

How Fundraising Flows from Strategic Planning

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The Role of Strategic Planning in Fundraising

"We need to raise money for these three programs and for general operations! How do we do it?" That question is the typical beginning of an odyssey that usually must go backward before it can go forward.

Fundraising does *not* begin with recognizing a need for money. It starts much earlier with the actual structuring of a charitable nonprofit organization:

- by assessing the environment in which your group must work
- by determining your constituents
- by assessing your constituents' needs and responding to them through appropriately designed services
- by estimating the cost of those services over a term of years as well as any reliable income for those services

It is at this point (about *one-third* of the way through the planning process) that fundraising goals and strategies are determined.

Several more key steps need to occur before high yield fundraising can begin. They include:

- designing communications to the world about your organization
- re-examining the recruitment of board, staff, and volunteers
- assigning the implementation of the organization's plan to specific people
- creating a continuous market-testing system to monitor the strategic fit between the programs and the constituents' needs

The key to raising money is *control*, which is, in turn, the summation of all management techniques within a particular organization. Control stems from comprehensive long range planning, which integrates every aspect of the charitable organization into a master blueprint whose objectives are all synchronized: *a strategic organizational marketing plan*.

The Role of Marketing in Fundraising

Marketing guru Philip Kotler says that marketing is the analysis, planning, implementation, and control of the organization's service programs to suit the needs of its constituents well enough that two types of *exchanges* take place: (1) the maximum *use* of the services and (2) financial support to the organization.

If you give a party and no-one comes, you have made an offering that no one wants. Therefore, the magnitude of the first exchange, the use of programs, is determined by the organization's commitment and ability to gauge constituent needs and respond to them. Organizations which document their constituents' enthusiastic endorsement to questions about service program effectiveness are likely to raise more money than those whose do not test the

market. Those market tests, when organized as the results of a survey, make an important accompaniment to a grant application; they are proof that your group is analyzing constituent need and responding to it. When negative market tests arise, the organization knows that it must go back to the drawing board before attempting high yield fundraising.

The second exchange, donations to the organization, also is determined by constituent satisfaction; happy customers are willing to pay the price. There are two kinds of potential donors: (a) those who both *use* the service programs and *donate* money, and (b) those who do *not use* the programs but *donate* their own money on behalf of others who need the services. Often the approach to each is different.

Defining your constituency to include a broad base of those directly served and those who care about and can influence your work is an important exercise in creating the target markets that, eventually, will be approached for contributions. Foundation, corporate, individual, and government donors are considered constituents along with those receiving primary services. *Note:* See Factsheet 7 for additional information about marketing for charitable nonprofit organizations.

How Strategic Planning, Marketing, and Fundraising Fit Together

Strategic planning, marketing, and fundraising are processes with specific steps. All three used to be performed independently of the other. Today, their integration into a single process is exemplified by the following principles: (a) *all fundraising flows from strategic planning*; (b) *all strategic planning should be done with a marketing orientation*.

Strategic planning provides the framework within which market testing and program designing can work and which generates fundraising goals and plans.

The Process of Strategic Planning

A planning committee should be formed to develop the strategic plan. The planning committee consists of key board members, the organization's executive director, and other key staff members. Planning strategically involves re-conceptualizing the organization from the ground up, i.e., zero-base conceptualization. It presumes that at the beginning of each planning cycle (three years, five years), the planning committee will *not* assume that the future should be a simple upgrade of past services (step-planning). Instead, the committee will walk through the following steps

1. Analysis of the marketplace

- Define your constituencies, primary and secondary.
- Examine the threats and opportunities in the external and internal environment which can affect the organization's future and make note of how to use that information to plan its future.
- Select strategies to achieve your goals for the term of the plan.

2. Create the case statement

- Write a case statement which summarizes conversationally the needs your group will address and the strategies and service programs it has elected to serve those needs. Add information about your organization's past achievements and its competence to deal with the issues in your plan, a little about your board, and an indication of budget size.
- Test the strengths and weaknesses of the case statement's content with focus groups from your constituencies. (If necessary, go back to the drawing board and then re-test.) A positive reaction from the board means that you may continue with the next few steps.

3. Create detailed program descriptions for each year

- Describe each problem to be addressed.
- Describe the actions to be taken (services you will provide) to address each problem.
- Include people who will perform the actions/services in the description.
- Describe anticipated results for each year.

4. Devise functional budgets for each year

- Use a spread sheet showing columns for administration, fundraising, and each program across the top. Down the side are income line items, as in chart A (*below*).

A. Summary Income Budget: 19??

Income	Administration	Fund Raising	Program A	Program B	Program C	Etc.	TOTAL
CONTRIBUTIONS							
Individual							
Corporate (regular)							
Corporate (cause related)							
Foundation							
Other Non-profit							
Government							
EARNED							
Interest							
Sales							
TOTAL							

Use a spread sheet showing the same column headings as in Chart A ("administration," etc.) Down the side are expense line items, as in Chart B (*Below*).

B. Summary Expense Budget: 19??

Expenses	Administration	Fund Raising	Program A	Program B	Program C	Etc.	TOTAL
Salaries							
Benefits							
Professional Services							
Rent							
Printing							
Travel							
Etc.							
TOTAL							

Subtract expenses from income for each column and perform a benefit/cost ratio analysis to allocate surpluses and devise a final fundraising goal (FR Goal) for each column, as in chart C (*Below*).

C. Benefit to Cost Ratio Analysis

Benefit/Cost Ratio Analysis for XYZ Organization, 1977				
	Income (b)	Expense (c)	Fund Raising Goal (b-c)	(b/c)
Program Name	Benefit	Cost	Net Benefit	Benefit/Cost

Note: this list can be as long as needed. "Administration" and "Fundraising" can be treated as "programs" for this analysis and often are found as the last two listings in the "Program" column. After surpluses have been allocated by the board to cover costs of key programs, the "FR Goal" column ["Net Benefit" or (b - c)] must be recalculated to set the final fundraising goal for those service programs still showing deficits.

5. Create the financial resources development plan

This involves setting up charts for contributed income targets as illustrated in chart D (*Below*).

Program Name:		Year:		
Amount to be Raised:				
Funder	Amount	Board Contact	Due Date	Proposal Form

D. Potential Funders

The chart allows you to use your board contacts well and to calendarize due dates so that you do not miss proposal deadlines. The financial resources development plan also includes earned income plans, such as interest income from savings or endowment, sales of promotional items, proceeds of special events, unrelated business income, etc.

6. Design the human resources development plan

- The previous five steps have generated a need for staff, board, and volunteers.
- Write job descriptions for each area

7. Submit material related to steps 3 to 6 to board for approval

8. Decide on organizational changes to accommodate steps 1-7

- If structural or systemic changes are needed, this is the time to design them. This may involve bylaws, management systems, and policies.
- The decision to publish those changes in the strategic plan is largely a matter of organizational culture.

9. Submit step 8 to the board for approval

10. Create a communications plan

- A critically important step, the communications plan sets up the methods your organization will take to transmit messages about its work to a wide variety of target populations in order to facilitate the two key exchanges (1) service program use and (2) financial support.
- This plan must include specific responsibilities of board, staff and volunteers and contain deadlines.

11. Write the implementation plan

- Another critically important step, the implementation plan assigns responsibilities to specific officers and staff to be certain that the entire strategic plan is carried out accurately and on time.
- One key responsibility includes notifying the board chairman if the plan is not proceeding well and calling the strategic planning committee back into session if adjustments are needed.

12. Set up a continuing market evaluation plan

- Strategic planning may be the only function in the charitable management field which justifies going around in circles, i.e., we are back to the beginning. The environmental analysis done by the committee at the beginning of the planning process will be repeated on a smaller, more leisurely scale by the board's marketing committee during the term of the plan.
- It amounts to spot-checking the strategic fit between service programs and constituents' needs during the term of the strategic plan. New information affecting that relationship is captured for use in the new planning cycle, which will commence at the beginning of the last year of the current cycle. *[It takes about a year to do a strategic plan with allowances for proper timing to accomplish work with a minimum of stress.]* Dramatic change in the environment will, of course, trigger re-assembly of the strategic planning committee.

13. Submit the remaining sections of the plan to the board for approval

14. Publish enough copies for the board, staff, advisory committees, potential key funders, and any policy-makers who are important to your group

Summary

While the foregoing is not a precise formula for strategic planning, it fairly represents the order in which the steps should be taken to build a pyramid of plans that lead to a solid strategic plan.

There is a corollary to the two basic planning principles mentioned on page two: *There should be a moratorium on all pre-conceived thoughts about programs and priorities while planning is taking place.*

This may be the most difficult aspect of planning strategically because human nature inspires a desire to hang on to what is pleasing about the past. Justifiable existing programs will be recreated and reconfirmed naturally as a part of the process. Zero-base conceptualization requires an open mind if the planning process is to have credibility with potential users of services and potential funders. **Tip: *Be flexible when setting completion dates for your strategic plan. It may be necessary to avoid tying the completion of your plan to a public presentation, such as an annual meeting, national conference, etc. The process requires flexibility to achieve the best results.***

About the Author

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