

mine who heads a major international relief organization speaks of "compassion fatigue." There is so much misery in the world that we are becoming quite hardened and callous to that constant plucking of our heart strings.

In fund development you appeal to the heart, but you also have to appeal to the head, and try to build a continuing effort. The non-profit manager has to think through how to define *results* for an effort, and then report back to the donors, to show them that they are achieving results.

You also have to educate donors so that they can recognize and accept what the results are. This is perhaps the newest development—this realization that a donor doesn't automatically understand what the organization is trying to do. Donors are becoming too sophisticated to appeal to them simply on the basis that education is good or health is good. They ask, Whom are you educating? Educating for what?

This moves us to constituency building over the very long term. It is how the Claremont Colleges, where I have been teaching now for twenty years, were built. In the 1920s, the president of Pomona College, the mother college of the group, realized that Southern California and its college population would grow fast and that he would need a great deal of money for the college. He started by actually founding local new businesses and running them for a couple of years until they broke even. Then he called in a top-flight new graduate, literally gave him the business and \$10,000 to boot (which was a great deal of money in those days), and said, "It's yours. You build it. But if it is successful, don't repay us. Remember us." That's why Pomona and the whole Claremont group are so well endowed today. He built an enormous constituency—long term. The fruits didn't come in for twenty years, but they came in a thousandfold. I'm not saying that this is the way everyone should do it. But it is one example of building up a long-term constituency, people who remember, who are not giving simply because someone rings a doorbell. They see the support of the institution as self-fulfillment. That is the ultimate goal of fund development.

Winning Strategies

There is an old saying that good intentions don't move mountains; bulldozers do. In non-profit management, the mission and the plan—if that's all there is—are the good intentions. Strategies are the bulldozers. They convert what you want to do into accomplishment. They are particularly important in non-profit organizations. One prays for miracles but works for results, St. Augustine said. Well, strategies lead you to work for results. They convert intentions into action and busyness into work. They also tell you what you need to have by way of resources and people to get the results.

I was once opposed to the term "strategy." I thought that it smacked too much of the military. But I have slowly become a convert. That's because in many businesses and non-profit organizations, planning is an intellectual exercise. You put it in a nicely bound volume on your shelf and leave it there. Everybody feels virtuous: We have done the planning. But until it becomes actual work, you have done nothing. Strategies, on the other hand, are action-focused. So, I've reluctantly accepted the word because it's so clear that strategies are not something you *hope* for; strategies are something you *work* for.

Here is one example of a winning strategy: Brown University in Providence, Rhode Island. Twenty years ago it was a respectable "also ran," known as "Harvard's little sister." It had an excellent faculty. But it had no distinction; it did what everybody else did. Then a new president asked, What do we have to do to become a leader despite the tough competition where we have Harvard to the north and Yale to the south, and about twelve first-rate liberal

arts colleges within an hour's drive? He focused on two things. First, make women full citizens of the university. Brown always had a women's college—Pembroke. But making women full citizens meant bringing in those women who wanted to go where women supposedly don't go—mathematics, the sciences, pre-med, computers—and systematically recruiting young women who were doing exceptionally well in these areas that tradition doesn't consider particularly feminine. Second, build closeness to students into the way the university runs. For each of these two goals the new president had a strategy. In the past ten years, Brown has become the "in" university for bright kids in the East.

This is almost a textbook case of a successful *marketing* strategy. What that Brown president did was to recognize changes in the market: the emergence of career-focused young women, and the desire of students, after the turbulent sixties, to have a "community." And then he developed specific campaigns to reach his potential customers—and went to work.

IMPROVING WHAT WE ALREADY DO WELL

In this country, in particular, we usually underplay the strategy of doing better what we already do well. This hit me the first time I went to Japan, when they were just beginning their meteoric rise. I looked for innovation strategies and there weren't any. But every place—whether university, business, or government agency—had a clear strategy for *improving*. They don't talk innovation. They ask, How do we do better what we are already doing? It may be something very mundane, like sweeping the floor. Or it may be a very major change: don't just bring in new machines and put them into the existing lineup; we really have to change the lineup and rearrange the whole process. But the focus is always on improving the product, improving the process, improving the way we work, the way we train. And you need a continuing strategy for doing so.

To work systematically on the productivity of an institution, one

needs a strategy for each of the factors of production. The first factor is always people. It's not a matter of working harder; we learned that long ago. It's a matter of working smarter, and above all, of placing people where they can really produce. The second universal factor is money. How do we get a little more out of the money that we have? It's always scarce. And the third factor is time.

One needs productivity goals—and ambitious ones. Whenever I sit down with people to discuss productivity goals, they say, "You are way too high." I learned from an old friend, one of the great men of the black community, Kenneth Clark, the psychologist at City University of New York, that one should always set the objective twice as high as one hopes to accomplish because one will always fall by 50 percent short. That's a little cynical, but there's truth in it, so set your objectives high. Not so high that people say this is absolutely absurd, but high enough so that they say: we've got to stretch.

Constant improvement also includes abandoning the things that no longer work; and it includes the innovation objective. Let's take 3M, which turns out two hundred new products a year. They start out by saying that 80 percent of the products that will be in the line ten years hence we haven't even heard of yet. And then they go to work, to work, to work. Almost everything human beings use becomes obsolete sooner or later, so we have to replace it. What is our innovation strategy? Where are we going to do something different, or do the same thing quite differently? Set the goals—and go to work.

For non-profit managers, the signposts are less clear. How, for instance, in a mental-health clinic can you judge the effectiveness of a strategy, whether you're doing better this year than last?

Well, you can define what "better" means. I know one major mental-health clinic that does a tremendous job in an area in which results are terribly hard to achieve—mostly paranoia cases. The head of that clinic is a good friend, and I said to him, "Working with paranoia must be terribly frustrating. In depression, we can help people today. In schizophrenia, we can help, not perhaps a

great many, but quite a few. But with paranoia, there are very limited results." He answered, "You are wrong, Peter. We have a simple goal. We know we don't know how to cure it; we don't understand it at all. But there is a possibility of helping people who are sick with paranoia to realize that they are sick. And that is a tremendous step forward. Because then they know that *they* are sick, not that the world is sick. They are not cured, but they function."

That's a qualitative goal. You can set goals that are not measurable but can be appraised and can be judged.

The people in a really successful research laboratory cannot quantify their research results ahead of time. But they can sit down every three years and ask, "What have we contributed in the last three years that did make a difference? And what do we plan to contribute? These are qualitative measures. And they are just as important as the quantitative ones. Let me say that you have to define quality first. Quantity without quality is the worst thing and will result in total failure."

And how does a pastor set a strategy? First, the pastor has to define the goals. What is he or she trying to do? Sure, you make certain assumptions about people if you are a pastor. You make the assumption that it probably increases their chance of salvation if they do go to church.

As an old schoolmaster, which I've been for sixty years, I assume that the longer kids sit on their backsides, the more they learn. These are not testable assumptions, but you've got to make them. So the pastor sets his or her goal, which is to build a congregation.

What kind of a congregation? Not every pastor has the same vision. You may find people who say, "I just bring them to church; that's the main goal. The next one will say, 'No, I only want to bring certain kinds of people in. Both are in the same profession, but see their mission quite differently. One sees it as to build a broad base; the other wants to start a small community of true believers who will stand fast at Armageddon."

Then you have to ask, "What are the specific results I want?"

Whether it's a church or a hospital or a Boy Scout troop or a public library, your strategy will have the same structure. First, you need the goal, and it's got to fit your mission. But it also has to fit the environment in which you work. Then you think through specific results for specific areas. The pastor who sees his or her church in terms of large masses of parishioners segments the market and designs a service for each segment. I once sat in on a meeting at which a very successful pastor said: "Any fool who is ordained can build a large church in five to seven years if he focuses on five market segments. He has a youth ministry, a singles ministry, a young-married ministry, a home ministry for the shut-ins, and a ministry for the elderly. The rest is hard work." Then he added, "Of course, the targets you set for these five depend on the community you are in."

That's perhaps a little oversimplified, but I've heard hospital administrators talk very similarly. Look at the ultimate beneficiaries—call them the market—the ultimate clients. Whether that market is a church, a hospital, a Boy Scout troop, or a public library, you have the same structure for your strategy. If you are a public library, you have adults, young people, and preschoolers, and you serve the schools. I think of each of these groups as a separate market—they share a building, they share common services, they share a lot of books; but I think you go after them separately. And you develop a marketing plan. You will need money, and will have to allocate it sensibly. You will have to communicate and you will have to have feedback.

First, the goal must be clearly defined. Then that goal must be converted into specific results, specific targets, each focused on a specific audience, a specific market area. You may need a great many such specific strategies. The American Heart Association divides the American public from which it raises money into forty-one different segments. That's quite a lot. But it explains perhaps why they have been so successful.

Next, you will need a marketing plan and marketing efforts for each target group. How are you really going to reach this spe-

cific segment? You now need resources—people, above all—and money. And the allocation of both.

Next comes communication—lots of it—and training. Who has to do what, when, and with what results? What tools do they need? In what language do they have to hear it? One pastor told me that when he sits down with each of his groups and talks about goals and missions, even after twenty-five years, he still uses the language of the seminary. But the people who have to do the work are his lay volunteers, and to them these are strange words. Words like “implementation,” “fulfillment,” and “plan” when used by a hospital administration may sound strange, too, for somebody in physical therapy who knows all the muscles of the body. You have to ask who must do what, and in what form they should get it so that it becomes *their* work.

Then you need logistics—for want of a better word. What resources are required? I’m always reminded of the old story that whenever Napoleon’s brilliant marshals came out with great plans of moving against Prussia, or Spain, or what have you, Napoleon would listen silently and then ask, “How many horses does it require?” Usually they hadn’t thought it through and their plan outran the available horses. That’s very typical.

Finally, you ask: “When do we have to see results?” Try not to be impatient. But you must be able to see whether you are on course when the results come in. What feedback do you need? How do you measure your achievement so that you realize that in this area, which is crucial, we are way behind our timetable? If we can’t speed it up, we will have to scale everything back (the horses aren’t there, in Napoleon’s terms). Or, here we are ahead of our timetable? Is this an opportunity for us to speed it all up, or does it indicate that we are getting dangerously out of line? You need feedback and control points.

I think the steps are the same for every organization. How you carry them out depends very much on what kind of an organization you are.

To carry out the process, you need to use both written and verbal communication. A written process has the great advantage

that you can hand out a sheet to everybody, go down the line, check it off, and say, “Any questions on point three?” And somebody says, “Are we on point three? I thought we were still on point two.” You talk about it. Above all, you invite questions.

But you also have to encourage people to come back and say, “This is what I heard. Am I right that you expect me to do this?” That is much better done in speaking than in writing. Partly because there is less misunderstanding and partly because it’s freer and less formal.

To my mind, the best example of a winning strategy in a non-profit institution is that of The Nature Conservancy. Its clear goal is to preserve as much as possible of God’s ecological diversity of flora and fauna, which is endangered by man. The board members developed one strategy to find the places that needed preserving; another to get the money to buy them; and a third to manage it. The market—the people from whom they get the money—is local. So they built state organizations that reach the local people, and a goal of, I believe, fifteen of these major nature preserves per year, which is very ambitious. They are meeting it because they were so clear about that goal and its implementation. I think that accounts for success pretty much across the board.

But there is one *don’t* on strategy. Don’t avoid defining your goals because it might be thought “controversial.” This strategy almost destroyed a major hospital, which attempted to brush under the rug one tough and highly controversial question: Are we trying to fill as many of our beds as possible, or are we trying to deliver the best patient care? Their best-known eye doctors had proposed to move eye surgery into a free-standing ambulatory eye clinic, next door to the hospital. The eye surgeons saw this as improving patient care, indeed, as the first step toward the health-care delivery system of tomorrow; and so did some of the hospital administrators. But the board saw only that this move would cut bed occupancy, which was their first priority. Eventually, the prominent eye surgeons got tired of the wrangle and left the hospital altogether, taking with them their patients, both ambulatory and bed patients. Other prominent physicians followed. Three

years later the hospital had gone downhill so much—both in reputation and in occupancy rate—that it had to sell out to a for-profit chain.

With strategy, one always makes compromises on implementation. But one does not compromise on goals, does not pussy-foot around them, does not try to serve two masters.

Here is another *don't*: Don't try to reach different market segments with the same message. Some years ago I helped develop an executive management program. We were crystal-clear on the goal; but we did not really spend enough time thinking through the market segments. We tried to sell the program to everybody the same way. After six or seven years of working very hard and not getting very far, we sat down and said, "Look, we really have three quite separate markets. They may all belong in the same program, but they are coming for different reasons." We organized it to the point that we now have different administrators for these groups. And it works.

HOW TO INNOVATE

Usually, there is no lack of ideas in non-profit organizations. What's more often lacking is the willingness and the ability to convert those ideas into effective results. What is needed is an innovative strategy. The successful non-profit organization is organized for the new—organized to perceive opportunities. Innovative organizations systematically look both outside and inside for clues to innovative opportunities.

One strategy is practically infallible: Refocus and change the organization *when you are successful*. When everything is going beautifully. When everybody says, "Don't rock the boat. If it ain't broke, don't fix it." At that point, let's hope, you have some character in the organization who is willing to be unpopular by saying, "Let's improve it." If you don't improve it, you go downhill pretty fast.

The great majority of major institutions that have gotten into

real trouble over the last fifteen years are successes that rested on their laurels. Look at the American labor union in the early Eisenhower years. It was king of the jungle. But where is it now? The main reason for these calamities is that the people who said then, "We have obtained our objectives; now let's improve on them," were forced out. They were treated like the little boy who says a dirty word in church. Sears, Roebuck twenty years ago was the merchant prince, the first choice of seventy percent of American families. It became so complacent that it ignored all signs of change in the American marketplace. When you are successful is the very time to ask, "Can't we do better?" The best rule for improvement strategies is to put your efforts into your successes. Improve the areas of success, and change them.

The responsibility for this rests at the top, as in everything that has to do with the *spirit* of an organization. And so the executives who run innovative organizations must train themselves to look out the window, to look for change. The funny thing is, it's easier to learn to look *out* the window than to look *inside*, and that's also a smart thing to do systematically.

The most successful college I know has managed—at a time of shrinking student population—to increase the number of its applicants and improve the quality of those applicants by just such a discipline. The president and the director of admissions spend alternate weeks visiting high schools and inquiring about the changing expectations of the kids. The pastoral church which is such a significant sociological phenomenon in today's America looks at changes in demographics, at all the young, professional, educated people who have been divorced from their background and need a community, need help, comfort, and spiritual sustenance. The change outside is an opportunity. You can force yourself to drive a different route to work; you can force yourself to sit down and talk with students, who are still in high school but thinking of college. You can force yourself to look at demographics—and that's your first source.

Then you look *inside* your organization and search for the most important clue pointing the way to change: generally, it will be the

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unexpected success. Most organizations feel that they deserve the unexpected success and congratulate themselves on it. Very few see it as a call to action. My best story on this score is not an American story, it's from India, which has converted itself in less than twenty years from chronic famine to food surplus. One of the keys to this change was the unusual success of a large farm cooperative that had become the sales agent for a cheap European bicycle with an auxiliary motor. The only trouble was the farmers didn't want it; they didn't buy it. Amazingly enough, while orders for bicycles didn't come in, orders for *replacement* motors for bicycles the farmers hadn't bought came in by the bushel. Everybody said, "Those stupid farmers, don't they know they need a bicycle?" Except for one co-op official. He went out and asked, "What are you doing with them?" Well, he found that the farmers were using that little single-stroke gasoline engine as a motor for irrigation pumps, which had always been powered by hand. Perhaps the greatest single contribution to India's tremendous agricultural success is the gasoline irrigation pumps that now bring available water to where it's needed.

The first requirement for successful innovation is to look at a change as a potential opportunity instead of a threat.

Everybody is worried about the "latchkey kids." But for the Girl Scouts of the U.S.A., the fact that there are so many young girls today whose mothers are out at work became a tremendous opportunity that led to the creation of the Daisy Scouts. Faced with a change, we should always ask, How can this give us a chance to contribute?

The second question is, Who in our organization should really work on this? That's a crucial question. Most new things need to be incubated. They need to be piloted by somebody who really wants that innovation, who wants it to grow, who believes in it. Everything new also gets into trouble, so look for somebody who really wants to commit himself or herself and who has enough standing in the organization.

Then think through the proper marketing strategy. What are you really trying to do? When you look at successful businesses,

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they have very different strategies. A company like Procter & Gamble has always had one clear strategy in bringing out a product: to be the first, and to dominate the market. If it works, that's a winning strategy; but it's terribly risky. For fifty years, IBM never has brought out a new product; it has always been a creative imitator. It also always aimed at market dominance, but it lets somebody else go in first because the first version is likely not to be quite right. The Japanese strategy is very different. It exploits the mistakes of the leaders, their bad habits, especially their arrogance.

Look into the possibility of developing a niche. One very successful non-profit hospital group does not develop community hospitals but examines what each local community needs. In one community there is room for a psychiatric hospital, in another room for a good gerontology center. Each is a specialty hospital. That is a strategy: if you come out with a specialty, don't try to do everything for everybody.

THE COMMON MISTAKES

There are a few common mistakes in doing anything new. One is to go from idea into full-scale operation. Don't omit *testing* the idea. Don't omit the pilot stage. If you do, and skip from concept to the full scale, even tiny and easily correctible flaws will destroy the innovation.

But also don't go by what "everybody knows" instead of looking out the window. What everybody knows is usually twenty years out of date. In political campaigns, the ones who look so promising at the beginning and then fizzle out are usually the ones who go by what they believe everybody knows. They haven't tested it, and it turns out that "This was twenty years ago."

The next most common mistake is righteous arrogance. Innovators are so proud of their innovation that they are not willing to adapt it to reality. It's an old rule that everything that's new has a different market from the one the innovator actually expected.

I remember one of my pastoral friends saying of a new program: "Great, a wonderful program for the newly married." The program was indeed a success. But to the consternation of the young assistant pastor who had designed it and ran it, not a single newly married couple enrolled in it. All the participants were young people who were living together and wondering whether they should get married. And as the senior pastor told me, he had a terrible time with his brilliant young assistant, who became righteous and said, "We haven't designed it for them." He wanted to throw them out.

Another common mistake is to patch up the old rather than to go all-out for the new. The present plight of General Motors clearly shows that in that case you will get only the costs of the new, and none of its benefits. When the Japanese came in and the American public changed its approach to the automobile, GM patched. GM improved a little bit what it already was doing, and spent enormous amounts of money and time and people on patching—far more than genuine innovation would have required. A few years later Ford ran around GM. Ford sat down and said, "What does the new require?" It designed new cars and new ways of selling them, and risked a good deal of existing investment. But Ford brought out something that looked and behaved differently, and that could really compete.

There comes a point when one has to look at what the job requires, and design for that job, rather than saying, "This is how we've always done it. Let's improve it a little bit." This is one of the critical decisions. It is one of the crucial tasks of the executive to know when to say, "Enough is enough. Let's stop improving. There are too many patches on those pants."

Don't assume that there is just the one right strategy for innovations. Every one requires thinking through anew. Don't say, "We have been successful six times in introducing the new this way, so that must be the *right* way. That's our formula now." And, if it doesn't work, don't blame the "stupid public." Say instead, "Maybe this needs to be done differently." Before you go into an innovative strategy, don't say, "This is how we do it." Say, "Let's

find out what this needs. Where is the right place in the market? Who are the customers, the beneficiaries? What is the right way to deliver it? What is the right way to introduce it? Let's not start out with what we know. Let's start out with *what we need to learn*."

When a strategy or an action doesn't seem to be working, the rule is, "If at first you don't succeed, try once more. Then do something else." The first time around, a new strategy very often doesn't work. Then one must sit down and ask what has been learned. "Maybe we pushed too hard when we had success. Or we thought we had won and slackened our efforts." Or maybe the service isn't quite right. Try to improve it, to change it and make another major effort. Maybe, though I am reluctant to encourage that, you should make a third effort. After that, go to work where the results are. There is only so much time and so many resources, and there is so much work to be done.

There are exceptions. You can see some great achievements where people labored in the wilderness for twenty-five years. But they are very rare. Most of the people who persist in the wilderness leave nothing behind but bleached bones. There are also true believers who are dedicated to a cause where success, failure, and results are irrelevant, and we need such people. They are our conscience. But very few of them achieve. Maybe their rewards are in Heaven. But that's not sure, either. "There is no joy in Heaven over empty churches," St. Augustine wrote sixteen hundred years ago to one of his monks who busily built churches all over the desert. So, if you have no results, try a second time. Then look at it carefully and move on to something else.

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function—though there is specific work—you're talking of a basic commitment. In talking of marketing in the non-profit organization, you are talking of the basic action that results in an organization that is both dedicated and positioned to satisfy its basic purpose.

PHILIP KOTLER: Exactly. Marketing in a non-profit organization becomes effective when the organization is very clear about what it wants to accomplish, has motivated everyone in the organization to agree to that goal and to see the worthwhileness of that goal, and when the organization has taken the steps to implement this vision in a way which is cost-effective, in a way which brings about that result.

PETER DRUCKER: So, would you agree that marketing is the work—and it is work—that brings the needs and wants and values of the customer into conformity with the product and values and behavior of the supplier, of the institution?

PHILIP KOTLER: Marketing is a way to harmonize the needs and wants of the outside world with the purposes and the resources and the objectives of the institution.

Building the Donor Constituency

*Interview with Dudley Hafner**

PETER DRUCKER: What we used to call fund-raising, we now call fund development. Is this pure rhetoric, Dudley?

DUDLEY HAFNER: For some, it might be pure rhetoric, but for others it's recognizing that your true potential for growth and development is the donor, is someone you want to cultivate and bring along in your program. Not simply someone to collect this year's contribution from.

PETER DRUCKER: Does that apply only to national organizations such as yours? Or would you say the same thing about the United Way or the local church or the local hospital?

DUDLEY HAFNER: It applies to all of the non-profit organizations. One of the things that helps an organization move forward is to have a broad, sound, solid advocacy base. One of the places to develop that is within your giver group. You need those advocates.

*Dudley Hafner is executive vice-president and CEO of the American Heart Association.

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PETER DRUCKER: But also, of course, it must greatly reduce acquisition cost; the cost of getting the money, when you have a donor base that is already sold. You don't have to sell every year. Is that right?

DUDLEY HAFNER: That's correct. It's just much more efficient to organize with the notion that you are going to have a long-term relationship with your donors, that you're going to help them increase their support to the organization. But from an effectiveness standpoint, it also makes a lot of sense because for a non-profit organization to be really successful, you have to have a lot of people caring about how it does. You want that donor to take ownership in your program.

PETER DRUCKER: What are some of the tools you use in your sixteen hundred local organizations? That's where you raise most of your money, isn't it?

DUDLEY HAFNER: Ninety-nine percent of it is raised at the community level. First of all, what you want to do is acquaint donors with what you are as an organization, what you are trying to get accomplished, so they can identify with your goals.

PETER DRUCKER: For this, Dudley, you have to have a very clear mission, don't you?

DUDLEY HAFNER: You have to have a very clear mission and very clear goals. Our goals relate directly to our mission, which is the prevention of premature death and disability from cardiovascular disease and stroke. The kinds of goals that relate to that would be the number of people that we convince to stop smoking or using tobacco or not start in the first place, or people that change their dietary habits, or biomedical research we want to fund. It all has to be tied back to the benefits to the community.

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PETER DRUCKER: Let's say you come to me. What would you say to me before I put my check into the envelope?

DUDLEY HAFNER: We present a case for support which spells out the magnitude of the challenge, what we propose to do about it, how realistic it is to achieve that challenge, and how your gift can make a difference. In cultivating you, we would do that perhaps in a series of mailings throughout the year. If we were really cultivating you, we might ask you to get involved in some of our activities.

PETER DRUCKER: Such as ringing the doorbells in my neighborhood?

DUDLEY HAFNER: Do that, or help us give blood-pressure screening programs. Cultivating you as a donor means giving you a chance to make a difference in what it is we're trying to achieve.

PETER DRUCKER: And you have basic goals. First you have to get people to start giving, and then you have long-term goals for making them what I would call members in terms of their commitment, in terms of their being really not outside donors, but people concerned with the success of the organization.

DUDLEY HAFNER: Development means bringing the donors along, raising their sights in terms of how they can support you, giving them ownership in the outcome of your organization. That takes a long-term strategy rather than putting together an annual campaign to go out and collect money.

PETER DRUCKER: You know I've heard it said the American Heart Association or the Cancer people have it easy because the donors really give to themselves. We in the international field or in universities can't appeal to the donor's self-interest. Is that a meaningful argument?

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DUDLEY HAFNER: People in the non-profit health community look at academia and the colleges and say, Oh, but they are blessed with those large corporate foundation-giver types that we wish we could have. Most of our gifts are in the five-dollar range.

We all have our special groups of interest and our challenge is to expand those groups of interest.

PETER DRUCKER: I think you said one of the most important things, and I only wish more people would listen to it: You have to think through to whom you make sense, basically.

DUDLEY HAFNER: That's exactly right. Then appeal to them in a very forceful, forthright manner.

PETER DRUCKER: You know, Dudley, to me one of the most amazing things is how few people in the United States understand the importance and the uniqueness of the things you are talking about. My European friends always point out how low the taxation rate is in the United States. I say, you are mistaken because we voluntarily cough up another 10 percent of GNP for things which in Europe are either not done at all, like your work, or run by the government with the individual having absolutely no say in where the money is to be spent. That's a point the public does not understand. Would you agree?

DUDLEY HAFNER: I agree. There's a couple of things about this that are very, very important to me personally. First of all, campaigns such as the American Heart Association or the Salvation Army or the Girl Scouts let people get involved, and that becomes important because they do become advocates. The other thing I think that is unique about these United States is the fact that charitable giving is as much a force in the freedom of democracy as the right of assemblage or the right of vote or the right of free press. It's another way of expressing ourselves very, very forcefully. Someone who pays taxes does not think of himself or herself as getting involved in the welfare program. But if they become

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involved in a Salvation Army activity or the Visiting Nurses program, they *are* involved. They are involved spiritually and they are involved monetarily. That makes a difference.

PETER DRUCKER: We talk blithely about volunteerism without explaining what we mean. But to come back to creating that constituency of yours or the constituency for the local church or the local hospital or the local Girl Scout Council or Boy Scout Council, or for any national organization: What kind of materials do you supply? What kind of tools do you supply to the people who come to me and say, "Will you collect in your neighborhood and here is the kit?" How do you work that out?

DUDLEY HAFNER: We have a prescribed structure that we offer to the local leadership. We have job descriptions. We have a way for them to formulate goals for now and five years out. And then we have the materials that support each one of those elements of the fund-raising.

Those materials are created after we look at the various segments of our giver groups. We know through market research the preferences of, say, a family that's in their fifties and has an income of a certain level, and a family that's in their thirties and a different income. So, with a handle on that kind of information about values and aspirations, we can develop the materials that will deliver the same message, but in a different way so that it catches the attention of the individual.

PETER DRUCKER: You said two things I heard loud and clear. One is, you said market research. You go to great lengths to study the market and to focus your message on what in marketing we would call the values of the potential customers. And the second thing, you have very clear goals for a marketing campaign in which you market the American Heart Association to potential investors, to people willing to commit themselves, if only in the beginning to a token donation just to get rid of the collector. And I've had lots of people who said, "Tell me how much you want so I can go back

to the TV set." I'm actually quoting. But next year the same person very often says, "That literature you left was very interesting." That's when I have learned to say, "Last year you gave ten dollars; how about twenty-five this year?" And half the time I get it.

DUDLEY HAFNER: Peter, you are a fine fund-raiser because you are dealing with what is essential to a successful campaign—that every donor is very, very valuable to you. You may acquire that donor going door-to-door. And it may be a dollar gift to get rid of you so they can go back to the TV set. But an organization that is concerned about its future will keep track of that dollar, and next year they'll go back and they'll encourage that to be \$2, or \$5, or \$10, if it appears that individual could be giving at the level. Every donor becomes very, very precious.

PETER DRUCKER: But you know, the most valuable training as a door-to-door fund-raiser I got was not from you but from another organization which said, "Don't go Sunday afternoon when the professional football games are on. Then you can't get them away from the television even for those two bucks." And I found out they are right. I'm impressed when I go around by the difference, by the way, between the support I get from your organization as against the weak support from another where I'm not able to answer the questions I get. The difference between your enabling your field salesman to be an effective spokesman for the organization and the ones where all I can do is appeal to "You know how many babies are dying." That gets money out if there has been a horror story on TV or in the newspaper headlines yesterday, but not otherwise.

DUDLEY HAFNER: For long-term growth of an organization, you have to appeal to the rational in the individual as well as the emotional part of the individual. In building local campaigns, you have to think of the person who does door-to-door, who is treated as a salesperson by a potential contributor. See it as an opportunity to educate those potential donors about what they can do for

themselves personally, if it's a disease. What they can do in terms of the overall mission, in terms of concerns, plus their gift. And if you don't use that opportunity to do that, you are not building on your greatest opportunity to create a long-term strategy.

PETER DRUCKER: And despite all the tremendous competition for funds—no day goes by without three, four, five appeals—the amount of money you are able to raise for your mission is going up, or holding steady at least?

DUDLEY HAFNER: We are well ahead of inflation. Let me say something, Peter, about competition in this area. The American Heart Association or the American Lung Association cannot afford to create a strategy, in my opinion, that will cause one of them to do better at the expense of another non-profit health-care organization. So, what we have to do is to figure out how to get new monies that have not been previously given, rather than have someone transfer their allegiance from one non-profit program to another one. To have a long-term really positive impact on the good that the non-profit organizations are trying to do.

PETER DRUCKER: I never heard this before and I am impressed. It seems to me almost to be the opposite of what I hear all the time when that college, or that church, or that hospital, or that national organization says, "We want people who give to nobody but us." May we go back to something we began to talk about and then left aside—your market research? Tell us a little more about it.

DUDLEY HAFNER: We do market research because we feel a commitment to the 2.5 million volunteers who go out as our ambassadors. We give them the best possible materials. We're giving them things we know will work.

PETER DRUCKER: What kind of knowledge about the market is relevant?

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DUDLEY HAFNER: What kinds of prior experience in that person's life will cause them to be more responsive? What are they dealing with today that is the button you want to press in terms of having them see you as a unique organization? You have to rise above all that clutter of information out there about what to buy, what to do with your leisure time, and what charitable organizations, volunteer organizations you support. That information makes us more effective with our message and building our case for support. Our volunteers are more focused.

PETER DRUCKER: You know, every fall I get the brochure from a local organization, and it says at this level of income you should give so much, and I've always wondered whether this is productive or counterproductive?

DUDLEY HAFNER: What we've found in asking for a specific gift is that it dramatically improves the return in our campaign. I would say that organizations running annual campaigns without asking for specific gifts could, with the same effort, probably increase their income by as much as 25 percent by asking for a specific gift.

PETER DRUCKER: So I was wrong as usual.

DUDLEY HAFNER: Let me tell you what I think is at play here. People who find the appeal sets its sights a little bit too high are not offended; they're usually flattered. For the individuals who are being asked to give less than they had in mind, we find they tend to go ahead and give what they had in mind anyway, and you can build from there. Once you've given a gift that is suggested, you fall into a category that the non-profits should pay special attention to: the long-term strategy of upgrading that gift.

PETER DRUCKER: How do you do that? Do you pick out the people who give more than suggested as your first target of opportunity?

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DUDLEY HAFNER: That's one way. Then you also have a strategy to increase the size of the gift you ask for each year from those people who have given the suggested amount. And I'm not talking about in a crass way; I'm talking about in a way that just gently nudges them to a higher level. I've been involved in local campaigns in which we didn't know individuals. We suggested a certain amount. And those were the gifts that came in.

PETER DRUCKER: Do you single these people out by way of giving them more information, or how do you build the relationship?

DUDLEY HAFNER: You classify that individual by the kind of follow-up, which can range from a personalized thank-you letter, to inviting them to specific activities, to sending an annual report, showing them what you're planning to do with the money or how the money has helped.

PETER DRUCKER: The constant emphasis is on the mission, basically, to upgrade your potential high-yield donors.

DUDLEY HAFNER: That's exactly right.

PETER DRUCKER: So, your market research tries to identify two things, to use technical terms: both market segmentation and market value expectations. Are the market segmentations strong?

DUDLEY HAFNER: Our research says we deal with forty-one different discrete markets.

PETER DRUCKER: Give me a couple of examples.

DUDLEY HAFNER: Someone age fifty and making \$40,000 a year wants to be solicited differently from someone age thirty, with children at home and an income of \$25,000.

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PETER DRUCKER: Are there any groups that simply aren't customers at all?

DUDLEY HAFNER: For the Heart Association, I don't think so. Although if you're a fund-raiser as such, you might say there are certain areas that you don't want to put a lot of time in because your contribution base is not going to grow that much. But there's a piece of me that says that this is more than just raising monies for this organization. It's an educational opportunity and it's an opportunity to let somebody be involved. If that's for a quarter or a dollar, it's still worth it.

You cannot build your long-term growth strategies, income strategies, on that philosophy, however. It has to be built on cultivating the larger donors and raising their sights.

PETER DRUCKER: Well, you have to go where the money is to get it, and that is very important. But you also look upon fund development as an educational campaign, not just to get money but to strengthen the objectives of the American Heart Association.

DUDLEY HAFNER: Absolutely, and that's part of the justification for having a broad-based annual campaign. You have to have a strategy for your fund development and know what you expect out of the various strategies, what your return expectations are. Then you measure your success against that. With the larger givers, you have one strategy and one expectation. Smaller givers, another strategy and another expectation.

PETER DRUCKER: You know, strategy is a very popular word just now, but what precisely do you mean by "strategy"?

DUDLEY HAFNER: For me, it's how we use our resources to get the attention of that individual to do what it is we hope he or she will do.

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PETER DRUCKER: And it is always focused on an individual in the end?

DUDLEY HAFNER: It's always focused on an individual.

PETER DRUCKER: Let's say, you single out one of those forty-one markets of yours by age and income, and maybe you have urban or suburban or rural. How do you develop what you call a strategy?

DUDLEY HAFNER: If we're going after people who are age fifty, which is a high-risk age, we want to show these individuals how they can reduce their risk of heart attack. How research or education is going to have immediate feedback, because that's their interest. So, your strategy is to provide something they can relate to—and give to at the same time.

PETER DRUCKER: Do you supply your fund-raisers, those local volunteers, with information about the potential donors before they go to them? Or do you just say, If this is a fifty-year-old man you use strategy A, and a twenty-five-year-old woman you use strategy B?

DUDLEY HAFNER: You will receive materials based on the neighborhood in which you live. There is an awful lot of very good data now that we can roll out on any community in this country and say that within this section of the community these are the materials that will be of most interest to people you call on. These are general statements and certainly there will be exceptions. Put your materials together. Then have a volunteer in that neighborhood go door-to-door with that material, call on the individuals, and make a much greater impact.

What's emerging for the future, and I hope for the non-profit, is not organizing in the traditional fashion—special gifts, special events—but around value groups. Make each one of those value

groups an identified market, with their own materials, their own strategies, their own support system. The primary factors in the value groups, of course, will be age and then income. After that, there's a whole host of other things that you can use, but I think that for the day-to-day operation of most of our non-profits, those additional values are not going to make that much difference.

PETER DRUCKER: If you were to pick out one or two factors that are crucial to fund development and fund-raising, whether it's a national organization or local one, or whether it's as big as you are or it's that neighborhood shelter for battered women, what would you pick out?

DUDLEY HAFNER: I'd pick out the care and treatment and cultivation of the donor. That's number one. The second thing I would do is ask for a gift that is in relationship to the individual's ability to give. Those two things will give you long-term, stable growth. It will give you a broad-based advocacy, and I think those are the two most important parts.

PETER DRUCKER: You wouldn't put identification of potential donors that high?

DUDLEY HAFNER: Donor acquisition is very, very critical. But I'm often disappointed to find that an organization has made a considerable investment in donor acquisition and then failed to put that donor into their files in such a way that they can continue to cultivate him or her. So, the initial investment is never truly realized to its fullest potential.

PETER DRUCKER: Well, let me try to pull out what I think are the central points. You have told us, first, of the central importance of the clear mission, and the importance of knowing your market, not just in generalities, but in fine detail. And then of enabling those volunteers of yours to do a decent job by giving them the tools that make it almost certain that they can succeed. And finally

what I heard you say loud and clear is that you don't appeal to the heart alone, and you don't appeal to the head alone. You have to have a very rational case, but you also must appeal to our sense of responsibility for our brethren.

DUDLEY HAFNER: Exactly, you must do both if you are going to have a long-term growth in your development program.

PETER DRUCKER: Dudley, the one area we have not really talked much about is volunteers. Do you really need the volunteers, or can you do that today with the computer and TV? I see so much telemarketing in fund-raising efforts by non-profit organizations.

DUDLEY HAFNER: I'm really glad that you brought us back to that point because I think that many organizations may be facing a crisis in their future—I hope that they're aware of that. To answer your question, do we need volunteers to raise money next year? Technology has given us the means to go out and probably do a pretty good job of raising money through the computer, through mail drops or telemarketing that leave out the volunteer. But that would be a tragic mistake because in the process you've also lost the constituency, you've lost the volunteer base, you've lost the course of strength and growth in the organization. I see technology as a way of *helping* the volunteers do a more effective job; I do not see it as a replacement for a volunteer. And I think any organization that makes that connection—makes the decision that it's easier to raise money without involving the volunteers—will have made a fatal mistake.

PETER DRUCKER: Let me try again to sum up. I think the strongest thing you said just now to me is that fund development is *people* development. Both when you talk of donors and when you talk of volunteers. You are building a constituency. You're building understanding, you're building support. You're building satisfaction, human satisfaction in the process. That is the way to create the support base you need to do your job. But it's also the way you

use your job to enrich the community and every participant. And it's based on clear mission, on extensive and detailed knowledge of the market, of making demands on both your volunteers and your donors, but also on feedback from your performance, which, I think, is something on which a good many non-profit organizations are pretty weak. You never hear from them what the results are. And I think that what you said may be even more important for the purely local and small organization, precisely because on the local scene you have a lot of well-meaning people, but very often you have no sense of direction. You have a need, but no message. I hope what you told us will be heard and applied, particularly by the local organization, where the need is so great and where good intentions just aren't good enough.

Summary:

The Action Implications

Strategy converts a non-profit institution's mission and objectives into performance. Despite its importance, however, many non-profits tend to slight strategy. It seems so obvious to most of them that they are satisfying a need, so clear that everybody who has that need must want the service the non-profit institution has to offer. One central problem is that too many non-profit managers confuse strategy with a selling effort. Strategy *ends* with selling efforts. It begins with knowing the market—who the customer is, who the customer should be, who the customer might be. The whole point of strategy is not to look at recipients as people who receive bounty, to whom the non-profit does good. They are customers who have to be satisfied. The non-profit institution needs a marketing strategy that integrates the customer and the mission.

An effective non-profit institution also needs strategies to improve all the time and to innovate. The two overlap. Nobody can ever quite say where an improvement ends and an innovation begins. When Frances Hesselbein and the Girl Scouts introduced their new service for five-year-olds, the Daisy Scouts, that was, in one way, just old-fashioned Girl Scouting. In another way it was a drastic innovation.

And then the non-profit institution needs a strategy to build its donor base. It needs to develop a donor constituency.

All three of these strategies begin with research and research and more research. They require organized attempts to find out