

*Evaluation of Fundraising Effectiveness of Winnipeg  
Voluntary Sector Disability Organizations*

BY

JIN PIL JUNG

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**Jin Pil Jung**

**A Thesis/Practicum submitted to the Faculty of Graduate Studies of The  
University of Manitoba in partial fulfillment of the requirement of the degree**

**of**

**MASTER OF SOCIAL WORK**

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## ACKNOWLEDGEMENTS

I would like to dedicate this study to people with disabilities all over the world who are facing a variety of barriers and discriminations. It is my hope that some day they will live in this world independently with full human rights and dignity. I also would like to thank all people who volunteer and work with people with disabilities all over the world.

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## ABSTRACT

For the past 20 years, with the emergence of neo-conservatism, governmental support for voluntary organizations has decreased, resulting in intensively increased competition among voluntary organizations all seeking the same philanthropic dollars. Due to this trend, voluntary organizations have to develop their own strategies and tactics, but knowledge of fundraising has been transmitted orally and identified by only some practitioners who made their own observations or researchers of the literature.

This researcher analyzed the fundraising activities of three voluntary disability organizations in Winnipeg as a case study, based on qualitative data identified by self-report questionnaires, documents analysis and interviews with the purpose of improving their fundraising effectiveness.

The result indicates that they defined fundraising as effective if they raised more than the goal amount set by their organization after costs. These organizations were also concerned with fulfilling other factors, such as improving donor relations, recruiting more volunteers and enhancing public relations based on the assumption that all funds are raised ethically. They also regarded government fundraising as the most effective because governments still provided the biggest portion among all sources of their revenues. Also, special events were one of the most effective fundraising methods because they used unique and creative methods to collect funds and increase the public awareness.

This researcher also recommended the use of the media, such as television or radio, the fundraising assessment checklist, the energetic involvement of the board of

directors, and establishment of a fundraising department for improving fundraising effectiveness. A government funding policy also has to ensure clarity, consistency, and transparency among government departments and agencies including longer period grants, sharing specific knowledge and experience of voluntary organizations, and providing equitable access to organizations.

It is concluded that a fundraising department should be established and involved in the above issues to actively conduct a variety of fundraising activities and improve fundraising effectiveness.

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## CHAPTER 1

### INTRODUCTION

The Voluntary Sector Initiative (VSI) is a joint process between the voluntary sector and the Government of Canada. According to the Voluntary Sector Initiative (2003), there are more than 180,000 charities and non-profit organizations in Canada. These voluntary sector organizations are so broad and diverse because they are working in areas such as education, health, arts, religion, social services and the environment. In recent years, voluntary sector organizations are facing increasing demands for accountability, whereas their available resources for providing services have been reduced under the ideology of neo-conservatism.

In particular, funds are essential to finance programs for voluntary social service organizations, services, facilities, buildings, or activities. Voluntary organizations have to raise funds for supplemental income when their dues, fees or other charges, as well as governmental support, are not enough to cover their budgeted expenditures (Mirkind, 1972). Depending upon the amount of funds available to organizations, social services could be continued and expanded.

To survive, organizations have to develop effective fundraising tactics (Burlingame, Hulse and editors, 1991; Howe, 1991; Mixer, 1993; Hall, 1996; Klein, 1996). The tactics which organizations choose will significantly affect the overall operation of the organizations (Loewenberg, 1975). We can simply say that fundraising methods are efficient if they were able to obtain funds above and beyond

their expenses. A detailed definition of effectiveness will follow later. Fundraisers need to have a clear understanding about the political, social, and economic environments in which organizations are involved (Burlingame, Hulse & editors, 1991; Ross & Associates, 1991). One example of these environments can be explained as follows; if within a particular social environment that frowns upon gambling, it is unlikely that that any fundraising revolving around a gambling event would be successful. It would also be imprudent for a fundraising event to sell alcohol to raise funds for an alcohol dependency program. It is important for fundraisers to be conscious of these social issues and environments to maximize the effectiveness of their fundraising. Thus, we have to be careful that even if organizations raised more funds after their expenses, if fundraising methods are not ethical, this researcher defines those as not effective.

Also, as Loewenberg (1975) insists, the issue of fundraising in relation to social work values and practices has emerged as an important social agenda. For example, fundraisers have to be aware of related organizations' missions, goals, objectives, services, needs, programs and budgets before and during the time when they are raising funds to be successful. Furthermore, fundraising research might be able to identify a problem, condition or community situation because fundraisers have to identify those issues before they start fundraising to be successful and fit into their specific environments (Mirkind, 1972). In this view, it is true that fundraising plays an important role in initiating, expanding and continuing social services for community residents (Young and Wyman, 1996).

However, according to Brown and Brown (2001), research on a variety of fundraising tactics has not been very good in both quality and quantity. According to Bancel (2000) and Ott (2001), the scope of fundraising in the voluntary sector has grown significantly in the last several decades in relation to the amount of money raised. However, research on fundraising practices has not been able to match the remarkable growth of fundraising in the voluntary sector. According to Warwick (2000), much of the literature that has been written by practitioners largely reflects their own experiences rather than relying on researched data. They continually indicate that even if formal training and professional development of fundraisers started to increase, most fundraisers receive training and skills through their jobs, and accept the advice of others in their immediate environment.

Historically, knowledge of fundraising tactics has been transmitted orally and only some practitioners identify their observations or research in literature (Burlingame, Hulse & editors, 1991; Warwick, 2000; Lister, 2001). The oral method may be flawed because the information might be transmitted incorrectly or might not even be transmitted consistently over a long-term basis. Therefore, rather than depending solely on the oral method, we need to have literature to record and transmit the exact results of actual research and the skills and knowledge of fundraising tactics. It is for this simple reason that this researcher is conducting this study to record and transmit information on how to evaluate and improve fundraising effectiveness. Caution is required that this researcher has not measured the effectiveness of information transmission in the agencies this researcher has surveyed, but has

researched effective fundraising skills, as well as how to evaluate fundraising effectiveness.

Furthermore, identifying the different sources of funding might be helpful for developing fundraising tactics. Effective fundraising tactics do not guarantee effective fundraising if organizations do not carry out their plans correctly. In this study, this researcher will not explore this issue, but will explore fundraising tactics proved to be the most and least effective by the respondent organizations. Howe (1991) insists that all funds come from only five sources. First, individual donors give to voluntary organizations through membership dues, annual giving, and other ways such as family foundations. Second, federal, provincial, and municipal governments give grants to voluntary organizations. Third, the business sector gives to voluntary organizations directly or indirectly through their corporate foundations. Fourth, a variety of foundations such as family, corporate, or community foundations give to voluntary organizations. Last, voluntary organizations such as churches, professional associations and service clubs sometimes give to other voluntary organizations.

According to Mishra (1984), historically, with the emergence of neo-conservatism, governmental support has decreased and voluntary organizations have had to rely on contributed donations that result from fundraising. For the past 20 years, neo-conservatism has tried to overcome government deficits by cutting social spending and seeking the private sector to stimulate economic growth. Neo-conservatism does not consider structural or environmental factors as sources of social problems but attributes them to individual or family problems. Neo-conservatism would argue that helping those who fail to live independently stimulates

idleness and dependence on government and leads others to avoid efforts to support themselves (Mishra, 1984). Neo-conservatism also argues that government services, beyond a basic subsistence level, encourages human and capital resources to escape from the productive sector, discourages work and stimulates consumption of unneeded services. Their view is that the welfare state is too expensive and too inefficient. That is, the welfare state produces the causes rather than the solutions for many of our social problems (Mishra, 1984).

According to Ismael (1985), Canada has been affected by neo-conservatism. Canada has significantly attempted to reduce the public expenditures of the Canadian welfare state. This author insists that particularly, in 1989 and 1990, the federal government drastically cut social spending and started to give up universal programs as well as cutting budgets for voluntary organizations. Almost thirty years ago, Loewenberg (1975) also predicted that governmental funding alone would not be able to support a variety of social welfare programs and thus voluntary sector efforts would also be required to play a significant role in meeting social needs. This prediction has become a reality. Recently, the competition among voluntary organizations for private funds has become increasingly intense because government support continues to decline and voluntary organizations are all seeking the same philanthropic dollars. According to Ott (2001) and Tuckman (1998), the overall worldwide situation of governments' support to the voluntary sector has declined. Therefore, voluntary sector organizations have to devise their own tactics to operate their various programs, especially through fundraising from individuals, corporations and foundations as well as securing funds from governments on a continual basis.

However, there are some chronic difficulties with fundraising. Traditionally, fundraising has been regarded as the dirty work of voluntary organizations and treated the same as begging. According to Klein (1996), because of negative prejudice like this, still, nowadays, many voluntary organizations have difficulties in securing funds from foundations, corporations, and individuals. Fundraising is not easy. No one has ever invented a magic solution for fundraising. It can be so diversified and complex that voluntary organizations need to develop the skills of fundraising (Young and Wyman, 1996). Additionally, Mixer (1993) insists that fundraising has low respectability. For example, many people who have received mail and telephone solicitation regard fundraising as an annoyance. Asking for money is often regarded as begging or pressuring someone (Young & Wyman, 1996; Howe, 1991).

Keeping in mind these premises, this researcher has developed the three research questions that follow: What is the effectiveness of the various funding activities?; What are effective fundraising methods?; How do sample organizations in this study evaluate the effectiveness of their fundraising activities?. Fundraisers need to determine the effectiveness of fundraising activities because there are a variety of definitions of effectiveness. For example, this researcher will consider it is not effective if the fundraising tactics are used unethically even though a large amount of funds after expenses are raised. After this researcher completed research on how sample organizations in this study evaluate their fundraising activities, this researcher also developed his own rationale to evaluate the sample organizations' fundraising activities in this study so that organizations can produce maximum results with the

least amount of money invested in fundraising in an ethical manner (Duronil & Loessin, 1991).

In order to answer these three questions, this study proposed a variety of fundraising tactics through a review of the literature and presented the practical skills and knowledge needed by prospective fundraisers. In detail, this researcher has developed the following objectives. In order to find effective fundraising guidelines, first of all, through a Canadian literature review, this researcher examined nationwide fundraising situations to get a broader picture of fundraising activities. Examining these fundraising situations was helpful for this study because it provided us with information related to the number of frequently used fundraising tactics and their effectiveness. Second, this researcher evaluated the fundraising activities of three voluntary organizations helping people with disabilities in Winnipeg as a case study by way of self-report questionnaires and interviews. This researcher will explain later how to measure the variables under study. For confidentiality, the names of the sample organizations will not be released. The process of choosing these sample organizations will be explained later in more detail. Last, this researcher carefully analyzed the results of this research and developed some recommendations based on this information.

As this researcher mentioned earlier, the extensive cutbacks of government funding started in many countries in the 1980s and '90s (Ott, 2001; Tuckman, 1998). However, according to Hall (1996), it is true that the majority of funds for voluntary organizations still come from governments in Canada. The author insists that after government dollars, individual donors give more money to voluntary organizations

than any other sources, including corporations or foundations. After individuals, foundations and corporations follow. However, there has been little data collected on how fundraisers in Canada actually raise funds from individual donors, foundations or corporations (Hall, 1996). This study focused entirely on researching the effectiveness of a variety of fundraising activities asked about in the questionnaires designed for this study.

In particular, this researcher used the concept of hypothesis. A hypothesis is “an idea about the nature of social reality that is testable through systematic research (Levin & Fox, 1997, P. 405).” The first step in the stages of social research is to set up testable hypotheses. A hypothesis consists of an independent variable and a dependent variable. The independent variable is related to the presumed cause and the dependent variable is related to the presumed effect. For example, ‘If you have more fundraisers you will be more likely to raise more money than if you have no or fewer fundraisers.’ Having more fundraisers is an independent variable and raising more money is a dependent variable.

Every tactic will not work to the same degree for every organization (Duronio & Loessin, 1991; Greenfield, 1999). It is this researcher’s hope that this study allowed voluntary organizations helping people with disabilities to choose their own specific tactics that will work the most effectively for them while expanding the tactics they are already using. After reading this study, it is also this researcher’s hope that readers will be able to gather useful information on effective fundraising activities that may fit their own environments. The goal in this study was to help them save unnecessary time and energy.

## CHAPTER 2

### LITERATURE REVIEW

In this section, this researcher reviewed the theory of evaluating fundraising efficiency. Second, this researcher reviewed a variety of fundraising tactics that were largely included in the questionnaire in this study. Third, rather than reviewing all voluntary organizations in Canada, this researcher focused on reviewing types of charitable fundraising including distribution and sources of those charities because this study is primarily interested in raising charitable funds. This researcher also reviewed Hall (1996)'s study on a national survey of fundraising practices of Canadian charities. Last, this researcher reviewed charitable fundraising in Manitoba. Here, this researcher primarily reviewed the average 1997 expenditure by charitable organizations and the governmental funding sources of those organizations.

#### **2.1 Theory of Evaluating Fundraising Efficiency**

This study regards fundraising tactics as efficient if they gather extra funds after deducting the costs to raise those funds. Therefore, the most efficient fundraising tactic is one that gathers the greatest amount after deducting costs, whereas the least efficient tactic is one that gathers the smallest amount of funds after deducting costs. Generally, fundraising has goals and objectives that go beyond how much money is raised. Fundraising aims to find more prospects and donors and encourage members' active participation as well as fiscal support (Greenfield, 1999). Murray (1994) developed four purposes for evaluation of fundraising effectiveness as follows: "1) To identify what is being done well; 2) To identify some areas that need improvements;

3) To identify the whole planning process and 4) To identify future plans including objectives” (p. 47).

In particular, Greenfield (1999) developed a nine-point performance index to “evaluate the unique performance of each fundraising method based on its results (See table 2.1) (p. 79). The author maintained that using the same index to evaluate each fundraising tactic is very helpful for comparative analysis because it provides a uniform grid.

(1) Participants

Tracking the number of participants is very important because fundraising aims to help more people participate in the organizations’ activity as well as provide financial support. Here, the term ‘participants’ is defined as the number of donors responding with gifts.

(2) Income received

Each fundraising event aims to secure more money as well as involve more participants in fundraising.

(3) Expenses

Identifying costs spent to raise money is also essential to evaluate the effectiveness of each fundraising tactic used.

(4) Percent of participation

This is a result of dividing the number of respondents by the number of solicitations made. For example, an acquisition mailing was sent to 80,575 people and 1,156 people responded with gifts. Again, one year later, a renewal mailing was sent

to these same 1,156 donors and 602 people responded with gifts. The calculation required to determine the percentage of participation is as follows:

$$\text{Acquisition mailing: } (1,156 \div 80,575) \times 100 = 1.43\%$$

$$\text{Renewal mailing: } (602 \div 1,156) \times 100 = 52\%$$

Therefore, it can be seen that the renewal mailing is more efficient than the acquisition mailing. However, it is also true that the renewal mailing success is based on the fact that the acquisition mailing was done in the first place.

#### (5) Average gift size

Assessing the gift size is a valuable indicator to compare with other gift sizes. It can be calculated by dividing the total contributions received by the number of donors. For example, \$35,758 was raised from 1,156 donors through the acquisition mailing and \$31,304 was raised from 602 donors through the renewal mailing. The Average gift size is as below.

$$\text{Acquisition mailing: } \$35,758 \div 1,156 = \$30.93$$

$$\text{Renewal mailing: } \$31,304 \div 602 = \$52$$

As a result, the average gift size of the renewal mailing is bigger than that of the acquisition mailing. Also, according to Levin and Fox (1997), a median is a measurement of the typical value that occurs in a distribution because it is the middle value in any given distribution. If there are very large values or small values, the median value is a more appropriate measurement than an average gift size because those values can increase the average disproportionately. Also, standard deviation can be used to assess dispersion. According to Levin and Fox (1997), standard deviation

is “the square root of the mean of the squared deviations from the mean of a distribution as a measure of variability that reflects the typical deviation from the mean” (p. 409).

(6) Net income

Net income is the result of subtracting solicitation costs from the total contributions received. Net income reveals not only profitability but also the efficiency of the fundraising tactics used. For example, \$32,641 was spent to raise \$35,758 through acquisition mailing and \$1,625 was spent to raise \$31,304 through renewal mailing. Net income is calculated as below.

$$\text{Acquisition mailing: } \$35,758 - \$32,641 = \$3,117$$

$$\text{Renewal mailing: } \$31,304 - \$1,625 = \$29,679$$

(7) Average cost per gift

Identifying the average cost per gift will also be beneficial in assessing cost-efficiency which is an important part of overall effectiveness. The average cost per gift can be secured simply by dividing total fundraising costs into the number of donors.

$$\text{Acquisition mailing: } \$32,641 \div 1,156 = \$28.24$$

$$\text{Renewal mailing: } \$1,625 \div 602 = \$2.69$$

Acquisition gifts were produced at an average cost per gift of \$28.24 to realize an average gift of \$30.93, whereas an average gift of \$52 was realized at a cost of \$2.69 through the renewal mailing. As a result, acquisition gifts were realized at a much higher cost per gift than that of the renewal mailing.

## (8) Percentage of fundraising cost

The percentage of fundraising costs can simply be acquired if fundraising expenses are divided by the total contributions received and are multiplied by 100 for a percentage.

$$\text{Acquisition mailing: } (\$32,641 \div \$35,758) \times 100 = 91.28 \%$$

$$\text{Renewal mailing: } (\$1,625 \div \$31,304) \times 100 = 5.19 \%$$

## (9) Percentage of return

Each fundraising tactic should be able to demonstrate improvement on previous results and produce reliable degrees of efficiency and profitability. Greenfield (1999) insists that “the larger the number of active donors available for renewal, the greater the net return they will provide” (p.84). The return percentage can also be acquired if net income received is divided by fundraising expenses and multiplied by 100 for a percentage.

$$\text{Acquisition mailing: } (\$3,117 \div \$32,641) \times 100 = 9.55 \%$$

$$\text{Renewal mailing: } (\$29,679 \div \$1,625) \times 100 = 1,826 \%$$

A nine-point performance index for examples of acquisition and renewal mailing is displayed below (Greenfield, 1999, p. 80). This index does not add to a total score. Completing this index for each fundraising tactic will be able to yield data to forecast the future performance of organizations.

**Table 2.1. Nine-point Performance Index Analysis of Acquisition and Renewal Mailings**

Nine-point performance	Acquisition mailing	Renewal mailing
1) Participation (Number of donors responding with gifts)	1,156	602
2) Income (Gross contributions)	\$35,758	\$31,304
3) Expense (Fundraising costs)	\$32,641	\$1,625
4) Percent participation (Divide participants by total solicitations made; multiply by 100 for percentage)	1.43%	52%
5) Average gift size (Divide income received by participants)	\$30.93	\$52
6) Net income (Subtract expenses from income received)	\$3,117	\$29,679
7) Average cost per gift (Divide expenses by participants)	\$28.24	\$2.69
8) Percentage of fundraising cost (Divide expenses by income received; multiply by 100 for percentage)	91.28%	5.191%
9) Percentage of return (Divide net income by expenses; multiply by 100 for percentage)	9.55%	1,826%

(Greenfield, 1999)

## 2.2 A Variety of Fundraising Tactics

This section reviews a variety of fundraising tactics discussed in the literature. This researcher tried to find any available evidence on the effectiveness of each tactic listed below, but this researcher was not successful. The literature described only the necessity and importance of each tactic. This is why this researcher included those questions related to these tactics into the questionnaire in this study. This study aims to find any available evidence on the effectiveness of each tactic listed below.

### 1) Hiring professional fundraisers

Klein (1996) argues that voluntary organizations always have an ongoing need to raise more money to operate their programs. Essentially, they need to hire

fundraisers who are responsible for fundraising. Klein also points out that a hired fundraiser would be able to generate much more money than organizations are currently raising, even including the salary for the fundraiser. A fundraiser can develop short and long-term plans for effective fundraising by setting each tactic and its goal. In particular, a fundraiser has to keep information on all kinds of fundraising issues such as the mailing list, specific fundraising tactics or how to evaluate fundraising performance.

An organization requires a wide range of people, including volunteers, and their experiences and skills are critical to the growth of the organization. The author emphasizes that the most important job of fundraisers is to encourage volunteers to participate in fundraising positively. Without using volunteers, fundraisers would be “overwhelmed and burned out” (p. 8). A fundraiser who has a great deal of volunteer experience will have a much better idea of how to work with volunteers. Furthermore, fundraisers have the ability to train and motivate people in all areas of fundraising (Young & Wyman, 1996). It is also ideal if small organizations can hire a fundraiser, but in reality it will be difficult to hire a fundraiser because small organizations might not be able to perform a variety of fundraising tactics that a fundraiser would develop.

## 2) Developing a fundraising proposal

Bowman and Branchaw (1992) define a proposal as “a document that offers to solve a problem for a leader or group of leaders by providing specific goods and/or services at a specified cost or in exchange for something else.” (p. 2). Miner, Miner and Griffith (1998) identified two types of proposals including a full proposal and a