

The Argument Against Paying Development Professionals Based on Amount of Funds Raised

Few topics generate more heated discussion in non-profit organizations than whether development professionals (staff or consultants) should be paid a percentage of the money raised, receive commission-based compensation, or be paid a performance bonus. Perhaps because it is a practice of giving financial rewards to development professionals contingent upon the achievement of fixed money goals, we can simply refer to it as "contingent-pay." Whatever you want to call it, two things are becoming more and more apparent.

1. The practice is increasing.
2. The practice is troubling the development profession.

Thinking about why we have seen more contingent-pay in recent years, I found myself reflecting on a change I have witnessed in how we development professionals describe and perhaps even think about ourselves. There is a tendency these days to describe our work as fundraising and to call ourselves fundraisers. I have always thought of the volunteers as being the true fundraisers and we development professionals as the people who develop the atmosphere for that fundraising. To some this may seem like an exercise in semantics, but I think it is a great deal more.

Many development professionals today enter into consulting agreements or are hired as staff to "raise funds." Sometimes they even seek to be THE fundraiser for the organization they serve. The result is that these development professionals and their organizations have blurred the once clear difference between the fundraising role of development officers and that of trustees and other volunteer leaders.

Many development professionals have become the "fundraisers" for organizations. As a result, contingent-pay methods of compensation have gained acceptance. The argument being, let's reward people for results and penalize them for poor performance. Contingent-pay becomes an inducement for development professionals to take on the tough job of fundraising and a way for boards to justify turning over to staff or consultants what is essentially a trustee responsibility.

To me, the answer to the question of why contingent-pay is so troublesome seems obvious. It is one thing for development professionals to discuss fundraising techniques and philosophies and to strenuously air disagreements. It is quite another to tell people that the way or amount they are paid is unethical.

However, the Association of Fundraising Professionals (AFP) takes a strong and unequivocal stand on contingent-pay. Their 1992 position paper developed by the ethics committee states: "Members shall work for a salary or fee, not percentage-based compensation or a commission." The AFP cites the main consequences of contingent pay:

1. Charitable mission can become secondary to self-gain.

2. Donor trust can be unalterably damaged.
3. There is incentive for self-dealing to prevail over donors' best interests.

AFP, Giving Institute, AHP and other major "for-the-profession" associations tell their thousands of members and all other development professionals not to engage in contingent-pay arrangements. Despite that admonition, many development professionals are not only continuing to do so, but accelerating their acceptance of such compensation schemes. How then do these development professionals deal with the fact that the governing bodies of their profession hold them to be engaging in an unethical practice?

I believe that very few of those who work for contingent-pay are truly unethical, rather they are guilty of bad judgment. In this instance, as in so many others in our society, individuals fail to follow long-standing codes of ethics because they reject them as tenets of conduct. What were held in the past to be standards to live by, are often viewed today as mere opinions, open to interpretation and argument. This is a societal problem that we see manifesting itself in this instance in the disavowal of strictures against maximizing personal gain while in the pursuit of recognized philanthropic good. The rationalizations are there for anyone who wants to find them.

Commonly Voiced Justifications for Contingent-Pay

"Sales incentive programs used effectively in for-profit businesses will work as well in non-profit settings. It makes no difference whether you are selling light bulbs or support for symphony orchestras."

Well, I've sold light bulbs and I've "sold" support for orchestras, and I'm here to tell you there is a difference. Incentive-driven efforts for the sale of commercial products involve an explicit selling and buying environment which customers understand and expect. When we are seeking voluntary charitable contributions we are not working in the same transactional environment. We are not selling to prospective donors; we are presenting them with an opportunity to realize their own desire to contribute to their community and concerns. We are not telling prospective donors to buy our product because it accomplishes something they need at the best value in the marketplace; we are asking them to consider making a gift to something in which they believe and that they want to support. An individual soliciting a gift is involved in a very different transaction from one selling a product. Ask someone if he or she expects salespeople to get a percentage of the price paid for a purchase; ask a donor if he or she expects the person asking for a gift to get a percentage of that gift. I'll bet you dollars to donuts the answers are different.

"The board won't or can't raise the money, so we have to do it."

Time and again I have found that this situation occurs because the development professionals either did not know how to present encouraging and workable fundraising plans to board members involving them as the leaders of the effort, or because the development professionals simply chose not to do so.

"If we compensate our development professional on a contingent-pay basis we will not have to pay for development efforts that fail."

This is sheer folly. Boards that say they have nothing to lose actually lose everything. Such an attitude assumes failure.

"Contingent-pay means that both the board and the development professionals share the risk."

Nothing could be further from the truth. They share the risk when the risk is the same: that the organization will not make its goal. Contingent-pay creates a situation where the board's risk is that the organization will not make its goal and the development professionals' risk is that they will not make their money.

Still Not Convinced?

While I have no problem espousing with vigor the concept that non-profit development professionals should work only for salaries or predetermined fees, I recognize that the emotional baggage that accompanies discussions of pay and ethical behavior can easily cloud the issue. Therefore, let me point out some additional pitfalls associated with contingent-pay for both the non-profit organization and the development professional.

- *Abrogation of responsibility* The board can be less likely to contribute its time to the fundraising effort. That can leave the development professional out on a limb and the organization with an atrophied board.
- *The future be damned!* The development professional will find it hard to justify expending time or effort on work that does anything other than maximize the amount of money to be raised in the identified time period. The organization therefore loses the benefit of a development professional working to build a strong base of committed volunteers for future fundraising and other projects and programs. The organization sacrifices long-term health in order to achieve short-term gain.
- *The "hired-gun" syndrome* The development professional sees his/her future as based upon simply the achievement of one short-term goal after another rather than the organization accomplishing its overall objectives. It therefore becomes more likely that the development professional will identify his/her professional identity with his/her track record, not with the organization.
- *Whose "customers" are they?* When the development professional leaves the organization, relationships established by him/her will leave also, or at the very least, the history of those relationships will disappear.
- *"Raising the bar"* Each time the goal is accomplished and the incentives are paid, the board will have the tendency to view itself as having been too easy on the development professional. They will feel they have been "had," and their goal setting will evolve toward unobtainable

levels in order to make sure they are getting full value. This is not how campaign goals should be set. Money is raised to meet a stated purpose and the "well" is never arbitrarily "pumped dry."

- *The lucky so and so!* Should an unexpectedly large gift come in, the board will not want to give the same percentage to the development professional, creating great potential for ill will and bitterness.
- *Not with my money you don't!* Some foundations, corporations, and private donors will not make a contribution if a portion of the gift is to be paid out as a commission. In some instances they will not give to a campaign that pays any commission at all. Read the fine print in any grant, and be prepared to disclose how the development professional is being paid before accepting somebody's gift.
- *No, no, no, it's not worth that much!* It is hard to pay a commission on in-kind donations. Who determines the cash value? Are you going by wholesale or retail or what? How do you figure the commission? More opportunity for ill will and bitterness.
- *Promises, promises!* Most of the money raised in capital and endowment campaigns comes in the form of pledges, with payments often spanning a number of years. The contingent-pay development professional will want his/her money when the pledge is made. What happens when a pledge is not fulfilled? Does the non-profit organization ask the development professional to return the commission? What happens when a multi-year pledge payment schedule is extended an additional number of years by the donor? Does the non-profit organization expect the development professional to wait for years as the payments are made?
- *It was your fault!* Development professionals working on a contingent-pay basis are more likely to be viewed by the organization as personally having caused the failure when a goal is not reached. The board does not accept its responsibility, and the development professional is more likely to be fired.
- *No, it was your fault, you misled me!* The development professional expects to earn his/her incentives. When he/she doesn't, it creates a personal financial problem. The development professional is likely to blame the organization and move on to another job, even if he/she isn't fired.
- *Why don't I have the chance to make more money too?* Contingent-pay is out of line with other compensation practices within a non-profit organization. This can create resentment and lessen the team spirit of staff. In fact, it can create resentment and lead to a failure by other staff to support fundraising efforts.

Fair's Fair

What should the rewards be for development professionals of non-profit organizations? Simply, the best market-value compensation that can be managed in the form of annual salaries or reasonable and fair fees paid by the hour, day or for a project. As with other members of any organizations'

staff, the development professionals should be valued for their contributions to their organizations and for the cost to replace them.

It's Your Decision

I believe in the standards that have resulted from thousands of development professionals working to help raise billions of dollars over decades of time. For me, not everything should be a matter of personal opinion; codes of ethics are established through collective wisdom because we do need absolutes by which to live. When I see all the wrong that can befall an organization or an individual in contingent-pay schemes, I cannot imagine for the life of me why either would want to go that route.

There *is* a difference between the ethical selling of light bulbs and symphony orchestras. When I was selling light bulbs, I had the responsibility to make sure my customers got full value for the dollar they spent. When I was "selling" a symphony orchestra, I had the responsibility for helping to keep a community asset healthy and strong for my and succeeding generations. It's that simple. One is about value and the other is about what we value in life.

Those are my views on the subject. What are yours? I welcome your comments and suggestions.