

Capital Campaigns

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A capital campaign is an intensive fund raising effort designed to raise a specified sum of money within a defined time period to meet the varied asset-building needs of an organization. These needs can include the construction of new buildings, renovation or enlargement of existing buildings, purchase or improvement of land, acquisition of furnishings or equipment, and additions to endowment. All of these are asset-building objectives. All can have a place in developing a goal for capital fund raising.

This chapter draws heavily on Hank Rosso's original chapter "Asset Building Through Capital Fundraising" in the first edition. The revisions reflect contemporary practice—especially the much larger goals prevalent today, the longer length of campaigns, and the declining use of on-site residential management—as organizational staffs have grown in experience and sophistication. Some of the best thoughts are based on Andrea Kihlstedt's work writing The Fund Raising School's capital campaign course.

CAMPAIGN TYPES

The best-known form of capital fund raising is the traditional, or classical, intensive campaign that has a specific goal related to building construction, renovation, or expansion. This is generally referred to as "bricks and mortar" fund raising. In its early years, it also earned the interesting sobriquet of the "once in a lifetime" campaign because of the size of the goals and the size of the gifts that had to be solicited to meet those goals. That reference faded quickly. It is not unusual for organizations to schedule capital campaigns every five to ten years, one after another.

The comprehensive, integrated, or total development program discussed in Chapter Seven, is based on long-term comprehensive analysis of the organization's diverse needs: current program support, special purposes, capital, and endowment. Once identified, all of the needs are incorporated into a single goal and addressed through a fund raising program spread over as many as ten years. The integrated development program includes annual fund and other fund raising programs that are slower-paced and lack the intensity of the traditional capital campaign. These fund raising programs are discussed in the other chapters in Part Three.

CAMPAIGN CHARACTERISTICS

This chapter's primary focus will be on the principles applicable to all forms of capital campaigns. Two main characteristics set them apart from other fund raising activities:

- (1) the gifts solicited are much larger than those generally sought during an annual fund, and

- (2) pledges are emphasized as commitments payable over a number of years convenient to the donor or through the transfer of appreciated real or personal property. The campaign may be for bricks and mortar alone or combined with endowment. Some institutions also add the annual support anticipated over the duration of the campaign solicitation period. The megagoals announced by large institutions often are the result of “counting everything” during a five-to seven-year campaign period.

Another characteristic is the involvement of strategically important volunteers who are able and willing to commit their gifts and also provide access to or solicit from other potential donors. This “human capital” in the form of dedicated volunteers is a precious resource. Its availability—or lack thereof—can affect the outcome of the effort.

Discipline is the nature of intensive campaigns. They require unremitting attention to details, from responsible preplanning analysis through goal setting and leadership enlistment to program execution and conclusion.

PRECAMPAIGN PLANNING

The analysis process starts with the determination of the various asset-building needs that will make up the goal. Too often in too many nonprofit organizations, too little attention is given to this most important aspect of campaign preparation. The project cost statement is incomplete, carelessly contrived, or unrealistic in identifying and estimating the costs of these needs. Lack of realism and objectivity at this stage will cause serious problems later when potential donors will test their intent to give against their acceptance of the validity of the needs statement.

Volunteer Involvement

The planning stage is the time to begin to involve volunteers—key governing board members and others whose capacity to give or get top-level gifts or pledges is great. As they work with staff to develop the campaign goal, they will become intimately familiar with the various projects, the collective cost of which will lead to a preliminary goal. This involvement also begins to familiarize them with the organization’s vision and mission.

During the precampaign period, when the size of the campaign goal is being considered, the management team and board members of the organization must examine the eligibility of each capital need suggested for inclusion in the goal: Which needs should be included? Are they all valid? Are they all urgent? Are they all of equally high priority? Involving key governing board members and other volunteers at the goal-setting stage can help introduce objectivity and discipline to the process. Remember: involvement leads to investment!

Preliminary Goals and Project Costs

Costs relating to construction, such as architecture, engineering, land acquisition, site preparation, furnishings, equipment, start-up, and endowment, are essential parts of

a comprehensive needs analysis. Other costs also should be included as part of the total project. These are the hidden costs that, if forgotten, will complicate the financing process during or after the construction period. These include the following:

- Fund raising costs. All expenses that will be incurred in conducting the capital campaign are a logical part of project costs.
- Attrition costs. Capital campaigns should attract pledges to be paid over some number of years—usually three to five. Some of the value of these pledges will be lost through nonpayment. In a properly conducted campaign, however, this non-payment should not exceed 5 to 10 percent of the goal. These losses should be anticipated and incorporated into the project's cost projections.
- Inflation and cost overruns. What impact will inflation have on project costs? What will actual costs be when the building is finished and ready for occupancy and use? It is difficult to estimate what the actual costs will be when the project has been completed, but during planning, a contingency factor for inflation and cost over runs should be included in the computations of cost.

Other financing may be a critical element in setting the campaign goal. In many cases, sources other than philanthropy are available to help cover the costs of new construction and substantial renovations. Colleges and universities can borrow from state agencies under the provisions of the federal Higher Education Facilities Act. Dormitories and student union buildings produce revenue from operations, some of which can be applied to amortizing this debt. Similarly, hospitals have the capacity to borrow through bonds and repay them from increased charges covered directly by patients or from third-party reimbursements—private and government medical insurance.

THE FEASIBILITY OR PRECAMPAIGN PLANNING STUDY

What happens before capital fund raising starts is the most important part of the work. Questioning, measuring, qualifying, verifying, listening to hard answers to hard questions, and weighing judgments expressed by potential key volunteer leaders and potential key contributors are all parts of strategic market testing. This process is called the feasibility study or the precampaign planning study. In straightforward terms, it is a thorough examination of the institution's readiness to ask and the constituent's preparedness and willingness to give—and if appropriate, to serve as a volunteer committee leader or member.

Staff Versus Counsel

The questions most often asked are these: Can the organization conduct its own feasibility study? Should the staff fund raising person undertake the task of interviewing key constituents? Is it necessary to retain professional counsel to conduct a study?

It is quite difficult for an inexperienced fund raising staff member or the executive staff member without experience in fund raising to undertake this sensitive assignment. A

staff person often does not know what questions to ask, how to evaluate the answers, or how to judge the campaign's feasibility. Objectivity is important to the process, and the staff and prospect may both find it difficult to be objective.

In exceptional circumstances, when staff members have developed long, cordial, and confidential relationships with key leaders and donors, they may be able to "test" feasibility through conversations with donors known to be ready to consider the top-level gifts needed for success. Some institutions with very sophisticated and experienced chief development officers have been through several campaigns in recent years. They frequently skip the formal study process because they and their board members have the confidence that the gifts needed are in sight—especially the very large ones needed for success. Some governing boards resist conducting a study simply because they are convinced that the new campaign goal can be met this time, just as it was the last time and perhaps, several times before. Nevertheless, if there is any uncertainty about the goal to be tested, retaining experienced fund raising counsel is a wise investment.

Study Interviews

How are the names of intended interview respondents selected? To gain the insights required to determine the campaign's feasibility, a list of key interview candidates is drawn up. This list can range from as few as thirty names to as many as one hundred or more. It may include senior managers, program staff members, governing board members, current major gift donors, potential big gift donors, and campaign leadership candidates. It certainly should include the prospective donors who can give or influence the top ten to twenty gifts needed.

Most interviews are in-depth, lasting about an hour. All information gathered during the interview is held in confidence; if it is divulged, it is with the promise that its source will not be attributed. Only in this manner can sensitive information critical to the progress of the campaign be elicited from interview respondents.

Study Questions

Straightforward answers are required to the hard questions that will make a difference in the course the campaign will take. The following questions are indicative of the type that usually is asked during the feasibility study. They seek information about the nine most important components of the capital campaign.

The Appeal (Case). Is the case or argument for a capital campaign well defined? Does it reflect the institution's mission, goals, and objectives? Does it have strong appeal? Will the organization's constituencies understand it? Will it motivate potential donors to be unusually generous? Are the needs valid? Do they reflect a sense of urgency? Are they understood and accepted as valid by the constituency that will be asked to give?

The Goal. Is the proposed goal realistic for the constituency? If not realistic, why not? What are the problems?

The Prospects. How many gifts will be required, and at what level? Do potential sources for these gifts exist? Are the gifts expected to come from individuals, corporations, foundations, or associations? How many from each category, and in what range? Is it possible to secure one gift worth 10 percent or more of the goal? Two gifts each worth 5 percent or more of the goal? What solicitation strategies will be required to meet the goal?

The Leadership Potential. If the campaign is to succeed, leaders must be able to give and to help solicit upper-level gifts, especially at the start. Can this quality leadership be enlisted, first, from the membership of the governing board, and, second from the larger constituency? Who is the best possible candidate to be the general chairperson for the campaign? What is the proper strategy to enlist this person?

The timing. Is this the proper time for a campaign? Are conflicting campaigns in progress or contemplated in the near future? What impact will they have? What amount of time is required to ensure the success of this campaign: a year, two, three, more? (Current practice is three to five years and not more than seven. Fundraising programs of longer duration usually cannot sustain the earlier mentioned intensity.)

The Public Relations Requirements. Are there public relations problems that will have to be resolved before any campaign can start? What public relations or promotional activity may be needed to motivate the community to support this program?

Staffing. What staffing will be required? Should an outside professional firm provide it? Should people be added to the existing staff? What are the short-term and long-term benefits of these options?

The Budget. What budget will be required to finance the campaign? How much will it cost to raise the goal? Is that cost reasonable? Will management and the governing board make these funds available? What budget control and reporting methods will be required for proper accountability?

PLANNING AND PREPARING FOR THE CAPITAL CAMPAIGN

Validating the needs that justify the capital fund raising and placing them in a priority order is a logical first step. Testing the validity of the needs and the reality of a goal is a reasonable second step. Building the plan around leadership enlistment, identification of top-level gift prospects, the development of time lines and designs for essential activities, and the solicitation strategies that will flow from all of this must follow. This section will address the essentials of planning and preparing for capital fund raising, drawing on the findings, conclusions, and recommendations determined in the feasibility study.

Articulation of the case for a capital campaign merits priority consideration at the beginning of the planning and preparing period. Staff members, trustees, and volunteers who are not experienced in this specialized form of fund raising will tend to express the case for the campaign in simple terms: “We need a new building. We’re trying to raise one million dollars to build the building. We’re asking you to give so that we can start construction.” This is not a convincing case expression. As the saying goes, “People don’t buy Buicks because General Motors needs the money.”

People give because they believe in the organization. They can identify with its mission and goals. They know the people who are part of the organization, and they hold the same values. People will not give because the organization feels that it should have a new building. The case must be stronger, more compelling, more exciting, and more inviting to persuade prospects to give at the level required by capital fund raising.

The definition of the overall case for the organization (see Chapter Six), with its statement of mission and goals, precedes the preparation of a case for the capital campaign. The rationale for this level of fund raising must come from the mission statement. It is the mission that identifies the human or societal needs that are at the center of the organization’s concern. The programs or strategies that serve the mission, goals, and objectives give evidence to the needs that will justify the capital fund raising goals. Simply put, new building construction, purchase of land, acquisition of technical equipment, additions to endowment holdings—all capital needs—must contribute directly to program advancement, program improvement, or enhancement of services. “This will help us to teach better.” “This will help us to serve more people.” “This will help us satisfy your health care needs more efficiently and more effectively.”

One of the oldest maxims of fund raising is that “people don’t give to causes; they give to people with causes.” Indeed they do. In contemporary fund raising, this maxim might be modified a bit. People give to people with causes, but they give to causes that they know, understand, and believe in strongly.

GIFT RANGE CHARTS

As noted previously, the capital campaign is a demanding taskmaster. The most demanding of its disciplines is the unremitting focus on large gifts and the requirement that enough of these gifts must be secured at the very beginning of the campaign to establish a pattern for others who follow.

What is meant by “large gifts”? Capital campaigns seek to secure 90 percent or more of the required funds from 10 percent or fewer of the contributions that are received. To ensure this quality production, at least one gift at 10 percent or more and two gifts each worth 5 percent or more of the goal are sought at the beginning of the campaign.

This standard of giving can be set out in a gift range chart or a standard-of-gifts chart (see Tables 11.1 and 11.2). This instrument provides a method to determine the quality

of gifts, the quantity of gifts, and the number of prospects that will be required to ensure achievement of the goal.

The gift range chart has its origins in the real-world observations of the Italian economist Vilfredo Pareto of a century ago who noted that 20 percent of the effort yields 80 percent of the results. In the 1950s, Si Seymour, a prolific writer and fund raising consultant, developed the “rule of thirds” for capital campaigns, in which he observed that the top ten gifts should amount to one-third of the goal, the next hundred gifts another third, and all the others the final third.

Experience has shown that 5 to 10 percent of the donors are providing 85 to 95 percent of the goal. A similar pattern holds true in the world of for-profit sales, where sales managers note that 20 percent of their sales staff sell 80 percent of the products and that 20 percent of their customers buy 80 percent of their product.

The gift range chart applies these rules to capital campaigns and illustrates how many gifts of what size a campaign probably needs to reach its goal.

Several rules should guide the formulation of a gift range chart:

- Above all, the lead gift should constitute 10 percent or more of the goal,
- About 40 to 60 percent of the goal should come from the ten to fifteen largest gifts.
- About 33 to 50 percent should come from the next 100 to 150 gifts.
- About 10 to 20 percent of the goal should come from all other gifts.

Different gift range charts may be developed for various uses. The first use of the gift range chart is usually during the precampaign study when the higher prospect ratio at the top is preferable because it focuses on the need for large lead gifts. Because the precampaign study often uncovers genuine prospects for the top gifts, the ratio of prospects to gifts can be reduced during this stage. In fact, many campaign veterans have seen the top gift virtually assured by one prospect during the study process.

Table 11.1. Sample Gift Range Chart: \$10 Million Goal—Three-to Five-Year Pledges.

<i>Type of Gift</i>	<i>Number of Pledges</i>	<i>Number of Prospects</i>	<i>Pledge Size</i>	<i>Total for Size</i>	<i>Cumulative Total</i>	<i>Percentage of Goal</i>
Lead Gifts	1	3-5	\$1,000,000	\$ 1,000,000	\$ 1,000,000	
	2	6-10	500,000	1,000,000	2,000,000	
	4	12-20	250,000	1,000,000	3,000,000	42.0%
	8	24-40	150,000	1,200,000	4,200,000	
Major Gifts	12	36-60	75,000	900,000	5,100,000	
	20	60-100	50,000	1,000,000	6,100,000	35.5%
	30	90-150	30,000	900,000	7,000,000	
	50	150-250	15,000	750,000	7,750,000	
	80	240-400	9,000	720,000	8,470,000	
Special Gifts	120	350-600	6,000	720,000	9,190,000	21.6%
	240	720-1,200	3,000	720,000	9,910,000	
General Gifts	All others	Many	Under 3,000	90,000	10,000,000	

Table 11.2. Sample Gift Range Chart: \$10 Million Goal—Five-Year Pledges.

<i>Type of Gift</i>	<i>Number of Pledges</i>	<i>Number of Prospects</i>	<i>Pledge Size</i>	<i>Total for Size</i>	<i>Cumulative Total</i>	<i>Percentage of Goal</i>
Lead Gifts	1	5	\$1,000,000 +	\$ 1,000,000	\$ 1,000,000	
	1	5	750,000-999,000	750,000	1,750,000	
	3	15	500,000-749,000	1,500,000	3,250,000	47.5%
	6	30	250,000-499,999	1,500,000	4,750,000	
Major Gifts	12	48	100,000-249,999	1,400,000	6,150,000	
	24	96	50,000-99,999	1,300,000	7,450,000	39.5%
	50	100	25,000-49,999	1,250,000	8,700,000	
Special Gifts	70	210	10,000-24,999	700,000	9,400,000	
	100	300	5,000-9,999	500,000	9,900,000	12%
General Gifts	All others	Many	Under 5,000	100,000	10,000,000	

Once the precampaign study has been completed, the revised gift range chart serves to guide the donor recognition program in which the levels of recognition must be in keeping with the gifts needed. For example, if four gifts of \$250,000 each are needed, the donor recognition program should provide six to eight naming or recognition opportunities at that level. In this way, donors may be presented options to name spaces or, if appropriate, endowments. At the lower levels, donors are often listed in categories grouping them by amounts and naming the categories—benefactor, patron, and so on. Plaques listing such groups are then used to acknowledge these donors. Many organizations have developed very imaginative ways to display names of donors. Examples used by others should be investigated to stimulate creativity in this area. Donors will appreciate the extra effort.

The gift range chart provides a good guide for evaluating the number of prospects needed for a specific campaign goal. The traditional ratio of prospects to gifts needed in a pro forma gift range table is 5:1 for the top third gift levels, 4:1 for the middle, and 3:1 for the bottom. This ratio is based in part on the reality that some donor will give at lower levels than expected. Their gifts will be credited to lower levels thereby reducing the need for prospects in those levels.

Some practitioners believe that more accurate ratios are the reverse: 3:1 at the top, 4:1 in the middle, and 5:1 or more at the bottom. Those who use this approach are convinced that better prospect research improves the probability of strong results at the top while the limited volunteer effort at the bottom requires a higher ratio because the large pool of low-rated prospects will be solicited by phone or mail.

Table 11.1 is a sample gift range chart for a \$10 million goal payable in three- to five-year pledges. At the top levels, the projected pledge amounts are divisible by five. Lower levels are divisible by three. The difference is designed to acknowledge that pledges made in the lead gifts and start of the major gifts phases (the quiet phase) can be paid over a longer period of time, allowing donors to stretch their commitment over five years, which should encourage larger commitments. And because they are to be secured at the start or early part of the campaign, waiting five years for full payment fits with the organization's financial plans. Pledges at the lower levels, with three-year payments, will have been paid in full at about the same time or even earlier. This sample chart depicts an organization with a reasonably broad base of prospective donors—some 1,700 to 2,800 of them. The range of three to five prospects at each level acknowledges a degree of uncertainty because the organization has not conducted a capital campaign recently and intends to use this sample chart initially to test potential in a campaign planning study.

Table 11.2 depicts a sample gift range chart for a \$10 million goal payable in five-year pledges. It portrays the potential for an organization with a well-developed but narrow or limited donor base. The number of prospective donors thought to be available for most of the gifts needed are fewer than one thousand. The ratio of prospects at the top is 5:1, in the mid-range 4:1, and at the lowest level 3:1 because the planners are

being cautious in their projections for the top gifts but confident of their potential at the lower levels. Further, the organization's donor recognition program includes multiple opportunities for pledges at the top and middle ranges. For example, the projected \$1.4 million from twelve major gifts assumes eight pledges of \$100,000 and four of \$150,000. Recognition is available at both these levels and will be used to set donors' sights on pledging these amounts.

Note another difference in the charts. While both depict a range of gifts from the largest to the smallest, only Table 11.2 portrays a range under the heading "Pledge Size"; Table 11.1 has only a single amount. Either approach is acceptable. The purpose of these charts has not so much to do with the labels or even the arithmetic as it does with their uses: first, to be tested in a planning study; second, to set donors' sights on what gifts are needed to succeed; and third, to help keep score and highlight shortfalls. It is not uncommon to adjust the table during the campaign—not frequently, but to reflect actual results versus plan. When tempted to adjust or modify the table, be mindful of the need to reflect the number of prospects needed. If all prospects have been exhausted at a level that still has not reached its total for size, then either new prospects must be identified or an adjustment for making up the shortfall in that level must be made. Keeping track of progress by the number of gifts actually committed at each level may reveal more than projected at the upper levels (much to be preferred) or shortfalls leading to the need to find more gifts at lower levels. This may be a sign of trouble and should be carefully evaluated. As noted earlier, making up for failures at the top is difficult.

SEQUENTIAL FUND RAISING

The gift range chart and the listing of prospects by giving potential provides a guide for sequential fund raising. This is the technique of classifying prospects according to their assessed giving potential and then approaching top prospects first in sequence, assiduously avoiding any solicitations at lower levels until the solicitations at the top have been successful.

Sequential fund raising is based on four axioms of campaign fund raising:

- The ten largest gifts set the standard for the entire campaign.
- A failure to adhere to the top-down pattern lowers giving sights across the board.
- Extended solicitation and participation at lower levels will not offset major gaps in the upper ranges.
- Once the big-gift-first sequence has been seriously violated, the entire program is in jeopardy.

LEADERSHIP AND CAMPAIGN MANAGEMENT

Capital campaigns are more reliant on volunteer leadership than any other form of fund raising. The four components of the leadership team are the governing board, board or

non-board campaign chairpersons and committee members, executive and key program staff members, and fund raising staff members. Each serves in a different functional relationship to the campaign.

The Governing Board

The governing board must be the activating force for any capital campaign. As the primary stewards of the nonprofit organization, board members hold the power to approve or disapprove capital projects and the fund raising activity that will support them. It stands to reason that if the board members exercise their authority as stewards to approve the expenditure of funds for capital development, they must accept the parallel responsibility of helping to raise the funds by giving generously—in proportion to their ability—and participating in the solicitation of others. If they are unwilling to invest in the organization, how can they expect others to invest?

Nonboard Volunteers

Ideally, the general chairperson of the campaign should come from the governing board. But under certain circumstances, this may not be possible, practical, or wise. Board membership may be geographically dispersed, coalitional, lacking in leadership capabilities, or constituted of program experts who lack the socioeconomic clout that is so precious to fund raising. This is not a rare condition today, nor will it be in the future. In these situations, campaign planners must be prepared to look elsewhere for those capable people who can provide the spark of energy that makes a campaign succeed. A properly developed constituency holds unexpected potential. Campaigns are times when this potential must be tested and invited into the leadership ranks.

Executive and Program Staff

The chief executive officer (CEO) and key program staff members can exert considerable influence to help manage the campaign to success. The CEO as the visionary and program staff members as expert witnesses are able to speak eloquently about the mission and program strategies. They can serve as information resources and assist in the cultivation and solicitation of gifts. In most cases, the chief executive officer is the best informed person and must therefore be the spokesperson for the campaign. He or she also must be a motivator who can help generate enthusiasm for and confidence in the cause.

Fund Raising Staff

At times, in-house fund raising staff members can function as managers of the campaign, provided that they have the experience and can afford to meet the time demands of the campaign. Experienced staff members with larger organizations can handle the assignment; overburdened staff members with a smaller organization will find it difficult, if not impossible, to cope. Historically, more experienced outside professional counsel was retained to direct the campaign on a full-time resident management basis. Today, with the increasing sophistication of fund raising staffs, the decision is not so obvious. Some organizations use the occasion of a campaign to build their staffs, hiring people who have been successful campaign directors elsewhere.

Many that do so anticipate having a larger staff after the campaign because they expect to need them for the next campaign or for the increase in on going fund raising that often follows a successful campaign. Further, thanks to the demand for good fund raising personnel, there are opportunities for staff members to find career advancement in other organizations.

If internal fund raising staff members decide to assume full responsibility for directing the campaign, the objective counsel of an outside consultant will be helpful. In either case, internal or external professional staff members must assume full responsibility for planning, organizing, and managing the campaign.

Fund raising staff members who have experienced campaigns make certain that key leaders are involved in the more important campaign decision-making process: they help make the vital decisions that will affect the course of the program. Staff members make sure that the top leadership is provided with the information and guidance required for wise decision making.

Certain components should be noted on an organizational chart that depicts the campaign's working elements (see Figure 11.1 for an example). The primary element on the chart is the "campaign cabinet," "steering committee," or whatever the management committee calls itself. This cabinet or committee comprises the most capable campaign leaders who can be enlisted. It is headed by a general chairperson and staffed by the campaign director.

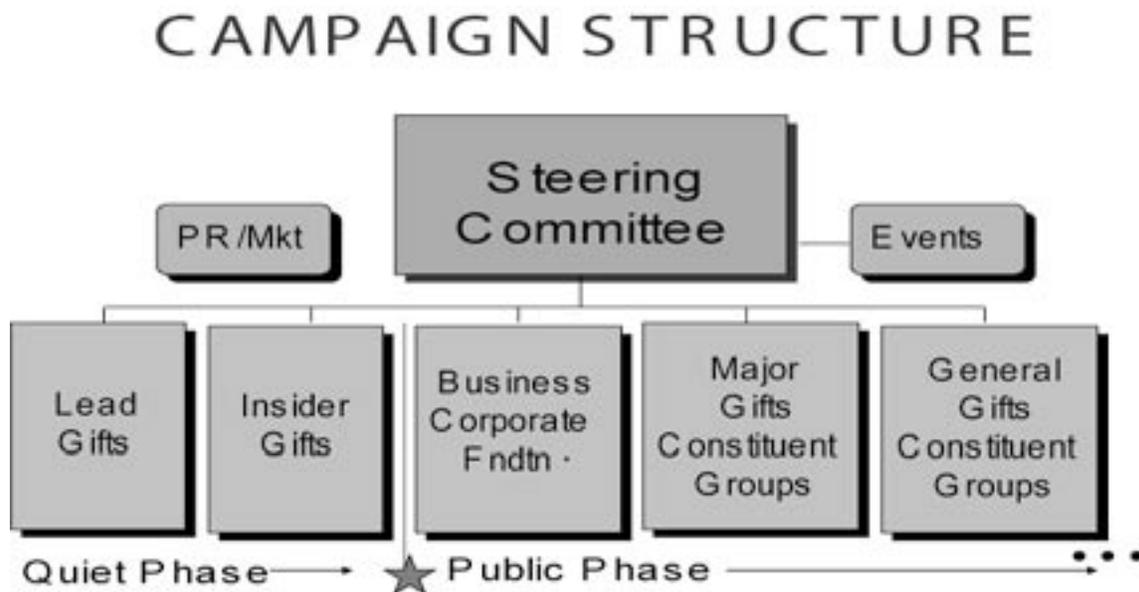


Figure 11.1. Campaign Structure.
Source: The Fund Raising School, 2002.

This managing group is made up of eight to ten thoughtfully selected individuals who possess the willingness, creative energy, and socioeconomic clout to stir the constituency to action, to enlist other leaders of equal caliber, and to solicit the quality gifts that will make a difference in achieving the organization's goal. This steering committee's responsibility will be to approve and to execute the plan, to identify strategic prospects with the ability to make lead gifts, and to accept the charge to help solicit these prospects.

Any final delineation of the organizational chart will depend on the requirements of the campaign plan and whether it is complex in structure or neat, clean, and tight enough to discharge the task in the most efficient and effective manner possible. The caliber of the leadership; the availability and natural clusters of qualified prospects; the willingness of the trustees to give, to ask, and to work; and the organization's fund raising experience will determine the hierarchy of the chart and the campaign's timetable. The committees should be recruited in sequence, as they are needed, but well in advance in order to get on the calendars of the busy people most likely to do the best job. In some campaigns, this may be months in advance. In the major gift phase of the campaign, it may be advisable to organize by constituent groups—classmates, neighbors, professions, grateful patients of a particular department, or other clusters with common characteristics.

Establishing Goals

Generally, the senior management team consults with appropriate program staff members to make certain judgments about a possible campaign goal. These judgments are reviewed with the appropriate board committee and then with the entire board. A tentative goal will emerge from these discussions and is the one to be tested during the feasibility study. The study's findings, particularly those pertaining to the goal, are discussed by the fund raising staff, the trustees, and other influential volunteers who may be involved. Acceptance of the main and subsidiary goals should not be considered final until they have been cleared and accepted by the campaign steering committee. This is common sense. Those who have to assume responsibility for raising the money should be given the opportunity to accept the goal or to suggest any modifications they feel are necessary. Emotional and intellectual acceptance by the people who are key to the completion of the program is essential at this point.

The overall goal is the primary goal. Subsidiary goals reflect the obligation of various campaign divisions—personal gifts, staff and trustees, employees, corporations, foundations, associations, and others. In addition, there are divisions necessitated by the soliciting strategies, such as strategic or "pacesetter" gifts, major gifts, and general gifts. All are subgoals. All must be properly managed.

Assignments of goals to subordinate units must be based on realistic expectations of what these divisions are capable of producing. Are valid prospects available to each unit? Have these prospects been properly evaluated with suggested giving amounts appended? Are judgments about giving potential based on accurate information secured

from authentic sources? Has the proper person been identified to solicit the right prospect for the right gift at each level?

Support Services

Support services can make a difference in a capital campaign. Sufficient to the purpose, they will help to advance the program. If they are inadequate, they will inhibit its progress. Before any serious activity can be set in motion, arrangements must be made to provide a competent staff, adequate campaign office space, and clerical staff trained in data management, the proper use of telephones, faxes, and e-mail, and working with volunteers.

The office staff will have as its daily concern such routine but sensitive details as records and research, prospect tracking, proposal preparation, volunteer assignments, gift recording and acknowledgment procedures, and campaign promotional materials.

The Budget

The budget is the description of the program in dollar terms. It should provide for sufficient funds to meet the expenditure requirements of an active, forward-moving campaign. Too tight a budget can be inhibiting; too generous a budget can invite questions and criticism from the campaign steering committee and possibly from prospective donors.

Campaign costs vary significantly. Small campaigns, for a few million dollars, will cost more proportionately than large campaigns for hundreds of millions. Local community campaigns should be less expensive than national campaigns with heavy travel costs or regional campaign offices. (See chapter Twenty-Eight for more on costs.)

As a percentage of the campaign goal, costs as low as 5 percent and as high as 15 percent may be expected—such levels are acceptable. Emphasis on costs can be counterproductive. The better measurement is return on investment (ROI). Campaign costs of 12.5 percent, for example, should be shown to be as an ROI of 8:1. In other words, every \$1 invested in the campaign budget will produce \$8 of gross income, or a net of \$7.

A good approach to determining an overall budget is to survey colleagues and comparable organizations to learn from their experience. This approach will often help the parties asked to approve budgets by demonstrating that other organizations with which they may be familiar—and may even admire for their success—have successfully campaigned at a comparable level of cost.

Campaign budgeting must also consider whether the costs are over and above ongoing fund raising operations or if part of the costs will be covered by assigning present staff to campaign responsibilities. The most obvious case is when the chief development officer decides to direct the campaign by hiring a “number two” to take on the annual fund and other ongoing fund raising efforts. How that change is reflected in the budget

will affect the calculation of costs. Another issue is whether in a large organization, for example, major gift officers will reorient their efforts toward capital pledges during a campaign and then return to the ongoing major and planned gifts program after the campaign. If so, are their salaries and expenses to be calculated as campaign costs?

Of course, if this is the second or third campaign conducted over the past fifteen to twenty years, history will be an excellent guide to the budgeting.

Basic budget elements and their percentage of the overall budget are typically as follows:

Personnel	50 to 60 percent
Materials and events	20 to 30 percent
Overhead	10 to 20 percent
Contingency	5 percent

These ranges are only ballpark figures. The multiple variables and experience in similar situations all must be weighed in developing the campaign budget.

SEQUENTIAL SOLICITATION

Out of the accumulated wisdom of legions of capital campaigns emerges an imperative: to be effective, fund raising must be “top down and inside out.” The “top down” part of the equation pertains to a strategy known as sequential solicitation. As noted earlier, if the top gift is at the level required by the gift range, all other gifts should relate to it. The top gift will set the standard for all of the remaining gifts. If it is too low, other gifts will drop accordingly, and the outcome of the campaign will be in doubt. Sequential solicitation is a necessity for goal attainment in capital campaigns. It forces a focus on the larger gifts and discourages a preoccupation with the smaller gifts at the bottom of the gift range chart.

“Inside out” means that all fund raising should start with the “family” inside the organization—the governing board, senior management, program staff, and employees. This is a critical part of the quiet phase of the campaign. With the completion of this phase, the program reaches out to the external constituency, reports what the board and the family have been able to accomplish, and invites others to join in support.

If a governing board approves a program that will involve significant capital expenditures and the money to cover these expenditures will have to be raised through a capital campaign, board members must commit themselves to contribute generously. Others will be less inclined to support a campaign that appears to lack generous support from those who hold it in trust. It is ideal when the largest gift comes from inside.

CAMPAIGN PHASES

As should be clear, campaigns proceed in phases from preplanning to an end—preferably with commitments totaling the announced goal or more. A simple illustration of the phases is shown in Figure 11.2. Note the “kickoff.” Prior to going public, the goal may be adjusted to reflect results in the earlier phases—sometimes called the quiet or silent phase. Once that phase has succeeded in raising an impressive aggregate total of insider commitments and most, if not all, of the top-level, pacesetting lead gifts, it is time to announce or kick off the campaign. An event is often organized to recognize the donors to date and to stimulate enthusiasm among those remaining to be solicited—and confidence in the ultimate success throughout the organization. Kickoff events may take a great many forms. They are most effective when they are fun events that convey the message of success to date in a spirit or mode reflecting the organization’s unique personality and mission. Campaigns should be announced to the broad constituency only when the leadership is confident that the goal is in sight.

There are a number of questions to ask at this point:

- Are there enough prospective sources in sight to fill the pool of prospects as depicted in the gift range chart?
- Are the right people ready to serve as the volunteers needed to solicit at least the next level of gifts, often labeled major gifts?
- Is there a valid plan for soliciting the large number of smaller special and general gifts needed to wrap up the campaign in a timely manner?

If the answer to any of these is no, more planning and preparation will be needed before kicking off. Many organizations that ignore this advice have found their campaigns floundering, often leading to disappointing results.

CAMPAIGN PHASES

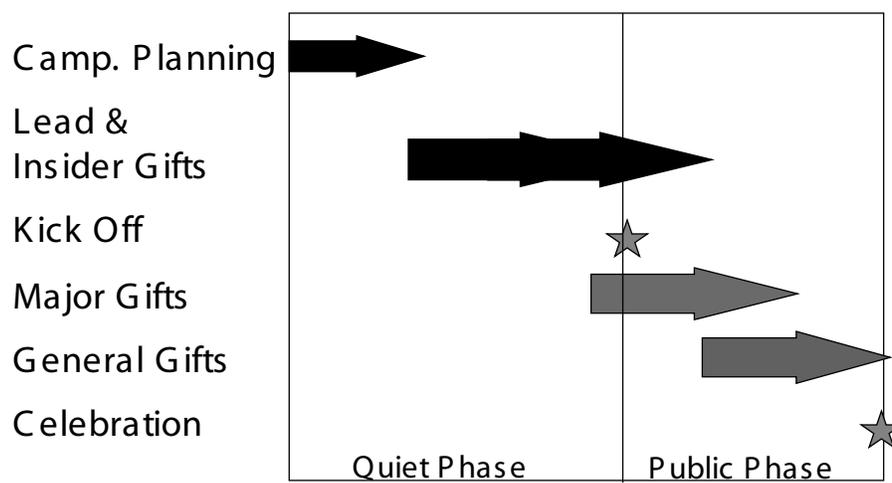


Figure 11.2. Campaign Phases.
Source: The Fund Raising School, 2002.

TESTING READINESS FOR A CAPITAL CAMPAIGN

Crucial to the success of any capital fund raising program is the readiness of the institution to take on this complex, intensive, energy-demanding exercise. It is demanding because it focuses on attention to details, requires control, and insists on quality of leadership throughout. The “Test for Readiness for a Capital Campaign” in Exhibit 11.1 that follows offers fund raising practitioners, managers, and trustees of nonprofit organizations an opportunity to assess their preparedness for a capital campaign.

As in all instruments of this type, the test score is not the final word in measuring readiness, but it is valuable in alerting staff members and trustees to any weaknesses that may hinder capital fund raising. Scores are to reflect perceptions, with a higher score reflecting greater readiness than the lower.

CONCLUSION

A successful campaign depends on the strengths of the organization. The following are fifteen essential elements that should be in place or in sight to give everyone involved the confidence to proceed with any capital campaign, regardless of the goal size.

1. A case rooted in well-developed advance organizational planning with a sound defensible business plan for the application of the funds needed to meet the goal
2. An involved and committed governing board
3. An informed constituency with a history of support and the apparent potential to provide the funds needed to meet the goal
4. A chief executive officer prepared to support the campaign intellectually and emotionally and to recognize that campaigning is not time for business as usual
5. Adequate budget for the incremental costs of campaigning in hand or within reach
6. Qualified staff with the requisite campaign experience or openness to retaining outside expertise, as needed
7. Recognition of the absolute importance of soliciting in sequence, from the top down, and establishing an early pattern of pacesetting and exemplary gifts to motivate others
8. Prospect research and rating programs to identify and evaluate the potential sources of support in sufficient numbers to yield three to five prospects for each gift needed at various levels
9. Involved board and possibly other volunteers willing to serve first on a campaign planning committee and subsequently on other committees, as needed

10. A procedure for testing the campaign plan in advance through a planning or feasibility study involving volunteers and staff
11. Other volunteers to work with staff to organize committees, develop solicitation strategies, and make presentations to prospects
12. Adherence to a schedule with deadlines for action and accountability
13. Publicity and printed materials prepared in phases and released or produced as needed
14. Events to announce the campaign, report progress, publicize significant gifts, and recognize donors and volunteers
15. Contagious enthusiasm about the campaign's goals and objectives throughout the organization

Exhibit 11.1. Test for Readiness for a Capital Campaign

Institutional Plans. Has a three- to five-year plan been prepared by senior staff members and approved by the board? Does the plan identify capital as well as current support needs for the planning period? Have staff and board members committed themselves to meet these financial needs through fund raising? *Score: 0 to 5*

Case. Does a written statement of the case exist? Does it identify the mission as an expression of the organization's values? Can a strong case be made for capital fund raising? *Score: 0 to 5*

Constituency. Has the organization identified its constituency beyond those who are closely involved with its programs? Has it analyzed the constituency for fund raising purposes by asking who the potential contributors might be. Has a constituency cultivation program been devised to involve the constituency? *Score: 0 to 5*

Market Involvement. Do staff-members and trustees know the makeup of the market? Are they knowledgeable about market needs, interests, and inclinations? Does the organization have a history of interacting with its markets and their various segments? Is fund raising structured so that it appeals to the specific interests and requirements of different market segments? *Score: 0 to 5*

Gift Support History. Has the fund raising program historically sought gifts for current program support, special gifts, capital, and endowment? Has this gift experience been cataloged in a way that enables staff-members to analyze the potential for a capital campaign? Has the fund raising program been active in its approach to larger donors: individuals, corporations, foundations, and others? Does the fund raising staff spend time periodically evaluating the potential of its donor base? *Score: 0 to 5*

Prospect Development Plan. Is an active prospect development plan in place? Does this plan include the presence of a prospect development committee? Do staff members and volunteers devote time periodically to discuss large gift prospects? Has this prospect research information been recorded in a manner that will make it available to staff members and volunteers for use in their fund raising assignments? *Score: 0 to 5*

Record Keeping. Is a proper record-keeping system in place? Does it provide for responsible storage and retrieval of confidential information? Are gift-receiving, gift-recording, and gift-reporting procedures in place? Will these procedures permit the appropriate acknowledgement of gifts in a timely manner? *Score: 0 to 5*

Communications Program. Is the communication program a two-way system of informing and receiving feedback from the constituency? Is the feedback heeded when a new communications program is designed and the materials are prepared? Does communication go beyond simple data dissemination—printed words on paper—to encompass a more sensitive program that seeks to inform and to involve people? *Score: 0 to 5*

Fund Raising Staff. Is a competent, qualified staff available to plan and direct the capital campaign and to provide the level of support that volunteer leadership will require? Is this staff able and in a position to devote its full energy and time to this fund raising assignment? Will the rest of the staff, management, and program and support staff give their full support to the fund raising team during the period of the campaign? *Score: 0 to 10*

Involved Governing Board. Have the members of the governing board asserted themselves as primary stewards of the organization? Have they been active in planning, approving, and clarifying policy; supervising management of resources; and generating resources through fund raising? Has the board been responsibly involved in the planning process for the capital program? Are members willing to give according to their abilities and to ask others? *Score: 0 to 15*

Potential Large Gifts. Large gifts are the top ten or twenty gifts that are required to produce 40 to 60 percent of the campaign goal. The top gift ideally should be a minimum of 10 percent of the goal, and the next two gifts each should equal 5 percent of that goal. Have valid prospects for these gifts been identified? *Score: 0 to 15*

Fund Raising Leadership. Does the organization have as part of its actively involved constituency a quality of volunteer leadership that will give the energy, enthusiasm, and drive that is necessary to press the campaign on to success? Will this leadership be willing to give and ask at the level required, and will it commit itself to do so? *Score: 0 to 20*

Scoring the test

The maximum score is 100. Very few organizations can score this high. A score of 75 to 100 indicates a reasonable chance for success. A score of 50 to 75 means there are problems that may have to be addressed before any decision can be made to move forward with a campaign. A score below 50 serves as a warning that the organization is not ready and that there may be problems that will have to be addressed before any efforts can be made to start a campaign.

Note that the score for the last four items—fund raising staff, involved board of trustees, potential large gifts, and fund raising leadership—*totals 60 points*. If there is a serious readiness weakness in this area, plans for a campaign should be put on hold until these weaknesses can be corrected or eliminated.

Source: The Fund Raising School, 2002.

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