

# Building Fundraising Capacity An Overview

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## 1 Balanced Approach To Revenue Generation

It is important to take a balance approach to fundraising. For example an organization should look at and market test a variety of approaches. These may include:

- Government
- Non-government
  - Corporate
    - Payroll giving
    - Staff fundraising/volunteering
    - Sponsorship
    - Gifts in kind/secondments
    - Donations
    - Charity of the year
  - Foundations
  - Events and community fundraising
  - Individual fundraising (direct marketing, legacies, face-to-face, major donors)
  - Finance institutions, loans, equity investors, bonds, etc
  - Venture Philanthropy (cuts across major gifts/corporate)
- Commercial/Social Enterprise - trading, affinity, earned income (see Appendix 1 for a definition of a social enterprise)
- Social venture capital/venture capital/angels

## 2 Getting Your Organization Ready

### 2.1 Overview

There are a number of issues that should be considered including having a strategic context that supports social entrepreneurialism, that is, being clear about the **vision, mission, values and the need for the service and its purpose; as well as its benefits**. One should **address organisational readiness issues, barriers, inhibitors and the risks that need to be managed**.

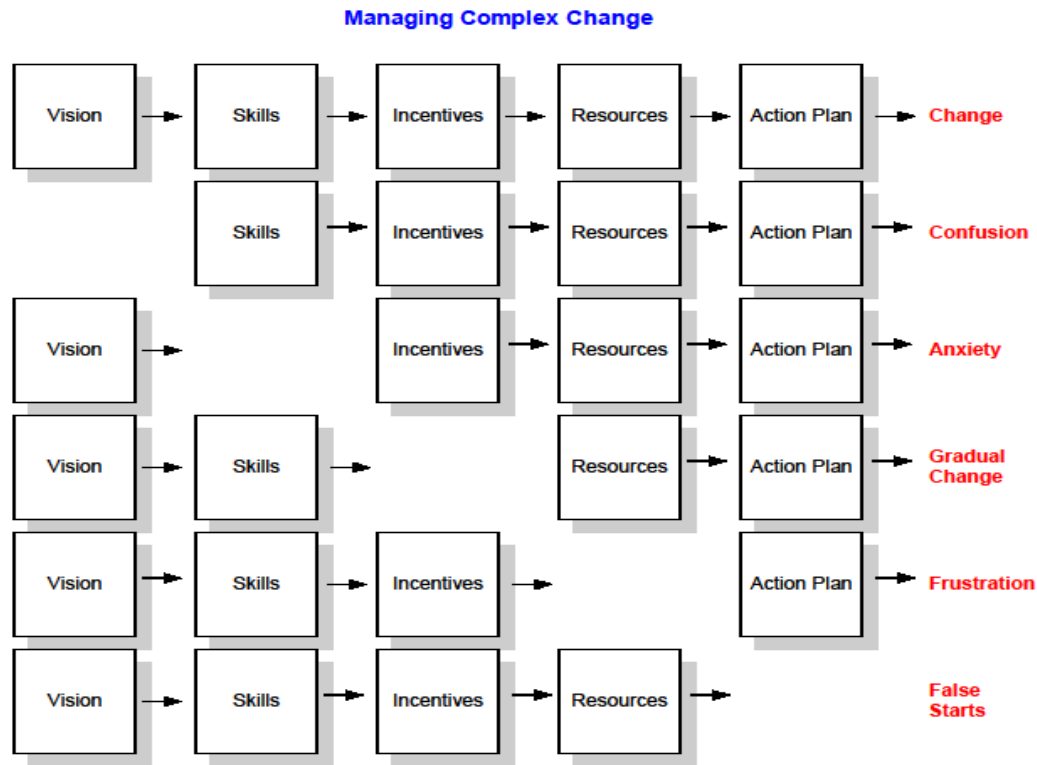
Key questions include:

- Is there a need?
- Do you have a service to meet the need? Who are the competition and how do you stack up against the competition? What is your unique selling point (USP)? (see Appendix 3 for the elements of market research and planning)
- How does the service work – the business strategy and the business model?
- Do you have the people to make it work?
- How do the finances stack up – profit and loss over a three to five year time frame, cash flow, investment needs and return on investment (social and financial)?

**It is important to start with an analysis of your existing activities. Once the review is completed then a business plan** (see Appendix 2 for the content of a business plan) should be developed.

The remainder of this guide goes into more detail describing the various elements that you should consider throughout your decision-making process.

## 2.2 Change Process



Developed by Brita Brittain of Johnston, Smith International

## 2.3 Value Proposition

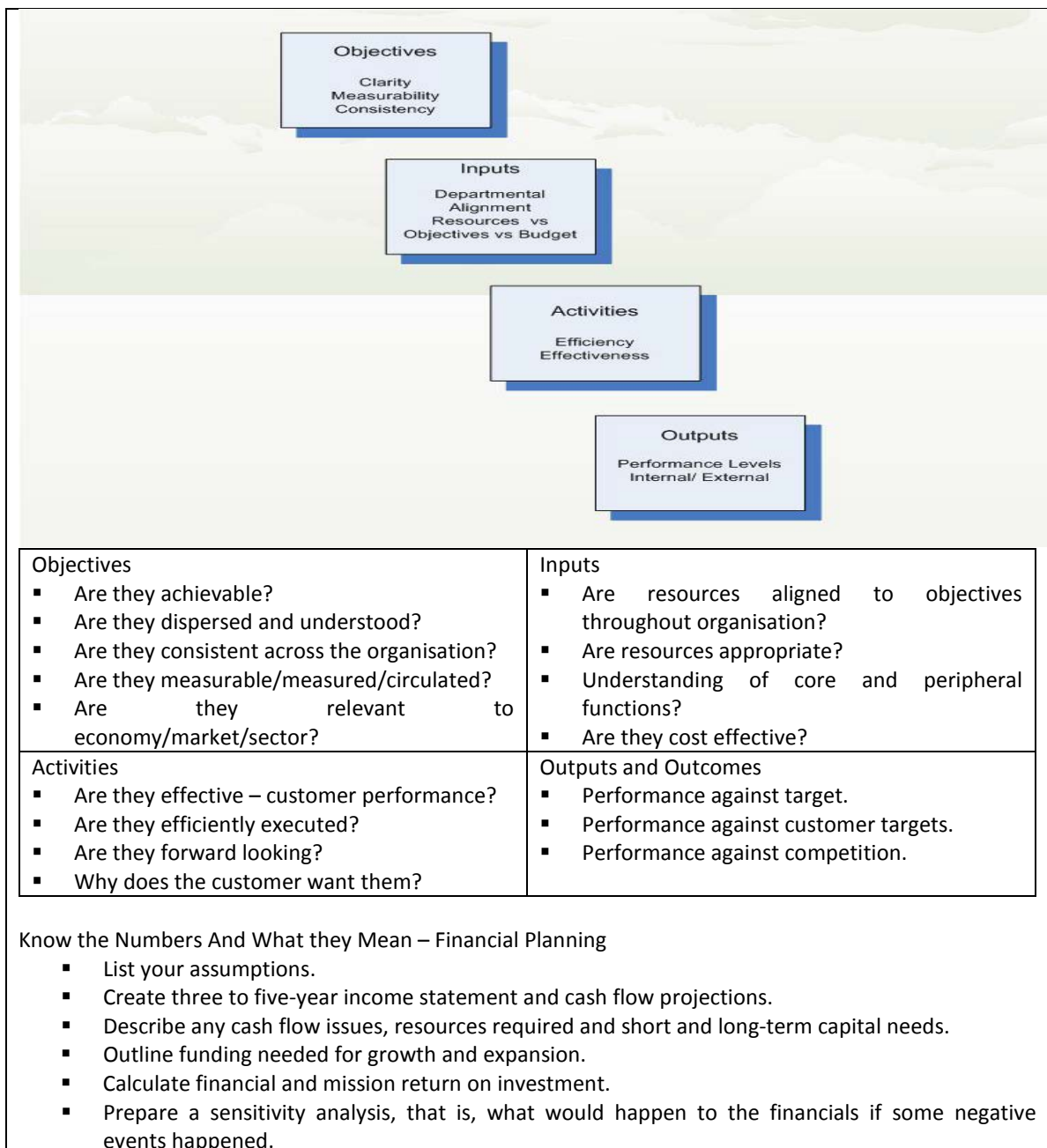
You need a strong value proposition, a vibrant, efficient and effective organisation to achieve your mission.

To assess this, review the following:

- Agree to purpose of the review - who is it for?
- Develop and concept statement describing the activity.
- Perform a SWOT (strengths, weaknesses, opportunities, threats) and risk analysis covering: management, workforce, reaching out/marketing, operations and financials.
- Do your market research.
- Assess outcomes, impact and social return on investment (SROI)
- And never, ever forget the client and users of the service.

Align objectives, inputs, activities and outputs to ensure that you and the key people involved in the potential social enterprise are aware of and managing risks.

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## 3 Revenue Generation

### 3.1 Key Principles

The key principles of fundraising<sup>1</sup> are:

- i. Fundraising is not an end in itself - it is a means to an end
- ii. Being ethical is essential
  - Step 1 - Prepare a policy
  - Step 2 - Establish a chain of command
  - Step 3 - Talk to others
  - Step 4 - Look at and learn from best practice
- iii. You need to be committed to be convincing

<sup>1</sup> See *The Complete Fundraising Handbook Directory of Social Change UK*

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- Know your cause
  - Be passionate about it
- iv. Know your own organization
  - Who, where, why, what, when, how.
  - Know your competition
- v. Develop a fundraising strategic plan
  - Market research and marketing/sales plan
  - Operations plan
  - Portfolio plan: investment priorities/balanced approach/prioritise
  - An investment budget
  - Prepare case for support/business cases
- vi. Who is the 'right person' to ask?
  - A current donor or peer to peer
  - Understands that they are offering, something the donor wants
  - Comfortable with fundraising/selling
    - Confident/secure, forthcoming/honest
    - Able to cultivate/build a relationship over time
    - Can deal with objections/concerns
- vii. Ask for specific sums
  - Donors may not know how much to give - suggest
  - Ask for the right amount – not to little
  - They may only be able to give at a certain level
  - Know exactly how much items, services and projects cost, develop a shopping list, think unit cost
- viii. People give to/for people – tell stories
  - Use case studies/focus on specific projects
  - Communicate the real/positive difference you are making in people's lives
- ix. Take a personal approach
  - Asking someone face to face is better than...
  - Phoning to ask for support is better than...
  - Writing a personal letter is better than...
  - Giving a presentation to lots of people is better than...
  - Putting out a request on the internet is better than...
  - Sending an appeal to lots of people
- x. Develop relationships
  - Encourage long term involvement and commitment
  - Encourage donors to visit you; invite them to meet staff and volunteers
  - Share future hopes
  - Say thank you – many ways of doing this
  - Be accountable and report back

## 3.2 Business Case/Case for Support

A succinct business case/case for support is essential elements of your fundraising campaign.

Business Case	Case for Support
<ul style="list-style-type: none"> <li>• <b>Problem/market need</b></li> <li>• <b>Your solution</b> <ul style="list-style-type: none"> <li>– Description of the enterprise/activity/business model</li> <li>– Unique Selling Point (USP)/competitive difference</li> <li>– Strategy and people to make it work</li> <li>– Finances</li> </ul> </li> <li>• <b>The ask: investment needed (money/resources)</b></li> <li>• <b>Financial return on investment (FROI)/Social return on investment (SROI) (triple bottom</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Mission – what you want to achieve</b></li> <li>• <b>Introduction/overview summarizing the main points</b></li> <li>• <b>The needs you are meeting</b> <ul style="list-style-type: none"> <li>– Use statistics, case studies, authoritative sources</li> <li>– Give a sense of urgency, importance and potential impact</li> </ul> </li> <li>• <b>How you will meet the needs – describe the project</b></li> <li>• <b>Why you?</b> <ul style="list-style-type: none"> <li>– Organizational</li> </ul> </li> </ul>

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<p>line)</p> <ul style="list-style-type: none"> <li>• <b>Your organization – you are a winner</b> (effectiveness/impact, financial stability, successes, other investors)</li> </ul>	<p>credibility/USP/accomplishments and impact other investors)</p> <ul style="list-style-type: none"> <li>• <b>Detailed budget</b></li> <li>• <b>Who’s involved – Board, staff, partners, donors</b></li> </ul>
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### 3.3 Social Investment/Major Donors

The following seven steps are designed to find and keep your social investor/major donor. In a generic sense they apply to all forms of revenue generation including corporate and foundation fundraising (however creating and growing a social enterprise and a corporate sponsorship program would take a commercial approach to product development; but the raising of social investment support would generally utilize the approach below with the potential of some language changes).

The steps are:

1. Identify
2. Research
3. Plan
4. Involve
5. Ask
6. Close
7. Recognize

You need:

<ul style="list-style-type: none"> <li>▪ A Clear well defined set of needs including a strong business case/case for support</li> <li>▪ To recruit influential leadership to support your campaign</li> <li>▪ A well-researched constituency</li> <li>▪ A Well planned cultivation of prospects</li> <li>▪ An effective (sales) approach to asking and closing with effective follow-up</li> <li>▪ A strong recognition and stewardship program including engaging the donor/investor in the organization and services as appropriate</li> <li>▪ Constant evaluation and feedback</li> <li>▪ A WOW factor: The WOW factor is essential. A strong and effective leadership group can be formed from a wide range of people, but on the whole they should each be able to contribute in one of four ways: Wealth, Work, Wisdom, Wow! <b>Wealth:</b> willing and able to make a significant financial contribution – perhaps a lead gift - to a cause they feel strongly about. <b>Work:</b> willing to act as an active ambassador for the cause even if only able to give financially at a modest level (or not at all); willing to try and draw other people in to help, follow up leads, turn their hand to anything to help a cause they believe in. <b>Wisdom:</b> perhaps someone with a good understanding of what might motivate people to give, someone with a personal track record of success in business or elsewhere with insights that could benefit the whole process. <b>Wow!</b> : sometimes it is enough to be a high profile name, a celebrity, someone to add high (or low) impact to a cause, someone other people would be fascinated to meet, but again, there would need to be a rationale for their involvement.</li> </ul>
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The elements of a campaign to raise funds consists of the following.

<ol style="list-style-type: none"> <li>1. <b>Finalise the purpose, participants and process/steps/who/when</b></li> <li>2. <b>Context setting</b> – review written materials</li> <li>3. <b>Interviews = internal/external stakeholders</b></li> <li>4. <b>Environmental scan/options/leading edge/trends/market conditions</b></li> <li>5. <b>Strategic/Planning workshop</b> – agree to process, identify opportunities, discuss fund and deal flow as well as risk/readiness issues</li> </ol>
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<b>6. Business case development (back up business plans/mini business plans as appropriate)</b>
<b>7. Prospect Identification</b> – undertake a systematic mapping of people for the feasibility phase. The aim is to develop a list of 20 people who we could probe for involvement.
<b>8. Recruit an initial working group of 2-3 key individuals/build it into a more extensive leadership team</b> - this group will need to: <ul style="list-style-type: none"><li>• Act as advocates for the organisation.</li><li>• Be able to explain the idea and its effectiveness.</li><li>• Have access to networks.</li><li>• Have the ability to ask difficult questions (ask for investment = money/engagement).</li></ul>
<b>9. Planning the campaign/feasibility:</b> <ul style="list-style-type: none"><li>• An initial communications paper will need to be developed outlining the approach; sizes of gifts (investments) required at each level; identification of lead gifts.</li><li>• Test this paper and the business case with the working group.</li><li>• Train the working group.</li></ul>
<b>10. Feasibility Testing:</b> <p>The Working Group will need to approach the list of 20 prospects with the aim of gaining their involvement (business plan feedback, expertise, sponsorship/investment, contacts and networks). The following agenda has been developed:</p> <ul style="list-style-type: none"><li>• Introduction to the concept.</li><li>• The purpose.</li><li>• Our dream today and tomorrow.</li><li>• The approach (the business).</li><li>• Are we capable?</li><li>• Feedback.</li></ul>
<b>11. Roll out of campaign</b> – this will include the following considerations: <ul style="list-style-type: none"><li>• Resources required including extra dedicated staffing.</li><li>• Development of data management system etc</li><li>• The development of a strategy to include:<ul style="list-style-type: none"><li>○ <b>Prospect identification.</b></li><li>○ <b>Research and qualification.</b></li><li>○ <b>Solicitation planning.</b></li><li>○ <b>Identifying lead gifts.</b></li><li>○ <b>Gift closure planning (cultivation planning).</b></li><li>○ <b>Cultivation and solicitation</b></li><li>○ <b>Stewardship, recognition and involvement/engagement.</b></li></ul></li></ul>

<b>Steps</b>
<b>A. Pre-Work, Preparation and Planning</b> <p>Building on the feasibility stage activities and results:</p> <ol style="list-style-type: none"><li>Prepare a project plan.</li><li>Outline in more detail the nature of the Fund:<ul style="list-style-type: none"><li>▪ Preparing a business case/case for support, the deal flow, initial investment strategy and capital allocation, investment implementation, summary approaches to performance measurement and evaluation, a revenue generation plan to raise funds initially to fund phases B and C below.</li><li>▪ Prepare a business/operations plan/budget and revenue generation plan including vision/mission/values/objectives, structure, management, etc.</li></ul></li><li>Clarifying legal issues and arrange governance as appropriate.</li><li>Finalising the description of the team that should be recruited to run the Fund and the</li></ol>

organisation, including preparing a description of the leadership team's role and responsibilities and job descriptions for the chair and members.

- v. Identifying, research and qualify potential members of the leadership group
- vi. Cultivate and solicit team members; train etc.
- i. Finalise the process and the approach to deal flow e.g.
  - o Examples of places to flow the money/investment.
  - o Prepare the pitch, building on the business plan and the business cases.
  - o Outline reporting mechanisms, engagement activities.
- ii. Agree to final implementation plan, responsibilities and timing.
- iii. Discuss potential participants and information requirements.
- vii. Identify potential risks and inhibitors, and develop ways to manage or mitigate them.
- viii. Prepare next steps.

### **B. The Campaign**

- I. Develop/put in place a data/client management system.
- II. Solicitation planning including Identification of prospects: systematic mapping of contacts and networks.
- III. Research and qualification of individuals (for capacity and propensity to donate/invest).
- IV. Cultivation and feasibility phase (pre-gift/investment stage):
  - o Market test the feasibility of the strategy, the case(s) for support/business cases and deal flow, and approaches including testing BC-SEIF as a means of attracting donations/investment and expertise; identify further lead gifts/investments and add to the leadership group as appropriate.
  - o Fine tune the solicitation strategy.
- V. Solicitation (gift stage) – ask for donations and close.
- VI. Stewardship (post-gift stage): Develop strategies for thanking/recognising the donor and integrating/engaging them into the organisation.



## Appendix 1: Definition of a Social Enterprise

Individuals or groups setting up and managing social enterprises are usually seeking a social, economic, cultural or environmental end; and they choose to use a commercial approach setting up an enterprise as a means to achieve their mission. Social enterprises are businesses with social objectives as its primary aim, its mission; and they are not driven by the need to maximize profit.

There are various types of social enterprises. For example there are ones which:

- Maximizes profits with the profits going to support social ends.
- Balances achieving social ends with profit, the later focusing more on full cost recovery or limited profitability.
- Achieves profitability and social return, the two growing together.

One form of social enterprise is a co-operative. Its underlying principles are clear – open, voluntary membership, democratic governance, limited return on equity, the surplus belongs to members, training is at its core, collaboration is a fundamental value, and there is a concern for the community. There are consumer co-operatives, worker co-operatives, community co-operatives, and multi-stakeholder co-operatives.

## Appendix 2: Business Plan

A business plan is an outline of the value proposition and the execution plan. Business plans are an internal road map and an external communication tool. The content and approach to the plan depends on its purpose and audience. In summary a business plan should contain the following:

- i. **Executive Summary:** In no more than two pages, summarise the main points of the plan. Include one or two sentences summarising each of the major sections. Convince the reader of the efficacy of your business idea. Make your case, sell your idea.
- ii. **Organisational Profile:** Describe the existing organisation and what is it bringing to the table that is relevant to the success of the business?
- iii. **Description of the Business:** Describe the product or service in clear terms – a reader with no knowledge of your industry should be able to understand the product and the customer benefit.
- iv. **Industry and Market Analysis:** Describe how big the market is for your product, industry trends, market dynamics, and the activities of competitors and collaborators.
- v. **Marketing Plan:** A marketing plan is not just about advertising. State clearly the target market, product benefit, marketing message, pricing strategy, distribution strategy, and sales and promotion strategy. Create a clear branding strategy and explain why customers will be motivated to purchase.
- vi. **Management Plan:** How will the management of the business integrate with the rest of the organization? Who is accountable for decisions? Why will they succeed? Deal with governance.
- vii. **Operations Plan:** How will the product or service be developed, manufactured, delivered and serviced? What infrastructure is required?
- viii. **Financial Plan:** Include a minimum three-year projection as to the revenues, expenses, investment and cash flow. Also include an investment plan and the return to the investors. An exit strategy is required.
- ix. **Risk Assessment and Contingency Plan:** Identify major risks, along with plans to reduce risk and react to negative events.
- x. **Supporting Documents:** Include in the appendices anything else that would be helpful to understanding the business.

When a management's business plan is assembled, there are a number of yardsticks that can be used to evaluate it. These include:

- Comparison of objectives and projected performance with other companies and social enterprises - Does the plan make sense in the light of what others have achieved in similar businesses?
- Profile of financial projections -Does the time to breakeven make sense? Are the margins realistic? Do the terms of business and working capital requirements tie up with each other?
- Sensitivity to and impact of variations in plan - What shocks and variations can the plan withstand before the business is in difficulty?
- If the business requires external capital does its profile fit with a recognisable source of capital?
- Parallel motivation and objectives as between potential investors and management - Do the management and potential investors agree on the issues of major importance? Would the potential investors understand the business and will management and investors be able to communicate when things go wrong? Does the pattern of likely funding requirements fit with the profile of potential investor? Has management actually invested in the business demonstrating their own commitment to the plan?
- Has the management assembled a team that incorporates the experience to develop the business profitably in its chosen market? It must be clear that the management team will make the transition to good performance in the private company sector.

## Appendix 3: Market Research and Planning

The approach to market research will include segmentation, receptiveness, and opportunities. Steps would include developing and agreeing to a list of questions to be addressed as part of the market research; identifying and honing in on existing and potential markets for the selected enterprise(s), their nature and potential/opportunities; competition, assessment, and recommendations.

### ***Determination of Potential Market***

The purpose of the research will be to understand what the customer would want from the business, whether they recognise a need for the products and services that the business is considering offering, how much they would be willing to pay, whether they are aware of any competitors and whether there are any related services the company could also offer within its portfolio.

The objective of robust market research is to demonstrate that there are customers who are likely to purchase the proposed product and that the pricing and marketing message is pitched correctly to the target customer group. Market research is an opportunity to test concepts prior to launch and refine messages based on feedback from potential customers.

Steps would include the following.

- Develop and agree to a preliminary list of questions to be addressed as part of the market research.
- Identify and hone in on existing and potential markets, their nature and viability; locate the best customer opportunities by making a very large market manageable; divide the total market into different types of customers (segments) and identify the segments that are most likely to purchase.
- Conduct a marketing audit.
- Once the customer segments have been identified, analyse and review the strategy for:
  - Product: branding, design, colour schemes, functionality, packaging.
  - Price: discounts and reductions, promotions, long term price positioning, costs, funding and financing.
  - Place: method of selling, distribution/channel chosen (online, retail outlet, mail order etc.), staff structure to support sales, customer accessibility, channel manager relationships (distributors, third party sales, retailers).
  - Promotion: advertising, mailings, public relations, sales promotions, leaflets, exhibitions, sales staff.
- Ensure that the following is considered in addition to the 4Ps above – management and staff with the appropriate skills, knowledge and wisdom; and appropriate processes are in place to deliver the product.
- Define marketing objectives.
- Create an implementation strategy.

The methodology to determine the market may involve desk research and carrying out market research surveys of potential customers including a random survey of potential clients.

The content of the market research report may contain the following:

- Executive summary - an overview of the research, findings and recommendations.
- Introduction – background, process and methodology.
- Overview of selected enterprise(s) for market research – products/services offered and product characteristics.
- Industry overview including market size, trends
- The market for the enterprise(s) including market segments, customers, competition
- Refinement of the enterprise service(s) – concept, USP.
- Marketing plan issues re marketing goals and strategies, routes to market, promotions, pricing, budgets, sales planning, etc. – addressing issues listed in the next section.

### ***Marketing Plan***

Once the market research is completed, a marketing plan could be developed. The marketing plan will outline how the business and its products should be positioned, who the customers are, what competition it faces and what the price and promotional mechanics will be.

As well as looking at product positioning, the plan will also have to consider the social marketing aspects of this enterprise.

The marketing plan will contain:

- Marketing Audit – External Dimension
  - Social and Economic
  - The Political Context
  - Competitor and Channel Analysis
- Marketing Audit – Internal Dimension
  - Human Resource
  - Financial
  - Provision
  - The Marketing Mix
- Marketing Audit – SWOT Analysis
  - Strengths
  - Weaknesses
  - Opportunities
  - Threats
- The Marketing Mix
  - Product
  - Price
  - Place

Promotion

- Implementation Plan
- Appendices