It makes you crazy.

You work day after day for some good cause -- there are many -- along with good friends and colleagues who bring great creativity to the tasks, put in long hours, pass up higher-paying job opportunities, and take real satisfaction in making a difference in other people’s lives. You know for sure that this globe would be a much worse place to live today, and even more so in the future, if the work done by your organization and counterpart nonprofits around the world didn’t happen.

And what do you read in the papers? See on TV? Mostly, not a word about all of this. Every now and again, a story about how some nonprofit is in financial difficulty. (Who knew?!? Can that really happen?!?). And then, once in a blue moon but all over the front pages, “Board President Denies Knowledge of Faked Travel Reports!”

We all know it’s true. Everyday good news about everyday good deeds is no news at all. Bad news may get a bit cont. on page 11
2006-2007 Leadership

Following are the members of the DMA Nonprofit Federation’s Advisory Council with leadership responsibilities:

CHAIR
Angie Moore
American Cancer Society

VICE CHAIR
Tim Burgess
Merkle | Domain

MEMBERS
Mary Arnold
Christian Children’s Fund

Vinay Bhagat
Convio

Kelly Browning
American Institute for Cancer Research

Paula Cain
Susan G. Komen Breast Cancer Foundation

Phil Claiborne
Elks Magazine

Christopher Cleghorn
Easter Seals

Brian Cowart
ALSAC - St. Jude

Bobby Dean
Diana Estremera
May Development Services

Craig Floyd
National Law Enforcement Officers Memorial Fund

Barry Giaquinto
CFO Consulting

Jeanne Harris
SCA Direct

Susan Loth
Disabled American Veterans

Joel MacCollam
World Emergency Relief

Steve Maggio
DaVinci Direct

Kristin McCurry
MINDset direct, LLC

Pegg Nadler
Pegg Nadler Associates, Inc.

Matthew Panos
Food for the Hungry

Chris Paradysz
ParadyszMatera

Geoffrey Peters
Creative Direct Response

Chris Ragusa
Estee Marketing Group, Inc.

David Strauss
National Wildlife Federation

Jo Sullivan
ASPCA

Joan Wheatley
Special Olympics

Kevin Whorton
Whorton Marketing & Research

STAFF
Senny Boone, Esq.
Executive Director

Helen Lee
Director, Member Programs and Education

Jill Murphy
Member Services Manager

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CONTACT: Jill Murphy
Tel.: 202.861.2497 or Email: jmurphy@the-dma.org
As the DMA Nonprofit Federation begins another fiscal year, it is important to look back over the last year at our accomplishments as an organization and, at your governing body, your Advisory Council.

First, I would like to highlight a few of the many accomplishments of our organization. In many ways this has been a challenging year for the DMANF. Looking at the past year, DMANF has progressed in three critical areas:

• Public Policy: In the public policy arena, we shaped several important issues, from policy on charity “reforms,” to the state-level Do Not Mail proposals, to pushing ahead on postal reform and new issues involving e-mail communications.

• Member Services: We have overseen an amazing growth over the past year regarding the size and scope of each of our educational conferences, two new seminars, a new list serve and the growth of our publications.

• Leadership: In the leadership arena, we have transformed a small volunteer committee structure to one that includes a diverse group of volunteers that are certain to become the future leaders of the organization.

Please, know how much we value and appreciate each of you and your involvement as we move ahead.

At the dawn of a new fiscal year, we will greatly miss those individuals who have just completed their final term on our Advisory Council as of June 30th. Each has served for the last six years – but their impact and commitment to the industry and the DMA has been seen for many more years.

Jack Doyle – Amergent
Lindy Litrides – Litrides & Associates, LLC
Larry May – May Development Services/Direct Media
Dennis Meyer – Meyer Partners
Sherry Minton – American Heart Association
Sue Sword – Christian Appalachian Project, Inc.

And while it is always hard to see such industry leaders depart from the Council, it is with great pleasure that we welcome the new 2006-2008 Advisory Council members. These individuals have been chosen through a rigorous process and identified by their peers and the industry as dedicated and committed individuals and we look forward to their presence and impact in the years ahead.

WELCOME!!
Paula Cain, Susan G. Komen Breast Cancer Foundation
Brian Cowart, St. Jude Children’s Research Hospital
Diane Estremera, May Development
Barry Giaquinto, CFO Consulting
Jeanne Harris, SCA Direct
Steve Maggio, DaVinci Direct
Matt Panos, Food for the Hungry
Chris Ragusa, Estee Marketing Group
Dave Strauss, National Wildlife Federation

Again, our deepest gratitude to our departing members, our excitement for our new members, and an overall appreciation for everyone’s passion and dedication to our amazing industry and all that it has offered and has to offer to the marketplace in years ahead.

Best regards,

Angie C. Moore, Chair
Tim Burgess, Vice Chair
Senny Boone, Executive Director
I am of the old school when it comes to grassroots lobbying tactics. I used to stand over old fax machines watching my handcrafted letter go to several Capitol Hill faxes at once, and be amazed. I used to wear comfortable ugly shoes to visit every Hill office to deliver an urgent letter on legislation, after spending the entire day preparing huge stacks of letters that were properly mail-merged.

I used to participate in grassroots campaigns over the telephone, and even spent a summer banging on strangers’ doors in an old Philadelphia neighborhood to raise funds for the environment (I did pretty well that way, raised more money on my first day than anyone else.) Paper communications were the only cost-effective means at that time, since no one had the time to consistently lobby every single office in person.

Then the world changed drastically for all lobbyists and public policy wonks and wonkettes with the advent of the Internet, and e-mail communications. We began using e-mails to share information, and then could actually send information the same afternoon to Hill contacts without going through several hurdles -- and avoided wearing ugly shoes. E-mail has made us all much more communicative, much more willing to act and negotiate with speed. It has drastically improved our ability to communicate in every way with Congress. We think it has helped reduce the workloads on Capitol Hill, as paper communication has lessened.

Now we are learning that the staff on Capitol Hill cannot handle the swarms of e-mail communications we are all sending them. In fact, it is now becoming preferable to have only constituents that complete a pretest communicate with the Hill offices.

Recently, some Congressional offices began implementing a new technology called Logic Puzzles that blocks e-mail messages from their own constituents: only those who can complete a puzzle can send their e-mail through. What does this mean for advocacy?

It is no mystery that there are campaigns that must take place through e-mails that will now not occur because the campaign is done collectively rather than through an individual (and hence no individual is present to respond to a Logic Puzzle challenge). There are petition drives, there are sign-on letters, there are group e-mails, there are e-mails sent through nonprofit organiza-
tions on behalf of their supporters for a particular cause, there are e-mailed postcards sent on behalf of constituents. It is not realistic to expect that the only legitimate form of communication to an elected representative’s office should come from an individual constituent.

If every Congressional office stops messages that require the sender to take a test in advance, it will discourage the unlimited discourse with Congress that exists today and allow in only those with special access and resources. This new system could also discourage those with limited capabilities from communicating their concerns, and may reduce messages from supporters of the representative who wish to communicate collectively in support of his/her work.

Many prominent organizations in Washington have been working within a coalition to urge the Capitol Hill offices not to use this new blocking technology. They believe there are other options to shutting off e-mail communications. If you wish to join this cause, please go to www.dontsilence-thepeople.org.

In the meantime, we will be monitoring this carefully to ensure this essential form of communication from your supporters can continue.

“IT IS NOW BECOMING PREFERABLE TO HAVE ONLY CONSTITUENTS THAT COMPLETE A PRETEST COMMUNICATE WITH THE HILL OFFICES.”

WRITE FOR THE
Journal

SUBMISSIONS TAKEN ON A ROLLING BASIS.
If interested, contact Jill Murphy at jmurphy@the-dma.org or call 202.861.2497

DirectLINK ONLINE
is a searchable collection of high quality, highly relevant, and reliable information resource carefully selected and compiled by The DMA Library & Resource Center as a value added member service.

You can access DMA’s DirectLINK Online through the Web site www.the-dma.org by using your DMA Member Login and password.
When it comes to donations processing, it’s no longer enough to simply open the mail, deposit the checks, and record basic donor information. Nonprofit organizations seek timely, high-quality strategic information for analysis and donor management. There is a great frustration in many organizations about getting at donor information that is actionable. Some worry that they don’t know enough about their donors to facilitate their stewardship objectives.

In the fiercely competitive nonprofit arena, innovation is a key to growth. Gathering timely information about your donors is essential both for evaluating appeals and for successful donor stewardship. Caging and cashiering should be at the core of this effort. Caging and cashiering providers combine traditional donations processing with advanced data capture and recognition, uncovering vital information to boost donor management.

SAME DONOR, MORE VALUE

This newfound interest in donations processing goes well beyond check handling. Advances in technology, and an increasing emphasis on stewardship, have the leadership at nonprofits rethinking their whole approach to caging and cashiering. The days of the paper-intensive, check-centric caging and cashiering services, with no automation of supplemental donation documents, are fast disappearing. Also numbered are the days of caging and cashiering operations pushing the manual keying of supplemental donor information back onto their nonprofit customers.

In their place: image and data capture of any document that may be sent to a caging and cashiering operation, including checks, appeals, membership forms, magazine subscriptions, and correspondence. This advanced service enables nonprofits to accelerate donation posting, eliminate time-consuming manual keying of donor information, and feed their analysis and donor management systems - a revelation for nonprofits used to managing reams of paper passed along by their caging provider.
HOW IT WORKS

Although it may be touted as brand-new, today’s caging and cashiering is an evolution of donation processing, with workflow management and image archive and delivery thrown in. Using sophisticated workflow techniques and business rules, next-generation caging and cashiering systems help companies capture, manage, archive, and distribute valuable donor information in cost-effective, integrated ways. Their functionality automates donations processes such as change of address requests, credit card donations, matching gift processing, split designations, and group collections. And the data from supplemental donor documents, such as reply cards or appeal letters, offer nonprofit organizations the information they have long craved for -- learning more about their donors and gauging the success of their various appeals.

THE KEY: GREATER VISIBILITY

The idea behind today’s caging and cashiering services is to help nonprofits gain better visibility into their incoming mail from donors, so that departments across the organization can use the data to achieve their outreach and stewardship goals. In contrast, nonprofits using outdated systems follow a “steam pipe” model, in which marketing, advertising, donor service, and so on, have delayed or limited access to data that come in through the caging and cashiering operations. It’s a direct marketing manager’s nightmare, and a killer when it comes to acknowledgements and premium fulfillment.

Advanced caging and cashiering, on the other hand, helps these organizations feed their various analysis and donor management systems simultaneously. It can help them better steward donors, proactively respond to donor requests, ship premiums faster, and even tailor their appeals.

This allows nonprofits to better serve their donors, by enabling them to make better use of limited resources. Many recognize that they need to get a tighter handle on their donor data, but questions as to where to begin bog down such inclinations. Advanced caging and cashiering services offer a logical answer. Armed with the donor data that “trickles up” from their incoming mail, nonprofits can become much more responsive, flexible, and efficient. There’s no question that this changing notion of donations processing is inspired, and helps improve results.

Marc Haskelson is vice president and general manager of the Business Solutions Group of Communications Data Services, Inc. (CDS), a leading provider of outsourced services for nonprofit organizations. He can be reached at mhaskelson@cdsfulfillment.com.
Creating higher-value relationships with our donors, and finding new solutions to help potential donors donate faster, easier, and with greater impact is a challenge, as nonprofit organizations continue the process of understanding more about the different needs, habits, and demands of the donors. Practically speaking, the focus is usually on maximizing efficiency in order to increase net dollars per transaction. The processing of donations and data management, in most cases, is handled in parallel. While this relentless pursuit of efficiency makes the CFO happy, it does little to assist in understanding and addressing the issues and concerns of donors.

DONOR-FRIENDLY INTERACTION

Stepping into the shoes of the donor is a difficult and complex experience. To further complicate the issue, donors are now using multiple channels to “talk” to nonprofit organizations, and they expect a relevant discussion in return. Direct mail has been performing well for decades, and continues to be the chosen method of response for many. The telephone shows year-over-year growth, while e-mail and Web chat are increasing in popularity.

The Internet provides a cost-effective channel to “talk” to a large pool of new donors, and there has been a wholesale rush to develop new Web strategy and content to address this phenomenon.

Keeping up with emerging Web technologies is a challenge, and is absolutely essential in order to retain the commitment of the donor. One example is the recent trend in co-browsing. Donors engaged in browsing a Web site decide to call in, using the telephone to ask questions. In some cases, this has been viewed as a failure of the Web-based content, but it can also be argued that this presents an opportunity to create and enhance a relationship. However, this approach only works if the people answering the telephone call have been provided with the tools required to resolve a wide range of issues.

“THERE HAS BEEN A WHOLESALE RUSH TO DEVELOP NEW WEB STRATEGY AND CONTENT”
THE KEY: INTEGRATION OF DATA AND SERVICES

An organization’s call center personnel must have access to all data relevant to the donor in order to effectively help them. This may include access to membership and subscription databases, donor listings, donation histories, and the like. Integrated coordination with caging operations makes this approach more powerful, as a significant percentage of donor contact is related to questions about past donations. Access to current press releases, newspaper articles, and speaking points may also be important.

The problem, from the standpoint of the donor, is that in most instances, these channels are entirely disconnected. The processing of donations and data management in general is handled in parallel, resulting in a less than satisfactory and perhaps frustrating experience for the donor. All the work that is done on the front end to acquire and retain a donor can be undone very quickly due to an organization’s inability to provide an effective and timely response to donor issues.

While an integrated approach to donor management may appear to be more expensive on paper, most organizations have not properly calculated the costs associated with donors making multiple contacts with an organization to resolve an issue or concern. More importantly, think about the opportunity to manage the donor experience by ensuring every contact they have with your organization, no matter how they choose to communicate, is handled consistently, resulting in a higher-value, longer-term relationship.

Integrating all these response channels into one comprehensive solution ultimately increases the value of the relationship with the donor by ensuring a consistent and effective response -- and at the same time reduces internal costs of managing multiple data streams and processes.

An integrated approach to donor response will ensure greater donor retention and increased lifetime value. More importantly, it allows the donor to enjoy their relationship with a nonprofit organization that is meaningful to them -- the result being a higher-value relationship for all concerned.

“ALL THE WORK THAT IS DONE ON THE FRONT END TO ACQUIRE AND RETAIN A DONOR CAN BE UNDONE VERY QUICKLY DUE TO AN ORGANIZATION’S INABILITY TO PROVIDE AN EFFECTIVE AND TIMELY RESPONSE TO DONOR ISSUES”

Polly Craik is President & CEO of FineLine Solutions. FineLine partners with nonprofit organizations throughout North America to help execute their strategies by creating higher-value relationships with their donors through the Web, mail, and telephone response. She can be reached at p craik@finelinesolutions.com or 800.758.6055
“I can’t make sense of the data from our multichannel fundraising efforts. I know we’re raising money, but how do I use the data to really make our program grow?”

“Epsilon has created a suite of exclusive predictive models to create a true CRM view of your program. Whether it’s from online givers, event participants, or traditional donors, we drive revenue growth based on constituent behavior and potential — regardless of channel.”
of notice. Terrible news is what people see, and remember. (To read a careful and detailed study of the relations between nonprofits and the media, done in Seattle in the 1990’s, look at GoodNews-GoodDeeds.org.) To some extent, of course, this pattern is just a reflection of what the word “news” means. Media people would not be doing their jobs if they presented an accurate reflection of everyday life. Their work is to find and highlight events that are remarkable, reprehensible, or threatening. Bad news at nonprofits, sadly, fits the bill.

To some extent, this pattern is also a reflection of the fundamental success of local community work by nonprofits. Everyone expects them to be creative, hard-working, a little bit self-sacrificing, and valuable contributors to the local quality of life. So when something goes wrong, when nonprofit people cheat or stumble, it simply is news -- remarkable, reprehensible, and threatening.

So the risk of unfavorable attention is, in fact, greater for nonprofits than for other sorts of organizations just because, most of the time, we live up to and reinforce the public’s, and the news media’s, expectations about us and our work. We’re good. Of course. That’s just the way we are. And that’s just not news.

HIGHER VULNERABILITY

The truth is, though, that the risk of unfavorable attention is greater for two other reasons as well. Typically, the work of nonprofit organizations is supported by other people’s money -- donors’ gifts, municipal contracts, endowments and restricted funds, and, in a sense, the various tax advantages and other kinds of encouragement our society has put in place to help nonprofits. Wasting or misusing somebody else’s money is worse than squandering your own.

Further, nonprofit organizations are vulnerable to their own special kinds of misdeeds, misbehavior that grows directly out of some of the best qualities of our work, in which we all take pride:

- People in groups working together closely on a good cause typically don’t spend time worrying about whether others in the group might be cheating.
- Creativity can be used to design scams as well as service programs.
- When you’re already working long hours, the extra time required for cross-checking and paperwork can easily be seen as something to be postponed or avoided altogether.
- People who give a little extra,

PEOPLE IN GROUPS WORKING TOGETHER CLOSELY ON A GOOD CAUSE TYPICALLY DON’T SPEND TIME WORRYING ABOUT WHETHER OTHERS IN THE GROUP MIGHT BE CHEATING.”

These are just plain facts of life in nonprofit work. Believing that the destructive consequences of these risks are somebody else’s problem creates the first weak spot in the system of defenses every organization really should have in place -- in good times -- as important protection against damage to its capacity to serve its mission and to guard against ending up in the news.

That’s easy to say. And, frankly, hard to do.

BARRIERS TO SELF-REGULATION

The barriers pretty much follow the outline of our best qualities. Close-knit groups resist procedures that imply distrust. Creative scams are harder to find. Paperwork and formal authorizations are a pain in the neck. It’s hard to call a co-worker out about some minor stretching of the rules, and even harder when I’ve stretched them myself. (And very, very dangerous when a climate of tolerating small abuses gets established!) Burn-out is a widely recognized occupational hazard in nonprofits, and notoriously hard to deal with.
It’s important to be clear that these risks are real. The Association of Certified Fraud Examiners estimates that 13% of nonprofit organizations have been victimized. That’s more than one in eight; look around the room the next time you’re at a gathering of nonprofits, and ponder which organization in your group has someone who’s dipping into the till!

ACFE’s investigations have turned up some spectacular cases of six- and seven-figure thefts. These are the crimes that make the front pages — as they should, in my opinion. But the really interesting, and really discouraging, finding from ACFE’s work is that the losses from unspectacular scams and sleaze actually cost the nonprofit sector, and the clients and communities we serve, far more than all the first-class airfares and concealed leases of luxury condos that make the headlines. Small organizations, small frauds, everyday transactions in familiar settings — that, in fact, is where the bulk of the loss occurs.

WHAT CAN BE DONE?

There are three straightforward things I think every nonprofit should do to protect themselves, and to prevent loss of public confidence in the work of all nonprofits.

1. The first is to talk about the problem.

Put the risk of fraud and the need to do something about it on the agenda for board and all-staff meetings. Ask out loud what the effect of even small abuses will be on the morale of co-workers, on the services provided to the community, on the public’s faith in your organization and nonprofits in general. Establish a climate in which the very idea of winking at anyone who crosses the line is clearly and solidly unacceptable. And don’t do this just once; put the topic of ethical behavior on the agenda for review at least once a year.

**“IT’S IMPORTANT TO BE CLEAR THAT THESE RISKS ARE REAL. THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS ESTIMATES THAT 13% OF NONPROFIT ORGANIZATIONS HAVE BEEN VICTIMIZED.”**

This practice is ticklish, of course. To me, a really important element of any such conversation is that no “us” is telling “them” what to do. The risks and temptations that lead to misdeeds apply to everyone; everyone should approach the topic with an open mind about the possibility that they themselves might become part of the problem. If there’s a Code of Ethics for the organization (a very good idea!), it should be something everyone has a voice in writing, and that anyone can challenge, revise, and offer improvements for at any time. The whole point of this prescription is that no one is beyond the reach of temptation.

2. The second is to develop some practical procedures and policies that build fences around the parts of the organization where damage could possibly occur.

There are some established standards on this subject. They go under the name of “Internal Controls.” Advice from an accountant or expert in corporate ethics may be a help in figuring out what parts of the organization’s work are vulnerable to abuses, and bringing in examples of how other organizations have addressed similar risks.

In large for-profit corporations, the concept of internal controls has been given new emphasis in recent years by the requirements imposed by Sarbanes-Oxley. Comments in the financial press have suggested that companies are spending hundreds of thousands, even millions, of dollars creating and testing internal controls. Those reports may suggest that good internal controls are beyond the reach of, and an unrealistic burden for, community-serving nonprofits. That conclusion would be a mistake.

A careful look at the organization with an eye to the parts of its work where something might go wrong is a task that can be undertaken by staff and volunteers in any group. (There’s some guidance in a brief article at Canada’s Charity Village Web site: (http://www.charityvillage.com/cv/research/rlegal17.html).
And of course there are hundreds of other Web pages that may be helpful, including one provided by the Alliance for Nonprofit Management: (http://www.allianceonline.org/FAQ/financial_management/what_internal_controls.faq).

Some common rules that make good sense:

• Make sure the person who opens and checks the bank statement is someone who doesn’t write checks.
• Whenever actual cash is received, have it counted independently by two people, and have each record the amount.
• Never make out checks to “cash” or have checks signed without the payee and the amount filled in.
• Have someone who knows the organization and its work look over all the invoices and credit card statements. That person should feel free to question any transaction that doesn’t appear right.

3. The third is to set up a real system that allows effective reporting of suspected fraud or abuse.

There are inexpensive commercial services that will help with this process, but they are not really necessary, just a convenient shortcut. The key is to have a widely publicized name and phone number that connects to a person everyone can trust to handle such reports well: to listen carefully, investigate fully, insist on corrective action if needed, and protect everyone involved (including, of course, the person who makes the report in the first place) from unfair and unnecessarily damaging consequences.

Obviously, this person can’t be someone who might be involved in fraud or abuse themselves. Such people are not hard to find. To me, the most promising place to look for a suitable candidate is among recently retired members of the board of directors. Whoever does the job needs to have some guidance on how to proceed. Developing a handbook for this volunteer to use would be a good project for the board and staff to work on as part of the annual conversations about internal ethics recommended above. Before the handbook is finished, though, the organization will need to seek advice from an attorney about when, and how, to call for help because the situation is too risky, or the damage too substantial, to be handled by a knowledgeable and committed volunteer.

This kind of policy goes under the name of “whistleblowing.” In government and business settings, there are often financial incentives offered to encourage people to take the risks that seem inevitably to follow calling attention to the misdeeds of co-workers, supervisors, or contractors. The whole topic can be tainted by bitterness, recriminations, and suspicions of retribution. It ought to be possible, though, to avoid that toxic atmosphere in small community-based nonprofits. The most important benefit of having a clear and safe whistleblower system in place is the assurance to everyone connected to the organization that there’s an easy, low-risk way of dealing with anything that looks suspicious before it gets ingrained, before real damage has been done.

TRUST AND TOUGH-MINDEDNESS

President Reagan famously commented, “Trust. But cut the cards.” That’s the right formula for us in the nonprofit sector as well. Trust, creativity, self-sacrifice, and generosity are the hallmarks of our work. A little time spent on respectful, cooperative, and tough-minded procedures to keep temptation at bay will be time well spent.

NOTE: The information about the work of the Association of Certified Fraud Examiners is derived in part from an unpublished paper presented at the 2005 conference of the Association for Research on Nonprofit Organizations and Voluntary Action: “Fraud in Nonprofit Organizations,” by Janet Greenlee, University of Dayton; Mary Fischer, University of Texas at Tyler; and Elizabeth Keating, Harvard University.

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Putnam Barber is editor of the Nonprofit FAQ -- www.nonprofits.org -- a service of Idealist/Action Without Borders, and a senior consultant on nonprofit policies for the Executive Alliance in Seattle, Washington. You can contact him at pbarber@eskimo.com.
SUMMARY of FINDINGS

The Direct Marketing Association Nonprofit Federation (DMANF) held its second annual Leadership Summit in Tucson, AZ, June 12-14, 2006. The purpose of these summits is to bring together leaders from the nonprofit fundraising world to discuss emerging issues in nonprofit fundraising and ways to increase resources to meet the critical needs of the nonprofit sector.

The theme of this year’s Summit was: “Your Organization’s Road-Map to Breakthrough Change.” Over the course of the Summit, participants heard from nationally and internationally recognized experts in organizational change and creative philanthropy, got first-hand reports on how particular nonprofits pursued change, and engaged in exercises and small group discussions designed to get them thinking about how they might set change in motion in their own organizations.

Four major sub-themes related to nonprofit fundraising and change were a focus of discussion throughout the Summit:
- The New Fundraising Paradigm
- How to Think About Change
- Trends to Track
- Tools for Change

SUMMIT THEME #1: THE NEW FUNDRAISING PARADIGM

Summit speaker Kay Sprinkel Grace set out a new paradigm for thinking about nonprofit fundraising today. Under this new paradigm, nonprofit fundraising is not just a series of transactions from direct mail to large donor gifts, endlessly refined and retooled to raise the bottom line of a nonprofit organization. It is part of larger concepts of development and philanthropy – cultivating relationships with donors, learning about their values, and helping donors make a difference regarding things about which they most care.

With this new (some might even say revolutionary), approach to fundraising, the focus shifts from the organization to the donor, from the organization’s needs to how organizations can become partners with individual donors to address the community issues donors feel are most important.

This new fundraising paradigm was explored and fleshed out during both the presentation and subsequently during the course of the Summit, and many key elements were identified. There was substantial agreement on these key elements:
- The Donor is the focus
- Values are key
- Everyone needs to buy in
- The message should be consistent
- Language is important
- Stewardship is key


SUMMIT THEME #2: HOW TO THINK ABOUT CHANGE

Summit participants agreed that changes in the external environment are inevitable, and happening at an increasingly rapid pace in terms of communication technology, globalization, and donor preferences. Some participants said external change has always been a factor, but basic human characteristics and successful fundraising approaches have not changed that much. Others believe this is a more revolutionary time that requires more transformational responses.

There was a general consensus that change is creating opportunities to take advantage of new technologies, new donor groups, and new partnerships, and it’s the job of nonprofit leaders to identify these opportunities and capture them. The question for nonprofits is not whether change is occurring, but rather, how should organizations think about external changes, and can they make the internal changes necessary to respond effectively?

Types of Change

Summit speaker Bernard Ross identified two fundamental types of change upon which organizations can embark. He used Japanese words for these types of changes, to stimulate a new mind-set in people as they think about change:

**Kaizen:** slow, continuous, incremental change that leads, over time, to significant improvement in performance.

**Horshin:** sudden, exponential, discontinuous, radical change that leads to dramatically improved performance in a relatively short space of time.

Barriers to Change

Participants identified many barriers that make change difficult. Some of these are encountered by all organizations, while others are more particular to the nonprofit world.

- Nonprofit governance and culture
- Lack of organizational integration: the “silo effect”
- Difficulty balancing short- and long-term needs and approaches
- Lack of comfort with new technologies
- Narrow measures of success

Catalysts for Change

Over the course of the Summit, several case examples were offered of successful change. They illuminated some of the key factors that seem to be significant in stimulating and achieving substantial change:

- Strong leadership
- Vision
- Internal crisis and pain
- External events
- External change agents

“We change our clothes every day; why is it so hard to change our organizations?”

—Summit Participant
SUMMIT THEME #3: TRENDS TO TRACK

The Summit included a lunchtime panel discussion on major trends affecting nonprofit fundraising; this was a topic in small group conversations as well. There was substantial agreement on a number of trends that are important to track, and respond to, in the nonprofit fundraising world:

- Nature of the donor population
- Motivations for giving
- Approaches to fundraising
- Bottom lines

SUMMIT THEME #4: TOOLS FOR CHANGE

Many different tools for change were discussed over the course of the Summit. Speakers and participants identified characteristics of high-achieving organizations, and suggested a variety of ways to approach change and achieve success.

Characteristics of High-Achieving Organizations, and How to Get There:

- Embrace innovation
- Capture knowledge
- Create simplicity
- Excite donors

Seven Steps to Accomplishing Change:

1. Involve everyone in the process
2. Ask hard questions
3. Use research and analysis to drive change
4. Create a vision and plan
5. Break down internal barriers
6. Broaden measures of success
7. Maintain an organizational climate that fosters change

LAST THOUGHTS

A summit speaker quoted Andy Grove of Intel who said:

“A corporation is a living organism; it has to continue to shed its skin. Methods have to change. Values have to change. The sum total of those changes is transformation.”

The 2006 DMANF Leadership Summit focused on ways that nonprofit organizations can go about designing and implementing change in cultures, methods, values, and outcomes. Summit presentations and discussions provided an initial road-map to how organizations can think about, and practice, transformational change.

NOTE: Leadership Summit attendees will receive the full report of findings. To be part of the Leadership Summit next year, mark your calendar for early June, and watch our Web site www.nonprofitfederation.org for an official announcement.
Tools for Future Fundraising:
Expect the Unexpected

SAVE THE DATE!
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www.nonprofitfederation.org
How NOT to Reform the USPS
Part II
Murray B. Comarow, Fellow, National Academy of Public Administration

This article is the second of a two-part opinion piece by postal reform analyst Murray B. Comarow. Part I was presented in the June issue of the Journal.

[As Comarow stated in Part I]:

Why do most mailers support H.R. 22, the House bill on postal reform? They believe it will give them relief on the escrow and military pension issues, and that improvements will be made in the Senate-House Conference.

Their other reasons will be explored presently, but first let us examine those two.

ESCROW DEBATE

In 2003, Senator Lieberman asked the Government Accountability Office (GAO) to audit the U.S. Postal Service’s (USPS) payments into the Civil Service Retirement System (CSRS). Those payments had been made on the basis of Office of Personnel Management (OPM) invoices. GAO found, and OPM ultimately agreed, that OPM had over-billed the USPS for many years and that, unless changed, future overpayments would take at least $71 billion more out of customers’ pockets.

In the business world, if customers are overcharged, they are reimbursed. Some years ago, that is what Pepco, our local electric power
company, did when overcharges were discovered. Not in the political world. Rather, Congress enacted P.L. 108-18 of April 23, 2003, which said that the USPS could reduce its yearly payments to the Treasury by $3.5 billion in each of the next two years. But the overpayments still had to be made. They would be held in an escrow account, pending further action by Congress. We are talking big money. Over $43 billion would thus be collected from postal customers from 2006 to 2015, according to the Congressional Budget Office.

Here H.R. 22 moves in the direction of fairness: abolish the escrow that holds billions of customer dollars, and use the money to run the USPS. This would indirectly reimburse mail users, something Congress should have done in 2003, but is prepared to do now. Not so fast; administration spokesmen state flatly that President Bush will veto any version of H.R. 22 that is not “budget neutral.”

Those words have a fine ring to them -- the administration as guardian of the budget, a good spin. True meaning: Sorry you were overcharged, you won’t get it back. They know very well that in the case of a customer-supported agency, the corollary is that customers should not bear costs that are not directly related to operating that organization. This amounts to a tax on a specific group, which raises not only questions of fairness, but constitutional issues.

PENSION PROBLEM

The military pension story is an even more glaring example of a disguised tax. Postal customers took another hit from P.L. 108-18, which Congress now seems willing to fix. It transferred to customers responsibility for paying for time served in the military when employees retired. On the other hand, if a veteran worked for any other federal agency -- Interior, Labor, State, etc. -- that agency would pay only for the time he worked for it. His military pension share would come out of Treasury, as it should. More big money is involved -- $27 billion -- and the Administration’s “budget neutral” spin and veto threat are at work here as well. If the Administration should convince the Senate/House conferees to eliminate or weaken the escrow and military pension provisions of H.R. 22, mailers should withdraw their support and vigorously oppose enactment.

NO EFFECTIVE RATE CAP

I said earlier that some mailers support the bills for other reasons, one of which is the proposed rate cap. The February 7, 2006 letter from The Seven [opposing H.R. 22, from seven of the nine members of the presidential commission established to study postal reform; see Part I of this article for details -- Editor] noted that the bills don’t give the USPS “any additional flexibility or authority to reduce costs,” especially labor, which still absorbs 79.1 percent of postal costs. In fact, H.R. 22 tightens the handcuffs on the Board and postal management. The USPS had made the same point earlier. I entirely agree, but they seem to have avoided, or just missed, a deeper flaw. There is no effective rate cap. True, H.R. 22 speaks of one, but so long as an arbitrator is free to set wages as he sees fit, the notion that there is an effective rate cap is a pipe dream. It is not enough to hope or assume that arbitrators would restrain themselves. If they have the authority to set wages, the chances are that they will.

Of course, if concrete language should be added in conference to forbid the arbitrator from breaking the cap, the unions would bring all their guns to bear, as would I, in their place. Postal unions have worked the system well for their members, whose average income, including benefits, is about $65,000 a year. H.R. 22 would protect all union rights, including health care and pension benefits. This would block the USPS from negotiating these benefits in the course of collective bargaining.
A ‘TOUGH’ PRC

A fourth reason some mailers support H.R. 22 is that they don’t trust postal management, and would like to have a tough Postal Regulatory Commission (PRC) with greatly expanded powers. In a seminar last fall, a well-known lawyer accused postal management of systematically abusing its customers. Several USPS officials present chose not to respond.

I cannot judge the extent or breadth of this view, but if “perception is reality,” as the cliche goes, it is disturbing. It surely should be tempered by recognizing that the USPS has cut 83,000 career jobs from its payroll in the last five years, while delivery points grow at a rate of 1.8 million a year. I have long criticized the Postal Service for its shortcomings as I saw them, but I feel obliged to say that Jack Potter is the best Postmaster General since Winton M. Blount, who deserves major credit for postal reform.

Even assuming, for the sake of argument, that there may be grounds for lack of confidence, an enhanced PRC is the wrong response. H.R. 22 authorizes the PRC to impose draconian remedies, including fines, on the USPS. Note to guessers: Who do you think will pay the fines? Clue: Where does the USPS get its money?

Conservative business executives and members of Congress often criticize excessive bureaucratic layering as well as government regulations that impose complex and expensive reporting requirements on their companies. I share these views. I believe that they also apply to the USPS, and will create a torpid and glacial business environment. The ultimate burden will be borne by customers. “Confusion hath now made his masterpiece.”- Macbeth II, iii.

AT THE LEAST: CRUCIAL PROVISIONS

If Congress should defy the President’s “budget neutral” stance, and is determined to enact H.R. 22, it will make a huge mistake, but at least it should include provisions that:

• Permit third-party experts to review OPM’s pension and health recalculations.
• Permit the USPS to redesign its network with minimal political or procedural interference.
• Permit the USPS to employ negotiated service agreements, as businesses do, without prior regulatory approval.
• Permit the USPS to pay its executives at more sensible levels.
• Resolve the pay cap/arbitrator issue; it cannot be ignored.

Congress cannot responsibly ignore the alarming conclusions of the USPS Board of Governors and The Seven, that H.R. 22 is not acceptable as written.

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Murray B. Comarow was elected as a Fellow of the National Academy of Public Administration in 1974 and served on the organization’s board of directors. An attorney, he was executive director of President Johnson’s Commission on Postal Organization in 1967-1968, and executive director of President Nixon’s Advisory Council on Executive Organization in 1970-1971. Additionally, he served as senior assistant postmaster general, distinguished adjunct professor in residence at American University, partner at Booz, Allen, and Hamilton, executive director of the Federal Power Commission, and acting deputy general counsel in the Office of the Secretary of the Air Force. He can be reached at 301.229.4187 or Profcomarow1@verizon.net.
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The most traditional form of cause marketing occurs when a company promotes a product whose sale benefits a charity in some way. A prime example is an offer that Hewlett-Packard was promoting that promised to donate $50 to the Lance Armstrong Foundation with every purchase of a specific HP laptop. But Richard Wong, president and CEO of Alexandria, Va.-based Gifts in Kind International (GIKI), a charitable organization that channels product donations from for-profits to nonprofits, says that organizations should open themselves up to in-kind giving from corporations as well. “Right now, over 48 percent of corporate contributions are in the form of non-cash contributions, in kind. And that number actually is growing,” Wong says.

Many corporations actually manufacture products with the sole intent of giving them to charity, he adds. GIKI handles the distribution of all types of products ranging from IBM computers donated to primary schools in India and Southeast Asia, to General Motors engines donated to high schools in the United States for students training to be mechanics and engineers, to personal hygiene products from Gillette donated to homeless shelters and women-empowerment programs around the country.

Such corporations are interested in supporting causes in a way that also allows them to get their products out into the community. “They are giving products because they know that the more products they distribute in the community, the higher the brand awareness they can get, and more loyalty they can build,” Wong says.

Two keys to success for nonprofits trying to net a cause-marketing relationship of in-kind products are:

1. Understanding the decision-making process of the corporation.
2. Ensuring accountability for how the products are used.

Understanding the corporate process and how to engage corporate decision makers and create a program that engages everyone from the employees to the CEO is important, as is structuring a program that allows the corporation to really get its hands dirty in the mission of the organization. Allowing the for-profit to help in the decision-making process of the organization and engage with its mission will produce the most successful type of relationship, Wong reports.
In terms of accountability, Wong says GIKI generates reports on each of the in-kind giving programs it manages, detailing items such as:

- How many products were provided
- Who the recipient was
- How the recipient benefited from the gift
- The program impact of the donation
- The level of awareness in the marketplace that was generated as a result — which reassures the corporate donors

“We feed these reports on a quarterly basis back to corporations, and they love it. They see the tangible value,” he says.

Richard Wong can be reached at www.giftsinkind.org. Abny Santicola is the Senior Editor of FundRaising Success Magazine. She may be reached at asanticola@napco.com.
Nonprofits and their third-party fundraising agents are currently caught in the crosshairs of conflicting regulations between the Federal Communications Commission (FCC) and the Federal Trade Commission (FTC). The FCC, which has traditionally regulated the telemarketing industry as well as the “do-not-call” list (DNC), has ruled that nonprofits as well as their third-party agents are exempt from the DNC. This is consistent with the intent of Congress (they also exempted political organizations from the DNC). However, the FTC has taken a much more quixotic approach, and has determined that if the nonprofit itself were to make a fundraising call, that call would be exempt from the DNC, but, if a third party were to make the exact same call, using the exact same script, to the exact same person, that call would be in violation of the DNC.

For example, suppose you are a relief organization, and immediately after Hurricane Katrina, you want to contact your donors by the most efficient means available, to-wit: the delivery of a recorded message. You go to an outside vendor who advises you that the FTC may not allow you to do so. This is exactly what happened to the Salvation Army and the Broadcast Team. The FTC ruled that because the equipment belonged to an outside vendor, the delivery of the recorded message was an abandoned call in violation of the Telemarketing Sales Rule, and subjected both parties to substantial fines.

This kind of uneven approach makes no sense and has the potential of crippling our nation’s top charitable organizations and severely impacting their ability to carry out their core missions. The FTC is basically forcing charitable organizations to make extensive investments in facilities and equipment to become efficient telemarketing organizations. If the Salvation Army wanted to spend millions of dollars to acquire the equipment, it could engage in the activity free of restrictions. However, The Salvation Army and other charitable organizations do not want to make such an investment, or spend the time to become telemarketing fundraisers. Quite simply, to do so would pull direct resources from the core mission of the organization.

H.R. 4425 TO THE RESCUE

H.R. 4425, as introduced in the US House of Representatives by Representative John Sullivan of Oklahoma, will serve to correct this situation. It will clarify that nonprofits and their agents are exempt from do-not-call requirements. However, every protection will still be in place for unwanted commercial solicitations. When Congress passed the do-not-call legislation, they decided that charitable organizations were important enough to be exempt from that law. This bill ensures that organizations like Special Olympics International, the National Federation of the Blind, the American Red Cross, and many others can continue their important missions by hiring qualified professional vendors. Up until now, our courts have consistently held that uneven applications such as these violate the First Amendment. Unfortunately, court challenges to the FTC’s jurisdiction have not been successful. The only alternative is a legislative correction.

CALL YOUR REPRESENTATIVE

Please call your Congressional Representative and ask them to support H.R. 4425. For additional information, visit: www.hr4425.org.

Chad Bradley is executive director of The Nonprofit & Charities Coalition. He can be reached at chad@hr4425.org.
Mark Your Calendar for these Upcoming Events

October 14-19, 2006
DMA06
San Francisco, CA

January 25-26, 2007
2007 Washington Nonprofit Conference
JW Marriott, Washington, DC

April 19, 2007
Critical Issues Facing Nonprofits
Washington, DC