



# From Good to Great<sup>^</sup> Critical Ingredients for Fundraising Teams

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Many medium and large non-profits are saying there are two factors inhibiting the success of their fundraising teams.

The first is the implementation of professional development opportunities and the second is the economic and social environment we've been in for some years.

Four years ago, we saw multiple natural disasters take hold around Australia, followed by COVID-19 lockdowns, volatile investment markets and escalating cost of living pressures. For many organisations, this is translating to a rise in people presenting to their services, some for the first time. This naturally results in fundraising pressure to keep pace with this service demand.

At Koda, we're truly invested in non-profit organisations, their boards, executive and fundraising teams. We recognise that non-profits hold our communities together. They catch our most vulnerable and they advance our understanding and appreciation of science, climate, art, culture and education.

We also know that fundraisers are often not only the engine room of a non-profit's revenue but the face of its public profile. Like most professions, we know that raising mission-aligned funds is a skill that is honed over years, if not decades and we are privileged to speak with many fundraisers who have perfected their craft.

We're in the position of being able to meet with a high volume of fundraising teams across Australia. We see the highly effective and talented as well as the under-resourced and emerging. It's this high-volume exposure and many years of experience that has provided the basis of this article.

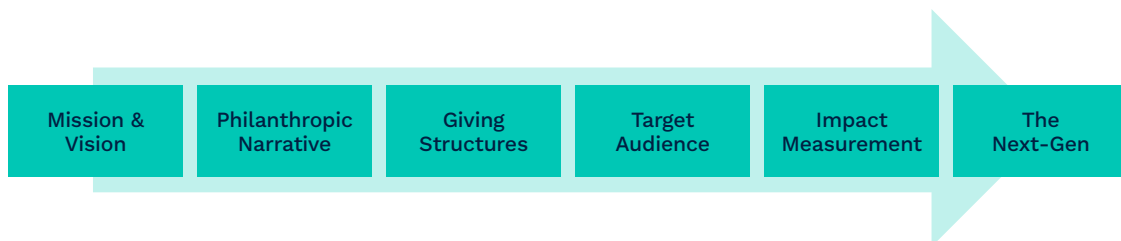
We can't control the economic climate we live in, however, fundraisers can embark on an organisational journey to ensure that their team is operating as efficiently and impactfully as possible, especially when the environment is challenging.

**In this paper, we've compiled seven critical ingredients** that are central to the success of a fundraising team. On their own, these ingredients will not serve as the silver bullet that will fulfill all funding needs. However, we've experienced firsthand just how powerful it is to experience a well-crafted, well-researched and impactful approach that comes about when these critical ingredients are brought together.

While all seven ingredients are important, we've put particular emphasis on engaging with the next-generation (next-gen) givers. We believe that the transition of engagement to next-gen givers will be one of the greatest fundraising challenges and opportunities for most organisations over the coming decade.

Our hope is that this paper acts as an affirming checklist for most organisations and a point of reflection for others. For those that choose to undertake some reflection, we suggest the following sequence:

We see the highly effective and talented as well as the under-resourced and emerging. It's this high-volume exposure that has driven this list of critical ingredients for fundraising teams.



## Critical Ingredient One: Reflect on the Mission and Vision

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Strong mission and vision statements galvanise a fundraising team and ensure that they're all pulling in the same direction. It's true, most organisations will have a mission and vision in place. However, if mission and vision statements are hard to remember, too general or too wordy, this can be a sign that it may need to be revisited to ensure it's meaningful.

For most organisations, mission and vision statements are formulated by the board, perhaps in consultation with staff. For fundraisers who are not on the board or executive, we encourage speaking up about how a mission and vision is being perceived in the market. An informed opinion that has direct line of sight to revenue should be valuable for most organisations.

### Why is this important

Strategic funders are often looking for mission-to-mission alignment. They, or the foundations they represent, should have a mission that they're funding to.

They are looking for organisations that gel with their view of the world and sector experts, like fundraisers, that can add value to their knowledge and approach.

## Critical Ingredient Two: Clarify the Philanthropic Narrative

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Following a vision and mission review is a check-in on the philanthropic narrative. A philanthropic narrative is how fundraisers describe what an organisation does and it should be framed around three basic areas:

- **Issue:** what is the problem the organisation is addressing?
- **Action:** what is the organisation doing about it?
- **Impact:** are the interventions proving to be successful?

It's important to think about how a philanthropic narrative will expand and contract depending on the potential funders that are being engaged. Different funders will have different points they want to hear over others.

### Why is this important

Framing the explanation of an organisation around these three areas ensures that no critical information about the strategic direction of the organisation is missed. This framework can be used anywhere from a BBQ conversation to a boardroom presentation or a grant application.

Some of the best fundraising teams put their success down to a simple message about their work that everyone can understand and talk to, from the Board down. Refining this message is often hard work though, getting it right can help galvanise an organisation and its supporters.

# Critical Ingredient Three: Understand Philanthropic Structures and Landscapes

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While it may not be most people's idea of a good time to read the [Private Ancillary Fund Guidelines](#) (PAF) or the [Public Ancillary Fund Guidelines](#) (PuAF) line-by-line, it certainly can add value to donor stewardship if they do. Answering key questions like those detailed below will help shape a fundraiser's effective donor engagement:

1. What sort of philanthropic structure does the donor have, if any?
2. What can and can't be funded from a PAF or PuAF?
3. How much can be given annually from a funder's philanthropic structure?
4. Who is the trustee and what bearing does that have on decision-making?
5. How does a family go about establishing a giving structure? What considerations do they have to make?

Additionally, seeking to understand the philanthropic landscape and the growth and scale of giving in Australia helps put an organisation's fundraising aspirations and donor demographics into context. Some places to start include:

- Philanthropy Australia's [Giving Trends Report](#)
- Philanthropy Australia's [Blueprint to Grow Structured Giving](#)
- Queensland University of Technology's [Giving Statistics Hub](#)

## Why is this important

Stewardship from a place of giving structure knowledge is powerful because it can guide and shape the sorts of engagements with major donors.

For example, sensitively seeking the answers to questions 3 and 4 can help address questions like "Can these major donors offer us further annual support?", thereby potentially reframing the time and effort placed into some major donor relationships.

## Why is this important

A deep understanding of the philanthropic landscape can inform an organisational strategy.

For example, on average, Australian charities receive 7% of their revenue from donations and bequests. This gives decision-makers a marker to determine if they're ahead of that curve or not, potentially shaping how they think about additional revenue requirements.

# Critical Ingredient Four: Database Segmentation and Utilisation

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After a non-profit's people, one of the greatest assets in a fundraising toolkit could be a fully leveraged database ("CRM"). As Koda [has previously discussed](#), an optimised CRM overlaid with an understanding of philanthropic structures and the giving landscape will assist fundraisers in:

- Recording individual communication preferences (frequency and medium) and using those preferences in both regular engagement as well as marketing activities
- Mapping multiple stakeholders associated with the same foundation/funder
- Linking a history of gifts to each relationship
- Planning donor journeys
- Developing detailed reports to spot trends that focus fundraiser's time and effort
- Tagging individuals across multiple revenue lines (e.g., regular giving, major donor, bequest)
- Focussing efforts and resources on the donors with the most capacity and likelihood of being able to make a meaningful gift.

## Why is this important

A fully functional CRM overlaid with an understanding of philanthropic structures will mean fundraisers' contact with individuals is relevant and well-received each and every time.

For example, if a tax appeal communication to structured giving vehicle donors has the emphasis on a personal tax deduction, rather than the need to make a mandatory donation, it may not be capitalising on the opportunity appropriately. In most cases, these donors have received a tax deduction when they contributed funds to their foundation, however, they will all need to make a minimum annual distribution from their structure.

Additionally, if fundraisers are assuming that each donor with 'bequest' in the title is a testamentary entity, they may be missing out on opportunities for engagement. The entity could have been created during a family's life.

# Critical Ingredient Five: Understand the Target Audience

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When seeking funds from trusts and foundations, fundraisers will likely be dealing with families directly, professional advisors (lawyers, accountants or investment specialists), trustee companies or community foundations. Each stakeholder will have its own preferences for engagement.

## Before making an approach consider:

- Does the organisation align with their funding objectives?
- Does the audience welcome contact from the charitable sector?
- What do a fundraiser's peers say about engagement with that audience?
- Does the fundraiser have a well-thought-out philanthropic narrative that aligns with the audience?

## While engaging with the target audience:

- Seek to understand how often they'd like to be contacted and by what medium
- Determine if there is a medium-to-strong likelihood that funding will be achieved
- Identify if there are stakeholders on the periphery that should be acknowledged and/or consulted (e.g., children, advisors, trustees)
- Consider if value is being added to them. This might be through education of the cause or unique experiences for their clients or staff that will all help to build trust.

## Why is this important

Assessing the donor cultivation and approach strategy creates meaningful engagements.

For example, perhaps seeking a warm introduction to a funder that typically isn't receptive to meetings with the sector will be more applicable. Sometimes less is more with funders with high-volume communication links to the social sector. Many of these funders will be more receptive to top level and bite-size updates until a formal funding arrangement is achieved. The more they talk about their focus areas and how they like to work, the better equipped fundraisers will be for future engagement.

# Critical Ingredient Six: To Measure Impact or Not?

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Reporting on impact is something that most non-profits have probably felt the pressure to undertake and maintain at the request of funders. Impact and outcomes measurement is a complex world that often requires the guidance of impact measurement professionals. However, not every organisation has the capacity to embark on this journey, nor does every donor expect it.

For this reason, formulating a position on the measurement of impact or outcomes and being transparent with funders about the reason for that position (e.g., community demographic, staff capacity or funding limitations) will set expectations about the sort of reporting data the non-profit is able to provide. Often, stories and basic output or outcomes data are enough for many donors. This transparency may also open conversations about what additional resources are required to undertake impact measurement.

## Impact measurement resources

- Centre for Social Impact's [Introduction to outcomes measurement](#)
- Centre for Social Impact's [Community Services Outcomes tree tool](#)
- Social Impact Toolbox's [Framework Templates](#)
- Social Ventures Australia's [Pay What It Takes report](#)

# Critical Ingredient Seven: Are Non-Profits Ready For the Next-Gen?

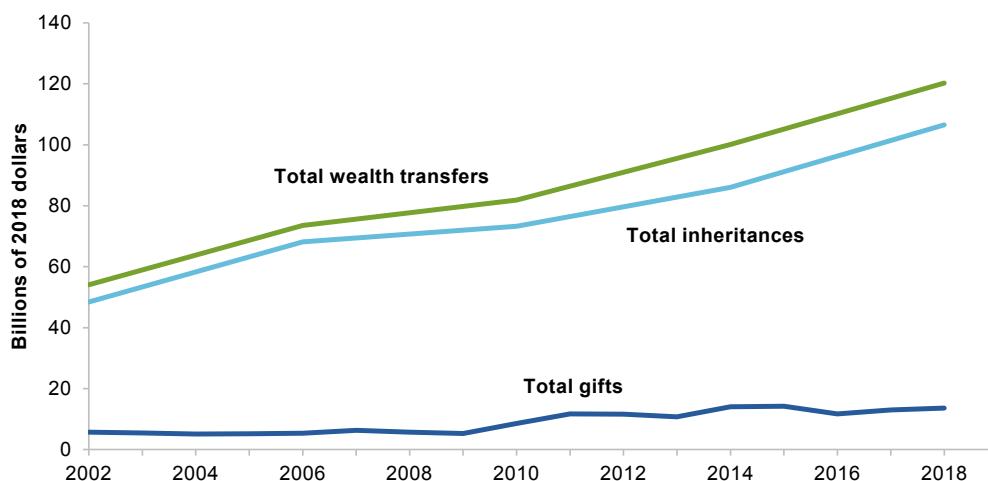
Major donor fundraising teams around Australia are considering the impact of the next-gen in family philanthropy. There are some non-profits that are ready for the next-gen shift however, anecdotally, there are organisations that haven't yet considered how their engagement, narrative and presentation will need to change.

Wealth transfer and inheritances are not new things. The chart below shows the rate of their increase since 2002. What's new is that it's building to a crescendo of sorts that will change how each organisation presents itself to its supporters.

A report by the Productivity Commission in November 2021 estimated the transfer to be \$3.5tn by 2050. If we follow the historical trends, about 2% of this will be directed to charity in the form of charitable gifts as shown in the graph. About half of all inheritances will go directly to the next-gen (spouses, carers and friends receiving most of the rest).

The rise in popularity of structured giving vehicles (foundations or sub-funds) and the portion of funds that may be destined for these vehicles in a Baby Boomer's estate planning may positively affect the proportion of funds that makes its way directly into the social sector. Additionally, Millennials' views of wealth and income inequality may contribute to the proportion of the giving that they do after an inheritance ([Deloitte 2021 Millennial and Gen Z Survey](#)).

**Graph – The annual value of wealth transfers has more than doubled since 2002**



Source: <https://www.pc.gov.au/research/completed/wealth-transfers/wealth-transfers.pdf>

While perhaps it's not as drastic here in Australia, one of the best descriptions of what next-gen givers are seeking is by American Authors, Sharna Goldseker and Michael Moody in their book *Generation Impact: How the Next Gen donors are revolutionizing giving*:

- They dislike showy donor appreciation walls and fancy galas
- They would much rather be out in the field contributing to programs that really work or trying out some experimental idea that has the potential for scale
- They want to give for tangible results, or not at all
- They are eager to change whatever needs to change. Even if that makes donors, non-profits, or anyone else uncomfortable, if doing so will help move the needle in a significant way on the problems philanthropy is trying to address.

It's also possible to add that many next-gen givers are also looking at:

- The degree to which an organisation has an authentic First Nations lens, leadership, and influence in the design, implementation and leadership of a non-profit
- The presence of a sustainability analysis of an organisation, even if the organisation is not overtly in the environmental space. According to the Deloitte 2021 Millennial and Gen Z Survey, the environment remained priority #1 for Gen Z and priority #3 for Millennials (behind healthcare and unemployment)
- The integration of lived experience in the leadership and design of the non-profit's programs
- A diverse leadership team, especially with the incorporation of a gender lens
- If appropriate, a plan for a sustainable revenue stream, for example, a social enterprise.

To prepare for a change in donor engagement style, every organisation will need to consider the following:

1. **Provide opportunities.** Next-gen givers want to get involved with an organisation in meaningful ways, such as volunteering or serving on a committee. However, it should be noted that 'meaningful' is the key word here. Non-profits that don't have the capacity, resources or opportunity for this type of engagement are best advised not to undertake it. Additionally, consider other technology-enabled ways to connect them to the cause
2. **Communicate with the whole family.** Next-gen givers are stepping into family philanthropy in higher numbers every year. Fundraisers should make sure they're meeting and engaging with the children of major donors. This will ensure that the organisation becomes one of the 'family choice organisations.' A critically important note here is that this must be done on a permission basis, via the primary contact. Unsolicited approaches directly to next-gen givers via LinkedIn or similar may have the opposite effect
3. **Communicate impact.** Clearly communicate the impact (or outcomes) of giving and how donations are being used to achieve organisational goals
4. **Aligning the mission and message.** Put the non-profit mission at the forefront of communications and align it with next-gen values. As mentioned earlier, if an organisation's mission is murky, unclear, hard to understand or simply uninspiring, perhaps start by revisiting it
5. **Be authentic.** Know that the tolerance for inauthenticity is low. Polished brochures and stories are important, however, seeing and feeling the impact at the frontline - warts and all - may be just as important
6. **Consider the communication platform, frequency and format.** Donor reports with charts or bite-sized social media updates can play important roles at different times and knowing what to deploy and when to deploy it is both an art and a science. For example, Snapchat has increased its user base from 60 million to 173 million, 70% of which are under 24 years old. Over half of the users visit the app 25-30 times a day. Is this sort of engagement appropriate for some organisations and could this be a great way to engage the next-gen, communicating impact or thanking them for their support? The balance between data and stories is also important to get right. An imbalance between these can change the engagement levels of next-gen givers
7. **Consider non-profit diversity and sustainability.** Regardless of a non-profit's mission, authentically incorporate a First Nations, gender, lived experience, and sustainability lens into the operations
8. **Analyse the revenue mix.** While it's not always possible or appropriate to build a social enterprise into all revenue streams, a plan to decrease the reliance on philanthropy can often spur more philanthropic support to get an organisation to its goal of revenue sustainability
9. **Be transparent.** Transparency about operations, finances, leadership and other challenges can be a great move when engaging with next-gen givers. However, it's important to consider that if the other points in this list are not undertaken in full, this can backfire tremendously
10. **Be the catalyst that brings generations together.** When families set up foundations or give in general, often they hope it will be an experience that helps to unite them. Offering experiences that bring different generations together in a meaningful way can add enormous value to the donor. This value is often rewarded with appreciative and loyal donors who give more.



# Conclusion

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The exceptional fundraisers we see through our work at Koda are continually learning and adapting. They consistently review these critical ingredients, and are never complacent about them, particularly in times of crisis. We hope that the critical ingredients we have identified will help bring positive results to organisations and bring them closer to achieving their mission.

Building a culture of fundraising across non-profits is crucial. Perhaps start by meeting with the board, sub-committees, executive team and other departments to help them understand fundraising and the important role they as individuals can play. Once these key stakeholders are onboard with the notion that even the smallest shifts create meaningful impact, fundraisers could decide to undertake the following steps to review and incorporate the critical ingredients that have been highlighted:

- Review and confirm the vision and mission statements
- Clarify the philanthropic narrative following the 'Issue, Action, Impact' format
- Understand the philanthropic structures of key donors and analyse how this affects a stewardship strategy
- Review the CRM and overlay it with an understanding of philanthropic structures
- Understand the target audience and work with their communication preferences
- Form a position on impact measurement and be transparent with major donors about this
- Prepare for the next-generation of donors and supporters.

These critical ingredients are actions that require the input from the whole of an organisation. Although fundraisers are well positioned to raise and drive some of these initiatives, they don't rest solely on the shoulders of a fundraising team.

In the current climate, fundraising professionals play a critical role in supporting the communities they represent. Leaders must prioritise the well-being of their fundraising teams to ensure the coming years are successful, sustainable and impactful.

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Koda Capital has been recognised as best for ESG investing by Euromoney in 2023. Koda Capital is a member of Responsible Investment Association Australasia (RIAA), Philanthropy Australia and every Koda Partner is a signatory to the Banking and Finance Oath.

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Will Beresford joined Koda Capital in March 2023 as the Manager of Philanthropy & Social Capital and is based in the Koda Brisbane office. Will brings with him a wealth of experience from the philanthropy and fundraising sectors.

Before joining Koda Capital, Will spent almost six years at Equity Trustees in Melbourne as the National Manager of Active Philanthropy. He led the team responsible for providing strategic philanthropic advice to high-net-worth families and was instrumental in reshaping and leveraging one of the largest Active Philanthropy offerings in Australia. Will would commonly meet with the for-purpose sector to better understand the issues they were faced with. In doing so he saw a significant breadth in sophistication, approach, framing and objectives from organisations when engaging with funders. While at Equity Trustees, Will was able to specialise in the creation and operation of Private and Public Ancillary Funds, Sub Funds, philanthropic strategy and grant-making.

Prior to his time at Equity Trustees, Will was working for a global children's charity in a fundraising capacity where he experienced firsthand the joys and challenges associated with raising funds. He reflects on the many missteps he made which he now uses as personal case studies when speaking with fundraisers. Additionally, he has sat on a number of Boards in a Non-Executive Director capacity.

Will obtained his MBA in 2020 and holds a Diploma of Marketing as well as a Certificate in Applied Responsible Investment.

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