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FUNDRAISING AND ITS REALIZATION IN COMMUNITY SERVICES PROVIDING*

Abstract. The target of this paper is to present the results of a qualitative research in fundraising with a specific focus on the non-profit sector in the Czech Republic. A complex analysis and comparison of non-profit organizations taxonomy was performed, further on, the definition, position, content and meaning of fundraising and its role in providing community services was identified. The primary output of the researched fundraising issue is the methodical process proposal of fundraising realization in the non-profit sector in the context of fundraising methods efficiency evaluation. Fundraising together with the public relations, marketing and lobbying influences internal and external relations quality at every organization and directly influences its brand, reputation and image. Fundraising demands strategic planning and thorough linking with the main activity of the organization, it should count with external influences changing and flexibly react to them.

Keyword: fundraising; community services; non-governmental non-profit organization (NGO); taxonomy.

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ФАНДРАЙЗИНГ И ЕГО РЕАЛИЗАЦИЯ В СФЕРЕ ПРЕДОСТАВЛЕНИЯ ОБЩЕСТВЕННО ПОЛЕЗНЫХ УСЛУГ

Аннотация. Цель этой статьи – представить результаты, полученные путем качественного исследования фандрайзинга с фокусом на такую специфическую область, как негосударственный неприбыльный сектор Чешской Республики. Были проведены комплексный анализ и сравнение таксономии неприбыльных организаций, идентифицированы дефиниция, статус, содержание, значение и роль фандрайзинга в оказании общественно полезных услуг. Актуальной проблемой в рамках рассматриваемой тематики является поиск методического подхода для реализации фандрайзинга в негосударственном неприбыльном секторе в контексте оценки его эффективности. Фандрайзинг совместно с публичными релейшнз, маркетингом и лоббированием непосредственно воздействует на качество внутренних и внешних связей любой организации, а также на ее бренд, хорошую репутацию и имидж. Фандрайзинг требует стратегического планирования и последовательной органической взаимосвязи с основной деятельностью организации, он должен учитывать изменяющееся влияние окружающей среды и гибко реагировать на него.

Ключевые слова: фандрайзинг; общественно полезные услуги; негосударственная неприбыльная организация (НГО); таксономия.

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ФАНДРАЙЗИНГ ТА ЙОГО РЕАЛІЗАЦІЯ У СФЕРІ НАДАННЯ СУСПІЛЬНО КОРИСНИХ ПОСЛУГ

Анотація. Мета цієї статті – представити результати, отримані шляхом якісного дослідження фандрайзингу із фокусом на таку специфічну галузь, як недержавний неприбутковий сектор Чеської Республіки. Було проведено комплексний аналіз і порівняння таксономії неприбуткових організацій, ідентифіковано дефініцію, статус, зміст, значення та роль фандрайзингу в наданні суспільно корисних послуг. Актуальною проблемою в рамках тематики, що розглядається, є пошук методичного підходу для реалізації фандрайзингу в недержавному неприбутковому секторі в контексті оцінки його ефективності. Фандрайзинг разом із публічними релейшнз, маркетингом та лобюванням безпосередньо впливає на якість внутрішніх і зовнішніх зв'язків будь-якої організації, а також на її бренд, гарну репутацію та імідж. Фандрайзинг потребує стратегічного планування і послідовного органічного взаємозв'язку з основною діяльністю організації, він повинен ураховувати вплив навколишнього середовища, що повсякчас змінюється, та гнучко реагувати на нього.

Ключові слова: фандрайзинг; суспільно корисні послуги; недержавна неприбуткова організація (НДО); таксономія.

Introduction

Our society looks for answers to a lot of everyday life questions. The answer and solution to many of them can be found in non-profit sector organizations where the target is not profit, but welfare and success of an individual, welfare and success of

the whole society. It is mainly about the synergy and reciprocity between private and common good, as Figure 1 demonstrates. Fundraising represents a significant source of financing. The article focuses on the research of fundraising in the non-profit sector area.

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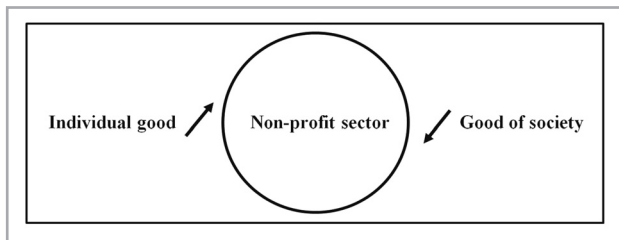


Fig.1 : Synergy and reciprocity of non-profit sector
Source: Own processing, 2014

Problem formulation

The objective of the paper is to perform analysis and comparison of non-profit organizations taxonomy, further on to identify the definition limits, position, content and meaning of fundraising at providing public utility services in the non-profit sector. The primary output of the researched fundraising issue is the methodical process proposal of fundraising realization in the non-profit sector in the context of fundraising methods efficiency evaluation.

The results presented in the paper are based on the qualitative research of literary and also electronically processed sources of authors from academic sphere as well as from practice. Specifically they are monographic publications, research reports, professional studies, papers, review articles in professional magazines published to the topic of non-profit sector taxonomy and meaning of fundraising in the national and world context.

Problem solution

Analysis of non-profit organizations definition

From the extensive literature which deals with non-profit organizations we can present the following examples of non-profit organizations definitions according to individual authors (Stejskal, 2012) [1]:

- Non-profit organizations were not found with the purpose to do business, they work within the non-profit public sector as well as private sector (Tetrevova, 2008) [2].
- The often used term «non-profit organization» is a non-defined term in the legal system of the Czech Republic. It indicates an organization which was founded with the purpose to perform public utility activities, not with the purpose to make a profit (Stejskal, 2010) [3].
- The term «non-profit organization» indicates legal entities or organizations which primarily deal with acquiring and reallocating of financial funds for the purpose of charity, religion development, culture, education, social purposes or for other «good deeds» realization (Special Recommendation VIII, 2012) [4].
- Non-profit organizations are legal or social subjects which were created to produce goods and services, whose status does not allow them to be a source of income, profit or another financial revenue for the entities which founded them, manage or finance them (Handbook on non-profit institutions in the system of national accounts, 2003) [5].

Taxonomy of non-profit organizations

The international taxonomy of non-profit organizations features was processed by scientists Salamon a Anheier. Both authors understand the non-government-

tal non-profit organizations (NGO) as a set of institutions which exist out of the state structures, but which basically serve public interests unlike the non-state interests. They consider five basic qualities to be determining, thus, according to them, NGO are (Skarabelova, 2003) [6]:

- *organized* – i.e. they have a certain institutional structure, organization reality, regardless the formal or legal registration;
- *private* – thus institutionally separated from the state authorities. It does not mean that they cannot have significant state support or that state officials cannot be in the management;
- *non-profit* – i.e. they do not allow any reallocation of profits created by activities of the organization among owners or in organization management. Non-profit organizations can create profit by their activities but they must use the profit for the targets given by the organization mission;
- *self-governing and independent* – are equipped by their own processes and structures which enable the control of their own activities, it means they are not controlled from outside, they can manage themselves. They are not controlled either by the state or by the outside institutions;
- *voluntary* – they use the voluntary participation in their activities, work for organization which is not paid according to performance, donations or honourable participation at managing boards.

Non-profit organizations can be further divided from a lot of points of view for various purposes, we state only the most important:

A. According to the global character (Tetrevova, 2008) [2]

- Publicly beneficial organizations, which satisfy the needs of general public, i.e. of everyone who needs the provided services (e.g. Czech Red Cross).
- Mutually beneficial organizations, serve their members (or their loved ones) – it means a limited group of people who are members of the organization (e.g. a sports club).

B. According to the realized activity (Skarabelova, 2003) [6]

It is based on three different classifications:

- International classification of non-profit organizations – ICNPO.
- UN classification system of non-market activities – COPNI.
- Sector classification of economic activities (non-production) – OKEC.

The following Table 1 presents the comparison of the main ICNPO classification with the UN classification and the classifi-

Tab. 1: Comparison of non-profit activity structure in classification ICNPO, COPNI and OKEC		
Classification ICNPO	Classification COPNI	Classification OKEČ
Culture, sport, free time	Recreational, cultural services	Recreational, cultural and sport activities
Healthcare	Educational services, research	Education and research
Social services	Medical services	Healthcare
Environment	Social services	Social services
Community development and living	-	-
Civil and legal education and political organizations	-	-
Charity	-	-
International foundation activities	-	-
Religions and churches	Religions and churches	-
Unions and professional associations	Professional and union organizations and civil associations	Social organizations activity (unions, political parties, churches and professional associations)
Unspecified, others	Other services, mixed and unspecified	Other services

Source: Skarabelova, 2003 [6]

cation used in the Czech Republic since 2001. Since 2002 the Czech Statistics Office (CZSO) has used the UN classification system of non-market activities (COPNI). Since 2007, the classification of economic activities CZ-NACE has been used for statistic purposes, it substituted the earlier used classification OKEC. According to the converter published by CZSO, it is possible to find out new numbering. Neubauerova presents another classification, it reminds the European classification ESA 95 (it is based on the system of accounts) and GFSM (public sector classification in terms of financing) (Neubauerova, 2012) [7].

C. According to different typological features (Rektorik, 2011) [8]

Based at theoretical and practical knowledge, the taxonomy appears to be the most complex one; it divides organizations in five groups:

1. Non-profit private *mutually beneficial organizations*, with global mission of mutually beneficial activity.
2. Non-profit private *publicly beneficial organizations* with global mission of publicly beneficial activity.
3. Non-profit public organizations of an *organizational units* type and contributory organizations of the state an regional authorities with global mission of public administration and publicly beneficial activity.
4. *Other public non-profit organizations* with global mission of publicly beneficial activity.
5. Non-profit *private organizations* of a business company type and similar with the possibility of global mission of public and mutual beneficial activity.

According to the authors of the paper the clearest division is the one according to the typological features and it is because this division is the most complex and the most universal. According to the CZSO data in 2011 there were altogether 112.547 non-profit organizations of the non-state type (NGO) in the Czech Republic, their structure and development is illustrated in Figure 2.

Definition and meaning of fundraising in non-profit sector

The concept of fundraising consists of the English words «fund», i.e. stock, reserve, capital, ...and «to raise» i.e. to increase, to start, to get, ...(raise money – get money).

It is a systematic activity which result is getting special financial funds for the organization's or individual's activity. The organization that conducts fundraising activity is usually non-state non-profit organization, budgetary or contributory organization, municipality, microregion, region or a legal business entity. However, we can see fundraising as a «science» how to motivate others to do good deeds, convince them that money is not everything, and give people a chance to donate also their time, interest, trust.

Foreign authors Finlay Craig & Dick Cook stated their definition of fundraising: «*Fundraising is involving others in what is your goal in the way which makes it easier for them to support you. A lot of people want to get involved more, but they do not have the time. Money is the easiest way to show interest. Fundraising is the offer of exact possibilities what for and how to give them.*» Both also emphasise that the biggest mistake which non-profit organizations could make in fundraising is not to start it (Sobanova, 2010) [9]. Table 2 shows the structure of NGO's sources and therefore also the basic conditions for fundraising in various countries around the world.

Three basic rules of successful fundraising (Ledvinova, 2010) [10]

I. Only the one who is convinced himself can convince others. If we believe that what we do is right and

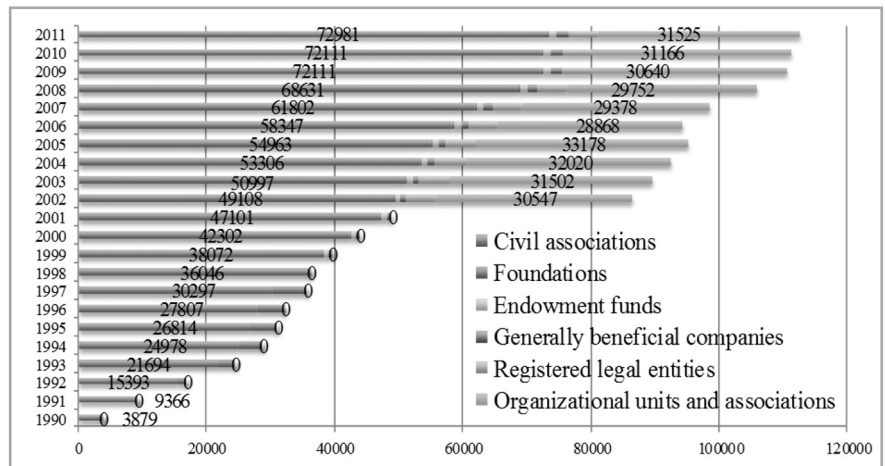


Fig. 2: Development of the NGOs' number in the Czech Republic in 1990-2011
Source: Own processing on the basis of CZSO, 2012

that we really need the resources that we ask for it is the first step. However, the key to success is only these both parts of this rule to be together.

II. We are not gaining money but a person. We cannot assume automatically that our opinions are shared by others. Everybody has his scale of values, we should start with the donor's interests. The worst mistake is when we are more interested in money than in the person who we ask for it. To learn to honour values and opinions of other people is the essential human skill not only for fundraising. The situation of fragmentation of population's interests is demonstrated by the example from the USA in Table 3. It is important to know the values preferred by the society around us. Also, NGO have their «market», their customers, and it is necessary to take this into account. There are a lot of various links and relationships among organizations, customers, donors and supporters, promoters and competitors. If we understand these relationships, a non-profit organization can work long and successfully.

III. We must ask. If we need something we must ask for it, we must address potential donor actively. The most efficient is a personal request, face to face. The most difficult part is to learn to overcome the basic shame and prejudice. It is difficult to hide insecurity, distrust or little respect to the other person when you deal with somebody face to face.

The following Figure 3 defines the position and importance of fundraising in the non-profit sector. Fundraising is one of the supporting activities which the organization has to do. The area of activities, the reason and meaning of the organization and its mission are in the centre. Around it there are other activities

Tab. 2: Sources of NGO's income in various countries

Country	Sources of income		
	Own sources	Public budgets	Private sector
	fees for customer services, sale of things, public services etc. (in %)	state grants, state authorities support, income from foundations etc. (in %)	sponsor donations, business contracts, shared marketing etc. (in %)
Japan	60	38	2
Sweden	62	29	9
Hungary	57	23	20
Italy	53	43	4
USA	51	30	19
Great Britain	48	40	12
France	33	60	7
Germany	28	68	4

Source: Czech Fundraising Centre, 2013 [10]

Tab. 3: Division of incomes in the non-profit-making sector in the USA in 2010

Non-profit-making sector in the USA	Incomes ratio (in %)
Religious	35
Education and training	14
Social services	8
Healthcare services	9
Culture and art	5
Public interests enforcing	8
Environment protection	2
International activities	5
Others	14

Source: AAFRC Trust for Philanthropy [11]

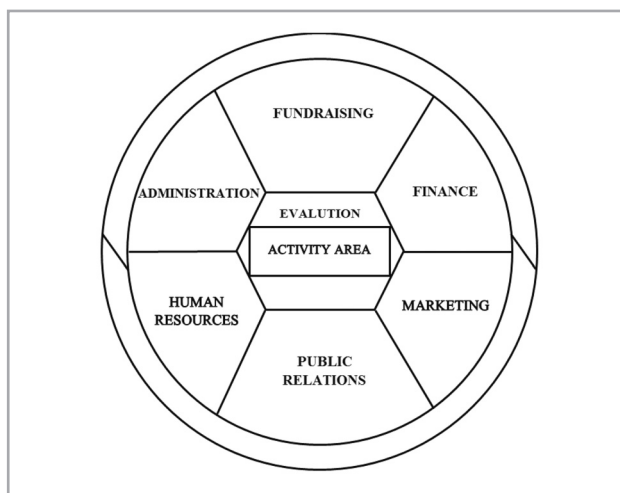


Fig. 3: Position of fundraising among other activities of NGO
Source: Hlousek, 2011 [12]

which the organization has to do to be able to complete its mission. The practice shows that the role of fundraising is often associated with the activity of finance, administration and public relations. It is obvious that these activities penetrate one another but fundraising must have its determined firm position otherwise there is chaos when everyone does everything which cannot function in the long term.

Proposal of fundraising realization methodics process in non-profit sector

Fundraising is a process which participates in creating qualitative internal and external relationships together with Public Relations (PR), marketing and lobbying. It directly influences the brand, good name and image of an organization (Sedivy, 2012) [13]. We can see in practice that those who start working in fundraising at first feel like beggars who come asking and pleading. On the contrary, fundraising offers the opportunity to take part in realization of the meaning of the organization, in completing the mission. And it is not little. People can become a part of common effort to do a right thing according to the spiral of the non-profit organization success.

In the Table 4, individual methods of fundraising considering various donors groups are briefly evaluated.

Fundraising methods efficiency

The order of fundraising methods efficiency from the least efficient to the most efficient is as follows (Ledvinova, 2013) [14]:

1. *Advertising* – the least efficient method. The contact between the donor and the organization is anonymous. We do not see the person who we ask for support. The advantage is that we can address a great number of people at the same time.

2. *Actions organizing* – we can meet the potential donor in person, talk to him. However, most times we cannot spend a long time with the donor because of the high number of participants at the action. The contact is too short to start a long-term cooperation.

3. *Postal campaign* – personal contact is started by a letter. Unfortunately we cannot reach the same effect as by a personal meeting. On the other hand, we can address a much higher number of people.

4. *Telephone campaign* – we can talk in person with the potential donor and such communication has a lot of advantages of personal meeting «face to face». We can achieve great success by sensitive voice usage. We can also address more people by phone than we could visit in person.

5. *Membership* – it has a great advantage of a long-term relationship between the donor and the organization. It is very important to be in touch with the members regularly, meet them, write letters to them or call them occasionally.

6. *Personal meeting* – «face to face» is undeniably the most efficient method of fundraising. We can use all the advantages of personal communication. However, thorough knowledge of successful negotiation and enough experience is needed. It is the most time demanding method of all above stated.

Criteria of fundraising methods efficiency evaluation

For systematic monitoring and fundraising methods efficiency evaluation we need to identify the evaluation criteria which the authors primarily divide in two main groups – non-financial and financial criteria. For example they are the following non-financial criteria (see criteria 1, 2, 3, 6, 8, 9, 10, 11, 12) and financial criteria (see criteria 4, 5, 7) (Kroupa, 2006) [15]:

1. Increase of public awareness and awakening of interest in the organization's mission and targets.
2. Increase of our potential donors number.
3. Increase of number of our organization's members.
4. Increase of the volume of our current donors donations.
5. Great financial returnability of the spent time.
6. Minimalization of the spent time of professional and voluntary workers.
7. Maximal decrease of financial costs.
8. Repeatability of the method and creating of a regularly contributing group of donors.
9. Amount of limitations and conditions which are related to the money which we get for their use. Their acquisition is not bound by other liabilities.

10. If the time which we devote to obtaining money is not the time which distracts employees and volunteers from the main activity. On the contrary, it connects our employees more with the organization's mission.

11. Improvement of morale and personal activity of volunteers or employees.

12. Space for creating new leadership personalities in the organization and development of employees' abilities and skills.

Based on the performed qualitative research, the authors propose a methodic process of fundraising realization in the following five stages:

1. Understanding the nature of fundraising

Understanding the nature of fundraising – offers the possibility to take part at realization of the organization's meaning and at completing the mission in society.

2. Fundraising planning

Fundraising planning, a good decision which financial sources to prefer (municipal authorities, individual donors, firms, donations, endowment funds, other institutions and income from their own activity) and following planning of efficient methods which will be used to create and further develop the relationships with the donors.

3. Selection and realization of fundraising methods

By fundraising methods realization, we can see that they do not serve just for obtaining money, but mainly for bringing new friends and members in the organization, and, therefore, fundraising becomes friend-raising.

4. *Fundraising methods efficiency evaluation based at selected criteria*

Tab. 4: Fundraising methods and basic donor categories

Fundraising method	Donor category				
	Foundation	Association, church and other NGOs	Business people, production and business companies, banks and others	State and local authorities	Individuals, members, promoters, public
Project developing	basic method	only if requested	only if requested	basic method	not suitable
Presentation and advertising offer	only if requested as a part of the project	sometimes it is a suitable part of the offer	basic method, often conditions	sometimes it is a suitable part of the offer	often is suitable and efficient
Beneficial action	only as a project supplement	basic method	basic method	only as a project supplement	basic method
Telephone campaign	not suitable	basic method	basic method	sometimes suitable as an extra part	basic method
Membership campaign	not suitable	efficient method	basic method	not suitable	basic method
Personal meeting	necessary project supplement	basic method	basic method	necessary project supplement	basic method
Property inheritance	not suitable	can be efficient	can be efficient	not suitable	basic method
Employees contribution	not suitable	can be efficient	basic method	can be efficient	not suitable
Material support	suitable method	basic method	basic method	is not efficient	basic method
Personal assistance	suitable as a project supplement	basic method	basic method	not suitable	basic method
Shared marketing	not suitable	can be efficient	basic method	not suitable	not suitable
Business relationships	not suitable	basic method	basic method	basic method	can be efficient

Source: Jana Ledvinova, 2006 [10]

Personal meeting is the most efficient fundraising method, but also the most time-demanding. It is based at thorough knowledge of successful negotiation principles and sufficient experience.

5. Integration of fundraising methods efficiency evaluation results in the strategic plan

In reliance on the results of fundraising methods efficiency evaluation, we get new topics for strategic planning of the organization, work on team-building, voluntary cooperators base development and organization's image making. We get great financial returnability of spent time and space for new fundraisers.

Conclusions

Based at the results of qualitative fundraising research in non-profit sector and obtained practical experience with fundraising, we present summarised main rules and principles of fundraising, as well as its realization within the public beneficial services providing in non-profit sector:

The first rule: Fundraising is about topics.

Fundraising is not about money. The meaning of the non-profit organization existence is not the organization itself, but the topic or the topic it deals with, its mission, the offered service. It also does not raise money for itself, but for its mission. Therefore, fundraising is not about money, but about topics.

The second rule: Fundraising is in education context.

Fundraising and education go hand in hand. Fundraising is a unique opportunity to educate the donors. When you ask somebody to give you money, he always asks what is it for. At such moment, the donor is interested in what you do, what he can participate in when he decides to support you. Good fundraising educates donors and, at the same time, obtains funds.

The third rule: Fundraising is in ethics context.

Fundraising is an ethical discipline. It means that each organization before it starts fundraising, has to agree and decide from whom it will not accept offered funds. There is no general instruction or the right solution. For each organization something else is unacceptable. However, it is necessary to have a clear vision and to find a compromise which can be accepted by the whole organization: from whom and at what conditions it will not take money. There have been a lot of cases when the organization did not do this and later it had to return the money to the donor which is highly unpleasant for both sides, and for the fundraiser it is an unusually frustrating experience.

Remaining principles are following: people give to people; fundraising is about obtaining supporters and friends; you never get what you need if you do not ask for it; it is essential to tell the truth to the donors; you must not forget to thank. The point is not to get money for the organization, but to get people for the organization's mission, to bring new members, friends, fans in the organization and in such a way «fund-raising» can become «friend-raising».

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