PUBLIC AND NONPROFIT MANAGEMENT

HANDOUT

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PUBLIC MANAGEMENT (Part 1)

Summarized Version

Global issues key players: public institution and administration:
- Generate a shared agenda of problems
- Define policies to tackle the issue
- Manage the implementation and find the resources

PA defines rights, regulates the economy, builds infrastructure, manage primary services. Protect public goods
Quality and the effectiveness of public institutions are critical determinants of social, cultural and economic development of nations

Decision making principles:
- Lack of resources
- Efficiency (many regulations that check their spending)
- Economic rationality

Aims:
- Public: general interest
- Private: stakeholders' interests

3 Perspectives to observe Public Institutions:

1. Citizen: in order to better understand the system where we live, the logistics behind it and the actions taken by the public institutions
2. Future Private Sector Manager: public institutions not only manage the market, but they also may be an important provider of business opportunities private sector firms
3. Future Public Sector Manager: the public sector is an important source of employment in most industrialized countries

Common elements between Public and Private:
- The drivers of the management within the institutions
  - Economic sustainability (although in public we also have political and social goals)
- Public administrations can also be categorized as autonomous and unique
  - The effectiveness of public administrations makes a difference in the public community, because they each take care of different segments and thus create a network from which citizens and other public institutions benefit

PUBLIC INSTITUTIONS (PI) = institutions funded by state/government bodies and controlled public officials or their appointees in order to protect and promote interests which are relevant to the community

Governmental public institutions (e.g. EU, nations) → support the government/organization in a certain area, organized into a given entity and have authority, controlled and linked to political part, elected through democratic system/nominated by officials
Specialized public institutions (e.g. CERN, Teatro La Scala) →Y not characterized by the need to organize a given territory, tasks are about creating public benefit, not connected with organization of a given benefit, they make the rules of the game to live in a society

CHARACTERISTICS OF PI

→ heterogeneity of products (PI are everywhere of any size and performing different tasks; different objectives and have different characteristics)

- Management is influenced by operational differences from one PI to another, skills/professionals, organizational models, different evaluation criteria
- Despite clear characteristics, public sector still acts as a united body

→ lack of price (PA need to make decisions creating deficits; the fact that decisions are made with creating financial stability doesn't mean these decisions were the best ones)

- self-selection of demand: larger accessibility, but thus access needs to be controlled; balance demand and supply

→ Administrative activity (should be carried out according to clear and transparent rules aimed at ensuring the community against unfair use of power/public resources)

- define which PI does what, define rules of the game, formal decisions with external validity (e.g. order by mayor), define elements to be considered in the formal decisions

→ Political-institutional vs. management (elections/appointments impact management)

- political cycles affect management as with changing politics, the aims of PA will change

→ Announcement effect (sometimes there are months/years between announcement and implementation of goals to be concluded; only care about what is to be achieved, not how it will be done)

COMPLEXITIES: balance between economic, social and legal model (bring together community objectives which are different/contrasting without a single unanimous objective) → final objective: create public benefit

FUNCTIONS: define legal system, regulate economic system/distribution of wealth, produce collective goods/public services (e.g. roads, lights), territorial and urban planning (infrastructure, protection of heritage/environment)

Production of Collective goods: goods that could not be produced in a market system because if they were, they would not be accessible enough (e.g. safety, roads, lighting, public spaces, etc.)
Non-Excludable and Non-Rival Goods:

- It is not the sum of individual demand, but the sum of the economic contribution of each citizen to produce and finance the good
- Public monopoly

Production of Public Services:

- Public services can also be produced by private institutions
- Public services: market environment and individual consumption (health and social services, education, public transportation, public transportation, etc.)
- Public institutions offer these services to:
    - Avoid market failures
    - Provide universal rights
    - Public intervention to avoid social crisis

LEGAL SYSTEM: pre-requisite, establishes legal framework) regulates rights of citizens, PA, economic subjects), defines scope of PI (specific PIs are dedicated to monitoring the legal system)

POLITICAL AND ADMINISTRATIVE LEVEL:

- political dimension: elected organs (e.g. assembly, government) → functions of direction and control; in charge for a limited time
- Administrative dimension: bureaucratic apparatus (implements policies, manages public service; stable group of professionals)

THEORIES OF PUBLIC INSTITUTIONS

Max Weber: 3 types of authority
1. Charismatic (you reach authority through charisma)
2. Traditional (patriarchy)
3. Legal (most important; authority based on legal framework → legal framework defines who is in charge, what decisions can be made and who makes them)
- hierarchy and clear tasks, division of labor based on rules, life-long appointment, formal selection, civil servant status

Woodrow Wilson: administrative vs. politics
→ politics should set the objective without interfering in activities of PA, which has full responsibility over management/implementation

Frederick Taylor: (division of labor)
→ segmentation/standardization implies identification of one best way to do things; continuous control over standards
→ theory of bureaucracy

Bureaucracy: established methods in large organizations of government
- A mean to rationalize
- Relevance: no big organization can survive without rules (e.g. policy, justice system) → PI must ensure fairness/neutrality

Critics:
- Merton (1949): hidden tasks cannot be tracked by rules; interests of policy maker/bureaucrat may not be in line with public interest
- Gouldner (1954): bureaucracy not impartial; tool at service of authority (tool of power)
- Crozier (1964): impossible to adapt to changing conditions (high degree of regulation)

NEW PUBLIC MANAGEMENT (late 80s/early 90s; lack of cuts in public service due to political need for consensus, oil crisis)
- Characteristics: neoclassical theory (prime role of free market), public choice theory (quasi-market: public but with private equity benefits; production through cooperation of private and public), principal/agent theory (aligning of actions of manager/agent with objectives of shareholder/principal)
- Reforms by Ronald Reagan (1980) and Margaret Thatcher (1979) promoting the reduction of public debt and privatization of services
- Led to downsizing, privatization, outsourcing, specialized public agencies (strong focus on results)
- Critiques: model based on economic theories (rationality of individuals is not always realistic), freedom of choice advantages those with more skills, standardization is not always possible, spoil system (practice when a political party gives government civil service jobs to its supporters)

GOVERNANCE: how you govern a country/organization; you must consider all stakeholders; bottom-up approach (governance = government + alliance)
- Alliance between communities, private firms, citizens, non-profits, politics, PA, media
- Inclusive approach → objective: building consensus (formal and informal approaches), focus not only on results but also on the process
- High social capital and shared values are conditions for the success of governance
- Risks: plotting between government and stakeholders, opportunistic behavior, higher organizational costs (duplication of services)

NETWORKS: way to address complex social problems by taking advantage of a broader set of resources and increased capacity (intersectoral)
- Benefits: shared risk, efficiency, access to resources, service quality, increased coordination, capacity building, innovation, flexibility, sharing ideas

- Public networks: leverage scarce resources, strengthen integration/collaboration/coordination across and within programs/sectors
- Types: policy (decide on decision-making for policies), collaborative (bring together skills/resources to reach a goal/deliver a service), governance (serve as coordinators of decision-making; coordination of actors - make them work together efficiently)

SOCIAL INNOVATION: new ideas that address unmet social needs and that work (new ideas generated to balance out a market failure/provide a good otherwise not provided)
- Drivers: technological, cultural, economics, environmental, social (e.g. racism)
- 3 levels: incremental (address identified market failures more effectively, e.g. Kickstart), institutions (reconfigure existing market structures, e.g. M-PESA mobile banking), disruptive (change cognitive frames of reference to alter social structures, e.g. Tostan – human rights in Africa)
- Dark side: socially divisive (e.g. extreme political parties), unintended consequences (social exclusion), operational failure/mission drift

PUBLIC POLICY: anything a government chooses to do or not to do (set of interrelated decisions taken by a political actor/group of actors concerning the selection of goals and means of achieving them within a specific situation where those decisions should be within the power of those actors)
- Different approaches: education (cultural policy as a vector to enhance education), civic identity, culture as glorification, democratization of culture vs. cultural democracy (democratization of culture: top-down approach, art promoted n cultures where it is not inherently present, e.g. opera in Asia; cultural democracy: bottom-up approach, listen to needs of local community and create cultural offer accordingly), elitism vs. populism (elitism: promote cultural offer that is high in terms of content within a given policy for a small group of people; populism: large-scale exhibition for mass market), utilitarianism (assumption that access/participation to arts/cultural activities generates positive externalities on community → justification for funding)

Policy issue: public problems that affect a substantial number of people
- Should be identified as such, articulated by someone, brought to attention of government, and have a solution to it provided by government

Applied Problem Solving Model
- Agenda setting: identifying/formulating the problem
- Policy formulation: identification of possible solutions
- Decision-making: involves debates due to difference of opinions of actors
- Policy implementation
- Policy evaluation: measure effectiveness of policy

Policy output: immediate results of policy decisions
Policy outcome: impact generated by the policy that is beneficial to entire community, measured in the long term

Categories: substantive vs. procedural (substantive: what the government is doing it/content; procedural: how the government is solving an issue/the steps), distributive vs. regulatory vs. redistributive (distributive: how benefits can be shared; regulatory: restrictions/regulations; redistributive: taking benefit that certain areas of society have and redistributing it), material vs. symbolic (material: policies that have direct impact; symbolic: moral value, e.g. cannot burn the American flag)

Garbage Can Model: public policy making is the result of 3 streams; policy (possible solutions to problems in society), political (political actors, political cycle, strength of government) and problem (issues present in society); when these three merge, there is a policy window (space where policy can be implemented)
- Limitations: policy entrepreneur (brings the streams together, creating an opportunity that is in their favor), leadership (policy making is not necessarily about choosing policy that is the

best fit, but rather the choice that is most viable at the time), solution-politics link (sometimes policy window doesn't open because possible solutions are not aligned with politicians' goals), problem-politics link (not all problem sin society are relevant problems to politicians)

EUROPEAN UNION (27 member states, single market, Eurozone, created in 1957 → Treaty of Rome: the European Economic Community, before it was just an economic union)

- 1987: ERASMUS (educational policy representing spirit of EU; free movement of goods, people, education → creating opportunities/sharing of resources and skills), 1995: Schengen, 2002: Euro, 2004: eastern enlargement (most recent member: Croatia, 2013)
- **European Parliament**: voice of EU citizens, members from all countries (directly elected every 5 years), discusses laws proposed by commission, adopts EU legislation (cp-decision with Council of EU), approves EU budget
- **European Commission**: represents EU common interests, 1 president, 1 commissioner from each country responsible for 1 topic, proposes new laws/programs, elected by parliament every 5 years, manages budget and policies
- **European Council**: brings together heads of state, sets EU's priorities, meets at least 4 times/year
- **Council of EU**: represents EU countries' governments, discuss EU matters, president rotates every 6 months, co-decision over passing laws (with parliament)
- **ECB**: manages Euro, keeps prices stable, works with national central banks, 6 members appointed by council for 8-year term that cannot be renewed
- **EU budget**: based on EU countries' added values, prepared by commission, adopted jointly by parliament and council of EU, managed by commission and member states (75% managed by commission + national administration, 25% administered by commission directly) → sources: contributions by member states, custom duties, VAT
    - Member states vote unanimously to choose a 7-year financial planning system; 2014-2020: goal is to fulfil European growth strategy (move past financial crisis)
    - Programs supported by budget: education, research, SMEs, Creative Europe

UNESCO (mission: building peace, eradication of poverty, sustainable development)

- Heritage: provides a regulatory framework for states to act upon their tangible and intangible forms of heritage
    - Declaration (not binding, merely a suggestion), recommendation (more influence, intended to encourage an action, no consequences if not followed), treaty/convention (binding, legal commitments)
- Cultural heritage: tangible (movable, immovable, underwater), intangible
- Natural heritage (natural sites with cultural aspects such as landscapes, physical/biological/geological formations), e.g. Champagne hills in France

Conventions

- 1954: covers tangible heritage
- 1972: conservation, top-down approach, tangible, outstanding universal value (cultural or natural heritage that fulfills at least 1 of the criteria, e.g. masterpiece of human creative genius, + integrity/authenticity + effect on entire community → property will require management and protection; attracts resources/money through tourism and draws attention)
- 2003: safeguarding, community-based, representative value, intangible

Tools for economic and social development:

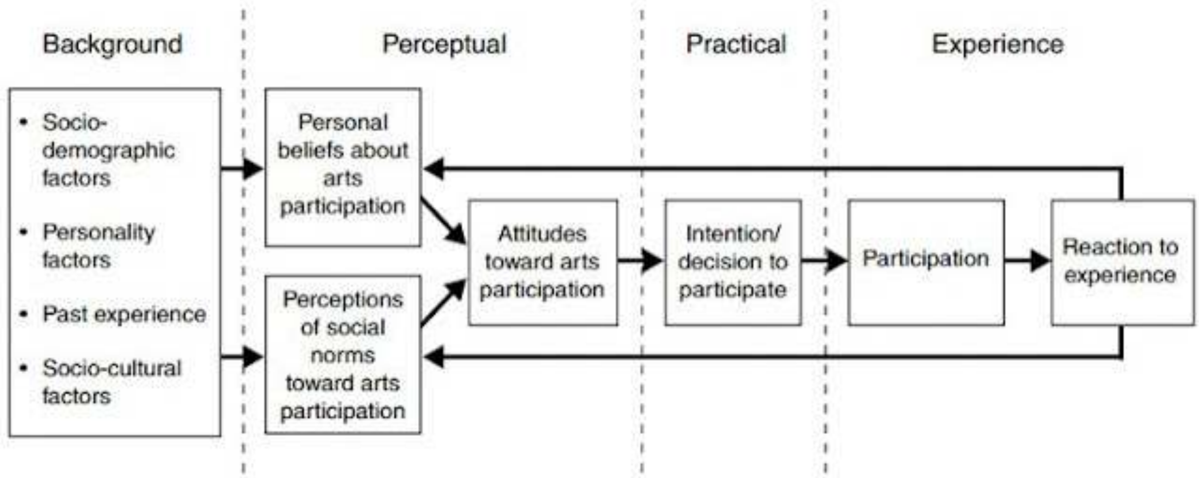
- Delivery of services, financing, training, networking
- Attraction of investments (human/financial) → territorial branding (marketing for a city like Milan to draw attention/resources); creation and development of businesses (PA creates platforms to support the creation of businesses through licensing/copyrights/training); support to export (through travels → promotes Italian cultural sector abroad through connections); financing (block grants, tax breaks, specific interest rates)

PUBLIC PRIVATE PARTNERSHIPS: contract which allocates responsibilities on both private investor and public administration with a co-definition of planning for reaching a given objective

- Characteristics: private resources cover part/full investment, participation and cooperation in many phases of project, long-term, efficient allocation of risks

AUDIENCE DEVELOPMENT: strategic, dynamic and interactive process of making the arts accessible → increasing numbers of attendees to cultural events in a strategic way because participation can have a positive effect on society as a whole

- Context: low level of innovation in arts sector, rapid growth of nonprofit/community-based organizations (low level of learning managerial skills), large institutions using technology to change how arts are produced/distributed, decreased public contribution (lack of money), corporate/government art programs focus less on arts and rather on social/economic benefits
- **RAND participation model**



→ background: might determine people's ability/motivation to take part in cultural sector
→ perceptual phase: different perceptions/beliefs regarding arts participation
→ practical phase: given these perceptions we create opinions on participation, help us to decide whether to participate or not
→ experience phase: we can be positively/negatively impacted by the experience (affects our perception)

- Audience development aims:
  - Widening the audience (practical); by reaching other individuals with similar characteristics as my current audience (audience by choice)
  - Deepening the relationship (experience); creating stronger and more intimate/long lasting relationships with the current audience (audience by habit)
  - Diversifying the audience (perceptual); reaching audience that is different and diverse from the traditional audience (audience by surprise)
- Action fields: place (create relationship based on physical site (e.g. organizing an exhibition in an unconventional place → La Scala Diffusa), digital (relying on digital platforms to reach audience), building capacity (recognizing internal staff development is essential for change in audience behavior), active participation (actively involve audience in creative process → AIDA in Como)
- Cultural institutions can diversify audience of cultural offer

BUREAUCRATIC CONTROL (formality, accountability, new needs of community, less public resources, politics vs. managers) vs. MANAGERIAL CONTROL (efficiency, effectiveness, cost-effectiveness)

- bureaucratic control is fundamental to ensure that procedures are being followed and to allow for standardization of processes; managerial control allows public administration to focus on the satisfaction of the publics' needs, and to be effective and efficient while achieving these results, in regard to resources

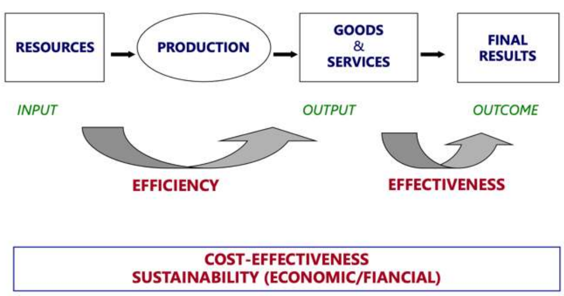
	BUREAUCRATIC	MANAGERIAL
OBJECTIVES	Conforming the administrative action to the law	Innovating the administrative action based on the needs
SUBJECT	Acts and procedures	Processes
CRITERIA	Formality Legal aspects	Efficiency Effectiveness Cost-effectiveness
BEHAVIORS	Standardization	Experimental
RESULTS	Following the rules	Reaching results

Performance: ability to answer to stakeholders' needs and wants
- Performance measurement refers to all the tools/processes through which information is collected and made available
- Performance management is the use of this gathered information to support learning, directing and controlling and accountability (the activities carried out by public administrations in order to improve the performances)
- Adopted at different levels: individual, organizational, public policy, system

Input-output model
- performance management is looking at efficiency, effectiveness and cost effectiveness, this model helps us see where, when and how we can measure these, and the overall sustainability of the performance
- The higher the ratio between the input and output, the more efficient the performance is: how many goods/services can be produced with one input unit (goal: output maximization)

Features of performance:
- Multidimensional (individual, organizational, public and system level)
- Subjective (managerial approach does not refer to standardization of processes and decisions, but is innovative and created from scratch, therefore the criteria you take into account to measure performance will give you different results)
- Difficult to measure outcomes (because performance management takes into account multiple dimensions)
- Uncertain cause-effect relations (difficulty identifying the cause-effect relationship, e.g. people released from the hospital that are coming back might be because they were released too early or because they have a chronic disease)
- Unclear objectives and political priorities (in many cases, political objectives/ priorities are unclear or continuously changing)

Why performance management:
- Defining objectives, support users/customers (and their decision making), defining standards, guiding the action (support for internal decision making), distributing public resources, accountability (internally and externally)



Risks: incomplete information, complexity, management costs, building indicators (subjective), falsification, difficulties in defining cause-effects relations

Non-Summarized Version

THE PUBLIC SECTOR

The public sector is much larger than the government: it is its most visible and known element that characterizes it but not the only one. If we think about how many public entities and administrations we encounter every day they are quite a lot, some more known and recognizable, some less. There are many things that can be referred to as public sectors, events like EXPO, which was the result of the public sector and not only, like the EEA and its astronauts, the armed forces and so on. If we think about the typical public employees we do not think about them but those who are closer to us. Outside our border, at international level, the role of the UN is a public administration and a public sector initiative. A public administration lies behind the Teatro La Scala, as lies behind some services like the firefighters or the healthcare sector, services which are critical to the functioning of our civilization. ENI, for example, is one of the biggest public companies, its president has relations with many political and public figures: the main shareholder of ENI is the Italian Treasure. Another example is the CERN in Switzerland, which is also a public administration.
We have so a number of institutions that do a number of different things in different areas, with different needs in terms of funding, organization and political support. When we talk about the public sectors then we are talking about this huge array of institutions, of this many topics covered by these actors and many different specializations: there is a high level of diversity in this sector. This high level of diversity must be our starting point. The rules and the characteristics are pretty much similar and in many cases the rules are the same, for example in hiring public employees, in terms of principles and procedures.
Citizens trust the public administration more than the government itself. The percentage of trust in many public services provided is much higher than the one in the government, with the highest level of trust being in the healthcare and police system and the lowest one in the national government. In the latest years there has been a bigger lack of faith in the national government. This is the importance of the public manager: a good and effective public manager is that who is able to synthetize the needs of the politicians with the needs of the administration. In theory, the two parts have two different objectives, but are they fully autonomous or are they permeable? They are permeable, and the public manager has to take care of the interaction. He is the one who knows the administration and its organization and manages to be in contact with the politicians and bring out an output.
We discuss about public institutions to try to get the perspective from the citizens, from the private managers and from the public managers point of view. It is important to open our eyes on this sector because of its pervasiveness.
The public sector is quite large if confronted with the general level of employment. There are workers that we don’t connect to the public sector but that, in fact, are public workers.

PRIVATE VS. PUBLIC

If we think about the comparison between public and private organizations, there are some differences: first of all in terms of stakeholders, because private organizations may have a more defined range of stakeholders while the public sector has many different stakeholders which are not so easy to define. They are regulated in different ways and private institutions have profit as a goal, while the goal of a public institution is generating value for the public. Private institutions are competing one against the other to gain profits through customers, services etc., while public institutions are not (to a certain extent yes, but not in general terms), considering that profit is not their goal; maybe they can compete on the quality of services. In private institutions the influence of political bodies is not that much important, while in public institutions they are prominent. One of the extremely relevant differences is the source of funding: public institutions are influenced by tax payers, hence they are not funding themselves on a market environment but from taxes and transferrment from the government, which has some important implications in how we deal with things, while private institutions are funded by private investors. This has also managerial issues, because we must produce goods which would be difficult to produce in a market environment, and we have to direct our funding to what we must produce: our resources are limited, so we have to be very efficient to maximize the efficiency of the money we're given. Customers do not pay entirely for the entire service and for the entire cost of the delivery of the service, the cost that the administration has to face in order to deliver the service is covered by tax payers money directly collected from the administration. Public institutions do not deal with price, and this has some implications from the citizens' point of view and also from the administrations' point of view. From the administration point of view is important to make decisions to address the needs of a specific part of the population. In this choice of the users and the creation of the architecture of the services we need to make managerial issues to decide the priority; which is basically decided by politicians: the administration must only implement it. The role of the public manager is that of making these two spheres communicating and relating to each other. Decision making is different and influenced by the context; the fact that there is a generalized lack of resources the decision making process is highly influenced, in the way that one cannot decide to do everything and he needs to be able to select its end users. The private sector should be made to maximize the use of resources, because there are market checks that enable the administration to get an open approach to the market to get feedbacks and reassurance; the public value instead is not directly connected to the number of services but to many types of indicators, like who is taking the services and if they really need it. How do we measure efficiency in public sectors? We must take into account many other measures to understand efficiency in public sectors. My measurement of efficiency must take a step further than just cost sustainability, must go in deep and consider also who is taking my service and how much public value I'm generating. It's important to understand who's accessing this service, if the services are directed correctly to those who need them. Public institution operate in a non-market environment, not in a market economy like private organizations do. It's important to also take into account the implications of being in a non-market environment. The first one is that I can generate services without necessarily making profits; the profitability of a service is not a driver of success for the institution: a service could generate a deficit but also a good public value. This, in a private institution, is not possible, apart from small acts of CSR. If we connect the indirect generation of profits with the generation of public values and to a positive outcome for the politicians we can see how the generation of public value can generate satisfaction in the people and more possibilities of being re-elected for the politicians: thus also generating a deficit the service generates many benefits for many different stakeholders.

Some of the characteristics of public administrations are that management has become much more important in the public sector. It has imported private sector managerial skills to create more efficiency in the public sector. Management has become an important asset of public organizations. The public administration must deal also with the political sphere, that sets the priorities of decision making, and the institutional one: this triangle is a characteristic of public administrations. PA acts as autonomous bodies into the society; the services and the offices are independent, the decision making is autonomous, but they all relate in a larger context of the public sector. It is true that there are many public administrations, but they all relate to a unique body, which falls under the same umbrella of rules. In a systemic view, the development and the success of a public administration increases the success of the system. One success generates much more success for the public system at large, thing which is partly true for the private sector, for which it is true in a really smaller way. It can also produce positive externalities to other public administrations. For example, building an efficient car sharing system diminishes the pressure on the transportation system. I respond to a need that other public administrations have to fulfill too, so It's important to consider that the action of PA is connected with other PAs.

Public institutions are institutions funded by the state or the government bodies and controlled by public officials or their appointees in order to protect and promote interests which are relevant to the community. There are two types of public institutions. Governmental public institutions are characterized by a higher degree of politicians involvement and their administration is much more influenced by them; they serve the purpose of governing a territory and are not characterized by a vertical structure: they have to govern and administer a territory in an horizontal way. On the other hand specialized public institutions deal with problems in a more vertical way and have a lesser influence of elected bodies.

We can find some characteristics: the heterogeneity of products, the lack of price, the administrative activities, the political-institutional vs management and the announcement effect.

By heterogeneity of the products we mean that PAs are very diverse in themselves and have heterogeneity in terms of activities, functions and products. This has implications in terms of management, considering that these five characteristics must be taken into account inside an environment of same rules for every PA. But given the extreme diversity of these products, isn't it in contrast to have to use the same rules for everything? It is, and PAs must find a way to overcome these differences. They are different in the way they deliver the service, and this has implications for example on the selection of the employees. There are different organizational models, some are more vertical, some more horizontal, etc. But the context is pretty much the same. This means that there are different evaluation criteria for the different products. And despite all these differentiations the public system is still running on the same principles. The pro of it is that it is easier to manage and we are more sure to give an equal value to everybody, in terms of results; the risk is that the equality should be at the starting but not at the ending point, meaning that all the administrations should be given the same opportunities and the same tools, and in using them there should be a little competition to give a better service: but maintaining everything same for everybody at the result makes the bettering of things not possible.
The lack of price implies that we have to have good managers. It is critical to effectively select the demand: management is important, because now rules are not enough. We must consider who we want to serve. There are many elements that must be taken into consideration.
Administrative activity allows PAs to standardize procedures everywhere; there are then some administrations which are maybe faster or slower in the application of the procedures, but the administrative procedure allows administrations to provide standardized processes to everyone. This is fundamental because if I want to create public value I must create services through the territory. On the other hand, administrative activities are there also in private institutions but you can find ways to overcome it. The role of the manager is to ensure that the administrative services are there, to make it effective but also flexible, to ensure that they are effective in generating public value: rules may be overcome and more flexibility may need to be used in order to create public value.
The two bodies of politics and institutions have different times. Public employees have a life-long contract, while the politicians have just some years to achieve their objectives to create public value. These two bodies must communicate through the public manager, that must find the best solution to implement political needs respecting institutional needs. Politics need much visibility and make many announcements, and in terms of timing these two bodies are not aligned. The administration must be the strongest ally of the politician, because they must implement their ideas.
The functions of the public administrations are the definition of the legal system and protection of rights, the regulation of the economic system and redistribution of wealth and opportunities, the production of collective goods, the production of public services, and urban and territorial planning.
The legal system is the starting point for a society; defining what are the rules of the game for a community and for the institution. They identify which are the scopes and the boundaries of the public administration, what it must deal with. The rules of the game that must be followed by the public administrations. But the legal system has important influence also on citizen's daily life, in all its aspects.
The economic regulation is the regulation of the market made by giving the rules of the game and by, on the other hand, redistributing the resources of the market. How I redistribute them has an effect on the public value I generate, because the more I redistribute resources, the more I generate public value. The PA can redistribute resources by giving back the money paid in taxes to generate services and generate high public value. If I want to redistribute in an effective way I must ask myself who is in need, how can I attract and target the people in need. Another way is through the social security, through the service I deliver. At a micro level, the ways to redistribute resources is by setting prices and discounts for services.
The two key activities of PA are the production of collective goods, which are non-excludable and non-rival goods (which means that if I'm using it I'm not taking from everyone the possibility of using it and which wouldn't be produced from the private or not accessible), and the production of public services, which are divisible and excludable: I have a limited amount of services available and I have to decide who can or cannot access to the service. The fact that some can access and some others cannot make the service excludable and divisible. They are important because they are not profitable and thus would not be produced if not publicly.

The last service of public institutions is the urban and territorial planning, which is one of the main possibilities for public institutions to develop a territory. There is definitely an important consideration to be made: the role of the PA is that of developing in a coherent and successful way the area. It's extremely influenced by politicians and politics.
The model of public administrations can be summarized into a triangle with three corner points: political, legal and economic models. The public institutions lie in between these corner points and are influenced by them. These three must be in constant contact and in constant equilibrium between them. This model may have different outcomes depending on the decisions and on the context, but must be taken into account because these three parts are always present.

MODELS OF PUBLIC INSTITUTIONS AND PUBLIC NETWORKS

We can identify the presence of administrative support to the government or to the authority since the Egyptian time, in ancient Rome and China, but the PA as we know it today has started from the WWII. Some of the key characteristics to identify the modern public administration are that there is an administrative body to which some powers are delegated and it is a stable type of body that is selected in a transparent way; the previous PA was based upon a relation of trust between the ruler and the administrative. Also, its interests and sector of action have increased a lot: before WWII the main activity of PA was the collection of taxes to provide very limited services, mainly protection. Due to the change in the conditions and in the prerogatives of PA there have been changes also in the organization of public administrations. While before there were ruler who had trustworthy people around them to help in the collection of taxes, with the big scope extension the relationship based on trust changed to a professional relationship: you are hired to provide certain services and to do certain tasks in a legal context.
The three main theorists that made theories of public institutions and that we can use to understand the public system are Max Weber, Woodrow Wilson and Frederick Taylor. These three authors have identified some characteristics of public institutions and bureaucracy that justify its evolution and its adoption.
Max Weber identified three types of authority, different one from the other and that represent also the evolution of the society in which they were used. The charismatic authority was based on charisma, on individual and personal characteristics of the ruler in charge. The traditional authority is based on customs and more traditional approaches, the established way of doing things such as the patriarchal kind of family. The third and most innovative is the legal authority; it is not based on tradition or charisma, but on written, transparent and clear rules and regulations. This is the type of authority that characterizes today's democracies and on which PA has developed. This is the starting point. Some of the characteristics of the legal and bureaucratic model are that there is a clear division of labor based on rules and norms, who identify who's in charge of what, there is a hierarchy (some authorities that have more power than others) and clear tasks, there is the archiving, which is relevant to give a record to the decisions taken and to standardize practices; there's the characteristics of life-long appointment, which is one of the main characteristics of PA, there's, on the other hand, a formal selection of the people who compose the PA, not based on personal relations, and then the last relevant element is the recognition of civil servants as a sort of group with certain characteristics such as the commitment to generate public benefits and the interaction with the political sphere.
Woodrow Wilson identified something that was not very clear, the need to differentiate what the administration does and what the politics do. He considered that the politicians body had to identify the strategic directions of the PA, which had simply to work on their fulfillment. The administration and the way the administration should be working is extremely influenced by the set of rules that were created to rule the society: they should be subjected to laws and general regulations, not to the politics, also to be protected from the up and downs of the political cycle.
Taylor contributed to the bureaucratic system saying that the standardization of labor implies increasing the specialization of someone in doing something and it could be used to create a sort of assembly line inside public administration, with the sum of the single tasks that were to compose an efficient administrative procedure to provide services. It highly standardized and specialized the processes, but it loose the perception of effectiveness of the thing you do. In terms of service delivery, we reduce the effectiveness because as a citizen I need to put together all the different fragmentations

of the process. At the same time this fragmentation in decision making is relevant in order to decrease the power in the hand of an individual.
Some of the characteristics of the bureaucracy are that it is the most common organizational arrangement within institutions, both in public and in private sectors; this because there was the need of a certain set of people that were able to implement decision between the regulations. It is a great change in the mindset of people. Due to its characteristics it is quite effective. The bureaucracy is not the best type of PA organizational arrangement and due to it has evolved. It is an important mean to rationalize and standardize the service delivery and the goods production within the public institutions; it is the most effective that can be implemented. The risks of this approach is that it loses the perception on service delivery and the perception on quality; we have to consider this because bureaucracy is not the best solution to achieve public value.
Some critics are that not everything can be controlled, the rules and regulations cannot contain everything, they cannot contemplate every single process; it loses in terms of flexibility, because in terms of exceptions and anomalies, these cannot be identified by the manuals and potentially cannot be solved. When something unclear and unexpected happens the mechanism gets stuck. Another critic is that it is incapable to adapt to new forms and it creates a sort of ritualism: I do what I do in a mechanic way, and this orientates on the process and not on the result; I'm too much focused on how to do a task and not on how to solve the problem of my counterpart. Another critic is that if I standardize the processes the risk is that the ones who know better the process are the winners, while the ones focused on the results and who have needs risk to get stuck; thus the administration gets power over the system, because it knows better the procedure, and it is a sort of limitation. The most important element in terms of critics is related to the clash between formalities and competencies: if the PA is focused on the formal part of a decision, I risk to lose sensation on the content of it, which can be in conflict with the objective of creating public benefit. If a decision is taken perfectly on the formal side, it can fail nevertheless in creating public value. Due to the high degree of control and the high degree of regulation, there are some rigid procedures that do not allow or facilitate change and adaptation to changing conditions; if we consider society the way in which changes happen today is a very faster way, due to social changes and many other changes, so the rigidity of the bureaucratic system is even more evident and visible, in front of everybody. Other critics that have been moved are that there can be a politic influence on PA and that due to this attention on formal part we may fail in creating public value.
From the seventies there have been two ways of changing. The first one is the one which leaded to the New Public Management, and then the failure of it brought the concept of public governance. The new wave of changes brought by the Thatcher and Reagan government is the one of NPM, that focuses on moving private sector practices to the public system: this would lead the public sector to bring more value and more benefits to the public. There are many reasons why this approach was adopted. The first was the quality of the services and their quantity, along with the cost of public administration. The intervention of PA was perceived to be, after the WWII, too large and with this wave of NPM and the rationalization of the public sector the main thought started to introduce the idea that not all the services should be made from the public sector. The private sector could do the work of the public sector in a more effective and efficient ways. It can be true in some of the sectors like banking and more complex services, but the fact that private practices were introduced without taking into account the public sectors' specificities created a kind of failure. It was a failure because there was an orientation on downsizing and outsourcing the public sector, the idea of introducing the private ideas to the public sector, the reorganization of the public sectors in terms of identifying specific duties and specific tasks for the public administration. The generalized approach to privatization generated a big failure in terms of production of services and goods that were needed from the public; the reason why public administration produces certain types of goods is because privates wouldn't be willing to do so, because they're not profitable or sustainable. The adoption of a private sector view to certain contexts (health care, education, ...) generated some failures in terms of accessibility to the service, because private actors did it to generate profits and thus they segmented the demand, they decided which services to give and not to give, etc. There was a creation and an introduction of private sector practices in a sector in which the private sector couldn't be successful. Some of the critics made to NPM are that the rationality of individuals cannot be taken into consideration as being always true: individuals, especially for public services, do not take rational decisions and their needs cannot be

standardized. In terms of access to such services, their accessibility must be guaranteed no matter what, access mustn't be limited by anything. Standardization then it's difficult, because private sector have the objective of making profits and if they want to standardize it may decide that some areas are not profitable and not to deploy that service. Again, another problem could be the alignment of the strategical objectives that politicians must make clear to the private sector: there must be an alignment in terms of objectives and strategies, and then the involvement of the private sectors could be made; without this alignment, that's all useless. We moved from the fully bureaucratic approach to a too liberal type of approach where the market was left as the only ruler of the game: if a service was sustainable, it was provided, otherwise not.
In this big discussion between bureaucratic approach it is also when public management was born. Somebody started asking why and how we can make sure that these needs and expectancies can be met, what are the elements that can be leveraged on to achieve these results. Another approach was made: public governance. It moves away from the contraposition between public and private sector, from the discussion of effectiveness, and started to understand that the collaboration between these two entities was the most successful way in which to achieve results. The new approach of the governance was adopted by many areas of the administration. It is a bottom-up process that involves all the stakeholders involved in the production of a specific regulation or in implementing a possible decision. The government and the politic agenda is still there, but all the different stakeholders discuss about possible solutions to solve the issue and how each of them can contribute to the solution of the process. It acknowledges that solutions are complex and cannot be tackled by single actors, but need the contribution of many different stakeholders. There is the understanding that multiple stakeholders must contribute to the decision making. Some of these main stakeholders are the citizens, the private firms, the local communities, the public administration and so on. There is the acknowledgment that collaboration has to be the keyword in resolving issues that have become more and more complex. There has been an evolution of the society and the public administration has followed it, to arrive at this understanding. Some of the characteristics of this approach is that its main objective is to build consensus on a problem, there must be interaction between stakeholders, there is an approach that is both formal and informal, so soft-skills and soft power are introduced, and the focus is not only on the results but also on the process, which becomes a relevant part of the decision and have to be taken into account. The understanding and the management of soft dynamics is important to the creation on public value. Some of the limitations and the risks connected to the governance approach are that of course the main issue is the one to be able to identify the right stakeholders: if I want to be collaborative and inclusive in the decision making I have to understand which are the main stakeholders; if these are too much the process can be too costly and too complex. There are higher organizational costs and the duplication of services, because all these activities generate costs which are not only economic but also in terms of time. With the involvement of many stakeholders it is risky to have a plotting to have an output that is good for the parts involved in making it but not for the public. Last but not least, there may be an opportunistic behavior by those involved in the decision making, with people taking advantage for their own. If we balance these risks with the benefits, the governance approach is still the one that best fits the new needs. It works and counterbalances the risks when there is high social capital among society. Social capital can be defined by how much you trust the others among a society. The higher the level of trust, the higher the social capital within society. It is not something generated by chance, but must be cultivated and taken care and evolves with the society. With the increase and the development of social capital between the society we can have better coordination and better involvement in the society. If we don't have high social capital, the governance approach can't work. The social capital is continuously supported by allowing people to make decisions, hence the governance approach is a primary element to support the growth of the social capital level within the society. There also must be shared values to have a successful governance approach. Then I can discuss the reasons behind a decision, but it is important that a starting point I have a certain set of shared values.
We have seen that PAs are constantly changing to adapt to the changes in society, basically because they are made by people. To understand the evolution of PA from a theoretical point of view is relevant to address the topics of public networks and social innovation. There are many drivers of change within the society. Technology and its disruptive uses, inequalities, environmental and health crisis, migrations are all drivers of change within society. Also cultural aspects drive change inside the

society, for instance the mistrust in political institutions and the growing populisms. The new arrangements in terms of social life and familiar organizations is affecting the way in which society is organized. In order to summarize, we can group them into the five macro groups of economic, technological, cultural, environmental and social drivers of change. They influence all the changes in our lives and bring some issues, like the one of the digital divide, inequalities and migrations which are consequences of the societal change, and so are the big rich and poor gap, the unequal access to education, the unequal labor which is constantly changing, both in skills and competences needed, and the new societal arrangements in families, behavior and everything. The challenges we are facing are multiple, diverse and extremely complicated to be solved, in the sense that it is complicate to delegate public institutions to solve them, especially because inside the macro areas there are many little realities that are different from each other (the environmental change is different in Milan from the one in New York or in Venice) and even within similar context the issues have many different characteristic: imagining one single institution that has to manage all of this is impossible. It's also relevant that the governance approach has been used because these global issues require the contribution of a diverse set of actors that cannot be limited to public administration. PA has started to play a new role in the society: the ones that should be creating the right context in order to allow the best solutions to solve the issues. A possible solution is the adoption of the network type of arrangement and in particular public network; in a network there are multiple players so they need to have faith in each other, they need to have a task and a common ground of interests and goals. The characteristics that come out from the definitions are that there is social interaction, so an interaction between the parties involved, there is the generation of relationship and with it there's an exchange in order to achieve a common objective. So there is the element of working together in order to achieve a common objective. The last, key element is the trust, because in order to collaborate effectively we need to take some actions like sharing of information or delegation of power, and these can be done effectively only with the trust in each other. It is relevant to talk about network because public administrations have to open up to new layers of the society to generate new and more effective ideas, they can help to maximize the use of resources, they can bring economies of scale and market power, from an economic point of view, they are important to share the information and the knowledge to achieve better results, they can create broader capacities and increase the capacity of facing an issue. Some of the global challenges are intersectoral, so it's not that a single public institution has all the knowledge to solve a problem. If we want to solve global intersectoral challenges a possible solution is the adoption of networks because their generation can bring certain benefits and these benefits are the reason why networks exist. One of the benefits we haven't mentioned is related to the shared risk: if we work together, there is a share of the risk, because it's not only one person who's taking all the risk and the responsibility. Risk sharing involves some complication. Another benefit is that of advocacy, because bringing together many different voices towards a single problem can raise the attention on that problem. Of course, the other types of benefits are the one mentioned. If we look at the network we can find some specificities that can be connected specifically to public networks; the most important one is the community, that is involved in the creation of the decision, and thus collaborating in creating public value the community can better the possibilities of creating more and more public value. The involvement of local communities and the use of public networks is important to hear the needs of public communities and local populations. Moreover, the adoption of public networks allow public administrations to be closer to the territory and to the final users, thanks to the characteristics of the network. If the communities feel involved in the process, they increase trust in public institutions, because they can relate with the process and the decision makers, hence increasing the trust they have in the system. To understand when a network is the right form, we need to answer ten questions that summarize the benefits and move from the basic characteristics of networks to understand if a network is a good way to tackle an issue. Some relate to the shared set of values, because being part of the network requires an effort: making share decisions, sharing information, sharing risks, delegating decisions, require an effort, and in order to be part of the network you need to be sure that you want to be a part of the network; otherwise, a network is a useless effort that doesn't generate positive outputs but can generate an initial effort that something is moving and some decisions have to be taken. From a managerial point of view the final goal is to make the network work, to take positive and effective decisions to generate public value; the mindset that organizations must have should be positive and there should be clear decisions and there has to be a clear will of

being part of the network. There are two types of networks, the mandate one which is a top-down decision and the voluntary one, which is the result of a bottom-up decision and collaboration. The differences between these one are: in the voluntary network involvement is stronger and so is the openness towards the other members; the fact that there must be stronger constraints to rule the working of the network in a mandate one and the controls must be higher; voluntary networks may be faster in terms of composition but all the backstage work in terms of the informal connections may take time and require resources of all types, while a mandate network is quicker to be solved, so in term of time effectiveness it's better to have a mandate network; a mandate network has a shorter life because they have a clear objective passed which the network ceases to collaborate. There are three types of governance and organization of networks. There are some consequences in term of distribution of trust, the number of participants, the commitment and the participation towards the goal and of course the delegation of power and the decision making. If we talk about self-governed networks the decision making is decentralized, there is no organizations that have the decision making power; the relations are all strong between members and there must be ha high level of trust, but at the same time the number of participants must be lower, otherwise it would be much more complicated and much less effective. The second type is the lead organization; here the decision making is centralized, there is a lead organization to which the decision making power is delegated; in terms of relationships there are strong relations between the individuals and the lead organizations and weaker relationships between the knots of the network. The third type of organizational arrangement is called the network administrative organization; it's similar to the lead type but it's a type of organization that move from the assumption that It's difficult to find in the network an organization stronger than the others; all the actors then create a third party organization to which the decision making is delegated, to which all the actors contribute in some way; the decision making is not fully centralized, is sort of mixed because there is a shared decision making to create the third party organization which then receives this decision power.
We have three main uses of networks within PA: policy networks, which are created in order to create new policies which interest many different stakeholders within the society; collaborative networks which are used in order to create new services and new products; governance networks, which are not generating policies nor products, are simply governing and coordinating decision making in order to generate and to create a sort of group roundtables for governing certain public issues.

SOCIAL INNOVATION

Social innovation is another tool to solve public issues. It can be defined as new ideas that address unmet social needs. There are a few characteristics: there are issues that are not solved and are of public networks and there are some new ideas that support the public in solving issues. There are two types of social innovation: new social processes and new social outputs and outcomes. A new social process can be, for example, co-working or co-production in social services (e.g. Wikipedia), or the sharing economies; these new processes can generate also new social products, such as mobile banking in developing countries and much more new products that solve some issues.
There are some levels of social innovation: the incremental, institutional and disruptive level. The objectives are different and so are the outputs. In the incremental level we find a lack of product in the market and we develop a new one to solve this; the institutional level intervenes not with the product but within the market, creating a new market within the society (e.g. mobile banking); then there is the disruptive level that concerns the politics, in the sense that an important innovation in terms of politics or community to change their ideas can be disruptive.
The drivers of social innovation are the drivers of societal changes and societal challenges. The issues in our society are complex and the gap between decision making and users is increasing, as is the complexity of the needs of the people, they are becoming more specific according to the different areas. Social innovation happens not within institutional sectors, it doesn't happen in big institutions and corporations, it happens at the boundaries between sectors, for example at the boundaries between public and private sectors. The collaboration between private sector and civil society can determine positive innovations in term of social innovation. The collaboration between them creates the space for social enterprises, that are non-profit but have specific goals, can determine social innovation (e.g. sustainable fashion etc.). At the border of the more institutional sectors social innovation happens, because it's where there's the flexibility to hear the needs and to address the

needs of the people. Social innovation is there and its true to tackle issues that otherwise wouldn't be tackled; it is faster in identifying and creating solutions which can then be acquired by traditional institutions and applied in a broader way. It is faster and more efficient to tackle unmet needs and create solutions that then will work.

PUBLIC POLICIES

A public policy is anything the government chooses to do or not to do. There are some elements: the government is the main actor when we talk about public policies and it involves the decision to take or not take action about a problem; even a non-decision is a public policy and has its consequences. We need to take into consideration also the consequences. We have some intended consequences of the actions taken by the government but also unintended consequences (think about prohibitionism).

A second type of definition, much richer, gives some further information: a public policy is a set of interrelated decisions taken by a political actor or group of actors concerning the selection of goals and the means of achieving them with a specified situation when those decisions should, in principle, be within the power of those actors to achieve. In a larger way public policies then are connected to public institutions, not necessarily restricted to the governmental area. It says also that a public policy is a set of interrelated decisions, taken by multiple actors (think about health policies): the consequences of a public policy may affect multiple institutions and there are multiple decisions to be taken. These policies aim to achieve some goals and establish also the means with which these goals must be achieved. Public policies, most importantly, can be decided by those who have the power to take these decisions. There is also an important element of responsibility, it's important we have clear in mind who is responsible for a certain policy and this is extremely relevant, because this way we can refer to the one that can address the problem. Then from the broader definition we need to take into consideration the local domain of public policies; the definition of policies is different according to each country or territory in which it is taken, according to the specificities of each territory administration practices, its ideological heritages, etc. In Europe for example it implies an involvement of the government, but in the US the identification of the actors is different; also the range of those which are considered cultural policies or commercial policies is different between countries: for example, in EU the media sector is a cultural one while in the US it is a commercial sector, and this has a huge impact on the decisions that have to be taken into consideration while talking about public policies. There are different approaches to cultural policies that can co-exist and that have different outcomes in terms of public policies. The public decision maker once defined generally a cultural policy can intervene in different aspects of it. Cultural policy can be considered as an important driver of education, for example, and it may bring benefits not only in terms of extended knowledge of the subjects but also generating new public for the future: the connection between different aspects of cultural policies are important. Another important difference between approaches is the difference between the democratization of culture and the cultural democracy, which are two different approaches to cultural policies and to cultural offer; a clear example of democratization of the culture is the top-down approach that considers the high culture as needed to everyone, while the cultural democracy is the cultural policies that supports the local needs of communities answering to they real needs. Another interesting approach in terms of cultural policies is the elitism vs populism; the elitism is a cultural policy that is directed in a way to a smaller number of people, not very popular and not directed to the masses; on the other hand there is the populist approach that attracts a larger number of people with attractive names and cultural offers where you don't consider actually whether they understand or not. One it's not better than the other, they are simply two different policies with different objectives. Public policy is not very clearly defined but has many different aspects that can differ because of, for example, the implementator or the objective that the policy has. We have to keep in mind the problems that the political cycle creates. Another approach is the utilitarian approach: there has been an evolution in the discussion about public policies on the positive impact generated by public decision making. Public intervention has evolved from providing services to those in need to providing a more target approach that looks at the benefits from art participation. There has been a shift in the approach to public and cultural policies. There has grown the idea that the intervention is no more for the art's sake, but because it creates benefits beyond the art sector for the whole society. A diversified offer offers large participation and gives some benefits at the individual level, because it enlarges the knowledge for example of one's territory history hence creating ties to the community to which one belongs. In this utilitarian approach in cultural consumption it moves from the assumption that it generates benefits on three levels: private, private with public spillover, and purely public. This is an important thing in the society. So arts and cultural consumption creates a great benefit among society. The utilitarian approach is driven by the fact that decisions do not stop in the domain of public and cultural policies, but they go beyond and look at the effects these decisions can generate within society.

Public policies are a consequence of public issues. A public issue within a society can be really different according to the different perspectives and points of view. There must be first a definition of the issue with some clear characteristics and aspects. Then the issue must be articulated, meaning that there must be a politician, a citizen or some stakeholder of the public sector that clarify the content of the issue, what it is, why it is relevant, and then of course in order to be considered a real public issue it must be brought to the attention of the media and of the general public to force the action of the decisions makers, which can intervene because of their purposes or because it has become a public issue (so they can also protect their political side); they must tackle the problem with solutions that move from different historical and political approaches and priorities, and that can be radically different depending on the various points of view. The decision makers in the past had a sort of approach to public issues driven by the merit good approach, meaning that public policies were considered as means in order to provide goods and services that wouldn't be provided by other actors and that are considered important for many reasons by the government; the new approach to public policy is driven by utilitarianism, meaning the long term impact and outcome generated by public policies. If I look at this approach I can try to tackle the problem trying to create more value for the community and generating new opportunities. This is very much connected to the evolution of the public administration systems to a more "governance" system. The applied problem-solving process starts from the recognition of the problem, the proposal of a solution, the choice of the solution to be taken, putting the solution into effect and then monitoring the results; there are also the stages in the policy cycle which are the agenda setting, in which the most important problems are identified, and once these problems are included and added to the political agenda there's the second step which is formulating the policies, proposed by the actors involved; then there's the whole process of the decision making and then the process of policy implementation, which is the stage where the connection between government and PA is stronger; a thing that generally speaking is lacking is the policy evaluation, done by third parties usually and not by those who promoted the policy in the first stage.

At first, the response to policy demands can be made by policy statements. The real implementation and the real decision making is then made by technicians and by the technical apparatus of the government; politicians may give the directions, the statements and may also give some guidance in terms of how to achieve their purposes, but then the technical solutions can be implemented by the policy processes which can generate some immediate outputs and outcomes on the society.

We can classify public policies in different ways. The seven classifications are not exclusive, meaning that we can have policies that stay in all the three groups; they are mutually exclusive inside the three groups, but there can be intergroup kinds of policies. The first differentiation is between substantive and procedural policies. Substantive policies involve what the government is going to do about a certain topic, so the content relates to what the decision maker is going to do; procedural policies instead set the rules of the game, the steps to be taken to achieve certain objectives. If we think about public law we see this differences: some are more general and set the objectives, other are more specific and procedural and say how specifically we are going to obtain the objective. The second distinction is on the effect that they have on society: regulatory policies are those that set some restrictions or limitations on individuals; distributive policies instead focus on allocating benefits or given services to certain segments of the society; redistributive policies (for example, progressive taxation) is that of redistributing wealth and resources, moving resources from one group to another. It is a sort of redistribution of wealth within the society. The last two categories are the material and the symbolic policies. Symbolic ones have little impact on the society, they are driven more from values, they don't have a direct impact nor a direct benefit, but it tells something about the values that a given community has and wants to represent. Material policies are all the others, and are those that provide

tangible services or benefits to the beneficiaries of the policy. These seven categories are not mutually exclusive, policies can be interrelated.
What is relevant is the fact that it is not a linear and simple way of addressing issues: there are many things that must be taken into consideration, and the garbage can model is a way to do this. This identifies three streams and moves from the assumption of the solution as an integration of the three streams. The problem stream is related to the issues we have in the society; it must be defined by someone, because if a public issue is not approached by anyone it could not be tackle by policies. The problem stream so contains every problem in the society. The policy stream contains the set of solution to problems. Organizations can advocate and propose solutions compared to the problems of your group and have people proposing solutions to the decision makers. The third stream is the political stream, the decision makers, which have political priorities that change over time; it represents the different political objects of the political parties. These three elements must come together at some point to make it possible to create a policy: politics alone cannot do it, they must have people recognizing that that's an issue and some solution. The garbage can model theorizes that when these three streams come together (recognition from the people, a set of solution and the political will) then we have a so called policy window that will allow a determinate policy to be made. If only the problem and policy come together and there's not the political will the issue will not be addressed, and so will be if there's political will and some solutions but not the perception of the problem among the community. A clear example of this is the process of approval of the non-smoking policy in Italy, not approved in the first place because it lacked the problem stream and then approved because the message became more accessible to the community.
The garbage can model implies the role of the policy entrepreneur, that could be a politician, a key administrative or a public manager, that facilitates the connection between these three streams: he has to make sure that the issue is recognized as a public issue by the target community, that the solutions are available and that they are okay for all the parties. The set of solutions available must be in line with the expectations of both the public and the decision makers. It is critical that he has good leadership skills, to make sure he can make these interests come together, and he must be successful in doing this. The last two elements are connected to the so called solution-politics link and problem-politics link: solution must be in line with the political view of the decision maker and also the problem must be perceived as so by the politics and politics must be good at addressing existing public issues; but, their political objectives can become public issues, even if before they were not such.

POLICIES AT THE EU LEVEL

Eu is made out of 27 countries, has a single market, there's the eurozone, there's a Europe Day (9 May) and the three main roles in it are played by the Parliament, the Commission, the Council and the Central Bank. The starting point was in 1950 with the Schumann declaration, that moved from the assumption that collaboration within the EU after WWII must be supported in order to reduce the risks of another global conflict, so it's the same approach adopted for the League of Nations and for the UN. This European integration has grown since the 50s with the first embryony of collaboration that was the European Coal and Steel Community, because they were the key materials in a war: if the collaboration on the production and market of these products proved successful, the possibility of a war is really reduced. Italy, France and Germany are still critical members that started from this, but it's interesting how politics have changed since the last 50 years. There has been a big boom of expansion in the EU in the first 2000s, with many small eastern countries entering the EU. The key dates signal decisive steps in European integration, with for example the treaty of Rome in 1957, the starting of the ERASMUS program in 1987, the Schengen treaty in 1995 and a lot of other policy decisions that created an evolution of the relationships between the parties involved. The main role of the Union is to make itself more efficient in providing services and to foster development with more ease than it would be possible for the single members compared to the global competitors. The reason behind the success of this union is the possibility to leverage on collaboration.
The European Parliament is the voice of the European citizens which is renewed every five years and contains representatives of each country; it elects the members of the European commission and approves the budget; it also discusses the laws proposed by the European commission. The role of the parliament has changed over the years but it's basically the representation of the main representative of Europe. The European Council is the place where all the head of governments meet

and set the political agenda of the European Union in terms of policy. It is not related to the content of the policies but to the general direction of the policies. Then there's the Council of the EU that brings together the ministries of the EU countries, depending on which sector they're debating on. It brings together the ministries to share the views and practices and take also decisions that can set a common view over a specific problem. Last there's the European Commission, which is the government of the EU and is composed by 27 commissioners elected by the Parliament on the proposal of the government of each country. Even in terms of functioning the key element is discussion between the parts even before the actual discussion in parliament. It negotiates with third parties, discusses laws and manages the budget of the EU. The Commission proposes policies and solutions and the parliament or the council of the European union votes the proposals of the commission (e.g. the budget). Same is the role of the council of the European union. There's a sort of delegation of power to the commission but it is always under the control and subject to the approval of the council. The European Central Bank plays a critical role in the collaboration and integration between the economies of the members; its role it's not to simply manage Euro's exchange rates, but also to keep the prices stable and the debts of the members safe, because it's a sort of mechanism where the different stakeholders of the Euro have different positions in terms of fiscal policies of the countries; the role of the ECB is more and more critical and political to keep the Euro safe from internal and external sources.

The European Union funds itself with a mix of contributions; the main one is individual contributions from member countries based on their GDP, but then there's a certain part of VAT, there's the surplus from previous years. These are the three main sources. There have been strong efforts to review the model of funding, because it affects the integration: the more money a country puts, the more is its influence on EU and on the decision making. The budget of the Eu is a multi-year budget that lasts 7 years. Around 75% of it is managed by the European commission in collaboration with the national and regional governments; only 25% is free and fully in the hands of the commission, and this reflects on who contributes to the European budget. The priorities may change. The decentralized budget is better at serving local communities. The priorities are set by the political actors and then the projects funded through European funding should follow political priorities. In the last seven years the first priority was smart and inclusive growth, so to innovate and create social inclusion, the top priorities in terms of funding from the Eu perspective; there was the priority to create jobs and to create a greater inclusion; the second priority was sustainable growth and environmental protection, and the smallest costs were the administrative and compensations. The cycle of decision making so is setting the priorities, with and exchange between the commission and the council, and then making the decision regarding maximum amounts of budget and the total expenditure of Eu.

There are many programs embedded in the EU, for example the Creative Europe and the European Capital of Culture program which decides two capitals of culture and supports the cities that are selected in building a program that allows to support the cultural vitality of the city itself. Supporting the strategy to make it available, accessible and to make it recognized of a local level: that's the objective.

The main priority of the EU in terms of policies and in terms of objectives over the past years has been in general that of reducing poverty, but the declination that the various state have given is not the general one given at international level; it is that of poverty reduction in terms of social inclusion. In many areas of Europe the definition of general poverty is not applicable, but it is that of relative poverty: poverty related to the place where we are living, not only in terms of economic possibilities but also at 360 degrees, considering also those who do not have access to education, that do not have social rights, that do not have their basic needs, which are access to education or public transportation or public health care. These elements are all directed to the reduction of poverty: the objective of the EU policies is aiming at reducing poverty supporting social inclusion. That is being done by shifting the definition of poverty, so for example are important all the discussions related to human rights, public services and resources, and so on. The EU is tackling these issues by connecting the poverty definition with that of social exclusion: they are reducing poverty to create an area which is socially inclusive and that aligns the lives in the continent as a developed union of developed countries should do.

POLICIES AT THE INTERNATIONAL LEVEL

International organizations are not the same as supranational organizations. The main difference between international organizations (like UN) and supranational organizations (like EU) are that the governance of international organizations are made by national government and are not elected by the citizens. The governance is completely different and the delegation of power is weaker, making the decision making process really much more difficult.

UNESCO is an example of international organization. It is an acronym that stays for United Nations Educational, Scientific and Cultural Organization. It doesn't deal only with culture then, but also with education and science. Culture has been over the decades intended not only as the pieces of heritage and of art, but very much connected to other sectors, because the approach is that of identifying the utility, the positive use of culture and its spillover on other sectors. The utilitarian approach in managing culture is fundamental. The mission of UNESCO is quite broad and diverse: connecting to the origin and constitution of international organizations after WWII, which was the building of peace, UNESCO mission is that to contribute to this building by the eradication of poverty, through sustainable development and intercultural dialogue through education, sciences, culture, communication and information. It is a very sectorial organization. In terms of global priorities of UNESCO, there are two: one is the development of African continent and the second is gender equality. Policies made by UNESCO look at their sectorial context in order to support the achievement of these two things. Looking at the piece of art promoted in a utilitarian way, we can always find a connection with these two global priorities. The objectives are overarching: they are not necessarily directly connected to the protection of heritage, but through that to achieve the global priorities of UNESCO. Protection of heritage then is not an end, but a mean. The main functions of UNESCO that are not necessarily unique to it (but are to the international organizations) are, at first, to be a laboratory of ideas, because the high number of countries involved and the high degree of diversity, in the right context, can create the necessary conditions to create new ideas; UNESCO then reinforces the global agenda by discussing certain problems and bringing it to the global community; then they can set norms and standards, rules, regulations, norms, but there's also the risk that the international organizations do not have the power to make strong authoritative decisions, because it has always to be taken by the government; it can foster the international cooperation in terms of sharing best practices, or creating a bigger cooperation between countries that share the authoritative power on certain cultural or national sites; the most relevant function of UNESCO is the development of policies and capacities: it promotes policies within its sphere of competence and supports the member states in developing capacities in terms of management skills for the conservation of these sites and attractivity of resources, and these capacities can be supported at international level, such as the list of the heritage sites which gives some privileges and restrictions to that site. The final objective is not simply the protection of the site but the effective management of the site which represents an opportunity for the community.

UNESCO makes decisions in three ways, which increase in authoritative power. The declaration is less binding, because it shows a commitment that can be more or less political but the only connection between the states is the good faith that they will go on; it is a moral and political commitment and it is the first step moving from the fact that there is a problem that needs to be solved. The recommendations are a little bit more structured but again they're not binding; it is a suggestion to adopt a particular behavior or approach in order to tackle a particular issue, but does not create any legally-binding requirement. The convention (or treaty) instead implies a legal commitment of the parties; if a country does not respect the conditions it faces consequences, usually very limited and quite soft.

Through this decision making UNESCO made and promoted important innovations in the cultural discussion; the first thing we have to keep in mind it's the definition of cultural heritage. It is identified not only in monuments and pieces of art but it can be tangible or intangible, with another distinction for natural heritage. An example of natural heritage in Italy is the hills of Prosecco; for natural heritage we mean natural sites with cultural aspects; they must be protected because they carry historical values of the communities and represent the community itself: the hills of Prosecco are fundamental to protect the integrity and the economy of the community. The second important innovation is that of considering cultural heritage as tangible (monuments and whatever) but also intangible (oral

traditions, know-how, ...): traditions must be protected in order to safeguard the communities and the sector.
UNESCO promoted these important innovations by some conventions. The first international convention is the one about protection of cultural property in the event of armed conflict of 1954 and then other two. The convention of 1954 was signed by 127 parties, so not all the ones which participate, and it is the first convention promoted by UNESCO. It recognizes the value of heritage sites that must be protected in case of armed conflict; some legally binding key points of this convention were, for example, the fact that within the military forces there must be some units dedicated to the protection of heritage. The second most important treaty is that of 1972 that recognized the importance of protecting natural and cultural heritage; the first important element is the recognition of the importance of natural heritage at a cultural level, and of the fact that protecting a natural site is important for the community near it; then there's the setting of the duties of States in protecting their national heritage and last but not least the establishment of the World Heritage List, in which sites can be inscribed if they are of "Outstanding Universal Value", creating also certain duties on the site to maintain this inscription. In this list can be inscribed monuments, groups of buildings and sites, natural elements, geological and physiographic formations and natural sites; the list doesn't retain intangible heritage. There are 21 parties elected by the general assembly of UNESCO that will form the World Heritage Committee, that evaluates the nominations and decides whether the nominations will be accepted or not. Another role of this Committee is to evaluate and grant requests for international assistance for World Heritage sites. There is a list of 10 criteria and the site needs at least one criteria to be inscribed, plus integrity (the property must be existing and in good conditions) and authenticity. Once a property is nominated it must ensure some requirements: to ensure legislative, regulatory and operational measures for protection, to delineate the boundaries for effective protection, to create management systems/plans to allow for sustainable use. The effective management system must include some points: first of all the definition of an organizational chart to define who does what inside the site, the creation of a strategy and a planning, the implementation of policies, the monitoring, the evaluation and the feedback, so understanding how these decisions are creating value for the property and which are the needs for the site and prioritizing them. The outstanding universal value then needs the property to meet one of the ten criteria, to respect the requirements of integrity and authenticity and those of protection and management. So, there must also be a strategic plan to ensure the right management and the development of the site. A site which is enlisted has a higher chance to attract resources, in terms of attention, visibility and funds, has a better management because the property is forced to think about how to manage effectively the site, and then entering in a network which enables more international cooperation and capacity-building. The last convention of 2003 brought to the international discussion the intangible cultural heritage; its characteristics are that it must be traditional, contemporary and living (it's still used and part of the community), community-based, inclusive and representative. Comparing the 1972 and the 2003 conventions we can see that they have two different approaches: the first is top-down, the second bottom-up.

PUBLIC-PRIVATE PARTNERSHIPS

Public administrations have many tools to help the private service, like the delivery of services (opportunity to use public spaces, import/export services, promotion, ...), financing both directly and indirectly with tax exemptions, training for the businesses with courses either made directly by PA or funded by it, for example many courses are funded by the EU, and last but not least networking opportunities, especially at the macro level with national representatives going to other countries with both political and business representatives. We must always keep in mind that especially in Europe the size of businesses is really small or medium, at best; the core objective is to support the small and medium enterprises which cannot access certain networks or the capacity to take this type of opportunity. We must consider also the role of business associations, that interact directly with the decision makers and serve as a connection to the small enterprises which wouldn't be able do to this by themselves.
Some examples of delivery of service can be the support to export, the generation of platforms in order to promote, create and develop new business ideas and to exchange ideas, and the attraction of investments. This is particularly aimed to aid those small and medium enterprises that don't have the opportunity or the capacity to do this by themselves. For example, in the city of Milano there's an

agency made by the camera di commercio called Promos with the only objective of attracting investments in the city. To support the export, which is sometimes difficult at an extra-EU level, many PAs support the small and medium business with funding, knowledge or insurance over the risks of dealing at a supra-national level.
Financing is one of the most important tools from the public administration point of view, both direct and indirect with block grants, special interest rates, tax breaks, and also guaranteeing the banks if businesses cannot return their debts (like they did during covid).
The role of PA in social and economic development is important also in the case of business crisis; we always have to keep in mind that the consequences of a possible bankruptcy can generate negative externalities on the market at least in the short term and whenever there's a direct or indirect intervention of the state we must always considerate what could have happened if the public sector haven't intervened; given the fact that an international company has issues and managerial and financial instability the connected risk is that the government would have to face is unemployment and social costs and injustices, so we have to weigh also this aspect. The intervention in business crisis is fundamental both in the economic and the politic point of view, because these organizations operating in many countries are in a way affected by politics and they can support international dialogue and international cooperation among countries. An example in the art sector is when Teatro alla Scala went to Saudi Arabia to discuss over common projects of cooperation; in exchange for money and cooperation they offered a seat in the board of the theater to a representative of the government of Saudi Arabia, which is not one of the most democratic countries in the world. There were issues in terms that it is a private foundation that risked to have a representative of a foreign regime inside its board, and at the same time the Italian government was not aware of it, and the fact that Saudi Arabia was discussed internationally on its democratic system created some political issues which stopped the project. The same could have happened with other multinational companies; the interaction between them and local governments should always be done in line (if not in agreement) with national governments, in order to implement strategies which can achieve the same goal all over the country.
Another thing is training. It is fundamental because the quality of the businesses passes through the quality of the people in it; the PA doesn't have only to allow the best possible competition environment but has to provide the skills and knowledge to the participants to the competitive arena to allow them to function at their best. Small and medium enterprises often do not have the capacity in terms of resources to build these skills, thus the public sector has to give them this possibility. Although training is also provided by private institutions, the rules by which these private institutions work are fundamental; they have to be certified and given a certain structure, and the same is for the professional training, which is structured to meet the needs of the market. Through the generation of skills we can generate competitiveness, hence profits which are taxable.
Last but not least, there's the networking possibilities, which can be made for example with multilateral agreements to access foreign markets to enhance the export or the import of goods hence generating market opportunities to one country's businesses.
The role of chambers of commerce and business association is important in all these processes, providing important and fundamental services to the development of businesses. They serve as places to create a local network to be more competitive in the market, to share approaches to common issues, and create advantages and support for the generation and the sharing of ideas and practices.
The interaction between public institutions and businesses is a positive cycle, because it is not only the public sector giving to the private, but receiving also in return benefits for the society and the territory from the private sector in terms of positive externalities such as employment, the generation of higher profits, and therefore higher taxable income and potentially more money to provide public services, with a better quality of outsourced qualities by private businesses, and last but not least with sponsorships and CSR to support the integration of public businesses inside the communities. There is a sort of exchange in the support of private institutions by public administrations, it is not just funding without return but has the opportunity to generate positive externalities.
The public private partnerships represent a solution to some of the issues the public sector is facing; one of the main issue is the lack of funding, so ppp represents a solution to it in order to invest from the public sector point of view and also addresses an important problem which is the lack of internal resources and competences in order to face global issues. A result of the interaction of pa with external

actors are ppps; they are contracts made by public administration with private enterprises where there is a shared responsibility on some actions that must be taken. This contract sets the objectives, the rules of the game (who pays, who manages, who maintain it, …) and exemplifies also the timing of this project. Public sector has some limitations in terms of efficiency and resources, but also in terms of skills, which are better developed in the cooperation with the private sector; there's an involvement in terms of private resources that are repaid over time through different ways. For example, the building of an hospital or of a school in the last few years became not only a matter of building it and having the funds to run it, but also a matter of understanding how to maximize its potential, which may not be in the direct competences and in the set of skills a public administration has: the cooperation between public and private are needed to make sure that the objectives of the public sector are achieved and that the private actions are aligned with them. The key element in promoting a ppp is the allocation of risks; it is not easy to create, because an effective one is such only when the allocation of risks is well managed. From both the point of views the risks should be allocated on the other one. To effectively manage the risks it is important to have skilled personnel and it has forced PA to gain certain skills and practices that before they didn't have: understand how the private sector works, for example. The reverse for the private sector: they have to understand how the public sector works. The private sectors can be interested in these to have a more stable environment for their business for some time, or for reputation, or for many other reasons. We must take into consideration what is the subject of the contract (economic infrastructure, social infrastructure, services), the function, so the role that private actors are taking in the contract (finance, design, build, operate, maintain, manage, or all of these), and according to the level of the involvement then there's the type of remuneration (tariff, availability fee, service fee, fixed revenues). An example of public infrastructure constructed by a private actor: it can be paid both by the user or fully by the public administration; if the user is involved in the payment we have two possible scenarios: the fact that the payment by the user generates financial stability or the fact that the user simply pays a part of the cost of this infrastructure and it is not financially free-standing; in this case the public administration can intervene through the support to income (a tariff paid for each user), through the support to the investment (co-investing) or through non-financial support (giving something to the private actor to counterbalance the investment – for example giving building permits for free or else). From a public administration point of view they can pay for the infrastructure in other ways.
The final goal of a PPP is to involve a private actor, aligning the objectives and priorities to increase the possibility of achieving some competences in terms of general management, negotiation, evaluation and planning and to give a better service to the citizens. The interaction between these two actors requires an exchange between them, that needs a negotiation between different objectives but then allows for a step forward in the development of the public sector.

AUDIENCE DEVELOPMENT

Nowadays the arts and cultural sector is experiencing many challenges, within its context. These are mostly due to the low level of innovation in the arts sector, which is not true to all the organizations in the sector but for many traditional institutions. There are some innovative cultural institutions which are driving change and many forms of delivering of cultural contribution which are more effective than traditional ones, like the experiential exhibitions which are full immersive and are not attracting traditional public but a public that was more interested in other leisure activities. There are many opportunities to develop innovative changes. Audience development is important to face and overcome the challenges presented to this sector; it doesn't mean simply to increase the number of participants but also to understand and change the type of the public. The relationship with the public is again important because a context with decreasing public funding, a greatly changing public, it is a challenge to identify the public. Towards the internal world the challenge is to understand what can be done better in order to become more competitive in the market. Audience development in not simply increasing the number of participants, but is the idea of putting at the center of the attention and of the discussion the public, and reviewing the public in order to create a long-lasting interaction with the public.
We always need to move from the consideration that cultural institutions move from a specific mission, which is improving the overall cultural condition of the public, and not necessarily being sold-out (which is just a thing to gain economic stability). The way in which we go sold-out is important,

because it can influence this mission in a positive or negative way; I need to serve certain types of public. That's why the program "Creative Europe" took it as a really important tool. European institutions created some tools to use audience development as a strategic tool. Audience development moves beyond the traditional utilitaristic patterns of increasing the numbers and takes into consideration the fact that the public may have different needs and different barriers, and that it is fundamental to take these into account to achieve the cultural objective of the institutions, beyond economic objectives.

In order to tackle this issue of audience development we need to take into account the so-called participation model. This participation model identifies that participation doesn't happen by chance, and that participation can foster and people can be supported in the decision making about the participation or the non-participation. There are four phases that affect my willing to participate or not in a cultural program, with factors like the price, the content of it, the experience and the previous experiences with the program, or the social beliefs about the participation, the perception of social norms about the participation, things like these. These things can affect all the stages of the participation in the cultural institution. Also the background of the individual is really important, because it can determine many barriers in terms of accessibility to the content. It is important to take into consideration these steps because they must be clear in the mind of the cultural institution in order to achieve its mission; we must know which is, for example, the barrier to participation, to reach a type of public. Then, if I don't take into account these problems I may risk to lose some of my public. What is critical is to understand that the participation model starts way before the practical decision of participating or not, because there are some background an perceptual barriers that can influence the decision of participating or not. The fact that I do some things to remove the practical barriers may not be enough to target the public that I have in mind; we must take into consideration different elements to enlarge our public.

If I look at audience development there are three goals: widening the audience, deepening the relationship and diversifying the audience; these three goals can be achieved in different phases of the model. The most traditional objective is simply that of widening the audiences: I identify audiences which are the same of the actual audience but have some practical barriers (type of programs, availability, etc.) and I work on removing those barriers. Deepening the relationship takes into consideration the public I already have and works on increasing the level of relationship with the traditional audience, to identify some activities aimed at deepening and involving them more and more in the activities of the cultural institution. On the other side this is meant to maintaining the same public but involving them more. The last goal, which is also the most challenging, is diversifying the audiences, identify audience with a different background and working on the first two phases of the participation model, to improve the perceptions that they have towards the cultural institution.

Looking at these three goals we see how widening the audience must work on the practical phase; deepening the relationship must work on the experiential phase of the process, because the audience has already made the decision to participate and it's already there, so I need to work to improve their experiences. The diversifying goal must work most of all on the perceptual phase and the barriers in terms of social norms, behavior of perception that the cultural institution gives to the individuals, which gives most of the barriers to people.

In order to work on audience development I can diversify it in audience by habit, which is the one that usually participates and it's easy to be activated, it's open to the discussion, and may decide to be involved and once the barriers are understood it's easier to work in the decision making process, and audience by choice, which is people that is interested but has some barriers for which it can't participate; it simply doesn't have the opportunity but once given the decision to participate can be positive, because they don't have barriers in terms of perception or decision to participate. The most interesting and difficult to be reached is the so-called audience by surprise, which is an audience that has barriers also in the perceptual phase; to catch this audience by surprise and make them change their mind is something that can be done with many difficulties.

Given these categories audience development can be achieved and be successful taking in consideration four pillars: place, digital, capacity building and active participation. These can be managed and exploited in order to achieve audience development. The place, so of the physical site, as we have seen in the case of using an opera theater for an electronic concert, can be used to attract new audience or establish some new relationships, when it is used also in creative ways. Another

example, connected both with digital and place, is La Scala Aperta, which is the premier of La Scala broadcasted live around the city through some big screens; it is between digital and place because La Scala is brought to another place through digital means. Digital means that organizations rely on digital platforms to reach audience. Building capacity is related to the increasing in terms of skill and competences my personnel, it means that I create a more skilled and qualified personnel to change audience behavior, also internally to generate more satisfaction not only in the audience but also in themselves: employees as ambassadors of a cultural institutions are essential, because if they're satisfied of their workplace they are most likeable to speak well about it. Then the active participation of the public (co-creation) in the creation of the process can support the wider participation of the public. Another example from the Teatro Sociale di Como is an Aida made in the main square and the participation of the public, which at some point became a part of the stage; this type of activities may generate some changes in the perception of the experience which will be different between who is a traditional attendee and who is new to the experience; the way in which these tools are used is important to reach different targets. These action fields interact with each other; on one side the institution can diversify the cultural offer, deepening the relation with the public and, to a certain extent, widening it, but most of all working on different cultural offers and on different audiences I can obtain the goal of audience development. We mustn't work only to diversify the public, because from a management perspective we need to have a certain extent of public which forms a solid base, but we need to work also on the other two objectives. These three objectives can be obtained working on these four areas, all together.
There are some interesting example of success of audience development through co-creations, capacity building, partnerships, use of digital and programme factor. Through partnerships an interesting example is the partnership between FAI and UpTown for the start of the Design Week, a new area that has some social and some commercial housing; they partnered with the co-organization of a concert, that used digital and place as strategic leverages, because it was streamed online from an open field; they promoted it among the subscribers of FAI and it was important to get recognized among a target that had a different perception of FAI, which is considered to be a very important closed group for a certain target of the Milanese citizens; in this way they found a bridge to reach new audiences. Another thing is the programme factor, which implies the question: what type of target can I reach with my programme? Depending on the content of my cultural offer I will reach a different type of target: if I want to reach a target that already knows me and I want to deepen the relationship, I will go for a more niche content. If I want to reach people new to my sector I will have to go for a more known content that is understandable from the point of view of the consumers.

PERFORMANCE MEASUREMENT

The idea of the performance is that of measuring something against the achievement of certain goals and results. It includes the achievement of goals and results, the metrics used to measure them, and some standards that must be taken into consideration. The performance management inside PAs is the result of an evolution from the bureaucratic control to a more managerial control, and with its introduction the growth and development of the so-called performance management. It is not that bureaucratic control doesn't exist anymore, the two system coexist. The managerial control developed and was introduced because of the same reasons for the development of the public administration overall, to focus more on the efficient, effective and cost effective use of the less public resources available. We have then to use managerial tools to use these small resources to provide the diverse needs of the communities, and also for a matter of accountability, both in terms of goals and ability to meet the results; the PA can be made accountable through accountability systems that go through the managerial control. The two systems are then coexisting but serve two different purposes. The bureaucratic serves the purpose of being compliant with legislation, while the managerial control ensures that the decision making is also generating a positive impact within the community and it's maximizing the use of resources. For example, the use of forms can be used to check the compliance with norms and so they are a form of managerial control, while the managerial control focus on the process of how these forms (or products or services) are made, controlling it through efficiency, effectiveness and cost effectiveness. The bureaucratic control requires a standard behavior by the public administration, for example checks and controls on the compliance with norms, while the managerial control uses a much more experimental behavior, because it cannot be standardized

through different levels. The objective of bureaucratic control is following the rules, while the objective of the managerial control is reaching the results posed by the political apparatus.
Performance is the ability to answer to stakeholders' needs and wants; it is the ability of PAs to meet the needs and wants. Stakeholders are a wide array of people: citizens, businesses, other PAs, non-profit organizations are the four main stakeholders, but within these broader groups there are different needs that can be met. When we talk about performance we must take into account both the performance measurement, the collection of processes and tools through which information are collected, and performance management, which is the effective use of these data in order to learn something about the public administration or the unit of analysis, to make decisions and to make the institutions accountable. The fact that I systematize the information and the data is not sufficient to say that the PA is managing the performance; I also need to learn from these data, use it to my advantage and to make me more accountable (through the goals I meet and the funds I receive), I need them to tell me something about my institutions, to make informed decisions based on the institutional mission and the goal of the institution. Of course there are different examples in terms of performance; some characteristics differ from a public institution from the other, because its stakeholders are different and the indicators and the dimensions to be taken into consideration are not always simple to be identified. Performance measurement is not just a tool to make decisions and be accountable, but also to understand something about the institution.
The performance measurement is not simply a set of rules and indicators, but it's the result of many decisions taken inside the organization, at all levels and through an organized system. The organization of a performance measurement system is an opportunity to influence the behavior of the people inside the organization: if I set some objectives, I guide the organization towards that goal and I also stimulate that goal in order to achieve and to move towards the achievement of that goal. The performance is measured at many different levels; first, at the level of understanding the individual capacities and abilities to achieve some objectives and to respond to some demands; then, at an organization level, to understand if that is capable to reach certain objectives, and then at the public policy level and at the system level, always to understand if they're capable of understanding and reaching certain goals. The means to understand these capabilities are very different at the different levels.
An useful model is the input-output model; this allows us to assess both the efficiency, the effectiveness and the cost-effectiveness. Organizations have resources of many types; through the management of these resources they produce goods and services, and the ratio between resources and production tells me the efficiency of the resources exploitation. If I want to look at the effectiveness of the public institution I must take into account the effectiveness of these goods and services. To understand this effectiveness I must take into account the outcome, not only the output, of my organization, how much the production of goods and services serves the purpose of my organization, the impact of my goods and services to the users.
Some of the features of the performance management are that it is multidimensional, subjective, difficult to measure, produces uncertain cause-effect reactions, has unclear objectives and political priorities. It is multidimensional because it takes into account different dimensions to measure the performance of an institution; it is subjective because the indicators I choose are chosen subjectively; sometimes the outcomes are really difficult to be measured, for example talking about impact and outcome of art exhibitions; it's also difficult to isolate causes and effects in any sector, there are many collateral causes that are affecting my outcome; and then most of the times the objectives are at least unclear and/or constantly changing, and sometimes the numbers are falsified. Performance management is important to support the definition of objects, to support users and customers in their choices and their decision-making, to define standards that can be used at a system or sector level in terms of setting certain goals and standards, to distribute public resources and to make institutions more accountable.
Some of the risks related to performance management are that information may be incomplete, the complexity of it, the costs implied in management, the difficulties in defining cause-effects relations, the difficulties in building indicators, and the possibility to produce false data. These risks can produce more damages than the current situation in which we are.

NONPROFIT MANAGEMENT (Part 2)

Summarized Version

INTRODUCTION TO THE NONPROFIT SECTOR

The nonprofit sector is the sum of nonprofit organizations and associations

- It is difficult to find a universal definition as the sector varies in each country, so instead we will be summing up some characteristics that apply to all
- One of the key elements of the nonprofit sector (third sector/civil organizations sector/etc.) is that profits are not redistributed amongst shareholders
- The nonprofit sector is extremely large; it ranges from the arts/cultural sector, to education and health care

Difficult to clarify the boundaries of this sector:

- there are many institutions that work in different sectors at the same time: welfare, education, healthcare, etc.
- many institutions are not fully nonprofit, but might have some commercial parts, that make profits to support the other activities of the organization
- social enterprises: mix between nonprofit and for profit; have social objectives, but have certain characteristics of the business sector, e.g. handing out financial gains to shareholders

Tracking the evolution of nonprofits is hard, especially since the evolution of many public organizations and institutions is defined by the decisions of private shareholders/public officials

- many institutions have moved from public administration or private enterprise into being nonprofit, e.g. Fondazione Cariplo
- many nonprofits come from philosophies/ideologies within the political sphere; they are connected to the public administration and political sphere, however since they don't share the profits, they aren't considered a part of public administration

There is also high diversity within the sector, making it difficult to define it itself, as well as its boundaries. Some examples of nonprofit activities:

- Human relief and human rights associations
- Museums and orchestras
- Schools, universities, other education programs
- Health related associations and organizations
- Human services and other service organizations
- Environment and natural resources related organizations
- Foundations
- Sports and recreation clubs
- Etc.

The sector's boundaries are blurred and very fluid:

- Institutions may contain parts of different sectors at the same time
- Institutions can change sector over time (hospitals and theatres change from a public to a nonprofit form, public universities go privatized...)
- Institutions may pertain to extremely different views and origins (from left-wing social movements to conservative think tanks) and they all want to be in that «largely uncharted social space beyond the state, the market and the household» (Solomon & Sokolowski 2016).

The diversity of terms used to describe the sector:

- Nonprofit Sector
- Third Sector (third to private and public sector)
- Nonprofit organizations (NPOs)

- Civil Society Organizations (CSOs) → bc nonprofit organizations differentiate themselves from the other sectors and represent the needs and context of those who are representing the civil society
- Non-governmental Organizations (NGOs) → organizations in which the government does not have any direct role

The sector covers:
Individual activities, the values and the motivations behind them:
- Charity
- Philanthropy
- Volunteering
- Giving
- Civil society.

The infrastructure of our civil society (by organizing and representing the requests of the civil society; helps the development of trust):
- Civic culture, civic engagement
- Social capital
- Social entrepreneurship and social investment
- Social activism

The existence of a strong third sector allows for social activism: large volunteer base; people who are doing completely different jobs but are serving the nonprofits by offering their skills and capabilities to the nonprofits for free to solve a social issue/achieve a goal within the society → supported by the existence of the nonprofit sector (third sector), which is fundamental for the creation of infrastructures within the industry.

NONPROFIT DEFINITIONS

The legal definition (US):

- Nonprofit organizations are defined by law
- In the US, nonprofit organizations are defined in the Internal Revenue Code, and primarily in section 501. (→ based on how they are taxed and generate revenues)
    - Organizations under 501 (c) (3) are «public benefit organizations»: exempt from income and other forms of taxations and can receive tax-deductible contributions from individuals or corporations.
    - Organizations under 501 (c) (4) are «social welfare organizations»: exempt from income and other forms of taxations, but NO deductibility for donors. They include advocacy groups, support to political causes.

Public benefit organization (the ones that have more fiscal benefits; to be one of these, these must be met)
3 tests:

1. The organizational test: must operate exclusively in one or more of 8 areas of purpose
    a. Charitable
    b. Religious
    c. Educational
    d. Scientific
    e. Literary
    f. Testing for public safety
    g. Fostering national or international amateur sports competitions
    h. Prevention of cruelty to children or animals
2. The political test: must not participate in any electoral process or promoting any candidate, including preparation and distribution of materials (no lobby).
3. The asset test: must demonstrate assets or income is not distributed to individuals as owners, managers, or their equivalents, except for «fair compensation» of their service. This

also means the organizations must not be used for the personal benefit of founders, board members, managers, staff or associates.

Main criticism to the legal definition

- Religious congregations are an exception and particularly criticized:
  - They automatically go under 501 (c)(3)
  - They are also exempt from the reporting requirements with which other nonprofits have to comply
  - They are becoming closer and closer to the political agenda…
- The tax-exempt debate: who decides the distinction between «public benefit» and «social welfare»?
- There is an implicit assumption about the purposes and objectives served by an organization. The legal definition lacks an oversight on what really these organizations do.

The functional definition (UK, GE, FR)

- Nonprofit organizations are defined by their function.
- The most common type of function attributed to nonprofit organizations is the promotion of the «public interest» or «public purpose».
- The Charities Act of 2006 sets out 13 categories of charitable purposes, also known as «public benefit requirements»

You are a NPO if you serve…

- The prevention and relief of poverty
- The advancement of education
- The advancement of religion
- The advancement of health or the savings of lives
- The advancement of citizenship or community development
- The advancement of the arts, culture, heritage or science
- The advancement of amateur sports
- The advancement of human rights, conflict resolution, or reconciliation, or the promotion of religious or racial harmony or equality and diversity
- The advancement of environmental protection and improvement
- The relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantages
- The advancement of animal welfare
- The promotion of the efficiency of the armed forces of the Crown, or of the efficiency of the police, fire, and rescue services or ambulance services
- Other purposes currently recognized a charitable and any new charitable purposes that are similar to another charitable purpose.

Critical issues around the functional definition

- To be recognized as charities, NPOs must produce a clear benefit and serve the public purpose
  - How to measure the benefit produced?
- As in the US, public benefit status is a fiscal term, used to distinguish tax-exempt organizations from others liable to various forms of taxation.

The economic definition (global)

Nonprofit organizations are defined by their revenue structure.

- Residual category:
  - If the main source of income is tax → PUBLIC
  - If the main source of income is market → BUSINESS
- They cannot be source of income for others (institutions or people)

Non-profit institutions are legal or social entities, created for the purpose of producing goods and services, but whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them.
In practice, their productive activities are bound to generate either surpluses or deficits, but any surpluses they happen to make cannot be appropriated by other institutional units.

The structural-operational definition

- Nonprofit organizations are defined by their basic structure and operations.

5 characteristics are necessary to be defined as nonprofit:

1. ORGANIZED
   - The organization must be institutionalized to some extent.
     - The presence of a charter or constitution, or at least rules of procedure, regular meetings, rules for membership
     - Meaningful organizational boundaries: clear distinction between a member and a non-member, awareness of institutional responsibilities vs. individual responsibilities, etc.

2) PRIVATE
   - The organization must be institutionally separate from government.
     - Institutional separation (no part of any unit of government, at the local or national level)
     - However, it may receive donations or in-kind support from government, and have members of government sitting on the board

   → lots of borderline cases (quangos): which is the extent of government action?

3) SELF-GOVERNING
   - The organization must be equipped to control its own activities.
     - A place where major decisions are made, usually called the board
     - Internal governance procedures
       - Bylaws; in some cases code of conduct/ethics; ...
     - Meaningful degree of autonomy (even if government or corporation representatives may sit on their board)

4) VOLUNTARY
   - The organization must involve some meaningful degree of voluntary participation.
     - Volunteers' engagement in operations and management, either board members or staff, even if not the major presence
     - And/or presence of voluntary contribution as in-kind donations
     - Voluntary meaning «non-compulsory». Membership is not required, volunteering and donations not enforced bylaw.

5) NONPROFIT DISTRIBUTING
   - The organization must not return profits generated to its owners or directors
     - The profit (if any) must be re-invested or otherwise applied to the organization's purposes.

NONPROFIT FUNCTIONS

1. Product or Service Delivery

- NPOs produce goods and services to satisfy the needs of the population (or at least a part of)
- i.e. they cultivate and sell vegetables, they offer language courses to immigrants, they offer primary assistance, food, clothes to vulnerable people...
- Typically:
  - Associations
  - Cooperatives, social enterprises

2. Grant-making

- NPOs allocate funds to others (NPOs, public sector institutions, corporations or individuals) in a "free of charge" logic or at some certain conditions (co- financing);

- i.e. they fund universities for research projects, fellowships or scholarships; they give grants to farmers in LMICs to plant new types of seeds; they fund social entrepreneurs who are up to open their social start- ups
- Typically:
    - Foundations

3. Advocacy (Advocacy is "the act of pleading for or against a cause, as well as supporting or recommending a position..." - B. Hopkins 1992)

- NPOs fund themselves through donations to draw attention on neglected issues, raising consensus on specific problems to be solved...up to influencing the political agenda
- i.e. global warming, climate change environmental protection, cultural heritage, human rights, neglected diseases research...
- Typically:
    - Voluntary associations, social promotion associations, NGOs, committees
    - Social movements/civil right movements

4. Representation

- «Umbrella» organizations: NPOs fund themselves through the fees of other NPOs or other actors in order to help them with getting funds, skills or visibility, advocating at the political level for their needs and representing the whole category of networked NPOs
- i.e. offering networking events, helping in training staff, acting at the political level for reform or fiscal incentives etc.
- Typically:
    - Associations, Committees

THE RELEVANCE OF THE SECTOR

- For its variety and complexity, it is hard to get data on the relevance of the sector and its impact almost in any statistical system of any country – and globally

At the global level (relevance varies, as characteristics vary from country to country):

- giving is increasing (from individuals, corporations, NPOs)
- nonprofit organizations are much more involved in-service delivery and policymaking than in the past (e.g. Bill and Melinda Gates Foundation in the health care sector in developing countries/COVID research → third largest contributor to the global health care sector)
- Health and Education are main target areas
- The global vs. local tension
    - history of each country differs in terms of the relationship between the public and the private sector
    - The relevance of social and cultural diversity in studying the nonprofit sector is extremely high

At the national level:

- The nonprofit sector is a relevant part of GDP:
    - Italy: 2,5% (38 billion turnover) (2011)
    - US: 6% (2010)

Nonprofit organizations shouldn't supplement governments, but rather complement their roles in a given sector.

PUBLIC GOODS

- Non-rival and non-excludable: pure public goods (e.g. defense, urban green, air, etc.)
- Non-rival and excludable: quasi-public goods/toll goods (e.g. art exhibitions, public goods, etc.)
- Rival and non-excludable: quasi-public goods (common-pool grounds (e.g. finishing)
- Rival and excludable: pure private goods (e.g. food, clothes, etc.)

Non-excludability = once produced, consumers cannot be prevented from benefiting (regardless of if everyone has paid for them or not)

Non-rivalry = individual use does not reduce the amount available for use by other users

These characteristics are a fundamental premise to understanding what type of good the nonprofit organizations are supporting and delivering.

- If goods were produced in a market environment, someone would have to pay for them → people would be excluded from their consumption; few people would be willing to pay for a good they can also enjoy for free → free riding problem and shortages of goods → market failure
- Public goods should be produced by public administration, as governments have the authority to tax people and use these resources to produce public goods → the unsatisfied demand that the public and the private sectors are also unable to mee calls for the work of the nonprofit (third) sector
    - As the existence of NPOs is due to the necessity to fill the gap of unmet needs of communities; the more diverse and larger in size, the more diverse and larger the NP sector will be

Critical aspects

- Because the nonprofit sector is viewed as a substitute for government, providing goods and services that the political majority has not endorsed, government support to NP organizations is not justified
    - difficult for the governments to support NPOs, as they are providing goods that the government has failed to provide → supporting them may generate misunderstandings and anger some politicians, however not supporting them may signal the wrong image to the public
- If NPOs provide goods and services that the government provides too, they violate their purpose: providing goods and services to supply what the state is not providing
- Governmental support to NPOs may be different from country to country

SOURCES OF SUPPORT FOR NPOs

- difference between private fees and philanthropy: private fees are paid by users of the service (e.g. fees to access), while philanthropy collects fundraising at an individual or corporate level
- Private fees are the most important source in general in Latin America, Africa, Central and Eastern Europe, US, Australia and Japan
- By contrast, public sector support is common in Western European countries (grants and third-party payments, primarily public social insurance funds)
- In Africa, South Africa is the only country where fees are less important than government funding (post-apartheid policy of supporting NP institutions as a means of strengthening civil society).

What does this tell us in terms of impact and in terms of the users?

- If private fees are the main source of support, users must pay a fee to access the service of the NPO; to pay a fee, users must have financial resources → final user is a person with economic means
- If private fees are limited/zero, users can be people who have no economic means
- The type of service delivered is dependent on the targeted users

DOUBLE MARKET SYSTEM

NPOs operate in 2 different markets: fundraising (collecting money to use to produce and deliver goods) and a second market characterized by the users (the service-delivery)

Difficulties in balancing the two markets:

- Difficult to set specific goals for the organization, because they must keep in mind the needs and wants of the donors (contributing to a cause) AND provide services that respond to the needs of the community
- NP managers must pay a lot of attention to balance the needs between the two markets → most of the time, donors don't have the competences to evaluate the real benefit generated by the NPO

What can support the effective balance between these two markets → mission of the NPO

- Mission: the psychological and emotional logics that drives an organization. It is why people get up in the morning and go to work in a nonprofit; it is why donors support nonprofit.
- Mission represents strategy, values and purpose of the organization

Why? → to guide, motivate, appeal, coordinate and to create boundaries

THEORIES ABOUT THE NONPROFIT SECTOR

The trust-related/contract failure theory (Hansmann 1981)

- The existence of voluntary organizations comes from a different kind of market failure: the contract failure

  → based on information asymmetries inherent in the good/service and the trust dilemmas associated with it
- Inadequate information:
  - when the ultimate beneficiary of a service is unknown to donors (i.e. donors must trust that service delivery organizations in a different place are delivering their "promise" i.e. relief)
  - when inadequate feedback loops exist between the recipient of a service and the customer demanding and paying for a service (i.e. parents with daycare services)
  - when provider-recipient relations involve very complex/professional services (i.e. health services)

NP sector is needed to solve asymmetry because this theory assumes if public goods were produced by the government or by the private sector, it would be impossible to have effective standards in terms of quality and quantity of goods provided → we need the NP sector because it is assumed to be better in terms of delivery of public goods/services because it is not profit driven, so they are assumed to be more trustworthy than private actors

The entrepreneurship theories

Social Entrepreneurship:

- Different from previous theories, they look at the supply side- perspective
- They match the entrepreneur characteristics with a social goal (maximization of social return, instead of monetary return).
- 5 key elements:
  - Motivation: have complex motivations, centered around a sense of mission to create social change
  - Innovation: innovations are new combinations which produce social change, they can consist of:
    - The conception of the way of doing things
    - Financing the venture
    - Its legal forms
    - Its organization
    - Acquiring resources for its production
    - Method of production
    - To turn it into the accepted way of doing things
  - Resistance: resistance to social change includes habits, customs, tradition, norms, routines etc. that may or may not be anchored in interests (economic, ideal and other)
  - Profit: social change on the local, national or international level typically entails the creation of new organizations, institutions or laws which help to create some value
  - Link to macro-level change: social innovations lead to "creative destruction" and contribute to society's evolution

Entrepreneurs: someone who starts a business, "undertakes" a project or an activity.

- 19th century: Jean-Baptiste Say: "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield"

- entrepreneurs create value
- entrepreneurs are innovators (Innovation that creates a benefit in the society and aimed at tackling social challenges faced by the community)
    - by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or an old one in a new way
    - by opening up a new source of supply of materials or a new outlet for products
    - by reorganizing an industry, etc.

Definition:
- "Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change". – Ashoka
- "Social entrepreneurs play the role of change agents in the social sector, by:
    - Adopting a mission to create and sustain social value
    - Recognizing and relentlessly pursuing new opportunities to serve that mission,
    - Engaging in a process of continuous innovation, adaptation, and earning,
    - Acting boldly without being limited by resources currently in hand
    - Exhibiting heightened accountability to the constituencies served and for the outcomes created". - Dees, 1998

The stakeholder theories (Ben-Ner et al. 2011)
Stakeholder theories in the nonprofit sector:
- These essentially mix building blocks of the trust-related theories (information asymmetry) and the entrepreneurship theories (the role of the leader/entrepreneur) → they look at both demand- side and supply side
- Nonprofits are created by consumers and other stakeholders in order to maximize control over output in the face of information asymmetries
- these consumers feel so strongly about the quality of the service provided and the protection from moral hazard that they decide to exercise control over the delivery of services themselves

→ The nonprofit form more easily guarantees open participation, involvement and stakeholder engagement

The interdependence theory (Ben-Ner et al. 2011)
- Different starting point: there is no opposition between nonprofit and the government; rather, they are partners and not competitors → interdependence between the sectors
- Evidence shows that government does not displace or supplant NPOs, rather it supports them → critics to NP theories: they fail to recognize the symbiotic relationship between these two sectors
- The Interdependence theory suggests that governments and nonprofit sector complement each other and compensate each other weaknesses

Not a substitution but a cooperation (a supporting role) in the production of the necessary public goods and services → probably the most visible role of NPOs in Europe

The social origins theory (Salamon and Anheier 1998) → one of the most modern theories
- Starting from the recognition of the relationship between public sector and NP sector in the provision of welfare, the theory tries to explain the existence and development of the nonprofit sector in different "nonprofit regimes"
- Each regime is characterized by a particular role of the state and a particular position of the NP sector
- Each regime can be differentiated using two key dimensions:
    1. The government spending for welfare: Low or High
    2. The scale of the nonprofit sector: Small or Large

THE 4 NONPROFIT REGIMES

Government social spending	NP sector economic size	
	Small	Large
Low	STATIST (e.g. Japan, most low-income countries)	LIBERAL (e.g. US, UK)
High	SOCIAL DEMOCRATIC (e.g. Scandinavian countries)	CORPORATIST (e.g. Germany, France)

WHAT IS FUNDRAISING?

- The management of relationships between a nonprofit organization and its various donors for the purpose of increasing **gift revenues** to the organization (Lindhal, 2010)
  → part of development (raising money for the future of the organization and the longstanding need/sustainability of the beneficiary/organization)
    - Development is a synonym for fundraising due to its long-term perspective
    - Gift revenues are contributed income
- The raising of assets and resources from **various sources** for the support of an organization or a specific project (AFP Fundraising Dictionary Online)
  → Advancement
    - We include not only gift revenues but also capital from various resources (including some parts of earned revenues of earned income → come from merchandising, renting out space, corporate sponsorships, etc.)

FUNDRAISING VS. MARKETING

- Every time we raise money with a speculating approach; addressing the donor as a customer → selling some type of benefit (e.g. highlight economic advantages donors get when donating like tax reductions), then fundraising is not very different from selling/marketing
- A relationship between the organization and the donors is necessary (marketing doesn't require a relationship)
- Sometimes NPOs need to turn down a gift/donation because the needs and values of the donors are not in line with the needs and the mission of the organization
    - Sometimes donors can restrict the funds; this means that their donations must be used for a specific project rather than on the general mission of the NPO
    - Operating funds: funds that can be spent within the current financial year
    - Endowment funds: piece of capital that cannot be sold and must remain within the organization (the aim is to improve the health of the organization);

4 PRINCIPLES FOR SUCCESSFUL FUNDRAISING

1. Never forget your vision

- always remember that NPOs exist to fulfill a mission (all directors know this mission/vision off by heart) → this is very important tool in order to coordinate the work within the development unit and to attract donors/motivate people to donate and work for the organization
- What is the vision? → the core ideology/identity of the organization (core purpose/mission and core values) and the envisioned future (strategic goals and vivid description)
    - The core purpose and mission should relate to an issue within a community/a need that an NPO wants to satisfy
        - Can be checked using the 5 Whys → ask why the organization is doing something 5 times (why is it tackling a certain issue)
        - Values should guide the behavior of managers and directors and guide the actions of the organization; therefore organizations should only have a few core values, because if there are too many it is impossible to adhere to

all/some may contradict → having key values is necessary for development staff to do their jobs
- The vision provides guidelines for the organization and its behavior, because if there is no vision the organization will just follow the route of opportunistic behavior

2. People give to People for other People
- People don't give to institutions but to other people within these institutions; this is why relationship building is essential → asking a donor as a member of the organization increases the likelihood of receiving a donation, rather than just asking as the organization: the more personal the approach, the higher the likelihood of receiving a donation
- The 3rd P: for other people → the likelihood of receiving a gift increases if you speak about how the money that is being donated will help other people (e.g. help children get an education)

3. The closest and the wealthiest should give the example
It is important to communicate that you have donors that are close to the organization and on the other hand, you need to involve the main donors as the ambassadors of the organization when trying raise more funds
- You can't only rely on the wealthiest and closest to attract new donations → remember that a good donor base is shaped like a pyramid
- You can be sure that your fundraising structure is sustainable, when a few very wealthy donors cover the majority of your fundraising needs → the 80/20 rule: a good fundraising strategy relies on a donor base where 20% of the wealthiest and closest of donors cover 80% of the fundraising needs/money
- Priority of a fundraiser is to keep the relationships with a small set of big donors
- "major gift donors": the golden circle → members of the organization
    - The rule of thumb in fundraising is attracting and retaining these major donors

4. Successful fundraising is the **right person** asking the **right prospect** donor for the **right amount** of money for the **right project** in the **right way** at the **right time**
- Research is needed for all steps (matching the person asking to the asked person according to personality and interests, matching the potential donor to the right project according to their interests, etc.)

FUNDRAISING PROGRAMS (Once we have the principles in mind, we can decide on the strategies and how to attract them and we divide them according to target

Individuals:
- Annual Campaign – Membership programs
    - Direct mail - Special events dinners, galas – Social media and online fundraising - Press and magazine inserts – TV/Radio advertising - SMS text messaging –
- Major Gift Programs (incl. Planned Giving)
    - Personal solicitation - Direct mail - E-mail - Special events dinners, galas - Press and magazine inserts

Organizations:
- Corporate Programs
    - Cause-related marketing – Sponsorships - Personal solicitation - Special events, dinners, galas - Workplace giving
- Foundations and Government Fundraising
    - Grant proposal writing - Personal solicitation

Mixed:
- Capital / Special Campaigns
    - Personal solicitation - Direct mail - E-mail - Special events dinners, galas - Press and magazine inserts - TV/Radio advertising - SMS text messaging – Crowdfunding

THE CASE FOR SUPPORT

One element that in all the solicitation and fundraising propositions should be used and the formulation of the case for support is very important in order to attract donors

The case for support: when speaking about fundraising, we should give our prospective donors an argument around which we are asking for support

- Argument for asking support
- It relates to the cause to be served
- It should inspire people (a trigger to the donor; motivate people to give)

It's not just a why we need the money (speaking to the brain of the donor), but there is also an emotional aspect (motivating people to give, speaking to the heart)

- What is out there in the community that needs doing?
- What will the organization do to meet these needs?

EXAMPLE: THE CASE FOR SUPPORT - THE ARTS

In proposing yourself to the donor, you should always have in mind the impact of the arts: the benefits created by the arts in the community

- Education and personal development → There are many kinds of benefits and you might create your case for support around these benefits; arts enable the individual and personal development, e.g. creates a pro-social behavior
- Social cohesion→ The arts enable an increase in social cohesion; more civic participation; people are more aware of their rights, e.g. people collaborate better, volunteering and helpful behavior is higher
- Mental and physical health → being exposed to the arts makes people happier; e.g. decrease in depression witnessed in studies, increases the recovery rate and recovery speed in hospitals
- Economic vitality → creativity and arts enable innovation in the business community, has an impact in the hospitality sector; e.g. attract tourists

TWO TYPES OF CASES FOR SUPPORT:

1. External case/case statement

- A long document in which you describe the arguments why the donors should give (a sort of flyer)
- Being general doesn't mean that this document is written in a specific way → when writing the document, put yourself into the shoes of your donors (the average donor, not a specific one) – structure it in this way
- first: the problems that is addressed by your organization, give some evidence of the problem; second: articulate the mission of the organization, why is your institution the most capable to tackle this issue (give credibility/distinction, e.g. through history, resources, previous results, etc.); third: what are the programs that are effective in tackling the problem/goals that you are asking for support for (what the donor can do)

2. Case expression/fundraising proposition

- A short description for the case of support (a kind of elevator pitch/what you say to the donor in personal solicitation → what you say to a jury panel when competing for funds)
- Used as a fundraising proposition: purpose is to solicit a gift → you should customize the case expression to the type of target you are soliciting (e.g. by donor category, type of individual donor)
- don't mention the mission of the organization, but rather document the need that will be tackled thanks to the project you are proposing
- emotion (urgency), realistic (reason), credibility (to increase trust)
- The hero (the donor/organization to benefit the recipient) vs. the enemy (which prevents the vision from being realized)

DONOR PROFILE

- Men give more, but women are more likely/willing to give
- Women are more interested in programs (understanding the project they are supporting) while men are more interested in supporting the general institution
- The older people get, the higher the likelihood that they give
- ### Motivations of donors
    - Extrinsic motivations Benefits from the institution (e.g. Give back, social recognition & social norms, tax benefits)
    - Intrinsic motivations (e.g. the feel proud after giving, feel right, feel guilty so they give)
- ### How do we get the attention of donors?
    - Be personal: you get attention, and you might be superior to other institutions in donor communication because you say something that is personally relevant to the donor
    - Ask questions (make them reflect)
    - Be pleasant; establish a pleasant relationship
    - Be new/surprising/different
    - Be easy (be straightforward)

THE SEVEN FACES OF PHILANTHROPY (segmentation of the market of funds/donor targets)

- ### Dynasts
    - richest of the richest; inherited wealth from their family
    - giving is something normal; doing good is a family business/tradition → grew up in an environment where giving was normalized
    - very selective in choosing the organizations and the programs/causes they want to support (very common in the arts) → typically give to the same institutions over years
    - when they give, they also use outside advisors; they are interested in the mission of the organization (speak about the general need of the organization as well as picking out a specific program that may interest them)
    - they like helping people, especially disadvantaged people
    - they don't seek recognition/something to leverage on (e.g. children/struggling artists/etc.)
    - Tradition, mission, impacting life, collaboration
- ### Socialites
    - Very common in the arts institutions
    - Those that give because it is an excuse to have a social life; a way to meet people, be at events, network → for them doing good is fun
    - Very picky about being recognized by the organization and the director (especially socially); e.g. receiving cards for their birthdays, invitations to events, etc. but also being recognized by their peers
    - We can use them as they are the best ambassadors for the organization; they can help extent the donor base because they are embedded in social networks and can attract many more like themselves
- ### Investors
    - Come from the business community (entrepreneurs/managers/etc.) and are interested in the extrinsic benefits that they receive from their giving (e.g. they want tax benefits)
    - Transactional donors; they are generous because giving is also part of the moral obligation for them
    - They give in order to have some kind of pay-off; they are very careful about the financial health of the organization
    - They rely on the social value of the NPOs and expect some kind of social return

- **Devouts**
  - Give to religious organizations mainly; but they also give to the arts organizations (overlap/intercept between arts and religion)
  - Giving is something religious (an obligation); they are not looking to be recognized → often anonymous (don't want public recognition)
  - Rely on the mission of the organization and the general codes (very sensitive to general needs that the organization can tackle, e.g. personal development, etc.)
  - They want to trust you
- **Repayers**
  - People that have experienced the service/benefits of the organization (e.g. alumni donating to the university they have attended)
  - Enjoy the arts and what they are producing and are therefore willing to pay something back (their experience of using the service has been a good one and are giving something back in return because of this)
  - Marketing and fundraising should collaborate a lot for these people (give them something extra during their attendance of events)
  - They are very careful about the results of beneficiaries if they are not directly involved (e.g. benefits to the students of unis)
- **Altruists**
  - Similar to devouts; very generous → giving is a social norm
  - They don't want recognition; they are happy to give anonymously
  - They are careful about the results of their donations, not influenced by anyone and feel good when giving (focus on their intrinsic motivations → joy experienced when giving)
  - Very sensitive to urgent causes (storytelling is very important, more than for others) → interested in dramatic stories
- **Communitarians**
  - Small business actors/entrepreneurs that care a lot about the local community
  - Interested in the economic impacts on the local community; they are very intertwined within many networks in the community
  - They want to be recognized (like socialites) and can be used as ambassadors
  - Difference to socialites: communitarians care less about the fun and events but more about the impact that the organization is creating for the community
  - These are the people you want to have on your boards

BUILDING DONOR RELATIONSHIPS

1. Identification

The constituency model: Sequential fundraising: you start with identifying and collecting information and then building a relationship with those donors at the top of the pyramid (the donors that are very close to your organization/constituents) and then work your way down and from the inside out
Research: collecting information about prospective donors and reaching and deepening the dataset of existing donors

- Basic contacts: name, email, address, phone number
- Link of the donor to organization, its strength and the type of link → if they are close, you can ask for more money, if they are further away you need to cultivate the relationship more
- The ability to give: collecting information about the income/wealth of the donor and qualifying them accordingly → determine how much to ask from the donor
- The donor's interest in the organization → why are they donating?

Qualification: understanding the ability to give
<u>Specific single-asset formulas (5x5%)</u> (5% of average salary * 5)

- Real-estate value: Dollar amount (if > $400,000) × 4% x 5 years
- Salary: Salary × 5% × 5 years
- Political contributions: Dollar amount in one cycle × 20
- Annual giving: Dollar amount in one year × 20

- Direct stock holdings: Direct stock holdings × 5%

How to collect the data

- Bought-out dataset: you can buy data on potential donors, in terms of their qualification but also their contacts/mail addresses and other data (cold lists) that might be useful to understand if a donor may be your target
  - Electronic database screening (EDS), List rentals or list swap
- Built-in dataset: built in-house through peer screening/rating for example; there is a grid that has the donor/prospect donor names, their maximum capacity to give, their interests in your organization, the type of your relationship to the donor (link, ability, interest basically) → circulate this grid amongst staff/board members and have them fill it out or you may have in mind some target donors
  - Blind: asking board members/staff for names of donors
  - Guided: providing names and asking for opinions
  - Pledge cards, Information provided on a check, online giving forums, RSVPs to organizational events and volunteering

How to use the data: segmentation through certain characteristics

2. Cultivation

- Discovery visits (getting Information) → meet the donor and understand if they are interested without asking for anything (just listening)
- Cultivation visits → provide the donor with information about the organization and its programs/mission (still not the time to ask about money)
- Involvement → involve the donor in the life of the organization, e.g. invite them to events/vernissage/exhibitions (still no asking for money)
- Investing resources → ask the staff/CEO/development director to spend some time on this part of the donor base

→ the higher the size of the gift, the longer the cultivation takes

3. Solicitation (asking for the gift)

4. Recognition (after you solicit the gift/don't receive it)

- You need to thank the donor immediately for their gift (you only have 48 hours to thank the donor, after that it is too late)
- Stewardship: keeping the relationship going, giving them information about how you spent their money, what the results were, sharing the new program for the next season/new goals and objectives, etc.

ANNUAL GIVING PROGRAM

- a program according to which you keep on cultivating and soliciting the prospect donors with different tools

GOALS

- Annual giving program implies a broad range of soliciting activities that may be very different in size and scope
- These activities may be implemented throughout the year and raise funds for both general operating purposes and special needs.
- Annual-giving programs use the methods of direct-response fundraising (a set of direct responsivity tools; 1) the proposal/the need for which you are asking money, 2) the provision of some information to let the prospect donor decide, 3) a call for action/an ask/provision of some means to respond from the donor's side

SOLICITATION

TOOLS:

- Personal solicitation (most effective)
- Events

- Direct mailing
- Emailing (very inexpensive; not even a cost of paper, however all the online solicitation tools are less effective/online giving only accounts for ca. 7% of the total individual giving; only 15% of new donors give online, while the other 85% gave through other, more personal, forms of giving)
- SMS
- Advertising
- Free standing alerts (e.g. ads in newspapers/magazines and complementing it with a coupon to solicit a response by the donor)
- Peer-to-peer fundraising (uses social media to collect money, e.g. Facebook fundraising; but this only counts for 1% of individual fundraising)
- Direct dialogue (EFT) (very speculative/aggressive; this technique uses volunteers on the streets to solicit by-passers to sign up and donate → you ask the people who meet to allow the organization to make a transfer from their checking account)
- Phonaton (soliciting gifts via phone; this technique is similar to the direct dialogue, but via phone)
- MGM campaign (member-get-member method → use your constituents, e.g. staff/board members, to get new members)

TECHNIQUES: (selling techniques → speculative/aggressive techniques for phonaton/EFT)

- Foot-in-the-mouth technique: you don't ask for money immediately, but rather ask a personal question to the prospect donor
- Door-in-the-face technique: asking for a very high amount of money, more than you want to get even so that you receive a "no" from the prospective donor, so that the chance that the second solicitation/the second ask is accepted is higher
- Foot-in-the-door technique: the opposite of the door- in-the-face technique; asking for a lower amount of money and then to increase the amount of money once the donor has said yes

Metrics:

- Response rate (number of gifts / total solicitations)
- Net income (contributions - expenses)
- Average gift size (contributions/donors)
- FR Return or ROI (contributions-expenses)/expenses
- Attrition rate (percentage of donors that do not continue to give year-over-year)

Expense ratio: estimated expenses/estimated revenues (from using one particular tool) → you calculate/estimate how much money you spend for each dollar that you get/raise

HOW TO WRITE A SUCCESSFUL EMAIL

Emails are far shorter than letters; letters are around 1 page long (not a rule, but kind of a standard), should be more or less 40 characters and should be highly personalized (more colloquial)

- Subject line (getting the reader to open the message)
- Opening personalization line
- Continuation of the personalization line need
- Giving link line (where can they donate)
- Closing the fundraising appeal (personal again)
- Signing-off line (e.g. "Awaiting your gift……")

DIRECT MAILING

- Two times a year as a minimum
- Success factors:
  - the list: 50% (the list of donors that have been selected as a target)
  - the offer: 30% (the offer you have created and adapted to your target)
  - the creative presentation: 20%

→ Pros: cheap, long life, creates a visual image

→ Cons: passive – the relationship that is established is very week as it is not a personal method; you don't have much influence on what the prospective donor will choose to do, you can only wait and try again, rather than verbally persuading them (which is possible in personal solicitation)

SOLICITATION PACKAGE

A solicitation by direct mail typically includes a package of materials:
- outside envelope (also called the carrier envelope → reader spends more time on the back of an envelope than the front— hence many appeals now contain envelope messages in this location)
- reply envelope and card (also called a response device)
- solicitation letter
- other inserts intended to:
    - gain involvement
    - offer an endorsement
    - provide further information
    - create an incentive to respond (front-end premium (i.e. a bookmark; a small gift) or a back-end premium that is inserted in the package to persuade the prospective donor to respond to your letter)

STRUCTURE OF THE LETTER

- Letterhead stationery
- Date line
- Addressee line
- Salutation line

→ be careful not to make any mistakes/typos here because this would reduce the likelihood of the letter being opened

1st paragraph:

- opening and has 2 objectives: getting the attention of the donor (so they don't trash the letter) and the need question (like the case expression)
- Show the knowledge of the donors; highlight the link of the organization to the target donor (do research to increase the personalization) → formality of the letter depends on the donor (their age and social standing) → come from your segmentation strategy

2nd paragraph:

- Introduce your organization, build accountability/credibility, recall the problem

→ "501-c-3 private foundation": give credibility and convey the message that the donor may have some tax benefits by donating

3rd paragraph:

- Making the ask

→ Remember to remind the donor of the way that they can give!

The closing:

- Signature of the development director
- Slogan: recalling what the organization stands for in one sentence

→ PS should be included at the bottom because readers will first check the top, then the bottom of the letter and only then the content of the actual letter; including a PS will grab the attention of the reader and therefore make them curious to read the full letter

PERSONAL SOLICITATION

Personal solicitation takes place above all with the major donors → best way to solicit a gift
- 1/3rd of major donors donate because they are part of the board of trustees (the donors want to be a part of the organization)
- Major donor officers work with personal solicitation of major donors/members of the board of trustees (personal solicitation is their main task)

- Personal solicitation requires persuasion of the donor to make the right choice; it is a bit controversial

Principles when soliciting:

- It's not about selling; we are not speaking about selling a good, but we are speaking about building a relationship and then asking for money
- You will not receive a big gift by just sending a letter; you have to stay close to the donor and "court" them; this takes time → "if you want to milk the cow, you must sit close to her" → the mission is not asking for money, but building a relationship founded on the mutual interest of something; pertains to the ethics of fundraising and its professionalism
- The 4 E's: enthusiasm, empathy
    - Enthusiasm → you're presenting the organization very boldly and infusing your enthusiasm into this presentation
    - Empathy; understanding the feelings of the donor
    - Earnestness (integrity) → being honest and transparent
    - Energy → important in order to keep building the relationship (not allowed to be nervous energy, but must be genuine energy/interest
- Keep cool, never freeze → you will receive a "no" from one of the prospective donors, you must persevere and keep going

SOLICITING GIFTS – KEY POINTS

- Be prepared
    - Review the information about the institution, the mission, the project
    - Learn all what you can about the prospect
    - have an idea about the amount you should ask
    - Call on your best prospects first
    - Practice, practice, practice before any action
    - Write out what you will say and how
    - Anticipate what might be the objections and how to respond
- Call the donor to get a visit
    - Send a letter in advance
    - Practice the call before (have a script)
    - Recall to schedule a visit
- Manage objections when calling for a visit
- Have a portfolio of potential donors, so you know who to ask for money (max 150, nurture these donors constantly → match the donors to your projects)

Managing objections – keep the point
<u>Jerry</u>: "It's important I see you, John. The choice to be involved is entirely yours. I am not smart enough to persuade you to do something you don't want- But. This program is the most important thing we can be doing in the community. All I am asking is a chance to invite you into the partnership with us. I understand there may be personal circumstances. But you know me well enough to know you can be honest and I'll respect whatever you decide. What time is better for you next week. Tuesday or Wednesday?"
→ be focused on your objective; give them some information but end the small talk asking them precisely what time would suit them best

Managing objections – listening
<u>John</u>: "Jerry, just tell me how much you're looking for. Maybe we can do this on the phone. I really don't have much time. And I am not crazy about fundraising and being asked."
<u>Jerry</u>: "I just don't feel comfortable trying to handle this on the phone. Its' too important. Look I am willing to give it 30 minutes if you can give me that time. Will you do that for me? What's going to be better Tuesday or Wednesday? We can get over the business quickly and then go to lunch."

→ listen carefully to what the prospect donor is saying: "I don't have time"; shows you the need, if you listen to what the objection is, you may find some ques about how to reply

Managing objections – the victim
Jerry: "I know how busy you are John. That's one of the reasons I'm eager to see you. The truth is I did not want to take this assignment. Stanley, the chairman of the campaign, finally got me to take this on. I promised I'd call all those I was assigned to. I made this commitment, and you are one of the important ones I feel I really must see."
→ tell the prospective donor that you committed to someone else to do this; you don't want to be aggressive, but you also want to keep the point (get the visit)

THE SOLICITATION VISIT – STRUCTURE

- Greetings and small talk
- Transition to the ask
- The ask
    - Giving/use testimony of (your own) gift
    - "I would like you to consider you a gift of…."
    - Do not fill in the silence after your ask (don't speak to fill the void, the prospect donor should be the first to talk because depending on the answer you can probe on the concern ("no") or thank them ("yes"))
    - Reason why you have a "no!": Inadequate preparation on prospect, No practice, Poor listening, Too much on features and not enough on benefits, You didn't ask!
- Pause to hear response
- Listening and responding to concerns and objections
- Conclusion and plan for follow-up

Key points

- Go in pairs or as a team and decide roles
- Prospect's home or office
- Bring materials but don't show
- Major donors give to bold, brave, audacious projects, not to instable organizations.
- Establish a relationship by investigating the interest in the organization.
- Probe for concerns.
- Listen and pose open questions
- Claim the integrity of the CEO
- Keep eye contact
- Case expression

MANAGING OBJECTIONS - EXAMPLES

Mary: "Peter, I am not really certain. I need to overthink it." → No
- probing for concern
    - "Of course Mary you are going to need more time to think this over. I have suggested a significant gift. But let me ask you…"
    - Is it the institution?
    - Is it the project?
    - Is it the amount I asked for?
    - Is it the timing?

Mary: "Peter, I can't make a decision now I'll have to talk it over with my husband"
- Feel, Felt, Found
- "Of course Mary I can imagine this is important (feel) and during our discussion I suspect you and I have been talking about a gift larger than you anticipated (felt), Take your time and talk with your husband. Let's see a time now that I might be able to see you and your husband together. I would like to be able to tell him also the importance of this program. When is a good time to see you next? (found)"

Thank the donor after the closure of the gift and.... disappear! Follow this immediately with:
- A written personal note (the day after)
- A phone call from the CEO (two day after)
- A brief letter of confirmation from the Board
- A small gift (if it's the case)

CAPITAL CAMPAIGNS AND CAMPAIGN EVENTS

- A campaign is an intensive fundraising initiative designed at raising a specific amount of money within a given period of time to meet the asset-building needs of the organization
- Traditionally, capital campaigns are fundraising actions that are developed on top of the annual giving funds/program

Purpose: raise a specific amount of money in a specific period of time for building your assets → the financial goal of a campaign is different to that of the annual fund

Risk: if not executed well, it can harm the annual giving campaigns

TYPES OF CAMPAIGNS

Traditionally, there were capital campaigns, but nowadays, due to the internet and socio-economic developments, we also have other types of campaigns, in particular, we have the:
- Comprehensive campaign
  - a revision of most of the fundraising activities, including the capital campaign, and all the activities in the annual giving program; helps reduce the risks of capital campaigns, very popular in the higher education field
  - all the solicitation will be carried out together; not only to increase the capital of the nonprofit, but also includes the annual giving program
- Traditional capital campaign
  - Aims to collect money for the endowment
- Special purpose campaign
  - Comes from the advent of the internet and is very important for smaller organizations that may not have the chance to launch capital campaigns and open new venues → appeal for a special purpose
  - These campaigns are hosted for a specific project, they aim at upgrading the average size gift of the donors
  - e.g. Bruce Wood Dance does this to cover the expenses of their preparation for their performance at the Joyce Theatre in New York

BENEFITS

Post campaign value: the organization enjoys a higher level of money collected → this is due to new donors being reached thanks to the campaign (new relationships have been cultivated and they stay with you after the campaign), or because you have increased the visibility of the company with the campaign, or because you have changed the conversation with the donors/repositioned the organization; can enable you to extent the number of donors or upgrade the level of the gift received from major donors → this results in an annual giving program that raises more money

PHASES

- Pre-campaign: assessing the readiness
  - Assessing the need of a campaign
  - Assessing the amount of money
  - Assessing the organization's readiness
  - Develop campaign case for support
  - Feasibility study (you hire a consultant, and you do a market test: test if the campaign is necessary or not, sense the opinion of major donors of the organization, listen to their concerns/opinions and improve the campaign; also allows you to calculate the availability of funds of these external stakeholders and start to collect money)

- Campaign planning (in the campaign budget, be sure to include not only the cost of the building itself, but also include the costs of the upkeep of the building in the future, at least for 2 years into the future, when calculating the financial goal of the campaign)
- Campaign management (contact all the donors and start soliciting the gifts)
  - Quiet phase
    - Golden rule: during the silent phase of the campaign, at least 50% of the financial goal must be collected (called nucleus fund) and is collected from the closest donors of the nonprofit (otherwise you may fail with the campaign which would be very bad for not only this campaign, but also for the future campaigns)
    - Select a start date when gifts begin counting toward the goal
    - Solicit the gift from longtime donors, volunteer-leaders, and org. leaders (campaign nucleus fund = more than 50%)
    - Generate communications tools for the public phase
    - Reaching consensus on final dollar goals and campaign date
  - Public phase
    - Kickoff event
    - Continuing solicitation of gifts for the remaining funds
    - Final push
    - Campaign closing celebration (victory celebration)
    - Stewardship and campaign impact (always keep your donors up to date on how the campaign did and what the plans for the future are)

N.B.: Developing a campaign is expensive: carrying out research, hiring a consultant, etc., so be sure to include the campaign costs in the financial goal of your campaign (the campaign will cost 5-7% of the overall financial goal)
Incase the financial goal is not reached and the new building cannot be built, there is a clause in the contract stating how the money will be used/sent back to the donors (however, not achieving the campiagn goal is very unlikely)

CAMPAIGN COMMITTEE: a group of 10-20 donors that are very engaged in the campaign (lead the campaign, alongside the board and the development director) and will be the fundraisers for the campaign (they meet with big donors and decide on the moves; they build and cultivate relationships → "romance")

RECOGNITION OR NAMING OPPORTUNITIES

Naming opportunities: giving donors the opportunity to name certain parts of the building → before doing this, you need to have a policy in mind that has different criteria for the various spaces that can be named (lobby vs. restrooms and the size of the according donation); you want to avoid that the donors feel impartial (donor paying for the restrooms cannot be charged the same amount as the donor that is sponsoring the main hall of your building) (same applies for sponsorships/partnerships with corporations)

GIFT ACCEPTANCE AND CREDITING POLICIES

All the rules related to the gift and the giving should be defined → defined the ways in which the donor can give and what the organization has to accept the money

CROWDFUNDING

An online campaign for a project (like a special purpose campaign); but you can also have crowdfunding online initiatives that compliment your capital campaign. Always remember, that while we might be very aware about the successful crowdfunding campaign, but we don't know much about their failures → be skeptical because there are many failures

When should we launch a crowdfunding campaign? → they tend to be successful when you have a tangible goal in mind

- Successful crowdfunding relies on a big offline network (a network of people that support you and the initiative)
- Should be very emotional; find a good balance between speaking to the mind (giving information) and speaking to the heart (soliciting emotions; above all, positive emotions)

EVENTS

Events can have different types of objectives; fundraising events, events aimed at collecting new contact information, educational events (events where you invite donors and you provide information to keep them informed about what is happening in the organization) and recognition events → the objective of the event will determine if the event was successful (if your aim was to collect new contact information and you managed that, then you have been successful with that event)

- Different events will generate different revenues

Types of events

- Receptions (Basic receptions; Tastings; Openings and performances or previews)
  - Very common in the arts; they are there in order to gather donors around for a specific reason (e.g. opening night of an event)
- Meals (Dinner dances; Testimonials and tributes; Breakfasts and lunches)
  - You provide food
- Participation Events (Athletic activities; Auctions and gaming - frequently combined with a dinner; Broadcasts or online events)
  - They include an activity that is developed by the participants (e.g. a race with a social purpose) – the participants have to do something/an action on their part is required, other than donating
- Community Mega-Events (Community festivals; Parades)
  - Developed for the masses (e.g. the Dallas Museum of Art organized a contest and invited all the residents of the metro-plex to come to the event dressed up as Frida Kahlo in order to beat the world record of amount of people dressed up as Frida Kahlo in one place)

Things should be kept very professional; you're offering to the donors to be part of your community and to network, so the director of the event should give value to one thing: seating → the place in which someone sits also holds a value in terms of social standing; your seat is dependent on your donation size

You have **2 options** to raise money:

- ask for donations at the event
- charge a price for the ticket (price for the participation to the event)

This should be coherent with the objective of the event

- if your goal is attracting new donors, it would be better to charge a ticket for the participation, because you want to attract the donor in the same way you're attracting ticket holders/selling a performance
- if you're organizing a recognition event, it would not be smart to impose a fixed ticket price that the participants have to pay, but you should rather ask for a contribution at the event

When you organize an event, you must be engaged in the **anatomy of the event**

- Objectives of the event (one objective per event, so the successfulness of the event can be determined after)
- Participants and attendees (check the list of "friends of …", the people invited to the event; this should be very accurate → invite people who you are sure will donate during the event)

- Timeline & agenda of the event (build a timeline and agenda; plan everything from the design of the event to the thank you notes of the event → used by the organization so nothing is forgotten; agenda: what will happen at the event and at what time)
- Site selection (the organizers will have a list of sites with capacities and prices that can be chosen from; be careful because sometimes beautiful sites will not be functional; e.g. difficult to reach, not suited for bad weather, etc. → site selection should be carried out balancing the aesthetics and functionality of the site)
- Event Leadership (appoint a chairperson for the event: they will act as the "host" of the event and will engage the guests and solicit gifts for the organization; appoint someone who is either a celebrity/recognized in the community or a sponsor of the event)
- Sponsorships (can be individuals or corporations)
- Food and beverages / Transportation (if the catering of the event is awful, the event will not be a success; ask your guests for allergies/food preferences like vegetarians to make them feel appreciated)
- Staffing / Volunteers (you will rely on volunteers to open the doors of the venue, welcome the guests, cloakroom → will make the guests feel recognized)
- Budget (the budget is important because you will sustain many expenses and costs)
- Promotion (you will invite people to the event via mail/email)
    - RSVP 7-10 weeks before; Invitation: 4-6 weeks before (formal invitation should be sent on paper, RSVP can be sent by mail)
- Daily and weekly newspapers (formal announcement to expand the links with the community)
- Press' reminder: 2-3 days before
- Magazines
    - 10-12 weeks in advance
- Public service announcements/Talk radio

MEMBERSHIP PROGRAMS

- at the recognition and stewardship stage of the relationship building cycle and are very important for the arts organizations
- activities to recognize existing donors, to keep the relationships with these donors alive, and to solicit gifts
- relevant to avoid donor attrition (loss of donors)

Why did the donors go away?

- They did not receive adequate recognition (you didn't thank them enough)
- They were motivated by extrinsic benefits or by peer pressure (they were pressured and not motivated by intrinsic benefits)
- They were not satisfied with the quality of the service
- They were not aware about the importance of their gift
- They perceived a transactional attitude (they weren't involved in the mission of the organization)
- They did not trust the organization after the first donation
- They missed a personal link, or they were treated like numbers
- They were not engaged in organizational life (no multiple engagement strategy)

RECOGNITION AND STEWARDSHIP – how?

- Acknowledgement of every contributions
- Membership programs
- Newsletter
- Highly personalized email that are informative (also about how the money has been spent)
- Invitations to tour the facilities and events/social gatherings
- Focus groups, breakfast and luncheons, invitations to annual meetings (engage the donors by asking for their opinions/create surveys/interviews)

- Innovative soliciting methods (on-line ambassador, loyalty calls)
- Upgrade letter to regular donors
- Matching gifts or Designated gift ("if you donate again, there is this sponsor that will donate the same amount of money as well" → doubling the impact of their donation thanks to the matching gift → incentive the upgrade/renewal of a gift)
- Sponsorship of an arts event or performance, an artist

RETAINING DONORS

- Attrition rate = numbers of donors that gave last year AND NOT this year / total number of donors
    - Gives you the number of donors lost in a year
- Retention rate = # of donors who gave last year AND this year / # of total donors
    - Gives you the number of donors you kept over the year
- Donor lifetime ratios
    - Individual donor lifetime = # of years a specific donor has donated
    - Average donor lifetime = sum of lifetime for all donors / # of donors
    - Individual donor lifetime value (LTV) = sum of all donations from that donor
    - Average donor LTV = average donation amount across all donors X average donor lifetime
- Donor satisfaction
    - The existing pattern of communication
    - The content, style, and tone of that communication
    - The different ways in which donors can interact with the organization
    - The manner in which any issues or complaints maybe dealt with
    - Perceptions of the package of benefits that may be offered

Membership programs are composed of 3 main elements

- The benefit you give to the member (design the benefits according to the level of the membership)
    - Be original/creative in the type of benefit you give to each member, and also simple (there should be few benefits in few categories; have 3-4 benefits maximum - give more benefits to members giving more)
- How you recognize the members
    - Recognition flow (be fast)
- How you involve the members
    - You should involve the member and grade the type of involvement → should be done according to the levels of membership/relationship with the organization and must be creative

PLANNED GIVING SOCIETIES

- Check the messages with the target (sensitive content)
- Ensure board members, staff and volunteers lead by example
- Introduce this opportunity in annual communication or newsletter
- If you want to develop a targeted solicitation:
    - Personalized Letter
    - In a "Thank you" note
    - Personal solicitation
    - Information provision online
    - Occasional bequest promotion event

Gather people that donated bequests or agreed to a planned gift; planned giving is very delicate because it is in the face of death; always check the messages that will be delivered to the donors (solicit this type of gift in a very indirect way)

CORPORATE FUNDRAISING

- Corporate productivity model
    - the corporations get some indirect benefit in terms of revenues/productivity → increased visibility, enhancing their brand
- Altruistic / ethical model
    - altruistic giving; they aren't interested in economic benefits, but rather just because they want to give to that organization (e.g. Fondazione Prada)
- Political model
    - Includes all the motivations that are typical of those companies that are damaging the welfare of society and want to give in order to be less controlled by governmental agencies and also "wash away their sins"
    - Before accepting a new donor/sponsor, think about what the other companies that sponsor you think about your new sponsor; would they be happy about the new potential donor/sponsor? Would they continue to sponsor you?
    - You have to put in place a policy that sets boundaries; which are the companies from which you will not accept a gift? Where do you draw the line in terms of ethics?
- Stakeholder model
    - Sometimes companies give because they want to benefit a particular kind of stakeholder, like their employees or clients

WHAT IS CORPORATE FUNDRAISING?

- Cash gift
- Stocks or shares
- Gifts-in-kind (e.g you organize a reception and you have received the flowers for the tables from your sponsor that is a florist)
- Employee fundraising (Give the ability/opportunity to the nonprofit to enter the company and ask funds from the employees)
- Staff time
- Workplace events and collections (e.g. they give your nonprofit the possibility to organize an event/collection within the corporation and using their venues)

SPONSORSHIPS

Money that a corporation gives to the nonprofit and the nonprofit has to give something back in return (e.g. displaying the name/logo on the website/in communications to other donors)
→ different from advertisements; advertisement is when the company pays to be in a specific flyer/communication of the nonprofit; sponsorships are not connected to a product

LICENSING AGREEMENTS

You agree with a corporation that they can use the nonprofit's brand or some aspects of it (e.g. the design of a famous building) in order to sell a product; when you sign a licensing agreement, you are not tying the amount of money that you receive to the sales of the product itself (the royalties paid to the nonprofit are NOT connected to the sales/revenues of the product incurred by the company); instead you negotiate a fixed price for the licensing agreement
→ e.g. Lego Architecture using the Sydney Opera House

CAUSE-RELATED MARKETING

- The Proud Supporter Method: company donates because it is a "proud supporter"; can be displayed in stores or on products with the expectation that this will encourage customers to buy the product
- Gift with Consumer Action: company makes a donation if the consumer taken an action, e.g. hosts an event
- Consumer Pledge Drives: company encourages customer to make a pledge by offering a corporate match or by asking customers to round up their bill so the rounded cents can be donated (individual is not recognized as a donor and cannot claim a tax reduction)

- Donation with Coupon Redemption: company makes a donation when the customer submits a coupon that came with the product they purchased; gift is triggered by this additional action of the customer, not by the purchase itself
- Dual-Incentive Method: company asks consumer to make a donation and it offers an incentive to do so, e.g. a discount ("dual" because it both creates an incentive to give AND to purchase the product due to the coupon; builds customer loyalty)
- Buy One, Give One (BOGO) Method: company promises to donate a good when a customer purchases its product
- Volunteerism Rally: encourages customers to volunteer; customers are rewarded for their volunteering with a complementary good/service by the company
- Consumer-Directed Donation: variation of crowdfunding; company permits the customer to vote on the organization that will receive the company's gift (not directly tied to sales, but may help generate customer loyalty)

CORPORATE GIVING → be careful what the source of money is/whom you address: if you want to address a corporate foundation, you will rely on the altruistic motivation you will give a proposal according to that (treat them like an individual), instead of proposing cause-related marketing

- Always keep in mind the individual (even if they are working on behalf of the corporation, they will still have their own values and ideals → this should be reflected in your approach/solicitation of them); this is what makes the job of the corporate fundraising director so hard

IDENTIFYING AND RESEARCHING CORPORATE DONORS

- It is easier to identify/research corporate donors than individuals, as there is more information about corporations readily available (you can look at balance sheets online and easily calculate the approximate maximum gift size)
    - HOWEVER, while you may have info on the organization as a whole, you don't have information on the individuals (who all have their own different opinions/values/motivations)
    - HOWEVER, decisions on big amounts of money/sponsorships are often taken by multiple people in the corporation, which complicates the decision-making process
- The interests of the company: what have their past donations been like and to whom?
    - Corporate giving trends → research not only economic trends, but also corporate giving trends and understand what corporations are interested in the most
    - Link to the organization
    - Personal fit (company's interests align with those of the nonprofit)

PREPARING FOR THE SOLICITATION

- Set up meeting
- Get the proposal ready
- List Benefits for the company:
    - Category exclusivity
    - Credits on related materials
    - Program naming
    - Tickets and hospitality
    - Access to the nonprofit's database
    - Marketing recognition - logo on website, e-blasts, signage, thanking sponsors in social media post.
    - Invitations for executives/ employees to VIP openings and special events
    - Recognition in Annual reports
- Agreement includes: effective dates, program description, sponsorship benefits, other terms, intellectual property, indemnification etc.

As a corporate giving officer: be embedded in the business community; know trends, attend meetings and conferences organized for executives; be integrated into the community

- Even if executives/entrepreneurs are altruistic, they are always still businesspeople → focused on financial health of the nonprofit organization; stress the (financial) benefits for the company of signing a sponsorship/partnership

KEY FOR SUCCESS

- Invest time in prospect research (keep your list and contact information up to date; investing time to find the right donor)
- Align corporate interests and organization's needs
- Focus on personal touchpoints (companies are made up by individuals; they rely on the same things as other individual donors: personal relationships and personalization in their solicitation/stewardship)
- Create value (keep the conversation with the corporations going over time; make the company and its CEO/board of directors feel recognized → same as with individual donors)
- Report impact/return on investment
- Seek feedback and improve

Non-Summarized Version

THE NONPROFIT SECTOR

Nonprofit sector takes an approach from the global point of view, so we're trying to look at the nonprofit sector in many different countries. Some considerations that we must make in advance is that it has different characteristics between different contexts and they have also different functions.
The nonprofit sector is the sum of nonprofit organizations and associations and is quite large and diverse: it ranges from the wwf to universities to national and international foundations, and other smaller associations in the field of health care or cultural sector. Some institutions have an important founder behind them, like the Bill & Melinda Gates Foundation, and have an important impact in some sectors: many investments of that foundation are even bigger than some governments' investments. The topics of these different foundations are really diverse, and range in many different sectors.
The third sector is called a sector but it is very difficult to define its boundaries, because there is a large diversity in terms of purposes, size, organization of the institutions and nature of the institutions: some are foundations and some are associations, and some are neither. They have multiple natures inside their own institutions, they may have some commercial activities inside their organizations. The very same founder in order to generate profits to support the activity of the foundation can create some commercial activities which are not subject to the regulation of the foundation but to the regulation of the commercial sector. It's difficult to distinguish the commercial activity from the nonprofit institution because the organization is the same. The difficulty in identifying the boundaries is also related to the changing of sector over time made by these organizations, to public from private, and is strictly related to the culture of the state in which the organization is: in Mediterranean countries it's important, in China they are perceived as quasi-public enterprises. The definition of the sector may vary from context to context. This is important to keep in mind when discussing about the functions and the different theories. Another element is related to the high degree of diversity in terms of purposes, which are quite extended and range among many sectors. The definition of the nonprofit sector must be seen in connection with this huge range of diversity. We must also take into consideration the fact that there are many different terms used to describe it: it can be called nonprofit, third, voluntary, social economy sector, and even in terms of organizations we have nonprofit, non-governmental, civil society organizations (which are representative of the communities around which these organizations are created – the nonprofit reflect the element that these institutions do not make profit) and so on. This is to say that the extreme diversity in all these terms creates some difficulties in creating a common definition and a common approach to the so called nonprofit sector.
The nonprofit sector covers many types of activities but also has a critical role in supporting the development of our community and society; these are individual activities that may be summarized

under the umbrella of charity, philanthropy, volunteering, giving and civil society, so not only focused on giving and volunteering but are also institutions that represent the needs and the issues that can be found in our society. The nonprofit institutions also represent the infrastructure of our civil society, meaning with that the general society; they are important in these terms because they are dealing with topics that the private and public sector are not able to tackle or not willing to tackle, or if they are not entirely covering the area of needs; their function is not only that to give advocacy but also channeling the effort of civil society to solve problems. These types of institutions are both giving a service to solve a public issue which is unsolved and giving the opportunity to participate to those who are willing to do it in any way to solve a social problem; in giving the services they allow the civil society to be aware of the problem and to participate in the solution, with all the positive spillover that it generates in the society. This civic culture and this civic engagement allow also for the development of social capital, increasing the level of trust in the society, and a high level of social capital allows for a more strong and effective society. Nonprofit sector thus not only represents the needs of the unheard, but generates positive effects for the society through the social capital.
At the global level is difficult to have a clear understanding of the relevance of the nonprofit sector, given the differences and the difficulties in measuring its boundaries and outcomes. Its relevance is increasing at all levels, both from an individual and from a corporation point of view. There is a higher involvement of the nonprofit sector, especially in poor or developing countries, because their development varies on the basis of the historical context and their importance varies in terms of how much public services are given effectively, because if they are there's much lower space for nonprofit organizations to operate: where there are more developed public sector nonprofits do not have many spaces to work. When there's a developed and fertile business environment the spillover on nonprofits is high and they can work better. Globally the most important targets are the health care sector and the education sector, which are the basis for economic and social development and are among the most primary needs for people.
Nonprofit sector sees many different approaches globally even in terms of terminology: foundation has different meanings from country to country; in China, the GONGOs are the normality; in Italy, there are many banking foundations, working in the territory with assets that previously were properties of the commercial banks; in the US there are megaphilantropies such as the Bill & Melinda Gates foundation, which control capitals of billions; mainly in Latin America or also in the Mediterranean countries there are social cooperatives, groups of individuals which are collaborating together in order to enter more organized sectors.
The first function of the nonprofit sector is that of product and service delivery in order to satisfy part of the needs of the population; another function that they can have is grant-making: allocating funds to others (NPOs, public sector, corporations and individuals) in a free charge logic or at some certain conditions. The third function is related to advocacy, so raising the attention over a public issues; one of the most important is the movement related to global warming and climate change. This goes together with giving some ideas and providing some services, for example educational services. Most of these organizations do have a small team of employees but most of them are volunteers. The fourth function is representation; while advocacy is related to a specific topic, representation on the other hand is the action of an umbrella institution representing the needs of a specific institution or organization. These organization can provide advocacy services but also training and other services.
The definitions represent some different approaches at the global level to the nonprofit sector; some are given by law, some are given by their function, some are given by their economic function. This diversity also in terms of definition is in line with the diversity of the sector at the global level. The first one is the legal definition used in the US which is defined by the Internal Revenue Code, in section 501 (c) (3). A public benefit organization, that has fiscal benefits and deductible donations, must pass three criteria; the first one is the organizational test, that tests if the organization operates in one out of 8 areas selected; the second is the political one, because they must not participate in any electoral process; the third test is that they must demonstrate that their assets or income are not distributed to individuals and that founders are not benefitting fiscally from it. In all the other cases, you are not a public benefit organization but a social welfare organization under the 501 (c) (4). Some of the issues connected with this legal definition are that some organizations like religious congregations are an exception because they automatically fit into this definition and only they do that, but there's no real reason to do that, and they are exempted from the reporting requirements that others have to comply; the fact that

donations are deductible is an important driver of contribution and the fact that some can receive them while others do not is certainly a hot topic. Certain nonprofits then receive more support and are considered more important than some others and this recognition is of course a political decision which is definitely an important topic of discussion. Then there's the functional definition used in France, UK and Germany: the most common type of function attributed is the promotion of the public interest and public development; in UK there's a list of purposes which make the organization an NPO, the so-called Charities Act. Some of the issues related to this definition are that if the purpose is that of creating and generating a public benefit the issue related to this is how do we measure a public benefit, so definitely there are issues related to the measurement of their impact; the other element is related to the benefit provided from the fiscal point of view, because these organizations are granted some fiscal benefits. The last one is the economic definition; residually, all the institutions which are not private and are not public are nonprofit. There is no profit distribution and they are all used in the institutional activity. The last definition is the structural-operational definition: according to it NPOs must meet 5 criteria: they must be organized, so there must be a structure behind the nonprofit institution, some legal documents that prove the organization and the constitution of the organization, clear boundaries between members and non-members, between employees and volunteers and a clear organizational structure; it must be private, there must not be any interference by the public sector or the government; it must be self-governing, the board must make decisions in an autonomous way; it must be voluntary, which doesn't' necessarily mean that they need volunteers but that they need that the contribution and the participation in the activity of the foundation must be voluntary, nobody can be forced to work for it or provide funding to it; last but not least there must be a self-profit distributing, they must avoid distributing the profits to the shareholders and if they make profits they must use it for the purposes of the organization and the institution. There's a degree of non-distribution constraint because corporations and B-Corporations can do that, while on the other side of the continuum there are the NPOs which are forced to not do that.

NONPROFIT THEORIES

Among the many things mentioned, one key element is that nonprofit exist because they support and they provide public goods. These are goods which are non-excludable (once they are produced people cannot be prevented from accessing them) and non-rival (the amount used by one does don diminish the amount consumable by others. The first important element is related to the fact that public goods must not be left to a market environment, because these goods would be in short supply, very few people would be willing to pay for products that are public goods by nature, the demand would be very low and it would enact and create a sort of free-riding problem, where few people would pay for a public good and everyone would be enjoying the advantages of the public good without paying: there would be a market failure. This is the first reason why nonprofits are intervening in the creation of these goods. On the other hand, taking into consideration that government can tax people to produce public goods, this can be a way to overcome this problem and produce public goods. Of course governments can have a limitation as well, because in a democratic system governments will produce only that range and number of public goods that serve the majority, due to the dynamics of public administrations; considering the limited amount of resources the production of public goods will be limited to the demand of the majority; as a consequence, this will leave to some unmet needs and of course in a way a sort of governmental failure. We have, in our society, two elements to be taken into consideration then: the market failure and the governmental failure.

In this context nonprofit organizations are called in order to meet these unsatisfied needs and demands for public goods that public institutions are not providing but that the nonprofit sector can provide: the reason behind the existence of the nonprofit sector is that of filling the gap caused by the private market and the public limitations. Of course the more diverse the community and the type of the unmet needs are, the more extensive the nonprofit sector is. A critical aspect is related to funding; seeing the nonprofit sector as a substitute to government the financial support to this sector would not be justified, and this is a clear example and an hot topic in the public discussion around the welcoming and management of migrants, for example: most of the services are not provided directly from the state, but many are provided by the nonprofit sector; this created also an evidence of the critical aspect and the contrast between the public and the nonprofit sector. In another critical point if

the nonprofits provide goods and services that the government provides too, they violate their purpose; on one side it is seen not only as a supporter of government but as an alternative of the government; hence the co-existence of government and nonprofits in the provision of public goods is not justified. IF we look at nonprofits as a partner in the provision of public goods and services to the community the purpose of the nonprofits are still valid, because the public sector is limited in terms of means, resources, competences in providing certain public goods, hence the action of the nonprofits can be complementary to that of the state.
There are some data about sources of support of NPOs. The composition of the revenue of nonprofits is very different varying from state to state, basing on the historical and cultural context of the country, and can take different approaches from a more entrepreneurial one, one more concerned with supporting the public sector; the different theories are reflected in the sources of funding: where governmental support is higher, the action of NPOs are driven by the willingness of supporting the government; in the contrary, where the government is more limited the action of NPOs are more driven by the civil society and the donors. The three main sources of revenues are the governmental provisions, the private fees for the services provided by the users of the service, and the philanthropy, so all the donations collected and provided by the market. Some examples in difference of supporting: private fees are most important in latin America, Africa, sentral and eastern Europe, us, Australia and japan; public sector support in western European countries; in Africa, south Africa is the only country where fees are less important than government funding. This has a reflection on the recipients of the service: if the private fees are low or high, this will vary the socio-demographic composition of our public.
The last element to be taken into consideration is the so called double market system; it is a representation of how nonprofits organizations are operating, and it's really important to create an effective fundraising operation. One market is the one of fundraising, where money are collected and needs, demands and requests are answered, and the other one is that of the service delivery. Most of the times these two markets are completely separated: those who donate are not the recipients of the service or not the only recipients of the service. This has implications because the institution itself must balance the needs and wants of the two markets: to collect money I have to ensure certain standards in terms of quantity and quality of service delivery, times and range, because as a donor the reasons of the donations are the trust in the institution, the willingness of contributing to the delivery of the service of the institution. As managers it is critical to keep an eye on both markets, fundraising in terms of both public donors and public contributions and grants, and ensuring that the service I am delivering is aligned with the expectations of the donors. These two markets must be aligned; they have also two different types of propositions: the fundraising part may include experts and non-experts in the sector in which I'm delivering , and I have to make sure that their expectations are aligned with the service I'm delivering. The mission of the public institution plays a key role in this, because it is the thing that aligns these two markets. The mission is the psychological and emotional logics that drives an organization. It is not just the purpose, but also the strategy and the values. If the mission is stable and continuously followed I'm sure to ensure an alignment between the two markets. Through the mission I ensure my donors about my goal, how I will reach my goal and which are my values. If these three elements are kept straight I can ensure a balancing between the two markets. When we talk about fundraising in nonprofit institutions we must always have clear in mind this double market.
The first theory of nonprofit organizations is the one developed by Hansmann in 1981 and is the trust-related/contract failure theory; it moves from the assumption that the nonprofits exist due to a market failure that is based to a contract failure, related to an asymmetry of information and a lack of trust associated with it. In particular, associated with the fact that when the ultimate beneficiary of a service is unknown by donors there's an asymmetry of information, so I have to inform them about the impact of their contribution; when there is no direct connection between donors and donations' impact, when the recipients of the service are not who is paying for the service and who is paying for the service is not informed about the quality and quantity of the services, there's an asymmetry of information between the three parts involved that creates a lack of faith. Another case could be the one in which the provider of the service is a professional: how can a recipient fully understand the quality of the service he's receiving when the service it's really complicated and professional? The recipient must trust the provider of the service It's important to overcome this contract failure, so the fact that a lack of trust limits the delivery of services, through provisions of standards of quantity and quality in the

provision of goods and services, that could be in a way connected to the need of being transparent to the donors and the recipients; this is clear if we think about the double market. In order to make sure that my services are understood by the donors and are understood by the recipients, because the first provide me the means and the second provide me the reason of my existence, I have to provide not only services but also some standards of quantity and quality; in this case the non-profit form is perceived to be better than the profit one because the non-distribution of profit constraint ensures higher level of trust from the donors' and from the recipients' point of view; considering that the ultimate goal of a profit institution is the generation of profit, they may be considerated less trustworthy than non-profit organizations. Some critical aspects connected to that are that if the problem is related to trust governments should be more reliable than anybody else, and another element is related to the fact that the non-distribution of profits is difficult to be considered an unique and only insurance for the nonprofit organizations.

Another theory is the so called entrepreneurial theory; considering that the nonprofit sector is having a social impact it's important to involve some of the characteristics of the entrepreneurial activity; instead of looking at the demand side it looks at the supply side, so not at who is receiving the public service/goods but at who is producing them, and it's comparing the maximization of profits to the maximization of social impact behind the existence of nonprofits institutions. Entrepreneurs create value, they are able to generate value for the community and the society; nonprofits are generating value for the community and the society also. Entrepreneurs are also innovators, introducing new goods and services can create new value for the society; nonprofits can also be innovators, of course. Non-profit institutions have proven to be supporters of innovations within the community; talking about social innovation, many innovations came from non-profit organizations and social entrepreneurs. In a way, the definition of social entrepreneurs reflect the modern social context, the need of social innovation and generating social value within the community and also the definition of social entrepreneurs, that want to maximize non-monetary benefits and want to promote the creation of social value, combining the service and product delivering with a social message, with an ideology. Social entrepreneurs are not simply delivering products or services but are combining this idea with that of producing certain objectives. The characteristics of social entrepreneurs are five key elements: motivation, innovation, resistance, profit and link to macro-level change. Entrepreneurs other than producing value and innovation are also agents of change inside the community and in particular if we apply this idea to the social entrepreneurship we see how the motivation is not related to the profits but to complex motivations summarized in the mission of the NPO. Even the concept of innovation for them is extremely complex and driven by the mission. Innovation, the combination of innovations can produce social change and a social impact in the society; they can bring innovation in terms of the way in which the organization is organized, funded, in the way they deliver the service, in some legal implications regarding it, even in terms of acquiring resources for production or in the method of production. There is definitely a resistance in developing and promoting social entrepreneurship; there is a way of profit that are reinvested in the institutional objective and in the mission of the institution, not only the distribution of the profit but the reinvestments of the profits in order to create further value inside the community. Of course, the micro-level innovations have an impact also at a macro-level, because small changes can easily bring bigger ones. Being a social entrepreneur is a representation of the nonprofit sector because it takes risks of making an activity, it anticipates future needs of the society and what could potentially be the needs that must be met in the near future inside a society; they create value, they are innovative and are capable of generating change at a wide scale.

Another theory is the stakeholder theory. It's based on a mix between the previous two, between the information asymmetry and the social entrepreneurship. It moves from the assumption that nonprofits are created not by social entrepreneurs or by governments but by consumers and other stakeholders in order to maximise the control of goods production to face information asymmetry; some nonprofits have been created because recipients felt so strongly about the quantity and the quality of the services and the moral hazard connected to the production of these public goods that they decided to be directly involved. In order to involve them, given that nor the public nor the private sector could involve them, the nonprofit sector arrangement was created. It is related to the fact that nonprofits can involve and use in their activities volunteers. People feel so strongly about the importance of the delivery of a public good which can't be created by profit organizations nor by the government that they donate time, skills, competences to nonprofit organizations who are meeting the needs of those

in needs and are giving them the possibility to cooperate in the mission of the organization. The reason for the existence of nonprofit organizations then is to give the civil society the possibility to engage in the production of goods and services for those in need.
One of the last theories is the so-called interdependence theory, that in a way is opposite to the market failure and the government failure theory that says that nonprofits exist only when the public sector fails, but the voluntary action happens for people's natural tendence to collective action and a sense of social obligation. Because of lower transaction costs, voluntary organizations typically precede the actions of the government in addressing social problems regarding social welfare. These lower transaction costs are due to the decision making, the funding, the involvement of the stakeholders, the provision of the service being more quick to be made in the nonprofit sector. But the interdependence theory moves from the assumption that the nonprofit is not intervening just where the public sector is failing, but is intervening in support and in cooperation with it for the delivery of the services. The nonprofit sector cannot be the only one intervening, because the double market constraints created by funding and willingness of the donors, and the support by the volunteers, mean that the provision of the service faces a voluntary failure, the failure of voluntaristic activity, while the intervention of the government is guaranteed.
Then there's the social origins theory. It starts from the recognition of the relationship between the public sector and the nonprofit sector in the provision of welfare. In a way it is built on the interdependence theory, and it tries to explain the existence of the nonprofit sector through four regimes of nonprofits organizations, according to two elements: the government spending for welfare and the magnitude, the scale of the nonprofit sector. In each of the four regimes identified there's also a particular role played by the state and a particular role of the nonprofit sector. The development of the nonprofit sector may be influenced by many factors: cultural and historical reasons and governmental spending for welfare, for example. On the other hand also governmental spending for welfare is dictated by social and historical reasons; there are countries where there's more space for the market and the government spending is low and others in which it is extended. If we have a low non-profit sector and a low government spending there's a statist regime: here we have a good statal bureaucracy which controls social policies but provides only limited government welfare protection. In these cases since the middle class is weak and the working class is divided it is difficult for a large and structured nonprofit to emerge. An example of this regime is Japan and most of low-income countries and transitional economies like Latin America or African countries. There's then the liberal regime where the non-profit sector is large and there's a low involvement of the state; here the middle class is well-developed and the role of the state is limited, with the private initiative is welcome. Voluntary initiatives are preferred to state intervention to resolve the social problems. On the other hand if we have a large nonprofit sector and a high government spending we are in a corporatist regime, characterized by a situation in which the government cooperates strongly with the state and the nonprofits are deliberately supported and preserved by the state because they are considered the key to provide a state-sponsored welfare system; in the corporatist regime the high government spending is channeled both to supporting nonprofits and to directly providing services. When we have a small nonprofit sector and a large governmental spending we are in a socio-democratic regime; typical in countries where traditionally the role of the state is significant and the working class groups are strong. The third sector is very limited and the main service provider is the government. The role of the nonprofits is to fill the gaps of a non performing welfare state: wherever the state is not intervening the nonprofit is.

WHAT IS FUNDRAISING

Fundraising is a very difficult word to define, because like every word in management many scholars gave many definitions of fundraising; there are thousands of definitions. The narrow definition of fundraising is that it is the management of relationship between a nonprofit organization and its various donors for the purpose of increasing gift revenues to the organizations. We don't have to sell nothing, we have to solicit gifts. The gift revenues are a part of the contributed income [definition], which predominantly includes grants and gifts. We are not speaking about fundraising but we have to talk about development: fundraising Is just the act of raising money, but portraying the fundraiser as a person who just raises money is not enough; talking about the development, we talk about two sides

of the coin: to care about the development of needs of the beneficiary, and to take money for the development of the organization, that means that we are looking at multi-year gifts. This is the reason why we speak about development instead of fundraising. Taking a broader definition of fundraising we may intend also some resources which are priced, like sponsorships; in this case we are speaking about fundraising as something including some money which are labeled as earned income, which are revenues that come in the organization because they are earned by the organization; the second point is that the all these activities to raise funds are currently named as advancement, which means a director that is in charge both of the marketing, development and fundraising division. That is a way to understand that organizations are conceiving fundraising in a very broad way.
Marketing may not be different from fundraising: if you are engaged in speculative fundraising, so building a relationship with the donor which is more transactional, focusing on selling something with an organization more focused on exchange, we may say that marketing is not very different from fundraising. But the major part of activities in development are different from that; hence, we are more prone to see marketing as different from marketing; first, because donors may not be users and may give money for free, without having something in exchange, even if it is quite unlikely in the arts sector; second, and most important, is that the fundraising does not aim to sell, communicate or advertise but to build relationship with donors, which means that a fundraiser must be good in relation building and must have some tools and practices to sustain this relationship. In marketing then the corporation designs a product in a way client wants, they adapt the product to the users' needs, while the fundraiser is asking for money for the needs and, above all, for the mission of the organization; nonprofits are mission driven, who donates does not donate in exchange for something but because, as a donor, he wants to fulfill the needs of someone else; the fourth point that labels this difference are that marketing gains unrestricted revenues, meaning that with those revenues one can do whatever he wants; otherwise in fundraising the funds are restricted to a certain project, to a certain set of needs, so they are restricted and designated revenues, but there can also be unrestricted gifts. There are also different types of revenues, like operating funds that can be spent for the operating of the organization, then the endowment funds that the organization have to keep within its assets, and are typically shares or pieces of capital, and that any type of funds like cash, in-kinds, and then also accounts receivables or pledges which are contracts and promises to give money from the donors.
Marketing and fundraising may be different but they are engaging at any time with each other. At the very center of the focus, of the arts institution, there should be the arts production; everything starts from it. It must not be good only in its quality, but in all its social aspects. Artistic directors are there to plan the art in advance, because it enables marketing and fundraising directors to plan their managerial activities in advance. If you have a good artistic direction you will have the basis for good marketing and good fundraising. The reason of existence of the organization is the arts production, then comes the marketing, which is divided in institutional marketing and operational marketing (box office); institutional marketing is very connected with fundraising, because the better the organization is perceived the higher will be the probability to receive more funds, to increase the likelihood that the so-called external family will donate more if they understand that the organization is good in terms of their mission and not only to increase the direct box-office revenues. In this case the development director intervene in nurturing the external family, starts to create the link between volunteers and donors, enabling the organization to get more secure contributed income. Changing the words, this model can be useful for every single organization in the nonprofit sector.
There are some important principles to raise funds, which are very practical. The first thing is never to forget our vision. For any development director to keep in mind the vision of the organization is a very important point; the vision and the mission are the possibility to have some rules in the behavior of the director. In reality, these concepts are very concrete, these are rules that should be influencing the behavior of the staff and of the managing director. The vision of the organization is composed by two elements: the core ideology and the envisioned future. The core ideology is the identity of the organization, it includes the core purpose of the organization and the values the organization follows; in order to understand and to share the mission and the identity of the organization we have to look at the organization's history, and the mission of the nonprofits organization must say which are the needs of the beneficiaries that the nonprofit is trying to fulfill; in other words, it must say the outcome of the organization, and the impact that the organization can have on the community; the mission is not a program, it must be a final purpose. This is really important for fundraising to attract and motivate the

donors, which will be more motivated not because of the staff or the activity that they do, but because of the purpose that they have. The five why's rule is the rule to understand what is that thing that is motivating: if I go on asking why to my staff, my directors, etc. the purpose of the activity will come out. Core values are the rules according to which the organization rules: it is important that these are limited, we have to be honest, a list of ten thousands values is not a managerial tool, because they must be few to guide the directors in terms of how to behave, how to raise money, how to manage the organization. Once the mission is fulfilled, what would be the future of the organization and the future of the world? This is an important part and it is the envisioned future, composed of the vivid description, which is the most lyrical part, and the strategic goals, which should be measurable, straight-forward, and audacious; people don't give money to losers, and this is a real problem with nonprofits in Italy because they are practically begging; people don't give money to the organization which begs, they give money to the organization that is bold and brave.
The second thing is that people give to people for other people. It means that people do not donate to institutions, people donate to people, because someone asks, because they know that some other people have contributed to the organization, and it means that in the fundraising we must be personal, above all for other people. Give money to an organization is less effective than asking for money for other people. Of course this influences also communication, because when we have to define communication in fundraising it's always better to have people.
Third thing, the closest and the wealthiest should give the example. A successful fundraising starts within the organization; it starts on having information within the organization about the board, the staff, the most important donors, in order to secure the major gifts more than the huge crowd of people. We must start from the closest and the wealthiest. A very big role in donating is played by imitative behavior, so we must communicate who are the donors, those who are close to the organization. The board members should give, get or go away. The development director is prospecting to the board members opportunities, because they can contribute, and so this is the way that they should approach these people. In our culture it's always the opposite, because the board members are more donors who are doing a favor to the organization than the contrary. The donor pyramid gives an idea on how the donor base should be; It should resemble a pyramid with a lot of first time donors at the base and some major gift and principal gift donors gathered at the top. There is like a rule that the 20% of the wealthiest donors and the largest contributors should cover the 80% of the contributions. Fundraising relies on this benchmark. If the donor base is quite broad at the base but very limited at the top, or it is very limited in number, it's a problem and you should launch a major donor program, insisting on creating relationship with major donors, while if we have very few wealthy donors and few first-time donors we must enlarge the latter, because if one major donor is not renovating its gift the organization is in trouble.
The fourth principle is that successful fundraising is the right person asking the right prospect donor for the right amount of money for the right project in the right way at the right time. This is labelled as the six-rights principle. It means that there should be a match between the donor and the person asking, but it's not given that the development director is the one asking for money; if someone's has a better match, they should be the ones asking. Many resources should be spent to understand if a donor is the right one, to understand that they are the correct person to which propose the right project; we must segment the donors, give to everyone the right proposal, ask to everyone the right amount of money. We must ask things in the right way and at the right time, so we must understand which these are. It tells a lot about how a fundraising unit should work. This sentence tells how difficult it is to have money in the organization, because there are many different things that should work to achieve the objective.
The fundraising programs in order to raise money are structured first in order to grasp money from individuals, with programs like the annual campaign or the membership program, which are the direct response fundraising asking the people to respond to this solicitation. Then there's the major gift programs which includes the planned giving, i.e. a gift which is accorded to the organization now but will come only in the future. Fundraising programs directed to the organizations are the corporate programs or the foundations and government fundraising, which are a little part in the US. Then there's a mixed program that address everyone which is capital and special campaigns.
Fundraising for each program should build a fundraising plan and a fundraising schedule, so for each program there must be a plan in terms of money and donors, with goals and actions to be taken with

the right timing. One of the worst mistakes is to fail in the timing of the campaign and avoiding overlapping and over-stressing the donors.

THE CASE FOR SUPPORT

Being able to develop a case for support is one of the most important things in fundraising. The case for support is the argument for what you're asking support, and it always relates to a cause being served, to a social problem, to an impact and an outcome that thanks to the arts you want to create in the community. It may also be related to the innovation in the arts but in general terms it should be able for the community and should inspire and motivate people to give. In framing it we should consider what the donor is asking us indirectly, what they're interested in it, what are the things that the organization will do to meet the needs of the community; so: what is the mission of the organization, the need I want to tackle as an organization, and the way in which I'm going to do that.
These types of impact that you can "sell" to the donor should rely on studies and researches about the impact of the arts and are for example educational and personal development, basing on the idea that being exposed to the arts is a good thing in terms of education and personal development in many ways. Another thing is social cohesion, being exposed to the arts pushes people to be socially more involved and more participative in the society, increasing for example civic participation, the volunteering activity and the collaboration; there are so individual outcomes but also social outcomes. Arts have an impact also on the mental and physical health of people, decreasing for example depression or creating a higher level of happiness and impacting also on the dietary behavior of people. Last but not least the arts improve and influence the innovation and cohesion between individuals and thus stimulate the economic vitality creating social growth, and increase of tourism and benefits in the hospitality sector, real estate and so forth and so on. These are all the case that we can rely on to ask support money for the arts.
There's a difference between the mission and the case for support. The case for support is not a statement, is a practical thing, is a practical objective with practical features. It poses, under the umbrella of the mission statement, some very concrete arguments. The final aim is to create a compelling argument that rounds the rationale, the reason why the donor should give to the organization.
The case for support can be expressed both with an external case, or a case statement, and with a case expression, or a fundraising proposition. They are quite similar, we are always speaking of the case for support.
The case statement is a document that is describing what is the case for support in general, to explain why we need money and what the nonprofit is willing to do; it's quite a general prospect and has to be written for the donors, but without differentiating between types of donors. There is some differentiation, but it should be like a silent salesman for the organization, because in order to write it one has to put himself in the shoes of the donor. One should at first focus on the problem and on the trends affecting the problem, to make the situation more understandable for the donor; then it should focus on the credibility and on the distinctive value of the organization: it should express the history of the organization, the results, the capacities and the organization to convince the donor that the organization is the best possible opportunity in solving that problem. And then, of course, it's important to explain the programs and solicit the donor. We have to play with reason and emotion in writing it: not too emotional and not too rational. Emotional means soliciting emotions through urgency in the storytelling. We have to write the case statement keeping in mind the donors' point of view, using rational and emotional triggers, giving credibility to the organization, we must use quotations from beneficiaries and supporters, use images in order to create a story telling. Even in written documents, we are trying to establish a relationship, to tell a story including the donor.
The case expression is a shorter version of the case for support, it's a fundraising proposition, it's for soliciting the gift and it's targeted to specific kinds of donors. The components enlisted are quite compressed, it's not a document or a report, the case expression is the headline of the campaign, what you say in personal solicitation. It has to speak both to the mind and to the hearth, and you must state the need, say what is the solution, how the donor can give now to impress urgency. Another way to frame it like: we have a vision, there's an enemy which is not enabling us to achieve our vision, so there's a hero which is the organization and the donor to solve the problem for the recipient.

THE DONOR

When we speak about the donor's profile there's no magic button. There are some common profiles but the golden rule is that as an organization one must come up with its own profile and information on their own donors and the ones they want to target. Talking about gender, men tend to give more, but these studies are biased by the difference in salary; we know that women are more likely to be, so they are the best target to reduce the risk of getting a no. This is because they tend to be more empathic and they are giving because of the effect of their impact; they're more concrete than men that may donate to more abstract reasons. Women are quite interesting as a target and many arts organizations are creating special activities especially for women with specific proposals and programs. The older the people get, the more probable it is that they will donate: there's a 30% increase for every 10 years, so targeting also in age is a useful tool; people in the 50 tend to be the best. Giving is related to education: the more educated, the higher the size of the gift. Married people give more, but widowers are more likely to give, as well as people with children. Those that have higher salary can give more, but those that have a lower income have a higher level of willingness to give; this is something interesting because it tells that we have to ask according to individual needs. People that are employed give more than unemployed ones, and self-employed are less willing to give than those employed by an organization. Home-owners are more willing to give more than those who do not.

Motivations to give for the donors are a mix of extrinsic and intrinsic motivation. One donor has a set of motivations that might trigger gifts. Extrinsic motivations are connected with types of material and concrete benefits. A gift might be triggered for example offering some benefits, or leveraging on the give back feeling of the donor: they have received a material benefit and they want to give back. It may come from social recognition and social norms, for example leveraging on rules of the community that make the donor feel part of the community; the donor feels from the outside the pressure of giving and in the case expression one should stress this. Then there are of course tax benefits and in memoriam, that can motivate people. There are also intrinsic motivations that come from the emotions or the values of the donor; in the case for support we may anticipate the emotion that will come from the gift. It may be that they donate because they feel proud or right, but they may also feel negative emotions; anyway one should be careful in stressing negative emotions because the donor should feel a sense of relieve in donating, so positive emotions. They also may feel empathetic.

Above all, what is very important is that people give because they've been asked personally: because we got their attention. We should get the attention of the donor, not only through advertising and communication but also in the way we communicate to the donor. One way to get the attention is to create and build a discussion around something that is relevant for the donor, and that is close to his or her personal interest, we get his attention. Another way it's that we should pose them questions, make them reflect, to get their attention and to attract them. We have also to make them feel pleasant, to make the relationship pleasant. We must give information that are easily to process, otherwise we won't get their attention: make it simple and straight-forward. We have also to surprise people, our claim should be surprising, not shocking but interesting and new.

The new generation of donors do not change very much from the older ones but some changes are in act: technology is more used, so the way to communicate to these targets is through technology in order to address them; they are more sensitive to storytelling than previous, so narrative is quite important, and they are more prone to volunteering, but it should be spot volunteering, activities which are quick to do and short-timed. What's interesting in technology and social media is that the website of the organization should not be complicated and should be easy to understand and to use.

A study has portrayed the 7 faces of philanthropy, a tool that helps to understand the various nature of the big donors; anyway, this profiling works also for small size donors in some way. The main types of donors are, first, dynasts, who are people that are used in donating, which is a family tradition; for them, it's common to donate or to give to nonprofit organizations. Typically, they are the most selective and use outside references to choose the right nonprofit organization and don't seek formal recognition. They are focused on people that are helping other people, and we have to use language focusing on tradition. For them, donating is quite common and comes from the family.

Then, really much in the arts are socialites, which are people that donate to establish social relationships, they want to have social experiences, are involved in fundraising events, want to be recognized and above all they want to have social recognition. We can "use" them as fundraisers, as a development unit, they are the best ambassadors for the organization as they are embedded in social networks, they are the best donors to involve in our investment campaign to attract new donors or to motivate the current donors. It's really important to foster the recognition of the organization and of the other donors, because the most important thing is to socialize. These are the ones that need and want to be followed and pampered more, with a specific narration on them.

A completely opposite profile is that of investors, which come from the business community and cannot shift from the business environment in the nonprofit one; even if they're giving, and with a generous drive too, on the other hand their business mindset and doing good is not that much important if compared to the business advantages they can have. They're interested in the exemption from taxes, they tend to put much stress on and be interested in the financial situation of the organization; spending time with them might be really a waste if you can't prove that. They want to know your impact, the return of their investment, information about what you did with their money. If our information system can provide us with these information it can be good to tackle them, otherwise not. It is important to say what the organization is doing practically. If we don't have the information this is not a good target.

Devouts are those that are giving basically to religious organizations. In some cases there's an overlapping between religion and the arts, and these are people that donate because that's a religious commandment, there's quite a moral obligation. They don't want to be recognized, in many cases they're anonymous, they believe that everyone should be treated at the same, they're not interested in controlling where the money are spent. The mission is what motivates them, the general cause that the organization is trying to achieve.

Repayers are those who had benefits from the organization in the past, also like ticketholders in the arts, so giving back to the organization is what drives them. The thing that really motivates them is the impact that the organization had on their life; on the other hand we might leverage on the benefit that actual users are having thanks to the organization. They are most interested in the type of service that the organization is providing.

The altruists are the ones for which doing good is right. Is not something coming from God, they're not influenced by the others but are really intrinsically motivated, they don't want social recognition but they're interested in dramatic stories, are those that give to emergencies, and donate for the joy of giving.

Communitarians then are interested in the benefits of the local community, and are very embedded in local networks; they are very interested in the benefit for the community and that's the trigger to them. They are not involved in boards nor interested in them, but want social recognition from the local environment. Creating a sense of community is important to reach them.

This is an important model to understand better the donor and what motivates him. To build a relationship with the donor it's really important to understand and identify the donor, because there's no clear model to do it. It starts from identification, then there's cultivation, the solicitation, the recognition and the stewardships: these are the five steps of donor relationship building process. The higher the gift we're asking, the longer the time it takes to build this relationship. If we are targeting big gift we have to cultivate the donor before asking.

The first step is the identification, and here comes the constituency model. This model says that we start identifying and collecting information from the constituents, those that have an interest in the organization for many different motives, from genuine interest to tax saving. It's of course our job to understand which is the movant. When we start the building relationship model we start from the inner circle of the organization and we move broader, with whom the link is very poor. We have to start from the inside and going to the outside in identifying donors and collecting information in them. The best prospect donor is a past donor or a member of the organization. Then we have to do a research about the donor. what is important is to have information about three things: links, abilities and interests of the donor. Of course, prior to that we have to get some contacts for the individual; so, first thing is to collect information about the donors starting from the basic and moving further. Then we have to understand which is the link of the donor with the organization, and if it's a strong one or not; we have to get the intensity of the link, its quality, and the contact he has in the organization: the type of relationship he has with the organization. This helps for the second step, which is getting its ability to give, the capacity of giving: in other words, its wealth. Third, we have to get its type of interest, so what

he likes, which is his motivation for giving and so on. Of course this is really very difficult to grasp, and this comes better from a conversation with the donor than from anything else. We could qualify a prospect donor, and that's called qualification of the donor; we can do that when we are trying to understand the capacity of the donor: here comes the 5 x 5% formula. In understanding what is the capacity 5 x 5% of the salary is quite a good estimation that can be used basically for any type of income in calculating the giving capacity also based, for example, on the real-estate value; of course we might be a little more profound and specific using different formulas according to the different types of income and wealth. Other estimations are those made using political contributions in one electoral cycle, or the annual giving, or the holdings in direct stocks and so forth, which are really something specific. To get all these data we may buy the dataset from outside, but these are cold data, it's not very good; it's better to focus on contacts that we know, because their relationship with the organization is not really strong; we might collect information from the inside and create our own dataset, which is a good thing. When collecting information we might just tell the peers (e.g. the board members) to fill a form asking to list what they think it might be a prospect, what they think they might be their interest and the relationship they have; or, even better, we might create a list of prospects which are likely prospects, betting on them, and asking the board members to tell us the information we need. This is quite interesting because if we provide them a list then for example in terms of maximum capacity of giving we might get a better estimation. Peer-screening is quite useful but there are other tools to get information, like pledge cards in which the donors give some info, the checks, online giving forms, and information given by events. Bought out sources are like electronic database screening or renting lists or swapping lists of donors with other organizations, but these methods are not really useful. In the donors' market there's some competition but not that much, because people are trying to help each other. Last thing in the identification part are that we have to pay attention to many things; first, data should be recorded inside the organization and not inside the staff, because if the staff leaves the donors must remain; conversational techniques might be useful, the development director must meet people and record them, he must fill a report with the information necessary. With theseinformation we must create segments and then we might have a differentiated action or fundraising campaign to target the various segments. For example, collecting information about capacity and strength of connection we can create a matrix to identify four categories and to manage the donors to make them change section, or whatever: we can identify many actions for the different donors.
After identification the second step is cultivation; we have all the information, we have decided which segment to address and we have to start the cultivation of donors. Arts organizations have a great advantage: the venue; we might invite the donor for some special visits or for some special moments in our venue: the goal is to get more information about the donor and to provide him with many information about the organizations and its programs. We can distinguish between discovery visits, which have the goal to get to know each other and we listen to the donor to discover him and to understand which is the capacity of the donor; cultivation visits are needed to continue to get information, without asking money, with a long process of cultivation. We then need to involve them, meaning we invite them to some special events, like previews or else, and then investing resources with this cultivation process of this donor. In the cultivation there are three Is: getting and providing information, involving the donor and invest resources.
Then we have the solicitation, we have to ask the donor for the money. If we did good in the first two steps the solicitation comes from the donor, he tells that he wants to give and just how much we need. This is the moment in which we need to ask and to understand whether we get the money or not. Fundraising directors are evaluated on how much money they can collect, so it's a really important part.
After this there's the recognition, so always thank you and recognize the gift. We can do that in many ways, like a phone call from the CEO or the staff, mentioning him in a press release or else. If we thank people after 48 hours it's not useful; we should be fast in thanking and recognizing; we have to give some recognition before 48 hours; after it will not have any effect. Thanking should be very fast, we don't have to wait otherwise it could be a boomerang and counterproductive. We have to do this because from the thanking of the donor we start to cultivate the relationship for the next ask, we lose a lot of work.

We don't have just to thank him but also to provide him information before the next ask: that's stewardship, keeping the link, telling him what has been done with his money, keeping the relationship.
There are some important laws to build power relationship with the donors:

1. first, relationships are based on great conversations, not on conversations in which you show off, it's a learning experience about each other;
2. we have to make the first move, we must ask at a certain point;
3. we have to know the other person agenda and help to accomplish it, we have to care about their money, it is very important to know their will and helping them to accomplish it;
4. we have to stretch ourselves with people different from us, with people we may not like;
5. integrity is really important;
6. we have to walk in other people shoes;
7. we don't have to be put off by an awkward start and we need to find something personal that connects with the donor;
8. we have to give trust to get trust;
9. we have to change the environment to deepen the relationship;
10. we don't have to wait to let someone know how important they are for the organization
11. we have to make them curious;
12. we have to keep in mind that enthusiasm is contagious but emotionalism is dangerous, so we have to be enthusiasts but not emotional, we should pose the donor in a positive environment.

THE ANNUAL GIVING PROGRAM

The annual giving program is the most important set of activities for a nonprofit organization; it's a broad range of activities that are different in size and scope: events, direct mailing campaigns, etc. It addresses different types of donors, not only individuals but also corporations and foundations, though most of the program addresses individual donors. These activities are planned at the beginning of the year and they are implemented throughout it; they are meant to solicit unrestricted revenues and gifts for non-specified gifts. The main purpose is to have unrestricted funds which is very challenging. Annual giving programs use the method of direct-response fundraising including four important elements: an offer, for which you solicit the donor giving them the opportunity to solve a problem or fund a project, nothing concrete, the solicitation; providing information; calling for action; giving the donor means to respond, which is very important. It is important to include for example the respond envelope, a card in which the donor can write its data, we must provide the donor the way to respond to our appeal. What is really interesting of this technique is that it might be labeled as scientific: thanks to the response, we might have some information back from the donor; we can calculate for example with the direct mailing the effectiveness of the solicitation in some ways, which is not so easy to do with events or advertisements for example; one thing that is really important is that once the donor responds from the solicitation we must cancel them from the solicitation list: we must not solicit the same people twice, because it is a huge mistake both in the relationship with the donor and from a financial point of view. The objectives of an annual giving program are retaining past donors, upgrading past donors and acquiring new donors. The first objective is to use as a base the past donors, the second is to take more money from past donors, and the third and most important requires to start again the process.
There are different programs within the annual campaign: taking as an example the MoMA there are the modern fund, which aims at soliciting unrestricted gifts; the international donors; the naming opportunities, giving the people the opportunity to name something inside the organization; the program support, aimed at funding restricted gifts at least for areas, asking to support specific programs.
The tools that we might use are very much. We might try personal solicitation, talking directly to donors; we might organize fundraising events aimed at making money; we might use direct mailing or emailing, with the first that really accounts especially for the new donors because they are much more effective than online emails; we can use text messages for small amounts of money; we can use advertising or free standing alerts, coupon inserted in magazines which the donor can tear down and use to donate; there's peer to peer fundraising, using people to fundraise for the organization; we

might use the direct dialogue in the street, which is quite common, or the phonaton, which means phoning to people, but these are required to use a lot of selling techniques because are very aggressive; the member-get-member campaign means using the donor to get other members to be ambassadors for the organization. To choose between the different tools we may use some metrics. The first is the expense ratio: we must estimate the expenses and the revenues we might acquire from that tool and decide on that basis; it tells us how many dollars we may spend for every dollar we may get. This gives some important information on what to choose and it may vary on the basis of the approach of the organization. Some other metrics could help to compare different tools and activities, like the response rate (number on gifts / total solicitations – the higher the better), the net income (contributions – expenses) of a campaign, the average gift size (contributions/donors), the ROI of the campaign, which is the opposite of the expense ratio because it tells us how much we get for every dollar we spent ((contributions-expenses)/expenses) or the attrition rate.

The direct mailing is not about creating a beautiful message per se, but it's about how to create a message and what makes the donor respond to your solicitation. For example, if we're targeting socialites they might not be so careful about the type of paper and the color, so that's quite unuseful to spend a lot of money on that; the most useful thing to do is to put ourselves in the shoes of the donor to see what can be useful and what may not be. Typically there are two rounds per year of direct mailing, in order to reach the target and reach our objective. All these envelopes come really close to Christmas; success factors are the list, who we target, the offer, the content of the letter, and then the creative presentation which is the least important factor. There are some pros of direct mailing: it is relatively inexpensive, it might convey the image of the organization thanks to the envelope and the letter, the letter has a long life compared to the email, it stays in the house of the donor so there's a likelihood that it may be seen many times; the letter can communicate complex and personalized messages more than other means. Comparatively to other tools some cons are that it could be easily ignored, it requires donor initiative, there's a limited ability to personalize it (above all in small organizations).

The solicitation package is made by an outside envelope, a reply envelope and a card, the solicitation letter and other inserts made to gain the involvement, maybe like invitations to events, any type of involvement, fliers offering an endorsement or providing further information, and things that create and incentive to respond, like a front-end premium (like a bookmark) or a back-end premium, which the donor will receive once the gift is made. The envelope must attract the donor, and not only the front must be used but also the back to catch the attention of the donor. The letter than has to be structured in a precise way; first of all there must be the stationery of the organization, just to give the donor an idea about who's writing, then the date and the addressee line, and here's really important because there must not be mistakes; then we start building a relationship with the salutation line, which must be personalized: the best thing is to write "Dear ~~Mr.~~, donor…" to personalize it. The first paragraph is meant to address the donor and get its attention, to test its knowledge and to tell him that we know him; we start the cultivation of the relationship with a letter, so it's really important to pursuit the objectives of getting their attention and making the need statement through a series of tricks; we need to establish a link between the donor and the institution, to recognize the donor's activities, and to use facts. The second paragraph must introduce the organization, give accountability and recall the problem; we must present the organization after having engaged the donor, conveying a lot of information. In the third paragraph we can use standard formulas to make the ask and say how the donor can make the contribution, and we may be also very general because we don't know the capability of the donor. Then we must make an effective closing, putting our name and the contacts of the organization. A strategic tool is the PS, which incentives the reader to go back to the content and read again the letter. This is a generic structure, so everybody knows this structure and it is quite common; so, competitors also know this and a good degree of originality is required. There are some other rules to create this letter, like the visual of the paragraph or the length: avoiding long paragraphs is useful and not going over a page is good. The style should be colloquial, simple and straightforward; we must keep always in mind how people read a letter, from the top straight to the bottom reading the PS and the signatory; the visual part of the letter is again very important.

Emails are increasing in their use as a tool, but their effectiveness is debated; anyway, they're really unexpensive if compared to letters. The subject line must get the reader's attention, increase the possibility that he or she will open the email, we must convey urgency and to do this we can use the name of the managing or the development director leveraging on his reputation to be more effective. The subject line must be very short, quite straightforward. The email is shorter in its format, so the opening personalization line will also be shorter, and can be formal or informal depending on the approach we want to take. The purpose is always getting the attention and making a link to the need. This has to be expressed just after the opening line. There's no space to describe the need as there's in the solicitation letter, in the email which is half of the letter the space is very limited. As the email is quite short also the request has to be quite simple. Emails should as an objective direct the donor to the online giving page of the institution; when we ask for money, we should include the link of this online giving page. The easier for the donor is the better: the donor must be directed directly to the giving page, where there's the ask for the credit card number; the fewest steps that the donor takes to give money online, the better it is. The important thing is that the email should direct the donor to the online giving page. Then it is good to close the email appealing the donor again and also we should personalize again the appeal and use the information on the donor to create empathy on the donor for the need. The signing off line should always be original. In the email there's no ps, because one reads it just from the top to the bottom. We must remember that we are addressing the donors through different channels but the content of the communication, the image of the organization that is conveyed through the many channels we use must be the same, even if the donors are different or the ask is different. We should always keep a certain coherence, adapting from channel to channel: it is the institution that is talking, so we have to keep some coherence and convey the same institutional image. Of course it is super important if we are targeting the same type of donor with many means. Last but not least a golden rule from Pascal: "I'm writing you a long letter because I don't have time to write a short one"; this means that shorter and straight-forward takes much more time to be written than longer letters, and we should always take into account this.

PERSONAL SOLICITATION

Personal solicitation is the daily bread of the major gift officers; under the development director people are connected to one specific target that they cultivate, like corporate, institutional giving officers, membership program directors, and major gift officers. These latter one work with personal solicitation. For an organization the major donors are not just the wealthiest, but are the richest among all donors, so it's a relative wealth. The ones that are substantially supporting the organizations are the ones that should be solicited personally. There are four principles that must be taken into consideration: we're not selling detergent, we are trying to build a relationship and we're suggesting these people to make the right choice; we don't have to impose something, we are not a salesperson though we might use some of their techniques. Second, we will not receive a gift if we send only a letter and we don't stand close to the donor: we can't milk the cow if we don't stand close to it. Then there are the four Es: we have to convey energy towards the donor, we have to convey the idea that we are positive and energetic; we have to keep in mind that a fundraiser should really be careful about the integrity in his behavior (earnestness); we have to be enthusiasts about our work, about the mission of the organization; finally we have to be emphatic, to understand the needs of the donor. Last but not least, we have to keep cool and never freeze: we are going to receive a lot of no, but that's not personal, it's related to the project and the organization, so we have to go on without taking things personal.
In soliciting gifts we must be prepared about the organization but also about the prospect, getting the information and having an idea about the amount one should ask; we may call the best prospects first, the ones that are more likely to give us a gift, because it is very motivating. We have to practice a lot before any action; it is not a friendship, fundraisers are professionals, it may be a warm relationship but it's still work. Professionalism is very important: we're not beggars, we're professionals. One thing that is very important is to call the donor to get a visit: we have to get a personal visit, we may send a letter in advance (but we have to do it personally, not through the staff) to ask to get a visit. When we call for scheduling a visit we should have a calendar at hand, smile when we talk to the phone, keep the small talk very brief and be upfront about the time needed: we must be focused, move the conversation and set the date. It is really important to effectively manage the objections the prospect may make during the call; it's important to maintain the goal of getting a visit, but it's also important to be careful and listen to the objections, understand them but try to stand on the objective; we have not to believe any false promises the donor could make: the likelihood of a donation is much more higher after the visit

than after a simple call. The last possible option can be doing the victim, but that's really the last option before giving up.
The visit must also be structured in a certain way: there must be greetings and small talks, then transitioning to the ask and after the ask there must be a moment of pause, to hear response from the prospect; then we must listen and respond to the concerns, then conclude and follow-up. We might want to go in pairs at least or as a team and decide roles, just don't go alone, we must bring someone for example from the board; it's best to meet in a silent space, like the prospect's home or office, or our venue, because there must not be interruptions in the process of bargaining nor interferences. Major donors give to bold, brave, audacious projects; we must establish a relationship by investigating the interest in the organization. We must probe for concerns, listen and pose open questions, claim the integrity of the CEO, keep eye contact and of course explain the case expression. When we ask for money it is crucial: the important thing is to ask, otherwise we won't get money; we can use testimony of our gift; we must be silent after the ask, we must keep cool and don't freeze; there are many reasons for a "no": we weren't the ones arranging the meeting, we were inadequate in our preparation, we didn't practice, we were anxious, we assumed too much about the donor, we listened poorly, we stressed too much on the features of the project and not enough on the benefits of the donor, we made a premature selling, or, of course, the fact that we didn't ask. We must test the concerns of the prospect, which can be about the institution, about the project, about the amount of money, about the timing or many other things. These are the four main types of concern that donors have. The best way of managing an objection is the so called feel-felt-found approach: it the answer is a doubt or a no, one might say that he feels the same way as the donor, that they felt it and that's a way to express empathy, and then that he found a way to advance the relationship. If it is a yes, thank the donor and go away, but then the day after we must thank again the donor, for example with a written personal note, a phone call from the ceo or any other way. A good thing to do is to keep a personal journal to see if things work or not, what one was effective in or not.

CAPITAL CAMPAIGNS AND EVENTS

A campaign is an intensive fundraising initiative designed to rise a specific amount of money within a given period of time to meet the asset-building needs of the organization. This is an extraordinary effort, on top of the annual giving program and the ordinary fundraising activity; this is an extraordinary activity and we have to check if the organization is ready for that. It has a beginning and an ending and what is very particular is that the deadline is explicated, thing that doesn't happen for example in direct mailing. There's a goal; of course, all the fundraising activity has a goal, but the difference with a campaign is that the goal is explicated: it is communicated to the public also to trigger new money from our constituents and from the prospect donors, and the goal is really effective in doing this. The campaign typically asks for money to enrich the endowment of the organization, which means that the money collected is needed for example to build a new venue. It is a capital campaign because we're meeting the asset-building needs of the organization: this is the final aim of a capital campaign. Universities provide a good benchmark and are really good in capital campaigns.
There are some different types of campaign. Also nowadays there are traditional capital campaigns as the one mentioned before, but from there other types of campaigns have evolved. The campaign risks to cannibalize the annual giving program and the normal fundraising activity to fund the operations of the organizations. The shift that is occurring is that when organization launch campaigns they launch comprehensive campaigns: the aim is not just to build something but also includes all the activity needed to fund the organization. Another shift, which concerns above all the growth of Internet and new technologies, is that towards special purpose campaigns, which funds just one very specific project. This difference is also related to the length of the campaign. A traditional capital campaign normally lasts 3 to maximum 5 years: a lot of money needs to be collected, so the length needs to be of years. With comprehensive campaigns we have an even longer horizon: they're planned to last 5 to 8 years, because they are also a way to rethink about the strategy of the fundraising. The special purpose campaign instead is really shorter: maximum one very focused year.
The main benefit of capital campaign is that of enriching the endowment of the organization. But also, a capital campaign increases very much the visibility of the organization; another benefit is to engage the existing and new donors in the life of the organization. Furthermore, a campaign gives the

possibility to change the conversation with the donor and the general public: if we want to reposition the organization, a campaign is a good way of doing that. Last but not least, what is really interesting is that if we launch a campaign there's a campaign premium in terms of money we will receive from donors: at the end of the campaign the level of overall donations will be higher thanks to the campaign. After the campaign, the ordinary fundraising activity will reach an upper point in collecting money, because it has reached more donors or it is easier to ask to the constituents for higher gifts than before. There's a value in terms of money that the campaign leaves in the organization.

A campaign has many phases. The first thing to be kept in mind is that a campaign has a quiet phase in which the organization is working and doing some activities like the planning but is also collecting money, so when there's the kick-off of the campaign which starts the public phase of the campaign the 50% at the minimum of the money has been already collected. From the outside it is not seen, but the nucleus fund has been already collected even if the campaign is published after. That's because a campaign must be winning; we must not publish a campaign to reach the goal, it must go over that goal. If a campaign is a failure, this will be a disaster for the motivation of the donors and for the life of the organizations. So, we must plan and create a nucleus fund to reduce the risk of not meeting the goal. The nucleus fund is collected either with actual donations from major and closest donors or also with pledges from them.

In the first base, we have to assess the readiness of an organization to launch and be engaged in an organization; we should explore among the major donors, the trustees, the board, the most close people if they're willing to do this, to engage in this campaign. We need to understand if we need the campaign, if we have a building or a project to be funded. There could be an outside pressure or an inside pressure to start a campaign, because of pressures coming from the audience or the public or from the internal needs or wants of the people inside the organization. First thing so is exploring the need, collecting the information and make sure that it is recognized by all the stakeholders of the organization. Then we need to assess the amount of money needed not only to build the venue, but also the amount of money required in order to operate the new building once opened the door; for example, these costs may include the utilities costs or the staff costs, maybe the maintenance. In a good capital campaign budget first must be considered the money needed to build the building, but also the money needed to operate it at least for two years after the opening. We need to calculate the impact on the operations. So we need to assess the organization readiness; considering that a capital campaign will consume most of the time of the staff and of the executive director, we have to be sure that the organization is ready to engage in this new project; we may need to hire consultants and we need to be sure that the development director will be stable in the organization. In the pre-campaign it is important to develop the case for support: in the case of campaigns we have to build an effective case for support and for campaigns typically the best form is a powerpoint presentation usable with the donors in order to get the money. In the case for support we should define the need and the internal and external pressures which are at the base of the project and in which we stress a lot the distinctive aspects of the project compared to the competitors. In the case for support what is distinctive this time must be stressed and highlighted. We end this pre-campaign phase with feasibility studies: after having assessed all these things, the readiness of everyone and having prepared the case for support we must basically hire a consultant which must engage in an extended and professional study to see if the opinion about the campaign is coherent within the constituents. Feasibility studies that ask for the feasibility of the campaigns are really important also to understand if the donors will donate; they are also important to know the opinion also of those that are more critical towards the campaign or towards the organization: there must be constructive criticism towards the organization. Most of the times the feasibility study confirms the assessment; this is because you don't engage in a feasibility study if the final assessment is negative: it is done to have some extra opinions, to change slightly the case for support and adjust the amount of money, to harmonize and have opinions about the campaign, not to stop it.

After the feasibility study starts the planning; this means we have to plan both the activities and the financial goal. With the campaign planning usually a campaign committee must be created; it is a group of people that will be responsible of some solicitations with the big donors, because the committee must be made of people who are friends of other donors which can cultivate them and make them willing to give money. The selection of the leaders is really important. In the plan, on top of calculating as a financial goal the impact of the operations, we must include the cost of the campaign.

A campaign costs in general, considering all the activities and the many types of solicitations, the 3 to 7% of the financial goal. Running a campaign is quite expensive.
Once planned the implementation starts. During the quiet phases a start date is selected and we start soliciting gifts from the donors, to see if they confirm the gift they said for example in the feasibility study. In this phase everything is about personal solicitation, the campaign is not public yet. In fundraising there's a thing called move management. If you have in mind to ask a sum of money you must make as much solicitation moves as the zeros of the sum of the gift you want to solicit. In this phase the campaign relies on the same principle of the sequential fundraising: top-down and inside-out logic. We want to gather the main players, those that donate regularly and include them in the quiet phase; but in this period it's decided, we can't go back, the campaign is already started. In the quiet phase we may ask also new donors. We have already set a date for starting counting the money and a date in which the campaign will go public: we must reach at least 50% of the money needed in this period of time. During this period we should also generate communication tools for the public phase and all the other activities like events, advertising and everything. The public phase starts with a kick-off event which is a big event in which the campaign ad the project are presented; the committee and the executive director should be invited. This event might communicate that a big donor have already donated in the quiet phase; that is something which can lead other people to give. After the kick-off event we continue soliciting the gift until the final push, which is a big event and a big communication campaign to collect the final amounts of money. In the end we must make a campaign closing celebration to communicate the victory; we should communicate a reached amount of money that is superior to the one set for the campaign. Also in campaigns for social causes or in any type of campaign it is really important to overcome the goal: this is not by chance, it must be planned. After the celebration the stewardship must be continued and the assessment of the campaign impact too, to keep the relationship with the donor.
The committee is a very important thing; having a committee that might help the organization in this effort is really important
Another thing is the recognition and the naming opportunities. These are really important for example for the major donors, which can be really interested in this. It's all about policies: we have to highlight, to write down which are the policies for naming, saying for example which is the size of the gift for what. It is very important that the gift linked to the name has a rationale, because there's a network among donors and we have to be very careful to treat the donors all as equals, meaning that some rules equal to everyone have to be applied. When thinking about a naming opportunity (which can be temporary or not) we have to think about some rational rules to establish the prize, otherwise it could be detrimental.
Important to be established is the crediting policy, the rules that accompany the gift. Giving concerns a contract, which is regulating the relationship between the donor and the organization; we must be careful in having this policy and this rule well done for a campaign and to be communicated to the donors. The rules can depend on the country and the different legislation. This is important also to keep in mind that fundraising is a professional activity, there's a professionalism which must be cared about and many rules that have to be followed to do that in a professional way.
Nowadays many organizations engage in crowdfunding, which is basically asking for money on the internet for a special project. This is a thing which capital campaigns can use to integrate other types of funding. Anyway, crowdfunding is not so clearly effective; not all that shines is gold. To be successful in crowdfunding we have to have in mind a very tangible project (it is not very useful to raise money for the general mission of the organization), we should be sure that the project is exciting, moving, funny, and that the existing supporters of the organization will spread the word about it; communication is really important, and it should be catchy and attractive. We should also be sure to have a pre-existing network to support the project, which means that we rely on the support of people interested in the organization or that are networked in the social media, so that they can reach other people on the internet.
Events must assess a goal, must have a purpose, with which I will also measure how successful will be the event. There are different types of events in which we have different types of goals, like raising money for fundraising events or increasing the list of prospect donors for identification events, but also communicating the mission of the organization for educational aims for education events to increase the donors' understanding of the organization and then to celebrate and recognize donors in

recognition events; raising money so it's not the only goal possible. These four types of events are really different in their objectives and so must be evaluated differently. Of course depending on that also the structure of the event changes and with that the critical factors of the events; for example, for an identification event the communication campaign will be really wide and we have to establish ways to collect the names of the people who come to the event. The anatomy of the event and the designing of the event must change depending on the goal of the event. Of course, it will create different costs and expenses. There are different types of events, which are for example receptions, meals, participation events which involve the donor in some activities and then community mega-events.
Events with different aims may be organized. For fundraising events we may decide to charge a ticket or to ask for a contribution. When asking for contributions, with events we are selling something: we are asking for example to buy something under disguise, which might be counterproductive. Events are tricky because if they are aimed at raising funds they are based on a more transactional do-ut-des type of relationship with the donor and this has to be handled with care, because stressing too much on the transactional part can be detrimental. In fundraising event so we can either sell a ticket or ask for a contribution to have something in exchange, which again can be a bit counterproductive. Fundraising events can involve a high degree of creativity.
It's very important to care about different aspects of the event, the anatomy of the event which is a list of aspects regarding an event to be cared about. It must comprehend the objectives of the event and, above all if it's a fundraising event, it's really important to think about who are the attendees and the participants connected to the objectives. The timeline of the event, the schedule of the activities the organizer should do is really important; depending on the event, as an average we should plan the event and the timing at least one year before: it takes a lot of time to start from the scratch to arrive to the finalization of the event. Another thing is the agenda of the event, which should circulate among the volunteers and the guests to tell what will happen in the event during all the length of it, explaining and making sure that the guests know what happens at which time. There are communities which are quite concerned about being on time, but whatever is the culture an agenda is really important. The site selection is also quite tricky, because it might take place in the venue or in another place, which has to be decided carefully because it should be reachable and comfortable: we must make a list of the places, their capacity and their renting price. The event must have an event leadership: it's really important to appoint a chair or a co-chair to a donor who will be the formal host of the event to make him involved in the event itself; of course this involvement should come with some money, he/she must make the example. The benefit of being the chairman is to have some type of public appearance, so there's also some extrinsic benefit that are linked to the event, on top of having the intrinsic benefit of giving something to the organization. Then there are sponsorships, which might be both from individuals and from companies. It's a type of fund that requires something back; when we speak about company we will give the possibility to put their logo on the communication or also, in some cases, letting them to promote in a very nice way a product on the site: it's not a donation, they want something back in terms of visibility. There might also be individual sponsorships from individuals that are recognized in a more heightened way in the communication of the event. They might be sponsored in terms of having a big recognition before the event. Food and beverage is really important, the success of the events relates on that and also on the transportation. Staff and volunteers must be highly skilled and they have to be professional in relating with the guests. Even the smallest things must be thought about: for example also the seating place is really important: it might be a trigger to enable relationship building among the donors. As a matter of fact, this is one of the exhausting tasks for which the organizers are really stressed about. In terms of the seating we might also think to sell or propose the tables closer to the podium at a higher price in comparison with the others in the back. It's a benefit that might go unlooked but is interesting to highlight that the proximity has a price and it's a special treatment. Of course on the basis of that the donation required is arranged. The events are quite tricky for fundraising because they are engaging also in this type of transactions. Events are very expensive to be organized, so in order to have a return on the investment we have to be sure that we want to make this investment. Costs are very high, and given that we should be sure that we will have revenues. Then there's the promotion, in which we have two moments: first, an RSVP must be sent at least 7-10 weeks before the event. The formal invitation then might be sent via e-mail but also on paper, inviting the donor 4 to 6 weeks before the event. We might want to use some

advertisements and communication, like newspapers, magazines or public service announcements, local radios that might talk about that. That's work of the press officer. In terms of newspapers we may not buy an advertisement space because it's quite expensive, but if we have a testimonial we might have a press conference or a press reminder, not many weeks before but some days before are enough: journalists work in a very swift and fast way. The event, among the other objectives, must increase the external visibility of the organization, so this might be a good choice. Besides being not much cost effective, because we're not sure of the return on the high investment, events are unpredictable and we must have a plan A and a plan B, especially if the event is at open air; there are really a lot of things which are unpredictable and that can go wrong in an event. Positive aspects might also be found even in disasters, like the enrichment of the list of the donors.

MEMBERSHIP PROGRAMS

After the gift, it is really important to recognize and acknowledge the donor and to keep the relationship with him both to update the information and enrich the database and to be able to solicit another gift next year and renew their donation. Membership programs are very good programs in order to keep this type of relation after the first gift. This part is really very important because there's a lot of attrition: there are a lot of donors which go away, and that's a big problem of online giving. Online givers and younger generations are less loyal than offline and older ones. Many organizations do not have the ability to keep their donors; keeping the relationship is really important, both because we know old donors and we know how to approach them, while for new donors we don't know. They go away first of all because the organization, in general, does not recognize enough the donor for the gift; another thing is that the higher the extrinsic motivation is, the higher the likelihood that the donor will quit is. Donors that are motivated by extrinsic benefits is conducive to a lower degree of loyalty, which tells that we have to rely on something else than the gift and the recognition: we must involve the donor. Another motivation is that they were not satisfied with the quality of the service of the organization or the service of the development unit, for example the organization of the events. They can leave because they were not aware about the importance of their gift, even if it was small, because the organization didn't highlight it, or because they perceived a too much transactional attitude from the organization, because they did not trust the organization after the first donation, because they missed a personal link with the organization or they were treated not personally, or because they were not engaged in organizational life. This repeats the importancy of relating closely to donors.

The relationship after the donation can be kept in many ways. First of all, acknowledging every contribution is really important, any kind of contribution, and to do it soon. Of course it is an acknowledgment which comes after the gift but there are also other ways in which a donor can receive recognition: naming opportunities, to say one. Membership programs and newsletters are important, as are highly personalized emails to inform him, invitations to tour the facilities and events or social gatherings and so on. We might also engage the donor in surveys, focus groups; this is important to involve the donor, it's not something that we ask but we communicate that we need their opinion. We might invite them to annual meetings of the organization. There are innovative soliciting methods like on-line ambassadors or loyalty calls, which means calling a donor which is quite close to the organization asking him to solicit a gift. In order to keep the donor close we might ask for new donations, a matching gift or a designated gift or a sponsorship, which are ways to raise more money but also to keep the connection with the donor.

We must measure our capacity to retain the donors and to do this there are some metrics. First, the attrition rate is the ratio between the donors that gave last year and not this year on the total number of donors, as to say the donors we've lost during this year. The retention rate then is the number of donors that gave last year and this year on the total number of donors, so it's the complementary of the attrition rate. These are two very simple ratio to establish the capacity to retain donors; we must confront these with the ratios of the market and those of competitor organizations. The donators which donated last year but not this year are called lapsed donors. Then we have the donor lifetime ratios, which basically measure the lifetime of a donor in the organization. There are different type of ratios like the individual donor lifetime, which is the number of years the donor has donated; summing all of them and dividing by the total of the donors we can obtain the average donor lifetime. We might also measure these metrics in terms of value: we can calculate the sum of all donations of a single donor, which is the single donor lifetime value, or the average of all the donors, namely the average donor lifetime value. These last ones are really complex to be used but the normal lifetime expressed in years is not and is really important to be known. That is important because if we know that the donor has an average lifetime we can plan all our building relationship process with this time span in mind and adjust ourselves to that. Another measure to retain donors is donor satisfaction, which can be measured through surveys; it could measure satisfaction about the communication of the development unit, the content, style and tone of that communication, the different ways in which donors can interact with the organization, the way in which issues or complaints are dealt with or the perceptions of the package of benefits that may be offered. Basically we're measuring the work of the fundraising unit. We must measure things, otherwise we're in the dark and we don't know where we can head to.

The membership program is quite a clever way for two things; they are basically a community inside the organization. The first thing is to acquire new donors from the audience: we have ticket holders which we want to cultivate in order to create new donors, so we propose a membership paying a small fee, having some benefits and using this to cultivate them and creating new donors. We are educating them and supporting them in thinking to the organization as a mission driven organization which is doing something: the relationship is no more the bought of a ticket, but members which care about the mission of the organization. From ticketholders and clients to donors, that means people involved on the organization. This might be seen as a journey from a very transactional relationship to an involvement as active donators. Through the membership program then the development director has a very nice tool to fish people who already had a relationship with the organization and change the relationship with them, making them informed about the outcomes of the organization; this means that we have to have in mind what is our mission and everything, but this is the rationale of the membership program: transform people from customers to donors. The second benefit is that through the membership program we can ask members to upgrade their donation; the donors are structured in levels, from the broader base to the small amount of major donors, so we might ask the members of the lower levels to take their gifts to a higher level. That's something like an indirect, nicely communicated solicitation for new money.

There are three main elements of a membership program: the benefits given to the member according to the fee they pay for the membership, recognition and involvement in the organization.

We have to take into account all of these three components to build an effective membership program. Benefits differ according to the different levels, and there have to be very extrinsic benefits; the way in which the benefit is structured is really important. A successful factor for a membership program is to have a simple structure: not too many benefits, not too many levels. The second thing is that in terms of benefits we must be very creative. If we want to appeal a ticket holder we have to be also distinctive from our competitors, either in the labels but also in terms of the concrete benefits. Involvement is important: for all the members, on top of giving benefits, we might articulate a different type of involvement, like events directly aimed to members. We might create a newsletter for different members inviting them to different happenings. We might also think to include, as a benefit, some type of event, at some levels of membership. Recognition is the last element, but not least. The communication flow that might be used is typically a phone call or an email within one day, sending an acknowledging letter or an invitation to an event, sending a letter from the executive director, or else. There might be also space for permanent recognition like naming opportunities. A special communication flow must be used for new donors' acquisitions: first, contact information must be gathered, then emails and letters must be sent proposing the membership program. What is tricky here is that the timing has to be coordinated with the marketing and commercial unit, to keep the balance and find the best timing to acquire ticketholders as new donors without cannibalizing the communication efforts.

As the audiences are aging, organizations are engaging them with planned giving; so, planned giving societies and programs are being created. They must be (of course) handled with care because they deal with people's legacies and because organization often receive assets from them. When inviting the donor to consider this type of donations, it is important to always check the messages with the target, because it is sensitive content; board members, staff and volunteers must lead by example naming the organization in their will. It is important to introduce smoothly this opportunity in annual communication or newsletter. Soft solicitation is the best way and it is also important to have the support of the legal office; people do not consider that they might have to do a will to give to the organization, but telling them that there's this possibility might be really important.

CORPORATE GIVING

We don't have to rely too much on corporations and corporate giving because looking at US data the corporate giving to nonprofits amounts as an average of 5% of total giving, the 80% being covered by total giving. It is true that these figures do not include sponsorships or cause-related marketing, but looking at these two their value is really low. The total contribution comprehensive of these is around 6-7%. We must not believe that corporations are a golden solution in fundraising. In Italy and Europe, where Npos rely much more on governmental funding it is even less. Another stereotype to be avoided is to look at corporations as entities, organizations that we might think to be the recipient of the fundraising; of course it is important to find a match for example with the strategy of the corporation, but we are still cultivating a relationship with an individual acting on behalf of the corporation: it's still a person withing the organization, thing that complicates really the fundraising process. We must take into account also the characteristics of the people we are cultivating: there's this double level that has to be kept in mind.
Accepting this, the main motivations why companies give to the arts and the nonprofit are, first, connected to some types of benefits the corporation can get from the donation or the sponsorship; all these are put under the umbrella of the corporate productivity model, which includes all the motivations connected to some type of tangible or intangible benefits, like an increase in revenues or reputation, a brand improvement or even in their profitability and a decrease in some costs: the first three being quite simple to understand, the latter two are a bit more complicated. Some gifts might decrease some types of costs which would be higher if the organization was doing the same activities in-house (think about grants for research).
We might have however other types of motivation; entrepreneurs, especially those small businesses who operate in a local area, give because of altruism, because they want to be good citizens in the community. They might give because they are communitarians, so they want to give for the welfare of the community; this is another big motivation and this should be relied on especially for gifts asked to small businesses in the community.
Another motivation which is quite controversial is the political model; the motivations connected to politics are those motivations connected to the reduction of the bad image or of the negative consequences that the operations and the activities of the organization are producing. This is the case for example of tobacco and oil companies, those that pollute the environment and harm the citizens' health. One way in order to improve their reputation, to also avoid pressure from activists or governmental agencies, is to give to nonprofit organizations so that this pressures are relented. It is a quite controversial motivation because it poses some ethical questions: should arts institutions accept or refuse these donations? There's no clear solution for this. What one might be careful about is to be prepared and to write down a policy about gift acceptance, so that one might state that he accepts or not the donations from this type of organizations; this is a way of resolving conflicts in advance. Agreeing about a gift acceptance policy means facilitating the solution of controversies about these organizations' donations. The pressure on one side is to get the money and on the other on what these organizations are doing, so the acceptance policy is useful to solve this. Another thing to be made to avoid controversies among the community is to involve the board of trustees and the decision makers into the decision before agreeing with the partner. Not to do this would be a big mistake. It is very important to include in this decision the governing body for the problematic cases.
Another motivation is connected to the stakeholder model, connected to the fact that the company wants to benefit a specific set of its stakeholders, like the employees, some clients or the shareholders. It's not a matter of branding or giving back to the community but just a matter of having a benefit for some of their stakeholders; maybe giving to an arts organization or a nonprofit might be useful to increase the motivation of the employees. It may be useful also to attract new stakeholders, they might use the arts' institution for this aim. These motivations connected to the fulfillment of some needs or the desire to support some set of stakeholders are kept under this umbrella of the stakeholder model.
The ways in which corporations give are for sure cash, stocks or shares (assets), gifts-in-kind which are products given to the nonprofit for example for a particular event; corporations may give also staff time, which could also mean that corporations help Npos in building some capabilities; corporations

might create some fundraising events or initiatives within the organization itself: they might donate thanks to these activities, like fundraising initiatives among employees.

Sponsorship is a particular type of giving: it is not pure giving, the corporation gives some money to sponsor for example an event and in exchange the arts organization is using the logo for all the communication that the nonprofit is doing. There's a type of exchange when we talk about sponsorships, an exchange that consists in receiving the money with the obligation of putting the name of the company on the communication: there's a transaction between money and some extrinsic communicational benefit. Sponsorship is different from advertising: advertising is focused on a product, not on the brand of the corporation. The difference, in terms of proposals, is that to attract sponsors we have to rely on the mission and the project to be sponsored, while in soliciting advertising money the stress should be put on the audience that could be reached. This is not compulsory when attracting company, but it is when signing an advertisement agreement. There are also different types of office executives that are to be targeted, to satisfy the different needs of the organization. On one side the collaboration is based on a mutual interest on a project or on the organization while for advertising there's a mutual exchange, it's more of a commercial exchange.

Another type of agreement that might be included are licensing agreements; in this case the nonprofit lets the corporation use the brand or the logo or any type of thing to sell the company's product. In this case the agreement is based on royalties: the agreement is not on the quantity of sales that the company will have, but on a lump-sum in order to let the company use something of the organization. This is also quite controversial which can create some disagreement inside the organization. To associate the image of the organization with something which doesn't completely align to the values can be really controversial because of the conflicting objective. That's because for Npos there's more than the simple economic rationale to be taken into consideration.

One type of link can be cause related marketing, which is basically the use of the organization by a corporation to sell more products. This can be a win-win situation, because an increase in sales can carry some monetary benefits also to the organization.

As seen in general terms, when we speak about corporate giving we are speaking about activities which are really close to the marketing department; we have to keep in mind that speaking to the corporations we are speaking to people executives that are either investors or communitarians. This doesn't mean the relationship relies only on the commercial transaction, on the mutual extrinsic benefit that the organization and the company might accrue. There's always a dual motivation that triggers the corporation to give: they want to give because of the mission of the organization, but in their case the economic interest is much more important; no executive is completely altruistic, and that has to be kept in mind when approaching them for a donation. The relationship building process is influenced by that. Starting from the identification process, it is much easier to access information about the ability to give or the past donations, given the publicity of the information about the company. The potential fit is very important, and the interests of the corporation to give must be explored in terms of what the nonprofit organization might propose. In this case it's really important to be original when thinking about a potential fit with the organization; we might find more than one possible connection, given the interests of the companies. There might be a fit between what the sponsor is offering and what the organization is doing; we must go beyond simple connections and be original. In terms of the link, it might be with the company but it should be kept in mind that it is also with an individual: we might also think about the motivation of the individual, other than those of the corporation; there's this double level of motivation. In general terms corporate giving officers are also those that are embedded in the community, he should know which are the economic interest of that area, should speak the same language of the individual he's approaching, he should have familiarity with the environment and attend conferences with business executives. The corporate giving officers might be a little bit detached from the development unit because they are working with a different style from that of the annual giving campaign.

As we are speaking about corporate donors with a business mindset of course the solicitation must be much more structured and concrete than that of individual gifts. One should come prepared with a clear list of benefits, a proposal and the extrinsic benefits for the company. This is more similar to a commercial transaction. Also in terms of agreement, one should prepare the agreement with the legal office before the solicitation offer is agreed. Having cultivated the relationship and having been the solicitation a success, it's not finished: the individual is not the only decision maker in the company, it's

not like individual donors. It might not be sure that the gift will arrive even if the individual agrees with the gift; the consequences of this are that we should keep an eye and understand who are the decision makers in the company, to engage them and be more effective: understanding the decision making process inside the company is really important in order to address the right person and above all to be sure that once the gift is approved by him, it's approved by the company. Another thing that should always be kept in mind is that in speaking to the corporate staff with which we are in touch we might include some specific benefit for who is powerful in the organization. Third thing, as it is not sure which is the outcome, the corporate giving officer should have a very long pipeline, because the attrition rate and the number of denials is quite high: to reach the financial objective the pipeline of executives should be quite long. This is because the people targeted do not have the right to make entire decision, there are many aspects that can influence the outcome.
Reasons for failure are connected to the different language, culture, status, world view and bottom lines between organizations and corporations, for example because Npos are usually small while corporations are usually large, therefore they speak a completely different language with completely different objectives. Bottom lines might mean that the organization has stressed too much itself instead of the benefits of the organization, focusing too much on the social outcomes while the corporation is focused on something else. This Is a matter of shapes or views, meaning that to avoid the simple reasoning of corporations looking only at economics and npos looking only to social outcomes is crucial to be effective; it's not a matter of white and black, it's a mix of these things. Of course in targeting corporations it's more important the economic aspect, but that's not the only point.
Where the money comes from is also another important thing to be kept in mind: it means that different executives and different departments might have a dedicated part of their budget dedicated to sponsorships and corporate giving. Also, corporations can establish corporate foundations. When addressing a corporate foundation they have usually a budget for corporate giving, so they're less interested in licensing agreements and sponsorships but more in partnering for social causes. If aiming to the budget of the marketing unit it's better to propose something more connected to the commercial benefit.
The keys for success are quite repetitive: it is important to invest time and resources in prospect research, to align corporate interests and organization's needs, to focus on personal touchpoints and on individual motivations, to create value, to report impact and the return on the investment and to seek feedback and improve.

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