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Strategic Perspectives for Fundraising Planning and Assessment

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Culture, Strategy and Execution

Framing strategy

In any discussion of strategy, the words of Peter Drucker loom large when he says, ‘culture eats strategy for breakfast’. It’s a stark reminder that all the attention we give to framing strategy and crafting strategic plans risks amounting to little more than intent, without creating the right cultural environment within which the strategy is pursued.

It can also be argued that strategy without a cogent, actionable and measurable plan for execution, consigns a strategic plan to the ‘desk draw’ of history. Where it will probably join many other strategic plans in redundant isolation!

When we talk about a **fundraising strategy,** we need to be clear that it is topped and tailed by culture and execution. And without that, it’s largely a set of ideas that risk heading nowhere. The **culture** conversation, especially in the context of a culture of philanthropy, is a topic for another time and place. It is a big conversation that deserves a singular focus.

And turning to execution – the work we do – it is critical that it is informed by strategy. Not just the what - but the why, how, when, where and who.

The aim is a clear and concise multiyear fundraising strategy that identifies objectives and primary areas of activity focus. The reality can sometimes be a long and dense document labelled a fundraising strategic plan, detailing a myriad of actions lacking clarity around function, connection or intent.

What informs fundraising strategy?

So, what informs a complete approach to framing a fundraising strategic plan? What needs to be considered and understood in developing strategy as well as considering culture and execution as framing elements?

There are several foundational elements that shape a fundraising strategy, and they include;

Purpose

- What purpose are you serving and why, and what are you seeking to accomplish in serving that purpose?

- This shapes the fundamental question of why you are raising funds.

Time

- What time frame will it take to address the purpose you are serving? And if it is a long-term timeframe – and most are – then is your business and financial model based on a similarly long-term timeframe?

- This shapes program selection, balance and integration, and will also anchor an informed view of program performance.

Constituency

- Who are your 'people'? And why are they your people? The people you serve; the people who enable that service; the people for whom the service is important; and the people who support the service of purpose through their gifts of time, voice and money.

- This addresses the fundamental questions of who might give and why, as well as all that shapes the experience within which people might give.

Resources

- What do you need to enable the effective and efficient service of your purpose over time? The financial, people, systems and other resources that propel the service to achieving outcomes and impact that matter.

- Something needs to happen and be sustained to generate the activity that serves purpose. And here we are talking about the activities that support, deliver and sustain the service of purpose. Serving purpose is not just the act of delivery of that service. It is necessarily all that goes before the specific service delivery and includes all that enables it to be created and sustained.

Beyond these strategy headlines of **Purpose, Time, Constituency and Resources,** there are several key factors that must be considered in framing a fundraising strategy. They are the **internal** and **external** factors that shape a fundraising program.

The internal factors are program **balance and performance**.

Program balance is controllable in that every organisation has the capacity to shape the content and balance of its fundraising program. The choices will be contingent on internal and external factors however they are choices for every organisation to make.
Program performance is also controllable to the extent that every organisation can choose the performance expectations and measures it sets. Ultimately, performance will be shaped by internal and external factors, but understanding, framing and acting on performance metrics is a question for every organisation.

The external factors are those shaped by the **market** at any given time. They may be obvious and present but can also be 'hiding in plain sight'. Understanding, interpreting and responding to those market factors that shape any organisation's fundraising strategy is critical to serving purpose.

Yet despite the fact that market issues and their impact may be seen to be self-evident, there is a risk that the passion that drives an organisation's leaders in serving purpose can obscure the steely focus on mission that is necessary the get things done. If that passion obscures the clarity with which market factors need to be understood and considered, there is significant risk to serving purpose effectively.

This paper examines fundraising program balance and performance in the context of strategy, as well as current market factors that may impact the framing and execution of strategy

Strategic Overview of Program Balance, Performance and Market Factors

The formation of a cogent and achievable fundraising strategy is contingent on past performance and experience, program mix and balance, resource capability and capacity, and broader market factors.

In considering these factors, it is also important to frame a shared perspective of what informs them. From this base, an objectively informed and agreed position on strategic direction can be adopted with a shared understanding of intent, choices, measurement, and outcomes.

This paper provides a view of factors to be considered when assessing program balance, performance, and market issues to inform strategy. It is based on practice and market insights of the author of this paper and should be considered in this context.

Program Balance

What is right for your organisation?

There is no optimal position for an organisation in considering what a balanced fundraising program should be in terms of mix and proportion. Much depends on the unique factors related to organisational mission, services, constituency, program choice and conduct, resourcing, investment, and overarching market issues.

That said, the consideration of program balance in the context of an organisation's unique operating factors is a critical strategic question.

This perspective considers;

- a suite of fundraising programs as a system rather than a series of singular activities.
- a donor and supporter constituency in the context of overall organisational engagement and continuing experience rather than donors and supporters engaging in specific activities with unique experiences.
- the relationship between individual fundraising programs in terms of investment, return and constituency engagement
- the relationship between fundraising programs and programs and services delivered by the organisation
- resource commitment and allocation as well as systems and support structures.
- questions of revenue dependency and risk based on internal and external factors.

Fundraising as a system

These perspectives frame strategic questions and choices as well as shaping expectations that guide broader organisational planning and commitments.

Importantly, developing an effective and comprehensive fundraising strategy requires a balanced program approach.

Fundraising should be seen as a system of connected activities that serve philanthropy and purpose rather than a series of unrelated functions undertaken just to generate money. That perspective is critical in shaping what you do and how you do it. It is also a fundamental consideration in measuring and understanding fundraising program performance.

Program Performance

Assessing fundraising performance

Fundraising program performance should be considered in the context of how a suite of fundraising programs deliver funding to support and sustain organisational programs and services in delivering mission-based outcomes over time.

This perspective emphasises the following factors;

- the effective function of a suite of fundraising programs operating systemically
- the relative role and contribution of specific fundraising programs in the context of the systemic approach
- the nature, intent, and function of the fundraising process and how it serves philanthropy
- connection and engagement with a philanthropic constituency in serving the mission of the organisation
- Performance indicators that include financial metrics; non-financial quantitative metrics such as supporter numbers, participation, and life-time value; and qualitative metrics such as supporter experience, relationship management, referrals, and opportunity creation

Using financial metrics

In considering financial metrics, moving beyond single time-based revenue and expenditure reporting is critical in understanding program investment and return. A multi-year view of at least five years, considering past, present and future will provide greater actionable insight.

The relationship between revenue and expenditure within specific program activities is not straightforward as drivers of donor and supporter response and participation may not always be aligned to the point of revenue or expenditure capture.

The reporting process should consider expenditure including program and organisational costs as they relate to program revenue. Cost apportionment will commonly be an inexact and time-consuming process, particularly when resources are limited, so an option to consider is identifying a pragmatic and consistent approach that will provide relevant and usable information.

Benchmarks

Fundraising program benchmarks can provide useful guidance to optimal revenue and expenditure alignment, however they should be treated with caution.

Points to consider include;

- commonly identified fundraising benchmarks are general in nature and will be impacted by a range of variables that need to be understood for the benchmark to be meaningful as an internal or external comparative tool.

- Sector benchmarking models provide useful general guidance however are rarely able to address specific details.

- Benchmarking does not always address time as a denominator which will impact the nature and interpretation of reporting

- Fundraising benchmarks address a limited number of fundraising programs and are also limited for hybrid and omni channel programs.

- Benchmarks are most useful when considered in a range rather than based on a specific number and where disciplined and consistent reporting protocols are applied.

- There is no standard chart of accounts for fundraising in Australia and therefore treatment and classification of fundraising revenue and expenditure will vary from organisation to organisation. This means that inter-organisational comparisons will only be useful with informed analysis and insight beyond publicly available data.

Non-financial metrics

Non-financial quantitative metrics will often provide the most valuable and actionable insight to fundraising programs at both an operational and strategic level. This is also a common gap in fundraising practice especially where resources, experience and practice knowhow may be limited.

Capture of quantitative data related to fundraising donor and supporter numbers and cohorts is common practice and generally well executed within organisations that have the capacity and capability to do so. In using this data, caution needs to be exercised in making assumptions about the classification, behaviours, and intentions of donors and supporters in considering any categorisation.

Program participation data is also a common metric and generally well applied. An extension of this data is to capture participation relationship data between programs which provides more nuanced and predictive data.

Measuring relationships

Lifetime value metrics are regarded as an optimal fundraising metric in the assessment of donor and supporter engagement and program efficacy. The capture and management of this data is a more complex process than single view data and does require a specific resource commitment.

Relationship progression metrics, in particular moves management processes, are also a common fundraising practice, however it is one that is less consistently applied within organisations. Resource capacity, as well as capability, are often the reason for this being the case. These metrics use a combination of qualitative and quantitative data and the value of this process and resulting data lies in the analysis and insights provided in moving to productive outcomes.

Relationship metrics offer data beyond a view of current and realised gift support, extending to advocacy, networks, and opportunity creation. This data will be both predictive and actionable and will provide continuous insight into program conduct, investment, and return.

A challenge to leaders

Assessing, interpreting and managing fundraising program performance is a key to effective execution of strategy. In turn, it will guide effective and efficient resource management and ultimately shape how purpose is best served.

While this is, and should be, an obvious conclusion market observation and experience suggest there is a significant leadership challenge around this question. The challenge for executive and governance leaders is to be curious and seek context, while also questioning assumptions.

With every cost ratio position taken, or cost per dollar raised question asked, there is an increasing risk of creating limitations and constraints around serving purpose. Questions must be asked and answered, and positions must be framed and addressed, however they need to be the right questions and the right positions. And they need to enable, rather than constrain, the service of purpose.

Market experience points to this being an important and increasingly urgent question for organisational leaders to take on and respond to.

Fundraising Market Challenges and Opportunities

Market capacity and competition

Over the past decade, there has been several emerging and related trends that potentially impact the nature of and approach to philanthropic engagement and fundraising practice. Among these trends we have seen;

- Decreasing fundraising ROI over the past fifteen to twenty tears
- An increase in giving while the number of donors is decreasing (according to both the Australian Taxation Office (ATO) data as well as data from the USA)
- Continued growth in the number of registered charities climbing to approximately 60,000 as at early 2023 according to the ACNC data.

This might suggest increasing competition for the 'Charity dollar.' In fact, the reality and response may be different.

It can be argued that charities don't compete in a direct sense. Donor's choice sets are far more nuanced and complex that might be portrayed in simple head-to-head competition. That notion places inordinate emphasis on the organisational offer rather than focusing on the donor preference.

Over fundraising?

One observation, while by no means the only factor, may be the scenario of 'over fundraising.' Or, to put it another way, a growing disproportionality of asking to giving.

An explanation for this would be the increased pursuit of revenue without understanding the source of support and metrics of longitudinal donor relationships. An inordinate use of cost based and ROI metrics over more meaningful measures is a key factor in this issue, which is a limitation, even failure, of both fundraising practice and organisational leadership.

A response would be to focus on greater donor engagement and in doing so take a longer-term approach to fundraising practice.

Mixed messages in market data

Over the past three to four years there has been some mixed messages and interpretations from various sources of giving data.

ATO data from 2019 examined by the Australian Centre for Philanthropy and Non-profit Studies (ACPNS) at Queensland University of Technology (QUT) identifies that while fewer donors were giving more, giving was declining, or at least stagnating.

Since that time, there has been significant change to market experience and behaviour, most notably the Australian bushfires and then the global pandemic. While these experiences drew out some different behaviours and observations around giving, it may be that the trend may not have shifted markedly over the past two to three years.

What we have seen is a greater level of uncertainty and with it more questions around market behaviours.

In April 2020 J B Were released a report estimating giving trends predicting a fall in giving of 7% in 2019/20 and a further 12% in 2020/21.

By July 2021, when JB Were released the J B Were NAB Charitable Giving Index, it presented the broad summary that overall, giving had gone back by 5 years to 2016 levels, notwithstanding the variation between market segments. This data was somewhat contradicted by the 2021 McNair yellowSquares Survey which identified a growth in giving.

Thse variations in market data emphasise a need to examine approaches to fundraising and giving more closely.

Meaningful engagement with donors

The anecdotal data from market reflected a general trend of those organisations that continued to engage in meaningful ways with donors and importantly, presented a compelling case for support aligned with donor interests, saw strong fundraising results through FY21. Whereas those organisations that stepped back from fundraising activity generally did poorly.

There was evidence of donors responding to community needs during the first year of the pandemic, especially in areas such as health and social welfare. However, there was also evidence of donors reducing the span of their giving and focusing on causes and organisations with whom they had the strongest relationships.

By comparison, giving in the USA reached an all-time high in 2020, with Americans donating $471b according to a Lilly Family School of Philanthropy report Anecdotal data from the USA continues to identify strong giving patterns where donors are positively engaged. By contrast, the same reports identify a fall in giving where more transactional approaches to donor relationships are maintained.

Challenges ahead

In early 2022, J B Were NAB Charitable Giving Index report (January 2022) suggesting a significant revival in giving levels from the prior two years. At the same time (January 2022) a Chronicle of Philanthropy article identified concern around economic trends and their implications for non-profit organisations and fundraising.

2022 proved to be a challenging year with major geopolitical issues emerging and a negative shift in macroeconomic factors through the year. On entering 2023, it is clear that political and economic uncertainty continues to shape the global market and those factors have translated to domestic markets with increasing cost of living, rising interest rates, growing housing pressures and other issues impacting communities in Australia and internationally.

In the non-profit (or social service) sector, these issues highlight an increasing demand for services across many community organisations, while funding sources an all fronts are generally being challenged.

Navigating market uncertainty

Given the continuing market uncertainty, it may be prudent to consider a shift in strategy in regard to philanthropic engagement.

If there is a conclusion to be drawn from the market data and experience over the past three years, it would be the increasing volatility of experience and the need form a deep understanding of any individual organisation's specific market context and engagement.

The other conclusion would be to focus more strongly on the source of giving – the donor - and to use or create metrics that guide program performance in a meaningful and longitudinal manner.

Moving to greater donor engagement

Understanding the demand and supply relationship between a donor and an organisation (and a cause) is a fundamental to understanding fundraising practice. The challenge to this understanding comes when organisations, at all levels, view donor engagement through the lens of what they want, and when, rather than why donors would give, and to who.

This, in part, explains the trend toward 'over-fundraising' identified earlier, and one factor as to why fewer people are reported to be giving.

There are other factors to be considered as well, and the Lilly Family School of Philanthropy report referenced earlier also identified a decline in giving from American households (in other words, everyday donors) between 2000 and 2018 from 66% to 49.6% of households. This has some parallel with the 'everyday donor' experience reflected in the ATO data.

The factors influencing this trend, and most likely the parallel trend in Australia include declining levels of trust in institutions, financial pressures, declining household wealth, as well as a failure of charities to engage effectively in an increasingly crowded and noisy market.

What philanthropic psychology tells us

At the same time, the study of philanthropic psychology has grown and the market evidence from applied practices informed by the understanding of donor aspirations has clearly demonstrated an increase in donor engagement.

In July 2022, the Institute for Sustainable Philanthropy released the Relationship Fundraising 3.0 report. The report emphasised the importance of donor focussed relationships connected to the dignified service of the beneficiaries of social service, while also demonstrating the increased financial return for organisations in adopting this focus.

Early in 2023, an initial report on Meaningful Philanthropy was released by the Institute for Sustainable Philanthropy, which shed new light on transformative donor experiences.

The simple conclusion amidst a more complex examination is that a key to effective fundraising practice in the future lies in pursuing and investing in a greater level of donor engagement. Certainly, a greater level than the approach generally evidenced in market to this time.

Intergenerational wealth transfer

The intergenerational wealth transfer, propelled by the aging Baby Boomer demographic has long been a market conversation. Data from the USA identifies a transfer in the order of $70 trillion with $9 trillion expected to be given to charities.

While the numbers will be smaller, similar trends are predicted in Australia.

This should not cause a rush of organisations seeking a place in wills, which would be the wrong approach. There will be, and arguably is already, a case for donors to identify with causes and organisations within which they find meaning. And a focus for giving in and beyond their lifetimes.

This calls on organisations to have well organised, informed, and meaningful structured giving programs in place now. For organisations that have a constituency with a significant Baby Boomer cohort, this is even more important.

Staff tenure and the great resignation

For nearly a decade, the reported tenure of fundraising staff has been around 18 months. Australian and American research has been aligned around this figure over this time.

In a practice based on forming meaningful and long-term relationships on behalf on an organisational and a cause, this is highly problematic. It also presents significant cost and opportunity loss to organisations.

According to the Chronicle of Philanthropy in July 2021, 51% of fundraisers plan to leave their jobs in that year. While this is American data, there are common trend alignments found in Australian practice and the anecdotal market observation suggests that this may be reflected to some level in Australia.

While organisational leadership may feel that turnover is an answer to perceived performance issues in fundraising, rarely is the answer that simple. Relationship and program continuity, learned experience, organisational and cause alignment are among the reasons why longer tenure is advantageous.

The other compelling reason lies in the inconsistency of the knowledge base and pathway of fundraising practitioners. Keeping and developing capable staff, especially those with a strong attitudinal and cultural alignment, is an important basis for setting up effective fundraising performance.

Since early 2020, we have also seen consistent reports of the ‘great resignation’ trend. While experiences of this trend may continue to vary, there has clearly been a shift in employee behaviours and expectations. As we progress in to 2023, there remains an identified challenge in some areas of staff recruitment, including fundraising practice, which serve to exacerbate a continuing market issue.

Knowledge pathway and potential gaps

Fundraising practice is a vocation in which there is no formal learning pathway or requirement to have an evidenced knowledge base. While there are established sector and academic learning opportunities, as well as a body of knowledge in fundraising and mechanisms to evidence a tested competency and practice knowhow, there is no requirement for people working in fundraising to attend to these processes.

Experience is a broad and often inconsistent guide to what anyone will bring to a fundraising role. Parallel, or even diverse, vocational experiences may be relevant, or may just as likely not be.

And generally, employers may not seek to address, or understand what to address, in recruiting fundraising staff across all levels of practice.

The question of recruitment, training and development is key to effective fundraising performance. And given the issues related to turnover, the answer is less likely to lie in moving staff on if results are not favourable.

Successful fundraising programs will most likely be based on sound knowledge, a learning environment, and commitment to people within the program. Research identifies these factors, coupled with strong leadership, as likely indicators of success.

Summarising market issues

The market issues that have been identified are not exhaustive, however they are fundamental to considering and framing fundraising strategy. Different organisations will experience these and other market factors in varying ways, which serves to emphasise the diversity in experiences and responses.

The key message in examining these and other market issues is to analyse what they mean for your organisation and the purpose you serve. This examination translates to the formulation of a cogent and connected fundraising strategy that will serve philanthropy and purpose effectively and efficiently.