Lyman L. Pierce had begun in 1902 a fundraising campaign to secure $300,000 toward construction of a new YMCA in Washington, DC. His campaign had come within $80,000 of its goal, but by 1905 it had stalled. Pierce called for help from Charles Sumner

Ward, a fellow YMCA executive from Chicago, who had become known for his fundraising skills. Ward came to Washington to help Pierce complete the floundering campaign. As Cutlip (1965/1990) describes:

> The collaboration of Ward and Pierce produced the first modern fund-raising campaign techniques: careful organization, picked leaders spurred on by team competition, prestige leaders, powerful publicity, a large gift to be matched, . . . careful records, report meetings, and a definite time limit. (p. 44)

Ward followed a process similar to Benjamin Franklin's advice from more than a century earlier. He introduced the campaign clock or thermometer as a graphic device to show progress toward attaining the campaign's goal to create urgency and excitement. The campaign's ultimate success was announced at a press conference at the Willard Hotel in Washington on May 2, 1905. As Cutlip (1965/1990) describes, "The jubilation was echoed outside the hotel by the loud honking of horns on the new cars" (pp. 46–47).

Although Ward and Pierce collaborated on the campaign, the method developed became known as the "Ward method" and was widely adopted in campaigns that followed, continuing until the present (Cutlip, 1965/1990). But Ward's contribution went beyond the introduction of a new fundraising method. First, the very idea that there was a *method* to fundraising was itself innovative and a departure from earlier practice, which had relied on the personal charisma and social connections of individuals. Second, Ward himself represented something new—a fundraising *professional*, who developed strategy and managed the process but who was not himself a solicitor of gifts, unlike the paid agents who had raised funds for early colleges and other institutions. Indeed, Ward was personally quite different from the charismatic personalities who were associated with fundraising in earlier times. One of his contemporaries, Carlton Ketchum, described him as "an austere and reserved man, very far indeed from any of the campaign types which we all know." Ward's role, said Ketchum, "was that of the originator of a sane and practical method and the firmness to insist on its thorough application . . . rather than any personal magnetism" (Cutlip, 1965/1990, p. 86). By creating a new role of fundraising strategist and manager who was not a solicitor of gifts, Ward established a distinction between fundraising as a process rather than the narrower activity of just asking for money and represented a model for the emergence of fundraising professionals in the decades ahead.

The decade following Ward's innovative YMCA campaign in Washington saw the expansion of national charities and the emergence of national fund drives, which accelerated during World War I. The American Red Cross War Council was created by President Woodrow Wilson to centralize wartime relief efforts. Ward and Pierce were hired, on loan from the YMCA, to direct its fundraising, and they secured more than $690 million. Five national drives for Liberty Loans raised $14 billion, under the direction of John Price Jones, a former journalist and advertising executive, who was loaned to the wartime effort by his firm (Kelly, 1998).

Era of Consultants

Following the end of World War I, Ward and Pierce, Jones, and others founded consulting firms to take their methods to a broad array of institutions and organizations. Ward and

Pierce, as partners, and Jones founded their firms in 1919, beginning what Kathleen Kelly (1998) calls the "era of fundraising consultants," which she dates from 1919 to 1949 (p. 145). Over the next decade, the number of consulting firms expanded, many founded by individuals who had been trained either by Ward and Pierce or by Jones. These two schools came to define two different philosophies. Those who followed Ward and Pierce became known as the "Y school" and were characterized by their religious orientation and a view of fundraising as a calling, even though their firms were operated for a profit. Jones and his followers saw fundraising as a business, mocking followers of the Y school as religious zealots (Cutlip, 1965/1990, p. 43). Followers of Ward and Pierce returned the fire, nicknaming Jones "High Price Jones," with reference to his business orientation (Zunz, 2012, p. 67). Consultants dominated fundraising during the period between the world wars. The largest firms founded the American Association of Fundraising Counsel (AAFRC) in 1935 and established standards for best and ethical practices. AAFRC was later renamed the Giving Institute. In addition to maintaining Standards of Practice and Professional Code of Ethics for consultants, the Giving Institute publishes the most comprehensive annual report on philanthropy, Giving USA (Giving Institute, 2023).

Even today, there continues to be a subtle tension between the perception of fundraising as a noble undertaking related to charitable mission and the perception that it is a business, oriented to a bottom line without any particular attachment to the mission. That tension is reflected in the sometimes complicated relationships that fundraising professionals have with colleagues within their own organizations, some of whom may view fundraisers as outsiders not fully invested in the values of the organization.

There always have been, and continue to be, individuals and firms who work as professional solicitors, that is, as paid agents. Some may even accept a percentage of the funds raised as their compensation, although that practice is almost universally regarded an unethical. Some paid solicitors may indeed call themselves *consultants*, but they are not. Consultants do not solicit or receive gifts; rather, they advise and direct others who do, including the organization's volunteer and executive leaders and fundraising professional staff. Their compensation is based on time and effort expended or a fixed fee determined in advance and based on the scope of the assignment rather than a percentage of funds raised. Again, the latter is considered unethical and is not a practice followed by firms that are members of the Giving Institute or by other reputable consultants.

The distinction between professional solicitors and consultants is recognized in the laws of many states. Most states and the District of Columbia require that nonprofit organizations soliciting their citizens register and pay a fee before commencing their fundraising activity, with most exempting religious organizations. In addition, many states require that professional solicitors and fundraising consultants working with organizations soliciting within their boundaries also register. (State laws often refer to fundraising consultants as "fundraising counsel," although they are not providing legal advice.) Although requirements vary from state to state, many require that professional solicitors meet higher requirements than fundraising counsel, often obtaining a bond and meeting additional reporting requirements that do not apply to consultants who just provide advice (Affinity Fundraising Registration, 2023).

In the days before World War II, it was common for consulting firms to assign a resident manager to an institution conducting a campaign. The resident manager would work at the institution for a period of months or years to direct the effort and advise the volunteers and executive leaders who would conduct the actual solicitations. The resident manager remained an employee of the consulting firm, not the institution, and would move on to another location and another assignment at the end of each campaign. Some early pioneers of fundraising served in this manner, an itinerant lifestyle that produced some colorful personalities.

The model obviously produced episodic rather than continuous fundraising efforts by nonprofit organizations and institutions. After World War II, the economy was growing, the needs of nonprofit organizations and institutions were increasing, and episodic fundraising was no longer sufficient. Some institutions and organizations began to hire fundraising professionals as full-time employees. The resident manager model still exists, but most consultants today assist organizations by conducting studies and providing advice, with ongoing programs and campaigns being managed by in-house fundraising professionals.

Growth of the Fundraising Profession

The transition to what Kelly (1998) calls the "era of staff fund raisers" was gradual (p. 151). Kelly's research in the libraries of NSFRE (National Society of Fund Raising Executives, now AFP) and CASE identified no full-time staff fundraisers before the late 1940s. But by 1965, the numbers had become more substantial, growing first in independent colleges and universities. Full-time staff fundraisers began to appear at public colleges and universities in the mid-1970s. Similar positions began to increase in nonprofit institutions and organizations outside of higher education during the 1970s, 1980s, and beyond (Kelly, 1998). By 2023, AFP included 27,000 members in more than 240 chapters around the world (Association of Fundraising Professionals website). CASE's membership encompassed 3,600 institutional members in 82 countries around the world (Council for Advancement and Support of Education, n.d.-c). And the Association for Healthcare Philanthropy (AHP) included members serving more than 2,200 healthcare organizations globally (AFP website).

In many organizations, fundraisers now are senior officers, serving as a part of the management team, often with the title of vice president. And as the profession has grown, it has developed subspecialties, and new associations have been created to provide information, training, and other services to individuals working in these areas. For example, the National Association of Charitable Gift Planners was founded in 1988 as the National Committee on Planned Giving and serves professionals working in that field (National Association of Charitable Gift Planners website). The Association of Advancement Services Professionals (AASP) supports individuals concerned with database management and reporting; gift and biographic records management; donor relations, including donor recognition and stewardship; and development of prospective donors, including research and management (AASP website). Professionals in research have their own association, known as the Association of Professional Researchers for Advancement (APRA website). The work of these specialized fields is discussed further later in this text.

Despite the growth of the fundraising profession and its increasing stature within many organizations, there are also challenges faced by those who work in the field and by the organizations that employ them. Many professionals report burnout and turnover in positions is high. Although the demand for fundraising professionals in 2022 was affected by overall job market conditions in the wake of the COVID-19 pandemic, an shortage of qualified professionals has been of long standing, despite increasing compensation (Haynes & Childress, 2022). An additional concern is the continuing lack of diversity within the field. While the American population, including the community of donors, has become increasingly diverse, the fundraising profession does not yet reflect that reality. In 2022, three quarters of fundraisers surveyed identified as white, while only 4% were Black, 3% Hispanic/Latino, and 2% Asian American/Pacific Islander (Childress, 2022).

State of the Art

This is a textbook intended for use in courses on fundraising, not a hands-on manual for fundraising professionals or nonprofit executives. But neither is its purpose to offer an entirely academic discussion of fundraising. Fundraising developed in the real world of practice, and throughout most of its history the bulk of its literature has consisted of the observations and reflections of practitioners. It was considered an art, to be handed down from one generation to the next through the telling of stories and supervised experience. The effort to establish a systematic body of knowledge and theory, to make fundraising more of a science, is recent and remains a work in progress.

Writing in 1998, in the first publication intended as a comprehensive textbook on the topic, Kathleen Kelly describes the "relatively dismal state of research and theory on fund raising" (p. 106). Almost a quarter century later, Ruth Hansen (2022) saw a similar situation, writing, "Philanthropic giving has attracted many theorists, but research on fundraising has been less tied to theory." Relevant theory and research exist on some topics, but on other points practitioner wisdom is still the predominant source. In other words, fundraising as a professional field continues to evolve. It is no longer sufficient to base a discussion of fundraising entirely on the reflections of practitioners, but efforts to inform it in terms of theory are yet to be fully developed.

Although research directly related to fundraising practice remains limited, some research in related areas is informative. The relevant research can be placed in four general categories.

Research on the nonprofit sector and nonprofit organizations. Theories have been developed to describe and explain the nonprofit sector in the United States and the behavior of nonprofit organizations, and the body of research is considerable. It does not necessarily address fundraising directly, but it establishes the arena in which fundraising occurs and helps explain the role of fundraising professionals within their organizations and society. Some prominent theories in this area were reviewed in Chapter 1.

Research related to philanthropy. A substantial body of research relates to philanthropy. As discussed, philanthropy is intertwined with, but not synonymous with, fundraising—they are, in a sense, two sides of the same coin. This area of research includes studies that consider the role and impact of philanthropy on society and studies that concern the motivations and behavior of donors. The latter are, of course, particularly relevant to fundraising, and selected theories and research are reviewed in Chapter 3.

Research in related professional fields (e.g., public relations, marketing, and communications). As discussed in the next section of this chapter, some authors think that fundraising is an aspect of marketing. Indeed, there are marketing theories and research that can be applied to some aspects of fundraising, which are described at relevant points in later chapters of this book.

Research specifically related to fundraising practice. Research specifically related to fundraising has been encouraged by the leading professional organizations. AFP has a Research Council that supports work in the field, and both AFP and CASE present awards to recognize research contributions in published works as well as dissertations. Academic journals, such as *Nonprofit and Voluntary Sector Quarterly*, sometimes publish research articles related to fundraising, but again, many articles focus primarily on philanthropy and donors rather than fundraising practice.

Most of the research related to fundraising is of an applied nature, concerning management of the fundraising function and models for planning, controlling, and evaluating programs. Other studies have focused on the fundraising process, the roles and characteristics of fundraisers, and fundraising for specific types of organizations. Some scholars have tested fundraising practices in field experiments, although the findings also could be viewed as relating primarily to donor behavior. This research is cited in relevant sections throughout this text. However, despite a growing emphasis on research-based fundraising practice, many principles of fundraising remain those derived from the experiences and reflections of fundraising professionals and commercial consulting firms that support them.

Many fundraising programs in recent years have come to be data-driven. New tools have been developed for evaluating the performance of programs and comparing results with those of other organizations commonly called **benchmarking**. One well-known source of tools is the Fundraising Effectiveness Project, first developed by the AFP and the Center on Nonprofits and Philanthropy at the Urban Institute. Tools have been refined and expanded over the years, with the support of various software firms, and provide organizations with a means to move beyond instinct and judgment to base their program planning on proven results (Fundraising Effectiveness Project, 2023).

Fundraising and Other Fields

One of the reasons that fundraising research is still limited is that fundraising remains less well-defined than other professional fields within the academic universe. Some studies have been completed by scholars in the social sciences, communications, public relations, and marketing, all of which have academic homes and dedicated journals. Many doctoral dissertations on fundraising topics have been written by graduate students in education and focus on higher education institutions.

Some authors have sought to define fundraising as a subspecialty within other, more established fields; two contenders are public relations and marketing. Both are professional fields as well as fields of study. Both have homes in academic units at universities, which have generated a research literature. In *Effective Fund-Raising Management*, a classic work, Kathleen Kelly (1998) argues that fundraising is a specialization of public relations. She advances a theory of fundraising practice based on models developed by public relations scholars. But the view that fundraising is marketing has the support of multiple scholars (Lindahl, 2010).

Wesley Lindahl (2010) makes the case for fundraising as marketing:

> The field of marketing models fundraising in several ways. [Both] involve relationships. Marketing is more than just promotion or sales, just as donor relationships with a nonprofit organization involve more than just asking. Marketing seeks to understand the customer and develop products to meet the customer's needs and wants. Fundraisers help guide and direct donors' philanthropic impulses. They discuss the impact of a major gift on the organization, and they report back on the use of the funds for charitable purposes. (p. 2)

Lindahl (2010) also offers an example of how a marketing approach might apply in a given case:

> Perhaps an organization is interested in a new health clinic program that doesn't include dental care. A major donor may have an interest in dental care. The organization adds the dental clinic program into the health clinic; and the donor funds the additional cost. Without the agreement to add the dental care, the donor may not have given at all or at a different level. (p. 3)

But, Lindahl cautions, "[t]his concept shouldn't be taken too far . . . if the donor had suggested setting up an art museum within the health clinic, the organization may not have wanted to modify [its] 'product'" (p. 3).

Marketing's emphasis on influencing behavior makes it attractive as a framework for understanding fundraising, but there are also ways in which the fit seems less than perfect. For one thing, marketing is concerned with consumers, but in nonprofits donors and consumers may not be the same people. For example, donors may give to support a shelter for people experiencing homelessness, but the benefits of the shelter's services go to other people who do not pay for the services they receive. In addition, marketing begins with the needs and wants of customers, and a company designs its products to address them. But fundraising is different because it starts with the needs of the nonprofit organization and its programs, some of which cannot be changed to meet donors' desires because they are central to the organization's mission. As Lindahl (2010) observes, if a donor proposes setting up an art museum within a health clinic, the organization may not wish to modify its "product."

Aja May Pirtle and Margaret Maxwell (2022) view marketing and fundraising as related, but complementary activities, writing, "Marketers serve as storytellers and conduits for a relationship with a brand, and fundraisers are relationship builders and personal representatives of the organizations they serve" (p. 184). But Rob Paton (2007) makes an important distinction. He argues that the relevance of marketing techniques varies among components of a fundraising program. It is highly relevant in "'mass fundraising,' . . . [which] uses . . . media to interest and appeal to large, remote, and distributed audiences" (p. 31). Although the tools of social media and digital fundraising platforms were not available when Paton advanced that view, it may be even more relevant in today's environment, where gaining attention is an important objective. But, as Paton acknowledges, it is less relevant in "participative fundraising," which includes more personalized approaches to individuals and may involve volunteers as well as fundraising professionals (p. 31). It is also less relevant to fundraising from institutional donors, for example, foundations and corporations. However, in light of Paton's distinction, there may be a convergence of fundraising and marketing, because the growing importance of social media requires more personalized communication with donors at all levels.

As mentioned previously, perceptions about where fundraising fits among more established disciplines, such as marketing and public relations, affects research interest. But the debate is also of practical relevance, since professionals specializing in these fields often work together, often in the same department. And there is sometimes tension between them, arising from different priorities and approaches. Jackie Yodashkin (2021) provides one example:

> Communications professionals generally want to tell uplifting stories: how an organization helped people triumph over hunger, human-rights abuses, etc. Fundraisers usually want to tug at the heartstrings through sad stories to inspire emotion and donations. Naturally, disagreements abound over which stories to tell and how to tell them. (para. 6)

So where does fundraising fit in the context of related fields? It is important to note that while marketing, public relations, and communications include activities in which businesses, nonprofits, and government agencies all engage, fundraising is an organizational function that is *exclusive to nonprofit organizations*. Thus, perhaps it may best be understood as a specialty within **nonprofit management**. Nonprofit management also draws on the principles of other disciplines, but it has emerged as distinctive, both as a profession and an academic field of study. Because fundraising is an activity exclusive to nonprofits and is inherently connected to mission, its effective practice requires a deep understanding of the nonprofit sector, nonprofit organizations, and broader principles of nonprofit management.

PROCEEDING WITH PRIDE

This book is premised on the view that fundraising is a noble and important activity, central to the advancement of important organizations and institutions that play critical roles in our society. Some nonprofit CEOs, and even some fundraising professionals, sometimes may view fundraising as an unpleasant requirement of their jobs rather than as a central part of their service. But as Henry Rosso (2011a) emphasizes, "Fundraising is the servant of philanthropy" (p. 5). Fundraising is not about extracting resources from reluctant donors but rather extending to those who have the capacity to advance a nonprofit's mission the privilege of doing so and of having a positive impact on society and the future. For that reason, "the person seeking the gift should never demean the asking by clothing it in apology" (Rosso, 2011a, p. 8). Rather, fundraising is an admirable endeavor that should be undertaken with pride.

CHAPTER SUMMARY

Fundraising as a professional field is less understood by the public than fields like science, medicine, or law. Fundraising involves gifts, but some fundraisers also are responsible for partnerships with corporations, which produce earned income. Development is a term commonly used as a synonym for fundraising, while institutional advancement is used to describe the coordinated management of fundraising and other functions, such as communications and marketing. Fundraising is a process that involves relationships and is more than the solicitation of gifts.

Charity is giving that addresses current human needs. Philanthropy is giving to build the infrastructure of society, for example, universities and hospitals, to meet human needs over the long run. The terms are often used interchangeably, and philanthropy is used as the umbrella encompassing both. Acknowledging the new approach of some philanthropists today, it may be more accurate to define charity, philanthropic investment, and strategic philanthropy as three related but distinct concepts.

The roots of American philanthropy go back to the nation's early centuries, but large-scale philanthropy started in the first decades of the 20th century with people like Andrew Carnegie and John D. Rockefeller, who had made fortunes in the industrial revolution and gave to establish libraries, foundations, and other institutions. Mass philanthropy also began in the early 20th century and engaged average Americans in giving. During the late 1990s and early 2000s, a new generation of entrepreneurs and investors, who had acquired wealth in the technology boom, defined new concepts in philanthropy that emphasized the results accomplished. By 2021, total philanthropy had grown to $485 billion, most of which was given by individual donors. Among the purposes of giving, religion ranks at the top, followed by education. Causes that are important to many people, including those related to human service, animal welfare, environmental protection, and arts and culture, receive much smaller portions of total giving.

Despite early roots, organized fundraising in the United States began in the early 20th century. One significant innovation was the intensive campaign, introduced by YMCA executives Charles Sumner Ward and Lyman L. Pierce. Ward and Pierce managed fundraising for the American Red Cross in World War I and, along with other well-known figures, founded consulting firms beginning in 1919. Consulting firms dominated the field until the 1950s, when organizations began to appoint full-time fundraisers to their staffs. Until that time, consulting firms often assigned a resident manager to an organization to direct its fundraising for a period of time, but that model is now uncommon. Such consultants advised and managed organizational staff and volunteers but did not solicit gifts. There always have been paid agents who solicit gifts, but consultants only conduct studies and provide advice. Reputable consultants are paid a fixed fee and do not accept a percentage of the funds raised.

The number of fundraisers employed by nonprofit organizations has grown over the decades, and many now serve as senior executives of their organizations. The field has become specialized, with professional associations focused on subfields. But some report that fundraising professionals often find their jobs stressful and turnover in positions is high. Many organizations find it challenging to recruit qualified candidates, despite salary levels that have increased.

Much of the literature of fundraising has been developed by practitioners and consultants, but the development of research and theory has increased. Some research relates to the nonprofit sector and nonprofit organizations; some is focused on philanthropy and the motivations of donors; some is in other fields related to fundraising, for example, marketing; and some addresses fundraising practice and the management of programs. Most principles of fundraising still are drawn from the practitioner literature; some have been confirmed and others challenged by research.

Some authors define fundraising as a specialization of other fields, including public relations and marketing. Fundraising draws on the knowledge and methods of such fields, but it is an organizational function exclusive to nonprofit organizations. Managing fundraising is a specialization of nonprofit management, which itself is a distinctive profession and field of study. Fundraising is "the servant of philanthropy" (Rosso, 2011a, p. 5) and should be undertaken with pride.

KEY TERMS

Benchmarking
Catalytic philanthropy
Charitable deduction
Charitable fundraising
Charitable nonprofits
Charity
Charity watchdogs
Chief philanthropy officer
Contracts
Development
Development officer
Earned income
Entrepreneurial donors
Fundraising
Gift officer
Grants
High-engagement grant making
Institutional advancement (advancement)
Nonprofit management
Outcome-oriented philanthropy
Philanthropic fundraising
Philanthropic investment
Philanthropy
Prospective donors
Strategic philanthropy
Venture philanthropy
Venture philanthropy funds
Wealth effect

CASE 2.1: THE METH PROJECT

During the 1990s, Tom Siebel founded software company Siebel Systems and built it into a firm employing 8,000 people and generating $2 billion in annual revenue. He sold the company to Oracle for $5.9 billion in 2006 and turned his attention to philanthropy (Verini, 2009).

When Siebel bought a ranch in Montana, he was appalled at what he learned. Montana had the nation's fifth worst rate of abuse of crystal methamphetamine, commonly known simply as meth. It was destroying lives, leading to violence, and accounting for one half of all imprisonments in the state (Kramer, 2009). Siebel decided to do something about it. Rather than work through an existing nonprofit organization, he created the Montana Meth Project, with the goal of educating young people about the drug's dangers. The Montana Meth Project uses an approach it calls "research-based messaging campaigns." Surveys are conducted and focus groups are assembled to learn what people think about meth, and messaging campaigns are then developed based on that research (The Recovery Village, 2022). Using $26 million of his own funds, Siebel hired an advertising agency and renowned film producers to develop hard-hitting messages that would come to blanket the state's media. The Meth Project would become the largest purchaser of advertising in Montana. Siebel also traveled the state to advocate against the use of meth and developed other outreach programs. Explaining his hands-on approach, Siebel states, "If you look at the great philanthropic institutions in the nation, it's just baffling to me how they mismanage their resources. . . . They could be changing the world" (Verini, 2009).

Within the first 2 years of the Meth Project's beginning, Montana's ranking for meth use dropped from fifth to 39th among the states, dropping 45% among young people and 72% among adults (Kramer, 2009). The State of Montana subsequently funded the project, using state and federal funds, and the Meth Project's approach was adopted by seven other states, which experienced similar declines in meth use (Verini, 2009). The Meth Project has received wide acclaim. It was cited by the White House as a possible model for the nation and was called the third most effective nonprofit in the world by *Barron's* magazine (The Recovery Village, 2022).

However, some critics argued that the positive trends may not have been entirely attributable to the Meth Project. Some questioned the Meth Project's research methodologies and data regarding its results, while others cited alternative explanations for the decline in meth use. They include increased law enforcement by state and federal governments and laws restricting access to pseudoephedrine, an over-the-counter medication used to produce meth (Verini, 2009). A 2010 study conducted at the University of Washington found that the use of meth was already declining when the Meth Project was initiated and concluded that the project "had no discernible impact on meth use" (Anderson, 2010, p. 732). Some research studies have challenged the assumption that media campaigns are effective in preventing the use of narcotics by adolescents. Some have even noted "the potential for adverse effects, such stigmatizing substance users and/or increasing awareness of and interest in illicit substance use" (Strickland and Stoops, 2018).

Responding to early critics, Siebel stated, "The Meth Project is saving lives, pure and simple. It was an outrageous exercise in prevention. It has proven to date incredibly successful" (Verini, 2009).

Questions Related to Case 2.1

1. Was Tom Siebel's approach best described as charity, philanthropic investment, or strategic philanthropy?
2. If you were advising a donor like Tom Siebel concerned about a specific problem that concerned him, like drug addiction, what would you suggest about the pros and cons of supporting a new model rather than giving to an established organization with a long record of addressing the problem?
3. How are the fields of fundraising and marketing related in the case of the Meth Project?

CASE 2.2: NEW YORK CITY PARKS

Designed in the 19th century and encompassing 843 acres in the center of New York City, Central Park is an important asset to residents of the city and also a tourist attraction (Central Park Conservancy, n.d.) But by the 1960s, the park was in a state of decay. "Meadows became dustbowls. Benches and lights broke, playground equipment became unusable, and the Park's 100-year-old infrastructure began crumbling" (Kang, 2017).

In the 1970s, philanthropists George Soros and Richard Gilder supported a study of the park. Its recommendations led in 1980 to the creation of the Central Park Conservancy, a nonprofit organization intended to raise private funds for restoration of the park and an endowment to support its maintenance. During the 1980s, the city's parks department continued to provide about one third of the funds for capital improvements and employed most of the park's staff (Sparks, 2012). But city budgets came under pressure during the 1990s, and the Conservancy gradually became the dominant partner. In 1998, the city and the Conservancy signed a contract, designating the nonprofit organization as responsible for the Park's operation and maintenance. The city would maintain control over major policy decisions concerning the park and responsibility for enforcement of park rules. The city also would pay the Conservancy a fee for its services, but in addition the Conservancy would raise private gifts toward the park's improvement and operation (City Parks Blog, n.d.). In 2012, the Paulson Foundation, associated with investor John A. Paulson, made a gift of $100 million to support the Conservancy. In 2022, the Conservancy received gifts of more than $100 million from various donors, mostly individuals (Central Park Conservancy, 2023).

But the success of private efforts to rejuvenate and sustain Central Park led some to express concern. Critics observed that the impact of the Central Park Conservancy, and a similar organization that supported Prospect Park in Brooklyn, was limited to wealthier parts of the city. While applauding the improvements that philanthropy had brought to Central Park and Prospect Park, Daniel Squadron, a state senator representing parts of Brooklyn and Manhattan, raised questions:

> What about the kids who depend on St. Mary's Park, in the Mott Haven section of the South Bronx, where the baseball bleachers don't have seats and the cracked tennis court has no net? Or what about the thousands of people who depend on Flushing Meadows-Corona Park, in Queens, the former home of the World's Fair, now marred by graffiti, broken drainage and pervasive litter? (Squadron, 2013)

He advocated creating a new Neighborhood Parks Alliance that would receive contributions from the wealthier conservancies, equivalent to 20% of their annual operating budgets, to be dedicated to supporting parks in less affluent parts of the city. Squadron proposed that these gifts from "contributing parks" to "member parks" be required by law. "New playgrounds in Central Park are good," he argued. "New playgrounds in . . . the South Bronx and beyond are even better" (Squadron, 2013).

Squadron's proposal was not met with universal approval. Some philanthropists argued that if the proposal became law, it would have a chilling effect on giving to the park conservancies (Soskis, 2013). One critic wrote, "That the government might have a say in how private donors direct their charitable contributions is a sharp, even stunning, departure from the American tradition of independent philanthropy" (Soskis, 2013).

The ensuing debate evoked arguments going back to the days of Andrew Carnegie regarding the role of philanthropy in a democratic society and the responsibility of philanthropists to the less fortunate. Some argued that having flagship parks dependent on private funds rather than government "would sanction the erosion of public stewardship, leading to a two-tiered system in which certain green spaces flourish while the majority of the city's nearly two thousand parks languish" (Soskis, 2013). Some extended the argument to philanthropic support for public schools, saying that it could increase inequality between schools in wealthy areas and those that remain totally dependent on government support.

In 2013, the Central Park Conservancy created the Institute for Urban Parks, which shares knowledge about park management with other parks in New York as well as other parts of the country and the world (Foderaro, 2017). In 2014, the Conservancy established its Five Borough Program, in partnership with NYC Parks. As described on the Conservancy's website,

> Using technical assistance, facilitated trainings, and advisory support, the [Five Borough] Program enhances the skills and capacity of NYC Parks staff—and their supporting community partners—to improve park maintenance and thus, New Yorkers' access to healthy, vibrant, and beautiful open spaces. (Central Park Conservancy, n.d.)

Large-scale philanthropy can occur only if there is accumulation of substantial private fortunes. But that also may occur at times of growing wealth inequality. Debate about whether and how wealthy philanthropists should use their resources to address the social conditions that accompany it is not new. Making the connection between the controversies about New York City parks to the age of Carnegie, Soskis (2013) concludes,

> If we are now inhabiting a Second Gilded Age, witnessing a widening gulf between the wealthiest and the rest, as well as an efflorescence of large-scale philanthropic giving, we are also seeing a heightened sensitivity to the intimate connection between these two developments, a concern that marked that earlier age as well.

Questions Related to Case 2.2

1. Should public services, such as parks and schools, be supported entirely by tax revenues and maintained entirely by government? Or is there a role for private donors? Explain your answer.
2. Do you think the law should require that gifts made to benefit parks, or other amenities that primarily benefit affluent areas of a community, be shared with organizations that would benefit neighborhoods where people have lower incomes? Or do you think that philanthropists should be able to direct their private resources as they see fit?
3. How does this case relate to the distinction between charity and philanthropy, as discussed in this chapter? Which concept better describes support for public parks?

QUESTIONS FOR DISCUSSION

1. Should the tax deduction provided for charitable gifts be greater for those that specifically have an impact on communities and people with lower income rather than institutions that primarily serve affluent people? Or should all philanthropy be treated equally under the tax law?
2. If fundraising is a profession, should individuals be required to gain certification to be employed, like doctors, lawyers, or accountants? Why or why not? *(Note that various certifications are currently available but not required by the law.)*
3. Henry Rosso (2011a) states that "fundraising is the servant of philanthropy." Do you think most people view it that way or do some hold a more negative view? If the latter, why?

SUGGESTIONS FOR FURTHER READING

Books

Breeze, B. (2021). *In defence of philanthropy*. Columbia University Press.

Freeman, T. M. (2020). *Madam C. J. Walker's gospel of giving: Black women's philanthropy during Jim Crow*. University of Illinois Press.

Vallely. P. (2020). *Philanthropy: From Aristotle to Zuckerberg*. Bloomsbury Continuum.

Walker, D. (2023). *From generosity to justice: A new gospel of wealth*. The Ford Foundation/Disruption Books.

Zunz, O. (2014). *Philanthropy in America: A history* (Updated version). Princeton University Press.

Articles

Brest, , P. (2012). , (Spring). A decade of outcome-oriented philanthropy. . *Stanford Social Innovation Review*, *10*(2), 42–47.

Fuentenebro, , P. (2020). Will philanthropy save us all? Rethinking urban philanthropy in a time of crisis. *Geoforum*, *117*, 304–307. https://doi.org/10.1016/j.geoforum.2020.07.005

Harvey, , C., ., Gordon, , J. & ., & Maclean, , M. ((2021).). The ethics of entrepreneurial philanthropy. . *Journal of Business Ethics*, *171*(1), 33–49.

Websites

Association of Fundraising Professionals: www.afpnet.org

Association for Healthcare Philanthropy: www.ahp.org

Council for Advancement and Support of Education: www.case.org

Giving Institute: http://givinginstitute.org