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**Ten years of challenge:
The impact of the external environment on charity
fundraising and marketing 1989-1999.**

**by
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Abbreviations

AMA	Association of Metropolitan Authorities
BOMI	Box Office Managers International
CAF	Charities Aid Foundation
CUBS	City University Business School
DoSC	Directory of Social Change
DRTV	Direct response television
EEC	European Economic Community
fmcg	fast moving consumer goods
FSU	Family Services Unit
FWA	Family Welfare Association
HBR	Harvard Business Review
ICFM	Institute of Charity Fundraising Managers
IFRW	International Fund Raising Workshop
JNVSM	(International) Journal of Nonprofit and Voluntary Sector Marketing
JVAR	Journal of Voluntary Action Research (became Nonprofit and Voluntary Sector Quarterly)
LSE	London School of Economics
MV	Millennium Volunteers
NCVO	National Council for Voluntary Organisations
NHS	National Health Service
SORP	Statement of Recommended Practice
SMT	Senior Management Team
VOLPROF	Centre for Voluntary and Non-profit Management

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Abstract

Change happens constantly, but sometimes several factors coincide, becoming a catalyst for major change. At the beginning of the 1990s there were indications that this was the case for fundraisers. This research begins by going behind the headlines to examine the external environment between 1989 and 1994 and its impact on voluntary fundraising.

The research uses a qualitative approach and a grounded theory methodology to examine the changing environment as experienced by 30 heads of fundraising from charities of all sizes. Was the external environment making fundraising more difficult? If so, how were fundraisers responding, what strategies and structures were they adopting? Did it include marketing?

From the research one expectation, that charities with large voluntary incomes would have replica fundraising departments, was found not to be the case. Further investigation showed that there was a life cycle for fundraising which was not necessarily in step with the charity as a whole.

This discovery through the grounded theory approach led to the five-stages of fundraising, a framework for the development of charity fundraising. The framework identified a number of variables and criteria but also used organisation culture theory to contextualise fundraisers' comments. The framework helped to make sense of some charities' unexpected responses to the questions.

Writing up was finished in 1999. A short longitudinal study was then added to compare the impact of the external environment in the second half of the 1990s with that of the first half. The longitudinal study also enabled further testing of the five stages theory to assess its ongoing validity and wider relevance to the sector.

Therefore, this research comprises three elements: the original study, the five stages framework and the longitudinal study. It explores the full impact of external changes on fundraising and how fundraisers have responded through the decade.

Chapter one

Research genesis and history

1.1 Introduction

This research began as an examination of the changing macro-environment 1989-1994, and its impact on charity fundraising. It strove to investigate three principal issues - what was happening in the external environment? Were charities having an increasingly difficult time fundraising during this period? If so why, and what were they doing about it? Was one of the responses to adopt 'marketing' and if so, in what way was marketing being used?

The research was undertaken using a qualitative methodology and a grounded theory approach to the analysis. In the process of analysing the findings it was found that fundraising has its own life cycle which may be very different from that of the charity as a whole. The findings were used as the basis of a new theory of fundraising development.

The theoretical framework then helped to interpret some of the other research data. For example, a charity at stage one would naturally have a different structure and approach to fundraising than a stage four charity. The framework also showed that size was not necessarily an indicator of which stage any charity is at. The findings had even more resonance when viewed from an organisation culture theory perspective.

The process of analysing the data against the original aims of the study and developing and applying the theory against the studied charities took longer than anticipated, as study was only part time. By the time this work was completed, five years had passed since the original fieldwork. It was, therefore, decided to take advantage of this time lag to undertake a short longitudinal study to examine how the charities were coping with the external environmental changes at the end of the

decade and how marketing was understood and being used five years later. The longitudinal study also made it possible to examine the ongoing relevance and validity of the five stages framework.

Therefore, this document presents three interrelated pieces of work: the original 1994 study; the five stages fundraising framework; and the longitudinal study. The work is in ten chapters.

1.2 Structure of the work

Chapter One sets out the aims of the original and longitudinal research. It also examines some of the key terms which will be used in this research. Chapter Two presents a literature review of the non-profit sector, fundraising and non-profit marketing, with specific reference to the 1990s. Chapter Three sets out the ontological and epistemological position on which this research is based and presents the methodology for the 1994 study and the process of analysis.

Chapter Four and Appendix III present an overview of the macro environment from 1969-1999 with particular emphasis on the 1990s. The chapter discusses the major changes affecting charities over that time. Logically, the next step would be to investigate the findings in the light of the original aims, however, as has already been intimated, the discovery of the five stages theory helped explain the other findings, so the five stages theory and framework are presented in Chapter Five. Chapter Six then relates the studied charities to the theory. Once the charities have been assigned to the five stages, Chapter Seven examines the findings in relation to the original aims.

Chapters Eight and Nine present the longitudinal research. Chapter Eight sets out the methodology for the longitudinal study and examines the findings from the charities against the 1999 aims. Chapter Nine examines the robustness and ongoing relevance of the five stages theory. It also offers an opportunity to examine whether any of the studied charities have made any movement across the

stages. Finally, Chapter Ten endeavours to sum up the work and presents areas for future research.

1.3 The aims of the 1994 study

In the early 1990s, the British broadsheet newspapers ran articles that seemed to indicate a crisis for charity fundraising: ‘Trickle down effect leaves charities begging’ (Pike, 17/11/1990) in the *Financial Times*, ‘Charities hit by spending cuts’ (*The Guardian*, 15/6/1991), ‘Cancer charity to cut 250 jobs’ (*The Independent*, 24/6/1991) and ‘Charities feeling the cold’ (*The Independent*, 4/1/1992).

Trade magazines, like *Direct Response* (February 1991), reiterated the sentiment, ‘Charities feel the pinch in recession’. While the following year, the whole tenor of *Professional Fundraising’s* (November 1992) article on the incoming Chairman of the Institute of Charity Fundraising Managers (ICFM), Ian Ventham, was summed up in the introduction which ran: ‘Weathering the storm. Recession. Competition. The National Lottery. Difficult times for fundraisers’.

These articles were echoing what academics had been saying since the end of the 1980s. In 1989 Norman Lee chaired a meeting of academics researching non-profit finance, funding and research statistics, under the auspices of the Charities Aid Foundation (CAF). He began his introduction by saying:

‘With privatisation and de-regulation proceeding apace in Britain, the demands on the services of the private non-profit sector are increasing. Accompanying this is a growing concern whether the sector can secure sufficient resources to meet these additional demands’ (Lee, 1989, vi).

Similar issues were being raised by practitioners. Clarke (1992) began his book for charity fundraisers with ‘six major factors which serve to trouble the waters’(11), highlighting the economic climate, the dawn of the European Single Market, the Care in the Community policy, the beginning of hospitals as overt public fundraisers (for the first time since the start of the NHS), the growth in schools

becoming fundraisers and, as a result, the growing competition for voluntary income.

These writers all suggested that the source of the problems lay in the macro-environment. For example: economic recession (Clarke, 1992), which had started in 1989 (Dow, 1999); changing government policy towards statutory funding of charities, from grants to contracts (Unell, 1989); and a growing sense of competition (Pike, 1991) arising from a combination of factors.

Being helpful, however, a number of writers suggested a potential solution: marketing (Lee, 1989; *The Times*, 10/12/1990). But, at the beginning of the 1990s, marketing was a much misunderstood topic within the non-profit sector, as evidenced by its new 'spokesman'. In its inaugural issue, *Professional Fundraising* (May 1990) magazine ran a double-page article giving its interpretation of marketing by asking whether charity could be sold like baked beans. The fear was that the introduction of ideas from marketing could only mean promoting charitable work as if it were a commodity on a supermarket shelf, with all its 'stack 'em high, sell 'em cheap' connotations.

Nor was the concept of marketing charities entirely welcomed by the 'man in the street'. In 1988 *Good Housekeeping* (Shannon, July) ran an article entitled 'Charities: the hard sell at the heart of giving' and in 1990 Alix Palmer writing in *Woman* magazine asked 'Are our charities too commercial?' Altogether these articles seemed to indicate some uncertainty about the role and potential for marketing within charity fundraising.

As was stated in the introduction, these articles led to a number of questions. Principally, were charities having an increasingly difficult time fundraising? If so, why? What were they doing about it? Or, to put it another way, what was behind these headlines and what were the implications for charities?

These questions led to a series of issues to be explored:

1. were the early 1990s perceived by charities as a time of rapid change in the external environment ?
2. If so how were charities' responding to these changes? To what extent were they largely reactive and focused on fundraising structures and activities?
3. Had larger charities (those in the top 20) adopted a common structural model for fundraising?
4. Did charities need to increase their voluntary income? If so were they changing their income generation strategies and importing marketing tools, techniques and personnel as solutions to perceived needs?

1.4 Indicators

To investigate these questions, a series of indicators was devised. The first issue was about change in the external environment. Charities do not exist in a vacuum. Like all organisations they exist within a context, an environment. They are buffeted by everything from the political winds of change to the economic ebb and flow.

The principal indicator was the extent to which changes in the external environment were impacting on charity fundraising. This was investigated by examining the changes in fundraising targets, the need for voluntary income (as distinct from other sources of income), the relationship between fundraisers and service providers, the perceived competition for funds and the increased attention to fundraising financial analysis.

The second issue was about the speed and extent of the changes to fundraising departments in terms of structure and activity. The indicators examined the extent to which charities felt they had to 'catch up', through exploring changes to the departmental structure, changes to staffing and changes to the fundraising activities undertaken during the period studied.

The third issue also related to the departmental structure. The indicator would be the degree to which there appeared to be carbon-copy fundraising departments in the largest charities and evidence that the smaller charities had the same structure but on a smaller scale.

The fourth issue was about the use of marketing through the use of language, awareness and implementation of the marketing concept and whether marketing tools, techniques and marketing personnel had been adopted as an integral part of fundraising.

The period studied for the original research was from 1989, the date from which several commentators (Lee, 1989; Billis, 1993) identified significant changes in the external environment for charities, to 1994, when the field study was conducted.

1.5 Aims of the study - 1999

Five years later, when the longitudinal study was undertaken, the issues explored were based on the findings from the first research and specifically focused on two areas: fundraisers' response to the environment in the second half of the 1990s and their use and understanding of marketing and the marketing concept.

The first aim of the longitudinal study was to investigate the extent to which external environmental changes continued to have an impact on charities. How threatening were they by the end of the decade? Were fundraisers now better prepared and more able to respond to external factors?

Four indicators were devised: the extent to which fundraisers were making external factors part of their planning; whether charities had become more proactive in their strategic planning for the future; the level and purpose of structural and activity changes in the department and the extent to which fundraisers were taking control of their development.

The second aim was to investigate whether marketing had become more established in charities, and if there was evidence of it being used in departments other than fundraising. It also aimed to examine whether there was more evidence of respect for the fundraising department and function within the charity.

Three indicators were devised: the extent to which marketing philosophy as well as marketing tools were being applied in fundraising; the spread of marketing understanding at senior management team and the trustee levels and the use of marketing philosophy and techniques in other parts of the organisation.

The 1999 study is explored in more detail in Chapter Eight.

1.6 Definitions

The non-profit sector, charities, voluntary sector, fundraising - there is a large number of terms used about and within the sector. Each may be interpreted differently or be applied to different parts of the sector. For clarification purposes, it is necessary to examine the terms found in the sector and show how they are used in this research.

1.6.1 Naming the sector

As has been widely noted (Handy, 1988; Hudson, 1995; Paton, 1992, *et al*) the most complexity and misunderstanding (Lee, 1989) arises from the naming of the sector itself, what Salamon and Anheier (1997) refer to as the 'terminological tangle'.

Titles abound for the sector. Saxon-Harrold (1992) lists five, Weisbrod (1977) six and Salamon and Anheier (1997) find seven, each with its own definition and application. This variety arises because, as Morris (2000) notes, the definitions are essentially aggregates based on some commonality in the types of inputs, or outputs, or how surplus revenue is distributed. As a result, not one fully describes

and encapsulates the whole because, as Rae (1997) and Billis (1993a) note, the sector is 'not homogenous, but amorphous' (Rae, 1997:102).

The Deakin Commission (1996) chose 'voluntary sector' as being more inclusive than 'not-for-profit', although they were 'conscious of its imprecision' (1). The original meaning of voluntary was 'independent of government' (Paton, 1992), but in the late twentieth century, it is taken to mean organisations which use volunteers, even if their only role is volunteer governance (Deakin, 1996; Billis and Harris, 1992; Saxon-Harrold, 1992).

Perhaps the most common term for the sector is 'non-profit sector' (Hammack and Young, 1993). Coined in America in the 1970s it was invented to show that organisations like hospitals, churches and Girl Scouts had something in common (Drucker, 1990) and that it was a big enough sector for the government to take notice of it (Dobkin Hall, 1990).

However, while the private and public sectors are defined by what they are, this term described the 'new' sector rather negatively, by what it is not (Handy, 1988; Leat, 1993; Paton, 1992). The term 'non-profit' comes from the fact that such organisations are legally prohibited from distributing a monetary residual (James, 1989). While Mason (1984) made a strong case for the distinctiveness of the sector, the term 'non-profit' remains a very negative indicator of a thriving and much-needed sector (Drucker, 1990). Furthermore, as Deakin (1996) and others have pointed out, in the United Kingdom the term non-profit does not include all voluntary organisations and so the two terms, non-profit sector and voluntary sector, are still used together (Butler and Wilson, 1990; Forder and Kendall, 1993).

The next most common term is 'third sector'. Like non-profit sector it works on the 'everything else' principle (Paton, 1992) but unlike non-profit, at least the term is positive. Van Til (1990) takes this further, defining the third sector by purpose, which shows it to be anything but negative. To Van Til (1990), the third sector is valuable because it retains the human perspective, enabling individuals to make a difference to their community.

Hudson (1995) too takes the broader view. He sees the third sector as bigger than just non-profits and considers one of the hallmarks of the third sector to be its ability to expand. In the UK, the term 'third sector' gained more common usage following the launch of *Third Sector* magazine in 1992. However, the range of subjects and organisations covered by the magazine does not appear as all-encompassing as Hudson's (1995) definition.

The newest term to join the lexicon is 'social economy', from the European concept of the *économie sociale* (Paton, 1992; Salamon and Anheier, 1997). This concept is based on the values of the sector but also reflects the complex and varied ways in which this sector interacts with all the other sectors of the economy. As Paton (1992) argues, this term would reflect the sector's positive position within a modern economy, something that the other terms discussed here do not. However, it has not, as yet, come in to common usage.

If the titles for the sector are subject to debate there is at least a little more agreement on its characteristics and hallmarks. Saxon-Harrold (1992) notes five characteristics that might be found in any organisation claiming to be part of this sector: independence from the state; self government by unpaid trustees, benefits from donations of money, gifts or time; produces benefits for others and is non-profit-making (151). Salamon and Anheier (1997) would add that the entity has to be organised rather than an informal gathering.

The hallmarks may be summed up as diversity, (Paton, 1992), independence (Deakin, 1996), flexibility (Dartington, 1992), adaptability (Butler and Wilson, 1990; Dartington, 1992), clarity of mission (Drucker, 1990; Lloyd, 1993), value driven (Hudson, 1995; Paton 1992) and a motivated workforce (Drucker, 1990).

For the purpose of this research the terms 'non-profit sector', 'third sector' and 'voluntary sector' will be used interchangeably. This is because the main focus of the research is charities, so the only real distinction is between charities and the wider sector.

1.6.2 Registered charity

The term registered charity has had a legal status in this country for almost 400 years since the Statute of Charitable Uses Act of 1601. In CM43 the categories of charity were set out as the ‘relief of aged, impotent and poor people...schools of learning, free schools and scholars in universities’ and what became known as other purposes beneficial to the community (CM 43, 1601).

Although developed in 1891 into what are now referred to as the ‘four heads of charity’ which specifically included religion, previously absent, it is by and large this criteria against which the Charity Commission in England and Wales and the Inland Revenue in Scotland and Northern Ireland assess any new charity wishing to register (Rae, 1997; Smith, 1997).

Over the years the interpretation of what may be considered within any of these headings has been expanded, for example, old people’s homes, hostels and advice centres all come under the first category (Saxon-Harrold, 1992). To modern thinking the supposed prescriptiveness of the criteria is actually more ambiguous than might at first be imagined (Butler and Wilson, 1990) and leaves many anomalies: rich public schools can be registered charities while small local pressure groups or self-help groups cannot (Smith, 1997).

Although Deakin (1996) recommended a complete overhaul of the criteria for voluntary organisations to become registered charities, it now looks as though much of the original criteria of 1601 will still be intact to celebrate its four-hundredth anniversary. But there is some progress at the beginning of the 21st century as the Charity Commission recognises urban regeneration projects as a valid extension to ‘other purposes beneficial to the community (*Third Sector*, 13/1/2000).

The principal advantage to an organisation in becoming a registered charity is financial. With a registered charity number an organisation can claim tax and other benefits which enable it to maximise the money it raises or earns for its charitable

purpose (Randall, 1997). Registration also gives the organisation a certain respectability, or approval by the state (Leat, 1996) which, in turn, helps it to raise money.

As a result of registration, charities are the most publicly recognisable part of the non-profit sector. It is a sizeable cohort. The Charity Commission recognised a total of 178,609 registered charities in England and Wales in 1994 (Saxon-Harrold and Kendall, 1995), causing George Smith (1996) to note that this amounted to about one charity for every 33 people in the UK. They are also the best documented. The Charities Aid Foundation has collected, analysed and published annual figures on voluntary income since 1978 giving at least some indication of size and growth (Saxon-Harrold and Kendall, 1995).

This research focuses primarily on registered charities.

1.6.3 Fundraising

On the surface, fundraising is an easily understood term, so much so that recent practitioner books on fundraising (Burnett, 1992; 1996; Smith, 1996) assume that readers know what they are talking about.

In fact, fundraising is rarely defined, it is assumed to be a word or phrase that is self explanatory to 'rational man'. It takes Kelly (1998) in her 600+ page tome to find space to define it, as 'the process and activities related to helping charitable organizations obtain private gifts' (6). To put it in UK terms it is the acquiring of all voluntary resources, principally money, to enable a charity to undertake its charitable purpose. Kelly (1998) further defines fundraisers as 'those people who are *paid* to manage donor relationships, thereby helping charitable organizations obtain private gifts' (7, *italics in the original*).

Fundraising is also an interesting word when it comes to spelling. Is it fund raising, fund-raising or fundraising? Kelly (1998) takes two pages to discuss the topic, Burnett (1992) half a page. Elsewhere, one can track the different usage by the

decade or the country in which the person is writing. For the purpose of this research, unless a direct quote uses it differently, fundraising and fundraiser will be used as single words.

1.6.4 Voluntary income

What Kelly (1998) calls 'private gifts' are more commonly referred to in the UK as voluntary income, which is the subject at the centre of this research. Voluntary income is a special kind of income. A charity asks individuals, companies or trusts to give money for its general purposes or a specific project. The fundraiser has to endeavour to touch the individual or organisation to give gladly. While the modern-day fundraiser may not use the same language as Rosso (1996) describes, this is still the sentiment behind charity giving:

'Ask them to make a gift prompted by the heart, a gift that will fill them with joy. These are gifts that are stimulated by the spirit. That is responsible stewardship, a truly generous gift, a gift from the top of their resources, offered with joy, meaning and gratitude for the privilege of being able to make such a gift.'(148)

There is rarely a tangible quid pro quo and never a direct return to financially match the level of investment. Information on voluntary income forms the core of the CAF statistics (since 1978). For over 30 years CAF has ranked the voluntary income of registered charities, beginning with the top 200 and increasing to the top 500 (*Charity Statistics, 1978-1986; Charity Trends, 1987-1993 Dimensions of the Voluntary Sector 1995-2000*). Though 500 is a tiny percentage of the more than 200,000 charities currently registered in England and Wales (Pharoah, 2000), the top 500 cover a very broad range of voluntary incomes. In the year that this research was begun, the voluntary incomes of the top 500 charities ranged from £70 million to £304,000 (CAF, 1993).

There is a debate about what counts as voluntary income. In its statistics, CAF (1988) includes donations, covenants, legacies, and what it calls voluntary fundraising income which includes net proceeds from the sale of donated goods, special events, lotteries and local fundraising. However, income from the sale of

new items, such as trading catalogues of gifts and Christmas cards are not considered part of the voluntary income but 'other income' alongside statutory grants, contracts and money from goods or services sold as part of the charitable purpose.

This research does not adopt that view, but with Posnett (1987), groups money from the sale of traded items like Christmas cards, T shirts etc. as an important part of voluntary income. The reason for this is to acknowledge the donor's view of how they are helping. Many donors who buy the cards or T shirts do so not so much for the items *per se*, but for the contribution they consider they are making to the charity (based on comments received from supporters and from the charities researched). Many donors see this expenditure as a voluntary gift and from the charities' point of view, the primary purpose of the trading activities is to raise more funds for the charitable purpose.

1.6.5 Marketing

In commercial terms, marketing began as a response to supply outstripping demand (Levitt, 1986; Bruce, 1994). But the paradigm shift in marketing emanated from two ideas coming together. First was the idea that marketing was more than just a set of techniques, it was a concept or orientation that permeated not just across the sales department but across a whole organisation (Kotler, 1984; Shapiro, 1988). Second, as a result of adopting the concept, the focus of the company had to move from the product to the customer. As Levitt (1986) put it:

'But of all these [recent notions] the most powerful is the idea of marketing and the marketing view of the business process: that the purpose of a business is to create and keep a customer' (7).

The Chartered Institute of Marketing puts customers even more centre stage, defining marketing as 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably.'

Applying marketing to the non-profit sector in the UK has been a matter of some debate and the subject will be returned to in Chapter Two. However, in terms of

definitions Bruce (1994), Paton (1996) and Sargeant (1999) all utilise Kotler's (Kotler and Andreasen, 1991) version after satisfying themselves that the key element of commercial marketing, exchange theory, is as appropriate for non-profits as it is for businesses.

Kotler (Kotler and Andreasen, 1991) defines marketing as 'the analysis, planning, implementation and control of programs (sic) designed to create, build and maintain beneficial exchange relationships with target audiences for the purposes of achieving the marketer's objectives' (38). One reason the three British writers select this definition is that it can apply across the organisation to both service delivery and fundraising. Indeed Bruce (1994), especially, argues that marketing principles should be fundamental to the service delivery of a charity if the charity believes in putting the customers before the organisation.

Sargeant (1999) concentrates on marketing for fundraising, but he too differentiates between the use of techniques, what he calls 'marketing as a bolt on discipline'(10) and the adoption of the principles of marketing, what he calls 'marketing as a management philosophy'(10). From his analysis, the former was still more common than the latter even in 1999.

Within this research, Kotler's (Kotler and Andreasen, 1991) definition will apply. Marketing tools and techniques and the marketing concept/market orientation also form an important part and will be referred to using the Sargeant (1999) definition of the two perspectives.

1.7 Summary

This chapter has given a broad introduction to this research. It has established the aims of the study and the indicators for both the 1994 and the 1999 longitudinal research and it has defined the core terms and how they will be used.

Chapter Two reviews the literature on the non-profit sector, charity fundraising and non-profit marketing.

Chapter two

Fundraising - the gap in the literature

2.1 Introduction

Fundraising is a practical activity (Edles, 1993; Fogal 1994). It has been practised for centuries (Mullin, 1995), but perhaps because, for most of that time, it has been practised by volunteers, there is comparatively little detailed analysis, comment or review of the fundraising function (Harvey & McCrohan, 1988; Mixer, 1993).

Marketing, too, is a practical subject yet commercial marketing has been well analysed and supported by academics (Lovelock & Weinberg, 1984; Kotler, 1984; McDonald, 1984). However, it is acknowledged that non-profit marketing has been less well researched (Lindsay & Murphy, 1996; Saxton, 1996; Steinberg, 1987).

What little writing exists on fundraising and non-profit marketing has often been perceived to exacerbate the gap between the non-profit practitioner and the academic (Dobkin Hall, 1993; 1993a), rather than serve to help and inform (Moyer, 1994).

This chapter reviews the literature pertaining to fundraising and non-profit marketing but, to put this in context, because fundraising does not exist in isolation, the chapter begins with a brief overview of academic writing on the non-profit sector. In turn, this serves to explain some of the reasons why writing on fundraising has been limited and predominantly focused on tools and techniques.

Reference is also made to non-profit literature from the USA, because that in the UK is so scant, while acknowledging that the non-profit sectors in the UK and the US are not totally comparable (Lovelock and Weinberg, 1984; McCarthy *et al*, 1992).

2.2 The recent rise of academic interest in the non-profit sector

Howsoever the non-profit sector is defined (Lohmann, 1992; Salaman & Anheier, 1997; Sargeant, 1999), there is one point of consensus: that comparatively little has been written about the non-profit sector (Batsleer *et al*, 1992; Hodgkinson *et al*, 1989; Mixer, 1993; Powell, 1987). Layton's (1987) bibliography lists only 94 books and articles specifically about the non-profit sector, of which by far the majority are concerned with the economic aspects arising from the Reagan years. Of the 94, just two are British publications: the reports of the Goodman Committee (1976) and of the Wolfenden Committee (1978).

The first journal devoted to voluntary organisations (using a journal as a benchmark of academic interest) was not launched until 1972 when the Association of Voluntary Action Research - now the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) - published the *Journal of Voluntary Action Research (JVAR)*. Although it only focused on a small part of the sector initially, it was a start. There was, after all, much catching up to do. In the year that *JVAR* launched, the *Journal of Marketing* was in its 36th year, and the *Harvard Business Review* was in its 50th year.

Some of the first people to recognise the importance of non-profits were the economists (Hansmann, 1987). Indeed they were the initiators of defining the sector (Van Til, 1990; O'Neill, 1989). Weisbrod (1977) was among the first, examining the role of non-profits in what he called a 'three-sector economy'. Others quickly followed. Hansmann (1980) categorised non-profits by their primary source of income and locus of control. Thompson (1980) attempted to identify the 'sources of efficiency of non-profit institutions as producers of charity' (125) and concluded that one of the things that marks out non-profits from for profits is 'their relatively superior ability to convince the givers that their contributions will be delivered to their intended beneficiaries'(138).

Rose-Ackerman (1981) looked at the thorny issue of government funding, did it have a negative impact on private donations? This simple question led to a much wider issue.

As well as defining the sector, the economists also began to scope it (Hansmann, 1987). In doing so they identified the range of sources of non-profit income (Weisbrod, 1988) and corrected some false impressions: 'Another common misperception is that nonprofits exist almost entirely on the donations of the citizenry. This is simply wrong' (Weisbrod, 1988: 3).

At about the same time in the UK, Wilson, (1989) and Ware (1989) were writing about British charities and their changing relationship with the state through the 1970s and 1980s, as the sector was 'discovered' (Ware, 1989) and both academics and politicians realised the amount of statutory income going to charities. In some ways, however, it was not surprising that nobody knew how much went from central or local government to charities because it was so fragmented. CAF (1987) identified 15 central government departments giving grants to the voluntary sector when they first started their analysis, ranging from the Department of Employment, which in the late 1970s was the largest statutory grant-giver to the sector, to the Lord Chancellor's department.

Indeed, the catalyst for academic research on both sides of the Atlantic was political change and threats to funding as Thatcher and Reagan came to power with sights set on changes to social welfare delivery systems (Kramer, 1990a) which would impact on this large, and hitherto *almost ignored, sector*. *But this was not* the only reason. Ware (1989) cites five reasons for the sudden rise of interest in charities during the 1980s. As well as changing government policy, he notes: a rise in lobbying by non-profits; a number of significant disasters in the UK and the response to the Ethiopian Famine (Band Aid/Live Aid); larger charities 'professionalising' their approach and attracting serious media interest; and the growth in the number of fundraising charities leading to questions about regulation (1-2).

In other words, all of a sudden there was an agenda (Kramer, 1990). Prior to this time, charities and voluntary agencies had not been considered worth bothering about. There was an assumption by the public at large that charities and other voluntary organisations were all small, predominantly local entities that relied on volunteer manpower and voluntary income (Leat, 1995; Saxon Harrold, 1992). During the late 1970s this misconception was corrected, causing immediate government interest (Billis and Harris 1992; Wolfenden, 1978).

It was similar in the States when a fiscal crisis seemed imminent (Hodgkinson *et al*, 1989). Politicians felt that they did not know enough about the sector and that it was not sufficiently answerable to anyone (Dobkin Hall, 1987). There were also criticisms of private foundations funding charities (Dobkin Hall, 1990). Economists' sudden interest in the sector brought it into sharper public and governmental focus. As a result, the Commission on Private Philanthropy and Public Needs (commonly known as the Filer Commission 1972-1974) was established, to examine the state of the sector. One of the Commission's principal findings was the extent to which government was a philanthropist, indeed, the major donor to some areas of philanthropy (Commission on Private Philanthropy and Public Needs, 1975). Public scrutiny had begun.

In its defence and to show its scope (Hodgkinson *et al*, 1989), in 1980 the sector in America formed INDEPENDENT SECTOR as a national trade association, using block capitals to distinguish it from the name of the sector as a whole. Its aim was to foster giving, volunteering, understanding and research about the sector, government relations and sector management and leadership (Thomas 1990). The American third sector, which is even broader than that in the UK, was not going to allow the politicians to trample over it (Dobkin Hall, 1990) or ignore it (O'Neill, 1989).

In research terms, the initial problem for academics was the scale of the agenda. As Simon (1989) points out, with the rampant pluralism of the sector, it was very difficult to define or limit the research agenda. There was also a need to put each

piece of research into its context (O'Connell, 1989) because, given the diversity of the sector, a context could not be assumed.

First and foremost was government relations. The *JVAR* focused on volunteer matters, but from an analysis of the contents of its first 20 years of publication, the second most published topic was government and voluntary sector relations (Brudney & Kluesner Durden, 1993). For comparison, fundraising was in thirteenth place and marketing in twenty-third.

In the United Kingdom there had been the Wolfenden Committee (1978) report which, in trying to grapple with the sector and its relationship with the state, realised the difficulty of this task without any reliable information. But help was at hand as the Charities Aid Foundation (CAF) took on the role of statistician to the sector by producing *Charity Statistics* (CAF, 1978), initially focusing on the top 200 'grant seeking charities' (27) by voluntary income. But to determine the top 200 they needed to examine the wider picture. As a result of their analysis they, like the Filer Commission, discovered the dependence of the sector on statutory grants and fees, amounting to more than 68 per cent of income (CAF, 1978).

The *Statistics* (CAF, 1978) examined outputs as CAF endeavoured to give a picture of the size and range of donations to the sector (Lee, 1989; Magat, 1989a). But by CAF's own admission, it could only reflect part of the sector, i.e. registered charities, because it was the only segment required to provide annual figures. Therefore, while it has always endeavoured to scope the whole sector, in all editions of *Charity Statistics* (CAF, 1978-1986), *Charity Trends* (CAF, 1987-1993), and *Dimensions of the Voluntary Sector* (Saxon-Harrold and Kendall, 1995; Pharoah, 1996-2000), there has appeared the rider that the total sector figures are something of a guess (Saxon-Harrold and Kendall, 1995).

Given the discovered importance of statutory income, it is interesting that CAF's statistics chose to focus on voluntary income. Indeed, statutory funding is almost minimised because each charity's position within the chart is based on its voluntary income. One answer is that *Charity Statistics* (CAF, 1978) was created

with the donor in mind, particularly the new corporate and trust donors who, it was considered, might want these figures in order to decide which causes they should support. As Livingston Booth, Director of CAF, wrote in the third edition (CAF, 1980):

‘If available funds are to be applied with the maximum benefit to society, then the donor to charity needs as many information resources as the investor, the car buyer or the householder. The amateur beneficence of Lady Bountiful with her basket of loaves is rapidly being replaced by the more sophisticated support of the corporation and the charitable foundation weighing needs, trends and opportunities in the light of available resources’(x).

2.3 The growing interest in social policy

Following the economists’ early interest, the Thatcher (and Reagan) governments’ policy changes during the 1980s gave a new role and importance to the sector (Billis and Harris, 1992; Hodgkinson *et al*, 1989; Kramer, 1990). This caused academics to begin to focus on social policy (Billis, 1993a;1993b; Steinberg 1993) and fiscal implications (Lee 1989) but in-depth analysis was slow in coming. By the late 1980s, as O’Neill (1989) acknowledged, echoing Ware (1989) ‘the immense size and impact of the sector is only starting to be recognized and serious theorizing about the dynamics of the sector has only just begun’ (xii).

While American academics, like O’Neill, might bemoan the small amount of writing on the sector, the work published in the US is still vastly more than exists in this country. This is not least because until the 1990s there was such a small group of people writing on this sector in the UK (in turn, probably due to a lack of funding). Prominent in this group were David Billis, Margaret Harris and colleagues at the London School of economics (LSE); Martin Knapp and Jeremy Kendall at the University of Kent; Susan Saxon-Harrold at CAF; Marilyn Taylor at NCVO; Justin Davis Smith at the Volunteer Centre, Peter Halfpenny and Alan Ware at the University of Manchester and Diana Leat and Judith Unell as independent researchers. Most of these people were working in the area of social policy or on the statistics of giving.

At this stage there was an enormous gap between practitioner and academic in the UK. For a start, they rarely met. Academics did not start getting invited to participate in the CAF conference until the mid 1990s, and not the Institute of Charity Fundraising Managers (ICFM) conference until 1999. The one area where both groups used the same information was probably the CAF figures (*Charity Statistics et al*) although they used them in different ways. Practitioners used them in a rudimentary way for benchmarking performance. The academics used them to scope the sector as a whole.

The 1990s has seen a growing interest in the non-profit sector from academics, but social policy has remained at the forefront. This has resulted in a number of new journals and papers, for example, *Voluntas* (1990) and, even more recently, papers from the newly renamed Centre for Civil Society at LSE (Anheier, 2000; Kendall, 2000).

2.4 The literature on fundraising

If the literature on the non-profit sector is small, the literature on fundraising, particularly prior to the 1990s, is minuscule, almost non-existent. Layton (1987) identified only 20 books and articles covering the period 1901 to 1986 including both practitioner and academic writing. Kelly's (1998) bibliography is more extensive, but most of the references date from 1989 onwards and refer specifically to the US.

At the forefront of American literature is Cutlip's (1965) history of fundraising in the US. It remains the only study of fundraising, moving from the founding of Harvard to the phonathon. (There have been other historical overviews (Dobkin Hall, 1987; 1994) but these have examined the sector as a whole, not just fundraising.) It is unfortunate that Cutlip concludes in 1965, and even when republished in 1990, retained the same core text. The additional introduction to the second edition, by Schwartz (1990), which runs to just 11 pages, hardly does justice to the 'almost exponential growth of professional fundraising in the past

quarter century' (Cutlip, 1990, ix) (Kelly, 1998). As a result, it remains a product of its time, ending with paeans of praise to American (male) donors who are portrayed as being almost so keen to give that they do not need fundraisers to ask for the donations.

The Americans have had one further advantage for some 25 years - the Fund Raising (sic) School at the Center on Philanthropy at Indiana University. Founded by practitioner/consultant Hank Rosso in 1974, the School and its now famous course, 101, has helped to develop generations of American fundraisers. In turn this has resulted in a growing bookshelf of writing on fundraising for practitioners and academics, mostly in conjunction with one publisher, Jossey Bass who saw the growing potential in this area. Rosso (1990, 1996) himself, Mixer (1993), Burlingame and Hulse (1991) Fogal (1994) and many others of the faculty have all contributed to the wider knowledge of fundraising.

In this country there is no comprehensive history of fundraising and nothing yet to quite match the Fund Raising School, nor the commitment of a serious publisher. The lack of a history of British fundraising was noted as early as 1973 (Nightingale), but there has been little progress. The nearest thing, in terms of fundraising history, are the writings of Mullin (1995, 1996) who frequently prefaces books and articles with an introduction placing fundraising in its historical context (and Mullin does not just stop at these shores). In terms of academic interest, there has been some growth in non-profit courses, although those on fundraising are particularly new. It is publishing, however, where the sector is without a champion. CAF, the Directory of Social Change (DoSC) and the National Centre for Voluntary Organisations (NCVO) have all published manuals, directories and background papers but are yet to take on a broader publishing role. Other publishers have shown limited interest.

Virtually the only source of academic analysis and comment has appeared in *Charity Statistics* (CAF, 1978-1986), *Charity Trends* (CAF, 1987-1993) and *Dimensions of the Voluntary Sector* (Saxon-Harrold and Kendall, 1995; Pharoah,

1996-2000) but these annual publications examined income sources rather than fundraising.

It is argued that there are at least two reasons for the lack of research on fundraising. When the non profit sector was first analysed, the surprising fact which emerged, as already noted, was the unexpected reliance of the sector on statutory funding (Leat *et al*, 1981; Leat, 1995). By implication this acted to 'demote' the importance of voluntary fundraising as the researchers concentrated on social policy (Billis, 1993a) and statutory funding (Lee, 1989). This was particularly noticeable from the two editions of *Researching the Voluntary Sector* (Saxon-Harrold and Kendall, 1993; 1994) and, in the wider context, from the 27th ARNOVA International Conference in 1998 where, only 5 of the 256 papers presented that year were about fundraising.

Secondly, fundraising is a practical activity that until the 1980s had largely been undertaken by volunteers. Rather in the way of oral traditions, activities were not written down because supporters just did their events and forwarded the income. They felt no need for analysis or research. They would send what they had raised and it would be enough. Perhaps the comparative unimportance of fundraising at this time can be seen from the fact that *JVAR* devoted only 0.5 per cent of its pages to fundraising in the 1972-77 period (Brudney and Kluesner Durden, 1993).

Indeed, American fundraising consultant Wells (1972) had noted the 'comparative youth of professional fundraising'(2) in the UK. Even by 1984 *Charity* magazine, then the thrusting new magazine of the UK sector, could still marvel at the novelty of a young man entering fundraising with a view to making it his career (Vol 2 (1)).

However, the Thatcher government's changing policy regarding the provision of welfare services (Ware, 1989; Wilson, 1989) signalled a change in the need for voluntary income, as perceived by the charities. The need for more voluntary income was becoming more urgent and more widespread (Kramer, 1990).

In the US the external environment was very similar. Non-profits were also coping with change (Bryce, 1987) and an even greater reduction in government support (Herman and Heimovics, 1991; Lovelock and Weinberg, 1984). Professionalism in fundraising was a key issue (Burlingame and Hulse, 1991; Mixer, 1993), as was competition (Kemp, 1990; Weisbrod, 1988). And because of the 'head start' the Americans had in professional fundraising and matching academic interest, there was some literature, perhaps best illustrated by Brudney and Kluesner Durden's (1993) analysis of *JVAR* content. By the 1987 to 1991 period, coverage of fundraising had risen significantly to 7.9 per cent, making it second only to voluntary organisation/government relations.

Other writers too, began to focus on income generation. Levis (1991) wrote constructively about investing in fundraising for long-term sustainability. Harvey and McCrohan (1988) addressed efficiency and the need to communicate this to donors to increase donations, and Kemp (1990) wrote about the need for planning to be proactive, not reactive, to change.

Yet while Mixer (1993) was still bemoaning the lack of depth in fundraising research, others were reflecting that the sector had probably brought it on itself by demanding relevancy all the time (Brudney and Kluesner, 1992).

2.5 The rise of the practitioners

In the UK, books on the practice of fundraising were almost as scarce as academic analysis. Two had been published in the 1960s, though the first was from the States. Seymour's (1966) *Designs for fund-raising* was written by an experienced practitioner/consultant who began by examining human motivation before he moved on to the structure of major campaigns. In the UK, Hereward Phillips (1969) was also a long-serving practitioner/consultant who wrote of a number of historical campaigns from those during the Second World War to the campaign for Westminster Abbey in the early 1960s. What these two books had in common was their focus on the one-off campaign rather than ongoing revenue generation, and an

awareness that institutions did not have professional staff in fundraising/ development and therefore needed to call in consultants to undertake these campaigns

In the 1970s, Mullin (1976) wrote a handbook on fundraising, a considerable part of which focused on the need for charities to consider employing trained fundraisers, and the need for them to hire consultants in the meanwhile. He took this a stage further in *Present Alms* (1980) where he sought not only better trained fundraising professionals but also a body to bring together fundraisers so that they could learn and share together. However, as fundraising departments were so embryonic, there is no talk of structure, only methods.

So, by the beginning of the 1990s there was still a virtually empty shelf for UK fundraisers, but this was set to change. The first books again came from the US, straight out of the Fund Raising School, such as Rosso *et al's* (1991) *Achieving Excellence in Fundraising*. While many of the corporate appeal techniques did not fit directly with the predominantly revenue style of UK fundraising, Rosso (1996) was an early advocate of what became known as the relationship fundraising (Burnett, 1992) approach.

In the UK the turning point was 1992 when four books appeared, showing the diversity of approach and growing interest in fundraising and the sector. The first was Clarke's (1992) *Complete Fundraising Handbook*. This might be described as a starter book for practitioners, a good reference manual for people who were comparatively new to fundraising and a handy reminder for the more experienced. It was also a product of the recession years as Clarke began by looking at the challenges facing fundraisers.

The second book was Marion Allford's (1992) *tour de force* summarising her success with the Great Ormond Street Hospital Wishing Well Appeal in a how-to style. This approach was chosen because so many people had asked her how she did it. While the principles of major campaign fundraising might be the same in the

US and the UK, Allford's book showed how the national psyche differs in the UK and, therefore, the approach that needed to be taken to make it work.

The third book, Ken Burnett's (1992) *Relationship Fundraising*, was very different. Although deliberately presented as a fundraising approach rather than a marketing approach, this book set out a philosophy to fundraise by. It was a new way of thinking. Its aim was to ensure that the donor was not lost behind the technology. It also encouraged the creation of long-term relationships with donors to generate not simply more income but also broader support as advocates, friends, campaigners and protectors. It caused many fundraisers to rethink their fundraising strategies and approach to donors. The general direction of Burnett's philosophy has since been an interesting topic of academic study (Conway, 1997; McCort, 1994).

Finally, the Open University launched a new course, *Managing Voluntary and Non-profit Enterprises*, and corresponding book. Although written by academics specialising in the non-profit area (Batsleer *et al*, 1992), the course was aimed at current practitioners who wanted a better academic grounding for their work. A second course, entitled *Winning Resources and Support* (OU, 1992) was then developed to help practitioners, particularly in smaller voluntary organisations, to make the fundraising case for their organisations and sell it to potential funders.

This was the first time that such a quantity of material had appeared in one year. These books also reflected the scope of the sector: broad, complex and operating at many different levels at once. They were also what was available when the original field research was undertaken.

Since 1992 there has been a steady trickle of books on fundraising, but these have predominantly been about methods, for example, the ICFM/CAF sponsored series on different aspects of fundraising, from strategic planning (Mullin, 1997) to legacies (Wilberforce, 1998) and the CAF 'How to...' series (from 1996) aimed at smaller non-profits. Not until the launch of the *Journal of Nonprofit and Voluntary Sector Marketing* in 1996 was there any serious academic interest in fundraising,

and then predominantly from a marketing perspective - this will be returned to later.

With no publisher who was sufficiently interested in the UK non-profit sector, unlike Jossey Bass, most of the recent books are compilations for different publishers with each chapter being contributed by a different author (Hanvey and Philpot 1996; Palmer and Hoe, 1997). Most have only one chapter on fundraising (Baxter, 1997; Hughes 1996) and a separate chapter on marketing (Ali, 1997; Bruce, 1996). However, even in the States, the first comprehensive study of fundraising management from an academic perspective only appeared in 1998 (Kelly).

Effective Fund-raising Management (Kelly, 1998) is a detailed, well researched and thorough study of fundraising practice in the United States. Albeit that the author has some fixed opinions. For example, she is vehement in her condemnation of books which supposedly take an overview of fundraising yet do not put it in its historical context. She also has a very firm view on the position of fundraising as a sub-branch of public relations (Kelly, 1993; 1998). She considers colleagues' perceived 'superiority' of fundraising to public relations as pure 'encroachment' (Kelly, 1993). Yet these views aside, it is a substantial work for the growing number of American students who have access to undergraduate courses in fundraising. It also reveals another hole in UK fundraising literature.

2.6 The literature on non-profit marketing

Marketing is a well-established element of business practice (Barksdale and Durden, 1971) and many academic journals have been dedicated to it. A mountain of books has also been written on commercial marketing and there is a pantheon of academic marketing gurus from both sides of the Atlantic including Peter Drucker, writing for thinking business people since 1954; Philip Kotler, author of classic marketing texts since 1967; Ted Levitt, author of the seminal *Marketing Myopia*

(1960) and Malcolm McDonald who has written extensively on marketing planning since 1984.¹

The quantity and range of academic writing has had a significant impact on business practice witnessed, for example, by the practitioners' response to books by Michael Porter (1985). 'Competitive advantage' is now common business parlance.

Academic analysis and writing on non-profit marketing, as on fundraising has, however, been somewhat scarce. Writing in 1996, Sargeant commented that less than 20 serious journal articles on non-profit marketing had been published. This scarcity of material means that it is easy to identify the first article on non-profit marketing. Birks and Southan (1990), Lindsay and Murphy, (1996), Sargeant (1999), Schlegelmilch (1988) and others all agree that the first article to suggest that marketing could be more than just a business technique and philosophy, was written by Kotler and Levy in 1969.

In *Broadening the concept of marketing*, Kotler and Levy (1969) contended that 'marketing is a pervasive societal activity' and that it is the very act of fundraising that 'reminds us that "causes" are marketed'(10). To them, the choice for people working in what they called 'nonbusiness organizations' was not whether to do marketing or not, because they felt it could not be avoided. The choice, they maintained, was 'whether to do it well or poorly'(15).

In 1969, man stepped on the moon. Technology and man's sense of adventure were moving forward, yet to many in the academic world of business marketing, Kotler and Levy's ideas were too extreme. Leading the opposition was David Luck (1969). Writing in the following edition of the *Journal of Marketing* he denounced the idea of nonbusiness marketing because he was entrenched in his view that

¹ (All four have also been involved with the non-profit sector. Kotler to the largest extent; Drucker through his 1990 publication and also through his Foundation; Levitt wrote on the role of the sector in the 1970s; and McDonald addressed the 2000 Institute of Charity Fundraising Managers Annual Conference.)

marketing had to be linked to commercial buying and selling. His opinion was that 'the Heart Fund does not sell donations: there is no established price or terms of sale'(54), therefore, it could not be marketing. Kotler and Levy (1969a) were given the right to reply to Luck's invective in which, borrowing from Levitt (1960), they chastised Luck by concluding

'many nonbusiness organizations would benefit from a more conscious awareness and practice of the marketing concept. It may lead them to place their clients ahead of products... To treat marketing as a proper function of only business firms denies that managers of nonbusiness organizations have marketing responsibilities, a view that is unrealistic and a new form of marketing myopia'(57).

Luck (1969), however, was not alone in his views. A full nine years later, Arndt (1978) was still writing like a man under siege from a new idea

'In evaluating the merits of the broadened marketing concept, the issue is *not* whether marketing concept and techniques may be applied successfully to non-business areas, but whether such extracurricular applications should be treated as *an integral part of marketing*' (101 *italics in the original*).

Arndt (1978) believed that the opening out of marketing to embrace these more social elements would threaten the conceptual integrity of marketing.

In fact, marketing scholars were seriously divided on how to react to Kotler and Levy's (1969) proposition. Even Kotler (1979) himself, writing a decade later, had to acknowledge the ripple in the pool that his and Levy's (1969) article had generated. He remarked that many academics had disagreed with his widening of the marketing goal posts. But he also noted that while some did not particularly agree outright that the idea was valid (Bartels, 1974), they did, at least, begin to test the theory.

Shapiro (1973) was one of the first to undertake active research into the broader aspects of non-profits and marketing. He identified four aspects of business marketing that were applicable to non-profit marketing: self-interest, the need to satisfy customers, the marketing mix and distinctive competencies, in which the

organisation concentrates upon what it does best. This article was published in the *Harvard Business Review* (HBR), in a rare acknowledgement of non-profit research², but it also appeared in *JVAR* (Shapiro, 1974) where it would have a greater opportunity to reach practitioners.

Indeed both Shapiro (1973) and Kotler (1972a) recognised that while initial interest was confined to academics, there was a growing amount of interest from practitioners. Kotler (1975) was the first to seek to address this interest in *Marketing for Nonprofit Organizations*, which has since become the classic text for practitioners and, over time, has included a growing number of practitioner examples (Kotler and Andreasen, 1991). It now seems a long way removed from Luck's (1969) position.

2.7 Exchange theory

So what was all the fuss about? The issue that so incensed the academics was that of exchange (Bagozzi, 1975). Kotler and Levy (1969) saw an exchange of mutually satisfactory values between the non-profit organisation and its customers. Luck (1969) saw only a lack or imbalance of exchange in the non-profit environment. In commercial marketing, one paid one's money and in exchange one received a product, a tangible item or a definable service. To Luck (1969), one did not get any return for one's donation.

Kotler (1975) however, was taking a different perspective. Like Levitt, he considered that exchange was not at the heart of marketing, nor was profit. As Levitt (1977) argued "'profit' is a meaningless statement of the corporate purpose. Without customers in sufficient and steady numbers there is no business and no profit'. Kotler (1975) believed that non-profit organisations could concentrate on the customer. To him, a central tenet of understanding consumer behaviour was to

² The Harvard Business Review has published comparatively little on the non-profit sector and what it has (as witnessed by their recent compilation of articles (1999) approaches the subject from the perspective that their readers are mostly on the boards of non-profits (Fulmer, 1973; Howe, 1985).

be able to appreciate the exchange in a non-profit environment when it may not be tangible (Kotler and Andreasen, 1991).

Non-profit exchange relationships may be more complicated than commercial equivalents (Hannagan, 1992; Harvey, 1990; Harvey and McCrohan, 1988) but it does not mean that they are not valid. Lovelock and Weinberg (1984) include a whole chapter on exchanges in nonbusiness marketing. To them, how to market to someone when there is no visible sign of exchange is an important question, but not an insurmountable one. To Rados (1981) there may be a reward for a donation but it does not come from the charity.

‘The feelings of well-being people get after giving to a charity are generated by the donors themselves. Feelings are not something stocked by the charity to be sent off upon receipt of a donation’(19).

Recently, however, academics and practitioners have taken a more constructive view of exchange. Rosso (1991), from the practitioner perspective, sees gifts as voluntary exchanges at the heart of philanthropy, and that the fair value exchange that a donor receives for the gift is purely in the eyes of the donor, be it public acknowledgement, or private thanks. Moyer (1994) argues that the facilitation of exchange is an appropriate definition for non-profits, making it into an active and vital process for the development of both resource raising and mission serving. Harvey (1990) goes further. He argues that defining the nature of the exchange is of strategic importance for charities and identifies ten factors which donors, for example, look for in their relationships with non-profits.

To many fundraising practitioners and academics, the focus is on the mutual benefit of the exchanges (Hinton, 1994, Sprinkel Grace, 1991). The perceived value, as with commercial transactions, is completely subjective (Kotler, 1972a). Exponents of relationship fundraising (Burnett, 1992) would say that exchange is important, but that it relates to more than just money (Hughes, 1996; Kay-Williams, 2001; Rosso, 1991).

More recently, books on marketing in non-profit organisations (Bruce, 1994; Sargeant, 1999) have been less worried about exchange and have focused much more on the customer orientation and on meeting needs (Bruce, 1994), like Kotler. The irony in all this debate is that, as many commentators note, charities and the non-profit sector in general are used to dealing with ambiguity (Billis, 1993a; Gwin, 1990; Moyer, 1994) and therefore multiple constituencies with multiple interpretations of the exchange concept, tangible or intangible (Hannagan, 1992) are not difficult issues for practitioners.

2.8 The marketing concept: literature and practice

As has been noted in Chapter One, marketing has two components: the tools and techniques, and the concept or philosophy of marketing (Sargeant, 1999). The most commonly known, and used, are the techniques for implementation. However, the concept is bigger than just a set of tools. It is a philosophy that, applied effectively, is integral to the whole way an organisation does business (Shapiro, 1988).

Where marketing is seen simply as the department with that title, it can have only a limited role (Sargeant, 1999). By contrast, where the marketing concept is adopted as an essential philosophy (Sargeant, 1999), then it is at the core of the organisation, guiding management's whole approach to its business whether it be for- or not-for profit. In practice it is interpreted as putting the needs of the customer first (Bruce, 1994) and signalled by the existence of integrated operations across all departments (Kohli and Jaworski, 1990) so that the marketing ethos exists throughout the organisation (McNamara, 1972).

From the initial scepticism there has been a growing acceptance that the marketing concept does apply to non-profits and the debate has moved towards how non-profits apply a market orientation (Hannagan, 1992). Indeed Kotler (1975) took time to explain the concept so that readers could have a clear understanding of the need for the philosophy to underpin the organisation's whole activity and outlook, not just marketing as a set of techniques.

Even so, the initial application of marketing in the non-profit sector was usually to fundraising (Mindak and Bybee, 1971) because the tools of segmentation, targeting *et al* meshed with fundraising needs. By the late 1990s, these tools were much in evidence for fundraising (Ali, 1997). The issue of focusing on the customer (Arbuthnot and Horne, 1997; Kotler and Andreasen, 1991) had also been widely acknowledged, even if it was only being adopted gradually (Moyer, 1994). However, the application of a market orientation across the whole organisation was far less advanced (Bruce, 1994; Sargeant, 1999). But then, thirty years ago, the same was true in companies. Barksdale and Darden (1971) noted that the ideal was fine but the practical application was less easily achieved.

Given that in the early 1990s a 'market orientation' still needed to be explained to business managers (Shapiro, 1988) and it was only just being analysed (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993; Narver and Slater, 1990), it is not surprising that it has taken its time to permeate the non-profit sector.

But some commentators argue that it should be more advanced. Arbuthnot and Horne (1997) record an almost complete lack of understanding of the marketing concept, a conclusion with which Sargeant (1999) has to agree. Hooley *et al* (1990) devised a matrix to depict the adoption of the marketing concept by businesses. From the literature (Arbuthnot and Horne, 1997; Lindsay and Murphy, 1996a; Moyer, 1994; Sargeant, 1999) it is clear that this model can be applied to non-profits.

The model (Fig. 2.1) depicts four approaches to marketing. In the first square of the matrix (i) are organisations which have fully adopted the application of the marketing concept as advocated by Bruce (1994) and Sargeant (1999), where it is fully integrated across all areas of the organisation, applying both a customer focus and marketing philosophy. Organisations in the second square have a customer focus (ii) but it has only permeated as far as the fundraising (marketing) department and no further. Organisations in the third square show little

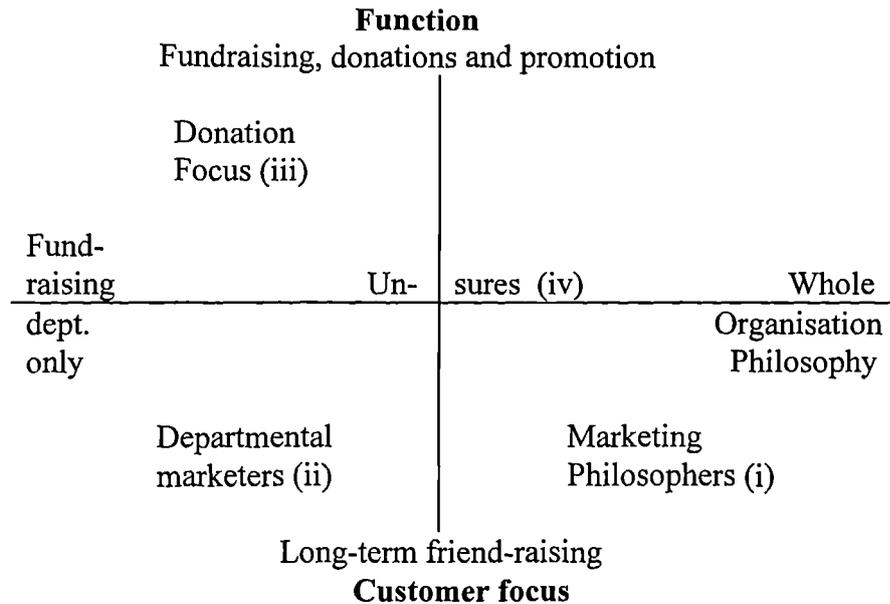


Fig 2.1 Implementation of marketing by non -profits, adapted from Hooley, Lynch and Shepherd (1990).

evidence of marketing thinking at all (iii), there is just the pursuit of donations which is both a short-term and single department focus, what Shapiro (1973) referred to as the sales orientation.

Organisations in the fourth group, (iv) do not have a philosophy to guide their thinking about marketing, if they think about it at all. They hover in the centre of the matrix, unsure of the role or merit of marketing. At an extreme, they may even be unsure of the desirability of customers/donors. This attitude can be seen in charity workers who do not like to think that their salary or their projects are being paid for by donations.

It is argued that this model neatly sums up the general attitudes to marketing in the non-profit sector. But while this may be a snapshot, it is also a progression (Hooley *et al*, 1990). Charities, like businesses, can move round the grid, developing their market orientation, learning on the way that marketing is more than just promotional activity (Arbuthnot and Horne, 1997) and more than an unanchored customer focus (Bruce, 1994). But, in order to survive, it is considered that a marketing focus is not optional (McIntosh and McIntosh, 1984; Moyer, 1994) .

2.9 The development of non-profit marketing literature in the UK

In the early 1980s, the UK looked to the US for information on applying marketing skills and ideas to non-profits generally (Fine, 1981). In fact in some spheres, such as higher education, this continued right through to the early 1990s (CASE conferences Edinburgh, 1990 and Cambridge, 1991). As American academics experienced more marketing developments their articles became more practical and evidence-based. For example, Kotler's (1979) article was a practical blue print for introducing marketing into a non-profit organisation step-by-step, from how to set up a first internal committee to appointing a marketing Vice-President.

There was also evidence of other types of UK non-profits benefiting from a marketing perspective. For example, in the arts the 'hot books' in the early 1980s were Newman's *Subscribe Now* (1977) an American introduction to marketing applied to series events (from theatre and concert 'seasons' to sports events), which made its way over here as part of the Box Office Managers International (BOMI) Conference held in the UK in 1983, and Keith Diggle's *Guide to Arts Marketing* (1984). These books, alongside the teaching of new skills such as the first direct marketing training day for the arts, introduced the concept of marketing to British arts organisations.

The UK, though was still way behind America. Lovelock and Weinberg (1984) wrote of their book being a 'second-generation text' where the reader could now find enough examples to examine the state of marketing in the sector rather than merely seeing what can be gleaned from businesses. They were also instrumental in establishing courses in non-profit marketing at Harvard Business School and the University of British Columbia from the mid 1970s.

That same year the McIntosh's' (1984) book on marketing was trumpeted as the first book on marketing ever to have been written for charities in the UK. However, regardless of the bigger picture, it focuses on techniques for fundraising, rather than clearly setting out the marketing concept and was positioned as a survival book, rather than an opportunity for growth. But it took even longer to

achieve the first specific non-profit marketing academic courses in the UK which did not begin until the 1990s.

The early connection between the tools of marketing and fundraising has, in many ways, been to the detriment of marketing because there has emerged a common perception that marketing is fundraising. As a result, marketing is still misunderstood by many charities (Sargeant, 1999) and still needs internal promotion (Moyer, 1994) because, as several commentators have convincingly argued, there is no shortage of market to satisfy (Bruce, 1994; Moyer, 1994; Selby, 1978).

2.10 Recent developments

By the late 1980s, academics were noting a change in the non-profit sector. In many cases articles and publications were reviewing the charities' response to the external environment. Schlegelmilch and Tynan, (1989) saw extensive evidence of the advancement of marketing sophistication. Wilson (1989) also noted 'a remarkable change in the dynamics of the voluntary sector since 1985' (57) which he attributed to the development of professional standards of management and better structures to build strong organisations.

Some academics were even outlining future challenges. Nichols (1995) presented political, economic, social and technological factors which she perceived would affect the donation behaviour of different generations, to help charities develop appropriate marketing strategies. Hanson (1997) saw that competition was reality and urged charities to improve staffing and develop new sources of income to meet the challenge.

Generally there was such an improvement in the use of both marketing and strategic techniques, that some writers were, for a change, holding up examples of non-profits for commercial companies to learn from (Billis, 1993; Leat, 1993). Drucker (1989) specifically invited for-profits to examine their strategies alongside those of the Girls Scouts and the American Red Cross.

Such reversal of the usual flow of information is, however, unusual and not helped by the lack of serious attention given to non-profit marketing in general marketing texts (Moyer, 1994). For example, a quick examination of the standard texts for the Chartered Institute of Marketing Certificate and Diploma (Lancaster and Reynolds, 1999; Wilmshurst, 1986; Cowell, 1984) show scant regard for what is sometimes called social marketing. In the latest edition of the core text, Lancaster and Reynolds (1999) sum up the whole topic in less than two pages. This confirms Sargeant's (1996) contention that the sector is still largely being ignored, even during times of major challenge and upheaval.

The first holistic book on non-profit marketing in the UK was published in 1994 (Bruce). Specifically, the achievement of this book, written by a practitioner/academic who has worked in all three sectors (commercial, public and non-profit), was that it started from the marketing concept: serving the needs of the customer. It showed how marketing was relevant to the whole organisation and how it could be applied to all aspects of a charity's remit, not just the fundraising.

Two years later came a major breakthrough for non-profit marketing, its own journal. The *Journal of Nonprofit and Voluntary Sector Marketing* (JNVSM) provides academics and practitioners with their own forum for serious debate and research findings. In just four years there has been marked progress in the range, depth and variety of the articles, reflecting the growing academic interest in the sector as a worthwhile topic for study.

Perhaps not surprisingly, it began by examining the difference between non-profit and for-profit marketing (Paton, 1996). Since then, the topics covered most frequently involve marketing techniques for fundraising, especially direct marketing (Vol. 4 No3, 1999), segmenting (Hunter and Hill, 1998), targeting (Burnett and Fowler, 1998) and relationship marketing (Summerfield, 1998). Nevertheless, there has been a growing number of articles covering broader marketing topics (Saxton, 1996a, Bennett & Gabriel, 2000) as well as case studies of charities applying marketing principles (Kennedy, 1998; Denney, 1999).

Overall, the *JNVSM* fills a huge gap in the sector and as it has extended its international role it is also taking the work of UK academics and practitioners in to the wider sphere.

2.11 Closing the fundraising literature gap?

While the *JNVSM* has certainly gone some way to enhancing academic knowledge on fundraising there is still much that is not covered in the literature.

Fundamentally, there has been no coverage of fundraising as a department, as part of the structure of an organisation. What has been written addresses the function and the methods, not the structures and development.

The whole of non-profit research is still a relatively new field (Dobkin Hall, 1993a) and even more so in the UK: professors of fundraising or non-profit marketing are extremely rare in this country. But the research gap cannot all be laid at the feet of academics. Few practitioners have leapt at the opportunity to explore their subject more deeply (Moyer, 1994). Indeed, academics tend to see the writings of practitioners as little more than collections of anecdotes (Mindak and Bybee, 1971; Paton, 1996) and when confronted with the content and narrative style of, say, a Rosso (1996) such a view is understandable. Ironically, it is perhaps only with the influx of marketing professionals into the sector, people who are used to having access to academic thinking on their day-to day issues, that there has been a noticeable growth of interest in the sector.

So, where does this leave the literature on fundraising and non-profit marketing? First, the sector always lives in hope. This is indicated by the number of times the concept of 'coming of age' has been used by critics and commentators. Lovelock and Weinberg began back in 1984 when in writing their 'second generation text' they felt that non-profit marketing had successfully passed a major hurdle. But the hurdles were out again at the start of the *JNVSM* (Saxton, 1996) and have since appeared with regularity (Paton, 1998; Sargeant 1999a). Meanwhile, as a practitioner, Rosso (1991) with a whole career behind him, noted that the coming of age of fundraising had taken 30 years.

There has certainly been some progress, as witnessed by the first Symposium on fundraising held in the UK which took place at South Bank University in June 2000 and was attended by a wide range of practitioners and academics. This event could not have taken place before because there were neither the academics researching the subject nor the institutions willing to host it. The number of practitioners attending would appear to indicate a growing interest in the subject. This augurs well to address Paton's (1996) concerns.

'Practice always runs ahead of theory, but it is in danger of getting too far ahead. More dialogue and collaboration between practitioners and academics, and between for-profit and not-for profit marketers will help advance both marketing theory and professional practice' (30).

Perhaps, like the nymphs on Keats' Grecian urn, academic and practitioner are destined to follow now one, now the other, for eternity, but more recently it would be fair to say that the chase has been recognised to be mutually beneficial. In particular, some of the most topical areas being examined, such as benchmarking (Medley, 1993; Paton, 1999) bring together the best interests of both groups.

2.12 Summary

This chapter has investigated the principal writings on the non-profit sector, fundraising and marketing over the last 30 years, examining both academic and practitioner output.

The analysis has shown that when this study was undertaken in 1994, research into non-profit fundraising and marketing was something of a greenfield site in the UK. Over the past five years there has been a growing interest in this sector, particularly in terms of marketing techniques, but still comparatively little on fundraising developments and structure, or on the fundraising department's response to external environmental issues which were the principal aims of this research.

Chapter Three sets out the methodology and the ontological and epistemological perspective adopted.

Chapter three

Methodology

3.1 Introduction

This research sought to investigate four issues detailed in Chapter One: (i) that the early 1990s was perceived by charities as a time of rapid change in the external environment; (ii) that charities' responses were reactive, focused on structures and activities; (iii) that larger charities were adopting a common model for fundraising structure and in particular, (iv) that charities were looking to aspects of marketing to meet the new fundraising challenges.

This chapter explains the routes taken to determine the most appropriate method of research and analysis. In so doing, it sets out the paradigms and philosophical positions which form the research's ontological and epistemological perspective. It also explains the basis on which the studied charities and interviewees were chosen.

As a part-time research student, completing the research, the analysis and the writing up took longer than anticipated. However, this was turned to advantage by adding a smaller longitudinal study in 1999. Based on the findings of the original study, the aim of the 1999 study was to investigate two issues relating to the external environment, but perhaps more importantly, the longitudinal research was also an opportunity to review the ongoing validity of the theory which resulted from the 1994 fieldwork.

As Strauss and Corbin (1998) noted, the real world moves on, so the longitudinal study would not directly reproduce the external conditions of the initial research, but it would enable a review of the robustness and validity of the theoretical framework described in Chapter Five. The methodology, theoretical basis and findings of the longitudinal research are presented in Chapters Eight and Nine.

3.2 The philosophical position

Deshpande (1983), Hughes and Sharrock (1997) and Maykut and Morehouse (1994) all agree that the first person to describe paradigms was Kuhn (1962). He defined a paradigm as a set of linked assumptions about the world which is shared by a (scientific) community and informs their world view, or *weltanschauung*. Ideas and findings which do not fit the world view are put on one side until they become too numerous and a new paradigm has to be developed - a paradigm shift.

Paradigms have four purposes: to guide professionals in a discipline to the important problems and issues confronting the discipline; to devise an exploratory scheme to place these issues in a framework for practitioners; to establish the criteria for the appropriate tools to solve these problems and to provide an epistemology, a way of knowing, that can underpin the work of the discipline (Filstead, 1979: 34).

In the philosophy of science (natural and social) there are a series of commonly accepted paradigms including positivism, post-positivism, critical theory, constructivism and phenomenology (Denzin and Lincoln, 1994; Guba and Lincoln, 1994; Maykut and Morehouse, 1994). Of these, two are considered the principal positions: positivism and phenomenology (Maykut and Morehouse, 1994).

Positivism is most commonly linked with quantitative study, especially through experimentation and mathematics, and has been the philosophical basis of study in the natural sciences since the Age of Reason (Guba and Lincoln, 1994). From an ontological perspective, the positivist view assumes 'an objective reality upon which inquiry can converge' (Guba and Lincoln, 1994: 108). Epistemologically, because an external reality is assumed, the world can be known, the researcher can determine 'how things really are' (Guba and Lincoln, 1994: 108) through empirical study. (See summary in chart 3.1.)

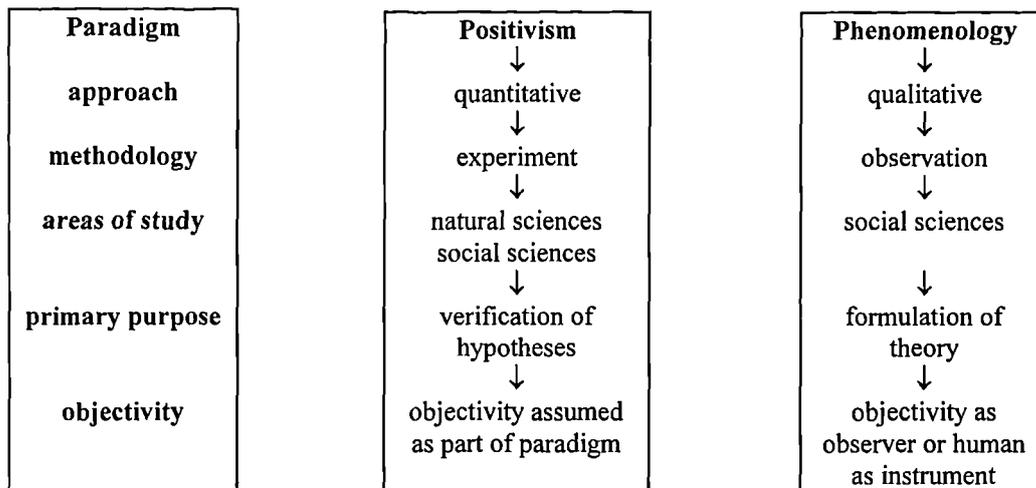


Chart 3.1 Summary of the two principal paradigms

Phenomenology, on the other hand is predominantly concerned with qualitative study, and as such has remained a philosophical perspective of the social sciences. It is concerned with understanding the meaning events have for persons being studied (Maykut and Morehouse, 1994) or, to put it another way, the researcher seeks understanding, insight and comprehension ‘about the meaning of the lived experience’ (Morse, 1994: 36). The phenomenological philosophical position also includes qualitative research methods of ethnomethodology, hermeneutics and grounded theory.

Maykut and Morehouse (1994) following the line of Lincoln and Guba (1985) and Cook and Reichardt (1979) argue that ‘qualitative research is based on a fundamentally different set of postulates [which make up a paradigm] than is the dominant positivist tradition’ (1994: 5). In epistemological terms, the qualitative paradigm perceives multiple realities where the knower and the known are interdependent, where values are important and events shape each other multidirectionally (Lincoln and Guba, 1985; Maykut and Morehouse, 1994). As a result, the ontological position is pluralist. (Ferm, 1969).

In terms of outcomes, where quantitative research seeks to find facts (Silverman, 1993), in qualitative research ‘theory is the most important product. The goal is to

be able to place the results in the context of established knowledge/theory and to claim clearly new contributions' (Morse, 1994: 34).

3.3 Establishing the method of investigation

Since the days of Comte in the 1830s, it has been contended that postgraduate research had to test a hypothesis (Dreher, 1994) and that such testing required the quantitative approach from a positivist perspective (Deshpande, 1983): 'objective inquiry based on measurable variables and provable propositions' (Maykut and Morehouse, 1994: 3).

But by the early 1970s, and with gathering pace in the 1980s and 1990s, positivism was no longer so highly respected. To some, the positivist view was now 'an empty debate' (Silverman, 1997: 14), although ironically, it was the growth of such fields as 'educational research, management studies and marketing' which Hughes and Sharrock (1997: 25) felt had revived positivism's fortunes. They considered marketing research had harnessed the tools of quantitative study for its own ends and had 'promised' answers (Hunt, 1993).

In the last two decades there has been a groundswell of voices arguing for the validity of and the need for the qualitative approach. While Lincoln and Guba argued in 1985 that the qualitative paradigm was not yet fully developed, calling it 'the emerging paradigm', Silverman (1985) was already convinced there was a changed perception of qualitative research. By the late 1990s he was able to write 'in British market research circles, "qualitative" research is the latest fashion. It is seen to provide "in depth" material which is believed to be absent from survey research data' (1997: 14).

Herein lies one of qualitative research's strengths. It is seen to be a source of 'rich data' (Kvale, 1996; Silverman, 1997), where the findings demand more detailed, analytical study than the numerical findings of a piece of quantitative research (McCracken, 1988) and in turn offer deeper insights.

This does not, however, mean that qualitative research has been accepted universally. Many of the books on general research methodology outline qualitative research only after something of an apologia for its perceived shortcomings in comparison to quantitative research (Kotler, 1984). This stance is due, not least, to the fact that, unlike quantitative research, it is perceived that 'there are few standard rules or common methodological conventions in qualitative research' and 'hardly any general texts have existed in which questions of method... were discussed' (Kvale, 1996: 13).

However, to talk simply in terms of a black and white perspective: quantitative and qualitative, good and bad is somewhat naïve (Dreher, 1994). While some purists argue for sticking to one paradigm and methodology and one type of outcome (Leininger, 1994), others suggest that a combination of the two approaches is possible (Glaser and Strauss 1967) and is more likely to lead to a more rounded outcome (Deshpande, 1983). In other words, qualitative research can be used to investigate a topic, as well as create theory. As Silverman (1985) argues:

'it is not simply a choice between polar opposites that faces us, but a decision about balance and intellectual breadth and rigour. Where used intelligently, and appropriately, there is no reason why quantification has to be totally shunned in the 1980s, any more than it had to be central to respectability in the 1950s.' (17)

3.4 Approaching this research

While this researcher came from the quantitative, positivist position, the needs of this research did not seem best served by a determinedly quantitative approach. For, as Hague and Jackson (1996) note, the quantitative approach is about the 'measuring of things'; whereas what was required was much more 'an understanding of the subject' (64), of how the 'world view' of structures and cultures in charities had developed over the preceding five years.

This research sought to investigate more than just the bare facts of the impact of external environmental factors on charity fundraising. It needed to penetrate to the heart of the matter (Dreher, 1994; Hague and Jackson, 1996) which required more than a numerical analysis. To understand the impact of the myriad external environmental factors on charities, and especially charity fundraising, it was vital to 'get into the thinking' of the interviewees and their charities. This piece of research was about how charities were recognising and responding to external factors rather than specifically how much they were raising.

To achieve this aim it was decided to harness the best of both quantitative and qualitative approaches, though focusing predominantly on the qualitative paradigm. (Deshpande, 1983; Downey and Ireland, 1979; Silverman, 1985). Indeed, such an approach was positively encouraged by Downey and Ireland (1979) for a researcher investigating a commercial organisation's environment.

Specifically, it was decided that the most appropriate method of data capture for this research was to create a structured questionnaire with predominantly open-ended questions. Unlike the pure qualitative interviews described by Rubin and Rubin (1995) and Kvale (1996), which use loosely structured question guides, this research would be what Patton (1990) called the 'standardised open-ended interview' (280). The questionnaire was then used with a limited number of selected charities (see below) through face-to-face interviews.

There were two reasons for the choice of the structured questionnaire: the first was practical. Due to time constraints the interviews took place over several months. The questionnaire format enabled continuity and validity to be maintained (Patton, 1990). Second, unlike many qualitative interviews, these interviews were with professionals answering about their work and their organisations. As such, many of the answers would be factual, some would be numerical, but the open-ended nature of the questions enabled the interviewees to choose how informative they wished to be.

The issue of the interviewees' openness benefited from the interview being conducted face-to-face in their office. This proximity enabled a relationship to be built between interviewer and interviewee. The more they felt listened to, respected and considered that trust would be maintained, the more they were likely to give (Rubin and Rubin, 1995; Kvale, 1996).

Aware of the potential limitations of relying solely on interview data (Marshall and Rossman, 1995), the interviewees were also asked for written data to illustrate the 'bigger picture' of their organisation. Annual reports and income and expenditure figures were requested for the last five years along with organisational charts, with changes if possible, for both the organisation as a whole and the fundraising department. What Peräkylä (1997) refers to as 'documentary realities' (205).

By using this predominantly qualitative approach and a grounded theory (Glaser and Strauss, 1967) approach to the analysis, discussed below, it was possible to investigate the original aims and to see what, if any, other theories might be developed from the data. Once the methodology had been decided upon it was necessary to consider the criteria for choosing the charities which would form the heart of the study.

3.5 The choice of charities

This research was about the impact of external environmental factors on charity fundraising and charities' response to change. Therefore, the initial group of charities chosen to participate were those which received the most in voluntary (fundraised) income: the top 20 fundraising charities, as listed in *Charity Trends 16* (CAF, 1993).

These charities were selected for a number of reasons:

1. Each of the top 20 fundraising charities was reliant for at least £21m per annum from fundraised income by 1992 (CAF, 1993).

2. If there was a squeeze on voluntary income, the top 20 potentially had most to fear.
3. The big charities had the largest resources for new techniques and opportunities, therefore, if marketing was being used in charity fundraising one might expect to find it here first.
4. The top 20 fundraising charities comprised a wide number of subject (cause) areas which allowed for potential comparisons.
5. They also comprised a mixture of charities totally or largely reliant upon voluntary income for funds, and charities where voluntary income was only a part of the total income, the rest coming from grants, contracts and other funding.
6. No in-depth analysis had been done on the top 20 fundraising charities in relation to external factors.

However, the top 20 fundraising charities are not representative of all charities in England and Wales precisely because of their voluntary income. The Charity Commission has stated that some 70 per cent of the more than 180,000 registered charities in England and Wales have an annual income of £10,000 or less (Office of National Statistics, 1998).

Therefore, an additional ten charities were chosen from across the *Charity Trends* (1993) 500 and beyond. This juxtaposing of small and large organisations, by voluntary income would, it was hoped, reveal more about the comparative extent and impact of external environmental factors on fundraising charities of different sizes. Furthermore, even less research had been done on smaller charities, especially as part of a bigger study, than of the top 20.

Finally, through this broadening of the research base, it was hoped to develop a significant enough data base from which a bigger picture, a more holistic theory of the sector, could be generalised. As Peräkylä (1997) has pointed out, the most specific, small scale, localised and limited study can produce some elements that are generalizable. For a purely qualitative study as few as eight interviewees might be considered ample (McCracken, 1988) and as Silverman (1985) has argued, even

the most micro study can have macro implications. However, in order to take a sounder, broader view, it was considered necessary to be more encompassing, hence 30 charities were selected.

One of the virtues of the top 20 fundraising charities was that they represented many different causes, from overseas aid to social welfare, and from animals to rescue services. However, in compiling the list of additional charities it was decided that two specific causes should be selected: cancer and visual impairment, to reduce the overall number of variables. Not that all these chosen charities did the same work. Even within the two selected fields there were different aims and objectives: from research to welfare in the case of cancer and from welfare support to the provision of education or employment schemes in the case of visual impairment (see table 3.2). This variety reflected the diversity of British charities which would help to give breadth to the findings.

Primary type of work	Number of charities interviewed
Social welfare	11
Overseas aid	5
Hospice/hospital/nursing	5
Medical research	4
Rescue/emergency	2
Animal protection	2
Heritage/environment	1

Table 3.2 *Types of work of the 30 selected charities.*

These two popular causes, cancer and visual impairment, were also chosen because charities with these purposes existed throughout the top 500 and beyond³. To enhance the usefulness of the study additional factors were used in selecting the final charities.

For example, where possible the cancer and visual impairment charities were

³ Indeed, cancer charities were taken to task by the Director General of one of the largest for being so numerous (around 600 in the UK) in 1998, urging more of them to combine to reduce overheads and enable more money to go into research.

selected from similar positions in the *Charity Trends* (CAF, 1993) rankings: that is, where a cancer and a visual impairment charity were within ten or so places of each other. This would help to address to what extent the charities considered their ranking important.

For the smaller charities it was anticipated that geography might play a part. Did they consider the greatest competition to come from other charities in the same town working for different causes or from national and regional charities supporting the same general cause establishing specific campaigns in their area? Also, did the medium and smaller charities pay more attention to their place in *Charity Trends* (CAF, from 1978) or to the competition they experienced on the ground? To examine these issues two of the organisations chosen were based in Manchester and two in Blackpool.

Of these additional ten organisations, three were ranked in the top 100. Two were in the 100-200 group, two were in the 200-300 group and two were outside the top 500 chart with a voluntary income below £304,000 (CAF, 1993).

Subject	Number of charities studied
cancer	8
visual impairment	7
third world development	4
children	2
birds	1
animals	1
medical/emergency	1
rescue services	1
heritage	1
older people	1
heart disease	1
general welfare	1
cerebral palsy	1

Table 3.3 *The subjects (causes) supported by the 30 selected charities.*

The final charity selected would, by voluntary income, have appeared in the top 400 fundraising charities if it had been eligible for inclusion in *Charity Trends*. However, as the separately registered charity of an NHS hospital trust it was not

included in the listings. This charity was chosen for this study as a representative of the 'new charities' and because its specialist area was one of the two causes selected for the smaller charities. A full list of the 30 charities can be found in Appendix I.

Another reason for choosing this additional group of charities was based on a well-known marketing tenet, that the second-place organisation in a sector is often more innovative, and hungry to grasp new ideas, than the market leader, witness the Hertz/Avis battle in the car hire sector in the 1980s (Cowell, 1984). Looking at the charities outside the top 20 was designed to explore whether this group, especially those in the top 100 were following the leader in their cause, or attempting to become the leader. In other words, were charities outside the top 20 greater exponents and innovators of marketing within charitable fundraising than their larger neighbours.

Charity Trends (CAF, 1993) was used as the reference work for selecting the charities because it was the authoritative summary of charity fundraising in the UK. The 16th edition (1993) was chosen because it was the current edition when the field work was planned. In addition, it did not include any of the major one-off or biennial fundraising events, such as Comic Relief, which would distort the rankings. The effort and focus of a one-off special event based around a star-studded television spectacular is very different from the day-to-day fundraising that most charities experience.

3.6 The interviewees

In order to obtain as full a picture as possible of the fundraising within each chosen charity, an interview was requested with the most senior person responsible for fundraising. In some cases this was the head of fundraising or director of fundraising, but in reality there were many titles and different levels of seniority. This will be discussed in Chapter Six.

The aim was to speak with an elite group (Marshall and Rossman, 1995): people who were responsible, over all, for the voluntary income generated by that charity and were the decision makers in terms of fundraising policy and its application.

The appropriate interviewees were identified through phone calls to each of the selected organisations. To 'negotiate entry' (Marshall and Rossman, 1994) all the identified individuals were sent a letter of request, explaining what the research was about and stating that they would be phoned to arrange an appointment. It also explained the purpose of the research and the interviewer's position within the sector.

There were two reasons for mentioning the interviewer's post. On the one hand it was useful shorthand to show the potential interviewees that the person coming to speak with them had an understanding of the sector. This undoubtedly helped with access to the interviewees. On the other hand, it was important, for ethical reasons, to name the organisation for which the interviewer worked to avoid any potential or perceived conflict of interest.

Appointments were achieved with 29 of the 30 organisations. The final one would only supply written information. However, as a top 20 fundraising charity often in the news, much that was relevant to the research was appearing in the specialist press at that time.

On two occasions the head of fundraising was not available on the agreed date so the interview was conducted with a designated senior colleague. In one of these cases, the interview was supported by a published transcript from a presentation given by the head of fundraising at the same time as the field work was being undertaken, which was particularly relevant to the issues at hand (Pegram, 1994). Permission was given to this author to use this document as part of the charity's response.

All the interviewees were promised that their comments would be used anonymously, though information that was in the public domain, such as in their annual reports or *Charity Trends* (CAF, 1993) could be attributed.

3.7 Issues in interviewing elites

Access to the interviewees was a significant issue. As a part-time research student with a full time job, the researcher had a limited amount of time to set aside for visiting interviewees, and the interviewees themselves had busy diaries. With travel, it was usually only possible to do two interviews in a day. Eleven of the 30 were based outside London and those in London were in all parts of the city.

Nevertheless, it was considered important enough to wait for the opportunity to speak with the senior person responsible for fundraising for their overview of the factors affecting their charity. The interviews were finally conducted in two batches, in March/April and September/October 1994. The last interview took place in early 1995 after several postponements by the interviewee.

Because the study was looking at developments over a five year period, a delay of a couple of months was considered (and found) to have little impact because of the wide ranging nature of the questionnaire. Those interviewed early in the schedule talked about changes about to happen (if you had come to see me in a couple of months time you would find there had been a change in x), while those interviewed at the end of the schedule referred back to recent changes (we only put that in place a couple of months ago).

The interviewees, chosen by virtue of their responsibility, were what Marshall and Rossman (1995) called 'elites'. However, what became clear from the interviews was that a small number of the fundraisers were not necessarily the elite within their own organisation. This finding contributed to the development of the five stages theory presented in Chapter Five.

Interviewing elites or high status interviewees (King, 1994: 23) can be very satisfying for their breadth and depth of perspective. It can, equally, be very demanding of the interviewer in terms of the content of the interview. Elites are more likely to question the questioner, challenge the format of questions and try to answer a different question (Marshall and Rossman, 1995: 83).

All these scenarios were experienced by the interviewer. The interviewees also took different stands from 'all-knowing expert', to colleague, to 'in awe of the researcher' from one non-elite interviewee. Even taking note of King's (1994) advice to interviewers to be respectful without being submissive or too knowing (23), there were a small number of interviewees who saw this as an opportunity to give a bravura performance of their achievements, which in one case led to the longest interview, nearly 2½ hours. Most, however, treated the researcher as a colleague and a mutual respect and trust was established based on the questions asked, which the interviewees felt revealed knowledge and understanding of the sector (in several cases this was communicated directly by the interviewees).

It was also the case that, as Rubin and Rubin (1995) suggested, interviewees were often grateful for the chance to stand back and view developments in their charity from an almost external, or at least more detached perspective, with someone who was not directly involved but knew what they were talking about. The interviewer knew only two of the interviewees at anything more than a 'nodding acquaintance' level.

Several interviewees had initially allocated less than the time requested but as they were 'enjoying themselves' and found the questions pertinent and of interest, they completed the questions, regardless of time because they were getting something out of it for themselves. The interviewees were very generous with their time.

3.8 Issues of objectivity

What then of the issue of objectivity? As chart 3.1 showed, objectivity is a central tenet of the positivist paradigm, based on the presupposition that a researcher can

extricate the self from the matter which is being investigated. However, qualitative researchers have endeavoured to show that the concept of objective reality is a contradiction in terms, as Merleau-Ponty (1962), credited as the founder of phenomenology, points out

‘All my knowledge of the world, even my scientific knowledge, is gained from my own particular point of view, or from some experience of the world without which the symbols of science would be meaningless. The whole universe of science is built upon the world as directly experienced.’
(viii)

Kincheloe and McLaren (1994) contend that no empirically derived data can be treated as ‘simple irrefutable facts’ (144). Hunt (1993) goes further, describing objectivity in all marketing research as ‘an illusion, a chimera or impossible’ (76) which is indicative of the crisis of confidence in the scientific method over the last decade. Hunt (1993) concludes ‘seeking knowledge that is absolutely true, universally valid, absolutely correct, definitive, known with certainty or known from a unique privileged position, is not only impossible, it is undesirable’ (86). Though for all this, as Downey and Ireland (1979) point out, there is still high value in anything that can be labelled ‘objective’.

Objectivity is a difficult issue for qualitative research. For a start, the researcher needs to integrate himself in to the surroundings of the interviewees and needs to ‘absorb like a sponge and retain an inquisitive air rather than being judgmental’ (Morse, 1994). Indeed the relationship between the researcher and the interviewee must have a dynamic to create some element of dialogue (Bakhtin, 1986). And the whole premise of the phenomenological position is to gain an understanding of the event from the perspective of the participant (Taylor and Bogdan, 1984; Rubin and Rubin, 1995).

Even in a professional setting, as in this research, there was a need for the interviewer to gain respect and trust, that is, to be perceived as an insider, in order to encourage the respondents to give more information (Agar, 1980). To this end, the qualitative researcher seeks less a purely objective position, preferring to gain an understanding of a situation or experience and how it affected those involved:

the perspectival view (Maykut and Morehouse, 1994; Rubin and Rubin, 1995; Kvale, 1996).

Lincoln and Guba (1985) developed the concept of 'human as instrument'. They considered it was the only instrument flexible enough 'to capture the complexity, subtlety and constantly changing situation which is human experience'(193). Rubin and Rubin (1995) agreed with the potential interaction of the interviewer which, they considered, could enhance the interview, for example, in trying to take a balanced rather than a neutral position. While Flick (1998) considered that qualitative methods required the interaction of the researcher with the studied group as 'an explicit part of the knowledge production'.

Good qualitative research seeks to know the subject but this must be done without the personal biases of the interviewer (Rubin and Rubin, 1995). A qualitative research interview aims to describe the lived everyday world or *lebenswelt* - lifeworld - of the interviewee, not the interviewer (Kvale, 1996: 54). Such data needs to be checked and controlled and undistorted by personal bias or prejudice (Kvale, 1996). If this is achieved then "objectivity" and "truth" are established within "life worlds" and their socially organised settings and there is no question of one form of knowledge being absolutely superior to any other' (Hughes and Sharrock, 1997: 140; Kirk and Miller, 1986).

This still leaves the issue of whether one can take what was said by the respondents to be an unbiased, value-neutral account (a very positivist view) of what had happened in their charity in the past five years. Clearly the answer is that their comments were neither unbiased nor value neutral (Rubin and Rubin, 1995). The interviewees were employed as heads of fundraising, the elite of a profession that routinely 'talks up' situations to show their charity in a good light (usually to potential donors). However, knowing that an up-beat stance was their world view, this was factored into the questions and the analysis; professional bias (pride and belief in one's own organisation) or hyperbole could be anticipated to be a common factor of all the interviews.

The interviewees answered from their perceptions of their organisations. This gave validity to their comments because this was the milieu in which they were working on a daily basis. Since, to a great extent, perception is reality⁴, what the interviewee perceived to be true of his/her organisation was true.

In summary, the important issue regarding bias in qualitative research is not that the interviewer can be totally apart from the interviewee's world, but that he can remain faithful to recording what was said, even when disagreeing with it vehemently (Rubin and Rubin, 1995) and in analysis retain what Dooley (1990) calls systematic doubting.

This then becomes an issue not of bias but of reliability, defined as 'consistency of observation, labeling or interpretation' (Boyatzis, 1998: 144) and 'the degree to which the finding is independent of accidental circumstances of the research' (Kirk and Miller, 1986: 20). And here, as Thorne (1994) notes, few are perfect: 'Even a brief review of the writings by our prominent scholars clearly reveals their unique interpretive styles and characteristic decision trails, despite evidence of deliberate and methodical attention to their influence on the data' (267). What remains, however, is the researcher's belief that he 'has captured the phenomenon under investigation and that his or her judgments are sound' (Boyatzis, 1998: 150).

3.9 The questionnaire for 1994

The questionnaire is probably the best-known tool of research (Hague and Jackson, 1996). In its most common format it is a quantitative tool comprising predominantly closed questions: multiple choice, dichotomous, Likert scales or semantic differential being some of the most common types (Kotler, 1984: 204). What these questions have in common is that they can be analysed numerically with statistics and formulae.

⁴ A line frequently used by PR guru Lord Tim Bell, perhaps the first of the UK spin doctors.

However, the aim for this research was to use interviews to achieve ‘understanding of the meanings in their lived world’ (Kvale 1996: 105) as heads of fundraising related to changes in charity fundraising in the 1989-1994 period. Therefore, the questionnaire for this research could not use the closed questions of quantitative research (see Appendix II). The questionnaire was detailed and extensive but comprised predominantly open-ended questions with some factual/numerical questions for points of reference.

McCracken (1988) considered the questionnaire indispensable for what he called ‘the long interview’ (24) which was the case here: the average interview length was 1½ hours. The questionnaire ensured that the topics were all covered in the same order and in the same way for each respondent. Secondly, because all except one of the respondents could see the sheaf of papers⁵ that the interviewer was working through, this also acted as a non-verbal prompt that there were more questions to come and that they should not, therefore, go into too much detail on every question. Generously, the respondents gave both breadth and detail.

The questionnaire covered a wide range of topics in the quest to investigate the changes that each charity had experienced in its fundraising in the preceding five years. In particular, it examined the structure of the fundraising activity in each charity and how it had changed; marketing awareness and implementation of its tools and philosophy; and the charity’s view of competition and other environmental factors. Before use, the questionnaire was discussed with a colleague in the field.

Specifically the questionnaire covered the following areas:

- A definition of fundraising by the respondent in the terms of their organisation
- The budget responsibilities⁶

⁵ One of the respondents was blind so he was informed of the length of the questionnaire.

⁶ Charities have many different financial years. The figures discussed related to fiscal years 93/94, 94 or 94/95 depending on the date of the interview, but more often on the fiscal year of the charity and previous years figures had been asked for in writing.

- The structure of the fundraising department and the changes over the preceding five years
- The fundraising activities undertaken by the charity and how they had changed over the preceding five years
- Analysis of expenditure eg. costs of fundraising and return on investment
- Corporate image in terms of perception of the organisation
- Service provision and the burden on fundraising
- Competition as perceived by the organisation
- Marketing awareness and implementation.

The rationale for each of these areas was as follows.

A definition of fundraising

As the first question, respondents were asked to define fundraising from their charity's perspective. This question helped to establish the scope of fundraising within the organisation and clarified whether or not statutory income was included in the fundraising remit.

The budget responsibilities

These questions requested the factual picture of targets and changes to those targets comparing the current year with the previous year as well as who was responsible for making decisions on budgets. This kind of question was expected by these senior fundraisers. These questions put the fundraising task in context regarding the amount of voluntary income, the percentage increases being sought, and gave the first clue as to the perceived effect of the external environment . In the analysis this information also became another pointer to the five stages theory.

The structure of the fundraising department and changes over the preceding five years

This section was at the heart of the study. The interviewees were asked to describe the current structure, say when and how it had changed, if at all in the last five

years and what impact the changes had made. This picture was then put into a historical context of fundraising within the charity as a whole (when had the first fundraiser been appointed etc.). This information was also backed up by organisation and department charts from all the charities. The findings from this section led to the five stages theory because they differed from expectations.

The fundraising activities and how they had changed over the preceding five years

The charities were asked about the fundraising activities they had done, were doing and planned to do. This gave a very good picture of the breadth of activity. By asking about activities specifically it was hoped to add to the knowledge of the structure. In particular four types of fundraising were examined: legacies, direct mail, covenants and membership as well as any changes to regional fundraising. There was an anticipation that the larger charities would all be doing the same things.

Analysis of expenditure

There had been much talk of the professionalising of the sector and of the growth of marketing staff within fundraising from newspaper articles of the early 1990s. This group of questions sought to examine the impact of business methods by questioning the extent to which charities had begun to use standard tools of business analysis such as return on investment and whether any fixed 'cost in the pound' figures had been set for fundraising activities, and if so by whom.

Corporate image

These questions were about how the heads of fundraising considered the charity was perceived externally, was the image and reputation of the charity a help or a hindrance to fundraising? had it been updated or changed in the preceding five years? This topic also investigated the penetration of marketing issues within the charity as the whole concept of corporate image comes from business and marketing thinking. The questions helped explore the extent to which charities were familiar with and could see the relevance of marketing and corporate image for their charity.

Service provision and the burden on fundraising

This section provided a key set of questions from an organisation culture theory perspective. How was fundraising perceived by the service providers? Was there a growing gap between money raised and money needed? It was hoped the answers would illustrate the impact of the external environment on the organisations and illustrate why some of the changes to fundraising were being made.

Competition as perceived by the organisation

Directly related to the external environment, these questions focused on the types of competition and how the heads of fundraising believed they were affecting their charity. In the analysis there appeared to be an interesting duality between the charities feeling the pressure of growing competition while at the same time recognising it was a good thing and, to some extent, inevitable. The interviewees were also asked about the need for offering incentives for donations.

Marketing awareness and implementation

The final section asked specifically about strategic development and marketing awareness but the simple questions about knowledge of language and concepts were a counterpoint to the answers given before. These questions on their own would not indicate whether a marketing philosophy was being adopted, instead this would come through what was said in the other answers. These questions were more about understanding and the use of techniques.

In all, these topics were chosen as a broad base from which to analyse fundraising in the 1989-1994 period.

Although this was a very wide-ranging study with predominantly open-ended questions, it did not appear to be experienced as particularly daunting, as Dreher (1994) suggested, except in length, because respondents were answering about factual and professional situations, rather than personal feelings or experiences.

3.10 Approach to analysis

Most books on market research focus on the quantitative approach (Crouch, 1984; Hague and Jackson, 1996; Singleton, Straits and Straits, 1993). Until the last few years, very little had been written on the process of qualitative research analysis (Bryman and Burgess, 1994). There had been a reluctance on the part of qualitative researchers to make plain their procedures and even recent books which outline the methods of analysis still leave much to the individual researcher. There's no 'cookbook' as Silverman put it (1997a:1). This is primarily because, as Kvale (1996) notes, there is no 'magical tool for finally uncovering the treasures of meaning hidden in the many pages of opaque interview transcripts' (187), except for dedicated study. The classic example of authors outlining a methodology without describing the method, is grounded theory (Charmaz, 2000).

Grounded theory was created by Glaser and Strauss in 1967, but as the authors themselves admitted, they were more interested in explaining 'positions, counter-positions and examples, rather than offering clear-cut procedures and definitions' (1). In fact, it took more than 20 years before they began to explain the procedures and elements (Strauss and Corbin, 1990). By that time, the two originators had differing views on grounded theory (Stern, 1994) and all those who were using the original text had made their own interpretations of what grounded theory really meant and how it should be applied (Maykut and Morehouse, 1994). So much so that Strauss and new partner Corbin remonstrated with their erstwhile followers: 'many people still get their conceptions of grounded theory from the original book and have missed the later more realistic and balanced modifications of that book's purposeful rhetoric' (1994: 277).

Nevertheless, grounded theory remains the most widely used qualitative interpretive framework (Denzin, 1994). As Denzin notes, even when grounded theory or Glaser and Strauss are not named, most of the guides to qualitative analysis are based on grounded theory's core elements which Strauss and Corbin (1994) summarise as 'the grounding of theory upon data...the making of constant

comparisons, the asking of theoretically oriented questions, theoretical coding and the development of theory' (283).

Grounded theory has one other unusual feature, especially considering its pre-eminence in qualitative research analysis. Its creators developed it as a general methodology which could be used for both quantitative as well as qualitative data and techniques of analysis (Glaser and Strauss, 1967). This ability has however, meant that some perceive grounded theory as an example of 'a realist ontology and positivist epistemology' (Charmaz, 2000: 513) rather than the more constructivist phenomenological recognition 'that the viewer creates the data and ensuing analysis through interaction with the viewed' (Charmaz, 2000: 523). But, from either perspective, the objective is 'to further the study of empirical worlds' (Charmaz, 2000: 528).

3.11 Process of analysis

The initial purpose of the research was to explore the impact of environmental factors on charity fundraising. Having adopted a qualitative methodology it was necessary to choose an analytical approach that was appropriate. A grounded theory approach was chosen because, although this method is best known for the development of theory (Strauss and Corbin, 1998), the tools it uses, such as the constant comparative method (Maykut and Morehouse, 1994) lent themselves to the analysis required here.

The process of grounded theory research and analysis can be depicted as shown in fig 3.4, (left hand column) below. On the right hand side is a summary of how this approach was applied to this research.

Quintessentially, qualitative research analysis is a laborious process involving transcribing interviews, examining supporting documents, and intense analysis of the data. However, it is not a tedious process because the examples can be illuminating (Rubin and Rubin, 1995) and the researcher gains a sense of discovering something new on the basis of the data.

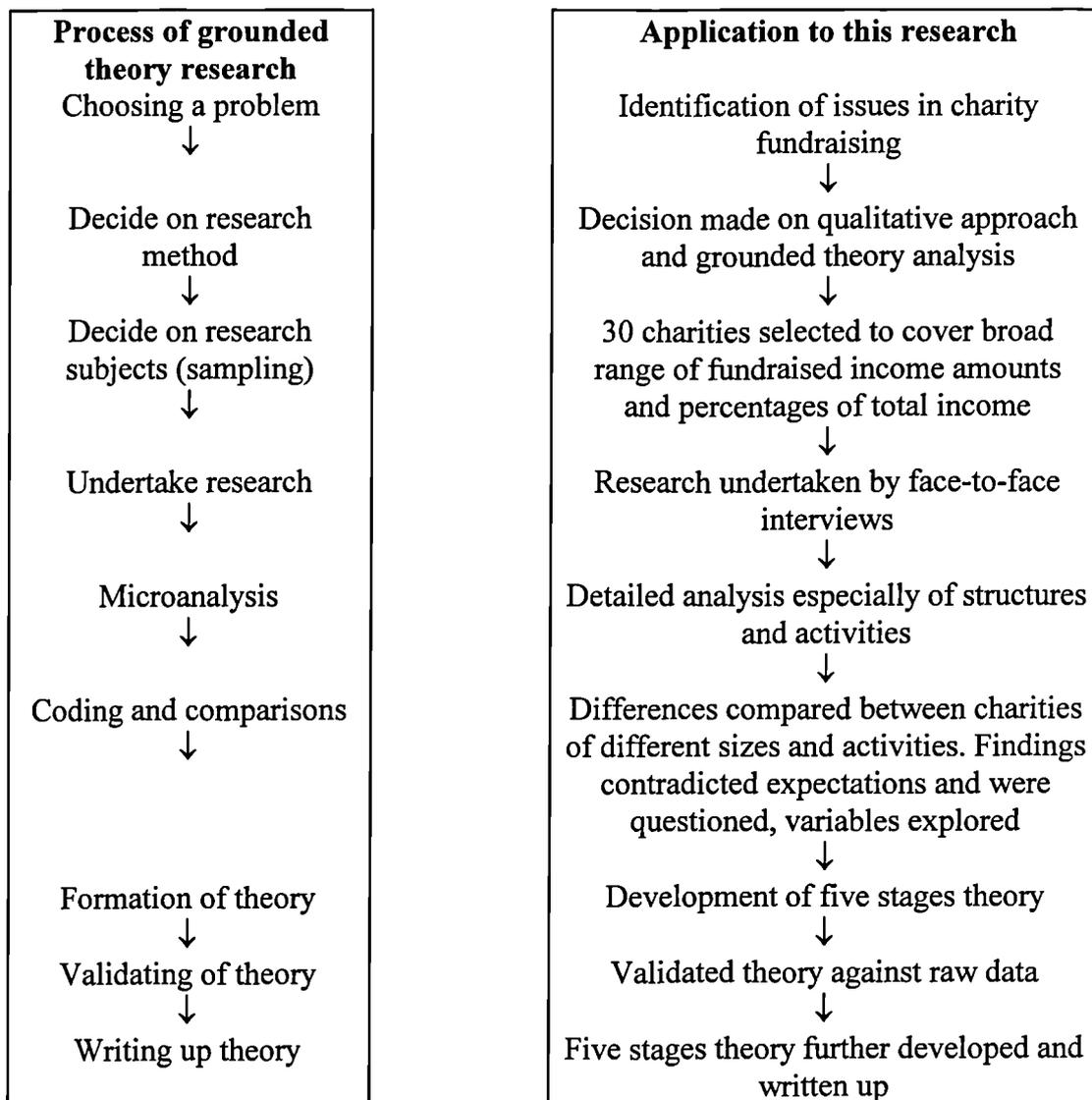


Fig3.4: *Diagram of grounded theory process and its application to this research*

This research was with professional people about their work experiences. As a result, the analysis focused less on the minutiae of phraseology and feeling than would have been the case with more personal data. Fundamentally, however, the process was the same, detailed analysis of the data from which to draw concepts and themes which describe the world as experienced by the interviewees (Rubin and Rubin, 1995).

Even though only 30 charities were studied there was an enormous amount of data from the lengthy interviews, supplemented by organisation structure charts and

annual reports. Unlike quantitative research where there are well established software packages like SPSS to assist the researcher in the process of analysis, no such software existed for qualitative research when this work was started. Subsequently, a software package for qualitative research, called NUD*IST, was developed. By this time most of the 1994 data had been analysed manually though it was purchased and used predominantly for 'mechanical' analysis. For example, it was used to compare answers to the same question across all the transcripts and it was used to help focus on references to key topics and concepts retrospectively. It was not used to build theory.

The bulk of the analysis was undertaken manually. The process of analysis began by examining the transcripts. To make them more manageable, they were divided into key sections, for example questions 1-19 and 42 to explore the targets and structures of fundraising departments. Similarly, Q20-26 and 43-45 explored the activities of fundraisers and how they had and were changing.

The transcripts relating to targets and structure along with the organisation and departmental structure charts were all examined in detail taking Strauss and Corbin's (1998) microanalysis approach. This was all done manually by literally laying out the charts and transcripts to compare and contrast them. In some cases the interviewees provided 'before' and 'after' departmental structure charts and in one case 'before', 'as-is' and 'to be' models were provided. All of this material supplemented the transcripts rather than testing or triangulating them (Silverman, 1993).

In addition to examining what changes had taken place the interviews provided data on why the charities had made changes, who had made the decisions and when the changes had been implemented.

The analysis was done through the classic qualitative methods of coding, condensing and reviewing (Strauss and Corbin, 1998; Rubin and Rubin, 1995; Kvale, 1996). It also used simple quantitative methods on those areas which lent themselves to this approach. As Silverman (1993), something of a recent convert

to this position noted, quantitative analysis of qualitative data can have a role to play in helping to substantiate the bigger picture.

From the analysis it quickly became clear that there was not one replicated structure for 'the fundraising department' but exploring the reasons for this and its implications was a much longer part of the conceptualising and theorising and required ongoing coding and making comparisons before reaching the stage of developing theory.

Each of the sections of the questionnaire was analysed in this way, manually, in detail then with coding, cross referencing and condensing, adding to the overall picture of the impact of external factors on charity fundraising and corroborating or further developing the five stages theory.

In terms of analysis, the other issue that had to be addressed was of validation. Was the final theory still related to the original data? To confirm this, the emerging theory was constantly compared against the raw data to validate that the theory was indeed emanating from the data, and related back to it, as an ongoing part of the analysis and theory building process; what Strauss and Corbin (1998) call 'high level comparative analysis' (159).

This was particularly true in relation to the variables. By using constant comparisons and data/theory interplay (Maykut and Morehouse, 1994) it was possible to check the theory against the data consistently.

The discovery or development of the five stage theory arose out of the data, particularly as a result of including charities of all sizes in the study. Had the study just focused on the top 20 fundraising charities, it is considered unlikely that this theory would have emerged because the smaller charities introduced elements that were not so prominent in large charities and vice versa.

3.12 Summary

This chapter has sought to explain the philosophical approach to the research as well as the practical approach. The research took a broad qualitative stance, through extensive interviews using an open-ended questionnaire, supplemented with documentary evidence in the form of annual reports and organisation charts.

Analysis was based on the grounded theory methodology. Using the data-theory testing and the constant comparative method of analysis the original issue was examined and new theory was developed.

The starting point for this research was the external environment: the changes in the 1989-1994 period and their impact on charity fundraising. Chapter Four examines the external environment from 1969 to 1999, with particular emphasis on the 1989-1999 period.

Chapter Four

The external environment

4.1 Introduction

The first aim of this research was to explore to what extent the 1990s was perceived as a time of rapid change in the external environment and whether this had a significant impact on charity fundraising. This work focuses on the changing environment from 1989-1999, but because it is not possible to slice time into discrete, stand-alone segments, a wider timeframe was selected, beginning in 1969.

The external environment is examined and summarised in two ways. Appendix III charts thirty years of political, economic, social and technological (PEST) history alongside developments in the non-profit sector, while this chapter explores some of the issues and themes which have had most impact on charities over this time, compiled from contemporary documents and the comments of respondents.

In some ways 1969 is an arbitrary date from which to start, however, there were several significant firsts that year: man walked on the Moon; both Concorde and the Boeing 747 flew for the first time, *Fundraising Management* magazine was launched in America and, as discussed in the literature review, Kotler and Levy (1969) published the first paper on applying the marketing concept to non-profits.

4.2 Method of analysis

A PEST analysis gives the broadest context to the macro-environment. It enables whatever is being studied to be examined in the most holistic way. This could also lead to a complete saturation of information, so each element has been confined to that which is most appropriate to the non-profit environment, as set out overleaf.

The first four columns of Appendix III relate to the core PEST elements:

Political	Includes major events like general elections, wars and the passing of Acts which had a direct or indirect impact on charities, especially fundraising.
Economic	Includes major events like recessions, fiscal changes relating to charities and new laws with financial implications for fundraising.
Social	This category provides a touchstone. Some of the events relate to the world at large, not just the UK, and some relate to fundraising initiatives to give the broader context.
Technological	This is the area which has perhaps undergone the most dramatic change in the past 30 years. Not all of it is directly relevant to charities but it is included to show the pace of change.

The final three columns of Appendix III relate specifically to charity developments.

Non-profit environment	This column takes a general view of major events or activities within charities, including the starting dates and anniversaries of some charities and sector wide initiatives.
Non-profit fundraising	Inside charities, fundraisers may experience different challenges from the service providers so this column pulls out the specific issues and events relevant to fundraisers.
Non-profit academic environment	Academic interest in the non-profit sector has been sporadic but has grown significantly over the last decade. This column illustrates this growing interest and the relationships between practitioners and academics.

Based on the summary in Appendix III, this chapter examines the main issues affecting charities decade by decade, beginning with 1969-1979.

4.3 1969-1979

Politically and economically, the period 1969 - 1979 was a time of change and turmoil in the UK: the start of the Troubles in Northern Ireland; three-day weeks; the introduction of decimal currency; joining the European Economic Community (EEC) and the first recession since the 1930s (Dow, 1999). As far as charities were concerned, although many of these issues had an impact upon them, what affected them more closely was their own resurgence.

Following the introduction of the National Health Service and the Welfare State in 1948, many charities had an uneasy time in the 1950s, acclimatising to a more limited role (Billis, 1993). However, by the 1960s and certainly the 1970s they had discovered a new focus, working in the gaps in the Welfare State, and benefited from newly available local authority funding (Hudson, 1995; Ware, 1989). By 1977, local authorities were the largest source of statutory income for charities (Saxon-Harrold, 1992).

As Unell (1989) notes, this was the time of new schemes and funding to lift Britain out of recession and unemployment. Through initiatives like the Urban Programme, many more community projects were able to find funding on an annual grant basis. However, the quid pro quo was that local authorities had more say in the programmes of these groups, often having representatives on the executive committee (Leat, Smolka and Unell, 1981).

In technology, 1971 saw the dawn of a new era with the invention of the microprocessor by engineers at Intel and the construction of the first personal computer. By the end of the decade Apple and Microsoft had begun their long-running technological and marketing battle.

Also in 1971 Greenpeace was launched in Canada, the first of the main environmental non-profits, beginning a movement which quickly swept round the world. But as a sector, non-profits hardly seemed to exist in the United Kingdom. They were a rather amorphous and somewhat amateur group. While some charities had become household names, like Oxfam, thanks to their groundbreaking newspaper advertising campaigns (Smith, 1996), most charities were perceived as the domain of big-hearted ladies in twin sets and pearls. There was no 'sector' as such and, as Wolfenden (1978) noted, there was little data especially on the relationship with government.

Indeed it took an American, used to having annual statistics on non-profits in the US to produce the first statistics on UK voluntary sector income (Wells, 1972), though the areas on which he chose to focus highlighted his American background as he began with the churches, education, arts and research, and health and welfare as well as the top 100 fundraising charities. Looking at this thin document, in pages and content, 30 years later it is hard to realise what a major advance it was. Started from scratch the first edition met uncertainty, if not hostility, but it began to fill a huge gap (Mullin, 1995). Until then, though charities had realised the need for such information, no-one had seemed able to produce it.

Six years later the Charities Aid Foundation (CAF) took on the role of statistician to the sector, a role which it has held ever since, even if sometimes begrudgingly (Lee, 1989). As an established body they were able to take a bigger snapshot of the sector and, while accepting that they did not have all the figures they would like, Booth, then director of CAF, was able to write in the preface to the first edition (CAF, 1978):

'The estimated total income of all charities in 1975 was £1,717,000,000. This, by any standards, represents a substantial contribution to the welfare of the community and was there ever such a significant area of the expression of man's humanity to man about which so little is known?' (1)

Without the benefit of these figures, Wolfenden (1978) and his Committee found little information on how much was being given to charities through statutory

sources, health authorities and the new funding source: quangos. Even a decade and a half later there was still confusion about the true scale of statutory income to the whole of the voluntary sector (Saxon-Harrold and Kendall, 1995).

From the academic perspective in the UK, the notable event in this decade was the launch of the Centre for Voluntary Organisation at the London School of Economics. The first academic department in the country to study this emerging sector, it has remained at the forefront of academic investigation into non-profits, predominantly from a social policy perspective, under the leadership of people like David Billis and Margaret Harris.

The decade also saw the launch of the Volunteer Centre to recognise and encourage practical volunteer activity throughout the UK.

4.4 1979-1989

In 1979, Prime Minister James Callaghan had to call a general election, the Labour party having been in office for five years. The Conservative campaign, spearheaded by the Saatchis' memorable posters exclaiming 'Britain isn't working' helped to sweep Margaret Thatcher to power.

Thatcher arrived with a new political agenda but soon had to balance that against a recession caused, according to Dow (1999), because exports were hit by the high exchange rate and the new government's tight budgets. Recession notwithstanding, the Prime Minister had an agenda and she was determined to see it through.

One of her government's early commitments was a promise to support the sector, especially those working in social services (Saxon-Harrold, 1992), a promise which they started to put into practice in 1980. Indeed in the introduction to the third edition of *Charity Statistics* (CAF, 1980), Booth praises the 1980 Budget for being 'unexpectedly helpful to charities' (3) with regard to covenants and legacies. The rest of his introduction, however, is slightly less euphoric, overwhelmed by the potential threat of rising inflation.

Inflation, however was just one of the factors affecting funding in the 1980s. The Conservatives believed that the state ‘cannot and should not do everything’ (Saxon- Harrold, 1992), but they also believed in moving money away from the local authorities into centralised, national budget heads (Unell, 1989).

In the end, it took the entire decade to effect the swing from local authority funding to centralised funding. During that time, there had been some significant money available, particularly to fight the impact of unemployment (Van Til, 1988). But the withdrawal of local availability and the uncertain nature of when and where funding was being withdrawn or replaced caused anxiety for charities that had become reliant on annual grants.

What came next was even more threatening. To fulfil their belief that the state should not run everything, the Conservatives finally announced the coming of the contract culture in 1989. As Mocroft (1989) noted, regardless of the fact that more funds were coming into the sector from statutory sources, the specifics of how the funds were provided was already determining what was delivered. Now, it was considered, this would be exacerbated because contracts were perceived as much more prescriptive. It would take several years before they became understood (Adirondack and MacFarlane, 1993) and used constructively (Deakin, 1996).

Economically, throughout the decade, more and more tax and other concessions were announced to try to encourage private giving to the sector including payroll giving, announced in 1986, and improvements to covenants and tax-free legacies (Randall, 1997). The Treasury was endeavouring to foster long-term giving, (which some charities like Barnardos, Oxfam and British Heart Foundation adopted with alacrity), but, as Brophy (CAF, 1991) pointed out, payroll giving was something of a ‘hard sell’.

The social and economic background for fundraising seemed to mitigate against long-term giving, fuelled by the rise of the yuppie and the dawn of conspicuous consumption. In charity fundraising terms this was perceived as the decade of the

'quick-fix' donation - the rise of events that encouraged people to believe that one-off donations to large appeals could help 'cure' major social ills.

4.4.1 The rise of the one-off spectacular

Big appeals were not new. Hereward Phillips (1969) recalls the 1953 million pound appeal for the restoration of Westminster Abbey, for example, but the 1980s saw different ways of communicating with potential donors. A combination of the one-off donation for immediate action and the use of television to promote it, seemed to befit the time.

The BBC began this change by moving the annual Children in Need appeal to television (Leat, 1989) where it has ever since occupied one evening's coverage a year, usually a Friday in November, supported by all the BBC networks.

That same year, 1980, Thames Television, the independent station for the London region, hosted its own telethon and raised just over £1 million. They repeated it in 1985, the same year as Live Aid, and raised twice as much. On this basis they then approached all the other independent television companies about a joint 27-hour broadcast appeal. It happened on Spring bank holiday, May 1988 and raised over £21 million (Leat, 1989).

Meanwhile, some of the established charities were capitalising on what they saw as new opportunities. The NSPCC centenary appeal (1984) aimed to raise £12 million on top of the £8 million per annum then needed to maintain the work of the society. It was a bold target given that in 1980 their 4,000 committees could not raise funds fast enough to keep up with inflation (Charity, 1984). Spearheaded by Appeals Director, Giles Pegram, and supported by a very august body of individuals, chaired by the Duke of Westminster, the appeal went on to make fundraising history (Charity, 1984). Not only was the target reached but the charity succeeded in securing the active support of its Patron, HRH Princess Margaret, who appeared on an episode of the BBC radio series, *The Archers*, as part of the appeal. This piece of broadcasting history gained enormous coverage, not just from

the three times each episode is usually aired, but also from promotional repeats in other programmes.

Then at the end of 1984 came the Ethiopian Famine and Bob Geldof launched what became the Band Aid phenomenon. The Band Aid single, *Do they know it's Christmas?* performed by a collection of chart-topping pop stars became the Christmas number one. The following year came the Live Aid Concert which reached 152 countries (Geldof, 1986). The record and the concert together raised £56.5 million in the year to November 1985 in the UK alone, taking the Band Aid Trust to the top of the charity fundraising charts (CAF, 1986).

The scale of this achievement needs to be seen in context. The previous year Oxfam was the top 'grant seeking charity' (CAF, 1985) with voluntary income of £25½ million and Save the Children was eighth with voluntary income of £12 million. So, in one year, the Band Aid Trust earned more than double the previous top fundraising charity. But the Band Aid effect also impacted directly on charities working in the third world. In 1985, on the back of the Band Aid campaign, Oxfam's voluntary income almost doubled to £49½ million and Save the Children rose to third place with a voluntary income of £35½ million (CAF, 1986).

Some saw Band Aid/Live Aid as a way for charities in general to broaden their base of supporters by using popular culture to reach younger donors (Lloyd, 1993) but not everyone thought this was a good sign for the sector as a whole. Those who did not look at the figures in detail tended to make dire predictions. As Geldof (1986) noted in his autobiography:

'Back at home, some of the backbiting continued with allegations that Live Aid had created no new money but had simply scooped the pool in one quick trawl of everything that would have been available to charities in general that year. It was, of course, impossible to refute such an argument because amounts raised in any given period vary according to the scale of the current disaster and the publicity it receives.' (336-337)

Meanwhile, as Geldof and friends ran around the stages at Wembley and Philadelphia, at the Royal Hospital for Sick Children, affectionately known as

Great Ormond Street Hospital, work was beginning for another great public appeal. The Wishing Well appeal sought to 'help Great Ormond Street get better' (Allford, 1992). Directed by Marion Allford with Lord Prior as Chairman, this appeal also had royal support, from the Prince and Princess of Wales.

After a very successful private phase of fundraising, the Appeal went public in 1987. It immediately caught people's attention. So successful was it that during the public phase the average monthly income was £2 million (Allford, 1992).

Unusually this 'regular income' meant that they could predict when the target would be reached. Almost 12 months ahead of schedule, the announcement of achieving the target was made in January 1989. Allford knew that many groups of fundraisers had events planned for the year but she also knew that many local hospitals and hospices were feeling ignored. By announcing that the target had been reached when they did, they offered fundraisers the opportunity to run their event for another cause if they wished. Some did, many did not and the final total exceeded £84 million (Allford, 1992).

A year after the Wishing Well Appeal went public, came the first Comic Relief show, broadcast on the BBC, complete with red noses. Learning from the Telethon, Children in Need and the Live Aid concepts, Comic Relief acted on two fronts. They sold plastic red noses which caught the public's attention and they attracted top comedy stars to perform special skits, interspersed with field reports showing where money could go and how it could help people. The event and noses raised over £16 million. Comic Relief has maintained this formula, continuing as a biennial event.

The NSPCC and Great Ormond Street appeals were what Mullin (1997) would consider to be classics of the one-off appeal genre. Much of the total money was raised in the private phase of the appeal and the public phase involved lots of people doing small scale events and activities which combined fun and fundraising.

Although Live Aid, Comic Relief and the Telethons endeavoured to combine fun and fundraising, it is argued that they added a new dimension - what might be called the incentive, the return on investment for the donor, in the form of the television spectacular. Indeed, Customs and Excise wanted to charge VAT on corporate gifts to the Telethons where the companies had received 'free advertising' (Leat, 1989). The whole concept of the added incentive was a new phenomenon which has had repercussions in the 1990s, as will be discussed later.

4.4.2 Legislation

The 1980s was also noted for new regulations and the threat of regulation. In 1984 the Data Protection Act was passed. This Act was introduced for personal privacy in response to the rise in computerised databases. Although charities did not have to register immediately the Act was passed, it was one indicator of the need for charities to become more 'professional' in their handling of data.

At this time, many large charities held their lists off site, managed by third parties, because the computing power required to handle data-bases was costly and a computer on every desk uncommon. As one interviewee noted, in his top 20 charity only the chief administrator had a computer in 1989. There were eight in 1990, 16 more in 1991, a further 16 in 1992, but the remaining 30 staff did not have one until 1994.

Nevertheless, the 1980s saw the start of significant direct mail campaigns and not just by the largest charities. At this time the cost of entry was not prohibitive if an organisation had access to a database to handle its mailing list and a good system for response handling. Perhaps the classic case of the smaller charity triumphing in this medium is Botton Village where the computer skills and interest of Lawrence Stroud helped the charity to become an exemplary user of direct marketing with a marketing-philosophy approach (Burnett, 1992; 1996).

Another piece of legislation which had a direct effect on charities was the repealing of the ban on charity advertising on television. The first television advertisements

for charities were aired in 1988. Some of the top 50 charities rushed to produce their first commercial but television was an already established medium which did not need charity advertisements. It was costly and, to be worthwhile, the commercial had to promote a direct response which required telephone and direct mail support.

Not surprisingly perhaps, these early pioneers had mixed responses. In 1992, Marie Curie Cancer Care screened half a commercial and asked for sponsors to enable them to screen the whole of it (*Marketing*, 27/02/92) but they did not find a sponsor, despite a direct mail campaign to commercial companies (*Marketing*, 13/08/92). The first successful charity television advertisement was the NSPCC's *Ellie*. (*Professional Fundraising*, November 1992a). Others did not find it a cost-effective medium and charity commercials on prime-time television remain scarce.

4.4.3 Fundraising innovations

Other new fundraising opportunities had a better response, albeit often benefiting the largest charities. In particular, the 1980s saw the launch of the first charity credit cards, known as affinity cards. By taking out a card, supporters would 'earn' a donation for their favourite charity and by using it they would continue to earn small amounts for the charity.

The pioneers were the NSPCC in 1987 (*Professional Fundraising*, May 1999), quickly followed by other big names including Oxfam, RSPB, the British Heart Foundation, Imperial Cancer Research Fund, Save the Children, the National Trust and Help the Aged. For the early adopters this proved a substantial income generator. From its launch in 1988, the Leeds Building Society's card had raised £4 million for the three benefiting charities by the end of 1992. By 1993 affinity cards accounted for three per cent of all credit cards (*Third Sector*, 28/01/93).

Another significant new area of fundraising from the 1980s was legacy marketing. Some charities had previously produced leaflets about making a bequest but these new-style campaigns sought to help the enquirer, not just ask them for money. The

World Wide Fund for Nature was the first charity to take a more proactive approach to legacies (Medley, 1993) with its 'intestacy' campaign using a press advertisement which started 'More women are victims of intestacy than divorce' (*M&S Magazine*, 1991). The offer was for a booklet which explained all about making a will and made a low key ask for a legacy gift after family and friends had been remembered. This campaign generated over 100,000 names for the WWF (Medley, 1993).

4.4.4 Networking

The 1980s saw two other important developments for fundraisers. The first initiative was the establishment of the International Fund Raising (sic) Workshop (IFRW). The idea came from fundraising luminaries such as the late Harold Sumption, George Smith, Dr John Erickson, Ken Burnett and Giles Pegram. Based on the well-established conventions for fundraisers in the US, the idea was to hold an annual event which would be a part training, part networking opportunity.

The Workshop has always been held in the Netherlands though in the early years the participants were primarily British, not least perhaps because the Workshop language was English and there was no other sector-wide training opportunity for fundraisers in the UK. Over the years IFRW has attracted more and more people from Europe and beyond (*Professional Fundraising* June 1995a). In the last decade it has spawned a series of IFRW workshops around the world including Africa and India.

The second development was the establishment of the Institute of Charity Fundraising Managers (ICFM). Launched in 1983, it began with a dual role: to stand up for the industry in the face of threatened external regulation and to give professional recognition to a career which had been seen as the preserve of the well-meaning amateur or as the pre-retirement job of career military personnel (*Professional Fundraising*, June 1994). Redmond Mullin, then Director of CAF, who first advocated such a body in *Present Alms* (Mullin, 1980), Giles Pegram of the NSPCC, Ken Burnett and George Smith were some of those responsible for

starting the ICFM. Under the directorship of Stephen Lee and against the background of the coming charity regulations, it was a timely development (Mullin, 1995).

Indeed by 1989, fundraising was becoming established as a profession. A number of key figures had 'grown up' with fundraising and were now establishing its potential as a career, either directly within charities or as consultants (Hudson, 1995; Mullin, 1995).

4.5 1989-1994

Harvey and McCrohan's (1990) observation on the situation facing American charities could, just as easily, have been summing up the non-profit environment in the UK at the start of the decade:

'Their ability to raise and allocate contributions is being reshaped by major social, economic, political and competitive pressures, as well as by a transformed view of charity by its donor base'(39).

Major changes were indeed on the horizon for British charities, including the introduction of contracts and the threat of regulation. Both of these factors would have far-reaching impacts affecting all aspects of charity management and income generation. Then there was the recession.

4.5.1 Recession

In 1989 the market experienced an enormous crisis of faith. Buffeted by black Monday, rising house prices and a feeling that the boom of the preceding three years had forced over-rapid expansion, the country plunged into recession. This was to be the longest and deepest recession since the 1930s (Dow 1999), it lasted until 1993.

To understand the impact of this recession on charities it is necessary to know the simultaneous changes also affecting charity income. Fundraising charities in the

UK may be divided into two types, depending on their primary source of income. A significant number relied extensively on statutory grants (Leat, 1989a; Unell, 1989). These are mostly charities providing welfare services such as Barnardos or Scope. The other type rely predominantly on voluntary income from the public, companies and trust supporters, for example, the RNLI and the British Heart Foundation.

The financial fortunes of one type had not previously been directly linked with the other (Leat, 1995; Lane, Passey & Saxon Harrold, 1994). However, charities relying on statutory income were being threatened with the loss of annual grants, to be replaced by project contracts, which they assumed meant less money would be available. Charities reliant on voluntary income were directly affected by the recession. The simultaneous arrival of contracts and the recession meant that both types were seeking new sources of voluntary income (Taylor-Gooby, 1994). This was particularly challenging for charities that relied on grants and who had staff to pay and services to deliver on a daily basis. They needed a constant, reliable flow of cash to meet their mission (Jacobs, 1992).

To test the impact of the recession, the Charities Aid Foundation commissioned a survey entitled *Charities in Recession* (CAF, 1993a). In analysing the findings, Taylor-Gooby (1994) saw some long-term opportunities for charities, but he also noted that in the short term there were formidable pressures on resources and income generation.

The results of the *Charities in Recession* survey (CAF, 1993a) reflected the CAF statistics: they confirmed falling income from individual donors (Posnett, 1993), from companies (Saxon-Harrold & Lane, 1992) and from trusts (Leat, 1993). The only charities that seemed almost unaffected were those in the overseas aid/disaster arena.

The survey also identified a significant upsurge of diversification and investment in fundraising. More than a quarter had increased their fundraising spend, whilst only ten per cent had decreased it. Some 37 per cent had diversified their

fundraising activities and 40 per cent had increased their applications to trusts (Taylor-Gooby, 1994). There was also evidence of managerial and structural change. Altogether this survey showed that the recession had a significant impact on charities during the early 1990s (Brophy in CAF, 1993).

Due to the recession, there were many redundancies which, this time, appeared to go across the board geographically and affect blue and white collar workers. This too had an effect on charities. Not only was the third sector suffering the consequences of the Conservative market economy directly, charities were also put under additional strain as they were asked to support the victims of the fall out (Deakin, 2000).

The net result of the recession and the changing social framework was a fragmenting social structure which was to leave charities picking up more of the pieces (Taylor-Gooby, 1994). As Mullin (1995) put it 'new categories of indigence were being enforced by policy' (15), for example, from changing state benefit rules. Also, volunteering dropped at this time. When money is tight and people are made redundant, they spend their time looking for another job, not volunteering. This meant, a charity might have to pay a person to do a role formerly taken by a volunteer so increasing its costs (Leat, 1995).

Lower outputs and more fragmented working also had a major effect on companies. The corporate sector had been seen as one of the great hopes of the government in their new thinking about supporting welfare. They saw a potential new role for business as philanthropists (Home Office, 1992). However, as Deakin (1995) noted, as soon as the recession began to bite 'the 'city fathers' mostly decided that their paternal responsibilities were to their own firms and jobs, not the common good'(62). More measurably, Brophy (CAF, 1993) noted that in just one year the number of corporate donors giving more than £1 million to charities had decreased from 30 to just eight.

There was one glimmer of hope on the horizon, however, which was the introduction of Gift Aid in 1990. In its first year almost 50,000 donations qualified

for the tax rebate to the recipient charities. This was remarkable given the recession and the view that Brophy (CAF, 1991) raised on behalf of the sector, that a starting threshold of £600 was too high. He wanted it to be £100.

Over successive years the threshold was dropped, to £400 and then £250. By the end of fiscal year 1994-95 more than £1 billion had been donated under the scheme (Rimmel, 1996) with a resulting £340 million in tax rebate. This was one scheme that worked to support larger gifts, although Rimmel (1996) still felt that more could be done to reduce the administrative burden for charities and donors.

While one-off larger gifts were encouraged, in the wake of the big appeals and telethons of the 1980s, the small one-off or spontaneous gift was still the most common way of giving. Only ten per cent of donations came through covenants and payroll giving (Halfpenny and Pettipher, 1992). In a time of recession, the discretionary money that was used for these gifts was greatly reduced with a direct result on charity fundraising, as Brophy (Halfpenny and Pettipher, 1992; CAF, 1993) pointed out on numerous occasions.

If one of the financial problems being faced by charities was the recession (Taylor-Gooby, 1994), the other was contracts (Adirondack and Macfarlane, 1990).

4.5.2 Contracts

The idea of contracts had been relentlessly pursued by Thatcher since 1979 as she endeavoured to remove burdens from the state, reduce costs and wean voluntary organisations off statutory grant aid (Leat, 1995). The net result at the beginning of the 1990s was confusion and turmoil in the welfare services (Billis and Harris, 1992). But, as Deakin (1995) noted right from the beginning of the Conservative government in 1979, 'it was instantly evident that the government meant business (in every sense). From the outset, the declared intention was to reduce public expenditure'(55). By 1989 local authorities had already had to put major services out to tender and welfare services would follow by 1991.

Contracts *per se* were not new, what was new was competitive tendering (Billis and Harris, 1992). This was a significant change which made many new demands of the charities that were affected. Where before charities had been awarded annual grants and were fairly free to decide how they would spend them, now they had to be much more specific (Hudson, 1995). They had to cost every element of the service they provided, learn how to complete the forms and make a case for their funding, understand the legal implications of contracts and be able to monitor performance (Adirondack and Macfarlane, 1990).

In addition, charities were also having to compete against for-profit and statutory suppliers. At the beginning, charities saw this new way of working as frustratingly short term, project specific and time consuming (Leat, 1995).

All these administrative and monitoring requirements were in addition to running the project, yet under competitive tendering charities were reluctant to bid too high, especially for long-running schemes, and did not include the additional administrative overheads either through ignorance of their real costs or fear of losing the contract (Hudson, 1995; Leat, 1989; Unell, 1989). While inevitably some saw this as a new challenge, many more saw it as a considerable extra burden which, although it made the charities accountable for their expenditure, took a significant time to prepare.

Ironically, before this all came into effect Prime Minister Margaret Thatcher, the principal advocate of the changes, had left Downing Street and it fell to her successor, John Major, to introduce 'the greatest changes in the development and delivery of care services since the 1940s' (Harding, 1990). From a government stand point, the voluntary sector was selected to fulfil this new role because as Wolfenden (1978) had noted, the voluntary sector was flexible and could respond quickly to new needs (Home Office, 1992). What the government really meant was that, usually, the voluntary sector could deliver services more cheaply (Unell, 1989; Mocroft, 1989).

What many charitable organisations considered unacceptable was that contracts were being presented as an opportunity. Yet government now controlled the agenda as well as the purse strings and demanded more paperwork - so much for celebrating flexibility. As Unell (1989) noted, the new way of working required vigilance.

‘A constant alertness to new sources of income and a readiness to work up a plausible project proposal to meet the objectives of the latest funding initiative are now part of the survival kit of almost any local organisation large enough to have an office base and a paid worker’ (77-78).

This need to be constantly seeking new contracts to apply for, led to the issue of ‘mission drift’. In chasing the new money, it was possible for charities to lose sight of their primary mission and so end up undertaking services because money was available, rather than finding money to undertake the essential work they had identified to meet their core mission (Butler and Wilson, 1990; Saxon-Harrold, 1992).

At best, this new attention was meant to be flattering to the non-profit sector. Writing in the government publication *The Individual and the Community* (Home Office, 1992), Prime Minister John Major wrote:

‘The voluntary sector in the UK is of a size, energy and range which is unique in Europe... Government departments are increasingly working closely with voluntary bodies in key policy areas and in providing services and I want to see that kind of co-operation develop further.’(1)

However, from the perspective of charity managers it was a time of great uncertainty. Even some publications ostensibly written to smooth the path between local authority and charity engendered more worry than comfort. *Contracts for Social Care* (Association of Metropolitan Authorities, (AMA), 1990) produced by the AMA, is peppered with phrases like ‘there are no set rules’ and ‘some voluntary organisations are unlikely to survive’ (10).

Writing from a local authority standpoint Hawley (1992) perceived Contract Culture (his upper case) as ‘about being specific about what needs to be done. About being clear about how what needs to be done is done and about mechanisms for checking on the results’ (8). The terse precision of these three phrases struck terror in to the minds of many charity workers and managers who had been used to a far looser way of working - an approach which strove to help people, not simply calculate outcomes or return on investment (Adirondack and Macfarlane, 1990).

From the charity’s perspective, the immediate requirement was for more administrative staff to prepare tenders, make bids and monitor outcomes. Though, ironically, what happened when paid staff came into many smaller voluntary agencies to prepare the contract bids was that volunteers tended to be less committed, so compounding the need for paid staff (Billis and Harris, 1992). At the same time, charities were directed to bid only for project funding, not core costs, though it was this latter area that was growing. Added to this worry was the constant fear that the goalposts would continue to be moved on a frequent, unannounced basis (Taylor, 1990) as had happened with the Urban Programme and the Manpower Services Commission (Leat, 1995).

Furthermore, the initial timescale proposed for the full implementation of contracts was only one year - an impossibly short space of time for such extensive changes (Bolton, 1990). In the end, the changes were implemented in three phases completed by April 1993. All these factors forced former predominantly grant-reliant charities to raise more voluntary income so as to become less reliant on the vacillations of the state and to cover core costs. But this had its own costs in terms of mission integrity as Adah Kay (1989), then Director of Family Services Units (FSU), an urban programme for disadvantaged families wrote in *The Sunday Times*:

‘at no time until the present have we been required to invest on a large scale in fundraising... We now have to package and sell our work to donors. In a new climate of competition with numerous other charities competing for the hearts and purses of the public and the financial world, we will need to fight to retain our traditions of integrity and independence... But will our history of expertise and value to society be assessed, and our survival

determined, solely on the degree and speed at which we can acquire new marketing skills?’

For charities, like FSU, which were not familiar with voluntary fundraising, this seemed an even more unpredictable and haphazard way of acquiring reliable resources than contracts. Voluntary fundraising required charities virtually to start from scratch each year. Fundraising was labour-intensive, requiring lots of volunteers and was perceived as costly if fundraisers were employed (Leat, 1995). These charities desperately needed money for general purposes, a position compounded, as Kay (1989) noted, by the growth in new entrants such as hospitals and schools and the increasing competition as Pike (15/11/91) commented in the *Financial Times*.

4.5.3 More legislation

Quite apart from the recession and contracts, at the start of the 1990s charities had another concern hanging over them, regulation. Throughout the 1980s there had been talk of more legislation to monitor and regulate charities. Woodfield's (1987) efficiency scrutiny prepared the ground. Meanwhile there were complaints from the Charity Commission at their limited ability to monitor the sector (Barclay, 1988). In other words, as the government made the sector do more of its work, and recognised its total size (Lane, Passey and Saxon-Harrold, 1994) it also wanted to make it more accountable (Wilson, 1994).

The Woodfield review led to the Charities Act (1992). The first major legislation for charities since the 1960s, it reflected the changing environment in which charities operated. *Part I* focused on governance, reinforcing and underlining trustees' legal responsibilities for the actions of the charity's managers and the good husbandry of their organisation. These responsibilities had always been there but they had not been prominent. Now trustee responsibility became an important issue, for small as well as large organisations (Vincent, Harrow and Palmer, 1998).

To meet the need of this previously ignored group, the mid 1990s saw a number of publications and research projects to help trustees, beginning with Leat (1993a) who examined the trustee/staff relationship. Harrow, Hind and Palmer (1993) undertook a series of seminars for trustees, to build their skills in everything from management to finance. The NCVO produced a training pack for trustees and Hind (1995) produced the first comprehensive book on all aspects of charity trusteeship.

Accountability was the crucial issue (Salamon and Anheier, 1995) and matters were not helped by revelations of fraud in the Salvation Army (in the USA) and of rogue charity event organiser 'Lady' Aberdour in the UK (Hughes, 1996). In the early 1990s, this need for accountability and transparency manifested itself in the form of a debate over the administration costs of charities. Money going to administration was perceived as money wasted, because it was not going directly to the charity's mission. This was particularly directed at larger national charities. As Saxon-Harrod (1993) noted 'members of the public are concerned about the wastefulness of charities, preferring to give to local causes instead' (59).

The debate rumbled on. On one side were organisations like Children in Need which could claim that not a penny of money donated paid for its administration (successive annual reports). This was true because it was a distributing organisation and there was a long time between receiving the money and distributing it, so the office could be run on the interest gained.

Charities with ongoing day-to-day costs could not take this position and many felt forced into declaring how many pennies in the pound were spent on administration without being able to explain the figures. High-earning medical research charities who paid grants to researchers based in other centres did not have much of a problem with revealing their figures. Charities like Cancer Research Campaign could claim that a very high percentage of the money was going to research because they were not paying the researchers' overheads directly. Other charities had more difficulty. For example, the Samaritans' charitable purpose was undertaken almost exclusively by volunteers so donations paid for the telephone

lines, office space, literature and advertising. As Director Simon Armson (1991) commented, almost all their expenditure was on administration.

This uninformed investigation into administrative costs came to a head when Mike Whitlam, then Director General of the British Red Cross, was asked during the televised fundraising concert for the Kurdish people in 1991, how much of the emergency money would go to administration. Whitlam patiently explained to the television interviewer that it would be foolhardy simply to load up a truck with supplies and send it off. He stated that taking emergency supplies needed a lot of co-ordination and documents. Finally he posed the rhetorical question: wouldn't people prefer that the supplies reached their goal, thanks to effective administration, rather than them not getting through at all?

The former Chief Charity Commissioner, Robin Guthrie, also supported the charities. At a major conference he stated that he would be very suspicious of giving to a charity with low overheads and administration costs because he recognised that a certain amount of administration was required to ensure the best use of the rest of the money.

4.5.4 The professionalising of fundraising

During the 1989-1994 period, alongside the development of the Charities Act there was another major development for fundraisers: the gradual professionalising of the whole activity of fundraising. Though as Salamon and Anheier (1995) noted, by the middle of the decade, it still had some way to go.

Like many developments in the sector, it was partly driven from outside and partly from inside. As charities were now having more demands made upon them from government regarding accountability and transparency, charities needed to 'upskill' their staff to meet these needs. At the same time, as more staff were needed for fundraising, people were being recruited from outside the sector, bringing with them a more business-like approach. However, this was a potentially two-edged sword as *Professional Fundraising* (1995) magazine recognised. Fundraisers

needed to raise more money so needed better techniques and more options, yet the public perceived paid fundraisers as 'slick' and sales, not mission, led.

The main thrust towards professionalism was training. This work was spearheaded by the ICFM which established courses for new fundraisers as well as technique-specific courses on subjects like events and direct mail. At the same time the Directory of Social Change (DoSC) and the NCVO broadened and extended their range of courses for charity managers, not just fundraisers.

In 1990 ICFM staged the first UK fundraising conference, attracting several hundred people. By 2000 this had risen to nearly 1000 delegates. In 1992 DoSC launched Charityfair. The ICFM conference lasted three days and cost several hundred pounds. In contrast, Charityfair offered visitors from all sizes of third sector organisations the opportunity to learn from some of the sector's gurus and luminaries in short, cheap or even free sessions which ran throughout the day. The formula has remained popular.

By 1992 ICFM membership was growing. Jacobs (1992) even went as far as to contend that 'it is getting difficult to find yourself a senior job in charities without being a member of the Institute of Charity Fundraising Managers' (28), though this was not a commonly held view.

As befits a growing profession there were a number of new magazines. The aforementioned *Professional Fundraising* was launched as a bi-monthly publication in 1990. In 1992 *Third Sector* was launched as a news magazine for managers across the sector. Both publications found a niche. Previously there had only been *Charity* magazine which reflected the older face of charity directors and trustees.

The academic environment was changing too. As Billis could write in 1993, 'the progress of just the past few years has been quite startling, and those studying the field a decade or more ago would probably have found it difficult to envisage the present state of study' (337-338). The LSE-based Centre for Voluntary

Organisation was no longer the only centre for non-profit studies. The Open University launched two courses. The South Bank Polytechnic, now University of the South Bank, began its course on charity finance and the Centre for Voluntary and Non-profit management (VOLPROF) was established at City University Business School, with other universities following across the UK.

This new generation of courses and centres had one very interesting thing in common, they were mostly established under the auspices of the business school, not the social studies or social policy department. This marked a radical change in the way that charities, and in particular charity fundraising, was now being perceived. It also augured well for the need that Billis (1993) identified, (ironically coming from a social policy department himself), he called for much more academic study of non-profit management.

4.5.6 Marketing and the business approach

The marketing concept, as has been noted in Chapter Two, had been in evidence since the 1950s. But at that time marketing was applied solely to the commercial sector and was best known for one technique, mass marketing (Levitt, 1986). By this technique the maximum number of people were reached about the same product in the same way. It was no accident that mass marketing came to the fore just as television took hold, especially in the US. It was practised by big manufacturers, like Procter & Gamble in big markets (Ogilvy, 1983).

Fostered by Packard's (1957) redefining of marketing as some sort of suspicious, nasty activity forcing people to do what they didn't want, the received view of marketing by charities was as something commercial, distasteful and inappropriate. This remained a common view into the early 1990s, though while *Marketing* magazine could ask in 1990 'Does charity begin or end with marketing?' (22/11/90), *The Times* (10/12/90) was advocating 'Faith, hope and a little marketing'.

Business methods were also being advocated as an answer to accountability (Circus, 1989). Though Billis (1993) was one of several who cautioned against merely accepting any aspect of the 'business approach' as 'right, relevant, valid or virtuous' (321) without cautious or even sceptical testing first.

However, the non-profit sector has always been practical and, through necessity, has made a virtue of turning a problem into an opportunity. As the economic recession bit harder two things happened, charities considered that they had to try something different, new methods (Taylor-Gooby, 1994). They also had to find a way of overcoming the competition for funds that practitioners (Kay, 1989) and commentators had identified (Saxton, Burrows and Wolff-Ingham, 1996). Simultaneously, one employment sector which had been badly hit by redundancies was commercial marketing. The answer became obvious, whatever the feelings of trustees and chief executives, marketers and business professionals had to be recruited (Greaves, 1993) in the hope that, as Kotler and Zaltman (1971) noted, although it costs more to employ marketing professionals, the return on investment should be worth the additional expense.

This influx brought changes, the marketers brought both marketing skills and business practices to charities. But they also had a steep learning curve because, as Hudson (1995) notes, managing without profit has its own needs and skills in addition to those recognised as best business practice.

In return, the new staff helped charities to reach new business markets. Those who benefited most were the larger charities because they could afford to pay more. Even though charity salaries were well below that of commercial companies (Charity salary survey, annual), in a recession people would rather be employed than not, so this was not significant.

4.5.7 Competition

In the for-profit arena competition, and the need for competitive advantage, had been an important topic since the early 1980s (Porter, 1980; 1985). Mullin (1995)

argued that by the end of the 1980s, the situation was no less competitive in the non-profit sector. This new competitive reality (Hanson, 1997) arose from a combination of factors: the convergence of the recession, contracts, new entrants into fundraising, such as schools and hospitals and the remorseless increase in the number of fundraising charities (CAF, 1989; 1990; 1991; 1992; 1993).

As a result, the perception for fundraisers was that there were more charities competing for the same money. Mullin (1997) cites the example of a charity with a less popular cause having to abandon a major appeal because a more popular cause launched theirs. As for the public, the view was that charities were getting more aggressive in their fundraising and more frequent in their asking (Smith, 1996) which did not help to win more supporters.

4.6 1995-1999

During the last five years of the twentieth century the world seemed to move at an ever-quicken pace. Perhaps it was the magnetic pull of the Millennium but the last half of the 1990s had a very different macro-environment to the first half, as far as charities were concerned.

4.6.1 Increasing competition

Economically, despite recession in the Far East, the years 1995-1999 were remarkably stable in the UK. Charity fundraisers were not so much grappling with rising inflation, which negated rises in incomes, but were endeavouring to raise their voices to be heard above the growing competition. Wilson (1994) recognised the increasing scarcity of resources and that, as a result, the strategic approach to competition would intensify. Recognising the challenge, Saxton (1996a) and Sargeant (1999) both focused on building competitive advantage.

Indeed, competition had been increasing across the decade (Mullin, 1997) as has already been noted. The absence of recession did not make this topic go away, largely due to the growth in the number of organisations which were fundraising.

As Saxton (1998) noted, fundraising 'has probably been the most explosive and dynamic part of the voluntary sector'(22). Stoker, the Chief Charity Commissioner, takes it further. Interviewed for *Professional Fundraising* (September, 1999) shortly after his appointment, he recognised the position charity fundraisers found themselves in, battling against external competition and internal targets, but wanted to stress the need to aim for long-term viability instead of financial quick fixes.

By the late 1990s much had changed in the fundraising landscape. Database marketing was one of the early developments starting from the rise of the desktop personal computer. Since the mid 1990s most charities had brought their database of supporters in house, realising what a valuable tool and resource it was. Even small charities could have a computer on the desk with simple fundraising database software such as donor base. By the end of the decade sophisticated programmes like Raiser's Edge and Alms were used by large and medium-sized charities alike and direct mail certainly had the potential for major development as industry commentators like Rodd (1998) and Sargeant (1996; 1996a) advised.

The computer had made relationship marketing, or in Burnett's (1992) phrase, relationship fundraising, much more viable. But the corollary is that this method required more investment, not just of computing power but of personnel and organisational commitment (Kay-Williams, 1998; 2001). The benefits are long term, as Stoker asks, but this route required charities to have a certain amount of courage for the short term.

While the computer had made certain methods easier, it had also meant more copycat strategies (Mullin, 1997) and the lead time between new ideas and competitors entering the market was diminishing. Take, for example, 'adventure fundraising'. Originators of these fundraising initiatives which enable people to cycle in Jordan, Cuba or Australia, or walk the Great Wall of China found them to be very successful. But too many copied too quickly so that some consider the zenith of popularity and success has already been passed (Asterita, 2000). The

other issue for charities was that these events were incentive-driven fundraising, the 1990s equivalent of experiencing the Live Aid concert in return for a donation.

Then there is all the potential of the new media: internet, e-mail and e-commerce. While in 1998 Saxton thought that e-donations would only ever make up a small proportion of donations, organisations like Comic Relief (1999) have already made it successful for one-off events. For medium-sized charities this is, however, more threat than opportunity, according to those interviewed for the longitudinal study, they do not see how they can afford to compete on all these different fronts and meet the needs of beneficiaries and donors.

4.6.2 The political landscape

Politically, the dominant change was the arrival of the first Labour government for 18 years (1997). After so long on the opposition benches, the speed of new policies and initiatives was swift. Many of these changes will impact on charities.

Not that the new government were above following up initiatives which had begun before they were in office. In 1995 Nicholas Deakin was asked by the principal voluntary sector bodies, under the leadership of the NCVO, to set up a Commission of enquiry in to the future of the voluntary sector in England and Wales. A separate commission was set up in Scotland. The brief was to establish an agenda for the voluntary sector for the next millennium (Deakin, 1996; 2000).

The report of the Deakin Commission (1996) highlighted three areas for concern: access to resources, appropriate legal and fiscal policies and potentially conflicting values, especially with the state. The Labour government has tackled some of these issues. They have actively pursued the concept of a Compact between government and the third sector. Although as Kendall (2000) notes, the 'ink is still drying' (2) on it, nevertheless it does represent an unprecedented 'positioning of the third sector in public policy' (Kendall, 2000: 2).

Equally quickly, the Labour government announced a review of charity taxation (1997). After extensive consultation and what might be called 'interim statements' by ministers, for example, at the CAF conference (1998), and at other events, the report was finally published in 1999, but as implementation will not begin until 2000 it is beyond the scope of this research.

Also in terms of fiscal support, Gordon Brown, the Chancellor seemed to take a personal interest in supporting charity giving. He personally helped launch one of the two major fundraising campaigns for the Millennium: 'First cheque 2000'. In 1998 he developed the Gift Aid scheme by launching a special Millennium Gift Aid initiative to support charities working in the third world. Unlike the regular Gift Aid scheme, the threshold was £100 and money could be paid monthly. It was even supported by an advertising campaign funded by the Inland Revenue.

Then, following demands from charities working in the UK, in his Autumn Statement 1999, the Chancellor announced new legislation, which sounded as though he had been listening to Michael Brophy (CAF, various), Stephen Lee (July, 1999a) and other CAF and NCVO voices. Under the theme of *Getting Britain Giving in the 21st century* (Treasury, 1999), the Chancellor set out a revised Gift Aid scheme that required less administration, as requested by Rimmell (1996), had no minimum threshold, bettering Brophy's request (CAF, 1991) and, as a result, could enable charities to claim back tax on more donations than was previously the case. The scheme began in April 2000.

4.6.3 Volunteering

The Labour government had also taken the concept of active volunteering to heart as a core element of its commitment to citizenship, a major theme of Prime Minister Tony Blair. First, the new government returned the voluntary sector to the bosom of the Home Office (from Heritage) as an indicator of it being a lively and vibrant sector with a significant role to play.

New volunteering schemes were then introduced, starting with the much vaunted Millennium Volunteers (MV) for young people. Though, as some commentators have noted (Locke and Davis Smith, 1999), MV did seem to reinvent the wheel, as government consulted with the sector and then chose to ignore it. More volunteering initiatives were announced by Paul Boateng MP at the National Centre for Volunteering's conference in 1999. While governments frequently ignore the established structures, to create new schemes, the One20 volunteering scheme launched on 29 February 2000, may benefit existing voluntary organisations.

So, three areas of Deakin's recommendations have been addressed, but the government remains resolute in setting aside the much more complex question of tackling charity law (Deakin, 2000a).

4.6.4 Charities Act Part II

The main substance of the Charities Act (1992) came in *Part II* and applied to the fundraising activities of charities. ICFM had sought further discussions with the Home Office on the practical applications of the proposals when first mooted. As a result, *Part II* was not published until 1994 and was implemented in 1995. The aim of *Part II* was to tighten up loose principles of fundraising and specifically to legally establish a framework, in the charities' favour, for working with commercial organisations and consultants. The term 'professional fundraiser' was given a legal meaning and the term 'commercial participator' entered the language (Home Office, 1994).

The 1994 research was carried out before the implementation of *Part II*, therefore reference to it by the studied charities was about preparation. Generally the sector had some trepidation, hence the monthly updates for ICFM members. Charity fundraisers wanted to get it right. However, by the time the longitudinal research was undertaken in 1999, the implementation of the Act was so assimilated into the psyche and practice of fundraisers that it was not mentioned.

The aim of the legislation was more transparency, so that donors could see who was asking them for money (the charity or a consultant) and how much or what percentage the charity would receive from commercial partnerships. It was a response to the increase in commercial/charity partnerships and the sobering lessons learned from unsuccessful alliances. This legislation was to protect the charities from business sharp practice (Home Office, 1994). In turn, it paved the way for new fundraising methods, such as cause related marketing (Adkins, 1999).

The net effect of the legislation was perhaps even more far reaching than might have been imagined. As a result of the Act and the corresponding requirements for financial reporting under the Statement of Recommended Practice II (SORP II) which came in during the second half of the 1990s, the impact on the sector has been substantial. They confirmed the need for a 'growing up' and professionalising of fundraising.

Though it is uncertain which came first, the legislation or the more professional approach, the result has been a change in the way charities present themselves. However, in implementing the Act and SORP II, more money is undoubtedly being spent on administration. As Leat (1995) argues, accountability has a cost.

4.6.5 The National Lottery

After a great deal of hype and advertising the National Lottery was finally launched in November 1994. The first few draws achieved far higher than anticipated interest and, notwithstanding a few hiccups, the Saturday night draws got off to a flying start.

Charities, however, were less than thrilled. The nay-sayers had been in evidence since the National Lottery Bill was announced (*Professional Fundraising*, February 1993). Then, the National Lottery Charities Board was the last of the grant giving 'good causes' boards to be established (*Third Sector*, 17/11/94) and would not start distributing money until almost a year after the lottery had begun.

There were early reports of charities losing thousands of pounds on their Christmas raffles (*Third Sector*, letters 1/12/94) and some charities deferred their winter draws when it was announced that the lottery would start in November. But the messages were very mixed. In June 1995 *Third Sector* announced that the lottery would make little difference to people's willingness to give to charity collections in a survey for ActionAid. Meanwhile, in *Professional Fundraising* (June, 1995a) of the same month, the NCVO was revealing the outcome of its research in which they claimed that charities would lose an estimated £57 million during the first year.

The point that both Stephen Etherington of NCVO and Stephen Lee of ICFM were trying to make to the government was that the public thought that much more of their lottery pound was going to what they considered to be good causes than was actually the case. First, people believed that more than 28p in the pound was going to good causes, a point exacerbated by the original advertising according to Lee (*Third Sector*, 26/01/95). Second, the public thought the money would go to organisations that they recognised as charities, not arts, heritage and sports initiatives (*Professional Fundraising*, June, 1995). The classic example of this was the Royal Opera House which the vast majority of the public did not consider to be highly deserving.

As is often the case with things which do not live up to the hype, many things are blamed on it. *The Times* (31/3/95) estimated that money lost to charities might be as high as £71 million in the first few months of the scheme. Some charities undoubtedly suffered, such as Tenovus who had previously relied for income on their small lottery which, under Gaming Board rules, had to offer much smaller prizes.

In 1996 Oxfam was blaming the lottery for causing redundancies in its one-off donations department and shops. However, the comment from the Deputy Director, John Whittaker, reveals how much a PR opportunity had been sought. He commented 'We can see clear evidence [of declining income] with our raffles. Our

last national raffle was in a double rollover week and it went down like a cement duck.’ (*Professional Fundraising*, 1996). However, national charity raffle tickets go out months before the draw and need to be returned at least a week before the draw for processing so, it is argued, the reference to a double rollover is irrelevant.

Five years later, after the addition of the Wednesday night draw and scratchcards, there had been some changes. The charitable Littlewoods scratchcards had been driven from the market. The attraction of the National Lottery had diminished considerably with weekly prizes well below 1995 figures. The public was disillusioned, upset with how much had gone to operators Camelot, as opposed to the charities. As bidding began for the second seven-year contract, the charity press were emphasising the profit-less bid being mounted by Sir Richard Branson (*Third Sector*, 13/01/00).

Nevertheless, from the perspective of charity beneficiaries, much has been facilitated by the National Lottery. The unanswerable question is, as always, how much of this is new money and how much is taken from the existing charity pot? Moreover, what happens if the British public becomes so disillusioned with the lottery that they play less and less? This could deal charities a double blow.

4.6.6 The Diana phenomenon

If the 1980s had Band Aid, the fundraising phenomenon of the late 1980s and 1990s was probably Diana, Princess of Wales (*ICFM Update* Oct 1997). She knew that her appearance could increase attendance, double the seat price of an event and generally raise substantial sums for her favourite charities.

Like every member of the Royal family she was Patron of more than 100 charities. Throughout the 1990s she had a changing relationship with many of them. Following the very busy late 1980s/early 1990s, by 1994 she was asking for breathing space, in a letter sent to all her charities, and to undertake fewer functions. Following her divorce, she technically reduced the number of charities she supported to just six, again notified by letter, in July 1996. Yet it was a

technical reduction as she continued to support many of the others both publicly, and as was later revealed, privately.

When the Princess died in August 1997, the United Kingdom had not experienced public grief like it. Diana's charities benefited. National newspapers printed lists of all the 100-plus charities (*Daily Mail*, *Daily Telegraph*) to enable people to make donations to them. The Memorial Fund was established to handle the donations that were sent in directly and Chancellor Gordon Brown chaired the government's Memorial Committee to erect a suitable monument to the Princess. For charities that had been heavily involved with her, interest and support continued for twelve months. Then, following the first anniversary of her death, it seemed to disappear completely.

Because so much of the money from ordinary donors went straight to specific charities, it will never be known just how much was donated in her name but it is suggested that this was much more than the amount given to the Memorial Fund. But for charities not connected with Diana, there was the same kind of sour-grapes complaining that had been a feature of the Live Aid concert. Charity directors complained of losing money (*London Tonight*, September 1997), in another example of the big unexpected event or crisis taking money from ongoing appeals.

During the year after her death, the Memorial Fund received numerous approaches to commemorate Diana's life and spirit in a variety of products. One of the first decisions of the Fund was to choose a logo. The decision to use Diana's name and signature initially seemed acceptable until the first product was chosen to bear it. The sheer inappropriateness of the combination of the name, the person and the product became apparent when Diana's name appeared on tubs of Flora margarine.

Such was the public outcry that Flora's owners, Van Den Burgh Foods, had to undertake its own advertising exercise to reinforce the brand's core strengths (White *et al*, 2000). The Memorial Fund meanwhile, looked amateur and exploitative as newspapers from *The Mirror* (26/4/1998) to *The Times* (25/4/1998) descried its work.

This debacle showed that there were indeed limits to what the public would accept, even if the objective was to benefit a cause dear to her heart (White *et al* 2000). As White *et al* (2000) argued, those who were positive about Diana as a person, were more hostile to the posthumous commercialisation and trivialisation of her name.

4.6.7 Management, strategy and planning

In 1990 Butler and Wilson wrote that business planning and strategy were foreign territory to most charities. A decade later that was not the case. As Billis (1993) predicted, many business concepts had been adapted and adopted by charities. By 1994 *Third Sector* (01/12/94a) talked of strategic planning coming of age in the non-profit sector. But this rush to adopt business methods had not all come from the charities. It is often the funders who have dictated the use of business concepts as they demand fully-costed business plans before agreeing to fund projects (NLCB conditions for projects over £200,000, 1995).

Throughout the decade there had been a growing interest in management in the sector. Way back in 1988 Handy had endeavoured to help managers understand the voluntary sector in the UK. Drucker (1990) too, tried to help in his mostly anecdotal book on managing the sector. Then in 1995 Hudson published the first accessible book for managing third sector organisations in the UK, aimed at chief executives, senior managers and trustees. A year later Billis and Harris (1996) published an academic discussion on managing voluntary organisations.

As Anheier (2000) argued, non-profit organisations have become a major economic force, having taken on much that the various governments pushed in their direction, and having learnt how to benefit from contracts (Deakin, 2000a) and other schemes. As a result, new management styles and new structures have been an important part of the development (Berry, 1995).

Hanson (1997) goes further. He argued that non-profits' survival was dependent upon adjusting to the new realities that required better planning processes,

outward-looking policies and strategies and a constant awareness of the changing environment.

But as Anheier (2000) contends,

‘the management of non-profit organisations is often ill understood because we do not understand these organisations well, and it is frequently ill conceived because we operate from the wrong assumptions about how non-profit organisations function.’ (2)

Undoubtedly this is a debate which will run for years but it is an appropriate reflection of how far charities have come. While they may still not be fully understood, they are ‘on the map’ politically and economically (Anheier, 2000; Kendall, 2000).

4.7 Conclusion

Over the past 30 years the world has changed enormously: politically, economically, socially and technologically. From the rooms full of computers which were needed to enable man to land on the moon in 1969, by the late 1990s it was possible to find more computing power in a child’s toy Furbie.

Therefore, it is not surprising that the world has changed enormously for charities too. But it is the contention of this research that the 1990s, and especially the first half of the decade forced charities to confront far-reaching environmental changes. So extensive were the changes that charities were forced to react, the status quo was no longer possible. The issues and topics which have formed the heart of this chapter represent those which were deemed most influential for charity fundraising, from the charities’ perspective. They were included because they appear to have had the most significant and long-term impact on charities. They have been the key drivers in changing the fundraising function from the preserve of well-meaning, dedicated volunteers to the domain of professional fundraisers. It is not, however, an exhaustive list.

What this chapter has shown is that change is a constant, but that the 1990s witnessed a great deal of change simultaneously from many different directions. Baine *et al* (1992), Heginbotham (1990), Mullin (1997) and Taylor-Gooby (1994) among others all record the difficulties facing charities arising from the changing environment. Where previously charities had been able to ignore many changes, suddenly the sector was centre stage with politicians, economists, regulators and the public all turning a spotlight upon it. It is, therefore, argued that the early 1990s was a time of rapid change in the external environment which, as will be seen in subsequent chapters, had a significant effect on charities.

Chapters Five to Seven will now explore how these changes were being felt and responded to in terms of charity fundraising in the 1989-1994 period. First, Chapter Five begins by presenting a theory of fundraising development which emerged from the 1994 research and analysis.

Chapter five

The five stages of fundraising: a framework for fundraising development

5.1 Introduction

Working in a logical sequence, it might be expected that this chapter should begin by examining the charities' reactions to the changing external environment.

However, from the analysis it was found that reactions to the perceived environmental changes took different forms in different organisations. It might have been assumed that this was simply a matter of overall size, age of the charity, market position or even cause, but from further analysis, it became clear that these were not the fundamental factors determining the fundraising departments' reaction to change.

In examining the structures of the fundraising departments the findings were not what was expected. The charities all had very different departmental structures. Further analysis showed that there was a connection between fundraising activity and departmental structure but it had to do with history and, fundamentally, with the need for voluntary income. Total income and age were much less relevant.

Following a grounded theory approach (Glaser and Strauss, 1967) the findings were explored, maintaining an open mind (Marshall and Rossman, 1995), to see what might emerge. From this process a theory of the development of fundraising began to form. A series of key variables were identified and a framework for fundraising development was devised. This framework helped to explain many of the differing responses of the charities to the external environment and showed why some larger charities had more in common with smaller charities than with their neighbours in the top 20.

As a result, the framework became so fundamental in explaining the charities' differing responses that this chapter sets out the theory of the five stages of fundraising. Chapter Six then examines the studied charities against the framework. Chapter Seven returns to examine the original aims of the study in the light of the charities' positions within the five stages.

Fundraising, however, does not happen in isolation but in the context of the charity for which the money is being raised (Mullin, 1996). Therefore, the chapter begins with a brief exploration of the early development of charities which sets the scene for the role of fundraising. The development of charities and the fundraising department will be examined in the light of the literature on the non-profit sector. In addition, the five stages of fundraising will borrow from organisation culture theory to put the findings into a broader organisational context.

5.2 The development of charities

Fundraising is not an end in itself, it is undertaken for some purpose. By law (Charities Act, 1992), people have to say for what they are raising money. So, to put fundraising in context it is necessary to examine the creation and development of charities from their inception, when they comprise just one, or more, enthusiastic volunteers with a vision (Mullin, 1996), through to the charity being a professionally staffed organisation (Rosso, 1991).

From the literature, most charities⁷ begin from a common starting point - someone identifies a need not being met by other sources: public, private or charitable (Mullin, 1995). The driving priority is to want to bring about change, not to actually set up a charity. This is a subsequent decision to initiate the mechanic that will facilitate the desired changes (Geldof, 1986). As Wood (1992) notes 'Thus the overarching purpose of an agency is not simply an organizational goal, but a

⁷ The scenario described here refers to organisations established as charities from the outset, rather than self-help and other voluntary groups.

socially redeeming quest worthy of considerable personal involvement'(143).

So, at this point, need supersedes rationality (Mullin, 1996). In other words, the decision to start a charity may not come within the rational decision-making model (Hatch, 1997) advocated for major business decisions, but then there is much anecdotal evidence to suggest that the decision to set up a charity is rarely based on logic (Geldof, 1986; Williams, 1966).

The rational model is based on analysis of the problem, definition of the sequence to tackle the problem and review of the external and internal factors, culminating in taking decisions from a knowledge base (Hatch, 1997). In contrast, the formation of a charity is based on the personal identification of a problem (Williams, 1999), often little systematic review and analysis but a zealous pursuit of means (Mullin, 1996) to achieve desired ends, led usually by one person of vision (Hudson, 1995). There may be the briefest of contacts with the Charity Commission to ensure the proposed name does not already exist and that the charitable objectives are acceptable, in order to gain registered charity status (Lever, 1997).

As Fig 5.1 shows, rational decision-making about fulfilling the charity's mission may only begin when the first member of staff, usually the director or chief executive, is appointed, and sometimes, only if that person is not the founder (Hudson, 1995). Up to that point, vision is the driving factor. The vision of the founder is the agreed focus because he⁸ has persuaded enough people that this is an issue which needs addressing, for them to give their support (Schein, 1985).

For example, the British Lung Foundation was founded in 1984 by Dr Malcolm Green and a number of colleagues in respiratory medicine. Their vision was to raise money to fund lung research; to restore the pre-eminent position of lung

⁸ For ease of reading 'he' will be used throughout but many founders of charities have been female.

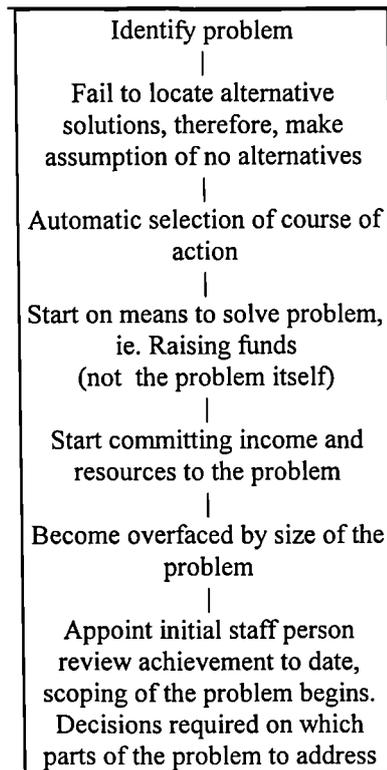


Fig 5.1 *The non-rational model of starting a new charity*

research in Britain that had existed during the search for the cure for TB, and ultimately to give more hope to patients who, in the 1980s were predominantly treated as ‘end-stage’ cases for whom nothing more could be done (Green, 1997).

In the same year, Dr Vicky Clement Jones learned she had ovarian cancer but, though herself a doctor, could find no literature to help her understand her condition, her treatment options or give her support. Although her own cancer was far advanced, she set up BACUP (British Association of Cancer United Patients) to provide this service (BACUP, 1989).

5.3 The life cycle of charities

The initial structure of a new charity has been described in different ways. Lever (1997) sees it purely from the perspective of a legal entity; others start from the perspective of the trustees (Hind, 1995; Hudson, 1995) which, as the trustees will be both decision-makers and workers at this early stage is probably more

appropriate. But once the charity begins to employ staff and to grow, new structures will evolve.

In describing the growth and development of charities, Wilson (1992) and Hudson (1995) both borrow from commercial life cycle concepts as proposed by Kimberly and Miles (1980) and Greiner (1972) respectively. However, these depictions of the life cycle are very linear, very two dimensional. They show only a period of

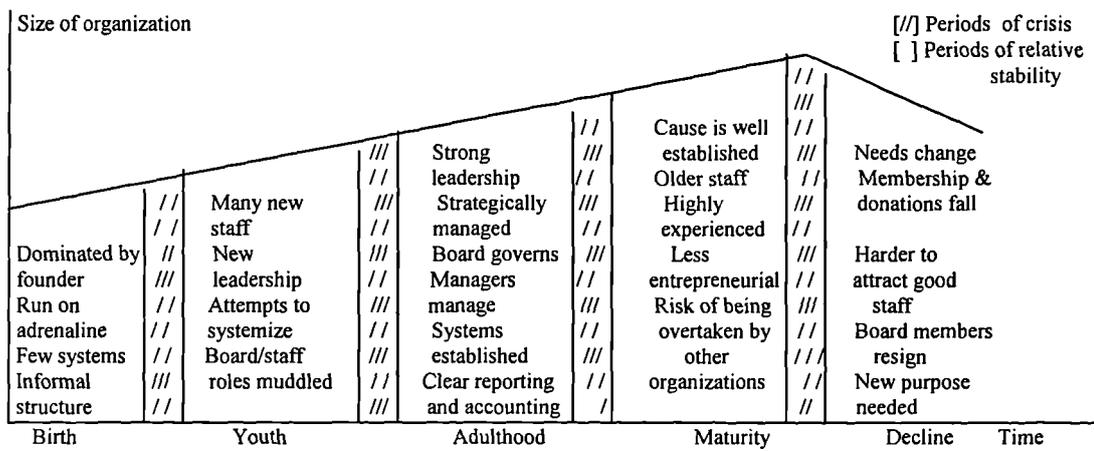


Fig 5.2 The charity life cycle. Illustration from Hudson (1995) based on Greiner (1972) but with many modifications by Hudson to meet the differing management needs and styles of the non-profit sector (used with permission).

calm growth followed by a period of fuzzy turbulence before the next period of calm growth (Fig 5.2). Or, as Greiner (1972) describes it ‘evolution and revolution’(37). Hudson (1995) implies that the periods of revolution are the most challenging, but also the most constructive, something which he recognises as a very common behaviour pattern in third-sector organisations.

As an example, one might look at the NSPCC. In 1980 they were in a period of crisis akin to the decline stage of the life cycle. Their 4,000 local committees could not raise income fast enough to keep pace with inflation and in October that year the charity announced a shortfall in budget of £1 million. Through the work of the then new Chief Executive, Alan Gilmour, and Publicity and Appeals Director, Giles Pegram, the Society was turned around and caused amazement when its Centenary appeal in 1984 raised more than £12 million (*Charity*, November 1984).

Since then, the charity has not gone into decline. Instead, as often happens following a major appeal (Allford, 1992; Mullin, 1995), income has continued at a higher level. More recently, in the spirit of moving forward (refreshing the brand at the maturity stage), in 1999 the NSPCC launched the Full Stop Campaign, with the aim of stopping child abuse and raising £250 million to help them achieve this (*Professional Fundraising*, July 1999). It is, therefore argued that business life cycles have relevance for the non-profit sector; although it should be noted the degree to which Hudson (1995) adapts Greiner's model (1972) rather than simply adopts it (figure 5.2).

Kramer (1990) went further than the simple life cycle model, he set out a three-stage model for UK voluntary agencies which he defined by dominant organisational characteristic and by decade ('70s, '80s and '90s). He argued that there was an overall (externally driven) development which affected all voluntary organisations. He defined the dominant framework of the 1970s voluntary agencies as 'charities', organisations emerging after the uncertainties of purpose in the 1960s. Their characteristics were an organic structure, income was primarily from donations and they were operating in a stable environment. He defined voluntary agencies of the 1980s as having a corporate structure: more formal and bureaucratic. Money came from fees and grants as the organisation grew and the environment seemed a little less certain. By the 1990s, Kramer (1990) was predicting a contractor structure and a competitive environment of large de-centralised organisations with most money coming from statutory sources.

This is an interesting analysis which, with hindsight, has some astute observations, but in other areas it makes huge assumptions, particularly that all voluntary organisations move forward in unison and that statutory funding is the holy grail of charitable income generation. While it might be accepted that external factors come 'in waves' it is argued that they may affect some charities more than others, depending on other factors.

It is suggested that the time of greatest similarity in the life cycle between for-profit and non-profit organisations is in the early development of charities and entrepreneurial organisations. At this point both are run with a kind of missionary zeal (Wilson 1992). On the non-profit side such 'missionaries' would include Dr Barnardo (Williams, 1966), Diana Lamplugh, founder of the Suzy Lamplugh Trust, or Leonard Cheshire; while from business one might think of Laura Ashley, Anita Roddick and James Dyson.

On the other hand, it is also contended that, contrary to the life cycle model, Fig 5.2, most charities would deny ever having periods of 'calm growth' (Berry, 1995; Clark, 1997), and that the speed of progression through the organisation life cycle may vary dramatically from charity to charity (for example, contrasting say Feed the Children and Save the Children). Moreover, unlike the 'standard' life cycles of Kimberly and Miles (1980) or even the more 'revolutionary' version from Greiner (1972), charities may begin in a much less linear way. Figure 5.3 proposes a more fragmented model that represents the complexity and options that may be open to an embryonic charity.

This figure (5.3) relates to the charity as a whole, not just the fundraising department, but it acts as a foundation upon which the five stages theory of fundraising is built, especially relating to the early stages. From the field research, and wider reading about the sector as a whole, it is clear that many charities have exhibited the pattern of development outlined in model 5.3.

The first thing to note is the times when major decisions have to be made. In the early stages all these decisions will be made by the trustees because there will be a minimal number of staff to advise them. The factors that influence these decisions include: the ongoing need for the charitable purpose originally identified (Rosso, 1991; Williams, 1999); the vision of the trustees in terms of what they think can be achieved (Howe, 1995); their commitment to accomplishing the mission (Drucker, 1990) and their courage, particularly in moving from a volunteer-based organisation to one employing professional staff (Hudson, 1995).

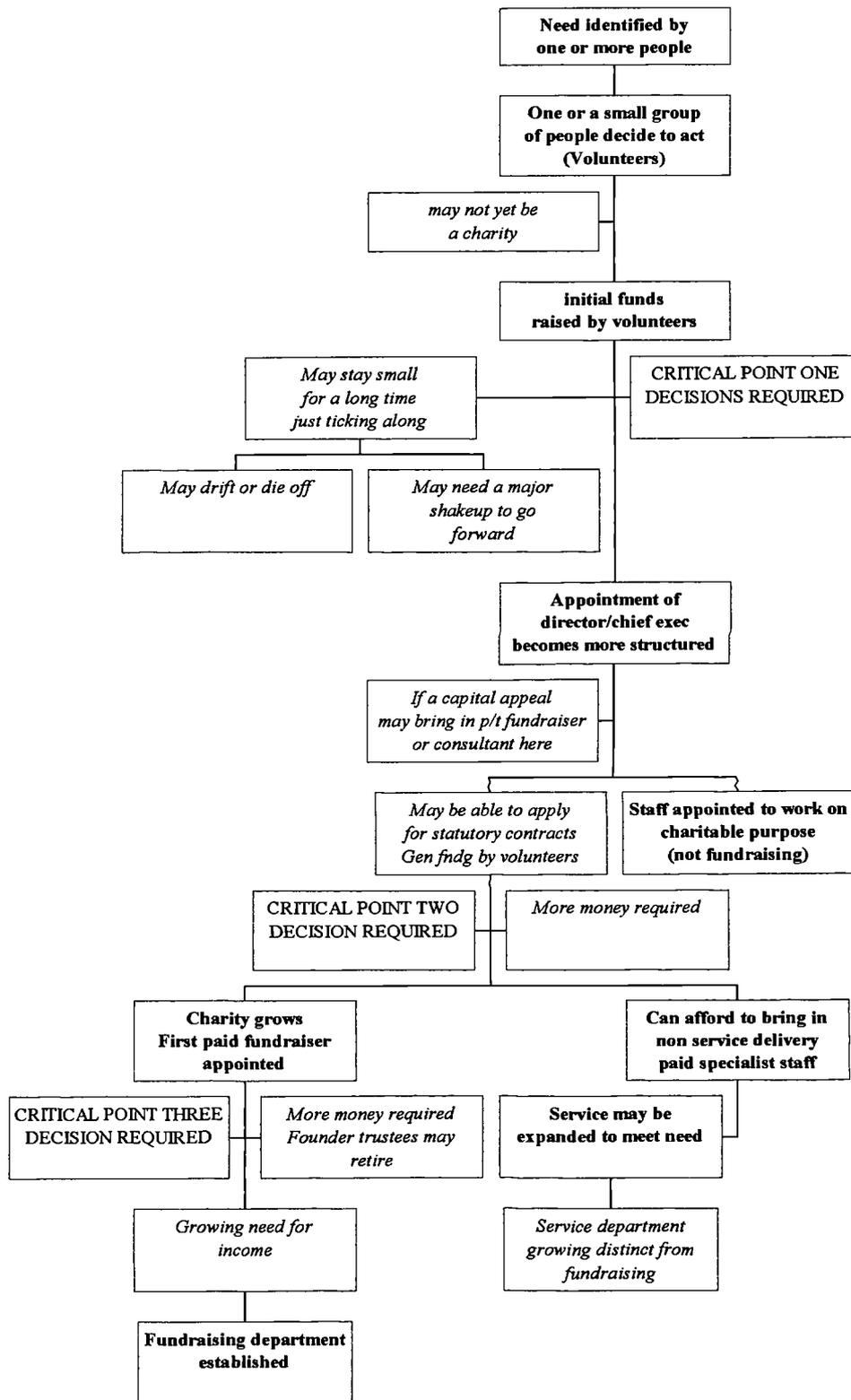


Fig. 5.2 Early stages of development of a new charity in approaches to fundraising
bold = action, *italic = notes on development*

The decisions taken by the trustees impact upon all aspects of the charity including the development of voluntary fundraising and, ultimately, the use of marketing in fundraising (Howe, 1995). One reason why age is not a good predictor of a charity's stage of development is that the point at which each charity makes decisions about its growth will depend upon the charity itself, not any fixed timescale. Some may move from one stage to the next in a couple of years during a period of major growth, others may take decades (Lindsay and Murphy, 1996).

To achieve all this, the fledgling charity needs to generate funds (Mullin, 1996). The initial funding may be achieved through high-profile media coverage (Geldof, 1986; Lindsay and Murphy, 1996), but will usually be voluntary income (Kramer, 1990; Rosso, 1991). After this first success the charity may remain small for some time (Rosso, 1996), depending on the interest of the trustees - whether they are focused on the mission or developing the funds to enable the mission to happen (Kelly, 1998).

So, contrary to Wilson's (1992) assertion that 'there is an obvious correlation in the life cycle perspective because most organisations also grow as they age' (152), age is not always a good predictor of a charity's stage of development. Some charities with initially high profiles may move through the first stages of being volunteer run to being staff run in just a few months (Feed the Children, which began as Children's Aid Direct, for example, *Third Sector*, 10/8/95). Alternatively, a charity may take decades to move from an early stage (Lindsay and Murphy, 1996). There are charities that have celebrated their 25th anniversary or more, where the overall charity size and structure, as well as the board and the chief executive, have remained virtually the same since inception.

But even if Wilson's (1992) view of charity growth and age in parallel is accepted, it is argued that voluntary income generation (fundraising) is not necessarily in parallel with the charity's position in the life cycle. This idea will now be examined.

5.4 The development of the fundraising function

For centuries, charities have relied upon donations from members of the public (Mullin, 1996; Williams, 1999; Rosso, 1996). For all but the last century, this work has been undertaken by volunteers. Mullin (1995) and Kelly (1998) agree with Cutlip (1965) that the first 'professional' fundraising campaign was for the YMCA in the USA in the 1890s. Since then there has been a growing number of fundraising consultants and, more recently, paid staff fundraisers. Yet, surprisingly little has been written about the fundraising department.

Techniques for fundraising have been explored by both practitioners and academics, especially in the last decade (Baxter, 1997; Burnett, 1992; Clarke, 1992; Sargeant, 1996; Smith, 1996). Fundraising structure and the position of fundraising within the organisation have had much less attention. What little work there is has virtually all been published in the last five years (Fogal, 1994; Hanson, 1997; Lindsay and Murphy, 1996; Mullin, 1996 Rosso, 1996). Each of these articles will now be examined briefly, in order to put the five stages theory into the widest context.

5.4.1 Lindsay and Murphy

Lindsay and Murphy (1996) are academics and take a marketing perspective. Like Kramer (1990), they identify three stages. They base their stages on the commercial marketing development of product orientation, sales orientation and marketing orientation (Kotler, 1984), defining their stages as cause orientation, funding orientation and need orientation.

At the first stage, cause orientation, there are some recognisable features, for example, that new charities are formed for specific purposes (Mullin, 1995) but they make one assertion with which this author vehemently disagrees. They claim that due to the novelty of a new cause or charity, fundraising will be easy with money arriving almost spontaneously.

This view reveals a certain naiveté. Without doubt, some new charities hit the headlines and attract spontaneous giving. The Romanian Orphanage Trust might be cited as one example when money poured in after television programmes showed the plight of these children. However, the Charity Commission is registering one new charity every half hour of the working day (Lee, 1993), or 70 new charities each week. Very few of them become headline news, even within local communities, and therefore, finding the initial funding may require significant time and effort.

Lindsay and Murphy (1996) argue that the organisation moves from a cause orientation when the original founder and trustees move on and the number of staff has grown 'so the organisation's specific and agreed mission becomes less clear and is open to reinterpretation by managers and a few key stakeholders' (257). It is at this point, Lindsay and Murphy (1996) contend, during the second phase (funding orientation), that the charity becomes vulnerable to its funders as new funding comes before the mission. They argue further that, while for some charities this is a transitional period to build up resources and skills to acquire new resources, for other organisations it becomes a way of life, always being led by the money, not the mission.

The third stage Lindsay and Murphy (1996) identify is need orientation, with need taking on Bruce's (1994) meaning of looking outward from the organisation to meet the needs of beneficiaries and of donors, supported by a relationship fundraising (Burnett, 1992) approach. According to Lindsay and Murphy (1996) it is only during the need orientation stage that a marketing perspective is active with a return to the vision and a strategy for how this can best be achieved across all the organisation's constituencies.

5.4.2 Rosso and Fogal

Rosso (1996), a consultant practitioner, approaches the subject of structure from a different angle. He sees it as the stages in the growth of a successful programme,

pure and simple. As a busy practitioner it took Rosso until 1996 to write down his theory of programme development, two years after his friend and colleague Robert Fogal (1994) had translated a conversation with Rosso into a framework for development. As these two ostensibly both come from Rosso's thinking, albeit using different descriptors and variables, they will be examined together.

Rosso (1996) sees three stages to fundraising development which he calls beginning, developing and maturing and which Fogal (1994) calls formative, normative and integrative. Rosso (1996) paints the formative stages as a somewhat painful beginning, he pictures a very limited staff trying to raise little bits of money from many different methods, none of which they are familiar with, meanwhile they have targets set by a board which is not interested in helping with fundraising - a board in a state of denial (Howe, 1991).

In fact Fogal (1994) goes as far as calling fundraising at this stage a 'necessary evil'. However, although Rosso (1996) calls this the first stage, very few UK charities ever begin with even one staff fundraiser in place or the resources to start direct mail and advertising, which Rosso (1996) considers a minimum. Fogal (1994) describes this stage as having a selling focus and Rosso (1996) talks of it being budget focused, both of which terms would compare with Lindsay and Murphy's (1996) second stage.

Rosso's (1996) second stage is called development. In many ways Rosso sees it as preparatory to the third stage. To start with, the fundraising staff are up-graded and supplemented. A case for fundraising starts to be prepared (Rosso, 1991) and research on current and potential donors begins. Rosso (1996), as Howe (1991), recognises that there may still be some reticence on the part of the board to get involved, because that means giving and getting. Therefore, much of this stage is spent by the director of fundraising (or development) building up the board's abilities and confidence to fundraise as well as cultivating future prospects.

The third stage, maturing, is Rosso's (1996) nirvana. The point at which 'proper' fundraising as he knows it (big gifts personally solicited) can start. Certainly, as

with Lindsay and Murphy's (1996) need orientation, the focus is once again on the vision and mission of the organisation. It is also on the gifts of individuals (not corporates or trusts) to achieve this mission.

By this stage, Rosso (1996) and Fogal (1994) see the fundraising department as having a central role in the organisation. Donors are active participants in the undertaking, chief executives and trustees take a full role in the development of supporter constituencies (Rosso, 1991). In fact so far has the fundraising department come in the eyes of the institution that Rosso (1996) writes 'It is not unusual for the chief executive, chair of the development committee, trustees and key staff persons, as well as donors and prospective donors, to seek the chief development officer's guidance on important issues' (24).

It is no wonder then that, while recognising that life, even in fundraising, can be cyclical, Rosso firmly advocates that charities 'strive always to reach the ultimate maturing phase' (25).

5.4.3 Mullin

Mullin (1996) like Rosso (1991; 1996) approaches the development of fundraising from a consultant practitioner perspective. Mullin (1996) always begins by putting fundraising in context, often historical (1995, 1996) but also in terms of fundraising's contribution to mission

'fundraising is worthwhile when and to the extent that it makes responsive service possible in fields of serious need within the community. Only that gives value to the skills and productivity with which fundraising techniques are delivered.' (Mullin, 1996: 153)

Mullin's (1996) main theme is the founding of civil society, a topic with which Fogal (1994) would certainly agree, but in the course of the paper Mullin (1996) also outlines a number of stages for fundraising development, even if they are not so identified by the author himself. In stage one, founders are inspired and

motivated by the needs of the cause so they begin the fundraising themselves, maybe even providing some of the funds directly.

The second stage Mullin (1996) identifies comes when the founders and initial funders retire or die, this reflects Lindsay and Murphy's (1996) transition point from cause orientation to funding orientation. At this point the professional fundraisers start arriving and there becomes a gap between fundraisers and service providers. This may become a chasm where there are ideological differences between the fundraisers and the service providers; where service providers perceive fundraisers as 'inferior, in some ways contemptible, particularly among specialists and service providers who ideologically despise money, management and business enterprise culture' (156).

Mullin (1996) sees the potential culmination of this stage as a complete cultural breakdown between the fundraisers, hired for certain technical competencies but, from the perspective of the service providers, without soul. The service providers feel they are the true guardians of the mission, but have no understanding of the mechanics of fundraising. This cultural divide will be discussed in more detail later. To Mullin (1996), this scenario illustrates what can happen when the trustees and the senior management don't achieve a fit between, or at least a mutual understanding of, fundraising and service provision.

5.4.4 Hanson

Hanson (1997), an academic, approaches the topic from a strategic planning perspective. Like Rosso (1996) he does not start at what might be considered the very beginning. This is understandable when it is remembered that most charities do not begin from the rational decision-making model (Mullin, 1995) and, therefore, the strategic plan is not the first thought of the founder. But Hanson (1997) puts strategic planning into the environmental context of the late 1990s which, he argues, demands a sharper response to the growing competition and a need for the 'continual campaign' (318).

Whilst highlighting the importance of founders, Hanson (1997) identifies ‘founder cults’ as a severe negative to the charity moving forward, if the person or their persona gets in the way of the charity developing new lines of thinking, funding sources and services to beneficiaries. He challenges charities to ask themselves ‘Do we deserve to survive?’ (321) before the charity can move on to the next stage.

This section has examined a number of views on charity development. However, it is argued that these are rather limited analyses of the development of the fundraising department. For example, there is an assumption that the stage of fundraising a charity has reached is indicative of the stage of the charity as a whole. This view is challenged as it will be shown that there are reasons why the two may not be in parallel.

Also, where these writers have identified a number of stages there have been no more than three, which means that each one is very broad based. There has also been a rather simplistic approach to the variables which cause charities to move from one stage to another. It is argued that this process is, in fact, much more complex than is suggested in the articles above. These issues will now be explored in more detail using a grounded theory approach.

5.5 The development of new theory

In examining the interviews and departmental organisation charts of the 30 charities which were the focus of this research, it quickly became clear that there was no common structure for fundraising, even for the top 20 fundraising charities. Each charity had developed its own fundraising structure and its own hierarchies (Wilson, 1992).

One reason for this seemed to be based on the charity’s fundraising history and the early fundraising methods each charity had used. If these remained successful they often dominated the structure, as will be discussed in Chapter Six, but this was not the only answer.

Closer analysis revealed that there existed a fundraising life cycle that had its own stages and momentum, irrespective of the stage of the charity as a whole. These stages were not related to a charity's age or total income. Indeed of the charities identified at stage four one had been established 33 years and another 137 years in 1994. On the same basis, one stage three charity had an annual voluntary income of £1½ million while another received £25 million in voluntary income in the same year (*Charity Trends 16*, 1993).

It was other factors which appeared more important predictors of a charity's position within the five stages. Four variables were identified as giving the optimum combined indication of the stage a charity's fundraising had reached.

The four key variables are identified as:

- who does most of the fundraising - volunteers or paid staff?
- how, if at all, is the opposite group (paid staff or volunteers) used, which is dominant?
- the involvement and role of the founder or 'torch-bearer'⁹ trustees
- the perceived role and significance of voluntary income.

These four variables might sound very simple, if not simplistic; yet it is argued, that they determine the fundraising stage of the vast majority of charities. They were identified and validated after extensive microanalysis of the evidence. The selection of these variables and the creation of the five stages arose because the charities examined were of very different sizes and structures for fundraising.

⁹ The description 'torch-bearer' refers to trustees or other key individuals who take on the mantle or the shared vision of the founder. This may include all the founder trustees, or some of them and may also include key supporters and trustees later in the development of the charity.

5.5.1 Evidence for the variables

This section examines how these four variables came to be chosen, with evidence from the data collected.

Who does most of the fundraising - volunteers or paid staff?

From the researched charities it became clear from the responses about staffing and numbers that there were a variety of people undertaking fundraising: paid staff at head office, paid staff at regional offices, volunteers linked to the cause or building, especially for local charities, volunteers at arms length, controlled by regional managers but where central fundraising let the volunteers do what they wanted as long as they delivered the money. At the other extreme, volunteers who were also trustees were heavily involved in hands on events fundraising in an ongoing way.

- '150 paid staff in fundraising; regions 70-75 outside London'
- '3 ½ paid fundraisers at headquarters; 200 volunteer groups'
- 'about 50 fundraisers including 17 regional directors and 6 part time special collectors and 20 at headquarters'
- '15 full time; approximately 75-80 volunteers mixture coming in to the office and some in community'
- 'no staff specifically for fundraising. run by volunteers, the Executive President and a committee of 12'

How, if at all, is the opposite group used (paid staff or volunteers) which is dominant?

From the research it appeared that it was not merely a case of whether charities had volunteers or not but what was the attitude of heads of fundraising to them. This varied from almost complete reliance on volunteers from an organisation with no paid fundraiser, and a gratefulness to what they produced, to a sense that they were tolerated but were often more of a distraction than a benefit.

- 'don't fundraise directly - we have friends groups'
- 'for one year tried to set up branches locally but not successful'

Some of the smaller charities could remember when the first fundraiser had been appointed and also mentioned who had been responsible for fundraising prior to that.

- '[interviewee] was the first fundraiser, prior to that was overseen by the Secretary General'

Indeed two did not have specific fundraisers and the nominal 'head of fundraising' was the chief executive. In these cases there was often more involvement from the board in setting the targets.

'[Who set the target figure?] The four staff [all generalist multi-taskers] and the Chairman.

While in the charities with large fundraising departments of specialists they were very much in charge, giving trustees the final say.

'[How was the target calculated?] Bottom up generated in every section including every individual fundraiser, top down tweaking. Final figure set by [interviewee] then to the trustees.'

'Direct donors based on calculations and history and experience; major donors new, two years experience only so more finger in the wind. Have a three year model. Corporate look at long term trends, existing and new - longer lead times. Regions bottom up. Reviewed nationally, then by [head of fundraising]. Build in probability at each stage and equally not all money to be raised is allocated. Trustees set the figure on the recommendation of the Management Board which [head of fundraising] attends.'

From the analysis and the variety of answers, the people responsible for fundraising and for budgets emerged as relevant variables. It was clear that there were many differences of scale and scope of fundraising depending upon the size of the department. However, it was equally clear, as the quotes above show, that it was not just a matter of numbers because two charities with very different numbers of staff could be raising similar amounts. For example, two charity heads of fundraising were both responsible for generating about £36-37 million. One had 700 fundraising staff nationally including 50 at head office, the other had 22 staff at head office plus three events organisers and 38 staff across all their sites.

The involvement and role of the Founder or 'torch-bearer' trustees

This was a surprising variable but it came from the smaller charities initially. Then it became clear from the charities with large departments that they had often jettisoned the trustees (or vice versa) to 'rubber stamping' roles, as far as fundraising was concerned, rather than being actively involved. However, there was some indication of active involvement (or reinvolvement) of the trustees in

relation to fundraising in just one or two of the top 20 fundraising charities which began to indicate a new trend - ultimately the fifth stage.

‘Charity started by academics. Lots of fundraising by the Prof [a torch-bearer], now retired.’

‘Strategic plan, not the first, led by chief executive and board and senior managers - aim to double income by year 2000.’

As very few of the studied charities had living founders the concept of torch bearers seemed to fit those who saw themselves as maintaining the values and vision of the founder.

The role of the trustees continues to be important even when they are not directly involved in day-to-day fundraising. This is because, it is argued, movement from stage to stage is not by chance but by decision, usually of the trustees. The process of trustee approval shows the relative importance of fundraising to the organisation, or not if decisions are deferred and the charity remains ‘stuck’ in an early stage.

‘[The trustees] wouldn’t countenance using [this method] using an outside agency because it has not been proven to them. So we will do it in house. It won’t be as good. There’s a barrier to get them to decide to invest to [raise] more money.’

The perceived role and significance of voluntary income.

One constant throughout the research was the refrain of the need for money. In some cases it was just plaintive but in most cases there was a sense of cause and effect: the external environment has changed, we need more voluntary income, preferably unrestricted, and we will need to change our activities, strategy and even structure to achieve this.. Therefore, it was not surprising that the need for more voluntary income became the fourth variable.

‘target increase 12 per cent...we are trying to grow...fundraising staff went from 20 to 145 in response to the fundraising strategy’

On the other hand there were those charities which did not perceive a specific need to grow their income, even if they had not met last year's target. They were not under the same pressure to upgrade their fundraising capability. When asked about extending the fundraising staff one interviewee simply said ' we don't need to go down that road at the moment.' He was in a minority in 1994.

From these variables, five stages in the fundraising life cycle were identified. Like all life cycles, these stages are progressive and each organisation's fundraising will pass through each one, though the timeline for each stage may vary for every charity. Also, because the fundraising stage is not linked to total income, two charities of similar income may be at different stages. This was found to be the case even in the top 20 fundraising charities which contained charities in stages three, four and five.

5.6 Organisational culture theory

The variables provide the markers by which one can recognise which stage a charity's fundraising has reached. However, to give this research a wider resonance, the application of the variables will be examined within the context of organisational culture studies.

Organisation theory is a well-established tool of analysis with a series of accepted perspectives. Hatch (1997), for example, outlines the development of organisation theory from the civil society ideas of Adam Smith to the postmodernist perspective.

In comparison, organisation culture theory is more recent and still open to interpretation. In three recent books assessing the state of culture theory research, Hatch (1997) cites seven definitions, Brown (1995) cites 14 and Martin (1992) cites eight from her integration perspective alone (see below).

Over the last 20 years there has been a burgeoning of work in this area from the business bookshelf bestsellers of Deal and Kennedy (1982) and Peters and

Waterman (1982), through to the more considered academic approaches of Schein (1985), Morgan (1997), Meyerson and Martin (1987), Handy (1988; 1996), Martin (1992) and Hatch (1997).

Most of these works have been written about the commercial sector. As Hudson (1995a) noted for non-profits, diagnosing organisational culture is 'an underdeveloped art form for which there are as yet few rules to guide'. Even Drucker (1990), one of the pioneers of exploring culture for commercial enterprises since the 1950s gives only glancing references to it in his book for non-profit managers. Paton and Cornforth (1992) firmly state that charities have a different culture from businesses, as one of their distinct differences, though they only explore this superficially saying 'like all cultural differences this is hard to describe'(40). And again, in 1996, Paton refers to the difference but without taking the analysis further.

Handy (1988) is the only one that has attempted to expound a theory, based on his work for commercial companies as well as his involvement with the voluntary sector. He defined four cultural types of organisation: club, role, task and person and assigned Greek gods to each type to characterise the human facets. Although defined as four distinct types, Handy (1988) perceives the need for movement across the types as the organisation grows. In particular, the need for hiring people of different cultural types as the organisation develops, without which the organisation would remain small or even atrophy.

However, just because organisation culture theory is hard to define and somewhat amorphous does not mean that it cannot add to this analysis. As will be shown, Martin and Meyerson (1987) and Martin's (1992) work has a resonance with the cultural issues inherent in the five stages. In other words, adopting a culture theory perspective will add another rich layer to the overall analysis. In particular, two studies will be used: Meyerson and Martin's (1987) examination of cultural change in the Peace Corps - one of the few studies of a non-commercial entity and Martin's (1992) examination of three cultural perspectives in one company. These studies have been chosen because they specifically examine the changing cultures

that can occur within organisations as they move through different stages of the life cycle.

5.6.1 Three perspectives of organisation culture

Meyerson and Martin (1987) and Martin (1992) set out three perspectives or paradigms that they have identified in their organisation culture studies which they described as integration, differentiation and ambiguity (Meyerson and Martin, 1987) or fragmentation (Martin, 1992).

The integrated perspective is indicative of an organisation that is strong, vision-focused, heavily reliant on the beliefs inculcated by the founder or principal managers which permeate all parts of the organisation in a common way. As Schein (1985) defines it

‘a pattern of basic assumptions - invented, discovered, or developed by a given group as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.’ (9)

In other words, for an integrated perspective, goals, values and vision are all shared, ambiguity is minimal (Meyerson and Martin, 1987). This perspective was seen as a positive asset by the business writers such as Deal and Kennedy (1982).

The second perspective Meyerson and Martin (1987) and Martin (1992) identify is differentiation. Here there is evidence of dissent and the emergence of sub-cultures where different groups within an organisation interpret the same issues in different ways (Smircich, 1983). Within each of these sub groups there may be an element of integration yet each sub-group’s focus is different, arising from different goals and outlooks, which can cause friction and misunderstanding. During the differentiation stage the potential for inconsistency, only partially shared vision and growing ambiguity is acknowledged though it is usually contained (Martin, 1992).

The third perspective is known as ambiguity (Meyerson and Martin, 1987) or fragmentation (Martin, 1992). It is a nice irony to have the stage of maximum breakdown in shared vision and understanding labelled in two different ways. In Martin's (1992) fragmentation perspective nothing has cohesion, there are no shared values, there is even a question mark over any two people having a shared culture. Culture as fragmentation is central to the post-modernist view, where life is 'inconsistent, ambiguous, multiplicitous and in a constant state of flux' (Hatch, 1997). However, in this research, fragmentation is seen as one stage in development, not a world view.

In relation to the five stages of fundraising, these three perspectives are seen as phases through which an organisation might travel, although it is possible for all three perspectives to be in existence at the same time. Martin (1992) illustrated her work with research done at just one company, the pseudonymously named OZCO.

5.6.2 The fourth perspective

Martin and Meyerson define three perspectives. Martin (1992) questions whether a fourth perspective is possible, but asks, 'how can cultural manifestations be related to each other, beyond having a relationship that is consistent, inconsistent or complex?' (190) and, therefore, considers no fourth perspective is possible.

However, it is argued that to meet the particular cultural challenges of stage five, a more developed form of integration is required. This more mature perspective has been labelled 'advanced integration' and its hallmarks are: the consistency and shared vision of integration alongside acknowledging different ways of working (differentiation). In other words, an organisation in a cultural state of advanced integration would share a common vision (not just the vision of one person - the founder), a common mission and focus, but would also recognise and understand and be accepting of the fact that different departments may have to contribute to and reach these goals in different ways.

The concept of advanced integration will be discussed in more detail when examining stage five of the framework.

While many might agree with Paton (1996) that the culture within charities is different from that within companies, it is argued that these descriptors, tested on both a company and a non-profit entity, are valid for this research. Therefore, these perspectives will be used to help review some of the findings and put them into a wider cultural context. A summary of the fit between the culture theory perspectives and the five stages will be presented at the end of the chapter.

5.7 The five stages of fundraising: a framework for fundraising development

From the analysis of the research findings it was clear that there was no convergence towards a common structure for fundraising. Instead there were a 'mess' of structures. Further analysis led to the identification of four key variables, as discussed, and ultimately to the development of five stages for fundraising. The rest of this chapter sets out and explores the details of the five stages (see Table 5.4 for a summary), beginning with an introduction to the overarching Phases and uses quotes from the heads of fundraising interviewed to illustrate the points.

Three Phases have been defined to illustrate the bigger picture of fundraising development. The Phases are labelled 'appeals', 'fundraising' and 'marketing'. In using these terms it does not imply a value judgement. It is not a case of appeals stage 'bad' and marketing stage 'good' or appeals equals 'old-fashioned' and marketing equals 'trendy'. The words are used because they are the most appropriate for each Phase and they signify the general progression of fundraising.

Appeals --> Fundraising --> Marketing

From these three Phases, the five stages of fundraising are defined as in table 5.5 below. The five stages have been given non-academic titles, because it was considered more appropriate to name the stages in ways with which practitioners and volunteers could identify.

Phase		-----Appeal -----			-----Fundraising -----		Marketing
STAGE	STAGE ONE	STAGE TWO	STAGE THREE	STAGE FOUR	STAGE FIVE		
VARIABLES	The passionate appeal	We need more money	We need some help	Leave it to us	Let's all work together on this		
<i>Chiefly run by</i>	A few core volunteers	Lots of volunteer groups	Department of new staff appointed to establish new avenues of income - generation driven from Head Office	Larger numbers of professionals, but lots more raised by far fewer people overall. Fundraising strategic, powerful	Large team of professional fund-raisers utilise more donor-led marketing approach. Marketing orientation across the department & organisation		
<i>Paid staff/volunteer dominance</i>	Some involvement of the first paid staff member, usually Chief Executive	May have an administrative staff member with fundraising responsibility or person seconded from another area	Volunteers are more peripheral except for small-scale local fundraising	Volunteers used to spearhead local campaigns, smaller number of powerful volunteers at the top with those at the bottom out of sight	Role of volunteers changed - seen as partners. More involved with the charity and sharing goals, therefore extension of HQ team		
<i>Position of founder</i>	Will usually include founder and family- may be high level of fundraising as a result	May include founder volunteers but mostly small volunteer groups	Founder less involved, has moved on from the starting point	The past is the past let it lie	Revisit past links for connections and re-established on new terms		
<i>Reliance on voluntary income</i>	No targets (unless for major capital appeal) Grateful for anything	May develop other (usually statutory or trust) sources.	Growing need for fundraised income as distinct from fees etc	More fundraised income required to do core work	Building relationships for long-term reliable fundraised income for the future		

Table 5.4: The five stages of the development of fundraising within charities

PHASES	STAGES
Phase One: <i>Appeal</i>	Stage one - The passionate appeal
Phase Two: <i>Fundraising</i>	Stage two - We need more money
	Stage three - We need some help
Phase Three: <i>Marketing</i>	Stage four - Leave it to us
	Stage five - Let's all work on this together

Table 5.5 The Phases and stages of fundraising development

5.7.1 Appeal Phase

The characteristics of the first Phase can, in many ways, be summed up by the common perception of the word 'appeal'. It conjures two ideas: firstly, a one-off fundraising project or start-up fund; and secondly, that the fundraising is done by volunteers. As the Shorter Oxford English Dictionary defines it, the appeal Phase is 'a call for help, an entreaty' (90).

'two ladies [volunteers] should be fundraising'

Appeal is often the name given to the fundraising that is done by those who start the charity. Undertaken by motivated volunteers, it is approached with an enthusiasm and a passion that drives them to achieve great results (contrary to Lindsay and Murphy's (1996) view, this may occur without any significant publicity). As the founders of the organisation, they often have a vested interest in the cause because of how it will help them or someone close to them, so they show a proselytising zeal to win supporters and friends.

Examples of such selflessness range from Douglas Macmillan, founder of the then National Society for Cancer Relief in 1911 (now Macmillan Cancer Relief) because 'he was deeply affected by the death of his father from cancer and was determined to do something to improve the care available to people with cancer and their families' (Macmillan Cancer Relief, 1992) through to Dr Vicky Clement-Jones, founder of BACUP. 'Vicky's own experience of ovarian cancer showed her how much cancer patients need information and support in coming to terms with their diagnosis and in living with the disease' (BACUP, 1992).

‘all volunteers are usually users of the service who then do voluntary fundraising.’

In early books on raising money for charitable causes the most common word was ‘appeal’ (Hereward Phillips, 1969). There is an element of the old-fashioned seeking after alms, particularly from the founder trustees. There is the cry ‘I believe in this, don’t you too?’, followed by the plea for support, which is very different from Rosso’s (1996) ‘By gosh, everybody should give’ (18) of the novice paid fundraiser. The former comes from the position of committed belief in the project’s mission and outcomes. The latter is aiming at dollars, not donors committed to the cause.

This first Phase of a new charity is also a classic time for seeking goods in kind as the ‘great and good’ of the charity want every penny to go on the work, the cause, and not on ‘back-room’ administrative requirements which are begged and borrowed from friends and companies. For example, one charity established in 1997 managed to obtain accommodation, furniture, a photocopier, computers, stationery and even pens.

Staff too, are considered a drain on resources. Administrative support will often be provided by family and friends, cajoled into helping. At this point, the cause is paramount (Lindsay and Murphy, 1996; Mullin, 1996).

‘We limit paid staff time on events. We get a volunteer to take it on.’

The first tranche of money raised is important. Not only does it enable the charity to begin its work, it also helps it to establish some collateral against which it can seek further grants and funding. Very few trusts or statutory bodies will give to an organisation which is not able to demonstrate some ability to fundraise on its own, or which has yet to establish the service on which the money will be spent. This is because neither trust nor statutory organisation want to feel they are the only supporter as they will then have to assume that if they pull out the whole initiative would fold. Few funders want to give to something which will only last as long as they are supporting it. Many trusts and bodies such as the National Lottery

Charities Board will specifically ask about plans for ongoing funding of the activity or project and will often give a diminishing amount year on year, so forcing the organisation to seek funds elsewhere.

‘I have bought the Directory of Grant Making Trusts’

The other factor that third party funders will look at might be described as ‘pedigree’, that is the composition of the board of trustees and the names on the letterhead. These people may not all be active fundraisers but their presence on the official stationery adds weight, or as one charity founder describes it, ‘lustre’, to the fledgling organisation. For the areas of corporate, trust and big gift funding, without these ‘names’, ideally comprising both celebrities and people respected for their knowledge of the subject area, the likelihood of fundraising success may be weakened.

‘Our Executive President runs a [hotel in the town]...She is very well known locally.’

5.7.2 Appeal phase: Stage one

The passionate appeal - Something must be done about this

Stage one is very focused. Its purpose is to get the charity up and running. At this stage the characteristics of fundraising, using the four variables are:

- the fundraising is undertaken solely by volunteers. This will usually be led by the founder and the founder trustees who are passionate about finding an answer to the problem they have identified
- initially there are no paid staff but during this stage, the first staff member is appointed, usually the chief executive or director. Any other ‘staffing’ needed is undertaken by some of the volunteers eg. secretarial work
- alternatively, if the charity goes backwards, more staffing may be in place but the fundraising may still be the remit of the chief executive

‘we employed a fundraiser for a year but he cost more than he brought in so he got the boot.’

- the role of the founder is paramount. He is the motivating force and will usually be the chairman of the board. Even if a director is appointed he will largely be doing the bidding of the founder. The founder is instrumental in all decisions and is the guiding force for fundraising. At this point the founder thinks of it as his charity and spends a great deal of personal time and energy on it. This has been seen from many embryonic charities from cat sanctuaries to third world development projects.
- reliance on fundraised income is total. Everything has to come from voluntary sources. A certain amount will be needed to get the organisation off the ground (at least legal fees to set up and register the charity) but overall targets may not have been set. It is unusual at this stage to have a fundraising strategy. The founder and trustees have a sense of gratefulness for everything that is given. If the charity starts from a national or international crisis which attracts publicity then money may be generated without asking (Lindsay and Murphy, 1996), for example Band Aid and the Romanian Orphanage Trust.

At this stage there is no organisation so the embryonic culture is that of the founder and his vision (Williams, 1999). This is not necessarily a bad thing as the founder is the driving force and, as both Deal and Kennedy (1982) and Peters and Waterman (1982) point out, it is strong leaders and founders who have been instrumental in making many organisations both large and great. The charity is also beginning to develop its personality at this time which may subsequently become part of the early brand (Tapp, 1996).

The founder is preparing the ground upon which the organisation will be built. To ensure the foundations are solid, it is not just the hard work and commitment shown by the founder that is important. The enduring strength will come from the values that are established at this time (Deal and Kennedy, 1982) and the basic assumptions and beliefs upon which the whole charitable enterprise is based (Schein, 1985). At this stage proximity to the founding spirit, enthusiasm, shared goals and commitment are all hallmarks of an integrated culture (Martin, 1992), even if an organisation, as such, hardly exists.

5.7.3 Appeal phase: Stage two - We need more money

Once the first tranche of money is raised, there often comes a short lull as all the volunteers, especially the fundraising trustees, turn their attention to the work, the cause. Many volunteers may feel that they have now done their bit, but the charity will need some other forms of income to sustain itself.

Depending on the sources of funding now available, including statutory and trust income, and the need for funds (the initial amount raised may enable the work to carry on for some time), charities may stay at stage two for many years which is why it is a proper stage, not just a brief transition (Lindsay and Murphy, 1996).

The characteristics of stage two are:

- the number of volunteer fundraising groups has grown, often substantially, but they are at arms length from the trustees. Inspired by the zeal of the founder or the worthiness of the cause, these small local groups of fundraisers may have begun to flourish. This is particularly noticeable, for example, for hospices with a strong local presence with local fundraisers who are motivated by the money being spent locally

‘We don’t fundraise directly, we have events and we have friends groups.’

- the chief executive has been directed to begin statutory and trust fundraising as these require a more administrative approach

‘Statutory grants, now contracts, are done by the Chief Executive and the Bursar’

- fundraising help or support from the organisation to the volunteers is minimal. If any support is given it is likely to come from chief executive’s PA or another member of the administrative staff, for whom fundraising is not a principal role

‘We’ve been short of up-to-date publicity materials. I don’t really have a title, I suppose I’m fund secretary ... Don’t really have a fundraising budget.’

- new sources of funds are developed, including statutory wherever possible, to sustain the endeavour and to reduce the fundraising burden on volunteers, especially the founder trustees.

‘we’re constantly weighing up [fundraising] in terms of costs and time’

The founder is usually¹⁰ still driving the organisation at this point. In its early days the operating culture is still being created. The organisational culture comes from how the charity fulfils its mission, which does not necessarily mean ‘a social service culture’ (Kotler and Andreasen, 1991). The chief executive will still be following the cultural lead of the founder and the perspective will remain one of integration as new staff enter into the ‘family’ culture (Martin, 1992).

5.7.4 Fundraising Phase

The Fundraising Phase usually follows a major review of the growth and development of the charity by the trustees. As noted above, the movement between stages comes about due to decisions not happenstance. However, there are occasions when the trustees are almost forced into a decision because of rapid growth requiring increased funds (funding crisis) or better management of the fundraising activity (Williams, 1999).

‘Fundraising is any money we raise. Everything has to be financed.’

Progress into this Phase comes about when the trustees acknowledge that there is a growing need for proactive, ongoing fundraising from a variety of sources which need to be managed and not just left to the chief executive and volunteers.

‘Fundraising was geared to legacies but income went down. Other things take a long time.’

In this Phase the fundraising moves from being volunteer-led, with ad-hoc income to establishing a staffed department and ongoing funding (see Fig 5.4). As with the first Phase it splits into two stages. Stage three, ‘we need some help’ is a major transition period. At this stage fundraising is likely to be established as a

department. Stage four, 'leave it to us', sees the creation of a larger department with specialists for the different areas of fundraising.

'Role initially to market society, appeals less important. Now its more important to raise money.'

The Fundraising Phase marks the professionalisation of fundraising within the organisation as well as a move towards giving fundraising the same status as the service departments which carry out the organisation's charitable purpose (Kramer, 1990). At some point during stages three and four (this varies from charity to charity) the head of fundraising will usually become a member of the senior management team. This Phase is also characterised by a diminution of the role of volunteers within the day-to-day fundraising.

'I've [head of fundraising] been with the charity nine years. We've had a fundraising department for the last two years. Fundraising is one of four main headings under the chief executive.'

In terms of organisational culture theory, stage three sees the movement from integration: coherence and shared vision (Martin, 1992) to differing goals and objectives (Hanson, 1997), or differentiation (Meyerson and Martin, 1987). By stage four, the fundraising department begins to be a very different entity (Williams, 1999) and may have reached cultural fragmentation (Martin, 1992).

'Sometimes we have to remind [the service providers] "if we didn't do fundraising, you wouldn't get paid".'

5.7.5 Fundraising Phase: Stage three - we need some help

In this stage a tentative department is formed, as such it might link to Lindsay and Murphy's (1996) funding orientation and Rosso's (1996) beginning stage. The title comes from the recognition that volunteers and the chief executive do not have the time to be solely responsible for ongoing fundraising because they have recognised that regular voluntary income is needed. The characteristics of stage three are that:

- more voluntary income is needed. A plan for ongoing, proactive fundraising is required along with staff to implement it

¹⁰ An exception might be where the founder dies, in this case family and trustees may redouble

‘the targets were created by an imbalance from statutory income and investments. The remainder is the target.’

- paid fundraising staff are appointed. This may start with one part-time person, but it is a paradigm shift (Kuhn,1962). Initially the fundraisers are generalists; the post holder(s) need to be able to handle all types of fundraising
‘fundraising was established in 1969 with one person’
- fundraising is now driven internally by staff, not by the volunteers, though with overall direction from the trustees
‘We have very little authority, everything goes to Council. Very old-fashioned ‘don’t speak if not asked’ outdated protocol.’
- volunteers are less important to the fundraising activity. Although most charities do not actively close down their local fundraising groups the organisation is too busy concentrating on potentially more lucrative initiatives to develop new ones
‘Little group raise £100 per event, but 20 events a year, wonderful. Moved fundraising [by staff] to more commercial types of fundraising, less from events.’
‘Highest productivity re £s income per head comes from the fundraising team.’ (charity that has income generation through service provision)
- alternatively, charities may rely on many fundraising groups, supported regionally, and a small number of central income sources, such as legacies, requiring few, more generalised staff at head office
‘volunteer branches - so cost effective’
‘each of 800 groups do their own fundraising.’
- the founder takes more of a back seat, except for occasional high level approaches to a company or individual. He may remain as chairman of the organisation but is briefed by the chief executive rather than maintaining day-to-day contact with the staff and activities of the organisation.
‘[head of fundraising is] only responsible to board of trustees every three months’

efforts and endeavour to ensure the cultural platform established is maintained.

Stage three may begin at any time after the charity is founded. There is no set timescale to reach this position. For example, Save the Children Fund began in 1919 and appointed its first paid fundraiser that year with a fundraising department established in 1921. St Ann's Hospice had a paid appeals organiser in place two years before the hospice opened in 1971 but continues to have only a tiny paid staff and many volunteers. At Scope, then the Spastics Society, the first full time post was not created until approximately 1970, 18 years after the charity started.

Stage three shows the founder and trustees beginning to stand back from the day-to-day running of the charity, allowing the paid staff to run the organisation. This letting go is a major challenge for the trustees and may be a very difficult decision to make, especially if the trustees are still bound up in the cause. However, failure of the trustees to take this step can result in inertia in fundraising which will have an effect on the organisation as a whole (Hind, 1995).

'The old view was "if you're a [member] you can do anything". That's now changing. If we have the skills, fine. If not we go outside.'

At this stage, new staff are appointed with different backgrounds and outlooks. There is no longer an automatic reference back to the past. The first paid fundraiser is not a senior manager and may be working almost completely on their own (Rosso, 1996) while the prestige may be seen to be in the service delivery side (Williams, 1999). As a result, there may become a cultural tension between fundraisers and service providers (Mullin, 1996).

'[Service delivery] has increased the provision significantly. Day-care came out at the beginning of the recession...[needed] extra nurses, extra staff...led to deficit...hence review.'

At worst this is actually a physical gap where the formative fundraising department occupies a different site from the service provision, as in one case study charity. This is the beginning of cultural differentiation (Meyerson and Martin, 1987; Martin, 1992).

'We're one organisation, two sites, one appeals office [third site], one board.'

5.7.6 Fundraising phase: Stage four - Leave it to us

Stage four epitomises the professional fundraising charity that does not, on a day-to-day basis, need voluntary input hence the title, 'leave it to us'. Its characteristics are:

- voluntary income is vital, it is no longer providing the 'icing on the cake' but is funding a growing percentage of core services or charitable purpose
 - ‘Fundraising is the process to ensure the organisation has sufficient funds to cover 1) annual running costs and 2) for specific capital costs.’
- comparatively small numbers of people are raising substantial sums of money centrally, for example, 50 people to raise £30 million
- the fundraising department comprises specialists, not generalists. Different people are responsible for direct mail, trusts, legacies, corporate, shops, membership etc. depending upon the nature of the organisation
 - ‘We’ve five teams: direct marketing; planned giving; regional fundraising; corporates and trusts and events.’
- to meet the needs of the fundraising strategy, the staff is often a mixture of experienced fundraisers with charity backgrounds and marketing, sponsorship, sales promotions or advertising people with commercial backgrounds
 - ‘senior fundraising managers: three out of four have corporate backgrounds, middle managers, only one out of eight has a corporate background, the rest all voluntary sector.’
- at this stage the types of fundraising may be broadened as the department grows
 - ‘structure efficient, it allows us to raise money from a wide range. It’s not all in one basket to keep risk low.’
- a head of fundraising is appointed and the status of the fundraising department is heightened; ‘we’re the biggest department in public affairs.’ Ultimately the head of fundraising is a member of the senior management team
 - ‘Fundraising is side by side with service provision’
 - ‘Fundraising is one of the three big departments’.

- local volunteers are kept at ‘arms length’ from head office, relating to the organisation through branch offices, and by this stage may be given annual targets
 - ‘Area appeals organisers used to report to the appeals department [at HQ]. We brought in eight regional heads and shops report to regional heads.’
 - ‘Regions did not have targets , they now have clear targets.’
- there is a new role for a special type of volunteer. These volunteers are people with a profile and positions of influence and power to lead major local fundraising initiatives, eg. big-gift regional appeals
 - ‘special local appeals may have special local appeal committees’
- new volunteers replace the founder and torch-bearer trustees, though some of the latter may still be on the board. Generally, the new staff and the new trustees talk more about the future than the past (Harrow, Hind and Palmer, 1993).
 - ‘trustees may open doors, if asked’

Culturally, this is perhaps the most challenging time and may precipitate the founder and torch-bearer trustees leaving (Hudson, 1995). It can often be the case that in the rush of new staff and trustees, there is a testing of the fundamental values and beliefs, with suggestions for substitutions or development of the culture that the ‘old-guard’ find disturbing (Mullin, 1996). As Handy (1988) puts it:

‘There is no simple solution to the problems of a cultural mix. Any organisation of any complexity will have them. This is why anyone who was in at the birth of an organization will always remember it wistfully, because, despite all the haste and all the crises, there was a simplicity about the early days which allowed one culture to flourish, one set of values to envelop everything. Success often brings complexity and a need for the other cultures. To exclude or ignore them is to put the organization itself at risk.’ (99-100)

In other words, it is at this stage that the manifestation of sub-cultures within the organisation will be most evident, in particular the division between the fundraising and the service providing departments (Hudson, 1995). Mackeith (1991) in her analysis of the relationship between fundraisers and service providers in one charity, which was clearly at stage four, noted:

‘the fund raisers (sic), it was said, were entrepreneurial, commercially oriented, volatile, neurotic, and “razzmatazz”, while the service-providers were described as relaxed and academic.’ (5)

At this stage, differentiation can often topple into fragmentation and not just from internal barriers between fundraisers and service providers. It can also occur within the fundraising department if it splits into two factions: long-standing charity fundraisers who concentrate on legacies and regional fundraising versus new staff with marketing and advertising backgrounds speaking a different language and taking a very different approach to issues so that ambiguity is rife and there is seemingly little common ground (Martin, 1992).

‘Only one [fundraising manager] from non-profits, responsible for legacies. Here 15 years. The rest are relatively new and have some corporate background. Most have a marketing or direct marketing qualification.’

‘Members [or employees] do not agree upon clear boundaries, cannot identify shared solutions, and do not reconcile contradictory beliefs and multiple identities. Yet these members contend they belong to a culture. They share a common orientation and overarching purpose [such as agreeing upon the basic cause for which the money is being raised]...However, these shared orientations and purposes accommodate different beliefs and incommensurable technologies, these problems imply different solutions, and these experiences have multiple meanings.’
(Meyerson, 1991:131)

This is also the stage at which Mason’s (1984) theory of the ‘dual internal system’ potentially has most force. Mason argues that, unlike a commercial organisation where there is one cycle comprising the income from sales which then funds the production of more goods for new sales, a not-for-profit enterprise operates on two cycles, one raising the money and the other spending it, with only minimal, if any contact between these two cycles.

In summary, stage four (Fig 5.4) is a familiar stage to many observers of the charitable sector, particularly looking at many, but not all, of the top 100 charities by voluntary income. The image is of professional fundraising, fuelled by the development of high-investment activities like events and direct mail; a growing reliance on fundraised income and the widespread use of marketing tools.

However, while these fundraising departments may be effectively using the tools of marketing such, as direct marketing, or even integrating the 4, or 5 or even 8Ps¹¹ (Bruce, 1994) into their fundraising activities, there is not yet a holistic marketing approach to fundraising as part of the wider mission of the charity. As noted above, the fundraising department may be seen to be isolated, making its own decisions, sometimes even in conflict with the programme departments (Hanson, 1997; Williams, 1999).

‘Council is [formed] of members only, touched by disability not [fundraising/marketing] expertise... voluntary income is completely alien to the culture.’

Examples of this friction between the two departments include the way in which the fundraising department depict the beneficiaries (Mackeith, 1994), especially regarding images of disabled people (Adler *et al*, 1991). This friction is only resolved in the third Phase at stage five (Fig. 5.4).

5.7.7 Marketing Phase

Charities which have reached the Marketing Phase have learnt not only to harness the tools and techniques of marketing to the benefit of fundraising but have also incorporated the ethos of marketing to the benefit of the whole organisation.

In terms of the fundraising department, the staff will have become a team and are likely to have been reconfigured. The predominant philosophy puts the donor or member at the centre, harnessing the concept of putting the customer first. But this is more than Lindsay and Murphy’s (1996) need orientation and certainly more than Rosso’s (1996) maturity stage.

‘“Real marketing” - what do our members want ... must reflect values and messages.’

‘Fundraising has come of age in the last couple of years.’

¹¹ The 4Ps are product, place, price and promotion, the fifth P is people, Bruce’s 8Ps include physical evidence, process and philosophy (Bruce, 1994).

Using marketing at the organisational level means creating an environment of meaningful exchange with donors, with beneficiaries and across the organisation (Kotler and Andreasen, 1991; Sargeant, 1999). It cannot just occur in the fundraising department. The essence of the Marketing Phase is that the senior management team creates a culture that permeates the whole organisation. Fundraising becomes an integral part of the organisation, not a nasty but necessary adjunct (Fogal, 1994).

‘Change driven [from] the top, the chief executive’

The Marketing Phase is currently represented by just one stage which is described as fundraising/marketing because as yet, the totally marketing-led charity is still in its infancy (Bruce, 1994). The subtitle of stage five sums up the new relationship of fundraising/marketing to the organisation as a whole.

5.7.8 Marketing phase: Stage five - Let's all work on this together

This stage (see Fig 5.4) may be summed up as one in which an integrated marketing philosophy is developed across the whole organisation. The characteristics of the stage five charity are:

- the organisation (not just the fundraising department) is building long-term relationships for reliable ongoing income
‘Used to be very split. Is a major benefit of restructuring.’
- the organisation emphasises looking to the future
‘Strategy for the nineties is part of the new chief executive’s review’
‘legacies - seven year trend; major donors new - three year model’
- the fundraising department may grow substantially to enable more one-to-one (Peppers and Rogers, 1993) nurturing of , or a relationship fundraising (Burnett, 1992) approach to key supporters but the long-term return on investment is anticipated to be worth the short-term cost, through more committed supporters (Rosso, 1996)
‘we had to show actual effects to others.’

‘main strategy is donor led, ahead of the game in asking and giving to donors.’

‘ We do not have a separate mail order department. We do not have a separate legacies department. Legacies are not a market, they are the ultimate way of giving for any of our donors.’

- in planning for the future, the charity looks back, revisiting its roots, re-establishing contact with the founder, former ‘torch-bearers’ and major players
- the charity reviews its relationship with its volunteers at all levels, brings in more staff to encourage and develop local volunteers with the aim of creating partners to meet shared objectives

‘Service provision staff see the reality of living off voluntary income. We run lots of trainings and inductions [to show] the incredible warmth of supporters, their jobs get built up. [Staff] realise the commitment [of volunteers].’

- donors and beneficiaries/users are treated as partners and, above all, as individuals.

‘our strategy says we should “work nationally and locally in partnership with our donors to fund our activities”’

‘[it] is having a far greater effect than we ever imagined possible. The donors love the treatment, they love the idea that they are being treated as individuals again.’

At this stage, the organisation is not afraid to revisit the past, to learn from its history and re-use it for future benefit. In this way the five stages have a cyclical quality, specifically relating to the role of volunteers within the organisation. Of course, by the time some organisations reach this stage, all the original trustees may be dead but there is usually a time in the not too distant past where there was a noted core of torch-bearer trustees whom it would be useful to reinvolve.

At stage five the culture of the organisation makes a paradigm shift again. Once more there is a holistic, overall approach. To achieve stage five, all fragmentation must go. It is argued, however, that the first integration perspective (Meyerson and Martin, 1987; Martin, 1992) is different from that which is required now. At the first stage, the trustees, volunteers and initial staff buy into the vision of the founder (Mullin, 1996).

By stage five, the organisation is larger, more mature and for the marketing approach to work across the organisation a new kind of integration is required, what might be called the 'shared buy in'.

'We moved from having a highly centralised formula, of teams around the country doing very similar work, to recognising that the needs of [our beneficiaries] might be different in different parts of the country and that we ought to organise our services in a way that is led by the needs of [our beneficiaries], not by some organisational need. There was very much a parallel to this in our fundraising.'

However, this does not mean that 'the way we do things here' is exactly the same for each department. The achievement of stage five is a recognition that there is a shared vision, where the roles and methods of fundraising and service delivery (and finance and administration) are recognised, understood and acknowledged by each department, though they may operate differently. In this way, differentiation in methods and delivery can live alongside a shared agreement on direction, goals and the value of marketing to the organisation as a whole. It is, therefore, suggested that the culture for stage five should be described as advanced integration.

What this means in practice is that the fundraising department may spend much of its time approaching senior business people and wealthy individuals for large donations while the service providers hand out bare necessities to the socially excluded, but the underlying beliefs and values, to go back to Schein (1985), are understood and shared. All parts of the organisation would be able to say why they are doing what they are doing and how it fits into the whole in a way that shows an empathy with the need and purpose of the organisation, not merely a professional correctness. In this way, too, the organisation then comes full circle to the concept of uniting behind one vision and one dominant culture.

In her talk on changing organisational culture for the VOLPROF Charity Talks in 1995, Lynne Berry, then Chief Executive of the Family Welfare Association (FWA) described the processes and the traumas that the organisation had gone through to remould itself. Although FWA is not at stage five in fundraising terms,

her conclusion about the internal changes and perceptions from this mammoth undertaking are relevant here

‘As an organisation, we have become one in which the strengths and qualities needed for major cultural change have been achieved. They are about being comfortable with change, about having the confidence to embrace possibilities, both organisationally and personally. FWA has become risk-taking, mistake-making, confident and learning.’ (40)

Accepting that differentiation has its place within integration (advanced integration), with each person bringing their own culture and experience into a situation, has been proven to enable organisations to achieve more than the sum of the parts (Deal and Kennedy, 1982; Handy, 1988).

Thus, just as the transition from Appeal Phase to Fundraising Phase (see Fig 5.4) is a paradigm shift, so is the transition from Fundraising Phase to Marketing Phase. Well implemented, stage five has the power to lift an organisation to a new plane of effectiveness, which is perhaps the one point of commonality with Rosso’s (1996) maturity stage.

‘as well as a change in structure, we have had to have a major change in culture...I am convinced that relationship building works in the long term.’

5.7.9 The difference between stage four and stage five

Stage four is a recognisable stage. Many large fundraising charities, especially those in the top 100 by voluntary income exhibit the characteristics of stage four. Far fewer charities were at stage five in 1994, it is, therefore, less familiar. This section highlights some of the differences between stage four and stage five.

Perhaps the principal difference is that while stage four fundraising departments are somewhat self-contained, at stage five, fundraising has become a more integral part of the organisation. As such, some of the changes do not reside within the fundraising department and may not be tangible.

‘[perception of fundraising] has improved dramatically in the last five years. Centenary, everyone got behind it...Now a respect for professionalism of individuals and have a much more professional team.’

In other words, one of the key changes between stage four and stage five might be summed up as a mind set, from both fundraisers and service providers, rather than necessarily a physical difference.

However, this is not the only change. In the fundraising department the change is one of moving from a fixation upon income generation for the current year, to building relationships with donors for income generation in the longer term. This relates directly to Pepper and Rogers' (1993) one-to-one approach in which they advocated building future growth through relationships with customers to gain what they call 'share of customer', that is, in charity fundraising terms, more of the support the person gives to charities generally coming to your charity and over the longer term. This also reflects the approach advocated by Burnett (1992) as relationship fundraising.

'we look at a four year return [for costs and benefits of a campaign/ programme]'

Linked to the relationship fundraising approach is a focus on donors; individuals not numbers. As a result more staff may be employed to look after highly segmented groups of donors but where the approach will be perceived by the donor as being more personal and direct.

'the response from our donors has been excellent... They actually enjoyed receiving our letters and the more we identified the people who are our real supporters... the more we found that we could concentrate on success.'

Finally, the stage five charity, not just the fundraising department, should have a more marketing-as-philosophy approach than a marketing-as-bolt on attitude (Sargeant, 1999). This should be demonstrated throughout the organisation with all departments recognising the value of a marketing approach (Bruce, 1994).

5.8 Movement from stage to stage

The above characteristics represent the state of the four key variables in each of the three Phases and five stages. Changes in these same variables indicate that an organisation is moving from one stage to another. In reality, these changes do not

all happen simultaneously so a charity will go through a number of sub-stages (levels) until all the four variables match the characteristics of the next stage. The strongest thrust for change, it is argued, is always the need for more money from voluntary sources (Medley, 1993), what might be called the funding crisis.

Movement between the stages is not by happenstance or whim. It only comes about as a result of trustee decisions and in the latter stages, by staff recommendations to trustees. The inability to take these decisions can cause the charity to be held back in its development or pitched head first into the funding crisis which precipitates a 'do or die' strategy. The issue which is often the stumbling block to such decision making is the familiar tension between income and investment (Mullin, 1997). This may set up frustrations, if not cultural differences between staff and trustees.

This section highlights the indicators which show that a charity is in transition through the different levels, from one stage to another. It is followed, in 5.9, by an example of a charity progressing through a series of levels and stages.

5.8.1 Characteristics of transition from stage one to stage two

Here the transition markers are about getting established, moving from the personal endeavours of a handful of volunteers to having some structure.

- More volunteers agree to help with fundraising and the founder trustees begin to feel that they have done their bit, indeed from the interviewed charities there was little reference to active fundraising by trustees.
- the charity explores ways of not having to fundraise through gaining statutory grants and contracts. Following the appointment of a chief executive, part of his remit is to seek funds from these sources. An administrative approach replaces the 'entrepreneurial' approach of the founder
 '[the chief executive] spends 25 per cent of his time on funding applications'
- administrative staff are asked to answer letters from fundraisers saying thanks

‘ [staff member] is PA, office manager and does events’

- reluctance on the part of the trustees to bring in a fundraiser.

At this stage the dominant view is that fundraising is not something to spend very much time or money on if the organisation can be run on a shoestring or obtain grants and contracts to cover all current costs.

For organisations, like hospices, which can attract statutory funding for services, stage two may prevail for some time ‘sometimes its just receipt of funds’. For charities which do not seek, or are not eligible for, statutory funding, such as the medical research charities, stage two may be very short-lived. Nevertheless, stage two must be worked through while the trustees prepare themselves for the appointment of their first fundraiser.

5.8.2 Transition from stage two to stage three

Here the transition markers are about stability, establishing a base-level ongoing activity.

- Two key factors mark this transition: acknowledgement that current income does not meet current or planned needs; and that fundraising must be done continuously

‘more difficult to meet service provision needs - annual deficit - budgeted £39K, but kept to under £20k. Development has to be funded.’

- the trustees take the decision to appoint a fundraiser: a generalist
- initially the appointment of a paid fundraiser is seen by the trustees as one more on the payroll, rather than a means of generating income
- the trustees may also have an innate feeling that the appointment of a paid fundraiser is a poor substitute for their personal commitment and passion for the cause (albeit an ironic feeling, if they have reached the stage of thinking that they have done their bit) (Medley, 1993)

‘strong involvement of our Chairman - co-founder.’

- this stage may also be triggered by negative factors - if the number of volunteers is dwindling or statutory grants and fees no longer cover the core running costs
 ‘began to change because legacies became good, we sat back, now cannot,.
 Much more active now.’
- while the trustees agree to appointing a fundraiser, the approved methods of fundraising will often be linked to local fundraising and corporate and trust approaches rather than individual fundraising, because fundraising from named individuals, such as through direct mail, is initially costly (Hughes, 1996)
 ‘looking to literature in the first place. Trusts are the next big thing’
 ‘not sophisticated direct mail - costs too high’
- the paradigm shift that moves voluntary income generation from appeal to fundraising is when fundraising is established as a managed, core head office activity rather than a function left to the varying activities of volunteers
 ‘were local committees but no longer exist’
 ‘figures year on year basis, not into long range planning. Just keep our heads above water’
- volunteers become less important. They will be expected to run their own activities in a small way with limited support . As the organisation moves towards stage four there may be a further rift as fundraising staff ignore the role of the volunteer, unless their manpower is needed.
 ‘10 friends groups, mostly events’

5.8.3 Transition from stage three to stage four

Here, the transition markers are growth and specialism.

- The single fundraiser is joined by a small team, though at first almost all of them will be generalists
 ‘all of us fundraise to a certain degree’
 ‘people wearing many hats’

- over time new people are recruited with specific skills such as corporate fundraising, events, schools
 - ‘two Cinderella departments needed more status and room to grow, then put in extra layer and extra skills.’
- a new focus on individual fundraising is introduced as the trustees are persuaded of the need for this kind of investment for the long term (Saxton, 1996a) and they can now afford to employ the specialist direct marketing staff required.
 - ‘direct marketing began 1988 - someone persuaded the board’
- volunteer fundraising groups may begin to disappear, those remaining are kept at arms length, run by regional fundraisers. Volunteer fundraisers are often considered to be raising insignificant sums of money relative to other sources of income (especially on a by-group basis)
- if some volunteer fundraisers are raising significant sums, they will be asked for more, but may be offered little extra support or encouragement
 - ‘88-89 big push to generate more income, more field staff taken on - more income but more costs. Now rationalising field force numbers’
- marketing tools now start to be used in earnest
 - ‘direct marketing - return on investment, cost per pack, cost per name’
- the founder has probably stepped down. There may be one or two torch bearer trustees but they will not be actively encouraged to remain
 - ‘Committee talks to volunteers, they have a role but they don’t do it. They [think in terms of] 5p but now £5 million’
- as the fundraising department becomes more established it begins to seek high level volunteers for new projects on terms dictated by the fundraising department
- the general ‘atmosphere’ remains one of chasing money for this year’s budget targets (Lindsay and Murphy, 1996: funding orientation).
 - ‘analysis per campaign, covenants annualised...net cost per name trying to get down, upgrading to covenant and standing order’.
 - ‘expenditure outstripping income, in financial stress’.

In this transition, fundraising is growing up and developing its own role and sub-culture which will become predominant in stage four.

5.8.4 Transition from stage four to stage five

As with the shift from stages two to three, this is a paradigm shift. The shift comes from the top, usually from the head of fundraising and the chief executive, working with the rest of the senior management team and from there down to all staff.

‘we conducted a fundamental review of the society’s activities... this led us to the question, who are our donors and, most importantly, what is it that they want in their relationship with the [charity and its beneficiaries]’

Here the transition markers have organisational implications.

- The organisation moves from a focus on ‘running to catch up’ to developing a longer-term fundraising strategy
 - ‘[costs and benefits] used to be annual, now longer term - three years or longer’
- the organisation attempts to establish a new kind of relationship with supporters and beneficiaries that will be cost-effective in the medium and long term
 - ‘increasingly what we were looking for in the relationship with the donor was...what we could do with that donor to maximise life-time value.’
- the fundraising department may be restructured to better meet donor requirements
 - ‘[now have] small team structured to be brought together as a team to make the best of the “powerhouse”’.
- the roles of volunteers are reviewed. They are now seen as an asset and potential partners. This is a major cultural change and one which many charities find difficult. Staff have become used to keeping volunteers at arms length and often fear their professional skills will be challenged if volunteers are encouraged.

‘had a lot of difficulty persuading the people in the direct donor department to allow us to go to our donors to encourage them to be involved in local activities,’

- the organisation now feels strong enough and sure enough of its role and position that it can feel confident about approaching the founder and former trustees again for help and support. This marks a significant change after the self-conscious independence that is the hallmark of stage four

This paradigm shift is even more challenging than that between stages two and three. As a result, and despite the large number of charities at stage four, there are currently very few at stage five.

5.9 An example of how charities progress through the levels and stages

This section gives a brief example of how these transition markers might come together, indicating which take the charity to the level and which to the next stage. For example, a charity in transition from stage two to stage three may have a recognition of the need for fundraising staff to increase income; the chief executive may even have begun to set the wheels in motion by trying to develop non-project-specific types of fundraising, the founder and trustees may already be taking a much less active role, but until they actively decide to appoint a fundraiser the charity will remain in stage two transitional.

On the appointment of the first fundraiser who would need to be a generalist and may only be part time, the charity would reach stage three level one. The hallmarks of this level are that the fundraiser is on their own, with little support from the chief executive and almost none from the trustees, they would be given targets almost without consultation and they are not on the senior management team. To move to level two the role would need to go to a full time post and for one or two others to be added, but all would still be generalists, able to turn their hands to a range of activities.

As soon as the generalists start to grow in number and take on specific roles that becomes stage three transitional. But stage four is not reached until a head of fundraising is appointed, there is a team of specialists appointed, as opposed to generalists taking on specific roles and the size of the fundraising team grows. By stage three transitional the fundraising team should also be more responsible for their budget planning but this is a mandatory requirement of a stage four charity.

5.10 Summing up the five stages of fundraising

This chapter has presented a framework for fundraising development. By using a grounded theory approach, one of the unexpected findings from the original data could be explored in more detail. From this starting point the new theory was developed. Indeed the approach revealed a greater complexity of structures than had been anticipated.

It is contended that the five stages framework represents charity fundraising in the UK at the beginning of the 21st century. Above all, the framework indicates that ‘the fundraising department’ is not an absolute, there is no one model for its structure, and the timeline for growth and development is specific to each charity. Unlike Kramer’s (1990) view, charities do not move forward at the same time. There will always be leaders, (Oxfam in the 1960s, Action Aid in the 1970s, NSPCC in the 1980s) and followers.

The principal catalyst for movement, it was discovered, is the need for more voluntary income. In turn, this will affect fundraising structures and activities. This means that two charities with similar incomes may be in different stages if their need for voluntary income differs.

It has further been shown that each of the five stages relates to an organisation culture theory perspective (Martin, 1992). However, in addition to Martin’s (1992) three perspectives, a fourth, advanced integration, was developed to encapsulate the more mature organisation-wide form of integration that is needed at stage five.

Table 5.6 below summarises the five stages and the associated culture theory perspectives.

Stage	Culture theory perspective
1. The passionate appeal	Integration
2. We need more money	Integration
3. We need some help	Differentiation
4. Leave it to us	Fragmentation
5. Let's all work on this together	Advanced integration

Table 5.6 Summary of the five stages and the associated culture theory perspective.

In the next chapter, the 30 charities which formed the core of this research will be examined in the context of the five stages framework. There will also be a more detailed examination of the role of organisation culture theory in respect of the different stages.

Chapter Six

Applying the five stages: examining the case study charities

6.1 Introduction

Having now set out the five stages framework this chapter looks in more detail at how the framework can be applied by specific reference to the studied charities. To do this, six topics have been identified from the research:

- the percentage of total income which comes from voluntary sources
- the perception of fundraising within the organisation
- the position of fundraising within the organisation (level of authority)
- the title of the head of fundraising¹²
- the length of time the head of fundraising has been in post
- the structure and size of the fundraising department.

Each of these topics relates to at least one of the key variables of the five stages framework which are:

- who does most of the fundraising - volunteers or paid staff?
- how, if at all, is the opposite group (paid staff or volunteers) used, which is dominant?
- the involvement and role of the founder or 'torch-bearer' trustees
- the perceived role and significance of voluntary income

The aim of this chapter is to explore the studied charities against the specific criteria of the five stages to establish which stage each charity was at in 1994 and

¹² The term head of fundraising will be used throughout to indicate the respondents of the research, regardless of actual titles.

in so doing, to test the robustness of the theory. The five stages were summarised as follows:

Stage

1. The passionate appeal
2. We need more money
3. We need some help
4. Leave it to us
5. Let's all work on this together

The theory is that charities move across the stages as their fundraising develops, but it is unlikely that a charity would move directly and completely from one stage to another. Instead it is likely that some elements will move ahead while others *anchor a charity* to its current stage. As a result three levels have been defined for each stage:

- Level one - charities only just into the particular stage
- Level two - charities squarely in the middle of the stage
- Level three - charities nearing the next stage (also called transitional).

An example of how a charity might move across the stages and levels and which are the most important factors was presented at the end of the last chapter. In this chapter more reference will be made to these levels, especially to the transitional or third level because this is when organisations are exhibiting many of the signs of the next stage, but not all. The findings will continue to be examined in an organisational culture theory context too.

6.2 Reliance on voluntary income

Central to determining when a charity moves through the five stages is the need for more voluntary income, this was found to be the principal trigger precipitating progress from one stage to the next. When significantly more voluntary income is

required (a funding crisis) something different has to be done. Without the need for more voluntary income, many organisations will remain at the same stage of fundraising for years.

The studied charities had widely differing reliance on voluntary income, from just a few per cent through to 94½ per cent, which when interest was added brought the total to 100 per cent¹³. Table 6.1 shows the varying reliance upon voluntary income, and the spread of dependency. Almost three-quarters of the studied charities required more than 50 per cent of their income from voluntary sources. Half the studied charities required more than 70 per cent from voluntary income. More than a third of the studied charities relied on voluntary income for more than 80 per cent of their total income. The mode was between 80 and 90 per cent with 8 respondents, 26 per cent of the sample.

Percentage reliance on voluntary income	Number of charities
More than 90%	* * *
More than 80%	* * * * * * * *
More than 70%	* * * *
More than 60%	* *
More than 50%	* * * * *
More than 40%	* * * *
More than 30%	*
More than 20%	* *
Less than 10%	*

*Table 6.1 The Charities' reliance on voluntary income (each * represents one charity)*

Of the charities requiring less than 50 per cent of their income from voluntary sources, all were care organisations and the principal source of funds was either statutory grants, contracts or sale of goods and services as part of the charitable purpose. These charities were of very different sizes.

¹³ All figures are based on *Charity Trends 16* (CAF, 1993) or on annual reports for organisations outside the top 500 fundraisers. The voluntary income figures include charitable trading as per Posnett's (1987) definition.

This chart shows the potential vulnerability of charities to changing government policies and the economic climate. For example, most of the charities which relied for more than 80 per cent of their income from voluntary sources gained the remainder from interest. At a time of falling interest rates and stock market crashes, charities may need to find more short-term voluntary income. For example one top 20 charity recorded interest of £6.48 million in 1989/90 but only £3.25m in 1991/92, a drop of almost 50 per cent.

From the percentages in table 6.1, it is clear that fundraising was no longer providing just the 'icing on the cake', with one possible exception. This was a 'new' charity, supporting an NHS Trust. The charity income generated was minuscule as a percentage of total income, yet it was used to fund programmes for which there was no other NHS funding,

What implications does this have for the five stages of fundraising? Can it be assumed that charities looking for approximately the same percentage of voluntary income were at the same stage of fundraising? No, it cannot. Whilst, in general terms, it might be the case that charities seeking less than 50 per cent of their income from voluntary sources had a less-sophisticated fundraising operation than those seeking more than 80 per cent, in fact, the answer is much more complex because of the overriding factor of historical method.

Up until the beginning of the 1990s, many charities relied on the same fundraising methods that they had used for decades. These had historically proved adequately lucrative so they continued to be used in the same way. (The historical focus of fundraising will be examined later in this chapter.) Where there was a strong reliance on one method, particularly with high volunteer participation, this could mean that the charity was at a lower stage in fundraising than might have been expected.

For this reason, there are four variables, not just one, because even a high reliance upon voluntary income is not sufficient on its own to determine the stage of fundraising a charity has reached.

6.3 The perception of fundraising

Where voluntary income was the sole or principal income source its strategic role was self-evident (Rosso, 1991). Where voluntary income was a minor percentage of total income its strategic role varied enormously. However, even where the need for voluntary income was paramount, fundraising was not necessarily welcomed in the organisation. The perception of fundraising within an organisation gives a fascinating insight into the level of acceptance of this 'new profession' (Mullin, 1997).

The heads of fundraising were asked 'how is fundraising perceived by other parts of the organisation?' Of course, by asking this question of the heads of fundraising rather than other people within their organisation, the answer to the question might be open to bias (Rubin and Rubin, 1995). However, the answers given represent how the head of fundraising believed that fundraising was perceived. In other words, these were the perceptions within which, or against which, the heads of fundraising were working.

This position is perfectly acceptable in culture theory terms if one takes the view that culture is a pattern of beliefs or meanings that are shared by the members of the organisation (Schein, 1985). Or, indeed if one takes culture as metaphor, as expressed by Morgan (1987), culture is always the system within which people think they are working. In particular he contends that it is very difficult to judge a culture from the outside, it has to be assessed, interpreted and explained from within, therefore, what the insider says, in this case the head of fundraising, is valid.

The perception of the fundraising activity differed enormously across the organisations, even to the extent of one respondent considering that his colleagues would completely contradict the organisation's reliance on voluntary income. This variety of response provided a useful indicator of an organisation's position within the five stages. For example, a potential stage five charity would have to demonstrate that fundraising was fully understood and assimilated within the

organisation, as per an advanced integration perspective. Whereas, a potential stage four charity might exhibit hostility towards fundraising from a fragmentation perspective (Martin, 1992).

So, for example, comments like: 'a necessary evil' (Fogal, 1994: formative stage), 'nasty but essential' and 'still the poor relation' might indicate a fundraising stage 3 or 4 charity, in a state of cultural differentiation. All these descriptors were given by respondents in organisations which relied on voluntary funds for more than 85 per cent of their income.

Table 6.2 illustrates the range of answers from the heads of fundraising regarding their perceptions of fundraising within the organisation. The responses are depicted from the most fragmented on the left to the most advanced integrated on the right, with the mid point being between D and E. In this table, A is not stage one, instead the bottom row of the table indicates which of the five stages most accurately equates with each of the comments.

As can be seen, there are several types of comment which are common to two, usually adjacent, stages. This is because some views indicated a transitional point from one stage to the next. Category E, however, links to several stages because the concept of funding the new is quite common when a major change is required. Stages 1, 3 and 5 represent the start of each of the Phases. Each one is a major development that seeks to fund new initiatives.

Several respondents were at pains to say how they, or at least that they, were trying to change the perceptions of colleagues. This group of respondents saw an enormous importance in 'trying to educate' colleagues, not just in what the fundraising department was doing but in how other departments could play their part too.

Indeed, three fundraising departments felt that they had made enough strides forward to be in the position of influencing the organisation (Rosso, 1996).

Group	A	B	C	D	E	F	G
Perception	Conflict/ battle- ground	Necessary evil /commercial	Disinterested/ dread/ ignorance	Easy and fun	Funds the new	Supportive & understanding	Influencing
No of responders	5	6	5	4	3	3	3
Stage	4	3-4	2	2-3	1,3,5	4-5	5

Examples of comments from each category:

- A: ‘Conflict within culture.’ - top 5 charity
‘Not sure how well it is understood, lots of battles, lots of learning. When we go through the pain barrier it’s beneficial.’ - top 10 charity
- B: ‘Most staff don’t like the idea that wages are paid by charity. There’s resentment and “not what it should be”.’ - mid-sized charity
‘Rather a nasty business’. - top ten charity
- C: ‘Viewed with considerable dread. Has declined in popularity. Not their first choice to help.’ - where fundraisers predominantly volunteers
‘They should be more aware of what goes on and why.’ - top 20 charity
- D: ‘Nothing to it, it’s easy. All you do is write a few letters.’ - medium sized charity
‘Staff see it as the glamour side. Actually it’s hard work.’ - top 20 charity
- E: ‘If they want something new it has to come from fundraising.’ - medium sized charity
‘Now beginning to realise that without fundraising developmental aspirations won’t be met.’ - top 20 charity
- F: ‘Pretty supportive, know need for funds, majority will come out if asked.’ - small charity, much volunteer fundraising
‘Centenary - everyone got behind it, not just doing a job anyone can do. Now a respect for professionalism of individuals’ - top 20 charity
- G: ‘Metamorphosis’ - top 20 charity

Table 6.2: *Views of fundraising from the rest of the organisation as perceived by the heads of fundraising in 1994*

‘Was a power struggle - appeals did not have a loud voice before. [Service dept¹⁴] have been arbiter. Now influencing how to use [the charitable purpose] for fundraising - but not trying to influence care policy.’

‘Used to be very split. Is a major benefit of restructuring, lot better than it used to be. [Service dept] saw the reality of living off voluntary income. We held lots of training, inductions, [staff] saw the “incredible warmth” of supporters, ... realised the commitment.’

‘Fully committed, strategically vital, sympathetic to operational aims of the organisation. Genuinely wanting organisation to work better together. Trying to bring the organisation together to think and act cohesively.’

These very positive statements, indicative of transitional stage four, and stage five charities, contrasted significantly with the hallmark stage four view - the battleground - which typifies a culture based on differentiation and fragmentation. A typical stage four scenario shows the service provision and fundraising departments deeply divided and mistrustful of each other. Specifically, service delivery cannot contemplate of fundraising having any influence. From their perspective this would: twist the charitable work to fit the images required by the donors; exploit beneficiaries to raise more money and dictate policy based on what would be easily fundable, jettisoning the more difficult and less popular programmes, regardless of need or merit (Mackeith, 1994).

Part of this distrust arises because of the clash between results orientation and caring. As George Smith (1996) reminded fundraisers, they must not become so focused on the statistical outcomes of their campaigns that they forget the purpose for which they are actually raising the money.

A stage five organisation, however, has worked through this distrust and diverging purpose and can use the skills of both service providers and fundraisers to benefit the cause without negatively affecting policy.

¹⁴ Service department is the term used generically to indicate the department carrying out the charitable purpose.

Several heads of fundraising considered that their organisations had some way to go to overcome interdepartmental hostility, conflict, lack of understanding or even basic disinterest. These are characteristic views of stages two, three or early stage four charities, but even here it became apparent that the heads of fundraising were committed to creating change.

‘The attitude of people in the field has changed. They are aware of the need for information/stories. We have [developed] mutual respect. The relationship has developed and improved.’

‘Still the poor relations to some extent but has improved in the last five years... Now there is a respect for the professionalism of individuals and we have a much more professional team.’

The concept of ‘professional’ is an interesting one in this debate. While many service providers consider themselves highly professional they do not always grant that respect to their fundraising colleagues. Partially this may have been due to a lack of visible qualifications in the field, hence the work of the ICFM to establish the fundraising diploma (1998). The acceptance of professionalism in fundraising, though slow and certainly not universal, nevertheless represents a major cultural change (Sprinkel Grace, 1991; Kelly, 1998).

6.4 The position of fundraising within the organisation

This section looks at the power, position and ‘voice’ of fundraising in the organisation through two elements: the title of the head of fundraising and the level of their authority.

Another clue to the formation of the five stages theory was that the title of the person with overall responsibility for fundraising kept changing from organisation to organisation. This could have been historical, or the whim of the incumbent, but on examination it appeared to be much more than that because there were other implications, such as level of authority - did the person sit on the senior management team (SMT), for example?

6.4.1 Titles

In culture theory terms, titles are very significant. They are cultural artefacts that are evidence of a culture's core, grounded in cultural norms, values and assumptions

Title	Number	Level	Reports to
Executive Director of Fundraising	1	SMT**	CE*
Director of Fundraising	6	SMT	CE
head of fundraising	3	SMT	CE
head of fundraising and Marketing	1	SMT	CE
Director of Marketing	2	SMT	CE
Director of Appeals	1	SMT	CE
Head of Appeals	2	SMT	CE
Appeals Liaison Director	1	SMT	CE
National Appeals Director	1	SMT	CE
Appeals Manager	1	SMT	CE
Director of External Relations	1	SMT	CE
Director of Finance & Fundraising	1	SMT	CE
Secretary	1	is CE	is CE
Director	1	is CE	is CE
Fundraising Director	1	2nd tier	Dir Pub Affairs
National Fundraising Manager	1	2nd tier	Director Publicity Fndg & Sp Proj
Fundraising Manager	2	2nd tier	Director PR
head of fundraising	1	2nd tier	Dir Public Affairs
Director of Fundraising	1	2nd tier	UK Dir
No title	1	2nd tier	CE

Table 6.3: Titles of the senior person responsible for fundraising

Notes

* The head of each organisation is referred to as the Chief Executive (CE) although many titles are used. The actual titles of the two fundraisers who are the heads of their charities are as listed.

* SMT means the fundraiser is part of the Senior Management Team

(Hatch, 1997). A person's title can indicate status, value, and which group(s) they are in by functional level, thereby indicating how the person's work is viewed by others in the organisation (Brown, 1998).

Table 6.3 above has been compiled from information given by the heads of fundraising. It lists all the different titles and the frequency of each one. It also

shows the level at which the respondents' job was located and to whom they reported. A number of the issues raised by this table will be discussed, starting with the actual titles.

Between them, the 30 respondents had 17 titles and one person had no title. Given that there are only five stages of fundraising, this is many more titles than was expected. Table 6.4, below, examines the titles as they relate to the five stages.

Stage	Suggested title	Actual titles
Stage one	Chief Executive	Director
Stage two	Chief Executive PA or Admin Assistant	Secretary (actually is a CE) PA role (but no title)
Stage three	Appeals Manager Fundraising Manager	Appeals Manager Fundraising Manager
Stage four	Head of Fundraising	Head of Appeals Appeals Liaison Director National Fundraising Manager Head of Fundraising Head of Fundraising and Marketing
Stage five	Director of Fundraising and Marketing	National Appeals Director Director of Appeals Fundraising Director Director of Fundraising Executive Director of Fundraising Director of Marketing Director of External Relations Director of Finance and Fundraising

Table 6.4 Titles analysed into the five stages

Table 6.4 illustrates very clearly the variety of titles in use, just where it was expected to find some similarity. At stage one, as defined in the five stages theory, there is no fundraiser, but there may be a chief executive. At stage two, there is often an administrative person to handle the correspondence and thank volunteers, as well as the chief executive. At stage three comes the first paid fundraiser - here there are two clear titles. Appeals manager is a throw back to the first two stages where the charity is still thinking in projects (appeals) whereas the title fundraising manager suggests a focus on ongoing revenue generation.

By stage four there is much more diversity, but generally the position would be expected to be at least 'head of'. In early stage four, there might still be another person above the head of fundraising and that person would be part of the SMT, but by later stage four the head of fundraising would be expected to be on the SMT. At stage five the incumbent would be more likely to be called director of fundraising and would definitely sit on the SMT. Ideally, the senior fundraiser would have this as his sole role (rather than being combined with external relations or finance), to indicate fundraising's importance to the organisation.

The question that has to be asked is, does the number of different titles allocated to stage five match the number of charities identified as at stage five? The answer is no but it does show that these post holders are on the SMT, one key criteria of stage five. However, like the other factors, it does not signify on its own, but adds to the overall picture.

The anomalies are also interesting from a culture theory perspective. What is clear is that the nomenclature can hide innovation just as much as it hides old-fashioned thinking (Hatch, 1997). It can also include what might be referred to as 'badge of honour' titles that have been handed down and belie the actual work of and respect for the department and its head.

For example, the head of one of the most marketing-focused fundraising departments which might be referred to as leading-edge stage five, is called the Director of Appeals. At face value, apart from being at director level, this title would indicate a more old-fashioned stage three organisation. In fact, the title was retained because it invested a certain (esteemed) position on its incumbent, rather than the reverse.

The other interesting point is the low number of titles including the word marketing. This might be a useful indicator of the adaptation and integration of marketing into charity fundraising. It will be referred to further in Chapter Seven.

6.4.2 Levels of authority

All organisations have hierarchies, no matter how flat the officially distributed company organogram, or whether the organisation structure is functional, divisional or a matrix (Hatch, 1997; Butler and Wilson, 1990). Where one and one's department fits within that hierarchy is often of immense importance, not just to the individual but also to those around them (Handy, 1988). For the studied charities the issue was where did the fundraising department fit in terms of the SMT. Did it have a seat at the table?

In a number of cases, the results were surprising. For example, one charity, which had a highly developed fundraising department with a marketing approach, had only included the head of fundraising on the senior management team within the previous 12 months. Prior to that, the head of fundraising had to report via the director of finance. At another, top five, charity the head of fundraising was also the head of finance. While it is easy to understand that fundraising is important to the finances of an organisation relying almost completely on voluntary income, it is argued that the skill set required by heads of fundraising is vastly different from that required by heads of finance.

Figure 6.5, below, illustrates the comparative position of the person responsible for fundraising at the five different stages (indicated by the figures 1-5 in brackets). The illustration also indicates the proximity of the person responsible for fundraising to the chief executive, what in culture theory terms is known as the power distance (Brown, 1998). At stage one, the chief executive is the fundraiser, at stage two the reactive fundraising may be done by his PA or a low-level administrative assistant.

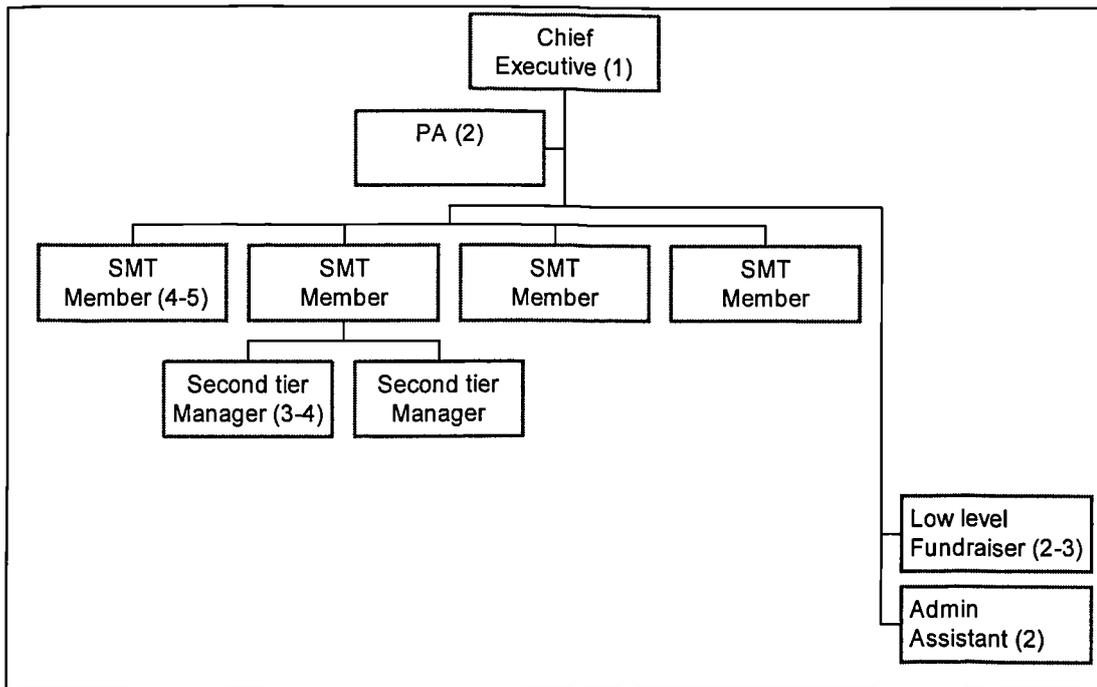


Fig 6.5 Composite illustration of the relative position of fundraising staff through the five stages of fundraising

As the organisation moves towards stage three a fundraising generalist would be appointed. From here, a department is created and the head of fundraising may be subsumed under a longer-standing department such as external relations, so the head of fundraising is at a second tier level. The final move is to the senior management team. An organisation could not be in stage five unless the head of fundraising was on the senior management team, though the head of fundraising is often on the SMT of many stage four charities and even smaller stage three charities.

Analysing the 30 charities, two people responsible for fundraising were chief executives, indicating a stage one charity or stage two charity. One head of fundraising was a PA/administrator, indicating a stage two charity. Twenty-one reported directly to the chief executive and were on the senior management team, however, this did not include all the top 20 fundraising charities. Six heads of fundraising were at the second tier level with, technically, no direct access to the SMT though several of these people were at pains to point out that they did have direct access to members of the SMT. However, from a power distance (Brown,

1998) perspective this is not the same as having a regular seat among the decision makers.

Two of the eight directors of fundraising were in the second tier, without a seat on the SMT. In culture theory terms, this is an interesting juxtaposition of a title which is a symbol of power, but a hierarchical position which is without power (Hatch, 1997).

The converse of this was visible in some of the charities identified at stage three. This stage included smaller charities thrusting forward and much larger charities where the fundraising had stagnated or not needed to grow. In the smaller, thrusting stage three charities heads of fundraising had seats on the SMT because the importance of growing voluntary income was recognised. At the larger charities, the post-holders were often at the second tier within charities populated by many layers of hierarchy.

The second-tier heads of fundraising all had fundraising in their titles. This indicates a functional focus with no ambiguity, but equally, without any senior decision-making power (Hatch, 1997). The second-tier group comprised 20 per cent of the sample, including five people from top-20 charities. From the research it appeared that there were several recurring reasons for the number of second tier heads of fundraising in top 20 charities:

- in some large, complex organisations, fundraising was seen as only a small part of income generation and the SMT member had managers from each of the main income streams reporting to him
- a layer had been added or people brought in specifically to do a highly defined fundraising job like direct marketing (in these cases head of fundraising was not as holistic a description as in other charities, though it covered what that charity considered to be fundraising as distinct from membership, trading or shops)
- many of these second tier posts were recently created, so were in effect giving more focus to specific areas of fundraising

- the role required specific fundraising/marketing skills not otherwise found in the organisation
- fundraising was seen as technique-focused not as having a strategic role or a holistic marketing role.

What is of particular interest is to which senior management post the majority of second tier heads of fundraising reported. Five out of the six second tier heads of fundraising reported to someone who had public relations or public affairs as their remit, Kelly (1998) would approve.

From a marketing perspective it is interesting to see how frequently the public relations role rather than the marketing role is the senior function, when public relations is only one aspect of the marketing mix (Kotler and Andreasen, 1991). It is argued that in many charities the public relations function has gained greater acceptance while the *marketing function was, in 1994, still viewed with suspicion* (Sargeant, 1999). Marketing will be addressed in more detail in Chapter Seven.

As has been shown, titles relate to organisational culture and levels of authority. Both these factors are useful contributors to indicating which stage a charity has reached. The next section will examine the structure of the fundraising department. This is an important issue and is not merely an indicator as to the stage a charity is in, it also relates to the original aims of the study which will be examined in the next chapter.

6.5 The relationship between structure and the five stages

The structure of every organisation changes over time. The current structure of Apple computers or Microsoft is unrecognisable compared with what Steve Jobs and Bill Gates established in the late 1970s.

At fundraising stage one the charity is embryonic, there may hardly be an organisation and there is certainly no fundraising department. At stage two the staff

may comprise a chief executive, some administrators and the service providers, but still no fundraising department. It is not until stage three that there is an embryonic department. This grows during stage four and may grow, or at least change, during stage five.

Making the decision to take on the first paid fundraiser, to become a stage three charity, can be very hard. One such example came from the Princess Royal's speech to the ICFM Conference in 1999. When talking about her own charity, the Princess Royal Trust for Carers, she described how difficult it had been deciding when to employ the first paid fundraiser - a decision that was finally taken ten years after the charity was established.

Even at stage four, there may be hurdles. The head of fundraising of a major social welfare charity commented: 'voluntary income is a problem. What does voluntary income pay for? It is completely alien to the culture of the organisation. Senior staff and the executive don't focus on fundraising.' So, how does one identify which stage a charity has reached from its current fundraising structure? Six factors have been identified (box 6.6). This chapter will examine these factors solely in relation to the five stages, Chapter Seven will pick up some of the broader topics in relation to the original aims of the study.

Factors determining the structure of the fundraising department

1. The historical focus of fundraising
2. The length of time the head of fundraising has been in post
3. The level of seniority of fundraising staff
4. What is included or excluded in the fundraising remit
5. Size of the fundraising department
6. Implementation of marketing ideas, techniques and philosophy.

Box 6.6: Six factors determining the structure of fundraising departments

6.5.1 The historical focus of fundraising

Just as charities have developed at different speeds, the methods of fundraising that they have adopted differed, often depending upon the resources they could call

upon in their formative years. For example, vast numbers of volunteers have been available to Christian-based charities through the churches.

The fundraising methods used by the studied charities will be examined in the next chapter but from the research, it was clear that a strong historical reliance on ‘a dominant method’ had shaped many departments, almost in perpetuity. For example, one charity raises millions of pounds during its annual Week and therefore it focuses a high proportion of staff and resources on to this one event and needs large numbers of volunteers to enable it to achieve this income. Another has grown by relying on direct mail appeals. These require staff to handle the campaigns, bank and respond to the donors, undertake analysis and manage the database but needs no volunteers. A third charity has been fortunate in generating legacy income that has, in the past, been generous but unpredictable and therefore it has few fundraisers but an experienced legacy administration department.

Each of these types of fundraising requires different levels and types of skills, human resources, investment and volunteer numbers. These factors have shaped the structure of each department and, often, the stage of fundraising that the charity had reached, though perhaps by default. This is why there is no ‘standard blueprint’ for a fundraising department because by the time a fundraising department is created, the bedrock method of fundraising has usually been established.

‘Our Week contributes 40 per cent of annual income’

‘Legacies provide 75 per cent of our income, 5 per cent from interest, rest from volunteers’

‘child sponsorship, 50 per cent’

‘75 per cent of voluntary income comes from direct mail’

‘We were by far the largest doing house-to-house five years ago’

As will be seen, a new head of fundraising makes changes to the staffing and even the focus of a charity’s fundraising, depending upon their brief from the chief

executive, but it takes a considerable amount of time and commitment, not to mention courage, to stop doing the core fundraising activity if it has been a successful income generator for years or decades.

It is very rare for a charity to change the whole basis of its fundraising and would only be done if a familiar aspect was made illegal; was driven out by commercial competition, as happened to charities reliant on lotteries when the National Lottery was launched; or if the volunteer resource became seriously diminished, as has been threatening Christian-based charities who now have a shrinking constituency base.

As will be seen in the next chapter, as heads of fundraising reviewed the changing economic climate and its effect on their income sources their first thought was to diversify their income streams. Few, if any, looked to radically change the whole historical focus of their fundraising.

These 'original' fundraising streams were an integral part of the culture of the organisation and while finding new volunteers might be a problem, it would have been a bigger issue to throw out whole elements of the fundraising programme without a thorough review of cost/income ratios and a similar analysis of what might take its place, especially in the short-term. There would also be the internal cultural difficulties of what Brown (1998) calls the rites of continuity and renewal, that actually work against major change to the status quo.

6.5.2 The length of time the head of fundraising has been in post.

It is a truism of business practice that a new incumbent in a post will make changes to better meet the objectives set by the chief executive and the Board. It is part of a person stamping their mark on the culture and outputs of the organisation and is often linked to strategic planning for future development (McDonald, 1984). However, after the initial changes, it may be some time before another major change is instituted, perhaps not least because change management is challenging and initially time consuming (Brown, 1998).

No. years in post	Length of time current structure has been in place
24	10 years, minor additions made
13	3 years
12	12 years
9	2 years
6	6 years, but minor bits move 3 years Since beginning of paid fundraiser, changing by end of year
5½	5 years, regions 3 years, now reviewing again
5	2 years, has evolved 3 years
4	18 months 3 years 2½ years and again 3 months ago
3	2 years 12 months 3yrs (events 2 months) 10 years 1 year 2 years 3 years, now department contracted For a long time
2½	18 months and more recently at lower levels
2	2 years 2 years 9 months 9 months or less
1	currently being undertaken
9 months	number of years, new person, only small changes yet
6 months	6 months

Table 6.7 Length of time heads of fundraising had been in post at the time of interview, and recency of last major structural change to the department. NB each row on the right hand side represents one charity. Only the 29 charities interviewed are included.

This section examines how long the heads of fundraising had been in post, and when (if) they had implemented changes or restructuring in the department. In terms of the five stages, the implicit question might be, does the organisation have to change staff to progress through the stages? As Table 6.7 shows, time in post varied enormously from 24 years to six months. The mean was 4.9 years in post but the mode was three years which applied to eight respondents, over one quarter. Even more significant, 25 of the respondents who specified (86 per cent) had been appointed since 1989. Only four had been in post more than six years. This has a number of implications in terms of the original aims of the study, but there are also issues in relation to the five stages. From the research, while the average time in post was 4.9 years, the average length of time the current structure had been in

place for each charity was 3.9 years. This indicates an average of one year in post before major changes are implemented. The chart, however, does not just show when change was made, but corroborates the fact that new incumbents make changes.

Specifically, 20 of the 29 charities had made major structural changes within the preceding three years and a further two (both from the group of six which had not changed their structure for a decade or more) were in the process of undertaking a major review at the time of the interview. Including these two, 76 per cent of the charities surveyed had undertaken significant restructuring between 1991 and 1994.

In looking at table 6.7, it must be remembered that three charities had no fundraising department. In two cases the chief executive was the head of fundraising and in one case it was an *untitled secretary*. *Both the chief executives* had been appointed within the 1989-1994 period, one as the first chief executive to be appointed to that organisation. In terms of structural changes, one organisation had changed its fundraising structure twice, one had maintained the status quo that had been in place for a decade, in the absence of additional staff, and the secretary had been in the same position with the same non-structure for 12 years.

As was highlighted in the five stages framework, the principal trigger for change was the need for more voluntary income. It is argued that the almost unprecedented number of new heads of fundraising and the rush to make major changes to fundraising structures reveals an almost tangible sense of an industry waking up to be faced by a new reality, that voluntary income has to be earned.

In terms of the five stages, this new awakening represented a time of progression. So substantial were the changes that, at the end of their reviews, reassessments and restructuring the charities had often moved on a level within a stage, or even on to the next stage.

This section has reviewed the propensity for change of new managers but before leaving this section it is necessary to refer back to those who had been in post for more than three or four years. As has been noted, there was a tendency to make one big change early on in post and then nothing major for some time, but there are always exceptions. Some people admitted to frequent tweaking of the department without reviewing it as a whole. Others, however, did take a step back to review how their department was matching up to the current and foreseeable fundraising needs of the organisation, approximately every five years.

Two charities where the head of fundraising had been in post for nine years or more had made major changes to the structure within the last three years. Of these, the most significant was where a charity had implemented a marketing-oriented customer focused restructuring throughout the whole of the fundraising department (Pegram, 1995). In marketing terms, although established by a career fundraiser, this example was far more wide reaching than all the commercial marketers' developments. It was not, however, without its problems. Putting the structure in place, with its radically different culture and perspective cost the organisation in terms of staff turnover and morale, so that it became not so much a restructuring of the department, but a rebuilding. When the author of the changes was specifically asked about staff motivation and response to the changes, the answer was evasive:

Q 'When you set up the project , how did you broach this to staff and how long did the first phase of change-over take, and what is their reaction to it now?

A 'The initial reaction was 'That's what we have been doing all the time,' so the initial difficulty was getting people to make that 90 degree shift and question what they had been doing for years. And have we finished I think was your question. The answer is no, it is an ongoing process of training and constant feedback and constantly iterative.' (Pegram, 1995: 74)

This charity took the new concept of relationship fundraising (Burnett, 1992) and applied it more assiduously than any other. It is noticeable that although many others have taken on board the principles, few have followed in these footsteps of such wholesale change.

‘We have a smarter customer focus. We seize opportunities to raise our profile. We have not restructured to relationship fundraising but [our focus] is in tune with donors.’

6.5.3 The level of skills and seniority of fundraising staff

While the cultural steer for a department may come from the head of department, that unit still has to work within the context of the whole organisation. This section only applies to charities at transitional stage three, stage four and stage five. Below that there is not a fundraising department and the culture is more integrated, at stage one and two. At early stage three there will only be generalists.

One of the criteria for identifying a charity’s fundraising as being on the verge of stage four or above is by reviewing how specific the staff’s roles are and their approach to fundraising. Within stage four and stage five, while the departments will still not be exact copies of each other, they may have similar component parts.

These hallmarks include

- a focus on proactive fundraising from a range of sources instead of hoping that support would just arrive
- specialist staff for many areas of work like legacy marketing, direct marketing, shops, corporate and trust fundraising (as applicable)
- in the largest fundraising departments (or where these are particular interests) there are also specialists for regular giving, sponsorships, licensing and trading
- as with the heads of fundraising, a growing number of senior departmental staff had come from the commercial sector

The transitional stage three, stage four and stage five charities seemed to have a number of sub-departments both in terms of work and personnel, potentially leading to divisions. As already noted, divisions could be exacerbated where some staff had voluntary sector backgrounds and others commercial backgrounds.

As this example shows, the composition of a major fundraising department in the mid 1990s often revealed an eclectic mixture of people. Table 6.8 illustrates the work backgrounds of the section heads of one top five fundraising charity.

Backgrounds of managers in a large fundraising department

3 long-term with charity, one 30 years
3 corporate sector
1 financial services
1 military.

Table 6.8 backgrounds of one fundraising department's senior team

Although 6.8 gives one example, it was fairly typical of the respondents in stage four and five charities. Many of the heads of fundraising surveyed reported that half or fewer of their sub-departmental heads had come from the voluntary sector.

‘only one from non-profit background...legacies... been here 15 years. The rest are relatively new and some corporate background.’

‘head of fundraising and three quarters of (section) heads from corporate sector’.

However, below the sub-department managers, more of the staff came from the voluntary sector. This may force further cultural conflicts leading to fragmentation even within the department. If there is potential for fragmentation within one department there is even more so between fundraising and the service provision side for whom language, background and expectations may be very different (Brown, 1998). Many heads of fundraising felt that there was an unspoken question in the air between the fundraising department and the service provision side. Was the commercial team brought in with extra skills to help the voluntary sector, to wake it up or ride roughshod over it? This was the kind of rhetorical question that could only be answered over time.

In contrast to the transitional stage three, four and five charities, there is much less evidence of commercial personnel coming into the sector for the stage one, two and core stage three charities. There are some obvious reasons for this.

- they are smaller departments therefore there are fewer openings, except at chief executive level
- smaller departments needed fundraising generalists which those with commercial backgrounds were not
- smaller charities usually paid less than the larger ones
- small departments in small charities were less 'glamorous' to people coming across from the commercial sector, many of whom may have worked for big companies
- small departments had smaller budgets - those coming from commercial organisations would find it difficult to work with the minuscule budget that is a hallmark of smaller organisations.

6.5.4 Inclusions and exclusions in fundraising

Only two of the 30 charities studied included any statutory grant seeking in their fundraising department. In all other cases statutory fundraising was handled by a separate department. This is an interesting situation that helps to perpetuate the cultural and physical distance of voluntary fundraising from the work it supports, what Brown (1998) calls an inverse power distance. On one hand this shows that fundraising is not dictating the policy that the programme department can or cannot do. On the other hand, it can exacerbate the position of fundraising as peripheral to the decision making, so that the programme department just expect the fundraisers to raise the money for whatever schemes they decide. In actuality, neither of these options is an ideal, both sides need to talk to each other (Hatch, 1997; Martin, 1992).

Apart from the statutory and other grant income, what is more enlightening is which parts of a charity's total voluntary income generation came under the remit of the head of fundraising and which areas were seen as a separate section under their own head(s). For example, shops, merchandise, membership, direct mail and

special events were all considered as separate to the fundraising department in one or more charities.

Conversely, where the fundraising department was a second tier department in a large organisation (see chart 6.3), its remit was often only one method of fundraising - usually direct marketing.

In terms of the five stages, the organisations which had their voluntary income generation sub-divided into different departments were usually transitional stage three or stage four charities exhibiting tendencies of fragmentation because they had specialists for the different income generation streams but the heads of fundraising were often at second tier level and the other managers of income streams were not necessarily talking with fundraising.

6.5.5 Size of the fundraising department

How big is a fundraising department? Are there any guidelines as to how many people are needed to raise one million or fifty million, or indeed are there specific numbers of people required to run a stage three fundraising department or a stage five one?

As has been said earlier, so many factors such as historical basis, primary methods and principal sources of income play a major part in determining staff numbers that two charities of a similar voluntary income primarily raising their money from similar sources, may have departments of very different sizes.

In addition, the return on investment per person employed between a second stage fundraising secretary and a stage four department of specialists may be very different. As the fundraising secretary receives money from volunteers and may only thank them as part of her role, there may be a higher return on investment at this stage than for a member of a stage four direct marketing team.

Table 6.9 below, shows the size of the fundraising department of some of the charities interviewed. It also shows the size of the fundraising team in relation to the staff of the organisation as a whole and indicates the departments responsible for income generation which are not part of the fundraising department. This table clearly illustrates the different ways of working and the variety of sizes for a fundraising department. These charities were all at stages three, four or five.

Some charities seemed dominated by fundraisers but this may be because the charity is, in effect, a grant giver to researchers who are not on the staff of the charity, such is the case with some of the large medical research charities. Or, the service provision may be undertaken by volunteers, not paid staff, as is the case with a rescue service. Conversely, where the service provision is undertaken by paid staff and requires a high staff to client ratio, the relative size of the fundraising department may be tiny.

HQ Fundraising staff	Regional fundraising staff	Total fundraising staff	Total staff	Income generated by other depts
75	75 + 800 vol gps	150	5-6,000	Statutory grants
20	subsumed into HQ	20	3,000	Membership Trading
20	20 214 shops	40 plus shops	100 HQ plus shops	No
3½	10 regions + 200 groups	13.5	5-6,000	membership local fundrsg
35		35	250	90 branches separate
23	49	71	150 + project staff	
25	85	110	1900	no
102ft 63 pt	52	*	277 + project staff	no
30 + 150 p/t	20	*	200 UK	specialist team
32	6 regions	41	70+ UK	no
8	-	8	300	workshops
10	200 vols + 80 groups	10	250	trading

* not possible to summarise to full-time equivalents

Table 6.9 Examples of the size of fundraising departments in relation to the whole organisation.

In other words, as these figures confirm there is no simple formula to determine the optimum size of a fundraising department nor any worthwhile answer to a

question such as how many fundraisers does it takes to raise £1 million, as there are too many variables.

However, the size of the fundraising department relative to the size of the rest of the organisation can be important in the overall culture of the organisation. Where there is no direct service provision and more than 80 per cent of the income has to come from fundraising, then the fundraising department may have a very different position within the culture of the organisation than when it is a comparatively small department in a large service-providing organisation. Where the fundraising department is a very small part of the whole it can be seen how the fourth stage, leave it to us, can be perpetuated, how the 'us and them' culture (Handy, 1988) can develop between professional fundraisers and service providers and how a fundraising department in such an organisation will take a very long time to move forward to the more holistic fifth stage.

6.5.6 Implementation of marketing ideas, techniques and philosophy

This chapter has examined the studied charities in relation to the five stages of fundraising. One more area remains to be reviewed in the context of the structure of fundraising: marketing application.

The development of the marketing concept will be examined in more detail in Chapter Seven. Here, however, it is important to see if marketing had any impact on the structure of the department. Certainly, we have seen that some of the techniques of marketing have been widely adopted, particularly direct marketing which was used by some charities regularly from stage three (Rosso, 1996, stage 1).

Only three heads of fundraising had marketing in their title, yet this by no means meant that others did not consider that they had marketing within their role. However, the aspect of marketing that appears to be missing from most of these departments is in the wider picture, in the application of the marketing philosophy to the department, and from there to the charity as a whole.

The implementation of marketing as a philosophy as well as a technique is fundamental to an effective market orientation (Sargeant, 1999). It is also fundamental to becoming a stage five charity. From the survey in 1994, only two of the thirty could be considered to have reached stage five in terms of marketing application and to be moving beyond differentiation and fragmentation (Martin, 1992) to a state of advanced integration. Even these would say that there were still occasions when the old hostile ways re-emerged. Reaching stage five is not an end in itself: perhaps even more than some of the other stages, it has to be managed, and this time, not just from the fundraising perspective. Maintaining a successful stage five charity will also depend upon the attitudes and input of all the other departments too.

6.6 Assigning the charities to the five stages of fundraising

From analysing the 30 charities against the key variables and the criteria for each stage, the charities have been assigned to the five stages as per table 6.10. The resulting distribution curve needs to be considered against the details of the selected charities, which were that the studied charities comprised the top 20, by voluntary income plus eight with voluntary incomes across the top five hundred and two with voluntary incomes below the top 500.

Stage	Stage one	Stage two	Stage three	Stage four	Stage five
No. of charities	1	2	6	19	2

Table 6.10 Summary of the placings of the studied charities against the five stages theory

As a result, this distribution curve may not be considered surprising, although it would be wrong to assume that all the top 20 charities are at stages four or five. The large number of charities at stage three and especially stage four also illustrate the point about levels within the stages. As was noted at the beginning of the chapter, movement from stage to stage does not happen all at once. Therefore, three levels have been defined to illustrate (i) charities which have just come into a stage, (ii) charities which are squarely in that stage, and (iii) charities which might

be called transitional, where some but not all of the characteristics of the next stage are evident. This applies at all stages but in this research is perhaps best illustrated by stage four where the 19 charities were further sub-divided as in fig. 6.11.

Stage four Level one	Stage four Level two	Stage four Level three
8	8	3

Fig. 6.11 Breakdown of the 19 charities identified at stage four, into the three levels

This adds another layer of detail to the five stages and will be addressed in more depth in the longitudinal research.

6.7 Summary

The five stages theory came out of discovering that there was no evidence of the top fundraising charities having similar structural models for fundraising. By being open to the findings (Marshall and Rossman, 1995) and using the constant comparative method (Maykut and Morehouse, 1994) the framework emerged.

Stage one starts at what UK charities would recognise as the foundation of a charity and progresses to the most advanced state of fundraising of British charities at the end of the 20th century. By analysing the responses of the charities against the five stages framework it has been possible to plot each of the charities against one of the stages. This then made it easier to understand the differing responses to the questionnaire. Hence, Chapter Seven now returns to examine the findings against the original aims of the study.

Chapter seven

Indications of upheaval

7.1 Introduction

The original aim of the study was to investigate a series of issues, but in analysing the data, using a grounded theory approach, a new theory was developed which helped to explain the differing charity responses. Therefore, it was appropriate to set out the framework and show how the studied charities related to it before returning to the original aims of the study. Having now placed the charities in the context of the five stages, this chapter returns to the original aims.

As set out in Chapter One, the original aims of the study were to explore a number of issues

1. Were the early 1990s perceived by charities as a time of rapid change in the external environment?
2. If so, how were charities' responding to these changes? To what extent were they largely reactive and focused on fundraising structures and activities?
3. Had larger charities (those in the top 20) adopted a common structural model for fundraising ?
4. Did charities need to increase voluntary income? If so were they changing their income generation strategies and importing marketing tools, techniques and personnel as solutions to perceived needs?

The third question led to the five stages framework in Chapter Five. Chapter Four presented a summary of the external environment as it affected charities and showed that there were many changes in the political, economic, social and technological landscape. However, Chapter Four presented the findings in the abstract, an overview of changes potentially affecting charities. This chapter will

examine the researched charities in relation to issues one, two and four, to show how the environmental changes were actually affecting charities.

To examine the issues a series of indicators was devised. The first issue addressed the perception and impact of the external environment of charity fundraising. To investigate this issue the indicators concerned whether

- major changes were happening which were perceived to be impacting on a wide range of charities
- these changes were causing pressure on income, requiring more money from voluntary income
- there was a perception of increasing competition for voluntary income.
- the changes were leading to a perceived increase in tension between service delivery and fundraising staff
- external factors were forcing fundraisers to be more financially astute, for example, analysing return on investment etc. for the first time

The second issue concerned the charities response to the impact of the external environment. The indicators for this issue were whether

- there was evidence of charities being 'caught unawares'
- there were changes to the fundraising departmental structure
- and/or changes in the fundraising activities.

The fourth issue sought to investigate the use of marketing by charities. The indicators sought to explore whether

- charities were changing fundraising strategy to use marketing tools, techniques and personnel
- there was evidence of use and understanding of marketing language

- there was evidence of the use of marketing tools and techniques
- there was any awareness/adoption of the marketing concept
- marketing personnel (indicated by backgrounds/titles) had been appointed.

This chapter examines the findings against these indicators. In addition, where appropriate, this analysis will continue to use a culture theory perspective and will also refer to relevant fundraising and marketing literature.

7.2 The changing environment and the financial picture

This section examines the respondents' perceptions of the impact of the external environment on their charities by exploring the charities' fundraising targets, any fundraising/service delivery tensions, use of analysis tools and their views of the existence and role of competition.. As the *principal catalyst for moving through the five stages* has been identified as the need for more voluntary income, pressures on voluntary income are of interest.

7.2.1 Changes to income targets

By 1994, when the field research took place, the country was out of the recession (Dow 1999) and there were some signs of charity voluntary incomes increasing. *Dimensions of the Voluntary Sector* (Saxon-Harrold and Kendall, 1995) recorded a six per cent increase in income for the top 500 charities in 1992/93 compared to 1991/92. However, this global figure masked decreasing incomes for many smaller charities. It also masked the internal pressures on even the largest charities to raise more money (Saxon-Harrold and Kendall, 1995).

The studied charities were asked about their income target (question 3¹⁵), for the current year, usually 1994/95 but as *Dimensions* (Saxon-Harrold and Kendall, 1995) illustrates, financial year ends vary. Respondents were also asked whether this target was an increase or decrease on the previous year. Table 7.1 shows the results.

Change to income target	Number of charities	Percentage
Increase	24	80 %
Same	3	10 %
Decrease	2	6.6%
No target	1	3.3%

Table 7.1 Changes to budget income targets 1994/95 over previous year

Eighty per cent of the studied charities, from stage two to five, had increased income targets, although the degree of increase ranged substantially. Five were aiming at just inflation, so in effect standing still. Most common was around 5-7 per cent growth, while four charities all at stage four were aiming for more than 20 per cent growth on their previous year's target. Several charities, of different sizes at stages three and four, now termed themselves 'aggressive fundraisers' or 'going for significant growth', having come from a laissez-faire stand point just a few years before. This changing attitude will be examined in more detail in the section on strategy but was a direct reaction to external changes.

Only two charities had decreased targets and both had specific reasons. One charity at stage two had been given some shares which had generated an unexpected and significant surplus, giving a one-year respite from fundraising. In the other case, a stage three charity, the 1994/95 target had been set lower than the 1993/94 target because in 1993/94 the charity had only achieved 70 per cent of the target. This charity had reserves so it was not a potential crisis when they did not reach the original target. As a high percentage of their income came from volunteers the lower target for 1994/95 was considered prudent. This charity certainly felt the impact of the changing environmental factors.

¹⁵ The Questionnaire is to be found in Appendix II.

Of the charities whose budget targets were the same as the previous year, one, a stage four charity, had originally had a higher target but in the light of early results in 94/95, this had been modified to the same level as 93/94 while the charity was undergoing a period of review and internal restructuring in response to external changes and a new head of fundraising. The other two charities with stand still budgets were at different stages though in both cases this was due to the impact of external forces.

Perhaps the most surprising finding was that one top 20 charity did not have any set targets for income generation. Culturally, this organisation believed that 'the Lord would provide' so had never in its long history set revenue targets for fundraising.

In culture theory terms, the attitude to the income target, and targets in general, depended upon who had set them and within what constraints. Staff with a background in commercial marketing or sales expected targets (Harvey Jones, 1990), those with charity backgrounds, less so. This could have led to differentiation (Martin, 1992) within the department, however, while recognising the possibility, many of the respondents did not encourage internal competition but rather sought co-operative working, especially in the small and medium-sized charities (smaller stage three and stage four level one charities).

'We encourage internal competition in terms of the overall target but discourage internal competition. We're here to support each other.'

Some of the stage four charities with larger, more specialised sub-departments within the fundraising department did have a healthy regard for competition at what might be called a 'friendly rivalry' level.

'we've not had an occasion to encourage competition but we do recognise an individual [sub]-department's contribution, the whole department had a glass of wine. Elements of competition can work quite well, but would work better in an open-plan office.'

It is argued that this attitude towards minimising competition within the department comes from the fact that often fundraising departments feel isolated from the rest of the organisation, experiencing cultural differences, so the department does not need to be competing aggressively as well. What competition the heads of fundraising encouraged needed to be a stimulant to the whole department not a divisive tool. Where competition over income targets occurred most frequently was between the regions where it was acknowledged and sometimes actively encouraged, especially with year-on-year comparison figures.

What was clear from the financial targets was that more money was needed, often substantially more. But merely raising more money was not always the only challenge. At least one stage four charity had been hampered by the trustees who had made an arbitrary decision about the level of fundraising costs. The fundraising team found this particularly stifling for new activities which may initially need higher investment. It had taken several years to turn the trustees around.

‘The trustees have moved, I’m optimistic and have pushed for additional expenditure. The trustees are tied to an income/expenditure ratio of 19p in the pound and we cannot grow at this constant. But this is now perhaps being heard. They are now ready to support, saying show us the proposals.’

7.2.2 Fundraising/service delivery tensions

However, merely increasing a target is not a sign of pressure but common business practice (Harvey Jones, 1990; Kotler 1984). These figures, therefore, need to be put in the context of the external environment and meeting the needs of service delivery, or in other words, fulfilling the mission. In a series of questions (Q46-50) the heads of fundraising were asked about the pressures on budgets. The 30 fundraising charities had varying reliance on voluntary income, from less than 10 per cent to more than 90 per cent (see chart 6.1 in Chapter Six). In financial terms, because the sample covered all stages and sizes, voluntary incomes ranged from around £160,000 to more than £70 million per annum and the charities had vastly

differing demands on their budgets, in terms of meeting the mission. Few charities would claim that they had finite needs.

‘We asked service delivery to “put it in numbers”. When they wrote out everything [they wanted] it came to £84 million’ [*Note* this was more than three times the charity’s annual voluntary income].

But in 1994, many charities interviewed considered that they were living with the fear of not meeting their targets and the impact this would have. While it is obviously true to say that one of the smaller charities in the study would notice a shortfall of £¼ million much more than a top ten charity, it is still the case that many of even the largest charities have limited reserves: ‘we take our sources, review trends, predictions and goals, including stretching. We’ve no reserves’. They would, therefore, find it difficult to sustain a project if such a reduction of income occurred. As a result, the expectation that the fundraising department will find the money for a new project can be immense, especially if the chief executive is primarily focused on service delivery (Mackeith, 1991). This can be where the cultural split is most extreme, leading from differentiation to fragmentation (Martin, 1992). In one stage four charity, the chief executive wanted the fundraising target to be increased by 11 per cent for 1994/95, but the head of fundraising was only prepared to agree to six per cent.

Of the 30 charities, only two considered that they had not been affected by the changing economic and political environment during the early part of the decade: one stage four charity provided a unique service and had not found income affected; the other one, a stage three charity, had large reserves, though it had needed to dip into these. So, the work had not been affected though income had been. All the rest, across all the stages, felt there had been a significant impact from environmental factors including the recession, the care in the community policy, competitive tendering for services, changes to benefit rules, NHS partnerships and so on. (This contradicts the CAF survey (1993a) which found that Third World charities had been less badly affected (Taylor-Gooby, 1994). During the 1989-1994 period the situation was at times acutely worrying and by 1994 still in a state of flux.

‘Currently matching need BUT can only afford to maintain activity for one year.’

It was particularly noticeable for charities which provided some kind of statutory provision indicating that contracts and grants were an issue.

‘Yes, more difficult [to match income with service provision], especially re cutbacks in government expenditure and the way it has been done.’

‘more difficult [to match income with service provision needs]. Several pressures 1) want to increase level of service, 2) statutory fees under pressure.’

Nineteen of the 30 charities across all stages had postponed growth initiatives and four had taken money from their reserves, often to meet more need as Mullin (1995) had suggested.

‘expenditure is outstripping income, we’re in financial stress’ [which was attributed to] ‘recession and our reputation: more want help. We have run down reserves to a dangerous level’

This situation inevitably led to some tensions between service delivery and the fundraisers (Mackeith, 1994); especially where there had been redundancies, which had happened at both large and small charities, engendering a feeling of ‘who’s next’? This situation was also the trigger for a number of reviews of fundraising, and in some cases, of the whole work.

‘We have been doing a whole series of reviews as the basis for the strategic plan. I’m trying to persuade Council that they may have to prioritise’

‘radical look at fundraising. Restructuring plan going to the director for “discussions”. End of this year for implementation.’

‘Impossible [to match income with service provision] We’ve a deficit, hence review... Night of the long knives to come.’

So, from the findings it was clear that the fundraisers felt under extreme pressure to meet targets yet found the external factors making this more difficult. At the same time they felt that the service providers wanted them to generate even more

income, so leading to friction between service delivery and fundraising. While the level of friction varied from charity to charity it was most acute in stage three and four charities, culturally this tension exemplified differentiation and fragmentation (Martin, 1992).

7.2.3 Financial analysis

This new pressurised reality was also leading more charities to undertake financial analysis. The studied charities that undertook direct mail had learned about the need for, and use of, analysis as part of the programme (Andrews, 1984; Bird, 1982). But in many cases this was the only analysis even sophisticated charities had been doing until the early 1990s. From the findings it was noticeable that many of the stage three to stage five charities had only recently introduced any broader analysis of fundraising activity, looking at return on investment and cost/income ratios.

Of the charities interviewed, 16 had started analysis, or expanded it beyond direct marketing, but only within the last five years. This was usually within the life-span of the current head of fundraising, many of whom had brought the ideas and techniques from their commercial background. In answer to the question 'why did you start doing this analysis?' the former commercial managers said 'it's good management practice'.

Most of the smaller stage one to three charities, those with no fundraisers or a small generalist department were not undertaking any analysis at all, especially if they did not use direct mail. This group was caught in the classic 'catch 22' situation. They put all their energy in to 'just keeping our heads above water' and considered that they had no time or resources for analysing which methods were delivering the best return.

As almost all the charities had only recently started their analysis, few organisations were yet analysing all aspects of their fundraising. For example, fundraising by volunteers was not listed as part of the analysis by anyone, unless as

part of specific campaigns like house to house. In fact, so new was this analysis that not one of the 30 charities claimed to have made any decisions, such as stopping a particular type of fundraising, as a result of it by the time they were interviewed. All said that it was too soon because they did not have enough consistently monitored data upon which to make a decision.

Another reason for the analysis was to be able to measure one's charity against other charities, benchmarking. George Medley (1993) of the World Wide Fund for Nature had been instrumental in introducing the concept of *Fundratios* to heads of fundraising. This external analysis allowed them to see how they were doing in comparison to others for each major fundraising activity, so providing a useful benchmark of performance (Paton, 1999). In 1994 it was still in its early days and only the largest charities at stage four and five, often with managers from the commercial sector, subscribed.

If target setting was challenging to some, return on investment and cost/benefit analysis were foreign to many more. To some, analysis was another sign of the professionalising of fundraising but it was driven as much by external factors as internal. The Charities Act *Part II* and SORP II were still in the future when the field work was undertaken but fundraisers knew they were coming. Heads of fundraising knew that the aim of the legislation was more transparency for the donor in terms of fundraising costs and how much was actually going to the mission (Sargeant and Kaehler, 1997), so part of their interest in analysing the figures was to prepare to satisfy this need.

A few years later, some of the sector commentators argued that analysis had gone too far and that the soul and purpose of fundraising was being lost (Lee, 1998) but in 1994, such a position seemed a long way off. It was clear that, to borrow Smith's (1996) analogy, the pendulum had only just started to move from assumption towards analysis, driven by both internal needs and external requirements.

7.2.4 Competition

Researchers and commentators on the sector had been discussing competition for some time (Saxton, Burrows and Wolff-Ingham, 1996). Mullin (1995) and Kramer (1990) argued that it had reached what might be called epidemic proportions by the late 1980s due to a combination of government policy (Knapp and Kendall, 1991), economic policy which led to the recession (Dow, 1999) and ever increasing numbers of actively-fundraising charities (Arbuthnot and Horne, 1997; CAF, 1990 etc; Sargeant, 1999) all of which, in turn caused a stagnation of voluntary income (Lee, 1993) so that the same sized cake had to be divided into smaller and smaller slices (Hughes, 1996).

So, it was perhaps not surprising that all respondents considered that there was more competition. There was one section of the questionnaire about competition (Q56-64), but as an indicator of how much competition was affecting the charities, the subject was raised in many of the other answers. For example, when answering about meeting service needs, respondents referred to more competition for fundraising. When answering about fundraising campaigns, charities who were the leaders in a specific area talked of the competition catching up with them, and therefore having to do it better or look for alternative methods.

When talking about local initiatives versus national, the national charities thought the local ones were getting more professional and the local ones (who had professionalised to compete) thought the 'big boys' were muscling in on their territory, so both types perceived increasing competition. In almost all cases, competition was seen as a large hurdle to overcome to achieve one's own aims.

'We don't have the range of skills of big national charities, nor their resources, like literature to use locally.'

This perception was apparent in charities at all stages. As the smaller charities had been chosen from only two causes, visual impairment and cancer, the charities in the same cause area knew each other and to them the 'big boys' were any

organisation that appeared to have more resources for fundraising. One small stage three organisation complained

‘We cannot compete with the big boys. He [the head of fundraising at a regional centre] has nine full time fundraisers. We cannot compete.’

In turn, that same head of fundraising at the regional centre made particular reference to the fact that some of his immediate competition had been removed because the regional office of a top 10 charity had moved out of his town into another county. But there was definitely an uneasy relationship between the local charities and the national organisations resulting in strong comments

‘When the [national leaders] misrepresent what they do it is unhealthy for us locally... It is not good for the public to see charities competing ruthlessly if in a similar area [of work]’

For only one charity, a stage four charity, however, was the whole concept of competition anathema:

‘It is hard to come to terms with a competitive scenario for the organisation. We want to promote our profile but shy away from competitive strategy, whereas others are *following competitors more aggressively. But we don't have a strategy that arises out of a sense of competition.*’

It was not merely that this charity had no competitive strategy, they seemed to have little concept of competition, except that it was now encroaching.

For many though, awareness of competition was reaching beyond the fundraising department. By the early 1990s it had reached the pages of a number of annual reports as they endeavoured to portray the new reality. The Oxfam annual review for 1991/92 began the fundraising section by acknowledging

‘In the depths of a recession, with increasing competition from other charities, this was a hard year for fundraising’,

In their report for the same year, 1991/92, the Imperial Cancer Research Fund had to ask 43 members of staff to take early retirement or redundancy: two per cent of

the work force because of declining income. While at the British Heart Foundation Director General Leslie Busk wrote in his introduction to the 1992 report

‘We acknowledged that in order to raise the increased income necessary to achieve the aim, we would need a wider ranging and more active fundraising effort.’

In financial terms, underlying these views was a common feeling from charities at all stages that it now cost more to raise the same amount, and that different methods were often needed to generate these funds.

‘We have to do a hell of a lot more to generate the same money.’

‘We have to run twice as hard to get better.’

Competition from the external environment was also affecting organisations in the short term as well as the long term. Many of the field research interviews followed shortly after the major crisis in Rwanda. As a result, those charities providing third world aid were recording above target incomes, while stage three and four charities working in this country often noted a detrimental effect.

‘The June mailing was affected by Rwanda. [After the] first three weeks we were on course to exceed the target. Week four the Rwanda Appeal was launched and response fell off completely.’

Ironically, however, when respondents were asked specifically about the concept of competition, they were much more tolerant, or perhaps, realistic claiming that competition was healthy. At the same time, they also identified the challenges to maintaining their sense of uniqueness and their struggle to survive. None, however, considered co-operation (Wilson, 1989) as an alternative.

‘has to be like that, competition makes the world go round.’

‘Very important in order to be successful, can never be complacent. Can learn from each other and adapt old ideas. ...It’s good to be competitive.’

‘very good thing. In other areas charities share knowledge very well. Problem comes when we start copying others too much, could kill the golden goose, eg bikes rides, are they sustainable regionally?’

‘People see the range of charities, it gives them a wide choice, but there is a tendency for big ones to get bigger and smaller ones to find it hard going. Should the fittest survive? We wouldn’t want to be swallowed up, we have very different objectives from [other charities in our field].’

Charities at all stages agreed that they were in competition not just amongst themselves but against the NHS trusts, schools and universities as well as competing generally for people’s disposable income.

‘Yes [fundraising is increasingly competitive] during the recession. The medical sector influx: trusts, hospitals and hospices, have damaged us. Research can be a bit blue sky, the hospital is there.’

They also recognised that by being in competition with commercial organisations, they had to develop and maintain a more professional level of contact and service with donors.

‘We’re aiming to be as professional as possible. Appeals honest, well focused, justified and a genuine cause.’

In summary, from these findings, it does appear that the external changes were impacting on charities at all stages and across all causes. There was a need for more voluntary income and there was a palpable tension between fundraisers and service deliverers which was manifesting itself in the sense of the gap between what the fundraisers considered they could deliver and what the service deliverers wanted. In turn, the external changes such as the forthcoming Charities Act, the ‘administration costs’ debate, the need for greater transparency and tighter budgets were causing fundraising departments to undertake more analysis, but this all needed more staff time. All in all, the financial indicators show that there was a strong sense of fundraisers being buffeted by external forces. Fundraisers are, by nature, upbeat and ready to sell their cause (Smith, 1996) but here there is a sense of their natural bounce having been lost, as though they had been caught at a raw moment where the impact is too acute to hide. Recession, competition, need and costs all combined over the 1989-1994 period to make the fundraising climate much more challenging.

7.3 Structure, strategy and fundraising activities

The second aim of the study was to investigate whether charities' responses to the changing external environment were reactive and focused on structures and activities. To examine these contentions, this section will examine the findings for evidence of the charities being 'caught unawares' or feeling that they had to make significant changes to strategy. It will examine the changes to the structure of the fundraising department and when these changes came about. Finally, it will analyse the fundraising activities being undertaken by the charities and any changes that were made to activities during the 1989-1994 period.

7.3.1 Strategy

As with other aspects of non-profits, little had been written on strategy and the non-profit sector by 1994. Three studies predominate: Saxon-Harrold's (1986) unpublished thesis; Butler and Wilson's (1989) book which is the main work on the subject and Cousins' (1990) more broadly based article.

From research in the mid 1980s, Saxon-Harrold (1986) found little evidence of strategic planning in charities. Butler and Wilson, also using research from the mid 1980s examined the top 200 charities and found that many did not have strategic plans. Cousins (1990), taking a broader view of the voluntary sector, found some signs of growth in strategic planning, but it was the end of 1994 before trade journal *Third Sector* (1/12/94) talked about strategic planning coming of age.

So, not surprisingly, for fieldwork undertaken in 1994, there were very mixed responses to questions about strategic planning in their organisations (Q67-73). Table 7.2 illustrates how long charities had had strategic plans and highlights those charities for whom this was their first plan. The third column indicates the stages the charities represented for each category. This illustrates how each charity was working independently as to when they started strategic planning because, for example, there is at least one stage three charity in each category.

Development of strategic plans	Number of charities	Stages represented
Plan for more than five years	11 charities	3, 4, 5
First plan developed 1989/1994	12 charities	1, 2, 3, 4
First plan being worked on in 1994	5 charities	3, 4
No plan yet started	2 charities	2, 3

Table 7.2 Breakdown of developments of strategic plans in the studied charities and the stages

The topicality and novelty of strategic planning can be seen from the fact that most respondents volunteered whether or not it was their first plan. Those for whom it was not the first were as eager to point this out as those who were just undertaking or using their first one. This indicates that *Third Sector* (1/12/94) was probably right in asserting the coming of age of strategic planning in 1994. So, in contrast to Butler and Wilson's (1990) dearth of evidence of strategic planning in the late 1980s, by 1994, 90 per cent of respondents had a plan or were actively working on it. This figure matched Hudson's (1995) guess.

Of particular interest when analysing this trend was the fact that there were large and small charities and charities from different stages in each of the categories in chart 7.2 above, reflecting Cousins (1990) findings. Of the seven charities who had not yet completed a plan, six intended to complete one, and several organisations had been going through internal reviews, in preparation for developing their plans. Only one small stage two charity did not have a plan and was not envisaging developing one in the near future. The stage one charity, in contrast, did have a plan for the organisation though fundraising was a negligible part of it.

Of those charities that had plans or plans-in-embryo, most were compiled by the senior management team with the chief executive. Only four organisations mentioned the trustees as having anything to do with their strategic plan or direction. Two of these were amongst the smallest stage one and stage two

charities, where trustees were still almost part of the day-to-day decision making. Two, one stage four and one stage five, were in the top 20 with full senior management teams, who realised the value of having the board involved in the decision making and forward planning, rather than just the approval procedure (Howe, 1995).

Culturally, there was more acceptance of strategic planning by 1994, but this was not the only reason for their surge in popularity. As the *Third Sector*(1/12/94) article showed, some were undertaking strategic plans because influential funders were demanding them before parting with their project funding. Others were using their plans to approach potential new corporate funders, using strategic plans as one of the tools they would understand. These approaches were both responses to the demands of the external environment and the charities' needs for more voluntary income.

7.3.2 Reactive or proactive strategies

The charities were further asked to what extent they considered themselves reactive or proactive in relation to fundraising developments. Given what has been noted regarding targets and 'aggressive fundraising', it was perhaps no surprise that many charities at different stages said that they had been reactive but were now being more proactive. It is also the kind of upbeat comment one might expect from a head of fundraising. As was noted in Chapter Three, a head of fundraising is someone who is paid to talk-up his cause. But when analysed in detail the replies revealed more substance than hyperbole.

'[we were] very proactive but now need to take another step forward as many charities have caught up'

'[the fundraising emphasis] has changed very much. It was what fell out of the sky. It was reactive, but it is now proactive.'

'Were reactive, changing over two years to proactive'

'Proactive, clear strategy identified. Focus on constituencies and what makes them distinctive. But reactive to world change.'

‘Mixture of both proactive and reactive. We are currently involved in a couple of projects, proactive and new ground. We have put in some investment for research, if research supports assumptions then we will go ahead.’

One response was almost poignant. A stage four head of fundraising said simply: ‘we’re close to the leading edge, though we’re not featured at jamborees’ by which the speaker meant that this charity was not being invited to speak at the two major events for fundraisers, the annual ICFM conference and the International Fund Raising Workshop. Such an invitation in the mid 1990s was seen as something of a ‘feather in the cap’ of the relevant organisations.

Whether one believes all the heads of fundraising in recognising exactly how reactive or proactive they actually were is less relevant in culture theory terms (Hatch, 1997). Here the point is rather that they recognised the need to be proactive. That sitting back and playing a me-too game as each new fundraising idea came along was no longer good enough, the environment was changing too quickly and fundraisers had to be constantly searching for the next new idea. Each charity had to be creating its own niche fundraising schemes or ‘personalising’/reinventing established ideas at whatever stage they were at.

So, by the mid 1990s, strategic planning was an established activity for many activities, while those for whom it was still new could soon look to various published materials for step-by-step guidance (Cummins, 1997).

7.3.3 Departmental structure

As has already been noted, the findings on departmental structure were not as anticipated. There was no evidence of a ‘cloned’ departmental structure in the top 20 charities. However, there was a great deal of evidence for the structure within each department changing extensively and sometimes even dramatically. This section will focus on these changes during the 1989-1994 period.

A number of factors appeared to contribute, but it was like a cascade emanating from the changing environment. External factors demanded that more voluntary income was raised. To do this, charities needed to change the status quo. To a large extent this was begun by changing the head of fundraising (though it is impossible to know how much this was an active, strategic decision of the chief executive and trustees). As has already been established, new incumbents make changes to meet the brief that they have been given therefore, the structure and sometimes the size of the department changed.

From Chapter Six, we know that 26 of the 30 heads of fundraising had started their post in the 1989-1994 period. This represents 86 per cent of the sample and, it is contended, represents a very high turnover of senior staff, especially considering that the sample contained charities of all sizes and stages. From the 1994 research, it was not possible to say if this turnover was extraordinary. However, now that a longitudinal piece of research has been added, see Chapter Eight, it is possible to say that the figures in 1994 represented an extraordinarily high turnover of senior managers. Five years later, although there had been many changes, they were not on this scale.

What was also of interest was the source of these new heads of fundraising. To meet the challenges of what charities were perceiving as difficult times, chief executives and trustees were taking the opportunity to appoint from outside the charity sector. Table 7.3 highlights the variety of sectors from which the heads of fundraising had come.

The longest serving heads of fundraising, those over six years in their 1994 post, had made a career of fundraising (one has since retired in the same post). However, of the newer fundraisers there is a marked preponderance for people from outside the voluntary sector, in particular 10 came from a financial or commercial marketing background. This concurs with Bruce and Raymer's (1992) findings.

Of the ten people from a commercial background, nine had been in post four years or less and all went to stage three, four or five charities. Three reasons are

Previous employment of heads of fundraising		Notes
Career fundraiser	3	same role in same charity for more than 10 years
Promoted from within	3	not necessarily from a fundraising role
Moved from another charity	5	
Moved from the commercial sector	10	growth area
Commercial and voluntary sector bkgd	3	
Public sector, research, military	4	lower than had been the case a decade before
secretarial	1	

Table 7.3 Previous employment of heads of fundraising by sector

suggested for this rush of people from the commercial sector. First the recession caused many companies to reduce their staff numbers. Marketing, was a vulnerable department, so marketers, especially those who had received golden handshakes looked to the charity sector for new opportunities.

Second, with the growing numbers of organisations actively fundraising there was a shortage of senior fundraisers as the sector had not yet ‘grown its own’

The third reason for bringing in people from the commercial sector was that charities were beginning to hear about ‘marketing’ and wanted to find out more about a concept many trustees and chief executives did not fully understand, hence looking to bring in knowledge from where they understood it to exist.

This new influx of people was not without its challenges. For a start, the new people brought different ways of working and different organisational culture backgrounds into the sector. Some of their ideas were enthusiastically harnessed, but others caused an enormous amount of friction and steep learning curves on both sides. For example, those who had worked in the traditional fundraising areas of volunteers, regions or legacies often felt devalued by the focus they perceived on the kudos of the ‘new,’ and people not in the fundraising department thought that charities were being taken over by commercialism. It was to minimise this kind of hostility that many of the heads of fundraising did not want to promote internal competition.

The new managers certainly sought to implement new strategies to meet their objectives, but each charity had its own pace and approach, as one might expect from charities at different stages.

‘structure changed two years ago. Has taken time, first year spent persuading people of need for change and the direction we were going’

‘national fundraising established 1988/89. We needed to modernise an outdated structure when regional funds were dropping... It was part of a strategic push to support the corporate strategy to year 2000.’

As noted elsewhere, each charity was finding and developing the structure that they considered was right for them, their methods and objectives.

‘[structure] followed from fundraising strategy... staffing went from 20 to 145 in response to fundraising strategy three months after my arrival’

‘Regional full time staff were reduced to 50, from 140. At the same time, national fundraising over the last ten years has gone from nil to 23.’

‘four years ago there was a major management change, therefore cultural shake up. Now five teams: direct marketing, planned giving, regional fundraising, corporate and trusts and events... efficient, allows us to raise funds from a wide range, not all in one basket, to keep risk low’

‘restructured departments by market instead of types of approach, or activity’

7.3.4 Fundraising activities

While it has been noted that many charities specialise in one particular area of fundraising, often for historical reasons, during the 1989-1994 period, charities were needing to raise more money and therefore one of the aims of the study was to investigate how these activities might have changed.

During the interview, respondents were shown a list of fundraising activities and asked whether they were currently doing them, had done them in the past or would do them in the future. From the findings it was clear that charities were pursuing a

diversification strategy. They were endeavouring to try everything that they could afford. Of course, the small stage one to three charities were not using television adverts, and direct mail usually only started in stage three, but each was, in some way, looking to expand their portfolio to overcome fluctuating income:

‘house to house, testing now, not sure about the future’
‘legacy campaign smallish, we are going to do more’
‘street collections, changed to sunflower collections and income went from £2,000 to £12,500’
‘major events, in the past were disastrous, so not planned at the moment or in the future’
‘inserts, not before but will in the future’
‘radio adverts are doing, new, on Classic fm’
‘sponsorship with companies difficult at the moment, lots of competition, companies not as interested as they used to be’

And so on. For each method of fundraising someone was doing it, some had tried it, with differing results, some were about to try it.

‘If it’s done, we’ll be doing it. We’re working on all fronts simultaneously’

‘[we’ve no area of focus it’s] across the board, we need to further refine our understanding of areas which are less effective’

Interestingly, in relation to the financial analysis already discussed, many respondents did not say that they were merely ‘trying’ something, but rather that they were ‘testing’ it, that is analysing the results from a small-scale pilot project before rolling it out, a technique learned from their direct marketing work (Bird, 1982).

The list of activities presented to respondents was broad (Q22), though many charities added to it. Stage one and two charities were doing less but even small stage three charities were doing a broad range of activities, though they might be doing them on a smaller scale. In fact, this was another clue to the five stages: were the staff employed in the department generalists or specialists.

But this analysis did reveal some surprises which also contributed to the five stages framework. There is a tendency to believe that the largest charities must be doing

everything, and have done it for a long time. In fact, even top 20 charities had started some potentially major areas of fundraising for the first time during the 1989/94 period. For example, one top five stage four charity set up its first corporate department to seek income and sponsorships from companies in 1990. Some larger charities were developing their first big gift campaigns as 'the next big thing' and another, stage four, top 20 charity was 'just starting' trust fundraising.

During this time many respondents were undertaking their first legacy campaigns. Legacy campaigns were spearheaded by the World Wide Fund for Nature in the mid 1980s (Medley, 1993). By 1988/89 there was a growing investment into this area of fundraising by charities of all sizes. Charities which were used to significant returns from legacies needed to protect their interest and promote the reason why legacies were still important to them.

'There was no active effort on legacies, not the lions share of the spend but at the heart of the income. Now, with legacies there has been a big change of attitude.'

For those charities which had not previously had significant legacy income it seemed like an excellent opportunity to try a new, potentially lucrative stream which did not seem to require the level of initial investment of, say direct mail. However, it was those who did have income to invest in this new area, in the form of advertisements offering booklets about making a will, who reaped the early benefits with literally thousands of enquirers (NSPCC campaign with Sir Harry Secombe and the RNIB campaign with Joan Hickson as a 'Miss Marple' character were two strong examples from the early 1990s). Though at the time of the research the long-term benefit was still to be seen.

In all of these different activities, the holy grail was to find a fundraising source that would deliver consistently in the long term, because, as Leat (1995) had pointed out, the challenge to fundraisers, especially those which had been used to continuous grants, was that many types of fundraising required the charity to virtually start again each year with a blank sheet of paper. The best answer to this was the direct marketing of covenants by which donors committed themselves to

keep giving for at least four years, enabling charities to make some assumptions about future income. However, for a charity that did not have a direct mail programme (stage one, two and some stage three charities) it was beginning to be a very costly start-up process by 1994.

‘we’re looking in the long term to develop more predictable income sources, but any development has to be funded’

In summary, in terms of fundraising departmental structure and activities, the analysis has shown that most of the studied charities were making changes whatever stage they were at. However, the extent of the changes depended upon their stage in the first place, whether or not they had a new head of fundraising, their targets and the extent to which they had been reactive or proactive. It is argued that the fact that all the studied charities were experiencing change and most were trying to respond to it is indicative of the strength of the external environmental pressures.

The question then is, was this change reactive or proactive. Given the responses of the heads of fundraising, most of which ran along the lines that ‘we used to be reactive but now we are becoming more proactive’, it is argued that in 1989 the fundraising picture was very different, comparatively laid back, fundraising was ‘what fell out of the sky’. However, as a result of the changing statutory picture and the recession, a new reality was forced upon charities and they had to become more proactive very quickly. By 1994, most charities of all stages could answer that they had become more proactive but in many cases this had only happened in the preceding couple of years. Hence, they were trying every new idea to see what potential it offered their charity and they were being forced to put resources into methods that they had previously taken for granted.

For example, one stage four charity claimed to have been using direct mail since 1905 yet by 1990 it only accounted for 6-7 per cent of the charity’s voluntary income. By 1994 they had undertaken an audit of the programme and were completely changing the strategy and investment level. For another stage four charity which relied for half its income on legacies, it was 1992 before it woke up

to the changing world. Although the charity was, by then, being mentioned in one out of every seven or eight charitable wills, the amount generated was not increasing because each will listed more beneficiaries who shared the income, emphasising the existence of increasing competition.

7.4 The use of marketing

This section will analyse the respondents' awareness of and use of marketing tools and techniques, and especially their grasp and application of marketing as a philosophy or concept (Kohli and Jaworski, 1990), as distinct from the tools. It will also examine the extent to which marketing was being 'imported' in terms of expertise and personnel and why.

7.4.1 Marketing fundamentals

The respondents were asked a small number of questions specifically about marketing (Q65-66,74-76) but these questions were really just for background as the other questions gave ample opportunity for respondents to show that their charity knew about and was implementing a marketing approach. How the heads of fundraising used marketing terms and showed an understanding of and an application of marketing issues throughout the interview would be more indicative of a marketing approach than simply knowing the terms and concepts. This was about more than just language. Even without using recognisably marketing terms, it is possible to convey a marketing focus in terms of the actions undertaken. Vice versa, it is possible for people to claim an understanding which was not borne out by the rest of the interview.

Analysis of the findings showed that most understanding and implementation of applying marketing to fundraising was in the larger stage five and stage four charities. One reason for this was the influx of commercial marketers to some of the largest charities. From the findings, all but one of the charities that appeared to be actively applying marketing techniques had a former business person as their head of fundraising.

However, even these former commercial marketers primarily referred to marketing in terms of technique not philosophy (Sargeant, 1999), but then, as Kohli and Jaworski (1990) found, marketing was not always organisation-wide in companies either. For charities in stages one to three, while the word 'marketing' was used frequently by all respondents, it was often used as a euphemism for promotional activity. There was nothing holistic about it and the techniques were used very bluntly.

'We're marketing the services we offer as a way to seek funding to keep going'

'role initially to market the society, appeals less important - now more important to raise money.'

Elsewhere, common marketing terms were used such as 'market share', 'product (charity) life cycle', 'market penetration' and 'brand loyalty', but in many cases these terms were used to refer to a single product, such as legacies or direct mail not the whole of the fundraising portfolio and certainly not organisation-wide.

7.4.2 Marketing concept or marketing activities

In 1990 and again in 1993 Kohli and Jaworski began to set out a framework for identifying the extent to which an organisation was applying the marketing concept. Although marketing had been prevalent in the commercial arena since the 1950s (McKitterick, 1957), this was the first piece of research which really set out a framework and criteria for monitoring implementation of the marketing concept.

However, the findings revealed that in 1994 most charities were not anywhere near applying the concept. Only a handful of charities showed from their answers that they had a more fundamental grasp of marketing and illustrated a more broad-based approach in applying it to charity fundraising, but even here the application varied. In terms of the five stages, this would indicate that these charities were in stage five, or transitional stage four, depending upon the other variables, of which

one was the extent to which marketing had permeated beyond the fundraising department (Bruce, 1994).

‘[Marketing] is not comprehensive and second nature yet. There’s some resistance. Marketing satisfies customer needs, fundraising will never do that. The prime task is not simply to meet customer needs.’

One of the reasons for the lack of charities with a marketing focus, it is argued, is that the ‘fire-fighting’ needed to deliver income to meet the budget, especially in the early part of the period being studied, was perceived as needing a ‘sales’ approach to deliver short-term benefits (Kotler, 1984) rather than a marketing approach for longer-term benefits (Kotler, 1984), coupled with a diversification strategy as they sought ‘quick wins’ of new income. Diversification and short-termism are the highest risk strategies (Ansoff, 1957). The fact that charities were taking this line is the strongest indication of their panic in the need for and search for funds to meet their immediate needs. What would deliver most quickly (first priority) and then most effectively?

Those few charities which did not need to ‘fire fight’ (who had reserves or were less affected) had been able to take a more broad-based approach that was indicative of longer term fundraising and its role within the organisation. For one charity, departments had become markets which led to different ways of thinking about donors, though this was still in its infancy. For another, the concept was paramount:

‘The basic concept of marketing, meeting profitably needs and requirements moves away from charities being straight receipt...it’s a more conjoined approach with people you give support to’

Some of this small group with more commercial marketing experience, though, went to another extreme, seeing a ‘marketing approach’ as a kind of armour plating that made them resistant to the attack of competition.

‘The number of charities that invest £ ½ million has more than doubled therefore they’re actively involved in fundraising during the recession but it doesn’t bother me because we’ve adopted a marketing stance’

However, this respondent did not talk about customers at all, he made very few mentions of donors or supporters and only one mention of relationships. As a result, it is suggested that this charity was approaching marketing by bolting together techniques rather than as a philosophy that could support the whole charity. The contradictions of fragmentation were readily apparent. For example, this respondent considered that the rest of the organisation saw fundraising as being high spending, almost lavish, which caused internal tensions. Meanwhile, in answer to the question 'what impact have ideas from marketing had on your fundraising activities?' the response was '100 per cent. My behaviour is based on the fact that I am a marketing man.'

Others recognised that they still had things to learn.

'We begin to understand marketing. We're beginning to understand marketing and fundraising, there's no difference. Marketing is designing products that people want to buy. Fundraising is that.'

'Most of our competitors are more mature in fundraising terms'

To show the extent of marketing in action, four topics have been examined based on answers to questions in the study: corporate identity, branding, marketing research and relationship fundraising. These are four common areas of marketing that transcend simple techniques. They are examined briefly here as an additional way of assessing the role of marketing in charities in the 1989-1994 period.

7.4.3 Corporate identity

Just as strategic planning affects more than the fundraising department, so does the name and corporate look of a charity. In the last decade the corporate identity of an organisation has become an important commodity both for recognition and brand values (Fraser-Robinson 1991). Take, for example, the British Airways experience of recent years with the saga of the changing tail fins. Loved or loathed, they did achieve many press inches of publicity. Changes to corporate identity are one facet of repositioning an organisation, updating the image and making it more

memorable to potential buyers or supporters (Ind, 1990). The challenge is to do this without upsetting the core stakeholders, a factor which is particularly important for charities with their multiplicity of stakeholders.

As part of their market awareness, the respondents were asked if their organisation had made any change to the name, logo or strapline by which the charity was known.

Twelve of the 30 charities, including all stages, had made some change. In two cases, both stage four charities, to completely different names. These changes came about in very different ways, one started with a vote from all constituents and had a two-year development period from agreeing to change the name to announcing the new one. The other was changed by the board and senior management team, but in both cases they were considered to have been beneficial.

‘the organisation felt that a weight round its neck fell away. The organisation has given itself a platform, a common focus and it’s largely seen as positive.’

A complete change of name can be an expensive proposition, requiring research, design, new materials, style manuals and a style monitor to ensure the name and message remain constant. In addition, for a charity with a public profile it is important that the new name is communicated as quickly and as thoroughly as possible but few charities have the advertising budgets of an fmcg company (for example, Mars spent millions changing Marathon to Snickers and Opal fruits to Starburst).

Apart from the two charities that had changed their names, ten others had updated or revamped their logos or some aspect of their image on paper. In some cases this was achieved as subtly as the kind of updating the Shell petroleum company makes to its shell symbol roughly every decade or Heinz to the look of its logo and labels. But some had changed the logo completely and others had added items, like bows, or stick children or a figure or symbol (see Appendix IV).

Some added new straplines to get across a message about the charity, not just the name. One of the most powerful charity straplines during this time was 'We believe in life before death' from Christian Aid which was launched as part of Christian Aid Week in 1991 and was then used for several years. As a very strong message it achieved publicity in its own right. One of the benefits of straplines is that they may be changed after only a few years which allows charities more flexibility than changing a charity's name and whole visual identity.

The reasons for change which the charities identified were for easier recognition and to help their cause stand out in what they perceived as an increasingly crowded and competitive market.

'the benefits have been greater recognition and hopefully better understanding of what we're doing.'

Though many recognised that this was easier to hope for than always to achieve.

'we tried to measure [people's understanding] but the results weren't what we hoped for.'

7.4.4 The role of branding

Often linked to corporate identity but actually a bigger topic is the subject of branding (Roberts-Wray, 1994). For example, the Coca-Cola brand may be recognised by its red script logo but the brand embodies more values and personality than just the script (Arnold, 1992).

In the late 1980s and early 1990s, the concept of the brand was a very new idea for charities. Few charities had explored these ideas. For companies, one of the fundamental role of brands is to enable companies to launch several different products without impacting on the parent company name (Ind, 1990). Few charities have distinctive sub brands. The Guide Association with Rainbows, Brownies and Guides is one of the few. For charities the debate about brands was much more

associated with their values and the importance of how these were communicated (Saxton, 1995).

The complexity and ambiguity for charities is that the brand values are often tied up with the name of the charity more than with their activities, and the brand may be perceived differently by donor and beneficiary. Many charities had taken their brand for granted, or had not thought of it as a brand, brands were commercial fmcg products, for example, baked beans are synonymous with Heinz, vacuum cleaners with Hoover. However heads of fundraising discovered, that most donors had difficulty in even identifying the range of products and services of multi-activity charities

‘one agency did go out to see what the general public’s reaction was. They know it has a good name, but don’t know exactly what it does’

There were very few charities which considered themselves to have as strong a brand recognition as Heinz or Hoover, though there were one or two which offered unique services. In one such case, the head of fundraising took a different view. As a representative of a cause with few rivals, he considered that the public should think more about generic causes: children, cancer etc. rather than individual brands (charities), as a way for his charity to get a bigger share of potential income.

But again, as a result of people coming into the charitable sector from commercial marketing, charities began to address some of these issues of branding and recognition. Because of the perceived competition for funds, branding was seen by the new heads of fundraising as a way for a charity to promote its particular role or service.

‘branding is what we do to be more distinctive and unique...branding work is totally from that [marketing] background.’

‘low level of general public awareness: the biggest charity no-one’s ever heard of’

But generally, Tapp (1996; 1996a) argues that charity brands were being under-exploited in this period, and the analysis from this sample of charities would

appear to confirm that view. For example, the only two charities which had allocated budget or staff specifically to developing the brand were the two assessed at stage five.

‘We market the brand - there’s a budget for marketing the brand itself and we take trouble to ensure how the logo is used.’

It is suggested that the reason for this paucity of interest was rather that there were too many other pressing needs, predominantly maintaining required income levels, which demanded the head of fundraising’s time, directly or indirectly so they did not have time to consider the brand in more detail. It was also an issue of time and money. A branding programme costs money to implement and needs time to gain understanding and acceptance, during which the return on investment is minimal. So, again, because the organisations needed quick wins to maintain income, branding was not high on many agendas. It is also suggested that prior to transitional stage four/stage five, the charity would hardly be in a position to explore this opportunity because as a holistic summary of the organisation, it is not likely to arise out of differentiation or fragmentation (Martin, 1992).

7.4.5 The use of market research

Charities’ use of market research techniques arose, primarily, out of their use of direct marketing. For example, the large database companies were offering free profiling for charities (Saxton, 1996), so many organisations with a mailing list of more than 10,000 names took the opportunity. Again, this was second nature to those who had come from the commercial sector and new territory to those from the non-profit sector, unless they had been working with commercial direct marketing agencies.

Some of the studied charities had undertaken more detailed qualitative and quantitative research, though this was primarily in the stage four and five charities. Some had focused on their donors, others had tried to involve different interested segments. Some of those which had a major national event or Week each year began to look to tracking studies to see if their awareness increased year on year

‘ we do an annual tracking study. It now shows more accurate public understanding and more evident constituency commitment.’

Several charities, from stage three upwards, had asked their donors about other charities they supported. This research elicited some interesting results. It often showed a classic contradiction, that their donors were promiscuous in supporting many charities, but simultaneously were very loyal to the charity which was asking the questions (based on information from the charity’s own donation records, not the memory of the donor). The implications of this were that the charity could not rest on the laurels of long-term support, and particularly those charities that looked for legacy gifts, were ‘warned’ that they would need to work hard to earn the lion’s share of a legacy gift, not, as has been known, 1/83rd of an estate shared between more than 40 charities. These findings put additional pressures on the charities and was another factor which caused them to broaden their methods of fundraising.

7.4.6 Relationship fundraising in action

Although not put forward by Burnett (1992) as a marketing philosophy, many charity fundraisers recognised relationship fundraising’s message as a constructive marketing approach to fundraising.

Twelve of the studied charities talked about building relationships, most in the context of fundraising, rather than holistically throughout all the stakeholders of the charity, although different fundraising constituencies were identified for relationship-building.

‘we’ll meet present and future needs by developing relationships’

‘reversion to relationship fundraising. Building outwards from people with [this condition].

One went as far as talking about building relationships in their definition of fundraising

‘[Our] fundraising mission statement: to meet the financial needs of the charity by providing the highest quality of service to its supporters so establishing the strongest possible relationship with them’

Again it was the stage four and five charities that had most actively embraced relationship fundraising. For one stage two charity, relationship fundraising was perceived as something that was done when one reached a certain size. It is suggested that this view arose because of the fundraising methods that were associated with the concept by Burnett (1992; 1996) such as direct marketing, active legacy marketing, and friends schemes. All these demanded budgets and sustainable communication, which meant having staff and budgets. These requirements were considered barriers to entry for the stage one and stage two charity.

Like the other three topics discussed, relationship fundraising was about longer-term relationships. In some ways, it was a timely publication in 1992 when, as has been seen, charities were operating at the other extreme, seeking short-term income to meet the year’s target.

The findings show that there was some awareness of marketing but that mostly it was used as a series of tools and techniques, not the holistic concept of Kohli and Jaworski (1990). As such it was not worth applying the Kohli and Jaworski (1990) criteria to the findings. So while ‘marketing’ had been trumpeted as the ‘answer’ to fundraisers’ needs there was little evidence of it really coming to their rescue as it was only being given limited opportunities.

7.5 Was life more difficult for fundraisers?

This chapter has examined the original issues against a number of indicators. From the analysis and the findings it is argued that the 1989-1994 period was one of major change for charities, due to external factors such as the recession and the changes to statutory grants, which in turn led to feelings of more competition. As a result of these changes charities had to make significant changes to the amount of voluntary income they were raising and to do this they had to look at a number of

factors. However, what has also been shown is that while charities of all sizes felt the impact of the changing external environment, the reaction and response of the individual charities had much to do with the stage of fundraising they were at, rather than just their size.

It is also argued that marketing was indeed in greater use than it had been in the 1980s but that, from the evidence here, its primary use was as a series of tools, in some cases a series of linked or co-ordinated tools predominantly for charities at stages three, four and five. The marketing concept was not yet actively spreading throughout many fundraising departments, let alone throughout many charities as a whole. There was also clear evidence of the culture theory perspectives (Martin, 1992) linking to the stages in practice.

7.6 Summary

This chapter has examined the 30 charities against the original aims of the study and concludes that there was evidence to show that charities were indeed feeling beleaguered by the number of pressures upon charity fundraising and were belatedly deploying diversification tactics to attract more income but without much strategic underpinning. The aim was for quick returns. There was also some evidence of the use of marketing, but in terms of tools, not the marketing concept.

Chapters Six and Seven have examined the 30 charities of the original study in relation to the five stages of fundraising and original aims. As a significant time had elapsed from the completion of this study to the completion of the writing up, Chapters Eight and Nine add a longitudinal study, five years after the original research. The aim of the longitudinal study was to assess the ongoing impact of the external environment and whether any further use of marketing had been introduced. The findings are presented in Chapter Eight. Chapter Nine examines the charities in relation to the ongoing validity and relevance of the five stages of fundraising.

Chapter Eight

Five years later... a longitudinal study of the ongoing development of fundraising 1995-1999

8.1 Introduction

The original research, upon which the preceding chapters are based, was conducted in 1994. The second phase was conducted in 1999, using the common base of the original charities.

There had certainly been changes in the non-profit sector in the 1995-1999 period, as discussed in Chapter Four and summarised in Appendix III. Externally charities had to react to the Charities Act *Part II* (1994), the National Lottery, SORP II and a range of cause-specific legislation. There had also been a change of government (1997) which had introduced a whole new agenda from schemes for volunteering (Locke and Davis Smith, 1999) to initiatives to encourage voluntary donations (Morgan, 2000).

There had also been some growth of academic interest in non-profit fundraising (Kelly, 1998), beginning in the UK with the launch of the *Journal of Nonprofit and Voluntary Sector Marketing* in 1996.

To review the impact of these changes, it was decided to take another overview of charity fundraising to see how it had changed by the end of the decade. Was it still as reactive as it had been in the early part of the decade, or were charity fundraisers more proactive in their planning and strategies by 1999?

This second study also offered another opportunity to examine the charities against the five stages theory to test if it was still valid and relevant to charities of all sizes.

8.2 Aims of the longitudinal study, 1999

The starting point for the longitudinal study was that by 1999, if only the same external environmental factors applied, some evidence would be expected that charity fundraisers had taken control of what would be a known situation. Instead of discovering that the charities had been forced into proactivity, as was the case in the early 1990s, evidence of charities planning for future internal and external changes was expected. In other words, that the shock of the early 1990s and its reactive aftermath had created a 'battle-hardened' group of fundraising managers who could take additional factors in their stride.

Indicators for these issues would be evidence that although environmental factors continued to impact on charities, heads of fundraising were proactively planning ahead and taking more control of their future direction, through the development and use of strategic planning, instead of simply running to catch up with budgetary targets.

It was also expected that more use would have been made of marketing in charities, taking it beyond tools for fundraising, to become a philosophy and *modus operandi* for the fundraising department and possibly across the whole organisation. This would be indicated by the application of marketing principles permeating through the fundraising department and into the rest of the organisation and the spread of marketing understanding by the senior managers and trustees.

While it was not expected that the phrase, 'market orientation' (Shapiro, 1988) would be familiar parlance to every fundraiser, another indicator would be that charities were now using more of the criteria Kohli and Jaworski (1990) identified as indicative of a market orientated organisation.

These indicators would also reveal cultural change concerning fundraising's position within the charity and its relationship with other departments, especially service delivery (Mackeith, 1991; 1994). If marketing was being used more widely

it was expected that the fundraising department would be considered an integral part of the whole organisation.

In addition to meeting these aims, the longitudinal study was also used to

- i) test the continuing relevance and validity of the five stages theory and
- ii) explore any movement across the stages.

8.3 Methodology

For consistency (Kvale, 1996; Rubin and Rubin, 1995), the method chosen for the longitudinal study was again interviews with heads of fundraising using a questionnaire comprising a limited number of open-ended questions, Patton's (1990) 'standardised open-ended interview' (280). A limited number of focused questions were developed, as discussed below.

Instead of face-to-face meetings, as in 1994, the interviews were conducted by telephone. There were two reasons for this. Firstly the longitudinal questionnaire was aimed to take no more than 20 minutes for each respondent. It was considered that this limited time requirement lent itself to a telephone interview. Secondly, the use of the telephone made it possible to interview people in different parts of the UK on the same day which accelerated data collection.

A final advantage to using the telephone was that a booked interview which the interviewee knew would last only about 20 minutes, was easier to fit into a busy person's diary than a meeting. This short time requirement encouraged a positive response from heads of fundraising.

For the longitudinal study it was not considered necessary to revisit all the 30 charities in the first study because of the high numbers found to be at stage three and at all levels of stage four. Due to time constraints it was considered enough to take a sample from each stage and level as long as other variables were included such as size of charity and cause area. Based on these variables, discussed in more detail below, 19 charities were chosen. The head of fundraising of each of the 19

was contacted by letter to explain the purpose of the research and to request their help. The letters were personalised and referred to the previous study. As a number of heads of fundraising had changed since 1994, the letters informed new heads of fundraising that their predecessor had taken part. Where the incumbent remained from 1994 they were reminded of their previous participation.

The letter also offered an 'incentive': a pre-publication copy of an article on the five stages of fundraising which had been accepted for publication by the *International Journal of Nonprofit and Voluntary Sector Marketing* (Kay-Williams, 2000). To avoid influencing the respondents, the article was sent as a thank you, after the interview was completed.

Following the initial letter, a telephone call was made to arrange a time for the interview. Initially three dates in August were offered, but the interviews finally took place across August and September 1999. With permission, the conversations were taped and transcribed for analysis. Most respondents found that they could answer the questions within 20 minutes. Two took about 30 minutes and one took 40 minutes to describe all the developments in a charity which had undergone major change in the preceding five years.

8.4 Basis for selection of charities for the longitudinal research

Thirty charities were studied in the 1994 research. The original purpose of that study was to investigate the state of fundraising in the early 1990s against the changing external environment. However, from the data, using grounded theory analysis (Glaser and Strauss, 1967), the five stages framework was developed.

Following the analysis of the studied charities against the criteria for the five stages, Chapter Six concluded by allocating each of the 30 charities to one of the stages. When selecting the charities for the longitudinal study it was, therefore, considered important to select at least one charity from each stage. Three stages had only one or two charities from the original 30. All except one of the organisations in these three stages was included in the longitudinal study.

Over 60 per cent of the charities interviewed in 1994 were found to be in fundraising stages three or four. Therefore, it was considered unnecessary to interview all these charities. The final choice was made from a detailed analysis of the charities in stages three and four based on the following factors.

- Over 66 per cent of charities in stages three and four had a new head of fundraising since the first research. It was considered necessary to interview both ‘remaining’ heads of fundraising and ‘newcomers’
- within stages three and four, with a greater number of representatives, it had been possible to identify three sub-levels:
 - charities only just into the particular stage, (level one)
 - charities squarely in the middle of the stage (level two)
 - charities nearing the next stage (level three, also called transitional).

It was considered important to interview charities which represented each of the three levels

- particularly at stage three, there were representatives of large and much smaller charities (by voluntary income). It was considered important to interview a representative balance of larger and smaller charities
- In the original research, two charitable causes had been used as a point of reference, visual impairment and cancer. For continuity, charities from both subject areas were included in each stage that they occurred.

Based on the above criteria, a total of 19 charity heads of fundraising were interviewed for the longitudinal research, as detailed in table 8.1. At least 50 per cent of the charities in each stage were interviewed.

Stages	Stage one	Stage two	Stage three	Stage four	Stage five
No from original study	1	2	6	19	2
No. interviewed in 1999	1	2	4	11	1

Table 8.1 Breakdown of the charities in the 1999 research by original stage.

Based on their positions in *Charity Trends 16* (1993), from which the charities in the 1994 research were chosen, the charities in the 1999 research comprised 55 per cent of charities previously in the top 20 and 80 per cent of the smaller charities. It was not surprising that a higher percentage of the smaller charities were included in the 1999 research because those outside the top 20 had varying requirements for voluntary income and might, therefore, be expected to occupy a broad range of stages and secondly, 63 per cent of the original sample was identified in stage four, this included many top 20 charities but it was not considered necessary to interview them all.

The 11 interviews conducted with stage four charities represented all three levels identified from the 1994 analysis (Table 8.2). Again, the number of heads of fundraising interviewed represented at least 50 per cent of the total in each level.

	Stage four - level one	Stage four - level two	Stage four - level three
Total number in level in 1994	8	8	3
Number interviewed 1999	5	4	2

Table 8.2 Breakdown of stage four charities (1994) by level

8.5 Questions 1999

The longitudinal research needed to do two things:

1. to examine charity fundraising against the aims of the 1999 study, relating to the influence of external environmental factors and the adoption of marketing techniques and philosophy
2. to re-examine the sample charities against the five stages theory.

As the method of research was to be a short telephone interview, a small number of questions had to investigate both these issues. As the five stages theory had not

been presented or published in the UK at that time, there was no familiarity with it, therefore, the questions had to elicit information relevant to the key variables without talking in terms of the stages.

8.5.1 Exploring the issue of marketing

As noted in Chapter Two, academic interest in voluntary fundraising has been limited. With the exception of the CAF statistics, there had been very little study of this topic until the late 1990s. Though there is a larger literature on non-profit marketing (Kelly, 1998), again most has been written in the last five years (Sargeant, 1999). The volume is by no means as extensive as that on commercial marketing. External environmental factors, for example, have often been taken as a given (Pidgeon and Saxton, 1992; Paton, 1996). To explore the spread and use of marketing there was the opportunity to refer again to the work of Kohli and Jaworski (1990).

In 1994 marketing was found to be used by most of the stage three to five charities but only as a series of techniques. By 1999 it was conjectured that the wider use of marketing as a concept, at the heart of the organisation (Sargeant, 1999), would be more apparent. An organisation which incorporates this philosophy as well as the techniques into its business practices is known as market oriented (Shapiro, 1988). This term has been in use in commercial organisations since the 1950s where it is attributed to Drucker (1955) and McKitterick (1957).

However, even within the commercial environment, little research had been done on the application of the concept to day-to-day business until 1990 when Kohli and Jaworski undertook one of the first studies of market orientation implementation, using qualitative data on a quantitative basis. Their two studies explored the application and reach of market orientation across US for-profit companies (Kohli and Jaworski, 1990; Jaworski and Kohli, 1993).

Kohli and Jaworski (1990) focused on four questions (box 8.3). From the results they endeavoured to construct a 'foundation for developing a measure of market

orientation'(16). They also identified three factors which affected market orientation: organisation strategy, interdepartmental dynamics and customer attitudes and behaviour; and they examined environmental moderators of a market orientation.

- Kohli and Jaworski's questions 1990
1. What does the term "market/marketing orientation" mean to you? What kinds of things does a market/marketing oriented company do?
 2. What organizational factors foster or discourage this orientation?
 3. What are the positive consequences of this orientation? What are the negative consequences?
 4. Can you think of business situations in which this orientation may not be very important?

Fig 8.3 Kohli and Jaworski's questions on market orientation in 1990 (2)

This latter issue, the impact of environmental factors, along with organisational culture, was pursued more deeply in their second piece of research published in 1993 (Jaworski and Kohli). Again, a limited number of specific questions were used (box 8.4).

- Jaworski and Kohli's questions 1993
- Why are some organizations more market-oriented than others?
- What effect does a market orientation have on employees and business performance?
- Does the linkage between market orientation and business performance depend on the environmental context?

Fig 8.4 Jaworski and Kohli's questions in 1993 (53)

Kohli and Jaworski's research was relevant to the 1999 longitudinal study. Kohli and Jaworski found that there were links between market orientation and an organisation's strategy and culture. Specifically, they found that 'the market

orientation of a business is an important determinant of its performance, regardless of the market turbulence, competitive intensity or the technological turbulence of the environment in which it operates' (1993, 64).

In 1994, the conclusion about the charities' use of marketing was that it was technique based, not holistic. In almost all cases it did not exhibit any of the traditional 'pillars' of a market orientation: customer focus, co-ordinated marketing or profitability. Nor were there many signs of Kohli and Jaworski's (1990) practical indicators being met. They identified three operational indicators of a market orientation: market intelligence generation throughout the organisation, intelligence dissemination across the organisation and responsiveness (Kohli and Jaworski, 1990, 3). Five years later it was appropriate to reassess whether there had been any more assimilation of marketing and a market orientation into the fundraising department or into the whole organisation's culture and activity.

A key part of the application of a market orientation was what Kohli and Jaworski (1990) referred to as 'interdepartmental dynamics'; in other words, what has been referred to in this research as the cultural perspective: whether the departments were integrated, differentiated or fragmented (Martin, 1992) or had reached a state of advanced integration, as described in Chapter Five. From Jaworski and Kohli's (1993) work the answer to this question had an important part to play in defining the total market orientation of the charity.

Therefore, the questions developed for the longitudinal research were created with reference to Kohli and Jaworski's (1990; Jaworski and Kohli, 1993) work. However, direct adoption of most of the questions was considered inappropriate. Concepts like 'business performance', for example, have a completely different connotation for a charity than for a company. Also, as has already been explained, a very small number of questions had to meet more than one need. So, the questions devised were based on the themes of Kohli and Jaworski's (1990; Jaworski and Kohli, 1993) work but modified and developed to fit the aims of this study and the specific nature of charities.

One question, however, was retained. Respondents were asked to define market orientation. Even though Kohli and Jaworski (1990) themselves acknowledged that they had frequently had to explain the term, and even though many non-profit fundraisers are not classically trained marketers, it was decided to include this question as a point of reference and comparison.

8.5.2 The questions

Eight questions were developed. They had multiple purposes: to explore the issues highlighted from the 1994 findings, to provide some comparison with the Kohli and Jaworski's (1990; Jaworski and Kohli, 1993) research; to show the ongoing relevance of Meyerson and Martin (1987) and Martin's (1992) cultural perspectives; and to validate (or otherwise) the five stages theory.

In other words, these eight questions aimed to examine the extent to which the charities considered themselves in charge of their own destiny, or still buffeted by external environmental factors. They also had to reflect the charities' progress towards adopting the marketing concept (Sargeant, 1999). Lastly the questions needed to relate charity development to the criteria of the five stages theory.

In creating the questions and, indeed, in interpreting the answers, one major assumption was made, that the charities interviewed had, as a major objective, the desire to make progress, by whatever terms they defined it. The questions are summarised in Appendix V.

Q1 What have been the major changes to the fundraising department and/or the fundraising activities in your charity in the last five years? And why?

The aim of the first question, apart from putting the interviewee at ease by asking them what they knew about, was to set the context. It was also anticipated that it would give general information regarding the perceived influence of environmental

factors and the use of marketing, and begin to establish the current position of the charity's fundraising against the five stages.

Q2 Which of these changes have been driven by external factors, and which by internal factor? Can you give examples?

Q2a Would you say that internal or external factors are now driving the fundraising development, and which is the stronger?

Question two directly addressed the first issue and its indicators. The question asked about the influence of external and internal factors and the extent to which the head of fundraising felt pushed into or in control of their fundraising decisions. The phrasing of the question was kept open to interpretation deliberately, so that each respondent could define their own perception of internal or external factors, but by asking for examples the respondent's world view could be compared with that of other respondents.

It was also hoped that question two would begin to give some insight into the culture of the organisation in terms of Martin's (1992) categories: integration, differentiation or fragmentation, or the new concept of advanced integration.

Q3 What do you understand by the term market orientation?

Question three was taken directly from Kohli and Jaworski's (1990) work because it would help explore how far the marketing concept had penetrated charities; because it was the easiest of the questions to use directly and because it offered a good point of cross reference. However, in the knowledge that Kohli and Jaworski had to explain the question to many of their interviewees, a clue was offered to respondents who needed it, from which they could say if their charity had this focus. Uncertain respondents were told that a market orientation was about having a focus on the customer and not just in fundraising but shared by all departments. They were then asked whether this applied in their organisation.

This definition is a précis of both Kohli and Jaworski's (1990) three pillars (customer focus; co-ordinated marketing and profitability, and their operational indicators of 'organizationwide generation, dissemination and responsiveness to market intelligence' (3)). However, given the lack of marketing concept awareness in 1994 it was decided that this definition would inform without adding further confusion. Question four was then used to explore the answer in more detail, especially with regard to the application of a market orientation across departments and at senior management levels.

Q4 Would you say that marketing thinking or a market orientation has spread out into other parts of the charity? If so where and how?

Q4a Has marketing thinking reached the Senior Management Team and the trustees too?

Anticipating that even with the explanation, question three might illicit a response that was rather limited with respect to the rest of the organisation, more questions from Kohli and Jaworski (1990) were adapted to explore what they refer to as interdepartmental dynamics and senior management factors, two key antecedents of a market orientation. These questions also enabled more cross referencing against the five stages theory and organisation culture theory regarding the role and position of the trustees, trustee/staff relationships and interdepartmental relationships..

Q5 Where does marketing fit into your fundraising?

Question five also related to marketing by acting as a counter balance to the preceding questions. It attempted to pull out the direct relationship of marketing with fundraising, or alternatively to highlight the lack of fit. The question specifically asked about the respondent's own organisation and gave them a very broad opportunity to talk about the current picture and even the forthcoming picture if changes were imminent. In this way the question related to both the five stages theory and organisation culture theory.

Q6 How integral is fundraising to the organisation now?

The sixth question was included to explore changes in organisation culture. In the 1994 research there were many references, explicit or implicit, to a lack of understanding between departments, and of the fundraising department feeling itself to be anything from simply isolated to the social pariah. Question six endeavoured to elicit an up-to-date response to this issue.

Q7 Would you say that fundraising or service delivery is currently leading the charity as a whole or is there a balance?

One of the hallmarks of a differentiated culture and especially a fragmented culture (Martin, 1992) is when the charity is perceived as being held hostage by one department or another, and never more so than when the direction is being forced by the fundraising department. Question seven was something of a touchstone *against which other answers could be measured*. The answer, and the reasons for it would inform the extent to which one department or another dominated, or were equal, it would relate to the five stages, especially for charities at stage four, and be another measure of the culture of the organisation.

Q8 What role do volunteers play in fundraising? And how is this contribution valued?

Q8a Are volunteers included in decision making about fundraising and targets? Does that include trustees and senior volunteers?

Question eight was somewhat different from the preceding seven. It specifically examined the roles and use of volunteers and related almost exclusively to the five stages, except in relation to budget setting in the fundraising department which linked into the marketing issues. The five stages theory suggests that the roles of volunteers, especially the trustees, helps to indicate the stage a charity has reached.

Although each question was asked with a particular purpose in mind, they all contributed to the whole picture because, as the respondent answered each question they would often add to information given in a previous answer.

8.6 Findings

The rest of this chapter will examine the findings in relation to the primary aims of the longitudinal study.. Chapter Nine will review the findings in relation to the five stages.

Analysis of the longitudinal study followed the methods of coding, condensing and reviewing (Kvale, 1996; Rubin and Rubin, 1995; Strauss and Corbin, 1998) used for the original research. The position adopted by the researcher also remained as it had been in the 1994 research: that the adoption and adaptation of a marketing approach and the use of appropriate marketing tools and techniques were positive steps for a charity hoping to grow and develop (Sargeant, 1999).

In terms of culture theory, while each of the four states of organisational culture already identified (integration, differentiation, fragmentation (Martin, 1992) and advanced integration) may have positive and negative aspects, it is argued that the more harmonious cultural perspectives (integration, advanced integration) led to achieving more than the sum of the parts (Deal and Kennedy, 1982).

8.7 The changing perception of environmental factors

The first issue of the 1999 study explored the extent to which changes in external environmental factors continued to occur and to what extent the charity fundraisers were ‘battle-hardened’ and therefore more able to cope. Were they proactively developing ‘shock resistant’ strategies to enable future growth.

External environmental factors affect all organisations (Morgan, 1988). The non-profit sector is neither immune nor special in this regard. So it is not a question of

whether the sector is influenced by external factors but rather one of perceived degree and impact.

In the early 1990s the charity sector in the UK was described as experiencing massive change (Baine *et al*, 1992; Heginbotham, 1990; Taylor-Gooby, 1994) caused by environmental factors. As was shown in the 1994 research, this had immense knock-on effects for charity fundraising. The question for the 1999 research then was, had the changes of the last five years been as significant as those of the first half of the decade, and what had been the response of the charity fundraisers?

As Mullin (1997) recognised, there had been a multitude of external factors which could have affected charities in the 1995-1999 period. As explored in Chapter Four, generically, the sector had been affected by the start of the National Lottery, the implementation of the Charities Act *Part II* (1994), the arrival of a Labour government, the Diana phenomenon and, latterly the focus on the millennium, to *name but a few*. However, from the 1999 research these factors seemed to have *had a limited negative impact on the larger stage three to five charities questioned*.

‘Political change, very little, I don’t think it affected us. There was a bit of uncertainty around the time of the election, I think, bit of wobbliness, but nothing very much. Lottery, no, very little impact on us.’

‘The lottery’s obviously had a major impact. I think more positive than negative as far as we’re concerned.’

For the smaller stage one and two charities, however, the impact was felt more acutely regarding three external areas: professionalism; legislation and competition. Of these three, the most significant was competition which was verbally underlined by emphasis from the respondents.

‘I think it’s basically the competition that is the main situation...[umbrella body] operate[s] some fundraising and you need to be in there as well, to make sure that they are aware of your needs.’

If the general changes had limited impact for some charities, the cause-related issues had more effect, though these related more to cause than to size or stage. The policies and legislation that related to some of the specific causes or services ranged from land fill tax to patient-staff ratios in hospices, from the new Disability Discrimination Act to changes in European funding. In some cases, these new rules and laws were having major effects

‘the external focus I think has been the massive changes, still happening in the national health service (NHS), which is the place in the UK that we are working most of the time, so that has affected us. It makes it much more difficult for us to plan and since an awful lot of the work we do is based on appeals for specific buildings that will eventually be taken over by the NHS, that’s making that side of things more difficult to deliver because the backdrop is changing all the time.’

However, not all the effects were negative:

‘If we are looking for where the opportunities are to raise money and develop things, that tends to come from external influences. One area that is very big for us was not on the horizon at all five years ago.’

Beyond the demands of political and legal change, there had also been change in everything from technology to the social perceptions of charity. While technology had proved a facilitator, even a liberator for many charity fundraisers, the counter balance was declining trust in the charitable sector (Gaskin, 1999; Sargeant and Lee, 2000). There was public disenchantment with fundraising which was perceived as being too professional, too ‘slick’ (Saxton *et al*, 1996).

In the 1994 research, the conclusion was that external factors had played a dominant role in shaping charity fundraising, so much so that the internal changes were reactions to external buffeting. The charities felt under great pressure to make significant changes simply to keep up; there were more and more demands on them which necessitated fast responses and a short-term focus on the bottom line to reach the year’s income targets. It was argued that this bottom-line focus fostered a differentiation, and even a fragmentation (Martin, 1992), in organisation culture because fundraising was being stretched by outside factors and at stages three, four and five, challenged by internal departments.

By 1999 the picture had changed. Instead of 'fire fighting' to maintain income, there was much more evidence of active planning, agreed strategic direction, considered development and proactive decision making. When asked whether they considered that their fundraising strategy and direction was being determined by external or internal forces, only two out of 19 said external factors, the others said internal or recognised the fine line between the two and were responding to external changes more easily.

'it was a cross section. Externally pressured by the [thought that] legacy income may be falling...internally, taking on board that we could not be complacent and that we had the opportunity to develop some of the strengths.'

Some charities recognised their need to continue gearing up.

'They've all been driven by external factors in the sense that the people within recognise what's happening out in the market place and know that we have to keep up with and keep ahead of the competition in the market. But they are driven by internal changes in the sense that until the current team was in place there was nobody who was proactively making those changes'

Those respondents aware of the interplay of external and internal factors considered that they were in charge of overall strategy and were looking ahead to how future change might affect them. Even some of the stage one and two charities could now answer from a proactive standpoint, able to see that it was 'a bit of both in each case', that external factors were having an effect but equally that charities were making active strategic decisions.

[Appointing] 'the fundraising manager and the NLCB grant were driven by projects we want to undertake.'

'our [cause area] has always been bound up in red tape for such a long amount of time that we've grown to live with it. We just shrug our shoulders and get on and live with it'

For most, external factors were now also information sources for reference, and sources of opportunity.

‘the more professional driver is internal. External comparators, [we] research comparative data very closely and we benchmark ourselves quite ruthlessly. We use external comparators to make a frank assessment of where we are.’

‘We try as an organisation to keep ourselves very market aware and that’s something which I think is absolutely paramount in order to be able to capitalise on opportunities. But I like to think that we are sufficiently aware and sufficiently ahead of the game in order to capitalise on outside opportunities rather than being forced to respond to particular external events.’

One thing that remained constant was the need for more voluntary income but there were some differences. Whereas in 1994 there were many comments about service delivery needing more money to run the same services, now the emphasis was on the fundraising department wanting to raise more for new initiatives, for growth. Indeed, several charities when asked for their major change in the last five years simply began by saying ‘growth’.

‘Growth. Massive increase in [two areas of income generation], both planned.’

‘the biggest change was actually realising that fundraising was moving on very quickly. We had quite a bit of catching up to do so it was almost trying to take a quantum leap and employing experienced professionals to set up a fuller fundraising agenda, priorities and plan.’

Figure 8.5 graphically illustrates the cycle from identified external need to internal response. The desire to run more programmes will usually be caused by external factors, whether it is more abused children needing support, more medical researchers (or patients) wanting medical research outcomes, or even government deciding to discontinue certain services which the non-profit sector decides to take up. As one respondent put it: ‘the work genesis is in external need’.

But the point is that in 1999 the charities were making these choices. They were following through the cycle from identified need to income generation, aware that

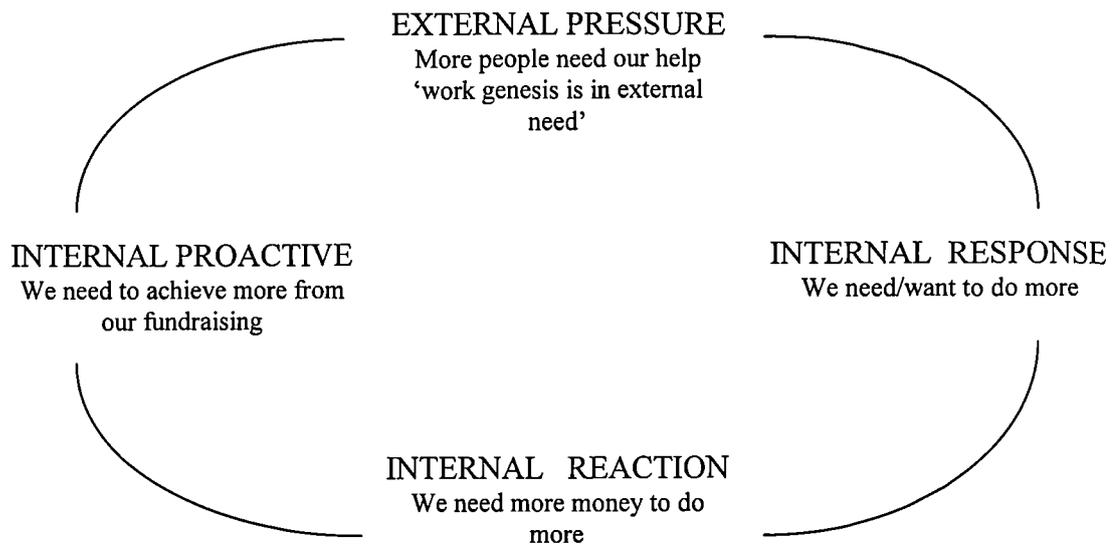


Fig 8.5 Showing the drivers for increased fundraising income are both internal and external but ultimately driven by need for more voluntary income (after Mullin)

it would lead to more need coming forward, in turn. To do this the charity fundraisers were taking a proactive position and were not deflected from their path by external environmental factors which had previously had such a detrimental effect on fundraising.

'changes in the institutional fundraising area have always been driven by external factors... changes in our programme which are responding to external pressures required some organisation . The others are mainly driven by internal, they've been strategic decisions.'

Charities can be affected by both internal and external factors in their fundraising but it is the contention of this research that by 1999, the charities interviewed were sufficiently in control of their future that they could make decisions in the knowledge of coming changes, or even despite them. They were shaping their environment.

'I think there's virtually nothing that hasn't had an external and an internal influence or impact on what we've done. Certainly, we've got better, more resourceful, more efficient at what we do. What we have available to us by way of resource, and how to use it and where we can develop new resource, is all part of the equation alongside what the marketplace is bringing.'

In terms of organisational culture this might suggest a reduction in some of the differentiation and fragmentation (Martin, 1992) that were the hallmarks of the mid 1990s, with fundraising and service delivery working more closely together to achieve the new objectives. It remains to be seen whether this happened in practice.

8.7.1 The black cloud on the horizon

The 1999 analysis did, however, reveal one major external threat in even greater evidence: competition. More than anything else, competition appeared to be affecting everyone and the primary source of that competition was the growing number of fundraising organisations (Mullin, 1997): the schools, hospitals and universities (Smyth, 1997), as well as the 7,000 new charities being registered every year by the Charity Commission (Pharoah, 2000) and the more visible efforts to raise voluntary income by non-profit organisations of all descriptions.

The effect of competition was being felt by charities at all stages. For example, local charities considered that they were now competing not just against other local charities but against local appeals from national charities, especially if they operated in the same cause area (eg. visual impairment or cancer).

‘We have found increasing competition really. We’ve found the hospitals are now trusts, and they’re fundraising. The schools are fundraising for themselves, so we’re finding not so much support coming in from that area. Other [regional] and [national charities] are quite a big influence now. So obviously that’s all increasing competition.’

‘I think it’s basically the competition that’s the main situation.’

‘We did notice that the fundraising climate was a little bit more fragile and I think that has not gone away....we are having to work much harder to secure funding.’

Even stage four and five charities considered that they were competing. In their case it was not just for the voluntary donations but in the way they went about seeking the donations.

‘I think in the 90s we’ve all had to work, we’ve not had a ride on the external bandwagon. I think fundraising now is highly competitive. I think it is strategically competitive.’

‘I think the competition is greater, the professional competition out there is greater than ever before, so consequently we assessed our opposition at the same time as we were creating our own strategy in the fundraising division.’

While a follow-the-leader approach to fundraising methods has always been common, during this period it was considered that the copycat organisations were arriving more quickly. In other words, competitive advantage (Porter, 1985) was harder to sustain. For example, during the 1995-1999 period, one of the leaders in covenants and direct debits, began asking people for ‘little and often’ gifts.

‘About five years ago we’d just started an investment programme trying to recruit regular monthly givers. That’s been very successful so the database has increased from about 70,000 regular givers to getting on to half a million now’

As this worked spectacularly well for the initiator, other charities already using direct mail quickly joined the bandwagon. Some charities started by asking for as little as £1 a month and it will remain to be seen what kind of lifetime value (Sargeant and Kaehler, 1999) and return on investment, is generated from this strategy.

8.7.2 Strategies for growth

In determining how dynamic a charity is in its own development, reference to the strategic plan is a good indicator of it thinking ahead and being proactive. Indeed as Cleverdon (1997) argues, during a period of rapid growth a strategic plan is absolutely essential to maintain a focus on the primary purpose. It is not, of course, the only indicator and there are those who think that a strategic plan can be used as an excuse for not doing what one should be doing, the ‘all planning and no action’ syndrome.

Nevertheless, in organisation culture terms, the development and application of a strategic approach can be indicative of a cohesive organisation if all the departments participate equally and agree to the overall direction. It may also give an indication of the extent of marketing awareness and adoption.

The role and importance of strategic plans were mentioned by all the respondents. This differed from 1994. By 1999 almost all charities were using or preparing at least their second plan. Exceptions to this were rare.

‘I think as the staff has become more professional so notions of [marketing/strategic planning] are beginning to creep in’

As second and third plans were put into place there was more joint working and growing understanding from the senior managers. As Cummins (1997) argued, strategic planning is a creative process to enable an organisation to achieve its mission, it therefore requires a ‘joined-up’ approach. The one area of uncertainty was the role of the board in understanding and participating in strategic planning and especially marketing, though many teams were working on it.

‘we’ve just done a presentation on a new strapline and updating the visual identity to our trustees only last month, but also on the customer care side, that is discussed by the full management team. Understanding?... It’s not bad, its much better than it was.’

‘in the next month or so we are going to try and get the SMT and the trustees to meet re marketing goals of the charity’

What was significant was that the new strategic plans had not been simply extensions of the previous one. The changes of the 1995-1999 period had been enough to cause the charities at all stages to undertake major reviews of their strategy for the future. Heads of fundraising (and not just those newly in post) were not simply tweaking the agreed strategy, but in many cases, across all sizes of charity, they had taken a long, hard look at their whole approach to the need and to the methods of income generation. As a result, some had made major strategic changes, going right back to the fundamentals of how they did business.

‘Probably the most important [change in the last five years] has been the establishment of the fundraising department in its own right.... Coming along with that has been the decision to employ professionals.’

‘There was a time when the old strategies, even if we hadn’t realised things were changing, would have failed us.’

‘ For the first time ever... we are now about to present as a team, and that’s me working with the regions and my heads of teams, a joined-up UK fundraising strategy which will drive everything we do and I hope will channel an incredible amount of energy and creativity and lead to something very productive.’

For the larger mostly stage four charities this exercise gave them a positive boost and a new sense of purpose.

‘It was just a question of scaling-up and again the best practice solution was having the ambition. Instead of raising £10,000, to raise a million.’

‘We’ve put quite a lot of time and effort in to researching both qualitatively and probably more importantly ... whether it is volumes or values and what are the determinants for growth, and I think we understand that a lot better than we did five years ago.’

For the stage one to three small and medium sized charities, particularly, the main external factor was competition, as mentioned above. For some this had dominated their strategic planning but what it meant in practical and proactive terms was recognising the need to enhance their fundraising capability by investing in their fundraising resources. [As will be shown in the next chapter, this equates to moving across the stages of fundraising.]

From the perspective of the five stages this would be indicative of growth, moving to stage two or three, but to the charity and its trustees, this could often only be seen from the perspective of the cost, not the benefit. This, in turn, sometimes led transitional stage two and stage three charities to offer low salaries which then meant they experienced difficulties in determining new directions or finding staff to do the work.

‘we’ve had difficulty...one of the problems actually recruiting people, suitable people, [there] seems to be a bit of a shortage of fundraisers around at the moment.’

‘We are trying to move away from [our main source of income] if we can, well not move away but certainly supplement it with other areas, but as yet we haven’t really got moving in the right direction.’

Yet despite this tension and challenge for stage one to three charities, across the board most were actively planning for their future and looking for growth.

‘We are looking at appointing [our first] fundraising manager... by October’

‘We are now looking at doing things which aren’t simply fundraising or aren’t simply supporting our users but are a combination of 1, 2 or 3 of those.’

8.7.3 Fundraising activity

In 1999 the big change was that charities were enhancing their fundraising product portfolio, not by diversification, as was the case in 1994, but instead by depth. They were putting more investment into core products rather than the emergency scatter gun approach for a quick return of the early 1990s, as evidenced by this extended quote.

‘a greater emphasis on direct mailing activities which have brought in a lot of donors and increased our donor base, thereby bringing in extra legacies... In the past, going back ten years we had increased it quite considerably and then stopped because of budgetary constraints but about four years ago I persuaded our Council that really if we were going to continue as a mainstream [cause] charity then we had to up the ante so we’ve increased our expenditure from something like £½ million to £900,000 and this year we’ll have brought in about £2.7 million... So we have, over the last two years increased our voluntary income by about 30 per cent, so the strategy appears to have paid off.’

Many charities with well-established fundraising departments, stages three, four and five, were now ready to see their core activities as a good bedrock on which to build a more customer focused approach to fundraising.

‘[new products and services] come out of a much more marketing oriented organisation. There is a market out there and you’ve got to develop your organisation to meet the needs of those people and then to look at what products and services you offer to them: donor products and services. That’s strategic development.’

Although most of the charities were following growth strategies, unlike 1994 they were not all following the same path. Rather, each charity was developing its own version of Ansoff’s (1957) four strategies for growth (fig 8.6), based on its fundraising product portfolio which, in turn, was often influenced by each charity’s historical methods as discussed in Chapter Six.

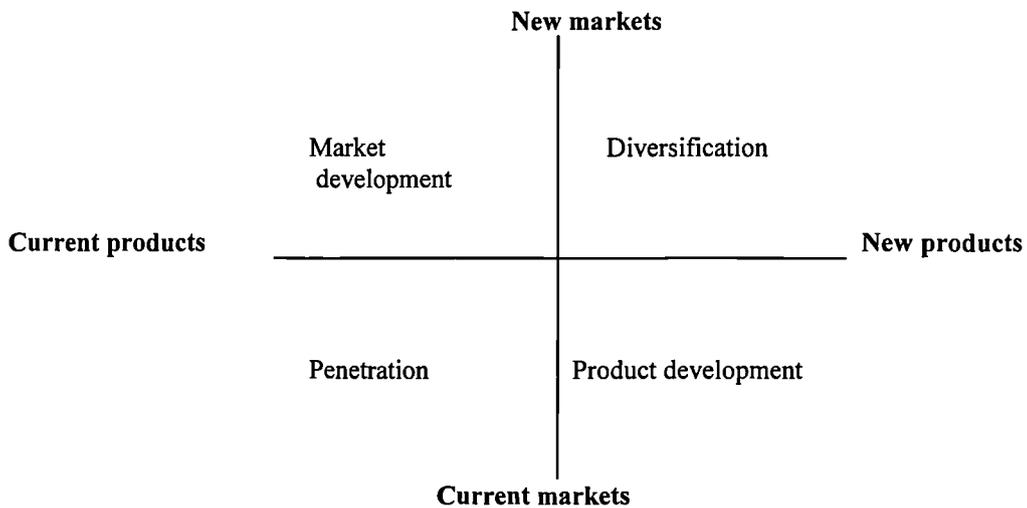


Fig 8.6 Ansoff’s growth strategies matrix

Based on figure 8.6, figure 8.7 illustrates the four strategies with specific fundraising examples from the charities interviewed in 1999. These are discussed below to illustrate how the fundraising portfolio had changed from 1994. It should be noted that several of these examples could appear in different quarters of the matrix for different charities. For example, legacy marketing was variously a new product to a new market, a new product to a current market or a current product to a current market.

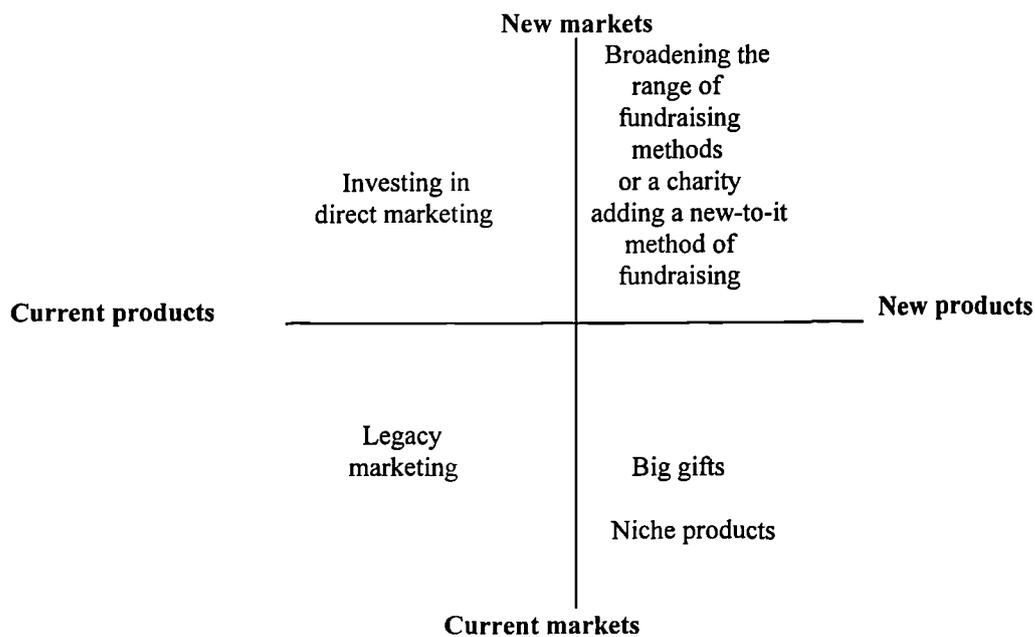


Fig 8.7 charity fundraising products in the Ansoff matrix

8.7.4 Legacy marketing

Legacy marketing had really only begun in the late 1980s (Clay, 1989; Medley, 1993; Wilberforce, 1998). The campaigns developed in the 1995-1999 period were the start of what might be called the second wave. In terms of strategy, legacy marketing was now being targeted at current markets by most charities. Some were seeing it as a current product, others saw it as a new product for them.

‘I think we also understand that legacies are eminently marketable to individuals which, perhaps five years ago, we didn’t. And indeed, over the last two or three years we have put quite a lot of effort into writing to our key supporters, the higher level supporters, promoting the notion of leaving a legacy - with some success.’

‘We’d had some sort of abortive attempts at getting legacy activity going in the past. The last two years, though have seen major growth in that area identifying existing supporters that have already written us into their will and then generating enquiries from supporters who might be interested, and then following them up either through mail or telephone or in some cases face to face visits.’

This concentration on current markets showed a realisation of the potential that many charities already had on their files, people already known to them, without the need of expensive campaigns to strangers. As such it was about making better use of known opportunities.

8.7.5 Direct marketing

Direct marketing was practised by most of the large charities, but often without a great deal of sophistication. During the 1995-1999 period charities had refined their targeting and segmentation, helped by articles in publications like the *International Journal of Nonprofit and Voluntary Sector Marketing* (4 (3), 1999) to develop current markets and to find new donors. As a result, direct marketing could also be seen in two or more quarters of Ansoff's matrix. One of the strategic developments was the concentration on recruitment of new regular donors, that is, offering a current product with only slight modifications, to a new market.

‘We are focusing most of our recruitment on direct mail, on committed giving. ... in line with what other charities are doing we are aiming to grow our committed donor base so we've got that secure, ongoing, regular income that we can rely on.’

As this comment notes, however, it was an area of strategic competition as regular givers were seen as a key target group by many charities. To try to break out of the me-too competition, charities looked for new ways to attract potential longer-term donors:

‘we've been running successful direct response television (DRTV) advertising for about a year now and this is something we anticipate continuing. We've also started face-to-face fundraising... this year.’

8.7.6 Big gifts and niche products

The third area was newer still. Big gifts - the concept had come from the United States in its current format (Rosso, 1996) but in many ways the United Kingdom abounds with nineteenth century examples of large donations from families such as Tate, Walker, etc.

In its current format, big gifts were a new product but many began searching for these among their current donors. As Ansoff would point out, a new product to a known market being less risky than new products to new markets.

‘The area that we have looked at to develop, we are in the throws of developing it at the moment is, like a number of other charities, the area of major donors. That’s still in its relative infancy, so it’s quite difficult to give an accurate picture as to where we actually are with that but that’s been a departure and a development over the last couple of years.’

As an alternative to big gift fundraising (usually starting from at least £1000 or £10,000 for larger charities), some charities identified what might be called a mid-range niche. For the privilege of self-selecting into this special group, the donor is willing to pay a higher than annual fee or subscription. This kind of niche marketing can appeal when the potential users/beneficiaries of the service gain a perceived cachet from being part of this group and have the money to pay for it.

‘the other major change in the last five years is that we’ve discovered a very lucrative and higher level niche market and have been exploiting that. We’ve 25,000 new members in it at £50 a throw.’

8.7.7 Broadening the range

If a charity feels that it is pursuing its other areas to maximum capacity the fourth strategic option is diversification. This always has maximum risk because it requires new investment without experience from within that organisation, though, ironically, this was the strategy adopted most in the early 1990s, as they looked for quick fixes.

To do it properly requires bringing in new staff, new expertise and being prepared to look at a medium-range forecast at the very least, preferably long-term if significant investment is required. For the smaller organisations the difficulty here was having the resources to commit to new developments in the first place, though interestingly the stage one and one of the stage two charities (by 1994 rankings)

had made commitments in this area, were making new appointments and were looking for return in the medium term.

‘In the past we haven’t done an awful lot of active fundraising. We’ve tended to rely on people coming to us... We’re finding now that we are having to go out and look for this money more than before. We have actually appointed just recently, another member of staff, to go into the corporate area.’

It was easier for some of the large charities at stage three and above as they could afford to commit resources without seeing an immediate return on investment..

‘We’ve also had enough fundraising income growth, if I go back two years, to be able to say that we can afford to stand still ... while we recruit volunteers.’

In charity terms, diversification might be described as doing what they have not done before, as there are few genuinely new fundraising methods, the best ideas are constantly being borrowed, reinterpreted but ultimately reused.

‘A very recent appointment is a shops development manager because [our cause] does particularly well from charity shops... We only have two [shops] but we’ve appointed a shops development manager with the intention of increasing that number. Some [other organisations for our cause] have 10, 12 or more charity shops and we intend to move in the same direction.’

There are also costs and long-term implications of diversification, as people found in the early 1990s, which give a charity more liabilities than a company.

‘we still have a portfolio, a wide portfolio... volunteers from branches and shops, corporate fundraising, legacies, trading activities, trusts and foundations, direct mail... Given that we have that wide portfolio it is very difficult to deal out of any of it. You can’t stop when you’ve 150 shops run by volunteers. It’s not like the commercial world where you’ve got tough but easy options to change the way you do things.’

Taking the four elements of Ansoff’s matrix, the one thing that the charities had in common was that they were following strategies for growth. But, what they had learned from the early 1990s was to make more concerted investments into key

areas (where each charity defined what was key for them). This strategy and modern technology also helped charities to consolidate their approaches to donors, something which some charities recognised they needed.

‘we were in danger of talking to the same person as if they were actually six different people. We would have the legacy team talking to them as a potential legator, appeals talking to them as if they were a potential donor, membership team saying why don’t you covenant your membership’

In terms of what charities were trying to achieve there was one main aim, ongoing, sustainable income to overcome the annual ‘start from scratch’ (Leat, 1995) approach. As one head of fundraising put it ‘ I am obsessed with building sustainable income rather than having one-off pushes which leave you exhausted.’ Overall, the strategies were based on building a department that could actively develop the best life-time value of each donor (Blum, 1977; Burnett, 1992)

‘I think that one of the main changes is that we have created a structure that now has five departments that are all headed up by a head of department and all have a firm strategy in place, of what they are doing and where they are going which also feeds into a fundraising strategy which in turn feeds into the charity’s strategy.’

In many cases they were also trying to build what might be called the fundraising cushion, by keeping one step ahead of the competition, though this was not considered easy.

‘We decided that we’d have a shops division that we set up when we thought that legacies might drop, so that we hadn’t got all our eggs in one basket... And now we are in a position where our brief together is to find another fundraising opportunity as well as what we are doing in our shops.’

In terms of new fundraising products, the large stage four and stage five charities almost always lead the way because they have the staff resource to put into it. The stage one and stage two charities may often ignore developments, like direct mail, because they have neither staff nor money to invest. Perhaps those who fall in to the middle, small stage three charities, have it hardest. They often lack the resources for investment and the support of the trustees (Rosso, 1996, beginning stage) which can frustrate staff. This, in turn may lead to higher than average staff

turn over which, itself, mitigates against a coherent and consistent strategic approach.

‘there is only one person out of 12 who has been here longer than about 18 months.’

From these findings, it is argued that heads of fundraising of charities at all stages were taking more control of fundraising development than they had been in the first half of the decade. Charities had a much greater awareness of external change, accepted its inevitability and were actively allowing for it in their strategic plans .

Strategy had become much more important than it was in the early 1990s, (Butler and Wilson, 1990; Cousins, 1990). Charities were, implicitly or explicitly, going for growth and were working within a classic Ansoff matrix model. They were re-examining their portfolio of fundraising products and examining how they could maximise their opportunities and improve the return on investment of each successful product, rather than having a ‘finger in every pie’.

As a result, by 1999 many activity changes were about deepening commitment to a product rather than diversifying, and staff teams were concentrating on the core areas. Charities were putting more people in to strengthen the team but expecting exponential returns (Kotler and Zaltman, 1971). Even culturally, there were signs of more acceptance for what fundraising could deliver, from other departments.

Fundraising ‘has much better credibility ... now part of [the charity’s] internal psyche’

Fundraising ‘has been turned around in ten years as a total operation that can deliver and out of that ‘can deliver’ has come the expectation that it will deliver to meet a harder financial climate and an ever expanding requirement for service so it’s crucial to the future of the organisation.’

The one issue that remained a challenge was that of competition. By 1999 it was recognised that this was not going to go away and charities were learning how to cope with its ongoing presence.

8.8 The role of marketing

The second issue concerned the adoption of marketing. Would it have become more established than it was in 1994 and would it be found more holistically throughout fundraising departments. Indeed, would it have reached the senior management team and the trustees, and through them to other departments.

The conclusion from the 1994 study was that marketing tools and techniques had been introduced to charities, often by former commercial marketers who came into the non-profit sector in the early 1990s. As a result, charity marketing was still a raw tool in 1994 needing some adaptation from business. This was confirmed by several of the 1999 respondents:

‘The whole of our retailing operation, the fundraising, the campaigning communications is all professionalised, it’s become more professional over the last five to ten years. A lot of that as a result of people with professional marketing experience coming in and applying those sorts of disciplines to our work.’

Unlike the use of marketing tools, the marketing concept or a market orientation (Houston, 1986; Kohli and Jaworski, 1990) had not become an integral part of charity culture by the mid 1990s, with only one or two exceptions.

By the second half of the 1990s, it was anticipated that the situation would have changed. As Conway argued (1997), ‘not-for profit organisations... now exist within a more competitive environment and there seems to be growing acceptance that marketing in general can play a valuable part in such organisations’ effectiveness’ (50). Although along with Arburthnot and Horne (1997) and Sargeant (1999), Conway (1997) remained sceptical about the extent to which the marketing concept had permeated charities.

8.8.1 The application of marketing to fundraising in 1999

By 1999 many heads of fundraising considered that fundraising and marketing were integrally linked, regardless of departmental titles or roles.

‘[Marketing], it’s at the heart and soul of fundraising. I think it is all about knowing your audiences and knowing how to reach them and what motivates them.’

Those at the leading edge, also recognised the total time needed to bring about a market orientation and recognised that it was a major change

‘[Marketing orientation] is a process that started more than five years ago and it will carry on but the emergence of a true marketing culture in any organisation which hasn’t been market oriented historically takes a long time.’

‘as someone who’s just looked at us five years ago and us today you will, I hope, see a very different animal.’

8.8.2 Customer focus

One of the hallmarks of marketing is a focus on the customer (Kotler and Andreasen, 1991; Bruce, 1994). By 1999 there appeared to be much more awareness of the people who were customers, even if they were still called ‘donors’ and ‘service users’.

Looking after one’s donors, volunteers and supporters had risen high on the agenda of every charity, even if stage one to three charities did not have the resources to undertake it to the same extent (Hirst, 1997). For the larger stage three to five charities, loyalty had become a big factor after Peppers and Rogers (1993) and Burnett (1992). Some of those taking a more holistic approach also added in their beneficiaries and service users too.

‘Before, we just used to send whatever we’d got, we just sent it to anyone that happened to be on the database. We’re now much more selective about who receives what and we’re responsive to people.’

However, it was clear from the respondents that only two or three organisations had made the transition to calling all their people ‘customers’. This is more than just an issue of nomenclature, because for these heads of fundraising customer

thinking came through repeatedly in their answers. The impact of a customer focus also showed in how these charities were moving the work forward.

‘We do things in the way actual customers and users and donors, want and expect, not the way we choose to deliver it and it is very much linked to an understanding of customer expectation and our attempting to deliver in the way our customers expect us to.’

In moving more towards marketing, one charity had recognised that previously they had treated supporters as if they were different people because they appeared on several lists.

‘when we were all working out our programmes, we were all working on a somewhat single track focus and so to that extent it was an understanding that marketing is all about trying to respond best to your customers... that really fuelled the change.’

8.8.3 Marketing titles and language

In 1994 one of the marketing indicators was the different titles of the heads of fundraising. As shown, the style of titles had cultural implications (Hatch, 1997), as well as links with the five stages. By 1999 the debate had moved on to the titles for the departments as a whole and the language of marketing. In some charities where heads of fundraising considered that their staff came into contact with donors or other constituencies, there was a distinct move away from marketing in the departmental or role title. Instead euphemisms for marketing were considered more acceptable, hence ‘fundraising and communications’, ‘fundraising and external relations’, ‘development’ or even ‘regions and nations’.

These charities considered that ‘marketing’ was still a misunderstood word, especially in a charity context and therefore moved away from it.

‘My directorate is called fundraising and communications, we don’t call it marketing... Having come from an organisation where we went through quite a lot of angst about whether we should call ourselves marketing or not, there remains a degree of anxiety as to whether that actually accurately reflected the right kind of values for a voluntary organisation.’

On the other hand, some wanted to have their colleagues recognise what they considered to be a much more professional approach and went specifically for a marketing title. This was quite a significant step and revealed a greater familiarity with marketing ideas and principles than had been the case in 1994.

‘we are no longer a department of fundraising, we are a department of marketing... I think we have moved a long way actually.’

‘we have reorganised the department that I work in which used to be called Public Affairs and it is now called Marketing and Communications because that better reflects what we do.’

‘all of that [activity] is viewed as being part of marketing activity because it’s about trying to engage with people where they are and try and find what motivates them to take some action to further our purpose as an organisation.’

Throughout the interviews marketing language was much more in evidence. There was a greater familiarity with terms like ‘market share’ right down to the smallest stage one and two charities, which had not been there in 1994.

‘ people within recognise what’s happening out in the marketplace and know that we have to keep up with and keep ahead of the competition or the market.’

In the 1994 research, four topics were examined to assess the extent of marketing in action: corporate identity, branding, research and relationship fundraising. While none of these topics was asked about specifically in the 1999 research enough information was given by heads of fundraising to revisit three of these areas: research and analysis, branding and relationship fundraising.

8.8.4 Use of research and analysis

While the use of language does not necessarily indicate application of the concepts, there was evidence of sustained use of marketing tools. In 1994 market research and financial tools like cost/benefit analysis were still in their infancy. Five years later both were much more commonplace and almost all the charities talked about

using analysis for campaigns or fundraising as a whole. Research on the other hand was more widely used than it had been but it was still perceived as a cost to the organisation so its use remained more limited, predominantly by stage four and five charities.

‘We try not to take any fundraising initiatives in isolation. We try to look at the whole picture of any aspect of our fundraising to see how we can profitably market the organisation.’

‘We do a whole variety of research. We research our profile and impact before and after every (annual) Week... for example reviewing our last four-year plan and looking to the next four years, we just carried out some focus groups with supporting and non-supporting [people]... we do that sort of thing quite often.’

‘our market research base is not good enough on donors’ and non-donors ‘aspirations and attitudes because historically the organisation has never devoted enough resource to good research.’

8.8.5 Relationship fundraising

Since 1994 the principles of relationship fundraising (Burnett, 1992) had been more widely assimilated, helped by Burnett’s (1996) second book of practical examples. Relationship fundraising appeared to underpin many charities’ strategies for developing long-term, profitable relationships with customers or donors.

Indeed, by the end of the 1990s, while meeting the annual target was still very important, there had been time for the stage three to five charities to develop friend-raising as well as fundraising strategies.

‘I think it has been a shift from a kind of sell-it-at-any-price, grab it and run type of fundraising, a very short-term focus of the past, to one which is much more about working very ethically with people to build long-term relationships.’

And while some believed that charities were somewhat behind commercial companies in this area of relationship building (Conway, 1997), others had presented the opposite view, that in fact many charities, interestingly often the

medium-sized charities, were ahead of commercial companies in their ability to foster and maintain relationships on an individual basis (Kay-Williams, 1997).

8.8.6 Branding

Another indicator of the spread of marketing thinking across the organisation was in the understanding of and application of the whole issue of the brand. A brand is not just about what the fundraising department thinks. It has to be accepted, understood and promoted by all members of the organisation (Ind, 1990) from trustees to junior staff and from volunteers to senior managers and service deliverers.

Since the 1994 research a small number of articles have been written on the charity brand. Reflecting the complexity of the issue, these articles take different perspectives. Roberts Wray (1994) with an fmcg background, saw little difference between a charity brand and a commercial one but Saxton (1995) and Tapp (1996) argued more persuasively for the distinct role of a charity brand. Ritchie, Swamie and Weinberg (1999) went further, considering it a powerful tool for non-profits but recognising the input that is required, from the initial need to gain support and commitment to the, perhaps more arduous, ongoing job of maintaining brand integrity especially with multiple publics.

A number of the interviewees however made particular reference to their work on the brand and how this was indicative of not only other departments but senior managers and the trustees buying into the applicability of marketing concepts.

‘We had a very disparate visual imagery, inconsistent messages and one of the things that has come out of that is a focus on the brand. We’ve worked on a complete redesign of our logo and visual identity as well as what the brand values are. It goes beyond logo and visual identity to real understanding at board level of what brand is about, what strategic management of your brand is and brand equity. That’s quite a profound change. Ten years ago the organisation would just not have been talking brand. Now you just hear the directors talking about brand all the time. A very marked change.’

‘there is a much stronger marketing communications task and operation here and in other places where there is an understanding that core messages, brand values, need to be communicated to people as a whole.’

Instead of just two, as in 1994, there were now a handful of respondents from stage four and stage five charities which had set up staff teams with responsibility for brand maintenance. One head of fundraising had, as part of his role, the task of seeing everything the charity produced that would go into the public domain to ensure consistency of message.

‘We can’t fundraise on the back of an out of date image. One of my team has responsibility for the brand - ‘does this absolutely reflect the brand?’

‘we have a brand management team of senior people in my division and in public affairs division who really lead the development of the brand’.

In terms of these three areas of marketing: research and analysis, branding and relationship fundraising there was evidence from the respondents that they understood the concepts more deeply, were applying them more thoroughly and that they were using these mechanisms throughout their fundraising. But the total extent of buy-in or understanding from the rest of the organisation still seemed to have some way to go, a lot of the words used about branding or analysis were the language of persuasion.

8.8.7 Market orientation within the charity

The previous section has presented evidence that the application of marketing was becoming more widespread within fundraising departments but, as Shapiro (1988) and others point out, a market orientation does not apply if it only resides in the fundraising or marketing department. It has to relate to the whole organisation.

At this point it is worth examining the answers to question three of the 1999 survey, the question that was specifically taken from Kohli and Jaworski (1990): ‘what do you understand by the term market orientation? Kohli and Jaworski (1990) defined market orientation as ‘the organizationwide *generation* of market intelligence pertaining to current and future customer needs, *dissemination* of the

intelligence across departments, and organizationwide *responsiveness* to it' (6, *italics in the original*). For non-profits this was interpreted as a focus on customers (donors, beneficiaries, members etc) throughout the organisation, cross-departmental working, sharing information and objectives, and an agreed common purpose (mission) even if different departments approached it differently. In organisation culture terms this has much in common with the advanced integration perspective.

As Kohli and Jaworski (1990) found, several respondents needed an explanation of the question. Of the 19 people interviewed six, or almost one third, needed clarification. Even those not requesting further clarification took advantage of the device of repeating the question to gain thinking time. Overall, though, it was this answer which gave perhaps the best indication of the actual understanding and application of marketing within each of the charities. The table below shows a breakdown of how the question was answered.

View of market orientation	No of charities	Stages of charities (99)
Full market orientation as defined by Kohli and Jaworski	1 charity	5
Movement towards market orientation, holistic, with customer focus	3 charities	4, 5
Aware that it is more than just fundraising, but in activities mostly applied to fundraising	7 charities	3, 4
Still predominantly linked just to fundraising	7 charities	1, 2, 3, 4
Not applicable to charities	1 charity	3

Table 8.8 analysis of views on market orientation and relevant stages (1999)

As can be seen in table 8.8, one of the respondents answered the question comprehensively enough to indicate a marketing concept as defined by Kohli and Jaworski (1990).

'We've attempted to ensure that customer needs and customer wants are at the forefront/focus of what we do by way of service development and service delivery. Increasingly the linkages between that market and the donor market are intrinsic to our thinking.

Three further organisations, however, were making definite progress towards this point. They had a customer focus, they had fundraisers at senior levels, they had awareness of the relevance of marketing to the programme side and service delivery, as well as to donors:

‘marketing need not only be on the fundraising side... it is also on the programme side.’

But what they lacked was what might be described as the joining together of all the dots. There was still an element of each department or division using marketing in isolation and still using marketing as a series of tools, not a holistic application of the marketing concept.

Seven charities indicated in their responses that they knew about the applicability of marketing to other parts of the organisations but that, in their organisation, the main use of marketing was for fundraising. In other words, where the customer was synonymous with the donor.

‘a focus on what the consumer wants... we need to stay very focused on what motivates support and we have to make sure that what we’re doing as an organisation is considered with what we’re asking people to support when we ask them for money.’

This limited position was not always the wish of the respondents, several of them indicated that they had not yet succeeded in getting other departments to see the purpose or applicability of the marketing concept within their area.

‘I don’t think it’s something that we’re as good as we need to be but it’s something that we continually bang the drum about so if there’s one thing the ... group champions it’s that.’

Seven further charities across stages one to four were even more limited in their understanding of the marketing concept, talking only about marketing’s role within fundraising. In fact, on closer analysis all of these charities were really talking

about market segmentation and targeting, which takes us back to tools rather than the concept.

‘Market orientation to my mind is about positioning yourself differently to different cohorts so that the proposition chimes with their own belief. So you need to adapt the presentation to get the donations.’

‘one has to orientate one’s marketing in the direction of the folk who are liable to give you money.’

The charity marketer is accountable to a range of audiences (Shapiro, 1973) and may have to modify the message to each of them while remaining true to the overall tenets and values of the charity but this does not fully encapsulate the marketing concept.

Finally, one organisation where the head of fundraising had come from a commercial background said that the only time she had come across the term ‘market orientation’ was when working for a computer company and she did not *think this was relevant to non-profits*. When asked about marketing in her organisation she replied ‘I don’t think we do have a marketing focus.’

While this was an extreme response, several respondents were at pains to point out that while they agreed with the applicability of the marketing concept to charities, of more importance was remaining true to their purpose. In other words, marketing in the non-profit situation is different from marketing in the commercial sector (Cousins 1990; Paton and Cornforth, 1992). As one respondent put it ‘the trick is to be market orientated but true to your vision.’ They did feel that there was a difference between marketing in charities and companies.

‘I think that we manage to maintain a healthy balance between being market aware, being able to capitalise on opportunities but also being mindful that we are different from a commercial organisation’

‘In an organisation like this it has to be the integrity and quality of your work in trying to do something about [the cause] that drives decisions, rather than the availability of money driving things... Inevitably, there’s a bit of a symbiotic relationship between the two.’

So, the question remains, how near were charities in 1999 to effectively adopting a market orientation (Kohli and Jaworski, 1990). On this analysis, a pessimist might conclude that most were nowhere near and cite the ongoing scapegoating of the fundraising department to show both a lack of marketing understanding and culture theory fragmentation (Martin, 1992). This was certainly one view that prevailed.

‘Given where we were and where we’ve got to it’s a lot better. There are still the people who raise the money and the people who spend it.’

On the other hand, an optimist might acknowledge what has been said about the time it takes to change the thinking, and actions, of organisations (Handy, 1996) and note that there are signs of change in the studied charities. Some of the organisations were beginning to realise that, contrary to the views of Conway (1997) and Gronroos (1994), when other parts of the organisation become marketing focused, the whole organisation and its various constituencies can benefit, as Bruce (1994) advocated.

‘the marketing of this organisation is about understanding all our users and donors, their aspirations and their needs. For some of them there are a different range of needs, but there’s an overlap of needs which are service or information related.’

In summary, it is argued that a growing number of the charities interviewed had a broader understanding of marketing and its potential for the entire organisation than had been the case in 1994. As one phrased it, ‘it’s strategic development because it’s a broader understanding of the use of marketing by the organisation where fundraising is almost tangential to it.’

8.8.8 Fundraising’s place within the organisation

So if marketing was, to some extent, still understood in terms of tools and fundraising rather than a holistic focus (Sargeant, 1999) what was the position of fundraising within the organisation? Part of the answer to this question is dependent upon the stage of fundraising a charity has reached, which will be discussed in more detail in the next chapter. But more generally, the respondents

were asked about their perception of the attitude towards fundraising that now prevailed in their charities.

The key problem identified in 1994 had been that in many ways, fundraising was bolted on to the rest of the organisation. It was seen as a 'necessary evil' (Fogal, 1994) rather than something integral to the work of the entire organisation. There was some evidence in 1999 that this position had begun to change, but not without effort.

'I have been in the charity 11 years, so when I came into this post I was already recognised as a senior member of staff... I was recognised as someone to move the work forward. It was easy to try and influence the integration of fundraising - [they] did feel the poor relations, the team felt very neglected. But now I have no hesitation in saying that it is very integrated.'

'I would say fundraising is pretty integral and I think that has changed as well. I think there is much more of an understanding now of the connectiveness of all the different bits of the organisation.'

These two extracts from stage four charities show that investment and education were needed for fundraising to be seen as working alongside other departments. There was evidence that progress was being made. Indeed, one respondent, also from a stage four charity, simultaneously showed how far his charity had come and how far it had yet to go. The example involved a programme team member who had been seconded to the fundraising department to work on a specific funding bid. While on this project he had been enlightened and left the department as an advocate for the fundraising role.

'He said two things: "My God I always took funding for granted, my project grant would just appear... I never cared. I never understood the challenges the fundraisers were facing in bringing in the money and I didn't support or get involved". Secondly, having seen what we do there is a substantial degree of respect for the intellectual rigour of the process, the enthusiasm and the professionalism exhibited by their fundraising colleagues. ... If we can get vocal members who come in and can go back out and who can command peer respect then you can achieve much.'

And some went even further, aware that in terms of the fundraising department, they were making progress

‘[Fundraising] has been turned around in ten years as a total operation that can deliver and out of that ‘can deliver’ has come the expectation that it will deliver to meet a harder financial climate and an ever expanding requirement for service so it’s crucial to the future of the organisation.’

But what of the views of the senior managers and trustees to marketing? Here there were indications that there was still some way to go, although there were signs of development.

‘the trustees now realise that the membership ranks are deficient in the sense that there is nobody who has been appointed a trustee from a marketing background...I think it would be an innovation to have a council member who can understand marketing issues.’

While the consensus was that senior managers were supportive, it was felt trustees were anywhere from ‘getting there’ to ‘a million miles away’ from understanding marketing and fundraising, and this was said by many charities regardless of size or stage, except stage five charities. Unlike 1994, however, there was evidence of specific internal campaigns to educate trustees and these were happening with charities from stage three upwards.

‘it’s been my responsibility to make that happen. I think it can be very hard to change thinking, particularly at trustee level.’

‘their entire life has been service and administration within the [organisation] and probably marketing and fundraising are disciplines of which they’ve got least handle or knowledge and so to a degree we’ve had to demonstrate success before we can be given the trust to get on and do bigger things.’

8.9 Conclusion

From this examination of the studied charities it is argued that charities of all sizes have developed in their fundraising. They have ridden the traumas of the early and mid 1990s and though many have changed their staff considerably in the process; there is a sense of an animal sloughing off its old skin and preparing anew with refreshed vigour and commitment to the organisation as a whole. They revealed

themselves to be more in control of their direction and more able to take external developments in their stride, factoring them into their planning. There is only one significant black cloud and that is competition, the issue which, every respondent agreed, is not going to diminish and has to be factored in to all future plans.

Instead of the short-term tactics of 1994, charities were focused on strategies for growth and development, and certainly within the fundraising department there was a sense of common purpose, even if this had not always reached other departments.

Marketing was making more impact on the charities but it was still predominantly tool-led, not concept led. Marketing activities were still predominantly based in the fundraising department by the respondents' own admissions, it still had some way to go to be a core element of the organisation as a whole, understood and implemented by everyone from the trustees to volunteers in most charities.

It now remains to examine the research findings from the longitudinal study in terms of the five stages of fundraising. This is the subject of Chapter Nine.

Chapter Nine

Longitudinal findings in relation to the five stages of fundraising: towards wider applicability

9.1 Introduction

This chapter revisits the five stages of fundraising. Taking the findings of the longitudinal survey as its starting point, this chapter tests the ongoing application and relevance of the five stages theory.

By revisiting charities from each stage in 1994, it was possible to examine changes in their fundraising and the extent to which these matched the variables established from the original research. While the examples are based on specifics, it is hoped that this analysis will demonstrate the wider relevance of the theory as a whole.

9.2 Review of basic principles

The 1994 research led to a number of findings about the development and progression of fundraising in charities. These were explored in Chapter Five and are summarised here as a reminder. In general, it was found that

- the development of fundraising was not necessarily in parallel with that of the charity as a whole
- fundraising developed at different rates in different organisations
- fundraising growth always began from the need for more voluntary income.
- the development of the fundraising department was dependent on decisions by the Trustees
- there was an overall pattern in fundraising department development which the studied charities seemed to exhibit.

These findings contributed to the development of the theory of five stages of fundraising. The placing of a charity's fundraising activity within the five stages was based on four key variables:

- who does most of the fundraising - volunteers or paid staff?
- how, if at all, is the opposite group (paid staff or volunteers) used, which is dominant?
- the involvement and role of the founder or 'torch-bearer' trustees
- the perceived role and significance of voluntary income.

From these variables, criteria were developed for the allocation of charities to a particular stage of fundraising (table 5.4). The criteria were derived using grounded theory methodology (Strauss and Corbin, 1998), based on the studied charities.

In addition to the five stages, from the cohort of charities identified at stage three and stage four, it was possible to establish that within each stage there were three sub levels which could be defined as follows

- charities only just into the particular stage, (level one)
- charities squarely in the middle of the stage, (level two)
- charities nearing the next stage (level three, also called transitional).

Reference will be made to the levels as well as the stages to more fully illustrate the development of the charities during this period.

The 1999 longitudinal study enabled a review of the five stages theory to test its ongoing validity. In practical terms, it also offered the opportunity to examine whether the charities studied in 1994 and 1999 had remained at the same stage or whether they had moved to other stages. None of the charities questioned in the longitudinal study knew about the five stages theory. The questions asked of the respondents in the 1999 study (Appendix V) were phrased to elicit information that would relate to the five stages theory as well as to the aims of the 1999 study.

9.3 1999 Findings

The first finding was the amount of movement across stages that there had been in the last five years. This was interesting because, as the original research noted, charities could stay in any one of the stages for a long time or a short time. There was no automatic timescale to move on from one stage to another. As identified in 1994, the main catalyst was the need for more voluntary income.

In the second half of the 1990s more voluntary income was needed but, as was noted in Chapter Seven, by the time of the longitudinal study, the need arose predominantly because the charities wanted to undertake new programmes. This was a noticeable difference from 1994 when more voluntary income was needed just to maintain the income levels perceived to be lost from other sources.

Figure 9.1, below, gives a representation of how far some of the studied charities had moved in terms of the five stages from 1994 to 1999.

Stage one			Stage two			Stage three			Stage four			Stage five		
L1	L2	L3	L1	L2	L3	L1	L2	L3	L1	L2	L3	L1	L2	L3
	X	----->		>	----->		>							
				X	----->		>							
							X	<->						
							X	----->						
								<-----			X			
											X			
												X		
													X	----->
														X
														X
														X?

Fig 9.1 A diagrammatic representation of the movement of some of the featured charities across the five stages in the period 1994-1999. Each row represents one charity. L1,L2,L3 represents the three levels within each stage

One charity had moved almost two stages, several had moved one stage and many of the remainder had moved at least one level within a stage. However, not all movement was consistently forward, some charities had moved forward and back across the levels within a stage and one charity had gone back a stage. What this

indicates is that although the longitudinal sample was small in number, it does provide an adequate sample to test the ongoing validity of the theory.

This chapter uses a series of case studies to examine how charities from each stage moved in relation to the theory from 1994 to 1999. (NB There may have been many changes to each charity's fundraising but here only the elements that relate to the key variables and the staged criteria will be considered.)

9.3.1 Leaping forward

The first example takes a charity which was at stage one in 1994. In the table 9.2, the columns in italics represent the core criteria of the relevant stages as described in Chapter Five (table 5.4). Columns three and five of table 9.2 show how the charity related to these stages in 1994 and 1999 respectively.

In many ways, this was the most dramatic example of development of all the charities in the 1999 study. In 1994 this charity was a classic stage one fundraiser. It had only a voluntary fundraising committee which planned and executed a range of community activities, with the Chairman, who was a torch-bearer, taking a particularly active role. In addition, individuals and other small groups fundraised for the organisation and there had been a local house-to-house scheme all run by volunteers. The only staff member engaged in fundraising was the Chief Executive. There was not even a secretary with special responsibility for looking after volunteer supporters.

The 1999 research revealed that there had been substantial change in this charity's fundraising structure and activity. First, the funding gap between project need and income had become more acute, forcing additional voluntary sources to be explored. This funding crisis had caused the charity to move into stage two fundraising. But that was just the start. A significant national lottery grant had been

<i>Core Variables</i>	<i>The passionate appeal: Stage one</i>	<i>In 1994</i>	<i>We need some help: Stage three</i>	<i>In 1999</i>
<i>Chiefly run by</i>	<i>A few core volunteers</i>	Fundraising all steered by volunteers	<i>Department of new staff appointed to establish new avenues of income - generation driven from Head Office.</i>	Fundraising manager being appointed Shop manager appointed
<i>Paid staff /volunteer dominance</i>	<i>Some involvement of the first paid staff member, usually Chief Executive.</i>	No staff fundraisers except Chief Executive	<i>Volunteers are more peripheral except for small-scale local fundraising.</i>	Two fundraisers with specific remits Chief Executive making significant lottery bids Many local volunteer supporters
<i>Position of founder</i>	<i>Will usually include founder and family- may be high level as a result.</i>	Fundraising committee includes torch bearer trustees	<i>Founder less involved, has moved on from the starting point</i>	Fundraising committee remain but have recognised donors' increasing sophistication and charity's need for professional support
<i>Reliance on voluntary income</i>	<i>No targets (unless for major capital appeal). Grateful for anything.</i>	Need for money 'contained'	<i>Growing need for fundraised income as distinct from fees etc.</i>	Perceived need for more voluntary income for new work.

Table 9.2 charity moving from stage one to stage three

secured by the chief executive, a charity shop had been opened with a paid manager and most recently a full-time fundraising manager post had been advertised.

For this charity, the biggest issue was external competition. But, even though it was a small charity, in the last five years it had tried to put the competition in to context, alongside its own needs and wishes to develop new programmes.

'the fundraising manager and the NLCB grant were driven by projects we want to undertake.'

All these factors indicated that this charity had reached stage three, level one in just five years, driven 'by the need to increase our fundraising effort.' In terms of

marketing the respondent noted that ‘perhaps we’re not doing marketing in the most sophisticated terms, but we’re putting it across.’ The answers to several questions indicated that some of the words and ideas of marketing had reached this small, local charity but the evidence suggested the use of marketing in fundraising was limited to marketing communications, that is, promotion, rather than more broad-based tools or philosophy.

In culture theory terms the respondent revealed that there was a certain trepidation about what difference the hiring of the first paid professional fundraiser would make to the internal culture (potential differentiation).

9.3.2 Gearing up

The second case is that of a charity which was at stage two in 1994. By 1999 it had moved on to stage three. Table 9.3 below illustrates the findings against the key variables and criteria for both 1994 and 1999.

<i>Variables</i>	<i>We need more money: Stage two</i>	<i>In 1994</i>	<i>We need some help: Stage three</i>	<i>In 1999</i>
<i>Chiefly run by</i>	<i>Many volunteer groups</i>	Predominant fundraisers were many local groups and volunteers	<i>Department of new staff appointed to establish new avenues of income - generation driven from Head Office.</i>	Staff role growing with one general fundraiser now two specialists have been appointed.
<i>Paid staff /volunteer dominance</i>	<i>May have an administrative staff member with fundraising responsibility or secondee from another area.</i>	No fundraiser, ‘secretary’ to Chief Executive looked after volunteer fundraisers	<i>Volunteers are more peripheral except for small-scale local fundraising.</i>	Rising role of the appointed staff for both longer term and larger income generation
<i>Position of founder</i>	<i>May include founder volunteers but mostly small volunteer groups</i>	Trustees still included early members	<i>Founder less involved, has moved on from the starting point</i>	Turnover of trustees, new blood coming in.
<i>Reliance on voluntary income</i>	<i>May develop other (usually statutory) sources.</i>	Recognised value of donations, but were not proactively seeking them	<i>Growing need for fundraised income as distinct from fees etc.</i>	Much more proactively seeking new money from different audiences.

Example 9.3 Example of a charity moving from stage two to stage three.

In 1994 this charity had a cosy feeling about its fundraising. Its volunteers were cherished, albeit in a passive way, and the organisation was grateful for what they contributed. Being predominantly volunteer-run community fundraising, there were no set targets. The volunteer groups were never encouraged to tackle bigger fundraising events, but were thanked for their ongoing support. Fundamentally the organisation was not an active fundraiser.

‘We tended to rely on people coming to us... We’re now finding that we are having to go out and look for this money more than before.’

By 1999, they too had found competition a major factor, mostly from the range of local and national organisations in their field who were directly competing in their geographical area. In addition, they had become aware of the need for professional standards.

‘I mean fundraising is becoming increasingly professional and you’ve got to keep up with what’s going on. There’s a lot more legislation, a lot more things to keep in touch with.’

So, the ‘secretary’ had become the fundraising co-ordinator and two more fundraisers were being appointed with specific remits, one for legacies and one to seek corporate and trust donations. In addition the ‘cottage industry’ feel in 1994 had been replaced by much more marketing awareness. Comments on ‘donor development in the marketplace’, about ‘maintaining market share’ tripped off the tongue where before they were not part of the vocabulary. However, it is argued that this charity had some way to go to implement marketing awareness in daily activities.

Culturally, there was a growing awareness of tension between service delivery and fundraising: the fundraising side needed to generate new income to fund the changing standards of service delivery being demanded externally. Therefore, culturally, this charity was on the verge of moving from an integrated ‘family’ to cultural differentiation (Martin, 1992).

9.3.3 All change

The first example, above, showed a small charity making a major change in terms of movement across numbers of stages. The next example (table 9.4 below) showed the most dramatic change of the larger charities. Although only crossing one stage, it had climbed several sub-levels from stage three level one to stage four level two.

In 1994 this charity was a sleeping giant just awakening to find the world had moved on considerably while it was not looking. All of a sudden it had become aware that the external environment had changed. This charity had been forced to review its whole approach to fundraising to maintain its market position. In 1994 there was a huge differentiation in culture between the different divisions (a culturally interesting choice of word in itself). This was a large, complex organisation which although it raised many millions of pounds every year, had

<i>Variables</i>	<i>We need some help: Stage three</i>	<i>In 1994</i>	<i>Leave it to us: Stage four</i>	<i>In 1999</i>
<i>Chiefly run by</i>	<i>Department of new staff to establish new sources of income driven by Head Office.</i>	<i>In some areas highly developed using agencies but not run by specialists. No targets, plans or analysis.</i>	<i>Larger numbers of professionals, but much more raised by far fewer people overall. Fundraising strategic, powerful.</i>	<i>Internal team of professionals, for the first time. Targets set. Big numbers sought. More central to organisation.</i>
<i>Paid staff/ volunteer dominance</i>	<i>Volunteers are more peripheral except for small-scale local fundraising.</i>	<i>Limited role for volunteers. Surprisingly few general volunteers.</i>	<i>Volunteers used to spearhead local campaigns, small no. of powerful volunteers at the top, with those at the bottom out of sight.</i>	<i>Developing new roles for volunteers and new volunteers to get involved with the organisation. To be used for specific activities</i>
<i>Position of founder</i>	<i>Founder less involved, has moved on from the starting point</i>	<i>Well past the founder trustees but SMT and trustees have personal commitment</i>	<i>The past is the past let it lie.</i>	<i>Trustees and SMT still have personal commitment but have realised the need to harness professional skills</i>
<i>Reliance on voluntary income</i>	<i>Growing need for voluntary income, not just fees etc.</i>	<i>More money wanted but need not always shown</i>	<i>More fundraised income required to do core work.</i>	<i>Need shown, made more obvious to donors.</i>

Example 9.4 Example of a charity moving from stage three to stage four

previously taken a rather passive position, what might be called fund gathering rather than fund raising. When forced to become more active as a fundraiser, which included appointing professional staff from outside, cultural differentiation was about to become fragmentation (Martin, 1992).

In 1994 as a stage three level one fundraiser, they had only a few in-house fundraisers none of whom had fundraising skills or backgrounds. In many ways they were co-opted generalists in the broadest sense of the word. Although one person had responsibility for a large area of income generation he had no training in that area and relied on an agency, but equally, no targets were set.

Between 1994 and 1999 this charity had undergone a major self-assessment, some of which had been painful. They realised that to move forward they had to break with some cherished myths. They realised the importance of fundraising for their future and recognised that they had to bring in professionals and learn to trust them.

‘the biggest change was actually realising that fundraising was moving on very quickly. We had quite a bit of catching up to do so it was almost trying to take a quantum leap and employing experienced professionals to set up a fuller fundraising agenda, priorities and plans.’

Again, the primary catalyst to this development was the need for voluntary income; ‘the realisation that our fundraising income wasn’t growing as quickly as it needed to.’ As a charity operating in the social welfare arena they had been particularly affected by the contract culture - negatively but also, potentially, positively.

‘probably about 30 per cent of our gross income will come from contracts... I think [we were] beginning to see contract culture as creating opportunities, but creating pressures too, to get organised better in terms of the need for a more professional approach when it comes to bidding.’

Against this twin pull of opportunity and pressure from statutory contracts, they were also finding that the voluntary fundraising climate was changing: ‘it is more fragile and we are having to work much harder to secure funding’. Therefore, a

wide range of professional fundraisers had been appointed to achieve the desired financial outcomes.

This meant that there was a lot more understanding about marketing and its elements: audiences, positioning, promotion brought in by the 'newcomers' but the existing staff were often 'learning the lessons the hard way' as they found the marketing philosophy and language different and slightly suspect. Only when on the verge of a funding crisis did some of the existing staff seek out the professional help in-house. So, while helping to solve one problem - voluntary income generation - another, cultural fragmentation, had been exacerbated (Mackeith, 1991).

This difference in approach was further magnified because in 1994 this charity did not have any targets for annual fundraising. With the arrival of the new professional team targets, and strategies to achieve them, had been introduced. This was perceived as putting pressure on the existing staff so causing friction within the fundraising division in addition to the cross-departmental cultural fragmentation.

Overall, however, by 1999, this organisation had moved from stage three level one to become a classic stage four (level two) charity - the position which outsiders might have assumed it occupied back in 1994 - through the appointment of new staff including many specialists, a broader fundraising portfolio, a professional approach, targets and successes, but also cultural challenges.

9.3.4 The complexity of stage four

Stage four was the most highly populated from the 1994 research. A classic stage four charity used volunteers but had cast them off to a peripheral manager, even if they were contributing significant financial amounts. Meanwhile the main head office team had developed fundraising methods that needed to be professionally driven like direct marketing or corporate and trust fundraising, and it had become

quite self-contained. A stage four fundraising team expects to be able to meet the financial needs of the organisation.

Table 9.5 illustrates a stage four level one charity in 1994 as it acclimatised to a new chief executive, a new head of fundraising and a major review of structure. In terms of activity, this charity had remained focused on three or four main income streams, controlled by head office, to generate the bulk of its voluntary income which represented almost 90 per cent of total income.

By 1999, while still focusing on its main types of fundraising, particularly direct marketing, it was looking to broaden the range of donors, in terms of age, gender and socio-economic profile. To do this it was using new methods of direct marketing to sell the old types of giving (covenants, direct debits etc) through the internet and face-to-face solicitation in the street.

<i>Variables</i>	<i>Leave it to us Stage four</i>	<i>In 1994</i>	<i>In 1999</i>
<i>Chiefly run by</i>	<i>Larger numbers of professionals, but lots more raised by far fewer people overall. Fundraising strategic, powerful.</i>	Staff led but much change. Structure been revised considerably over two year period	Staff led. Structure now further developed and working
<i>Paid staff/volunteer dominance</i>	<i>Volunteers used to spearhead local campaigns, small no. of powerful volunteers at the top, with those at the bottom out of sight.</i>	Almost wholly professionally driven. Virtually no volunteer fundraising support	Professionally driven but with high level volunteer advisers and special volunteers being developed for big gift work.
<i>Position of founder</i>	<i>The past is the past let it lie.</i>	Original trustees long gone. No real torch bearers	Trustees committed, being more actively wooed as advocates
<i>Reliance on voluntary income</i>	<i>More fundraised income required to do core work.</i>	Need for funds	More funds wanted to develop the work.

Example 9.5 Development within stage four

They had, however, identified one new problem that this was creating. If someone responded to an appeal on the internet or through a direct response television (drtv) commercial, or face-to-face solicitation, what was the best way to communicate with them in the future? If they were subsequently sent standard 'snail mail' would this undermine the relationship between organisation and donor?

‘we also believe that we’ve got a message that is attractive to younger people, and it is certainly proving to be attractive to a different audience so we are reaching different people by our drtv and our face-to-face [approaches], and also the challenges that that will pose for us. How do we maintain a good relationship with those people who have come in not via the conventional direct mail approach?’

This example of the use of new media has been included to highlight both the stage four focus on head-office-initiated fundraising but also to give a glimpse into the changing external environment in action. Back in 1994, the internet hardly existed and face-to-face fundraising was only considered viable for large gifts or legacies.

The other thing that was striking about this stage four charity in 1999 was its own awareness of the need to break down internal barriers - and the approach they needed to achieve this without cultural fragmentation (Martin, 1992).

‘[field officers] are much more aware of what we need to do to influence people including ordinary individual donors... there’s the need to report back in depth on what we’re doing overseas and be very up-to-date on that. Actually we make high demands on our international teams to do that and they know it is part of the job now.’

The approach of this charity was constructive. It included treating other departments as equals, accepting different ways of working, and not allowing fundraising to take over the culture of the organisation.

‘I always think you have to be very mindful that ultimately we are here in order to raise the maximum amount of funds in order that we can do the best possible job. And by the fact that we are programme driven, [we work] very closely with our programmes department ... but I also think there is sufficient appreciation of our sensitivity to the programme department for that not to develop into a tension, but be helpful. I think it is helpful to be constantly challenging one another.’

This is, therefore, an example of a rare stage four organisation, where the potential for cultural conflict had been recognised and tackled in a constructive way. It is argued that the challenge of moving from cultural fragmentation to advanced integration is likely to be one of the last achievements of a charity moving from stage four to stage five. In this case the charity was on the verge of stage five

culturally. Overall, it had moved from stage four level one to stage four transitional (level three).

9.3.5 New entrants to stage five

The movement from one stage to another is a challenge, but it is argued that the movement from stage four to stage five is a particular challenge, not least because of the number of people involved in bringing about this change. While many of the other stage changes may just affect the fundraising department, the change from stage four to stage five should affect and involve the entire organisation, including the board.

In other words, a fundraising department cannot enter stage five on its own, it has to take the rest of the organisation with it, including the trustees. It is this need for fundraising to re-engage with the rest of the organisation that can drive would-be stage five heads of fundraising to frustration:

‘I wish like hell I knew how you got out of it (in this thesis’ terms, out of stage four) and how you break the mould and move on, that’s the challenge.’

Of those charities interviewed for the longitudinal research there was evidence that at least one organisation was now in stage five. Table 9.6 below, shows the movement of the charity from stage four transitional into stage five.

To be recognised as a stage five charity the influence of, respect for and use of marketing had to permeate the organisation, not merely be championed by lone voices. When a marketing stance is taken, then charities may find that other practices and structures also have to change, which is a second reason why the transition from stage four to stage five is more far-reaching than the other stages and requires more support from the top.

‘Our chief executive’s efforts have been to introduce a marketing orientation to all we do. So there have been various organisational changes. We’ve attempted to ensure that customers needs and customer wants are at the forefront of what we do by way of service development and service

delivery. Increasingly the linkages between that market and the donor market are intrinsic to our thinking.’

<i>Variables</i>	<i>Leave it to us Stage four</i>	<i>1994</i>	<i>Lets all work together on this Stage five</i>	<i>1999</i>
<i>Chiefly run by</i>	<i>Larger numbers of professionals, but much more raised by far fewer people overall. Fundraising strategic, powerful.</i>	<i>Structure new and experimental Very staff driven, Virtually no volunteers</i>	<i>Large team of professional fundraisers to run one-to-one marketing approach. Marketing orientation across departments</i>	<i>Structure now tried and tested</i>
<i>Paid staff/ volunteer dominance</i>	<i>Volunteers used to spearhead local campaigns smaller number of key volunteers at the top with those at the bottom out of sight</i>	<i>Staff team very departmentalised. regional fundraising stuck in old mould</i>	<i>Role of volunteers changed - seen as partners. More involved with the charity and sharing goals, therefore extension of HQ team.</i>	<i>Better staff infrastructure more supportive, novel ways of developing regional and volunteer fundraising</i>
<i>Position of founder</i>	<i>The past is the past let it lie.</i>	<i>Trustees supportive but waiting for department to deliver</i>	<i>Revisited past links for connections and re-established on new terms.</i>	<i>Trustees positive in support of combined vision</i>
<i>Reliance on voluntary income</i>	<i>More fundraised income required to do core work.</i>	<i>Income necessary and gearing up</i>	<i>Building long-term reliable fundraised income for the future.</i>	<i>Actively generating new income</i>

Example 9.6 charity moving from stage four to stage five

This charity was the only one which met all the Kohli and Jaworski (1990) criteria. The charity also recognised the ongoing nature of the task, that introducing marketing was not an end in itself but a beginning of a new way of working.

‘We’re not finished, we’re not completed. I don’t think any organisation ever is, although it gets more sophisticated when we are now looking at areas like customer satisfaction and specific areas and marketing progress that wouldn’t have been the buzz way of looking at it five or ten years ago.’

9.3.6 The tentative stage five charity

Two charities were identified as being just inside stage five in 1994. One firmly remained there and had set itself new challenges of internal communications, harnessing the power of volunteers, new targets and grand plans.

The other had had a more challenging time. In 1994 it was on the cusp of stage four and stage five but new developments like the establishment of marketing teams tipped it into stage five. In the intervening years, some of these hard-won and ground-breaking elements had worked well and enabled the organisation to achieve much more than 'the sum of the parts'. In other ways, the charity was finding it challenging to maintain the understanding and support of other departments, especially following significant changes at the top, with a new chief executive and a turnover of trustees.

'we are having to make more concessions to what I call the leisure side of our charity... we have found that in a more competitive environment we have to offer more incentives.'

<i>Variables</i>	<i>Lets all work together on this Stage five</i>	1994	1999
<i>Chiefly run by</i>	<i>Large team of professional fundraisers to run one-to-one marketing approach. Marketing orientation across departments</i>	Newly established marketing structure for fundraising and membership. Teams developed for better internal working and external liaison	Teams etc developed in 1996. Marketing approach still working in fundraising and public affairs. 'It is very successful'
<i>Paid staff/ volunteer dominance</i>	<i>Role of volunteers change to partners. More involved with the charity and sharing goals, therefore extension of HQ team.</i>	Staff dominant but volunteer role appreciated and considered necessary at sites.	Paid staff. Trustees and SMT involved in establishing teams. Volunteer role developing, new policy
<i>Position of founder</i>	<i>Revisited past links for connections and re-established on new terms.</i>	Were reviewing the past and looking to the future under new Chief Exec.	Have now started new relations with trustees, after some changes to establish understanding - new trustees usually approach from the mission perspective not donated income
<i>Reliance on voluntary income</i>	<i>Building long-term reliable fundraised income for the future.</i>	Reliance on voluntary income significant and moving to talk income generation across the whole charity.	New income streams which were not expected, easing pressure. Trying to build for long term but hampered by need to incentivise. Donor focus. And other departments fundraising .

Example 9.7 A charity at stage five level one

Figure 9.7 summarises the developments by 1999 in comparison to 1994. The strength of this stage five charity is that it has been able to maintain its stage five status, just, while going through the turmoil, because it was fairly short-lived. Had it been longer-lasting or more invasive, then this charity would have returned to being a stage four charity as departments retreated from joint working to protect themselves.

Culturally, in 1994, this charity was in the very early stages of advanced integration. Since then, the internal changes have challenged this (Mackeith, 1994) but, while it may be wishful thinking to say that it is in a state of completely advanced integration there is a sense of having pockets of differentiation, not wholesale fragmentation (Martin, 1992).

‘In terms of the future, I think that although the organisation says “if we’d like to do this, we need more money”, the pressure is more one of, “you’re already doing a bloody good job, we’ll spend as much money as you can give us. Yes it would be nice if you can get x but if you can only get y, we’ll understand”.’

So, for once, the divide between other departments and the fundraising was not over income raised. It seemed to be around the issue of the brand.

‘the kind of brand building stuff, getting our name across stuff. I think a lot of the rest of the organisation see that as being quite arrogant or showing off, so I think there is more of a chasm there between different divisions’

However, here the trustees had been brought into the loop to be shown how issues of brand were relevant to the whole organisation.

In summary, this charity was only just in stage five in 1994, but promised much. By 1999 some of that promise had been achieved and it is now holding its place at the beginning of stage five. However, this is not a race nor is it a case of a stage five charity being ‘better’ than a stage four one, rather it is about a more holistic way of working.

Indeed, it is argued that from the 1999 evidence only a few charities have entered the fifth stage. Stage five remains distant for most stage four charities: the findings indicate that many have much work to do. They have yet to successfully reconcile fundraising with other departments, introduce a marketing perspective or address the cultural issues that can move a charity from fragmentation to advanced integration. To achieve this, however takes support from the chief executive and the trustees, and willingness from other departments, it is not a one-way progression.

9.3.7 In circles

The five stages theory highlighted the fact that charities develop at different rates. It also argued that voluntary fundraising developed independently of the growth of the charity, within its own time frame, dependent on the charity's need for voluntary income. In the five year period from 1994 to 1999, as Chapter Eight showed, many charities had taken time to review their fundraising, therefore, it would not have been expected to find that every charity had moved forward. On the contrary, ten per cent of the sample were exhibiting signs of regrouping and even of having moved back a stage.

One charity at stage four, level one, in 1994 appeared to be back in stage three in 1999, following an extended period without a head of fundraising. Though the head of fundraising's departure was anticipated, due to retirement, the charity went through a period of review and also experienced difficulty in appointing fundraising staff at all levels. In turn this led to fewer staff, all of whom had to handle a number of types of fundraising. In other words, by default they became stage three generalists, coping without a senior manager and lacking overall direction. There had also been problems with one of the major sources of voluntary income, giving rise to an immediate need for diversification.

Another organisation at stage three in 1994 was still there in 1999, due to a number of changes in personnel and fundraising need. In 1994 some of the funding could be anticipated in advance from known sources. By 1999 this source had finished

leaving the charity to seek significant voluntary income for core activities (reminiscent of the 1994 scenario) while, simultaneously launching new developments. There was a sense of new activity-in-embryo, with a new head of fundraising and a small team. It was certainly not a 'woe-is-me' scenario, and the final outcome would probably see the organisation moving ahead a stage. At the time of the interview in 1999, however, there was a sense of the organisation holding its breath before moving forward and still being at stage three level two.

This medium sized charity's fundraising was in 1999 the nearest to the general picture that had emerged from the 1994 research, when it seemed that most of the charities were 'running to catch up' with external changes.

9.4 In summary

The chapter has highlighted a number of examples from the longitudinal research to test the relevance and applicability of the variables of the five stages. The examples examined the charities 'then and now' to see how they had changed, and to establish whether the key variables for the five stages were still relevant.

In addition, in 1994 a culture theory analysis was used to highlight the internal changes from stage to stage. It was also necessary to assess whether this analysis was still valid in 1999.

The conclusion is that the five stages remains a useful explanatory framework for the development of fundraising in charities, especially when seen in conjunction with organisation culture theory. During the 1994-1999 period some of the studied charities had moved from one stage to another, others had remained within the same stage, but the framework had remained valid and relevant.

The final Chapter briefly reviews this research and develops an agenda for future fundraising research.

Chapter Ten

Summary and conclusion

10.1 Introduction

This concluding chapter provides a brief resume of where this research started, what it has found and where it ends. The chapter will also examine the strengths, weaknesses and limitations of the study and will consider the development of the five stages theory, particularly in the light of its first presentation to a UK audience. The chapter concludes by outlining an agenda for further research on fundraising in the UK.

10.2 At the end of a decade

The catalyst for this research was a point in time, (1989) and a perception of imminent change for charities (Lee, 1989). But undertaking research on fundraising as an activity or a department was like building on a greenfield site, nothing had been built before, but this meant that there were surprises hidden under the surface.

There was a dearth of academic literature about fundraising as an entity. There was also, in 1992, a dearth of academic institutions interested in the study of fundraising from a marketing perspective. The dominant perspective was social policy. Those areas of charity fundraising that were being researched, by CAF and the NCVO, were about outputs: fundraising proceeds presented in the annual analysis of voluntary income statistics (CAF, from 1978). Apart from this, academically, voluntary fundraising was considered such a small and insignificant part of the total picture of income sources (Lee, 1989; Saxon Harrold, 1992) that little attention had been given to it.

A few pioneers had begun to examine the links between fundraising and marketing but often this research examined the tools of marketing applied to fundraising (Schlegelmilch and Tynan, 1989), rather than a more cross-departmental role for marketing (Bruce, 1994).

More recently, especially since 1996, the volume of academic output has increased, encouraged by Paton (1996) and the *Journal of Nonprofit and Voluntary Sector Marketing* (from 1996), but the areas covered have mostly remained those of marketing tools and social policy rather than fundraising *per se*. The exceptions have been the first text book on non-profit marketing management in the UK (Sargeant, 1999), after Kotler (1984), and aspects of strategy (Mullin, 1997). However, there is still little work on the fundraising function, or fundraising in relation to the rest of the organisation from an organisation culture theory perspective (Mackeith, 1994).

10.3 Review of the aims of the study

The original aim for this research was to explore the extent to which the 1990s was perceived as a time of rapid environmental change for charities and to what extent it had an impact on their income. Were charities forced to react, did fundraisers need to seek more voluntary income? If so when and how did they go about this, did it cause changes to strategy, structure and activities and to what extent did they look for new ideas from marketing?

Using a series of indicators the study examined the changes occurring in the external environment; the impact of the changes on voluntary income, how and when charities were responding in their fundraising structures and methods, the perception of the relationship between fundraising and the rest of the organisation, the perception of competition amongst fundraising charities and the use of marketing as either a tool or a concept.

Following a grounded theory approach to the data, the findings of the first research were that there had indeed been unprecedented change for charities in the 1989-

1994 period which had affected the studied charities of all sizes. Both those which relied predominantly on statutory income and those which relied predominantly on voluntary income had been affected. Charities had been forced to take a number of new routes to increase income. Strategically the common theme seemed to be to increase the number and type of fundraising activities undertaken, in an effort to compensate for the shortfall. In other words, a diversification strategy, as short-term answers were sought. That fundraisers started trying everything simultaneously indicated their sense of panic.

Competition became another significant factor at this time. It was perceived that competition was the result of more organisations beginning to seek voluntary income due to the changing environmental factors, particularly political and economic. Schools, hospitals and universities, especially, began to need to look for additional funds from voluntary sources.

By 1994, the studied charities had made many changes, especially to the structure of the fundraising department, based upon the need for more income. Initially caught unawares by the recession, contracts and other external changes, it was significant that more than three quarters of the studied charities had put new structures and strategies in place in the 1991-1994 period. In particular, in the search for any solution to their immediate financial challenges, many charities saw marketing-trained personnel and some of the marketing techniques as worth trying. However, there was clear evidence that the charities did not adopt the broader application of marketing as a concept or philosophical approach to their whole organisation. Instead charity marketers were often limited by short-term goals to using marketing for its tools and techniques.

Part of the reason why marketing did not become an organisation-wide philosophy at this time was due to the fact that often fundraising was seen as a bolted on department (Sargeant, 1999) that was just expected to produce funds, like rabbits out of hats. Heads of fundraising were not always on the senior management team and therefore were not included in the key decision-making or high-level interaction with the rest of the organisation.

The major finding of the 1994 research, as a result of using the grounded theory approach, was the development of the five stages of fundraising. This arose from one finding which was not as expected and led to a deeper analysis of the development of the fundraising department. This will be reviewed below.

10.4 The longitudinal study

The aim of the 1999 study was to further explore the 1994 findings after another five year period. How had the charities responded to the changing conditions in the second half of the decade? Were the fundraisers still weighed down by change or were they now 'battle-hardened' having learned to adapt? And how were they now using marketing, were they applying both techniques and philosophy?.

The indicators also needed to relate back to the 1994 study but within the needs of the 1999 study. Specifically, the indicators were about how the fundraisers viewed change in 1999, to what extent were they taking control of fundraising in terms of strategy, direction and activities, or were they still at the mercy of the changing external environment.

The indicators for marketing development were more extensive than they had been in the 1994 study. The research looked for evidence of widespread use of marketing tools and any application of the marketing philosophy in fundraising and for evidence of an understanding of marketing spreading to the senior managers and the trustees, and through them to other parts of the organisation. The research also looked for evidence of the head of fundraising having more influence throughout the organisation.

The findings from the longitudinal study were that environmental factors continued to have an impact on charities but that, with one exception, the charities were on top of it. They had decided on their strategic objectives and knew their direction and what they wanted to achieve and had begun to work towards it, regardless of

external environmental changes. They could plan ahead for some anticipated changes and others they would learn to live with as they happened.

The one area where the external environment still had most influence was competition. In this area the respondents felt that matters were out of their control and increasingly impacting on established charities as the number and range of fundraising organisations grew. The Charity Commission was, by 1999, registering 7,000 charities each year and NHS trusts, schools, universities, even fire brigades and police forces were actively fundraising.

The degree to which any particular charity had been affected varied, some with perhaps fewer direct competitors had fared best, but all were aware of the donor pie being cut into smaller and smaller slices because the pie itself had not been growing (Pharoah, 2000). The importance of historical fundraising methods still remained strong but this was too idiosyncratic an indicator to be part of one of the variables in the five stages. What was happening, however, was that charities were having to mine their historical methods to keep ahead of the competition.

The second aim of the longitudinal research was to explore whether marketing would be more prevalent, used not just in the fundraising department but also in other departments and used not just for its tools and techniques but applied from the philosophical approach of the marketing concept (Kohli and Jaworski, 1990).

By 1999 there had been some interesting developments. The language of marketing was certainly better understood. It was used easily by fundraisers from all sizes of organisation. However, using the language and understanding its application are two separate things. While there was evidence of more widespread use of marketing tools and the marketing concept (Kohli and Jaworski, 1990) in fundraising departments, there was still limited evidence of it having reached and been implemented in other departments. Only two or three charities showed significant development in this area. Some heads of fundraising however, showed their frustration at not being able to move their organisation on to the next stage because of the intransigence of their trustees and perhaps lack of support from the

chief executive and other members of the senior management team, as the heads of fundraising perceived it.

Support from the chief executive and the rest of the senior management team was important in the process of adoption because to get marketing accepted and used in other departments, the old negative views of fundraising, as expressed in the 1994 findings resurfaced, meaning that fundraising could not be the instigator of spreading the marketing message to other departments. The route had to come through the chief executive and the SMT, and even the trustees, for it to be accepted and applied in other departments.

By 1999, there was some evidence that the fundraising department was becoming better recognised for what it could contribute. The research findings suggest that this had not come about by chance but that heads of fundraising had endeavoured to communicate what the fundraising department was contributing; to a large extent, however, the level of acceptance of this line of thinking was linked to the stage of fundraising a charity had reached.

‘in the next month or so we’re going to try and get the SMT and the trustees to meet re the marketing goals of [the charity]... We are just at that exciting but dangerous point and trying to push beyond that...that would be a real maturing of the organisation.’

‘It’s reaching them... because my colleague won’t let them do anything else, but it’s just always reaching. Hearing and acting upon are very different.’

This, in turn, returns the focus to the professional fundraisers and, particularly in the 1995-1999 period, their concentration on regular long-term income. For many fundraisers, being ‘caught out’ in the 1989-1994 period was hard work. While they were still focusing on the one-year income figures they took steps to build a cushion of income through regular givers. Many had invested heavily in this method, bringing in new donors who gave via direct debits or bankers orders and converting them to covenants of a minimum of four years.

However, as a good example that environmental factors can never be totally predicted, in the Chancellor's Autumn Statement (1999), which was made after the longitudinal study, Gordon Brown, announced new rules for Gift Aid which would, he believed, enable charities to claim more back in tax rebates. In itself this seemed encouraging but the corollary for charities was that this change removed the donor's need to make a covenant (four year minimum) for gifts of less than £250 a year, in order for the charity to claim back the tax. It remains to be seen if this leads to shorter-term giving and how the charities will present the need for longer-term support.

10.5 The development of the five stages of fundraising

As a consequence of one of the findings in the 1994 research not being as anticipated, and because of the use of grounded theory methodology, the five stages theory was developed. The second factor which contributed to the discovery of the theory was because charities of many sizes, by voluntary income, were included in the initial research. Had this work just included the top 20 charities it is less likely that it would have been developed. It was also helped by the extensive nature of the 1994 study which took a broad, in-depth look at each charity's fundraising. In turn this revealed areas that might not have been anticipated, such as the changing role of volunteers or the importance of historical method.

A few writers have looked at charities from a developmental life cycle perspective, notably Hudson (1995), Lindsay and Murphy (1996) and Mullin (1997), relying heavily on commercial models. Hudson's (1995) work, for example, adopts the evolution and revolution business life cycle of Greiner (1962). Lindsay and Murphy (1996) draw on the sales, product and marketing stages of twentieth century marketing development. Even Mullin (1995) who is more focused on fundraisers sees fundraising synchronised with the rest of the organisation. None of these authors has looked at the fundraising department as a distinct entity with its own variables for development.

This is a gap which the five stages framework endeavours to begin to fill. It shows how fundraising may develop at a different pace to the charity as a whole and it illustrates the issues that face charities, especially trustees, in moving from one stage of fundraising development to the next. It also highlights the cultural issues from stage to stage which, though they may not previously have been written about to any great extent, do appear to resonate with fundraisers.

10.6 Revisiting the five stages 1999-2000

The 1999 study gave an opportunity to review the framework, the variables and criteria. These were further explored in June 2000 when a paper on the five stages was presented at the first UK Symposium on fundraising research at South Bank University to an audience of practitioners and academics. It was fascinating and gratifying to see how much the framework resonated with fundraising practitioners, especially with fundraising consultants who, more than most, have experienced charities at many different stages.

Where there was general agreement was in confirming that the catalyst for moving from stage to stage was the need for more voluntary income. There was also anecdotal confirmation of the challenge of moving from stage two to stage three. A number of fundraisers recognised their position as a generalist in a stage three charity by some of the hallmarks: they were the first paid fundraiser, often part time, had imposed income targets, limited resources and no, or very limited, trustee support and understanding.

Both the 1999 study and the 2000 presentation were encouraging and challenging experiences. They brought a number of factors into the foreground which are discussed below.

10.6.1 Organisation culture theory and the stages

The findings indicated that although little research has been done on culture in charities (Handy, 1988) the role of culture within charities must not be

underestimated. There was an awareness of the existence of culture within all the charities researched, in some cases there was an awareness of the wish to change the culture and an understanding of how challenging that could be.

In the June 2000 presentation, where the different cultural paradigms (Martin, 1992) were attached to the stages there was immediate recognition. As such, as table 10.1, below, shows the cultural descriptions have now been added as an important component of the framework.

10.6.2 Trustees

The second point which the longitudinal study brought out was the role of the trustees. In the original framework the focus was on the founder and torch bearer trustees, but following the longitudinal study where questions were specifically asked about the trustees, this variable has now been amended to include the trustees at all stages. This is because of the realisation that many charities may not follow a straight line progression through the five stages. While only one charity was specifically mapped going backwards between the 1994 and 1999 studies, others gave evidence that such reversals had happened in their past. For example, a charity at stage one in 1994 had had a brief spell at stage three in its past, as had a charity at stage two in 1994. This meant that organisations may be longer established than reference to only the founder might imply. Although torch bearers still have a relevant role, it was decided to include all trustees in this variable so the title is now 'position of the founder and trustees'.

10.6.3 Recognising stage five

As has been noted, stages one to four are easily recognisable, but stage five is less so because, even in 1999 only a couple of charities interviewed were just inside stage five. When the stages were presented to an audience, several of them 'self-

Phase	-----Appeal-----			-----Fundraising-----		Marketing
	STAGE ONE	STAGE TWO	STAGE THREE	STAGE FOUR	STAGE FIVE	
<i>VARIABLES</i>	The passionate appeal	We need more money	We need some help	Leave it to us	Let's all work together on this	
<i>Chiefly run by</i>	A few core volunteers	Lots of volunteer groups	Department of new staff appointed to establish new avenues of income - generation driven from Head Office	Larger numbers of professionals, but lots more raised by far fewer people overall. Fundraising strategic, powerful	Large team of professional fund-raisers utilise more donor-led marketing approach. Marketing orientation across the department & organisation	
<i>Paid staff/volunteer dominance</i>	Some involvement of the first paid staff member, usually Chief Executive	May have an administrative staff member with fundraising responsibility or person seconded from another area	Volunteers are more peripheral except for small-scale local fundraising	Volunteers used to spearhead local campaigns, small number of powerful volunteers at the top with those at the bottom out of sight	Role of volunteers changed - seen as partners. More involved with the charity and sharing goals, therefore extension of HQ team	
<i>Position of founder and trustees</i>	Will usually include founder and family- may be high level of fundraising as a result	May include founder volunteers but mostly small volunteer groups	Founder less involved, has moved on from the starting point	The past is the past let it lie	Revisit past links for connections and re-established on new terms	
<i>Reliance on voluntary income</i>	No targets (unless for major capital appeal) Grateful for anything	May develop other (usually statutory or trust) sources.	Growing need for fundraised income as distinct from fees etc	More fundraised income required to do core work	Building relationships for long-term reliable fundraised income for the future	
<i>Dominant organisation culture</i>	Integrated	Integrated	Differentiation	Differentiation/ Fragmentation	Advanced integration	
<i>Organisation-wide marketing</i>					Must be in evidence as marketing concept	

Table 5.4: The five stages of the development of fundraising within charities 2000 version

selected' their charity at stage five, although deeper probing showed this not to be the case but it was chosen by the fundraisers on the basis of being perceived as a desirable stage. Two observations seem relevant: first the fact that only two or three charities had actually reached stage five, and they with a struggle, therefore the fundraisers were making a superficial judgement as there was not the time to present the stage in detail. Second, those having reached the stage found it was not a goal in itself, but a process that still had to be worked at, like all the other stages and perhaps even more so as it is a pioneering stage.

There is one other special hallmark of stage five and that is the need for evidence of marketing development across the organisation, not just within fundraising. As a result it is, therefore, considered appropriate to add this as an extra variable for stage five which has been added to the chart 10.1 above.

10.6.4 Levels within stages

The 1999 research showed the importance of the levels within each stage, that charities do not move from one stage to the next in one go, but that their progress is incremental. The final change comes with the major decisions from the trustees which usually relates to the appointment of more staff or, at stage five, to the way of working.

These four points 10.6.1 to 10.6.4 reflect the key issues which arose from the longitudinal study in relation to the five stages.

10.7 Strengths and weaknesses of the research

Most researchers would probably make changes to their methods and focii in retrospect. In this research, time was both a weakness and a strength. Undertaking this research part time while holding a series of demanding full time jobs was a significant challenge. Only once since the research began was there a period as long as three weeks when this work could be undertaken in a concentrated block,

and that was punctuated by Christmas and Millennium celebrations. This constantly interrupted time undoubtedly led to weaknesses both in the range of options and permutations analysed and in the constant breaking of the chain of thought, so requiring a return to references again and again, multiplying the workload.

However, lack of concentrated time ultimately led to the longitudinal study which added another dimension to the whole and reinforced the validity of the five stages theory. If the thesis had been finished in 1995 the research would not have been as rounded as it now is.

Methodologically, the use of consistent questions for both the initial and the longitudinal studies was a practical way of handling an immense subject with 'elites' (Marshall and Rossman, 1996) over extended time periods. Again the differing answers of small, medium and large charities, by voluntary income, helped to underpin the five stages theory.

The grounded theory approach requires ongoing testing, technically until the theory is saturated (Strauss and Corbin, 1990), like wool taking up a dye colour. It may be considered that 30 charities were not sufficient to initially achieve this level of saturation. However, because of their variety in terms of size, geographical spread and cause areas this was considered a large enough sample given that in many types of qualitative work, generalisations emerge from far fewer numbers (Rubin and Rubin, 1995).

In addition, a further ad hoc analysis was possible. The author, a fundraising practitioner at the time of writing, was able to 'test' the theory against sector press accounts of charities changing their structure, fundraising focus, targets etc. Although this was informal, it helped to confirm the five stages findings.

The use of organisation culture theory added another layer to the research, and one which was understood and resonated with the audience at the first presentation of the five stages theory. Several writers have commented that culture in charities is

different, from companies (Handy, 1988; Paton and Cornforth, 1992; Paton 1996) without actually exploring the nuts and bolts of those differences. This research suggests that it is possible to apply the three perspectives of Meyerson and Martin (1987) and Martin (1992) to the five stages of fundraising.

However, issue was taken with Martin (1992) that only three perspectives can exist. It is argued that a charity at stage five, which stage involves not just the fundraising department but also the rest of the organisation, requires a fourth perspective. This was termed 'advanced integration' and implies a more mature approach to the integrated perspective than is found in an embryonic charity where everyone follows the lead and direction of the founder. At stage five a charity is a complex and potentially large organisation, it is not just following the vision of one man but of a group of trustees and senior managers and the buy-in has to involve people across the organisation.

10.8 Limitations of the research

Every work of scholarship has its limitations. In this case three specific factors may be considered limitations. Firstly, the number of charities used in the study; it might be considered that 30 charities was a comparatively small number against the 200,000 charities registered in England and Wales, especially as it meant that some of the stages had only one or two representatives. However, the smaller number allowed for more in-depth research and that, coupled with the inclusion of charities of such different sizes and scales was what led to the development of the five stages.

Secondly, a potential limitation was that the interviewees were all heads of fundraising. Unlike Kohli and Jaworski's (1990; Jaworski and Kohli, 1993) work, no views were sought from other members of the fundraising team or from other senior managers or Chief Executives. Partially the reason for this was the practical one of time constraints, especially given the fact that the interviews took, on average, 1½ hours. The other major reason was that this was a piece of research about changes to fundraising as lived and experienced by senior fundraisers. The

experience of other staff would have been different but the research was not attempting to triangulate a fixed position (Silverman, 1985), it was about examining the lived experience of the senior fundraisers and, as a result, it was considered enough to interview only the heads of fundraising.

The third potential limitation is that this work was done solely with charities and not with other parts of the non-profit sector but this was explained at the beginning. There were two primary reasons for this concentration: first there is more data on this group than any other and second, because of the correlation between raising voluntary income and charitable status, most fundraising organisations are charities.

All the other limitations of the study are in the abilities of the researcher and the time available for the analysis. Glaser and Strauss (1967) point to the need to achieve 'theory saturation' where it has been tested thoroughly but even they recognised that this was often limited by time constraints and budgets (Strauss and Corbin, 1998)

10.9 An agenda for future research

This research aimed to examine a number of issues and, as a consequence, developed a new theory. Inevitably, it also opens up the possibilities of further research to fill the 'holes' in the general literature on non-profit fundraising and marketing.

It is suggested that the following topics are worthy of further research:

1. The history of fundraising in the UK - while Mullin has referred to the history of fundraising in many of his writings there is no single work on the history of fundraising in England, or the rest of the United Kingdom. Given the rise in interest in courses in non-profit management etc this is a sorely needed resource.

2. More detailed study of the characteristics of the five stages, the levels within each stage and the wider relevance of organisation culture theory, applied to a broader range of charities. It is anticipated that such work would be of use to academics and practitioners.
3. The structure for fundraising. This research showed that there was no one structure for the 'ideal' fundraising department because most of them had some elements of historical weighting and, as one charity respondent commented, with large numbers of committed volunteers it is difficult to stop doing any established form of fundraising as volunteers and participants have emotional capital tied up in long-running schemes. However, with 7,000 new charities registering as fundraisers each year, it is suggested that there is an enormous amount of work that could be done to aid new practitioners in outlining the different structures for fundraising development which may tie in with the five stages theory. Is there a more 'scientific' way for a charity fundraising department to be set up, develop and grow than the old ways of historical whim, luck and the vision of one man or woman? Could more be explored of the correlation between structure and the stage of fundraising?
4. There has been very limited work on the interrelationships and tensions between fundraisers and other departments (Mackeith, 1991, 1994). Again it is an issue often cited but rarely backed up with any hard data, very little has been published.
5. The findings of this research have also highlighted the need for ongoing education of trustees. It shows a great need for the work of Hind (1995), Palmer and Harrow (1994) (Harrow, Hind and Palmer, 1993) to be continued in the light of the five stages theory to demonstrate to trustees their role in moving the charity forward, in relation to fundraising and service delivery.
6. Further research is also needed into the role of marketing in charities, and especially fundraising departments. There has, for example, been little in-depth

analysis of the application of Bruce (1994) and Burnett (1992) in practice; further research would add a new dimension to these standard works.

In her inaugural lecture as professor of voluntary organisation at Aston University, Margaret Harris (*Third Sector* 02/06/00) called on universities to recognise their obligation to support practitioners in voluntary organisations through the research they offer, courses they run and even resources they share. This thesis has endeavoured to bring together research and practice to produce an academic work which is of value to practitioners.

At the start of the 1990s, comments were made that comparatively little had been written on the non-profit sector, (Dobkin Hall, 1990). Over the decade, there has been significant growth in this area (JVNSM, from 1996; Kelly, 1998; Sargeant, 1999). However, the scholar/practitioner gap has taken longer to tackle. In 1993 Dobkin Hall considered that it was 'unbridged'. By 1996, Paton was developing ideas to help reduce the gap when reviewing the role of marketing in a non-profit context. Paton (1996) identified 'four sorts of possible contributions' (29) to future research for academics and practitioners on the nonprofit sector and marketing in particular:

1. 'research that was problem oriented and written for the practitioner
2. research that provided a contribution to theory
3. research which concerned the application of marketing concepts and techniques
4. research which addressed issues about marketing in relation to marketing management, and in relation to other departments.' (29)

This research has attempted to meet all four elements of Paton's (1996) wish list for new non-profit research on fundraising and marketing. In terms of problem-orientation it examined two significant periods of time for fundraisers and may now be of help to them, and future practitioners in preparing for periods of change and crisis. In terms of contribution to theory, it presents the five stages framework. In terms of marketing it looks specifically at the development of marketing within charities, particularly within fundraising, as well as understanding and application of the marketing concept at departmental, senior management and trustee level.

Above all, after seven years, this research has endeavoured to illustrate that, for many charities voluntary income is very important. It is not inconsequential 'icing on the cake' but fundamental lifeblood. As such, the whole area of fundraising and voluntary income needs to emerge from the shadows of social policy to be studied as an important topic in its own right. Fundraisers deserve the support and analysis of academics to enable them to see their issues in the wider context and benefit from an external perspective, as commercial marketers have done for decades.

APPENDICES

Appendix I

List of charities which participated in the study

Action for Blind People
ActionAid
Barnardos
Blackpool, Fylde and Wyre Society for the Blind
British Association of Cancer United Patients (BACUP) now Cancer
Bacup
British Heart Foundation
British Red Cross Society
Cancer Relief Macmillan Fund now Macmillan Cancer Relief
Cancer Research Campaign
Christian Aid
Christie Hospital, Manchester
Fight for Sight
Guide Dogs for the Blind Association
Help the Aged
Imperial Cancer Research Fund
Marie Curie Cancer Care
National Trust
NSPCC
Oxfam
Royal London Society for the Blind
Royal National Institute for the Blind
Royal National Lifeboat Institution
RSPB
RSPCA
Salvation Army
Save the Children Fund now Save the Children
Sightsavers
Spastics Society now Scope
St Ann's Hospice
Trinity Hospice in the Fylde

Appendix II

Research questions in 1994

Fundraising, the external environment and marketing response

Introduction

Thank you for seeing me today. The purpose of this research is to try to discover what are the principal challenges for fundraisers, how they think these challenges have changed over the past few years and what response they are making to these challenges

The aim of this research is to see if any conclusions can be drawn about the impact of environmental factors and to see if there are any generic ideas for future charity fundraising.

As well as yourself, I will be talking with representatives of all the top twenty charities and, for comparison, representatives of charities in two subject groups: cancer and visual impairment throughout the top 500 as given in *Charity Trends*.

Before I start, may I confirm that you have received a copy of the 'terms and conditions' as to how I will use this information and that you agree to the terms. Thank you.

When I wrote to you, I also asked if I could see copies of your annual report for the last five years. Do you have these available? I will take these away with me, if I may, and return them as soon as I have finished with them.

Finally, before I begin, for the record, may I ask for your correct title and how long you have been with the charity.

Your charity

*Q1. I would like to begin by asking you what I hope will be a straightforward question. Can you give me your definition of fundraising, please?

*Q2. Do you include statutory fundraising (grants and contracts) within your definition/your responsibility? (2 answers)

Thank you.

Now I would like to ask you some questions about your charity's fundraising activities.

*Q3. May I ask what income target you are responsible for this year? _____

*Q3a. Is that an increase or decrease over last year? _____

*Q3b. By how much (eg inflation/to meet service needs)? _____
Percentage and statement -reason

*Q3c. Who set the figure? _____

*Q3d. How was it calculated? _____

When we arranged this appointment I sent you some questions about staffing, numbers and arrangement. Do you have that information for me, please? Go through now

*Q4. How many staff do you have with responsibility for fundraising? Can you give me a total and then a division between full-time, part-time and volunteers. I have also split the categories between headquarters, regional and local organisations although not all these may be appropriate to you.

Here at headquarters

full-time _____ part-time _____ volunteers _____

*Q4i. Regionally

full-time _____ part-time _____ volunteers _____
explanation _____

*Q4ii. Locally

full-time _____ part-time _____ volunteers _____
explanation _____

*Q4a. How many staff does the charity have in total? Here at headquarters?

full-time _____ part-time _____ volunteers _____
explanation _____

*Q4ai. Regionally

full-time _____ part-time _____ volunteers _____
explanation _____

*Q4aii. Locally
full-time _____ part-time _____ volunteers _____
explanation _____

*Q5. When was the first fundraising post established in this charity?

*Q6. How long has there been a fundraising department? _____

*Q7. Where does fundraising fit in the organisational structure?

*Q7a. How is the fundraising department structured - is there a departmental
organogram? If not can you give me a brief description eg departmentally, pyramid

*Q7b. How long has this structure been in place? _____

*Q8. If less than five years, what did it replace? _____

*Q8a. Who made the decision to change and when? _____

*Q8b. Was the decision part of a larger plan eg new strategic plan? _____

*Q8c. Why was this alternative chosen? _____

*Q9. With hindsight has this restructuring been beneficial for the charity? How?

*Q10. For charities which have not restructured in the last five years. Are there any
plans for change at this time?

*Q11. How has the number of people in the fundraising department changed over
the past five years - not looking for specific absolutes but general trends eg
whether the size of the fundraising departments has grown by a few percent or
doubled, whether the number of volunteers used by head office has halved or
quadrupled, whether service personnel has matched the growth in fundraising
personnel or been widely different.

*Q12. As head of fundraising where do you fit in the organisation (eg are you part of the senior management team) to whom do you report?

*Q12a. How long have you been in your current post? _____

*Q13. Is there a board sub-committee responsible for fundraising? _____

*Q13a. Who is on the board and how many are from the main board? What is the connection with the main board (reporting, action)?

*Q13b. What are the roles and duties of your sub-committee (overseers or participants)?

*Q14. For what is the fundraising department responsible (does it include statutory grants and contracts)?

*Q15. How is fundraising perceived by other parts of the organisation?

*Q16. Do you have specialist staff for certain areas for example legacies, direct mail?

*Q17. Of your current middle and senior staff, what proportion have come from a voluntary sector background and what proportion from the commercial sector?

*Q18. Do you offer or encourage your staff to acquire fundraising or marketing training?

ICFM training	_____
ICFM membership	_____
CIM diploma	_____
CIM membership	_____
Other external training	_____
Other internal training	_____

*Q18a. Do you have any fundraising/marketing qualifications? Which?

*Q19 do you and or any of your staff attend marketing or fundraising conferences eg ICFM CAF IFRW? Which and in what numbers

*Q19a. Why? Why not? _____

*Q20. Do staff or departments have individual fundraising targets? If so when were these introduced?

*Q20a. On what are the targets based eg need last year plus 5%?

*Q21. Do you encourage /discourage internal competition between groups/departments in terms of meeting targets?

Activities

*Q22. I am going to show you a table of fundraising activities. To begin with, there are three basic questions, which of these has your charity ever done, which is it currently doing and which do you think you will still be doing in five year's time.

	Have done	are doing	will do	notes
House to house				
Street collect				
Local events				
Celeb fundrg				
Major events				
Memb camps				
Legacy camps				
Direct mail indiv				
Inserts				
Direct mail companies				
Telephone fund				
Television ads				
Radio ads				
Sponsorship with companies				
Big-gift companies				
Big gift individuals				
One-off major campaigns				
Statutory grants				
Stat contracts				
Trusts				
Merchandise				
Shops				

*Q23. In respect of those that you are now doing, what percentage of income do you get from each?

*Q24. Where is the emphasis at the moment? (ie of all those you are currently doing, which have highest priority in terms of resources and income expectations)

*Q25. Has this changed over the last five years? _____

*Q 25a which of the above are largely organised and run by volunteers rather than paid HQ or regional staff?

*Q26 I want to look at four specific areas: legacies direct mail covenants and membership

	legacies	direct mail	covenants	membership
When did you start promoting this and why				
How much as a % of your current total inc is it				
How much as a % of your current fndg budget				
Is the amount of inc from this source rising/ falling as trend				
Is the amount of exp from this source rising/ falling as trend				
Have you set inc targets				
Over how long is this target set - 1 yr or more				
What is the current campaign strategy				
Do you envisage major change in next year				

Income and expenditure

In the last section you identified the activities that you are currently undertaking to raise money. Specifically in four areas we looked at how income and expenditure are rising or falling. Now I would like to ask you about costs per pound raised.

*Q27 Have you done any research on how much is cost to raise money either as a total or department by department (product by product) _____

*Q28. If so, when did you first start doing this analysis? Why? _____

*Q28a. What do you include in this analysis eg percentage of overheads, 'cost equivalent of volunteers' etc.

*Q29. How have you noticed the cost ratio changing since you began the analysis?

*Q30. Have you set any kind of 'acceptable limits' eg if this costs more than 20p in the £ then it is not cost-effective and we should not be doing it?

*Q31. Have you made any adjustments in the fundraising programme as a result?

*Q32. Where appropriate, why have you not looked at this kind of analysis?

*Q33. So you think it likely that you will do so in the future? _____

*Q34. What is the time period over which you calculate the costs and benefits of a campaign or element of fundraising?

*Q35. Can you give me a couple of examples eg a short term and a long term one?

*Q36. Do you mostly get your income from a large number of people giving a small amount or a small number of people and companies giving large amounts?

*Q37. (where appropriate) to what extent do you think that the loss of the Princess of Wales as an active patron will affect your fundraising over the coming year?

Corporate image

*Q38. What is the perceived relationship between fundraising and awareness and image in the organisation?

Awareness _____

Image _____

*Q39. Has your charity changed or updated its name logo strapline or image in the last five years? When and why?

*Q40. What in round terms did this cost? And what are you including in the cost eg market research, design, staff time, new stationery launch etc.

*Q40a. What have been the benefits to the charity and how have you measure these?

*Q41. If you have not changed your name or logo, have you thought about it?

*Q41a. Why was the idea rejected and by whom

Branches

*Q42. Do you have any kind of branch structure? Can you describe it for me?

*Q43. How are costs and income attributed between head office and your branches?

*Q44. Have you noticed, in general, increasing or decreasing income from your branches?

*Q45. What are you doing about this? _____

*Q45z. How is the fundraising that is not orchestrated from head office run and managed? _____

*Q45y. How many regions have you divided your non-headquarters fundraising into? _____

*Q45x. How many regional campaigns are you currently running and how are you defining campaigns? _____

*Q45w. Do you stipulate to the regions/local campaigns whom they can and cannot approach for funds? _____

*Q45v. Is this stated policy or a gentleman's agreement? _____

*Q45u. Are you having to make these agreements more formal why who requests this? _____

*Q45t. What limits are there on local regional fundraising _____

*Q45s. Are you getting reports from fundraisers that it is more difficult to raise money in their area? If so when did this start? _____

*Q45r. Are these comments borne out by falling income from local sources?

*Q45q Do you have any other comment on the relationship between local and national fundraising in respect of competition? _____

Service provision

*Q46. Is it becoming more or less difficult to match income with service provision needs? How are you measuring this?

*Q47. To what factors do you attribute this? Eg service needs increasing, but income static/decreasing

*Q48. What steps are you taking to amend this situation?

*Q49. Have you had to cut back on existing service provision? Is this due to reduced or static income in real terms _____

*Q49a. Have you had to cut back or postpone natural growth for new work or extensions of current work? Is this due to reduced income/static income in real terms? _____

*Q50. Has this lead to a) internal tensions between departments _____
b) investigating partnerships with other charities _____
c) fewer services being offered _____
d) significant pressures on long term services? _____

Contracts

*Q51. Are contracts seen as part of fundraising? _____

*Q52. In what way does the fundraising dept have a role in contracts? _____

*Q53. From charity trends x per cent of your income comes from statutory sources? How much as a % is now from contracts? _____

*Q54. Do you see the rise of contracts as a threat of an opportunity with regard to your other fundraising? Why? _____

*Q55. Are the people bidding for contracts part of your fundraising dept? _____

*Q55a. If not why not? _____

Competition

*Q56. To what extent do you think competition between fundraising charities is healthy? Can you give me an example of where you think it is positive and where negative? _____

*Q57. What research have you done on your donors in terms of why they give to you and how many other charities they give to? _____

*Q58. Do you consider fundraising to be increasingly competitive for your charity? Why? Can you give examples _____

*Q59. Which organisations do you consider to be your competitors?

*Q60. (where appropriate) you have only named charities. Do you think that you are in competition with any other organisations or activities?

*Q61. Have you quantified the effects of competition on your income? If so, in what ways? _____

*Q62. What are you doing to overcome the competition you perceive. How has this affected your fundraising plans? _____

*Q63. Do you think your organisation has any particular advantages in fundraising over other charities? If so what? _____

*Q64. Do you think your organisation has any particular disadvantages in fundraising over other charities? If so what? _____

*Q64a. Do you find that you are working more with other charities in jointly sharing the proceeds of events than you were a few years ago? If so can you give me an example? _____

*Q64b. Do you find that you now have to offer more in return for donations (incentives or an experience of some sort) to attract money? Does this apply to one sector eg young people or are you finding this across the board?

*Q64c. In terms of joint promotions, are you doing more than you were a few years ago? Do you think this is as a result of your more active stand of that of the companies involved? How do you vet such activities?

Marketing

*Q65. Are you familiar with the terms product life cycle and brand loyalty? Do you think they have any validity for charities?

*Q66. Are there any of your fundraising activities which you could identify as being actioned in response to competition?

*Q67. Do you have a strategic plan for the organisation? Does this include a section for fundraising?

*Q68. Who drew it up? Is it reviewed regularly? _____

*Q69. What are the broad goals for the fundraising department? Do you agree with them? _____

*Q70. Are there fundraising strategies you would like to adopt but cannot? What are they? _____

*Q71. Why can't you put them into action? (eg money board other reluctance).

*Q72. To what extent do you consider your charity to be reactive or proactive in terms of fundraising developments? _____

*Q73. Have you been prepared to invest in fundraising, publicity and marketing programmes to gain in the long term rather than the short term? Can you give an example? How does your organisation or department define the long and short term?

*Q74. Which fundraising or marketing books and magazines do you read regularly

*Q75. Why? _____

*Q76. What impact have ideas from marketing had on your fundraising activities

*Q77. I realise that this has been a rather long interview but do you have any other comments you feel you want to make about your charity, fundraising and competition?

Thank you very much for your help.

Appendix III Environmental factors affecting the UK voluntary sector

This chart sets out a PEST analysis of the political, economic, social and technological factors affecting charities in the last 30 years of the twentieth century. The political and economic factors refer specifically to the United Kingdom, but in the increasingly global village significant technological developments have occurred internationally. Equally, the social factors listed may not have affected charities directly but they give a context to the changing environment. The final three columns illustrate development in the non-profit sector. The first is taken from the sector as a whole, the second focuses on fundraising practitioner developments and the third on the academic progress. (Technical has been kept to issues relating predominantly to things linked to new technology while other aspects of technological advance but which have more social/moral implications are put into social)

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1969	British troops sent in to Northern Ireland		First test-tube fertilisation of human eggs Biafran war and famine	Man walks on the moon First flight of a 747 and of Concorde	Oxfam one of only a handful of charities with any kind of donor list	<i>Fundraising Management</i> magazine launched in the USA. Hereward Phillips' book on UK appeals	First academic article on marketing for non profits by Kotler & Levy. Open University founded in the UK.
1970	General election. Conservative government under Edward Heath		New English Bible- one million copies sold in first week. 1000 th episode of Coronation Street	IBM introduced the first 8-inch floppy disk	British Red Cross Centenary		
1971		UK changes to decimal currency	Brazilian footballer, Pele, retires. Stanley Kubrik's film of <i>A Clockwork Orange</i> released	Microprocessor chip invented by Intel. First pc built. First video cassette recorder for the home.	Greenpeace founded in Canada		First ARNOVA conference for research(ers) into the non-profit sector in USA.

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1972	State of emergency declared as miners' strike led to power shortage		Munich Olympics. New words included 'acid rain' and 'veggieburger'	First CT scanner to X-ray the brain	Wells publishes first statistics on UK charity income		<i>Journal of Voluntary Action Research</i> launched in USA (changed title in 89)
1973		VAT introduced Arab oil embargo adds to power shortage in UK	First commercial radio station in UK New phrases included 'child abuse'. Lord Lucan disappears. Uri Geller bends cutlery.				First non-profit marketing article in the <i>Harvard Business Review (HBR)</i>
1974	Winter of discontent General election, Labour government under Harold Wilson.	Three-day week introduced			Launch of the Volunteer Centre		
1975	Margaret Thatcher becomes leader of the Conservative Party Britain says yes to EEC referendum	First North Sea oil piped ashore	First pop video shown on <i>Top of the Pops</i> , Queen's 'Bohemian Rhapsody'.		Wells publishes second set of statistics on voluntary income	First edition of Kotler's <i>Strategic marketing for non-profit organizations</i> .	
1976	Harold Wilson quit to be replaced by James Callaghan as Prime Minister. Race Relations Act passed.		The phrases 'junk food' and 'soundbite' enter the language. Montreal Olympics.	Apple computer company founded			
1977	Beginning of quangos		Wimbledon centenary won by Bjorn Borg and Virginia Wade	Microsoft founded Apple launched the Apple II			

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1978			First appearance of the Smurfs First test-tube baby	Space invaders arcade game takes off	Charities Aid Foundation (CAF) launch <i>Charity Statistics</i> Wolfenden Report		Launch of the Centre for Voluntary Organisation at LSE.
1979	General Election, Conservative government under Margaret Thatcher	European Exchange Rate Mechanism launched Recession begins Recession	<i>The Times</i> reappears after almost 12 months of industrial action CND protest at Greenham Common Half of UK married women have jobs outside the home	Sony Walkman launched Compact discs launched.	First Thames Telethon. First <i>Children in Need</i> on TV		
1980			Wedding of Prince Charles and Lady Diana Spencer. Brixton Riots. 150,000 gather at Greenham Common.	Xerox's Palo Alto Research Centre develops ethernet networking capability and the mouse. IBM launches PC			
1981	Social Democratic Party formed	Recession	Barbican opened. Diet Coke launched. Michael Jackson's <i>Thriller</i> album	Intel 80286 chip. First laptop computer the Epson HX20		First International Fund Raising Workshop in the Netherlands	
1982	Falklands War	Recession finishes . House prices start to rise by approx 6 per cent per annum	Discovery of the AIDS virus, HIV Madonna releases first album	Jaron Lanier coins the term 'virtual reality'.		'Early adopters' are beginning to use direct mail for fundraising	<i>HBR</i> article on customer focus for nonprofits
1983	Margaret Thatcher returned to power in General Election	Gifts to charity, including legacies, exempt from inheritance tax		Institute of Charity Fundraising Managers founded <i>Charity</i> magazine launched by CAF			

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1984	Data Protection Act passed	British Telecom shares go on sale in the largest share issue in the world	Virgin Atlantic maiden flight Bhopal disaster India Los Angeles Olympics, Ethiopian famine	Novelist William Gibson invents the term 'cyberspace' Apple computers unveil the Mac	Band Aid record New phrases include 'compassion fatigue'	NSPCC Centenary Appeal culminates	
1985			Ted Hughes made Poet Laureate Method of genetic fingerprinting discovered. Commercial whaling banned	Intel 386 DX Microsoft Excel launched in DOS format Fax machines still new in companies	Live Aid concert <i>Rainbow Warrior</i> destroyed BACUP & British Lung Foundation launched		
1986		Payroll giving announced	Chernobyl nuclear plant explodes. Challenger shuttle explodes. World Health Organisation estimates 100,000 cases of AIDS	Microsoft's Bill Gates becomes a billionaire	Sport Aid - 30 million take part in sponsored runs. First volunteers week. Marjorie Wallace founded SANE		
1987	Margaret Thatcher wins third consecutive general election Data Protection registration for non-profit organisations	Payroll giving starts with an annual maximum donation of £120. Stock market collapse - Black Monday Audit Office review Charity Commission	Hurricane across southern England World population reaches 5 billion, double the number in 1950		Public launch of Great Ormond Street Hospital Wishing Well appeal. Woodfield Report Whale and Dolphin Conservation Soc founded	First <i>Fundratios</i> analysis published First charity affinity card for NSPCC	

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1988	Local Government Act passed which required local authorities to put many services out to tender (but not yet including social welfare)	Payroll giving maximum raised to £240 per annum Covenants encouraged by Income and Corporation Tax Act	Lockerbie air disaster. Seoul Olympics	New phrases included 'desktop publishing' Computer viruses become an international issue. Virtual reality created by NASA	First television advertisements for charities. ITV Network Telethon raises £21.8 million	First 'Comic Relief' fundraising day US magazine <i>Fundraising Management</i> produces issue on the UK Beginning of legacy marketing campaigns	
1989	Caring for People (CM849) required local authorities to put welfare contracts out to tender	Start of recession. House prices drop by 12 per cent per annum to 1993. Payroll giving maximum raised to £480 per annum	<i>Fatwa</i> issued against Salman Rushdie Tiananmen Square massacre, China Berlin Wall comes down Exxon Valdez oil spill	PCs becoming more common in offices Brit Tim Berners-Lee starts to develop the World Wide Web	Gt Ormond Street Hospital announce hitting target for Wishing Well Appeal Environmental boom. New charity, Ark, launched with high profile names. RSPB Centenary	First CASE conference in the UK for fundraisers/ alumni development in higher education	Drucker article in the <i>HBR</i> on 'What business can learn from nonprofits.' CAF sponsored seminar on sources of charity finance and future implications
1990	Margaret Thatcher ousted as Prime Minister, John Major takes over. Independent taxation may have implications for female covenantors.	Gift Aid scheme announced for gifts of £600 or more Recession Efficiency scrutiny of government funding of sector by Home Office	Nelson Mandela released Operation Desert Shield troops sent to Saudi Arabia Hubble telescope into orbit	Nintendo Game Boy launched	Beginning of contract culture for charities	First ICFM conference. <i>Professional Fundraising</i> magazine launched First idea of generic giving campaign, became the Windsor Group	<i>Voluntas</i> , the <i>International Journal of Voluntary and Nonprofit Organisations</i> launched <i>Nonprofit management journal</i> launched in US

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1991	Gulf War	Recession	Helen Sharman, first British woman in space New phrases include 'eco-terrorism' Hostages John McCarthy, Brian Keenan and Terry Waite freed	Computers and satellites make the Gulf War instantly available on television screens. Microsoft launch Excel version 3 for Windows	Themes of management spilling over into charities as the corporate sector was wooed. Breakthrough Breast Cancer launched	British Red Cross The Simple Truth Concert for the Kurdish people.	
1992	General election won by Conservatives under John Major Charities Act Part 1	Recession Gift Aid reduced to £400 Five aid agencies condemn government for #274 million cut in overseas aid budget Britain quies ERM	New phrases included 'ethnic cleansing' Premier league launched for football. Earth Summit in Rio de Janeiro Somalia famine The Queen's 'annus horribilis'		First Charityfair Oxfam's 50 th birthday ITV Telethon NCVO Publish On Trust - for Trustees Mencap launches new logo	<i>Relationship Fundraising</i> by Ken Burnett published. <i>Third Sector</i> magazine launched. First ICFM <i>Who's Who in Fundraising</i> . <i>Charity Appeals</i> by Marlon Allford <i>Development in Education</i> launched	Launch of Open University non profit Launch of VOLPROF at City University Business School Launch of charity finance course at South Bank University
1993	Parts 4-6 of the Charities Act (SORP) 1993 Accounting by Charities	Final effects of recession (89-93 3% fall in GDP, 12% GDP shortfall below trend. Unemployment 7.6% Start of European single market Gift Aid level £250	British Sky Broadcasting begins Maastricht Treaty signed Human Genome Project begins	Mosaic launched as the first browser to surf the internet	First <i>Professional Fundraising</i> awards Windsor Group folds	Beginning of growth in practical books on fundraising especially through the Directory of Social Change	Polytechnics become universities

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1994	Establishment of the DTI De-regulation task force Launch of the National Lottery Charities Act (1992) Part II passes		First female priests ordained by the Church of England First open elections in South Africa The Channel Tunnel opened. Rwandan civil war		Changes to regulations for lotteries SCF 75 th anniversary		<i>Meeting need by Ian Bruce</i> published
1995	Launch of the Telephone Preference Service Charity's Accounting and Reports Regs 95 EC Directive on Data Protection adopted.	94-95 £957 million given in grants and contracts to voluntary organisations Nick Leeson brings down Barings Bank (and Trust)	President Clinton visits Northern Ireland	3 million PCs sold in the UK 2 million people accessed the internet. Windows 95 launched by Microsoft	First national lottery grants to charities Christian Aid 50 th anniversary. National Trust centenary	Implementation of Part II of the Charities Act	First NCVO Annual Research Conference
1996		Income tax 24 per cent Payroll giving up to 1200 per annum	WHO declare TB is still worlds biggest killer 'mad cow disease' food scare Olympic Games in Atlanta		SORP II comes into force (Charities Act 93) 10 th anniversary of volunteers week Deakin Report published		<i>Journal of Nonprofit and Voluntary Sector Marketing</i> launched UK

Year	Political environment	Economic environment	Social environment	Technological environment	Non-profit environment	Fundraising practitioner environment	Academic environment
1997	General election brings in Labour Government under Tony Blair Responsibility transferred back from Heritage to Home Office	Review of taxation of charities announced	Diana, Princess of Wales dies Dolly the sheep cloned Britain wins the Eurovision song contest Hong Kong is returned to China Girl power is epitomised by the Spice Girls		As at October the National Lotteries Charity Board had awarded 11,000 grants worth £680 million	CAF and ICFM launch new series of books on fundraising for practitioners starting with Mullin on <i>Fundraising strategy</i> .	
1998	Devolution votes for Scotland and Wales Data Protection Act 1998 Telecomms Regulations 1998	Millennium Gift Aid scheme launched	Launch of digital TV <i>Fatwa</i> on Salman Rushdie lifted. Geri Halliwell appointed a cultural ambassador for the UN	Panic over Y2K bug takes hold Apple launches the new, smartly designed iMac computer	181,800 registered charities in England and Wales Cancer Research Campaign 75 th anniversary	Harold Sumption dies ICFM introduces competency based accreditation	South Bank University launches charity fundraising course.
1999	NI Good Friday agreement Paul Boateng announces new government volunteering schemes	Review on charity taxation published Chancellor's autumn statement announces major changes to Gift Aid and covenants - <i>Getting Britain giving in the 21st century</i>	The launch of Viagra Jill Dando shot dead on own doorstep President Mandela retires Barbie doll's 40 th anniversary GM food issue Millennium fever	e-commerce begins to take off. Amazon.com becomes world's largest bookseller	186,823 registered charities NSPCC Full Stop campaign grabs headlines and awards as biggest UK fundraising campaign	<i>Charity</i> magazine merges with <i>NGO Finance</i>	<i>Journal of Voluntary Action</i> launched

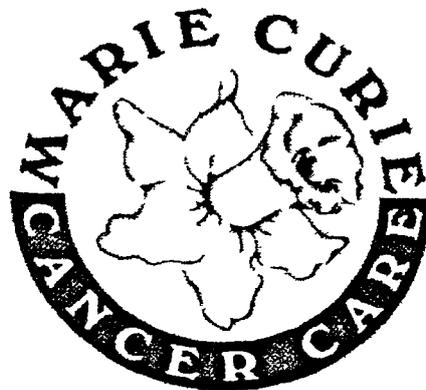
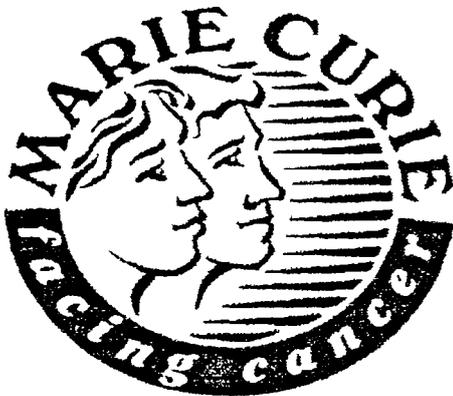
Appendix IV

Examples of some logo changes by charities between 1989 and 1994

FIGHT FOR SIGHT



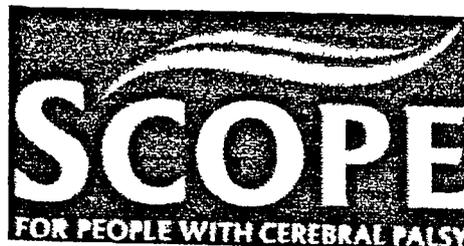
Fight for Sight 



RNIB



THE SPASTICS SOCIETY
FOR PEOPLE WITH CEREBRAL PALSY



BACUP
LET'S GET TOGETHER TO LIVE WITH CANCER

Appendix V

Questions for longitudinal aspect of research - Snapshot 99

*Q1 What have been the major changes to the fundraising department and/or the fundraising activities in your charity in the last five years? And why?

Q2 Which of these changes, have been driven by external factors, and which by internal factors can you give examples?

Q2c Explore broader external factors if necessary eg political, social

Q2b Would you say that internal or external factors are now driving the fundraising development, which is the stronger? In what way?

Q3 What do you understand by the term market orientation?

Q4 Would you say that marketing thinking or a market orientation has spread out into other parts of the charity? If so where and how?

Q5 Has it reached SMT and the trustees and senior volunteers too?

Q6 And where does marketing fit into your fundraising?

Q7 How integral is fundraising to the organisation now?

Q7a Would you say that fundraising or service delivery is currently leading the charity as a whole or is there a balance?

Q8 And I think finally, what role do volunteers play in fundraising? And how is this contribution valued, I don't mean in terms of either money raised but in terms of general perception of the roles of volunteers?

Q8a Are volunteers included in decision making about fundraising and targets? Does that include trustees and senior volunteers?

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