

Hosted Fundraising Event: How to secure your funds¹

Christelle Leonetti

ABSTRACT

Nonprofit organizations and non-governmental organizations (NGOs) represent more than 10 million organizations throughout the world and most of them use fundraising to collect money for their programs. However, they do not use the same methods or have the same results. Fundraising can fail and let the organization without fund and with a negative cashflow depending of the method used and the event planned. Therefore, this paper is developed to analyze the different methods used to raise funds using Multi-Attribute Decision making and determine which one is the best and most effective to use to create a fundraising contract. Based on the analysis, only using one method ensures a low rate of success therefore organizations must be creative when creating their fundraising strategy and aimed at organizations as well as individuals.

Key Words: fundraising, event planning, termination, funds, contract, relative weighting

INTRODUCTION

The American Association of Fundraising Professionals' 2016 "the Fundraising Effectiveness Survey" report states that the amount raised between 2014 and 2015 by 9,922 nonprofit organizations in the United States is \$8,628,240,699. How do those organizations raise so much money?

They use online fundraising (Causes, CrowdRise), grants, financial endowment or they use their network to communicate directly with potential donors by organizing events that combine a just cause with a moment of sharing. Those events can be categorized in 3 different types: self-managed events that the organization manages by itself to raise money, one of the most famous being the "Monaco Red Cross Ball" organized yearly since 1948 by the Red Cross. Participatory events that the organization manages but that require the participation of supporters and hosted events where the supporters host the events for you.

¹ *Editor's note: Student papers are authored by graduate or undergraduate students based on coursework at accredited universities or training programs. This paper was prepared as a deliverable for the course "International Contract Management" facilitated by Dr Paul D. Giammalvo of PT Mitratata Citragraha, Jakarta, Indonesia as an Adjunct Professor under contract to SKEMA Business School for the program Master of Science in Project and Programme Management and Business Development. <http://www.skema.edu/programmes/masters-of-science>. For more information on this global program (Lille and Paris in France; Belo Horizonte in Brazil), contact Dr Paul Gardiner, Global Programme Director paul.gardiner@skema.edu.*

Hosted events usually collect less funds than self-managed events since the host is usually a smaller organization so why so many organizations use them to collect funds? What are the benefits of letting someone else hosts your fundraising event? Well, it expands the organization's network since the participants of the events come from the host network and not directly from the organization one and it is less risky for the organization because it does not take part in the creation of the event therefore there is no direct cost for the organization.

Considering the small impact of those events of their own, nonprofit organizations use partnership programs in order to use hosted events on a regular basis (several events a year). The organization does not manage those events in contrary of the other two categories so how can they make sure that the money collected by the host will be donated to them at the end of the event? And how much? This is where organizations use contracts to clarify the specifications of those events.

This paper will answer two questions from the nonprofit organization point of view:

- What should a “hosted fundraising event” contract contain?
- What happens to the fund collected in case of termination?

METHODOLOGY

A. Feasible Alternatives & attributes

The feasible alternatives to raise funds are²:

- Individual solicitation: public collections, door-to-door or street fundraising
- Gaming: lotteries and raffles
- Events: dinners, fairs, sales, auctions, tournaments, races, balls, festivals
- Telemarketing: online, on the television or by telephone
- Grants
- Corporate collaboration

In order to compare and assess those alternatives, these attributes are used³:

²Life For African Mothers. (2013). Resources. Retrieved from http://lifeforafricanmothers.org/getting-involved/resources/?gclid=CjwKCAiA3JrQBRBtEiwAN7cEGpkxBFYaXZ2jk-k1_iwcPP-F23f0BHR9KaxunulEVH-HGUPpZ6E_whoCSksQAvD_BwE

- Cost to administer: how much money is needed to realize these alternatives (labor, material, etc.)
- Effectiveness: how much money is raised with those alternatives
- Level of effort: how much effort is needed to realize those alternatives
- Dependency quotient (risk): how much of the total of money relies on a small number of donors
- Scope: how many potential donors can be reached with those alternatives

B. Development of the feasible alternatives

- Individual solicitation:

Usually volunteers are the ones going from door to door to ask for donation therefore the cost of this method is low but it requires a high continuous effort from the nonprofit organization to have enough volunteers available and to collect the data. This method is quite efficient because “Once you make personal contacts with people, they’re likely to give again and again”⁴ therefore it creates a potential long-term relationship but it also requires a lot of research before meeting with a donor and they might not be in a giving mood at the time. The scope of this method is wide, people can be reach worldwide which also ensure a low risk because the goal is to reach a maximum number of donors and therefore not to depend on a few big ones.

- Gaming

Raffles or Lotteries are an efficient way to raise money when a lot of people are participating because they “are an excuse to draw people together”⁵. Since the ticket price is fixed, the dependency quotient is nonexistent but the risk resides in the fact that if non-enough tickets are sold to exceed the prices of the organization and of the winner’s prize then it is only a loss of money. The scope can change depending of the number of people the raffle wants to reach and how which can lead to an expensive and long planning process with a lot of legal fees “You must register with every state in which you solicit funds”⁶.

- Events

Organizing an event is an expensive process which requires a lot of effort but is highly effective since people come to the event with the purpose of giving money like the Red Cross Gala, and

³ Life For African Mothers. (2013). Resources. Retrieved from http://lifeforafricanmothers.org/getting-involved/resources/?gclid=CjwKCAiA3JrQBRBtEiwAN7cEGpkxBFYaXZ2jk-k1_iwcPP-F23f0BHR9KaxunulEVH-HGUPpZ6E_whoCSksQAvD_BwE; BoardSource. (2017). Measuring fundraising effectiveness. Retrieved from <https://boardsource.org/research-critical-issues/measuring-fundraising-effectiveness/>

⁴ Society for Nonprofits. (n.d.). Pros and cons of fundraising methods. Retrieved from <https://www.snpo.org/funding/prosandcons.php>

⁵ Raffle Tickets. (2017, September 5). Many benefits of a raffle fundraiser. Retrieved from <http://www.raffletickets.org/many-benefits-of-a-raffle-fundraiser/>

⁶ Society for Nonprofits. (n.d.). Raffles - Pros and Cons. Retrieved from <https://www.snpo.org/funding/raffles.php>

one of the benefits is a “huge potential to raise a lot of money during a set period of time”⁷. However, it also reduces the scope because those people come from the nonprofit’s network and the dependency quotient is usually low because everyone attending do so to donate money. It is the best way to create brand awareness and get people interested in the nonprofit organization.

- Telemarketing

It is an expensive and effortful method because “customer lists can be very costly”⁸ which also affect the scope: it depends on how many lists the nonprofit buys. Also, the employees or volunteers need to be trained and it “can be expensive and time-consuming”⁹. However, it is a pretty effective method such as individual solicitation because a relationship is formed between the potential donors and the employees and the risk depends on the number of donors knowing that “up to 20% of people making pledges will not pay them”¹⁰.

- Grants

Applying for a grant is not a costly process but it is a difficult one because “On the average day, roughly 2,700 grant proposals are submitted; fewer than 200 will receive funding”¹¹ which makes its effectiveness mixed because it depends on whether the grant is given such as the dependency quotient. Also, granting agency only gives a few grants therefore the scope is really narrow because there are not unlimited agencies.

- Corporate collaboration

This is a really inexpensive and effortless method because “It's the classic "win-win" situation. The corporation gets credit for being a good citizen, while you receive support to accomplish good things in the community”¹² which makes it efficient. However, the scope is very narrow because only so many companies can agree to a corporate collaboration and that also increases the risk because the companies are the only donors on this case so the nonprofit is dependent on them.

C. Acceptance criteria of the feasible alternatives

In order to accept one of the alternative, it has to have at least one positive attribute (green on the chart) that gives to the nonprofit a positive outcome or benefit in choosing this option.

⁷ Cherico, C. (2014, March 25). Challenges and benefits of nonprofit event fundraising. Retrieved from <https://trust.guidestar.org/blog/2014/03/25/challenges-and-benefits-of-nonprofit-event-fundraising/>

⁸ NI Business Info. (2012, May 29). Advantages and disadvantages of telemarketing. Retrieved from <https://www.nibusinessinfo.co.uk/content/advantages-and-disadvantages-telemarketing>

⁹ Society for Nonprofits. (n.d.). Telemarketing - Pros and Cons. Retrieved from <https://www.snpo.org/funding/telemarketing.php>

¹⁰ Society for Nonprofits. (n.d.). Telemarketing - Pros and Cons. Retrieved from <https://www.snpo.org/funding/telemarketing.php>

¹¹ Society for Nonprofits. (n.d.). Grants - Pros and Cons. Retrieved from <https://www.snpo.org/funding/grants.php>

¹² Society for Nonprofits. (n.d.). Corporate Collaboration - Pros and Cons. Retrieved from <https://www.snpo.org/funding/corporatecollaboration.php>

Considering that, telemarketing can be eliminated because its benefits do not exceed its costs and risks.

Attribute	Individual solicitation	Gaming	Events	Telemarketing	Grants	Corporate collaboration
Cost to administer	Low	High	High	High	Low	Low
Effectiveness	Medium	Medium	High	Medium	Medium	High
Level of effort	High	Very high	Very high	High	High	Low
Dependency quotient (risk)	Low	Low	Low	Medium	Very high	High
Scope	Wide	Wide	Medium	Narrow	Very narrow	Very narrow

FINDINGS

A. Analysis and comparison of the alternatives

In order to use “compensatory models”¹³ to analyze those alternatives they must be represented quantitatively. To do so the relative options (low, medium, high, very high, etc.) must be turned into dimensionless values:

Attribute	Cost to administer				Effectiveness			Level of effort				
	Value	Low	Medium	High	Very High	High	Medium	Low	Low	Medium	High	Very High
Dimensionless value		1,00	0,67	0,33	0,00	1,00	0,50	0,00	1,00	0,67	0,33	0,00
Attribute	Dependency quotient				scope							
	Value	Low	Medium	High	Very High	Large	Medium	Narrow	Very narrow			
Dimensionless value		1,00	0,67	0,33	0,00	1,00	0,67	0,33	0,00			

Then those values are used to create a scoring model of each alternative which is called “relative weighting”¹⁴:

Attribute	Individual solicitation	Gaming	Events	Grants	Corporate collaboration
Cost to administer	1,00	0,33	0,33	1,00	1,00
Effectiveness	0,50	0,50	1,00	0,50	1,00
Level of effort	0,33	0,00	0,00	0,33	1,00
Dependency quotient	1,00	1,00	1,00	0,00	0,33
Scope	1,00	1,00	0,67	0,00	0,00
Total	3,83	2,83	3,00	1,83	3,33

¹³ Guild of Project Controls. (2015). Compendium and reference - managing change, the owner's perspective. Retrieved from <http://www.planningplanet.com/guild/gpccar/managing-change-the-owners-perspective>

¹⁴ Guild of Project Controls. (2015). Compendium and reference - managing change, the owner's perspective. Retrieved from <http://www.planningplanet.com/guild/gpccar/managing-change-the-owners-perspective>

Finally, by using the “additive weighting technique”¹⁵ in which each attribute is ranked by importance, the sum of each alternative can be compared to the normalized weight (1.00) which is the score to reach. The attributes are ranked in this order: Effectiveness, cost to administer, dependency quotient, level of effort and scope.

Attribute	Weight	Normalized weight	Individual solicitation		Gaming		Events		Grants		Corporate collaboration	
Cost to administer	4	0,27	1,00	0,27	0,33	0,09	0,33	0,09	1,00	0,27	1,00	0,27
Effectiveness	5	0,33	0,50	0,17	0,50	0,17	1,00	0,33	0,50	0,17	1,00	0,33
Level of effort	2	0,13	0,33	0,04	0,00	0,00	0,00	0,00	0,33	0,04	1,00	0,13
Dependency quotient (risk)	3	0,20	1,00	0,20	1,00	0,20	1,00	0,20	0,00	0,00	0,33	0,07
Scope	1	0,07	1,00	0,07	1,00	0,07	0,67	0,04	0,00	0,00	0,00	0,00
SUM	15	1,00	SUM	0,74	SUM	0,52	SUM	0,67	SUM	0,48	SUM	0,80

B. Ranking order or the alternatives from “best” to “worst”

The relative weighting chart gives a clear ranking for the best and worst alternatives with Individual solicitation being 2.09 times better than Grants. However, the three remaining alternatives have very close scores but using the additive weight technique the ranking changes and becomes more explicit. In the relative weighting Individual solicitation is 1.15 times better than business collaboration however, with effectiveness as the most important attribute Business collaboration becomes a better option than solicitation (0.80 over 0.74). Then, at the third place comes events in both charts followed by games and grants. In the additive weight chart, games and grants have scores under 0.50 which make them both failures under the studied requirements.

Therefore, the ranking is: Business Collaboration > Individual Solicitation > Events > Games > Grants.

C. Performance monitoring

The data from every event realized since the implementation of the fundraising method or methods must be taken into account when monitoring the result of the nonprofit organization’s fundraising strategy, it is a long-term analysis. To monitor the performance, the following must be kept in mind: “having enough money to fund programs plus a responsible balance of risks and rewards equal a healthy fundraising program”¹⁶. Not only the gains or donations must be analyzed but also the risks and costs which can be made using a Pareto

¹⁵ Guild of Project Controls. (2015). Compendium and reference - managing change, the owner's perspective. Retrieved from <http://www.planningplanet.com/guild/gpccar/managing-change-the-owners-perspective>

¹⁶ BoardSource. (2017). Measuring fundraising effectiveness. Retrieved from <https://boardsource.org/research-critical-issues/measuring-fundraising-effectiveness/>

analysis in which the attributes discussed during this paper are the root causes of the analysis. It will allow the organization to know if any problem they faced during the fundraising is linked to one of the attributes and therefore to this analysis.

CONCLUSIONS

This paper was undertaken to answer the following questions from the nonprofit organization point of view:

- What should a “hosted fundraising event” contract contain?

This contract should contain one or several of the methods discussed above in order to create a fundraising strategy for the nonprofit organization. The two best alternatives complete each other since the first one Business collaboration gets benefits or funds from a company and the second Individual solicitation mostly from individual donors. The purpose is to reach maximum people using the resources available and the organization’s network. However, hosting events also helps the nonprofit organization to get more visibility and attract new followers.

- What happens to the funds collected in case of termination?

A nonprofit organization should not only use one method but create a strategy using several methods in case the effectiveness or costs changes. Fundraising is a very variable process that relies on the goodwill of people and companies. Events can be terminated or canceled for several reasons hence the importance of having other methods to secure that the fundraising is happening and that the programs are funded.

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About the Author



Christelle Leonetti

Lille, France



Christelle Leonetti is a French student in the “Grande Ecole” Program at SKEMA Business School in France, majoring in Project and Programme Management & Business Development (Msc). She used to be the treasurer of two humanitarian student associations. She is interested in the work of nonprofit organizations and event planning. She wants to be a project manager in the event industry. She currently lives in Lille, France and can be contacted at christelle.leonetti@skema.edu or <https://www.linkedin.com/in/christelle-leonetti/>