



# REDEFINING FUNDRAISING

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I was serving in a fundraising capacity for a nonprofit several years ago. After some time on the job, I was curious if my three kids knew what I did for a living. So I asked them.

Their response: “You have lunch and dinner with people.”

Their answer highlights the essence of a foundational problem in the fundraising arena: a tendency to focus on tactics.

Fundraising is a discipline — one documented in academic research and literature, one that is supported through extensive consultative and training services, and one that should be practiced by professionals who have studied the art and science behind what it takes to successfully raise funds for nonprofit mission and vision purposes.

But some fundraising programs suffer from the leadership of fundraisers who are new to their positions. In the absence of experience and knowledge, they replicate the tactics of their predecessors or of other nonprofit organizations who may very well be functioning the same way.

The field of fundraising is hardly alone in this respect. Companies routinely ask people to lead and serve in areas where they don’t know what they don’t know.

To be clear, there are many outstanding fundraising professionals in our field serving worthy nonprofit organizations. To them, this paper may simply offer an important reminder: that fundraising should be driven from a data-based, strategic perspective, not a tactical one.

For others who are newer to the profession, my hope is that this paper challenges you to redefine fundraising. Nonprofit missions need quality support and professional leadership.

What is involved in diagnosing an organization’s donor development challenges? How does diagnosis inform a comprehensive strategy? How is strategy executed? I hope that this paper can shed some light on these important questions and provide input for those seeking a deeper understanding of how to construct a strong, comprehensive fundraising program, one that really works for their organization.

## THE PROBLEM

Greg Mortenson is best known for his bestselling books, *Three Cups of Tea* and *Another Cup of Tea*. But no one knew who he was back in 1993 when he first started trying to raise funds to provide educational programs to young girls in Pakistan. His first attempts at fundraising were a complete failure. He sent 580 letters to celebrities, businessmen, and popular Americans. He received one response from Tom Brokaw for \$100. He wrote 16 grant requests, every one of which was rejected.<sup>1</sup>

1. Parade Magazine: [http://www.parade.com/articles/editions/2003/edition\\_04-06-2003/Greg\\_Mortenson](http://www.parade.com/articles/editions/2003/edition_04-06-2003/Greg_Mortenson).



Mr. Mortenson ran headlong into the same problem faced by many nonprofits. We take what is familiar and craft a strategy around it. We discover a technique that works, and then continue the cycle by repeating the newfound tactic. If direct mail proves to be a successful way to connect with donors willing to give, we send more mail. If running major donor events or capital campaigns was helpful, then that becomes our focus.

What began as a single tactic becomes the centerpiece of our strategic plan, even if we didn't fully understand what made it "work" in the first place. But the plan says "do it again," further cementing the practice as a staple in our fundraising diet.

In time, we build an ecosystem around the tactic by hiring staff who writes direct response letters, crafts compelling videos, designs beautiful websites, or plans memorable events. In the process, we institutionalize our fundraising strategy around specific creative capabilities, but with little strategic understanding or thought. Our tactic informs our strategy instead of using a robust, data-driven strategic planning process to inform a balanced and comprehensive suite of practices.

Unfortunately, most fundraising consultancies operate the same way. Too many direct response consultants will tell you that your funding needs can be solved through printed letters and postage stamps. Website design firms tell you a new site will cure your communication and donor connection concerns. They have creative strengths. They do that work well, so it's understandable that they are going to try to sell those specific services in the form of a solution.

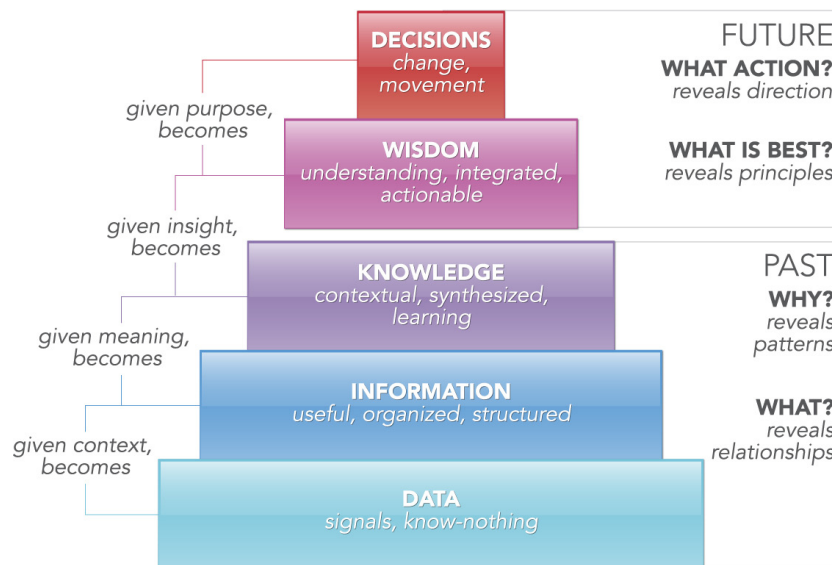
Is it wrong to capitalize on a strength? Of course not. But if we aren't careful, strengths cause us to miss opportunities to connect in new ways with new constituents, or to enhance what was once a strategic strength but has been weakened over time through almost mindless repetition.

So how do we break the cycle where tactics drive strategies, which in turn drive the same tactics and strategies over and over? We redefine the fundraising strategic planning process.



## DATA

The knowledge industry has been touting for some time that great decisions come from great data. They call it the DIKW model<sup>2</sup> The model shows that data, given context, becomes information. Information, given meaning, becomes knowledge. Knowledge, given insight, becomes wisdom. And wisdom, when combined with purpose, results in great decisions and strategic plans.



So clearly, if we desire to make better strategic decisions about how we connect with donors and build relationships, we need to begin with data. But what kind of data? Virtually any piece of information about our donors and the environment in which we are collectively operating could be important.

## A FEW QUESTIONS PURSUANT USES IN THE DISCOVERY PROCESS

- What is the organization’s mission and vision (3-5 years out)? Who finds the mission and vision compelling?
- What is the current state of the fundraising and donor connection process? Historically, how has the organization communicated with donors and prospective donors? How consistent has it been? How well have they been telling their story?
- What channels of communication have been used to communicate: face-to-face, mail, telephone, events, website, email, social media?
- Where are donors and prospects congregating? How do they communicate? Who do they respect?
- What are the points of pain? The organization’s needs and desires?
- What do they know about their donors—their profile, demographics, giving history, activities, responsiveness, preferences, engagement areas, and much more?

2. See <http://www.systems-thinking.org/dikw/dikw.htm> and many other web sources for more information.



- What do we know about the environment? What other nonprofits are offering similar services? How does the organization differentiate itself from everyone else, thereby making the donor's decision for support an easy one to make?
- What is the actual experience of people when they contact the organization? For the first time? With a gift or an order? With a need? Online?

Leading nonprofits don't just ask these questions of themselves. They seek input from their donors. Research projects that delve into the perceptions and motivations of potential, current and lapsed donors can offer invaluable direction in how an organization should frame its message to constituents. When this data is used to drive more effective communication, giving has increased by 60% or more.

There is no substitute for comprehensive, accurate data, organized into useful information that can be synthesized into actionable knowledge and wisdom. It is the starting point of building and executing a solid fundraising strategy.



## PHILOSOPHY

Turning data into knowledge and wisdom comes through a filtering and synthesis process. The meaning and insight we need to translate information into actionable knowledge and wisdom comes from experience and education. Wisdom and knowledge inform your philosophy of fundraising. Even intuition, the pre-rational interpretation of a situation that gives us a sense or inclination about how to respond to it, is essentially the leveraging of deeply engrained experience. The less experience or education we have, the less we should rely on our intuition to drive strategic decisions.



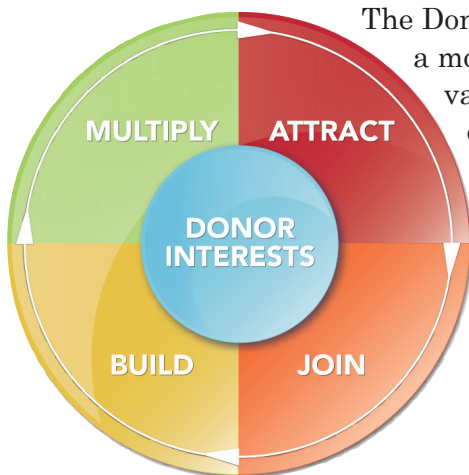
A CPA friend of mine once challenged me to see the “face” looking up at me from a financial statement. His encouragement is the perfect application of this principle. Financial transactions, even if organized into an information-rich, well-structured financial statement, mean nothing without corresponding experience in reading financials or training in finance. The relationship (or ratio) of assets to liabilities, the relative levels of functional (administrative, fundraising, and program) expenses and debt ratios are all meaningless without an informed, well-rounded financial philosophy.

Regrettably, many fundraising professionals and consultants lack experience and education in significant cross-sections of the donor development landscape. They have worked narrowly in the channels of direct mail, digital development, or capital campaigns. They have been exposed to sections of the donor pyramid, such as lower-tier, annual fund work at a university. But they lack the breadth and depth of experience critical to crafting a comprehensive fundraising strategy that crosses all channels of communication and touches all levels of the donor pyramid.

In short, they may see a page of donor statistics, but they lack the experience needed to see the face of their donors looking up at them.

Instead, their experience has informed what equates to a lopsided philosophy that capitalizes on certain practices while discounting others. They may have ample data telling them their direct mail is excluding “Gen Y” donors. Their statistics may scream for a social media campaign or a mobile application that engages volunteers. But their incomplete philosophy makes it impossible to see.

To help combat blindsides, it is important to document a comprehensive philosophy that articulates your foundational beliefs about donor development and relationship development.



The Donor Development Process Model pictured on the next page encourages a more in-depth evaluation of the fundraising practices by highlighting variables critical to success. It also communicates to staff that the organization values fundraising within the context of a relationship development process.

#### **THE PURSUANT PARADIGM: DRIVING THE RELATIONSHIP CYCLE**

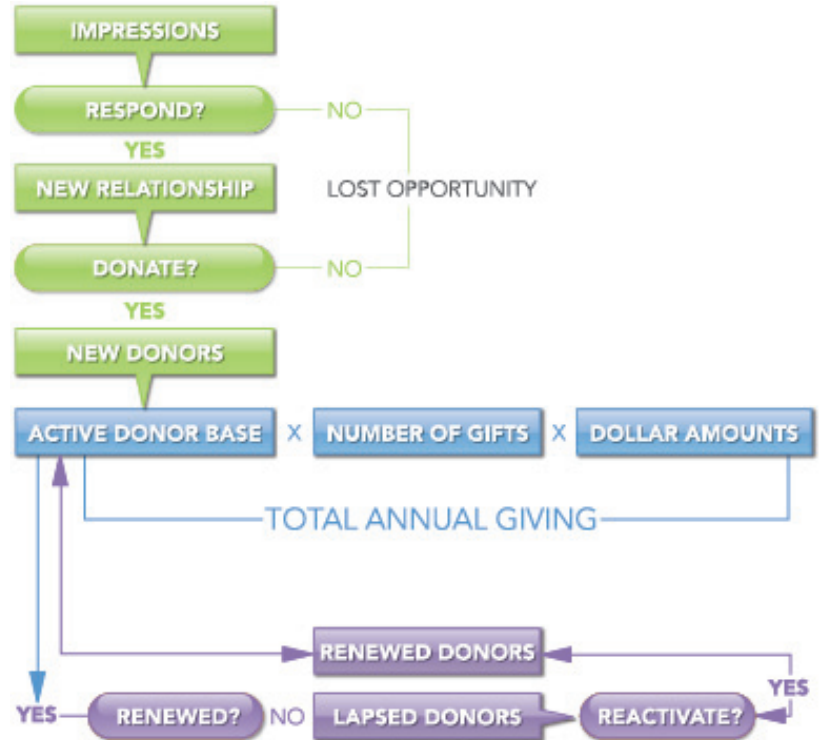
*Models, such as the Pursuant Paradigm pictured left, communicate core beliefs concerning the stages of donor relationship development and key strategies important at each point of development.*

*It prompts the questions: Where are we struggling? How well are we encouraging people who are attracted to us into joining, or activating, their relationship with us? Are our deepest relationships being used to multiply the impact of our organization and attract new connections to our cause?*



## DONOR DEVELOPMENT PROCESS MODEL

Fundraising professionals use models like these to identify holes in their donor development system, and then use those observations to drive strategic program changes and additions. But the evaluation process goes much deeper than that.



This model identifies seven areas, any one of which can hurt annual giving results over time:

1. The number of marketplace impressions
2. The rate of response to impressions
3. The conversion or activation of new relationships
4. The rate of retention as relationships are built over time
5. The ability to renew relationships with those who have grown distant
6. The frequency of giving from committed donors
7. The level of giving from committed donors

The communication channels diagram pictured on the next page reminds fundraising professionals that many forms of communication exist and are important for disseminating an organization's core messages: what they do, why it is important, and how well it is working. This model also reflects the connection these channels share in a well-crafted fundraising system. Not only are they connected to the core messages of the organization, but the ring pictured in the background is a reminder that communication channels need to be interconnected.



#### COMMUNICATION CHANNELS

*A well-rounded communication strategy should model the following qualities:*

**STRATEGIC** *Each channel should be thoughtful and planned*

**CONSISTENT** *Each channel should convey a common message or theme*

**CONGRUENT** *Each channel should leverage its respective strengths*

**INTENTIONAL** *Each channel should drive toward a set of stated goals*

**INTEGRATED** *Each channel should anticipate the presence and of other channels and drive attention cross-channel*

Yet many nonprofits manage the communication process via functional or constituent-based silos. Major gift officers don't talk to annual fund directors, and those groups often fail to coordinate their communication plans with the web development, direct mail, and newsletter teams. In larger organizations, these groups often work in different buildings under different group leaders.

Is it any wonder our communication efforts are fragmented? Who is tying these communication campaigns together? Do we think major donors don't read newsletters, or that event participants won't be concerned if our websites lack continuity with our direct mail pieces? Who is making sure that the appropriate channel is being activated for the appropriate donor at the appropriate time?

Models and diagrams such as these are invaluable for thinking comprehensively about the donor development process. But models and diagrams alone are not enough. Educational resources, such as Penelope Burke's book, *Donor Centered Fundraising*, or Adrian Sargeant's manifesto, *Fund-raising: Principles and Practices*, should be required reading for anyone responsible for developing a comprehensive fundraising philosophy that will guide the strategic fund development process, especially when leaders are new to the fundraising discipline. Douglass Alexander and Kristina Carlson also provide some thought-provoking points in their book, *Essential Principles for Fundraising Success*.



## STRATEGY

Opportunities quickly surface for enhancing a fundraising program during the strategic planning process when an organization is armed with solid data and a comprehensive understanding of their philosophy of fundraising. Because the fundraising strategy is no longer limited to few existing creative capabilities or constrained by historical tactics, the organization is free to identify development opportunities and practices that address holes in the communication and development process while promising the greatest return on the fundraising investment dollar. In keeping with my CPA friend’s comment, well-versed professionals and consultants see the face looking up at them as they study organizational and donor data and strategize appropriate next steps.

| Strategic Fundraising Calendar |     |     |     |     |     |     |     |     |     |     |     |     |
|--------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| CHANNEL                        | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
| KEY                            |     |     |     |     |     |     |     |     |     |     |     |     |
| MESSAGE                        |     |     |     |     |     |     |     |     |     |     |     |     |
| DIRECT MAIL EMPHASIS           |     |     |     |     |     |     |     |     |     |     |     |     |
| EMAIL EMPHASIS                 |     |     |     |     |     |     |     |     |     |     |     |     |
| EVENTS                         |     |     |     |     |     |     |     |     |     |     |     |     |
| SPECIAL OFFERS                 |     |     |     |     |     |     |     |     |     |     |     |     |
| WELCOME OFFERS                 |     |     |     |     |     |     |     |     |     |     |     |     |
| WEBSITE                        |     |     |     |     |     |     |     |     |     |     |     |     |

In our experience, fundraising strategy is best documented in the form of a calendar—a communication and messaging plan that drives forethought and structure. Such a plan helps everyone involved in the creative execution process to have valuable context for what is being communicated in any given month and how that message will be conveyed. Unexpected events and opportunities can always override the plan, but at least strategic thought was committed up front to planning for communication excellence.

A 2008 study of affluent households from The Center on Philanthropy reports that the number one reason people stop supporting organizations is that they “no longer felt personally connected.” Interestingly, the number three reason cited for ending support was “too frequent solicitations.” [3] Both reasons reflect a lack of compelling communication and are often the result of not developing and executing a communication strategy based on a comprehensive foundation of data analytics and fundraising philosophy.

3. Adrian Sargeant, Jen Shang, and Associates, *Fundraising: Principles and Practice* (Jossey-Bass: San Francisco, 2010) 355-356.

They are also the result of not inviting the right participants to the table when the strategy was developed. Calendars like this cannot be created over a lunch with marketing to “see what we can come up with.” They demand input from people who collectively bring an understanding that crosses all levels of the donor pyramid and others who intimately understand the purpose and positioning of every channel of communication. The plan should be developed annually, and then reviewed and updated quarterly.

## CREATIVE

The creative execution process (the development of copy, design, videography, event planning, web and email development, etc.) and the distribution of printed and digital materials are clearly enhanced by this strategic process. When creative capabilities, not data and philosophy, drive strategy, designers and creative developers are often asked to “just create the best \_\_\_\_\_ you can.”

Instead of being faced with the onerous challenge of reinventing the creative wheel every month, effective strategy provides important guidance as to what constitutes a good creative result. What are we trying to accomplish? What does the donor value? What has been said or will be said? What is relevant? What ensures this communication effort will be strategic, consistent, congruent, intentional, and integrated?

I have yet to meet an outstanding creative person—a designer, copywriter, videographer, software developer—who wasn’t thrilled to be given direction prior to embarking on a creative effort. No one likes to start with a blank canvas. We all need purpose, context, and definition for how we will score a successful outcome.

Consistent execution of a fundraising strategy is certainly not a given. Books have been written on the principles of organizational execution, a subject well beyond the scope of this document. But in our experience, organizations that do a methodical job of analyzing data, documenting their philosophy of fundraising, and developing sound fundraising strategies usually have the structure important for consistent execution.

One complication, however, is worth mentioning in a discussion of creative execution. While a strategic calendar may be planned in advance, the timetables for executing print, digital, and event-based programs are extremely different. While printed piece and event development timelines are measured in weeks and months, digital assets, including websites, social media posts, blogs, mobile communications, and emails are developed and delivered in hours and days.

Managing these two very different timetables is complicated. The answer is not to marginalize the potential of one or both mediums of communication by driving the disparate timetables toward each other. Neither will achieve maximum effectiveness if you do. Respect and cooperation must be given for the unique nature and purpose of each form, and strategies should coordinate the best way to leverage their respective strengths. Execution timelines must be coordinated—developed together, but managed independently.

## RESULTS

One of the most important decisions a nonprofit organization makes is the donor management system they use to record donor activity and report results. Many software options exist for documenting transactions and doing basic reporting. Some systems even provide the analysis needed to evaluate the results of campaigns and donor development efforts. But very few, if any, offer the kind of analytics professionals need when it comes time to start the strategic planning model all over again.

### Donor Migration Report

|                               | Year - to - Year |                  |                  |                  |               |         |                 | Year - to - Date (Jul - Dec) |                 |         |  |
|-------------------------------|------------------|------------------|------------------|------------------|---------------|---------|-----------------|------------------------------|-----------------|---------|--|
|                               | 2008             | 2009             | 2010             | 2011             | 2010 vs. 2011 | %       | 2011            | 2012                         | YTD Variance    | %       |  |
| <b>Key Multi-year</b>         |                  |                  |                  |                  |               |         |                 |                              |                 |         |  |
| Available Donors              | 65,409           | 65,495           | 64,865           | 65,382           | 517           | 0.80%   | 65,382          | 66,242                       | 860             | 1.32%   |  |
| Active Donors                 | 50,359           | 49,655           | 51,176           | 51,887           | 711           | 1.39%   | 37,183          | 36,313                       | (870)           | -2.34%  |  |
| % Retained                    | 76.99%           | 75.81%           | 78.90%           | 79.36%           | 0.46%         | 0.59%   | 56.87%          | 54.82%                       | (2,055)         | -3.61%  |  |
| Gifts                         | 222,745          | 219,991          | 227,930          | 232,562          | 4,632         | 2.03%   | 114,283         | 112,299                      | (1,984)         | -1.74%  |  |
| Frequency                     | 4.42             | 4.43             | 4.45             | 4.48             | 0.03          | 0.63%   | 3.07            | 3.09                         | 0.02            | 0.62%   |  |
| Gross Revenue                 | \$ 20,719,627.84 | \$ 17,285,713.92 | \$ 18,031,735.46 | \$ 18,581,043.98 | \$ 549,308.52 | 3.05%   | \$ 8,551,983.49 | \$ 8,017,067.28              | \$ (534,916.21) | -6.25%  |  |
| Average Gift Amount           | \$ 93.02         | \$ 78.57         | \$ 79.11         | \$ 79.90         | \$ 0.79       | 0.99%   | \$ 74.83        | \$ 71.39                     | \$ (3.44)       | -4.60%  |  |
| Revenue/Active Donors         | \$ 411.44        | \$ 348.12        | \$ 352.35        | \$ 358.11        | \$ 5.76       | 1.63%   | \$ 230.00       | \$ 220.78                    | \$ (9.22)       | -4.01%  |  |
| <b>New Continuing</b>         |                  |                  |                  |                  |               |         |                 |                              |                 |         |  |
| Available Donors              | 20,711           | 18,473           | 15,366           | 16,273           | 907           | 5.90%   | 16,273          | 17,473                       | 1,200           | 7.37%   |  |
| Active Donors                 | 7,555            | 6,846            | 5,944            | 6,752            | 808           | 13.59%  | 3,987           | 4,225                        | 238             | 5.97%   |  |
| % Retained                    | 36.48%           | 37.06%           | 38.68%           | 41.49%           | 2.81%         | 7.26%   | 24.50%          | 24.18%                       | (0.32%)         | -1.31%  |  |
| Gifts                         | 23,784           | 19,998           | 18,739           | 21,803           | 3,064         | 16.35%  | 10,673          | 12,386                       | 1,713           | 16.05%  |  |
| Frequency                     | 3.15             | 2.92             | 3.15             | 3.23             | 0.08          | 2.43%   | 2.68            | 2.93                         | 0.25            | 9.51%   |  |
| Gross Revenue                 | \$ 1,361,191.75  | \$ 1,260,195.29  | \$ 1,101,837.65  | \$ 1,439,122.02  | \$ 337,284.37 | 30.61%  | \$ 635,941.08   | \$ 764,047.08                | \$ 128,106.00   | 20.14%  |  |
| Average Gift Amount           | \$ 57.23         | \$ 63.02         | \$ 58.80         | \$ 66.01         | \$ 7.21       | 12.28%  | \$ 59.58        | \$ 61.69                     | \$ 2.10         | 3.53%   |  |
| Revenue/Active Donors         | \$ 180.17        | \$ 184.08        | \$ 185.37        | \$ 213.14        | \$ 27.77      | 14.98%  | \$ 159.50       | \$ 180.84                    | \$ 21.34        | 13.38%  |  |
| <b>Reactivated Continuing</b> |                  |                  |                  |                  |               |         |                 |                              |                 |         |  |
| Available Donors              | 17,115           | 18,210           | 18,699           | 14,180           | (4,519)       | -24.17% | 14,180          | 15,323                       | 1,143           | 8.06%   |  |
| Active Donors                 | 7,581            | 8,364            | 8,262            | 7,603            | (659)         | -7.98%  | 4,205           | 3,695                        | (510)           | -12.13% |  |
| % Retained                    | 44.29%           | 45.93%           | 44.18%           | 53.62%           | 9.43%         | 21.35%  | 29.65%          | 24.11%                       | (5.54%)         | -18.68% |  |
| Gifts                         | 16,305           | 16,973           | 18,084           | 17,690           | (394)         | -2.18%  | 8,188           | 8,137                        | (51)            | -0.62%  |  |

In fact, the analytics hole is so pervasive that we created our own Smart Data™ repository. This “warehouse” supports a suite of complex reports and analysis we use to evaluate our clients’ donor relationships as reflected through giving activity and changes in activity over time. For example, our Donor Migration Report evaluates relationships across seven distinct tiers.

Once reports are run, observations are made about how donors are responding to the organization’s communication efforts. New strategies can then be developed—tier by tier, channel by channel—for attracting new relationships, encouraging constituents to join the organization in its cause, and building greater levels of support for it as donor relationships mature.

Too many organizations are managing their fundraising efforts in silos. Others may not be operating in silos, but they aren’t taking a data- and philosophically-driven approach to developing strategy either. They use the same tactics year after year because it worked last time, and hopefully it will work again. Declines in giving revenue are balanced on the expense side of the ledger, allowing the decaying revenue cycle to continue uninterrupted.

Organizational leaders need to unlink strategy from its historical roots, where traditional tactics and creative capabilities have informed, if not driven, our fundraising strategic plans. We need to take the time to sift through and evaluate the volume of information at our fingertips and see what it is encouraging us to do differently.

We need to challenge each other to look for professionals with the education and experience—a well-rounded philosophy—important to connecting with donors of all types, regardless of where they fall in the pyramid or what mediums of communication they use.

What we need is to redefine fundraising in ways that will lead to incredible successes. We need a new approach to developing comprehensive donor relationship development strategies—one that begins with data that is filtered and understood through a comprehensive understanding of fundraising, relationship development, psychology and sociology, nonprofit research, and organizational understanding.

Those strategies need to be followed by consistent and outstanding creative execution, and then tracked so that results can be reevaluated during the next round of planning. Then, and only then, do we have the chance to craft fundraising strategies worthy of the nonprofit organizations we represent.

Nonprofit leaders have incredible vision—vision that can change the world. What they need is the support of fundraising professionals and programs that are prepared to make sure those visionary ideas are funded.

This paper has taken a close look at the strategic planning and execution process for fundraising programs. A future document will turn attention to the donor pyramid and look in-depth at how leading nonprofits are challenging some long-standing approaches to relationship development. How? By not being content to simply walk with donors up the giving pyramid, but are instead proactively and cost-effectively driving relationships forward, even at the nondonor and low-donor giving levels!

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