

# Fundraising Strategies: Managing Inflation, Preparing for Recession

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## DEFINITIONS: Crisis Leadership

CRISIS LEADERSHIP: “The set of preparatory and response activities aimed at the containment of the threat and its consequences.”

- (Ansell & Boin, 2019)

- Preparatory:
- Response:
- Containment:
- Consequences:

“Crises have been and always will be with us.” – (Boin, 2014)

## CRISIS LEADERSHIP – GUIDING PRINCIPLES


- Crises are “normal” and not “unusual”
- Acknowledge complexity in available information
- Uncertainty is part of making decisions & taking action
- No perfection = No irreversible decisions
- Do not overestimate yourself – Invite expertise of others
- Reject the myth that crisis leadership is only about making big decisions



(Ansell & Boin, 2019)

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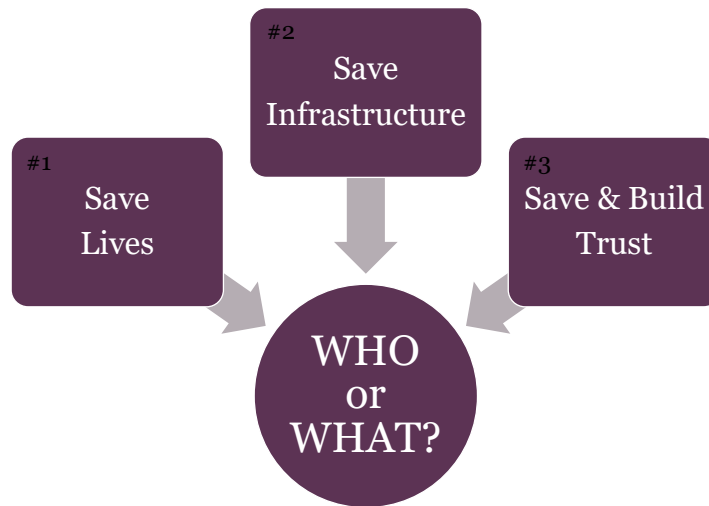
## CRISIS LEADERSHIP – THE TEAM

- Structuring Phase
    - Organize the team
    - Outline purpose of meetings
  - Fact Sharing
    - Everyone shares relevant facts
  - Interpretation Sharing
    - Everyone shares their “take” on those facts
  - Scenario Creation
    - Imagine all possible scenarios
- 
- Solution Sharing
    - Devise possible solutions & action steps for each scenario
  - Do & Learn
    - Implement the right solution based on the eventual scenario
    - Measure, learn, & revise accordingly

(Uitdewilligen & Waller, 2018)

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## EFFECTIVE CRISIS LEADERSHIP – THE PROCESS



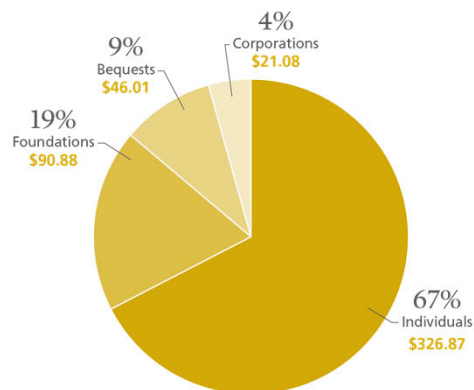
(Boin et al., 2013)

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## 2021 contributions: \$484.85 billion by source of contributions

(in billions for dollars – all figures are rounded)



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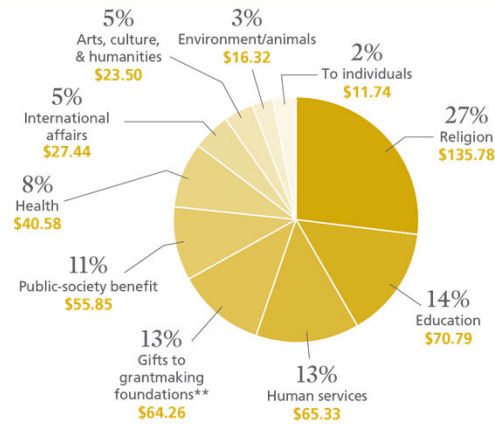
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## 2021 contributions: \$484.85 billion by type of recipient organization\*

(in billions for dollars – all figures are rounded)



\* Total includes unallocated giving, which totaled -\$26.75 billion in 2021.

\*\* Estimates developed by the Indiana University Lilly Family School of Philanthropy using data provided by Candid.



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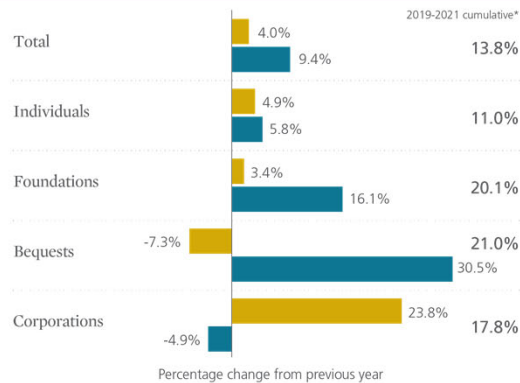
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## Changes in giving by source: 2019–2020 and 2020–2021, 2019–2021 cumulative

(in current dollars)

■ 2020–2021  
■ 2019–2020

\*The two-year change is calculated separately and is not the sum of the changes in the two years.

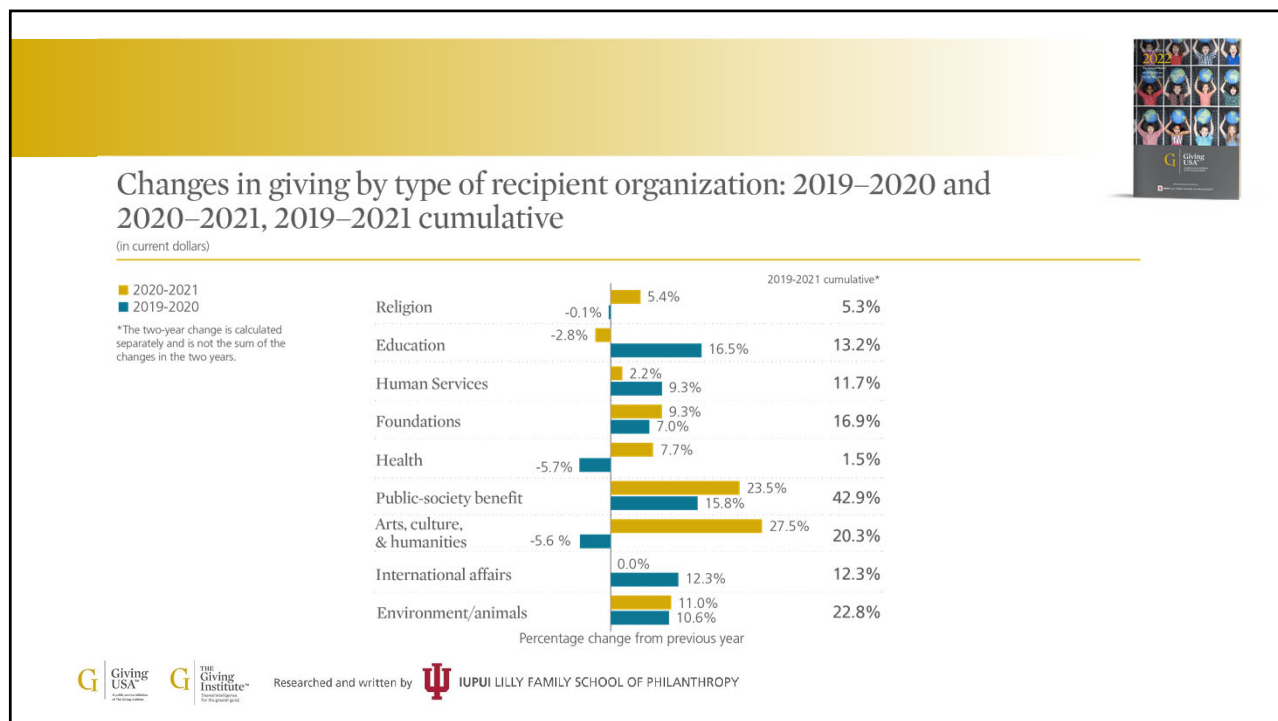


Percentage change from previous year

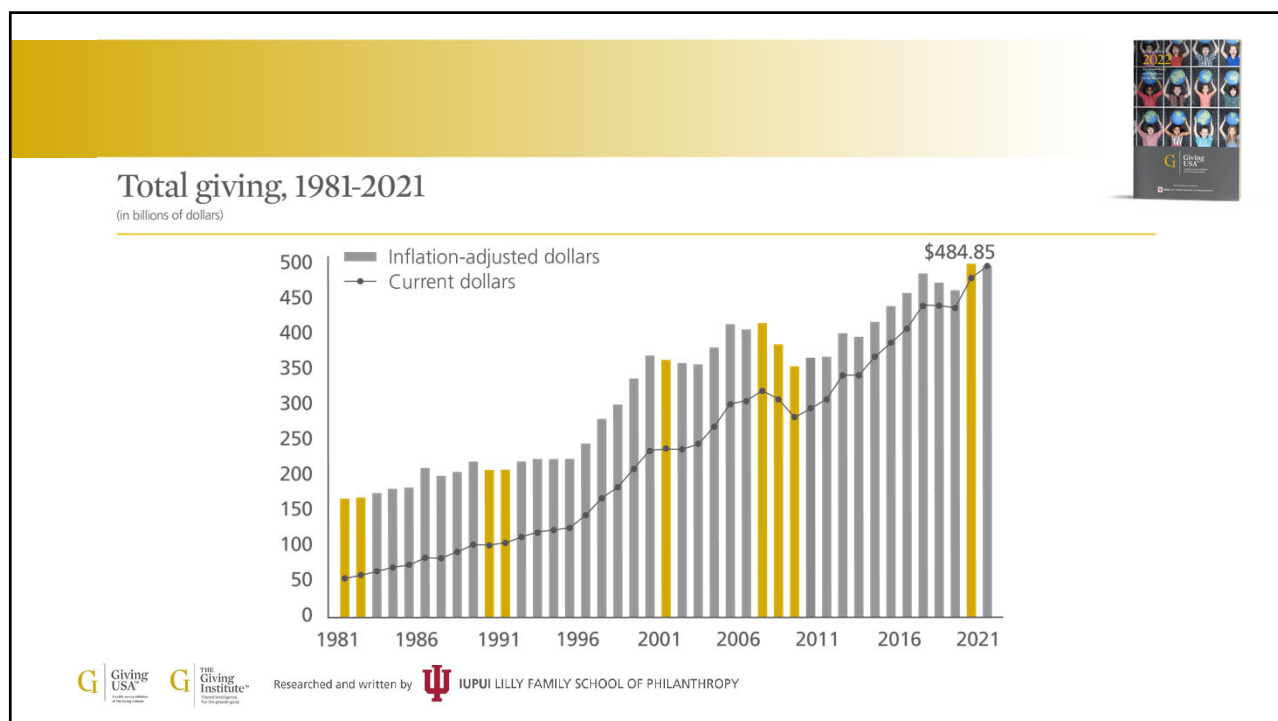


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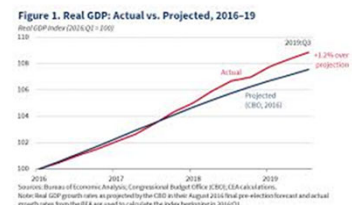
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## CHARITABLE GIVING DURING RECESSIONS

- Average increase in charitable giving (after inflation) = **+3.3%**
- Average increase in charitable giving (after inflation)  
(in non-recession years) = **+4.7%**
- Average decrease in charitable giving (in recession years) = **-0.5%**
- Average decrease in charitable giving during  
and immediately after the Great Recession = **-4.2%**



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## CURRENT ECONOMIC CONDITIONS

- “There is a negative correlation between inflation and charitable giving.
- When inflation is higher, charitable giving can decline.
- This especially is true when the inflation rate is at **5 percent or higher.**”

Current Inflation Rate  
**8.2% / 6.2%**

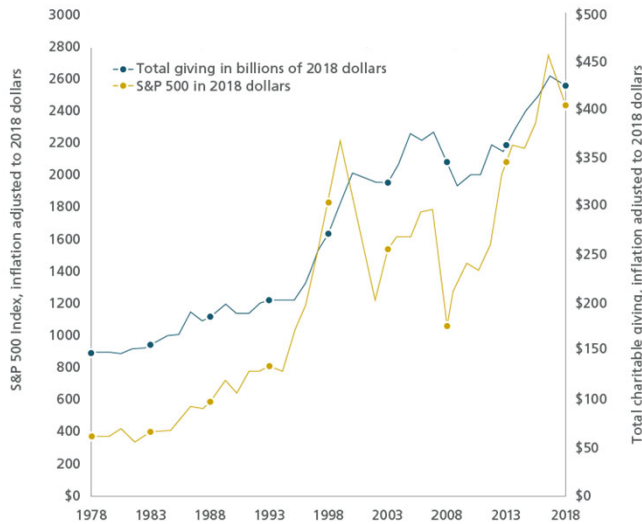


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## The Wealth Effect of Charitable Giving: The S & P 500



December 31, 2021 =  
4,766 (+ 27)

November 2, 2022 =  
3,759 (-21%)

January 1, 2020 =  
3,278 (-13%)

## THE MOST IMPORTANT FACTOR IN YOUR FUTURE FUNDRAISING



**YOUR DONORS HERE**

## FUNDRAISING “DURING” A RECESSION

- Annual budgeting that builds an operating reserve
- Continue to identify new donors before the recession starts
- Continued stewardship of current donors
  - During an economic downturn, donors are most likely to support the nonprofits with which they have the closest relationships
- Empathy for donors regarding their own financial challenges
- Include the negative effects of the recession in your fundraising case for support

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## OTHER NATIONAL & INTERNATIONAL CONDITIONS

- Ukraine = + \$1 billion
  - \$25 million from Open Society Foundation
  - \$22 million from IKEA
  - \$10 million from Bloomberg Philanthropies
  - \$10 million from U.S. Red Cross
- Charitable giving during in response to a natural disaster occurs between **weeks 2 – 16**
- Average charitable gift in response to a natural disaster = **\$135**
- “Lift and shift”
- Election year



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## DONOR ADVISED FUNDS

### Great Recession & COVID

- Donations: UP!
- Dollars Donated: UP!
- % of Portfolio Donated: UP!

Granted **from** DAFs (2020) = \$34.67 billion (record total) (+27%)

- National (Private Sector) DAFs = 61%
- Community Foundations = 24%
- Other Nonprofits = 15%

(National Philanthropic Trust, 2021; Vance-McMullen & Heist, 2020)

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## NONPROFIT BOARDS & CRISIS LEADERSHIP

Nonprofits that engage their boards in fundraising are less vulnerable during times of economic crisis.



(Arik et al., 2016; Hodge & Piccolo, 2005)

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## BOARDS, BOUNDARY-SPANNING, & FUNDRAISING

- During a crisis, nonprofits need to increase their **boundary-spanning activities**
  - External relations to increase:
    - funding (donations; grants; contracts),
    - in-kind gifts of products and services,
    - media coverage, and
    - relationships with government and civic leaders
- “Board members are increasingly responsible for connecting the organization to funding opportunities, donors, and political officials who have the ability to buffer or support the organization.” (Alexander, 2000)

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## BOARDS, BOUNDARY-SPANNING, & FUNDRAISING

- Engaging board members in fundraising during times of economic crisis:
  - Special gifts from board members
  - Increased fundraising by board members
  - Provide board members with “mission moment” stories
  - Help board members understand how to describe “return on investment” (impact!) resulting from charitable gifts
  - More boards
  - More board members
- Therefore: staff spend a significant amount of time on board recruitment and board maintenance (Park & Mosley, 2017)



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## CRISIS LEADERSHIP – RESPONSIVE FUNDRAISING

- |  |  |  |
|--|--|--|
| <p>1) Add new programs</p> <ul style="list-style-type: none"> <li>a) Creates new revenue</li> <li>b) Risk: lower-than-expected response</li> <li>c) Risk: Lack of staff and other capacity</li> </ul>      |  | <ul style="list-style-type: none"> <li>• More NPOs added programs (53%) than cut programs (42%)</li> </ul>   |
| <p>2) Discontinue existing programs / reduce staff</p> <ul style="list-style-type: none"> <li>a) Obvious approach that often is most apparent</li> <li>b) Can increase long-term sustainability</li> </ul> |  | <ul style="list-style-type: none"> <li>• Occurs after financial crisis hits, NOT in anticipation of financial crisis OR for greater efficiency</li> </ul>          |
| <p>3) Collaboration</p> <ul style="list-style-type: none"> <li>a) Expand the nonprofit's impact</li> <li>b) Access new revenue streams</li> </ul>  |  | <ul style="list-style-type: none"> <li>• More common among financially stable NPOs (meaning NOT due to financial crisis)</li> </ul>                                |
| <p>4) Earned Income</p> <ul style="list-style-type: none"> <li>a) Increases spending flexibility</li> <li>b) Increases sustainability / Reduces volatility</li> </ul>                                      |  | <ul style="list-style-type: none"> <li>• Nonprofits with strategic plans are best positioned to start earned income activities during economic downturn</li> </ul> |
| <p>5) Start or Expand Advocacy Involvement</p> <ul style="list-style-type: none"> <li>a) Increases visibility for NPO &amp; NPO's cause</li> <li>b) Can lead to new funding opportunities</li> </ul>       |  | <ul style="list-style-type: none"> <li>• Larger nonprofits are more likely to start or expand advocacy during economic downturn</li> </ul>                         |

Mosley et al., 2012)

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