

FUND-RAISING CONSULTANTS: GETTING THE PROS, NOT THE CON

by Kevin A. Miller

A Pennsylvania pastor hired with high hopes a fund-raising consultant for his church. The previous year had been tough on the church. Local unemployment had soared to 26 percent. After nineteen years of meeting budget, the church ran a deficit of nearly \$28,000; only courageous tithing of severance pay by some who were faced into early retirement kept the shortfall to \$6,000.

The church knew it needed a solid financial base for the future, so it engaged a fund-raising consultant to lead a capital-funds campaign. "No problem," said the owner of the fund-raising company, a retired clergyman. "I'll find fresh money within the congregation, beyond what's already committed. With my trained staff of retired clergy doing the calling, I can promise success."

What he delivered instead, according to the pastor, were "additional expenses and lots of hard feeling." First, the consultant told the congregation to ignore any current financial commitments made to the church and pledge again, thus reusing previously pledged funds to make the new money raised seem greater. He ordered publications and materials, and billed them to the church without authorization. Finally, he misrepresented, or at least miscommunicated, his fee and billing schedule, and socked the church with unexpected charges.

The angry church dismissed the consultant and hired a different firm. This one, the pastor says, "has done a super job. They've been up front and honest; we know exactly what it's going to cost. I was unusually impressed with their evaluation of the church - no outrageous guarantees - and we're excited about the program we're doing together." The church's financial future looks bright.

Selecting the right consultant to lead a fund-raising campaign takes careful scrutiny. But finding a reputable and competent consultant is well worth the effort. Tapping their professional expertise, thousands of churches have constructed new sanctuaries, refurbished old ones, purchased land, and retired debts. "The church needs money to move," says one financial counselor, and each year consultants raise nearly a billion dollars in such "moving expenses."

Indeed, one factor complicating the choice of a fund-raising consultant is the sheer number available. The National Society of Fund-Raising Executives boast twenty-seven hundred members, and perhaps two thou-

sand firms work with churches. And this number does not include denominational officials who lead fund-raising campaigns.

A few firms are large, staffing several dozen consultants and working with more than a hundred churches during any given year. The vast majority of firms, however, are small, one- or two-person operations led by retired clergy or those who pastor part-time and raise funds on the side.

No regulatory agency governs fund raisers or sets minimum ethical standards. Despite the lack of controls, however, only a minute number of fund raisers could be considered unethical, according to people both within and without the industry.

Del Rogers, president of a Dallas-based consulting firm, says the horror stories stem not from malicious intent but the misguided content of some campaigns - programs relying on methods that create hard feelings.

As L.H. Coleman, executive vice president of Cargill Associates' church division, puts it, "The problem is not with integrity. The integrity level among consultants is high. It's the competence level that varies greatly." Every consultant considers his approach biblical, but some simply do not achieve acceptable results, or their tactics bruise parishioners. The critical issue for churches, then, is not so much finding a consultant who means well, but one who manages well.

The key in getting the right consultant is knowing what questions to ask **before** signing the contract.

Do We Need a Consultant?

The first two questions are "Do we need a capital-funds campaign?" and if so, "Can we raise the money ourselves, or do we need outside help?" The answer to the first question depends largely on two guidelines:

A church's long-term debt should not be more than three times its annual operating income. If, for example, a church's annual income is \$250,000, it ought to take notice when its long-term debt passes \$500,000 and consider \$750,000 its ceiling.

A church ought not spend more than 30 percent of its operating income on debt service (principal and interest).

If a church approaches either of these limits, then it's time to consider a major capital campaign.

The answer to "Can we go it alone?" depends on how much money needs to be raised. "If it's a vibrant church, if the pastor has some gifts in fund raising, and if the need is less than their annual income, a church might consider doing it themselves," according to Coleman. "But if a church needs more than its annual income, it needs a consultant."

A consultant will almost always help a church raise more money than it could on its own, for a number of reasons: the firm's experience, their

organization, the fact that most pastors don't have the time to devote to a major fund-raising project.

"The consultant becomes a catalyst," says Vic Pentz, pastor of First Presbyterian Church in Yakima, Washington, who recently began a capital funds campaign. "There's an aura about having someone come in from outside. It holds everybody accountable. You tend to work harder, to do things on schedule. Sometimes you think, 'Hey, we could do these things ourselves'. But you probably wouldn't."

It's not uncommon for pastors and boards considering hiring a professional to hit resistance.

"There's a lot of stigma in the church against a fund raiser," says one pastor who recently hired one. "The word conjures up an image of a fast-talking guy with a gold ring on his pinky." One pastor in the Southwest had strong support from his people to build a new building. The church hired a professional architect and contractor with little notice. Then it hired a professional fund raiser, and people objected, saying, "When it comes to money, we should trust God, not professionals." Pastors deliberating whether to employ a fund-raising consultant will need to factor in these emotional considerations.

What Can Consultants Deliver?

Without question, consultants can deliver dollars - lots of them. The average campaign raises between two and four times a church's annual income (in pledges for a three-year period, beyond what people are currently giving). Thus, if a church's annual income is \$150,000 it could reasonably expect to raise between \$300,000 and \$600,000 in pledges during a campaign, and would normally see 80 to 90 percent of that come in over the next three years. This two- to four-times ratio seems constant across the industry. Even those pastors and boards who want to estimate conservatively can plan on at least one-and-a-half times their church income.

The average works the other way, too. Though there are true super-success stories, like the church with a \$230,000 budget that raised 2.1 million - over nine times its income - these are exceptions and should be regarded as such.

What does vary is the percentage of pledges made that *actually come in* over the next three years. Three churches in a major southwestern city recently held campaigns of similar size, and each raised approximately the same amount in pledges. In one church, less than half the pledged money ever hits the offering plates. In another, less than a third of the pledges were good. In the third, about 90 percent came in. When each percentage point represents thousands of dollars, the pay-up rate proves crucial.

So when considering a consultant, one factor to check is not only the level of pledges a firm can boast, but the records indicating the percentage of pledges that actually came in. The better firms generally see 80 to 90 percent of their pledges honored.

Firms will not guarantee these averages or any dollar amount, so though you can expect a certain level of pledges, you cannot hold the firm liable if that level isn't reached. As one fund raiser explains: "We can guarantee we will lead an organized campaign, but only you people and the Holy Spirit know what can happen in your church." And it is probably to pastors' advantage **not** to insist on a guarantee; any firm that guarantees its results will be sorely tempted to use high-pressure methods to succeed.

What Will It Cost Us?

It's next to impossible to find out what a consultant will cost, short of actually having one make an initial visit and presentation to a church. A pastor cannot do comparison pricing by phone.

Consultants rely on a complex formula to compute their fees, and they are averse to divulging it. But some of the factors that affect the fee are:

Location of the church. Transportation costs comprise a major portion of the fee, so generally, the farther a church is from the firm's nearest office, the more it will pay. This may be reduced, however, if the firm is working with another church in the area at about the same time.

What the money is for. The easiest type of money to raise is that earmarked for a new sanctuary; the hardest money to raise is for debt retirement. Many firms adjust fees accordingly.

Size of the church. Usually, the larger the church, the more work for the consultant and the more printed materials that are needed, and thus, the more he or she will charge.

Other factors are disputed. One firm says the amount of money to be raised affects the fee; another says that doesn't enter in at all.

These variables result in some seemingly odd fees. Consider three recent campaigns led by three different fund raisers:

One church had a \$500,000 project; the firm's fee was \$30,000.

In another church, a firm raised close to \$1 million; its fee was \$27,000.

A third church raised \$1.5 million; the consultant charged \$22,000.

Consultants will divulge their fee when they make an initial evaluation and presentation, for which there is no charge. During this visit to the church, the consultant will explain his or her particular approach and answer questions.

Some firms take an entirely different approach to fees, earning a flat percentage of the money raised, say, one-half of 1 percent. At first glance this approach looks appealing. The compensation is tied directly to the results, and thus the firm will be highly motivated to bring in the money.

But in the system lurks great danger. Warns one professional: "Fund raisers that work on a percentage will be tempted to use hype and emotionalism to increase their take. They're more inclined to twist arms."

With either system, though, it's important that a church understand clearly what the consultant will provide and precisely what those services will cost.

Payment schedules vary. Some firms ask for 10 percent down, with the rest spread out over the length of the campaign, usually three to six months. Others require four equal monthly payments. But in any case, churches will have to pay all or part of the fee up front. They cannot expect to wait until the money is raised and use that money to pay the fees. Having said that, however, many consultants will arrange the payment schedule so that the last few payments are due after the dollars start flowing in, so at least a portion of the fee might be covered by the money raised.

Do Consultants Pay for Themselves?

Most pastors considering an outside consultant will have to answer, to the satisfaction of the church, "How do you justify that hefty consulting fee?"

Records show that in most cases consultants have generated far more than their fees in dollars above what churches typically raise on their own. The church that "saves" the fee will usually net smaller results. Says L.H. Coleman, "usually the first person you contact in a campaign, you've more than paid for the fee," since most campaigns approach larger donors first.

Another way to consider the question is to figure what it would cost to borrow the money rather than hold a capital-funds drive. Say a church takes a \$500,000 loan to 10 percent interest over twenty years. The church will pay over six hundred thousand dollars *in interest* to the bank. Even if you allow for the congregation raising some money itself through "Debt Retirement Sundays," the church will pay several hundred thousand dollars in interest, which is not tax-deductible and benefits the church in no way.

On the other hand, suppose the church takes the same loan but holds a capital funds campaign. If the campaign begins in January, dollars start arriving in April. Construction begins in, say, June, with early campaign dollars helping pay for site preparation and architects' fees. By the next April, when construction is finished and the church is ready to put permanent financing in place, almost \$200,000 has come in (the first year is always highest). The church can thus borrow much less, about \$350,000 and pay that off over the next two years with the remaining campaign income. At the end of the third year, the church is

debt free and has paid well under \$100,000 in interest. Even adding a consultant's fee, the costs to the church are less than those in the first scenario.

What Will the Consultants Do?

When a church contacts a fund-raising firm, a consultant will take information about the church, such as its size and characteristics, its annual budget, and how much the church wants to raise.

Then the consultant will meet the pastor and/or the decision-making body. Most will gladly return to make a presentation to the entire church, if desired.

During the presentations, the consultant will outline the time, activities, and fees involved, and what the church can reasonably expect to raise. The presentation usually sets a positive, forward-looking tone: "We can do this together." Words like *dreams*, *goals*, *potentials*, and *commitment* are favorites of fund raisers. There is no cost to the church for these initial contacts and presentations.

What will the person be like? Consultants, most often, have had experience as a pastor or church staff member at some point, or are very active laymen. And they are eminently likeable. One pastor describes the fund raiser his church hired: "He looks like a grandpa, smiles a lot, and touches you when he talks to you. He allays all your fears." Adds an industry observer, "You're always going to be dealing with nice people in this business. You aren't going to find any nasty people when they're trying to sell you a contract."

Should the church decide to hire the consultant, an agreement will be sent by mail for the church to sign. Once the contract is signed, a church cannot back out without some legal entanglements or paying the full fee, but this happens only rarely. And if internal problems come up in the church, say, a key staff member leaves or is fired, most firms will try to postpone the program for a while, if possible.

The campaign lasts from three to eight months, with about four months being average. Each fund raiser structures a capital campaign slightly differently, but most employ the following elements:

An introductory meeting to set an upbeat, positive tone in the congregation. In some firms' program, the consultant will address the congregation on Sunday morning in place of the pastor's sermon.

An evaluation process. The consultant tries to get a clear picture of the church's giving potential, attitude toward the project, and potential leaders. The information may come through a survey, or more often, through a meeting of five to twenty people, either the church's current leaders or a cross section of the membership.

Some firms use this evaluation period to identify the largest potential donors, either by looking at individuals' giving records or by analyzing their probable income based on home location and occupation. Other firms look only at giving patterns of the whole church. Most firms will press to see any records the church doesn't want to release, but churches should know the firm's usual practice and the information they request.

Recruitment of leaders. Based on the information gathered during the evaluation period, the consultant enlists a steering committee to lead the campaign. Typically, this committee includes about ten people who exhibit, in the words of one consultant, "spiritual leadership ability, natural leadership ability, and financial leadership ability." Since in most campaigns the top five gifts come from members of the committee, one might conclude the last criterion weighs quite heavily.

The steering committee then gathers other members of the congregation to help with the campaign. The campaign is usually carefully organized, with each person given a title - director, chairperson, captain, worker - and a clear job description. Through several training sessions, the consultant explains to each person his or her job and gives each a manual or notebook.

First home visit. Trained people from the church then call on people in their homes. During this fifteen- to thirty-minute visit, no one is asked to make a commitment. Instead, the visitors (ideally a couple, according to one consultant) talk briefly about the good things happening at the church, and ask what needs in the home they might pray for. The visit is intended primarily to establish a climate of support and expectancy.

Some firms use only one home visit during the campaign, during which they do gather commitments. Others rely on their own staff of trained clergy, rather than the church's lay people to make the visits.

Maynard Nelson, pastor of Calvary Lutheran Church in Golden Valley, Minnesota, has employed numerous consulting firms during his ministry, and has experience with both approaches. His view: "The outside visitors did the job, but it's much more effective using your own people if possible. It's better to involve large numbers of people and have broad ownership of the program and its goals."

During this early stage of the campaign, some consultants ask the pastor to meet with potential large donors, usually over dinner in private homes, to personally explain the program and enlist their support. Fund raisers hope to encourage, through this or other approaches, a lead gift that is 10 percent of the campaign goal.

Prayer emphasis. Some consultants set up twenty-four hour prayer vigils; others use prayer chains or other approaches.

Informational period. Also called a “promotional period,” this is the stage during which the church gives people the who-what-when-where-why of the program, in detail. “It’s not fair to ask people for money unless they know what’s going to happen to that money,” says Coleman. Brochures and newsletters are sent to church members, describing the projects, detailing the floor plan of the new building, and so on. Bible studies and Sunday school classes on Christian attitudes toward giving are held. The pastor preaches a four-week series of messages on stewardship. During the Sunday morning service each week of this period, a member gives a testimony, telling why he or she is excited about the church and program, and usually naming the specific amount he or she will be giving. Fund raisers look for a mix of wealthy and not-so-wealthy to give these testimonies; many firms ask the pastor to give the first one.

All church gathering. This is either a banquet or worship service. The pastor usually gives the keynote address, and selected members of the congregation talk about what God has done for the church in the past, what he’s doing in the present, and what he will do in the future. Often a slide show gives information and inspiration about the church and project. The consultant is usually not present for this event.

Some firms gather the campaign leaders at a “leadership challenge meeting” a few days before the banquet and ask them to make their commitment to the campaign. Then, at the banquet, the leaders’ commitments are announced, encouraging people that the high goal really is accessible. In some churches, the leaders alone contribute more than the church initially thought the entire congregation could give.

A canvass period. Most campaigns take people’s commitments during the first one or two weeks following the all-church gathering. Some firms train people to phone and make appointments, others just show up, but either way, people have been prepared through five or six newsletters and the pastor’s message to expect the visitors. The visitors talk about how exciting the banquet or worship service was. Then they “receive the commitment” by giving the people a card and envelope. The people write their commitment on the card, put it in the envelope, and seal it, so the visitors do not know the size of the pledge.

A few fund raisers have visitors suggest specific amounts for people to give, based on the people’s occupation and home location. One pastor in the West cancelled a campaign because of this practice. His members were being told, “We believe God would want you to give \$30,000” or whatever amount.

Other firms take a decidedly low-key approach. If a person says he or she does not want to make a commitment to the program, the visitors are trained to say, “We understand. Not everyone will be able to give.

We want you to know that we love you, and we know you're joining with us in prayer that God will have his way in our church."

Pastors can minimize hurt feelings by knowing ahead of time how a consultant approaches these visits and determining whether the congregation will feel comfortable with that approach.

"Victory Day" or "Victory Service." Here the results of the campaign are announced and celebrated. This is held one or two weeks following the all-church gathering.

Follow-up. The church office sends each contributor an acknowledgment letter and special envelopes, and then, each quarter, a record of his or her contributions. The church also sends a monthly income report to the consulting firm so it can monitor progress.

The consulting firm gives the church materials for programs or bulletin inserts to help keep giving active over the three-year period. The biggest problem for churches in the follow-up period is families who move. Some churches hold mini-banquets every three or six months to explain the program to new people in the church and gain their support.

What is Expected of the Pastor?

All consultants place high value on the pastor's visible and verbal support of the campaign. "The pastor's role is vital to the success of the campaign," says Roy Austin, executive vice president of Resource Services, Inc. "The pastor is the leader, the spearhead."

Most consultants let the amount of the pastor's giving be his or her own decision, "hammered out on the anvil of prayer," as one puts it. Some describe what other pastors have given as examples. But a few actually name specific dollar amounts. One pastor invited a firm to give a presentation to the church board. The next morning the pastor and consultant met for breakfast. As they sat down, the consultant said, "Pastor, for this thing to fly, you'll have to tell your people you're going to give at least \$15,000 over the next three years."

Again, pastors will want to know beforehand what the consultant's approaches are.

How Do We Find the Right Consultants?

Pastors and consultants will be working closely together for several months, so it's vital they see eye to eye. That means, first of all, the person needs to be a committed Christian and active in the local church. Beyond that, however, the consultant ought to mesh with the particular church.

"It's helpful to consider the consultant a short-term staff member who should meet all the criteria you apply to anyone else on staff," says Del Rogers. "Hire someone you can complement other people on staff, who

holds the same basic Christian commitment and theological stance.”

Pastor Vic Pentz agrees: “We looked for a consultant who had been successful in churches similar to ours, who would feel at home with our general approach.” Because of this rule of thumb, some pastors choose to use their own denomination’s fund raisers rather than a private firm. On the other hand, one pastor who has worked with both private and denominational fund raisers said the private consultant was more forthright and had a better organized program. Another said, “Our denominational people just didn’t seem to hustle as hard.” So churches will need to evaluate each option carefully.

Once these basics have been established, pastors and boards ought to check the consultant’s experience and track record: how long they’ve been in the business, how much they’ve raised on average, the percentage of pledges that came in.

Pastors are wise to ask for references - and contact them. “Good consultants are more than willing to give you an extensive list of previous clients,” says Arthur Borden, president of the Evangelical Council for Financial Accountability. These references can tell whether the consultant reached their churches’ goals, and just as important, the methods they used. Did they promise more than they delivered, miscommunicate their fee or billing schedule, leave behind hard feelings?

One West Coast pastor who recently checked a consultant’s references found that in previous congregations the consultant had left a strong spiritual impact and people had come away with a firmer commitment to biblical stewardship. The pastor hired the consultant.

“I suggest to churches an old approach many mission boards have used to select missionaries,” says Del Rogers. “Ask the references for **other** people who have used the consultant but aren’t on the consultant’s list. Every consultant is going to list the best references. But when you ask those references for other references, you’re probably going to get a better picture.”

One church took this approach several years ago and found, on closer investigation, that some firms had averaged less than 60 percent of their pledges actually coming in. Again, this figure is only one part of the overall picture and may not be entirely the fault of the consultant. Maynard Nelson explains, “You can’t always blame the firm. Sometimes after they leave town, we pastors sigh with relief and say, “That program’s over; let’s get back to other areas of ministry.” Sometimes we’re too busy to accept their counsel and do the follow-up.”

How Likely Is a Bad Experience?

Some pastors fear congregational backlash from a fund-raising venture, but usually those fears are unfounded. However, “there are always

individuals who will claim some offense to justify why they're not giving," says a Midwest pastor who has led several campaigns. "One man in the congregation wrote me that he was not going to pledge until we changed the American flag to the right side in front of the church. But pastors usually report their members gave cheerfully and generously.

Other churches fear a capital-funds drive will siphon money from the general fund, but studies show this usually doesn't happen.

Provided the consultant is selected carefully and the campaign is supported faithfully, the odds of having a bad experience are slim. "I can't really say I've had any bad experiences," says Pastor Maynard Nelson, veteran of more than half a dozen campaigns. "Some consultants claimed better results than actually happened; others did not always communicate well. But in all cases, we raised not just dollars, but faith."

Nelson's church held a capital campaign several years ago to build a new building. After the three years were over, the church didn't want to slack back. "After all, the building was only a tool for outreach," says Nelson, "so we had another campaign to increase our missions giving."

Most pastors who have held fund-raising ventures can say the campaigns were times of renewed spiritual vigor in their congregations. People became more committed and united. Membership often grew. In the words of one pastor, "Stewardship and evangelism go hand in hand."

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