CHAPTER 1

The Context for Fund Development

Nonprofit fundraising people and corporate salespeople share quite a few characteristics. They both tend to be outgoing, positive, oriented toward the future, and not afraid to ask for money. They are social beings. These characteristics, plus the ability to work late, are prerequisites for fundraising professionals; think of how many events they have to attend!

But there's also something that both share that's not so great, and that's the challenge of figuring out which prospects justify their attention. Both salespeople and fundraising people are heavily motivated by the desire, not to mention the need, to close the next deal. For the salesperson, there's usually a commission hanging on the end of the next sale. For the fundraiser, commissions are not the driving force, but the combination of altruism—your commitment to the mission—and practicality—keeping your job—replaces commissions reasonably well. But think of what happens if you win the gift, but the donor is impossible to deal with; you get the grant, but the reporting requirements are too onerous; or the corporation agrees to underwrite your event but demands unrealistic concessions from you.

A poor return on effort and a leakier bucket—that's what happens. These examples are all instances of fundraising effort that's more tactical than it is strategic. They hide the possibility that winning those particular deals might bring in some cash today but poke you in the eye later. That's not only unproductive, it's counterproductive. While your fundraising bucket gets leakier and leakier, you're eating more antacid tablets, your agency can't work as effectively as it should, and eventually your job is at risk.

Unfortunately, there's not all that much that you can do about it after the fact. But there is something that you can do *before*. You can figure out which funders are "right" or "best" for you, and which ones are most likely to make you sorry you bothered.

This requires some work on your part. You can't figure out which funders are right for you if you don't set the context for understanding—and improving—your fundraising productivity. To do so requires that you know four things:

1. How much it should cost to achieve your mission.
2. The value of your development time, or its "opportunity risk factor."
3. What makes your best funders "best" in your eyes.
4. Articulating your unique value proposition (UVP) or "value-added."

What Should It Cost to Achieve Your Mission?

A few years ago, we worked with the executives of a nonprofit providing affordable housing in a poor neighborhood. The organization was chronically underfunded, but their strategic plan included ambitious fundraising objectives. Initially, that seemed fine and dandy, until we realized that they planned to raise about three times as much money in one year as had ever been produced collectively over the organization's lifetime. Considering that they had no development director, no donor database, and no donor management software, it seemed just a little unrealistic.

Now, funding an organization that builds houses is tricky. The budget for building the houses and fixing up the neighborhood is often separate from the budget that pays for staff and the administrative functions, and lots of it comes from government sources. Raising money to pay for office space, staff, and programs, however, is more likely to come from more conventional forms of philanthropy. The two budgets tend to be raised, spent, and accounted for separately.

Even before the project started, we talked with the chief executive officer (CEO) and chief financial officer (CFO), suggesting that they hire a development professional, but they became quite anxious. They said they couldn't find the money or justify the expense of such a hire. While money was available to build and renovate houses, they told us, there was no money to expand staff, compensate them properly, or pay for the information technology, professional development, and marketing outreach necessary to keep the lights turned on and continue achieving the mission. The board and senior leadership had tolerated the situation and believed that it was the only thing they could do.

Standard operating procedure for this group was "raise what we can, then we'll figure out how to spend it—and if we don't raise enough, we'll just tighten our belts and limp along."

The CFO and the CEO had never tried to figure out what it would really cost to fund the agency's operation because there was always enough, or nearly enough, to pay for building houses and revitalizing neighborhoods. They just couldn't manage the projects, do the marketing, or recruit and retain talented staff. As a result, organizational improvements weren't made, outreach wasn't conducted, staff were either not hired or were given little training, and there was never enough money to hire a development director.

Knowing what it costs to achieve your mission is the first thing you have to do if your fundraising is going to be productive and effective.

Increase the Income, Don't Cut the Budget

The temptation to underspend is endemic in the nonprofit sector. During the budget-planning cycle, it's appropriate to consider ways to save or reduce certain costs. But this is where the "overhead myth" rears its ugly head again. Nonprofit executives have been conditioned to keep their overhead costs so low that they squeak.

Not so long ago, when we were helping a client put their fundraising plan together, the CEO mentioned a revolving line of credit that kept costing them money. The total owed was about $70,000. But when staff and board started to figure out what they ought to raise for next year, they ignored the outstanding debt. Somebody (well, me) had to pound her shoe on the table and say, "Hey, raise enough to pay off that debt *and* pay for the other stuff you need!"

It's tough to raise money, whether you're raising it from sales or through philanthropy. Everybody gets that. And it's probably likely that nonprofit executives and fundraising professionals will continue to earn less than their corporate peers (and have cheaper furniture) forever. But it takes money to make money. Your nonprofit's CEO does the same kind of work as the CEO of a roughly equivalent for-profit enterprise, so executive compensation should be at least adequate. Your development team takes as much risk and works as hard as the for-profit sales team across town. Your needs for information technology, marketing, supplies, staff benefits, and professional development are just as important as they are to the corporate offices downstairs in your building.

The way I see it, though, it seems as if not spending money were some sort of badge of honor for nonprofit professionals. This is where the tin-cup mentality creeps in and makes a mess of things.

DEFINITION: THE TIN-CUP MENTALITY

The tin-cup mentality is the state of mind that says "We're a poor, lowly charity! Give us money because we need it!" Rather than signaling your value to the world, or inviting others to celebrate your triumphs, the tin-cup mentality emphasizes your neediness. Shouting about how poor you are does not inspire confidence among philanthropists. It also gives rise to a terrible fundraising habit, namely, "Let's raise whatever we can and then figure out how to spend it."

Trying to get by on low budgets (or no budgets at all in some cases) is a classic symptom of the tin-cup mentality. While it might sometimes be necessary to run on slim margins, forgo appealing projects, or wait for better times to launch new initiatives, it's a rotten idea to assume that just because you're running a nonprofit, you "can't afford" whatever it is.

Contrarian that I am, I always recommend that the board and CEO look carefully at the budget, asking, "Are we spending *enough* money? What would happen if we spent more?" Developing such a habit pretty well cancels out the tin-cup mentality, also known as the mentality of deprivation. Operating under this mentality, even if you're not consciously aware of it, can really hamstring your fundraising efforts. After all, you believe that your organization's mission delivers some benefit to the individual, the community, and the world, right? If your job is to make a positive difference in the world, what is that worth to the world? It should be worth reasonable levels of financial support. If you think it doesn't deserve such financial support, maybe, just maybe, you're not valuing your own agency the way it deserves to be valued and you should seek a career challenge elsewhere. I'm also going to assume that you work for your organization, serve on its board, or volunteer for it because you believe in it. You're proud of it. Many times, you have a personal connection to it because you or a friend or relative suffered from the negative conditions your organization works to eliminate, the disease it intends to cure, or the art form it celebrates. If you're so proud of the organization, its mission, its values, and its programs, then you need to believe that paying for it, including adequate staff compensation, is a very good thing indeed.

By all means, be prudent about your expenditures. But for heaven's sake, you and the rest of your team should not live on scraps when a professional, robust fundraising effort will get you the money you need to do the job right.

Reverse this mind-set by acknowledging to yourself that your case for support is strong, and that it's your job to make your agency worth raising money for in the first place. Yes, some major funders may want you to keep your overhead costs low and to put most of your money into programs. Those are the funders who still buy into the myth of the overhead ratio. That doesn't mean you should ration service delivery, cut programs, pay your staff less than a living wage, be unable (unwilling?) to provide them with benefits, scrape by using inadequate materials or equipment, or fail to conduct effective outreach because you can't afford the postage. Start your development planning based on what it *ought* to cost you to honor your mission and do it right. You may not be able to fulfill those fundraising goals in your first year or two, but with the right management controls—like the ones you'll learn about in this book—you'll know what to do to improve results every year.

IMPORTANT!

"Not-for-profit" doesn't mean you can't *make* a profit. It means you can't *distribute* your profits back to shareholders. You can, however, use it to improve your ability to serve clients, staff up appropriately, and stash money in a "rainy-day" fund. So please, plan to make a profit—and use it to achieve your mission.

Analyzing the True Cost of Your Mission

To figure out what it should cost you to achieve your mission, start by looking at your current budget, paying careful attention to the expenses column. That should tell you your actual situation to date. But then, you will want to go back to your strategic plan. (If you don't have a strategic plan, shame on you; it will be more difficult for you to complete this assignment.)

Scrutinize your strategic plan as well as your actual budget. Ask yourself some questions like these:

- *Clients*. How many do we currently serve? Are there more people in our area who could benefit from our services? What would it cost for us to serve 50 percent more or 100 percent more individuals? *Note:* If you don't actually serve clients, ask this question a different way, by referring to the research, position papers, projects, grants you intend to make to others, or other things you do. What would it cost if you added more units of service delivery?
- *Program, technical, and administrative staff*. If we served more individuals or did more projects, would we be able to service them with our current staff? If not, how many more staff should we have, and how big should our payroll be then?
- *Facilities*. If we raised the number of clients, projects, and staff, would we have enough room, equipment, or supplies to do the job right? If we don't, how much will it cost us to get them?
- *Technology*. Ditto. Do we have the right technological resources, up-to-date software, and level of support that allow us to take full advantage of our applications and manage our affairs effectively? If not, what should we be spending?

For you non–financial experts out there, this is the way you create a pro forma budget. Pro forma budgets are "as if" exercises, designed to help you figure out how much money you would spend, and therefore would need to make over the next few years, in order to run the organization at its current level of capacity, a moderately larger level, and a significantly larger level. Typically, pro forma budgets look out two, three, or five years and show the anticipated budgets at low, moderate, and high levels. The pro forma exercise lets you speculate about what it would cost to operate your nonprofit at different levels of service capacity.

If you're thinking, "This is about capacity building," you are correct! Fundraising the SMART Way™ is all about capacity building, and about doing it using facts, not guesses, and evidence, not opinions. Thanks to the facts and evidence you'll capture and analyze, you'll gain greater insights and clarity. You'll also reduce the battle of wills that may occur among staff members or, worse, between board and staff, which often happens when differences of opinion are based on personal feelings and convictions rather than data or evidence. That battle of wills may actually be going on today, even if your staff or board members are too polite and diplomatic to let it show.

CASE STUDY THE PRO FORMA BUDGET

We recently worked with the executive director (ED) of a nonprofit serving people with vision impairments. Every year, this ED struggled to raise about $1.6 million, much of it from state and county grants and contracts. When we asked her, "Are you serving all the people you could serve?," she said no. When we then asked, "What's holding you back?," she said, "Lack of money." When we asked, "If you can't serve more people, are you truly achieving your mission?," she said no again. "So how much more money should you raise in order to serve more people and offer more programs?" She said, "Wow—I never thought of it that way."

This agency is now working to put together a five-year pro forma budget.

Your Opportunity Risk Factor: The Real Value of Your Time

Figuring out how to build fundraising capacity requires an appreciation of the value of your time. Time is inelastic; you can't stretch the day beyond 24 hours or make an hour last longer than 60 minutes. Considering the constantly growing demands on your time, you have to recognize that it's not only precious, there's simply not that much of it. Unlike almost every other resource (talent, money, facilities, supplies), there is only so much time to go around, although we all know plenty of people who act as if they have unlimited time. Assuming, that is, that they don't spend any time on sleep, vacations, or sick days. Let's ignore that mistaken notion that you can do more stuff if you multitask. Multitasking doesn't work. Period.

The time you devote to fundraising comes with huge financial implications, often described as opportunity cost or its kissin' cousin "lost-opportunity cost." Opportunity cost includes stuff that's fairly simple to count up, such as meals, transportation, cost of collateral materials, travel, lodging, and other tidy line items you can expense with relative ease. It also should include the cost of your time. But I prefer to define the financial implications of fundraising time in terms of risk, rather than in terms of how much you're paid. I call it the *opportunity risk factor,* the amount of potential income you put at risk for every hour invested in fund development.

First, it's important to acknowledge that absolutely no one is able to spend 100 percent of their time on raising money. At least you have to sleep a few hours now and then, and there are other unavoidable drains on your time. So once you subtract the time devoted to those other things, from reporting to the board to taking your kid to the emergency room, you only have a certain amount left over to apply to the activities of fundraising, including such critical tasks as identifying appropriate prospects, writing grant applications, and meeting with major donors to convince them to raise their annual gifts to a higher level. Subtract all those nondevelopment hours from the total number of hours worked per year. Divide your annual fundraising target by the number of hours left over after you deduct hours

CASE STUDY THE OPPORTUNITY RISK FACTOR

The opportunity risk factor is usually somewhere around $1,000 an hour, and often more. If you're the ED, it might be significantly higher than that. In one case, the fundraising team calculated their opportunity risk factors and discovered that theirs ran somewhere around $18,000 an hour, largely because their time management was so inefficient.

Unfortunately, the ED walked into the training room at the point where we had just calculated that enormous figure. When we explained the exercise to him, his face turned white and he actually staggered to a nearby table to hold himself up. We thought we might have to dial 911.

Calculate Opportunity Risk of One Hour of Fundraising Time

Estimate Number of Days You Devote to Each Activity. Place Your Cursor Over the Red Triangles for Further Instructions and Explanations.

Days	**Total per Year**	**Running Total**
Total Number of Days in a Year		365
Less Weekends	104	261
Less Holidays (State, Federal, Religious, etc.)	54	207
Less Vacation	10	197
Less Sick, Personal Days	5	192
Less Days Devoted to Administration, Record keeping	94	98
Less Days Devoted to Travel	6	92
Less Days Devoted to Training, Conferences, Offsites	12	80
Less Days Devoted to Board Meeting Prep & Attend	12	68
Less "Lost" Days	5	63
Total Number of Days Left		63
Total Number of Hours in a Year for Business Development (Number of Days Times 8 Hours)		504
Your Annual Fundraising Target in Dollars	$ 1,000,000	
Your Opportunity Cost (Income Target Divided by Number of Development Hours)		**$ 1,984.13**

If You Misuse One Hour of Opportunity Cost, Every Hour Left for Fundraising Is More Expensive and More Risky!

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EXHIBIT 1.1 **THE OPPORTUNITY RISK CALCULATOR**

Source: Bristol Strategy Group

spent on all that other stuff. That's your opportunity risk factor. Use the calculator shown in Exhibit 1.1, or download the live spreadsheet from our web site.

If you've completed the exercise and learned your own opportunity risk factor, you may be thinking, "Hey, they're not paying me enough here!" Well, don't take it personally. The opportunity risk factor has very little to do with your payroll or benefits, and everything to do with the investment value of your time. When people make an investment, what do they look for? A return, of course! In terms of fundraising, you invest your time with the expectation that you will receive a considerable ROI—return on investment, or ROE—return on effort.

If you're carrying an opportunity risk factor of $1,000 or more an hour, you will think twice about which prospects justify the investment of your time. This is not to say that you don't show appreciation for those donors who give you small amounts of money. Of course you do. It's just not a good use of your time to spend hours and hours on a poorly qualified prospect when you could be investing those hours on donor prospects with a higher potential for lifetime donor value.

Establish the context for productive fund development by providing more objective criteria to differentiate between high-potential, moderate-potential, and no-potential donors. And that puts money right back onto your bottom line.

IMPORTANT!

Every hour you waste on unqualified funding prospects or unproductive development activities makes the opportunity risk factor of your remaining hours go *up*.

What Makes Your Best Funders "Best"?

A common practice in corporate sales is to create something called a "loss report" if the deal you've been working on doesn't come through. The loss report is supposed to reveal why the prospect didn't buy from you. Most sales reps despise them, by the way, and I hated them with all my heart. They were tough to complete. For one thing, the buyer who blew you off was ill-inclined to spend more time telling you how you messed up. So they'd avoid you or lie to you out of politeness. The reports became exercises in creative writing for the sales team. I used to ask myself if we wouldn't be better off asking our happy customers, "Why did you buy from us? And will your experience lead you to buying from us again?" Now *that* practice would have been useful.

IMPORTANT!

Figure out why your best donors give to you. Then clone them.

Classic prospect research doesn't really do a good job of telling you why your donors give to you. It tends to focus on the database-able information, the demographics, net worth, wealth profile, and giving history of the prospect. This information is useful, but it's not necessarily a good way to discover the kinds of qualitative insights you need in order to be persuasive. If the prospect doesn't give, your development officers may not complete loss reports, but they will speculate, sometimes endlessly, on why this person or that failed to make a gift.

So the real question is this: Why do your best donors give to you? What is it that inspires them to support your agency? And are there other funders who might share the same inspiration?

I'd like you to stop for a few minutes right now and think about the funders who currently support your agency. What it is that you like about them? Maybe it's just that they laugh at your jokes or give you expensive bottles of Scotch at Christmas. But, hopefully, what you like about your best funders includes such desirable qualities as:

- They give year after year after year.
- They raise the size of their gifts on a regular basis.
- They want some recognition but don't have unrealistic expectations.
- They love to brag about your organization and act as your booster club.
- They're happy to step forward, volunteer, and go the extra mile because they believe in what you're doing.
- They're the ones who tell you they want to leave their estates to you, so could you please figure out how to handle planned giving?
- If the development officer who acquired them leaves your shop, the donors don't follow the officer; they stick with your nonprofit.

Are these the things that describe the funders you like the most? Make up a list of all the desirable qualities you like in your current donor base. It's okay to do a little Frankenstein action here and cobble together qualities that exist in these donors over here, with others that only exist in those donors over there.

This exercise is often something of a surprise for the people we work with. They simply haven't thought about things this way. Maybe they've ignored those desirable qualities in the mistaken belief that wealth profile and giving history are somehow more important. But they're not. In fact, once you have gained clarity on the relationship you have with your best, happiest, most committed donors, your fundraising effectiveness is likely to increase, often dramatically.

The funders you like the most are usually the ones that like you the most in return. They don't always exhibit all the same characteristics. There are donors you adore, even though they might not give you the largest gifts. There are other donors you appreciate because of the amount they give you, even though you might not want to spend tons of social time with them. And there are still other donors you approve of because they're well connected, even if they don't give the most and you don't want to spend tons of social time with them. Write down a list of things that you love about your best funders. Be sure to include items that you may think of as frivolous or "too personal" for your standard business list. Sometimes the value of a donor is the enthusiastic sense of vision or potential that they bring you.

Characteristics of Your Favorite Funders

The idea here is to describe the relationship you want to have with your best funders *after* you acquire them. If you know what they ought to be, do, and give after the relationship has matured, it's easier to choose the right prospects in the first place. You'll now be cultivating with "the end in mind."

YOUR UNIQUE VALUE PROPOSITION: THE VALUE IN VALUE-ADDED

Before your start trying to raise money, you have to figure out what you're "selling" in the first place. It's surprising how often this basic step is given short shrift, but it's an investment of effort that will pay off handsomely.

After all, if you don't know what you're selling to your funders, you can't differentiate the good ones from the DOA's—the donors who are dead on arrival and make you sorry you cultivated their gifts in the first place. Sum up this value in a few words and it becomes your UVP. In the for-profit world, it's sometimes referred to as the unique selling proposition (USP). Maybe you've thought of it as your "elevator pitch."

Whether you think of it as selling or value, it's shorthand for your case for support, another important prospecting tool that gets short shrift, according to the Leaky Bucket study.

IMPORTANT!

The ideal donor is a donor who wants to support your nonprofit's mission and programs, at the level of giving you prefer, and who is satisfied with the kind of recognition you're good at delivering.

What is the UVP? It's a way to describe the value you bring to your two primary constituencies: clients and donors. The UVP will also play a role in attracting board members, staff members, and even volunteers, but we'll get to those applications later.

Defining your UVP requires thoughtful analysis. Avoid the temptation to put one together simply as an exercise in creative writing; that doesn't work. For now, please (PLEASE!) ignore everything you think you know about writing advertising copy. Follow the exercises in this chapter, preferably in a small group including members of your fund development team, program people, maybe even some board members or volunteers, rather than working alone. You'll get better insights.

And here's an important tip. Don't try to write the UVP without this analysis. If you think you can just dream up a brilliant piece of advertising copy, you're making a huge mistake.

SWOT Analysis with a Twist

The strengths, weaknesses, opportunities, and threats (SWOT) analysis is a great place to start articulating your UVP. We're going to add a twist at the end of this exercise, but for now, simply brainstorm to define the four components of the SWOT. Strengths and weaknesses are internal; they describe or characterize what's working well and not so well within the four walls of your organization. Opportunities and threats are external; they describe the market conditions within which you operate. Note that a strength can be a weakness and vice versa; opportunities can be threats and vice versa. But an opportunity cannot be a strength or a weakness because it describes something outside the boundaries of your organization.

For example, a strength might be your ability to provide a high ratio of teachers to students, while a weakness might be your challenges in retaining teachers because you can't pay them a competitive wage. Following this example, a desirable opportunity might be that the population of potential students is growing larger in your catchment area, while a threat would be the existence of schools offering higher teacher pay in the same area. We offer examples of the right way to do a SWOT so you can follow our lead.

While the SWOT analysis is most often used in strategic planning, we have adapted it just a little to make it useful for defining your UVP. First, conduct the SWOT in the conventional manner, as shown in the following example. We'll use The Arboretum as our fictional case study.

CASE STUDY SWOT ANALYSIS FOR THE ARBORETUM

The Arboretum is a much-loved botanical garden in a midsized city. While attendance has been growing since a capital campaign helped to enlarge the facility and gift shop, donor retention and acquisition have fallen off. The Arboretum's senior leadership and development staff decided to analyze their UVP as a step in retaining current donors, reengaging past donors, and acquiring new donors. (See Table 1.1.)

TABLE 1.1 THE ARBORETUM: SWOT ANALYSIS

Internal Strengths	Internal Weaknesses
• 50-year track record	• Too much depends on ED
• Executive director well known	• Employee turnover is high
• Interactive environment appeals to all ages	• Information technology is out of date
• Strong research component; worldwide reputation for science	• We have a weak web site
	• We give too many fundraising events

• Scientists work well with volunteers, admin staff • Practical resources for gardeners • Peaceful oasis in busy city • Reputation for sound management • Known as a great place to work • Recognized for educational programs for K–12 schoolchildren	• Working on a shoestring budget • We don't market enough or consistently • Case statement is out of date • Internal communication is terrible • Not enough training for nonscientific staff or volunteers
External Opportunities	**External Threats**
• Growing interest in gardening • Local schools require extracurricular activities for students to graduate • Lots of new houses going up in our neighborhood • Local garden clubs are thriving • County, state are favorable to funding zoos, arboreta, aquariums, etc. • Economy is improving	• Economy is still shaky • Local zoological society far more well-known than we are • Stiff competition for state, local funding • Still recovering from last year's superstorm • Scientists predict another bad storm season for our region

Use questions like the following to complete your own SWOT analysis the right way. You can use our template or any other table format to answer the questions. Like several other exercises you have already done, the SWOT analysis is best performed in a group.

Strengths Questions

- What are our agency's competitive distinctions?
- What do our programs and services do better than/different from comparable programs and services from others?
- How well do we handle client service and outcomes? What, if anything, do we do in this area that's distinctive? What do we do well, even though others also do it?

- How well do we handle our fundraising process, from identifying funding prospects through cultivation and retention?
- Have we established reasonable financial goals for the agency, enough to cover costs and extra for growth?
- *Caveat:* Avoid using "fuzzy" abstractions such as "great people" or "committed staff." Instead, choose strengths that can be assessed by objective or quantifiable means.

Weaknesses Questions

- Are there gaps in our portfolio of programs/services that hamper our success?
- Are we slow, sloppy, or otherwise below par in client service delivery or program operations?
- Does our fundraising team understand how to promote our programs, services, and case for support?
- Are there operational glitches or obstacles within the agency that have a negative impact on our marketing or fundraising?

Opportunities Questions

- What's going on in our marketplace that presents us with new community needs or desires, especially ones that might be of interest to our current donors?
- Are there growth opportunities for us in other geographies or markets, especially ones we could penetrate with reasonable risk and expense?
- Are there opportunities to partner or collaborate with other agencies for fundraising purposes?
- Is there anything going on in the economy at large that could give us a boost?
- What information do we have (or need to have) about new or expanding market opportunities that would be right for our agency and its current suite of programs and services?

Threats Questions

- Have other nonprofits launched new programs and services or innovative marketing programs that are attractive to our current clients or donors?

- What's happening in the local market that would hamper our ability to sustain operations or build capacity?
- What's happening to interest rates and the credit environment; could it be detrimental to our ability to sustain operations or build capacity?
- Are there global or macroeconomic forces at work (war, energy prices, etc.) that could compromise our growth or drive up our operating costs?
- Are we vulnerable to weather disasters that could disrupt operations (blizzards in northern climates, hurricanes in southern climates)?

The Twist: Strengths the Competition Can't Touch

Now that you have completed your SWOT and filled out all four of those interesting quadrants, we want you to ignore everything except for your strengths. While it's important to understand your weaknesses, remember that your donors do not give to your weaknesses; they give to your strengths. Save the weaknesses, opportunities, and threats in a file somewhere and use them during your next strategic planning project.

Read your list of strengths to yourself and ask a critical question: which of these items motivates our donors to give to us? For example, many nonprofits are proud of their dedicated staff members. Do donors give because you have dedicated staff members, or do they give because you solve a social problem? Do they give because your hospital is considered a "great place to work" or because your hospital's expertise in dealing with heart disease (or whatever) is considered to be exceptional?

Be ruthless in this exercise. If you and the other people in your group can't agree that a particular item on the list actually motivates a donor to give, then strike that item off. Ask yourselves if there are other reasons why donors give that you haven't captured on your list. The items that remain after this ruthless pruning likely represent your UVP.

CASE STUDY THE ARBORETUM STRENGTHS ANALYSIS

The Arboretum's leadership scrutinized the strengths quadrant of their SWOT analysis to identify their true competitive distinction.

Arboretum Strengths

- 50-year track record of preserving plant species.
- Interactive environment appeals to all ages.

- Strong research component, worldwide reputation.
- Practical services, resources for gardeners.
- Peaceful oasis in busy city.
- Strengthens our city's reputation as a world-class city.
- Reputation for sound management.
- Recognized for educational programs for K–12 schoolchildren.

Arboretum leaders agreed that these eight items represented the value-added they bring to their community, to plant science, and to conservation of the natural habitat.

What We Covered

- To revolutionize fundraising, start by describing what makes your best funders "best." To do so, concentrate on the relationship you have with these funders after you have acquired them.
- Learn to think like Cousin Judy and concentrate on knowing which funders are "good enough" for you, not the other way around.
- Your fundraising time is both scarce and precious. Invest it wisely.
- Seek a high ROE when you invest in cultivating funders. If the ROE is too low, you're chasing the wrong prospects.
- Understand why your best funders give to you. Their motivations for giving are much more important than their net worth, giving history, or capacity for giving.
- Understand what you're selling, and why it's motivating to the funders you like the most.

What You Can Do

- Complete a Leaky Bucket Assessment for your organization. Even better, have several members of the team—staff and board—complete the assessment and compare notes. If you don't know what's broken, you can't fix it. Go to www.BristolStrategyGroup.com/nonprofit-leakybucket to complete the live assessment.

- Figure out what it should cost to achieve your mission. If it should cost more than you currently raise, it's time to rethink the way you raise money. Remember—increase the income, don't cut the budget.
- Calculate your opportunity risk factor. It's easiest if you download a copy of the calculator from www.wiley.com/go/smartfundraising. Keep your risk factor in mind when you're prospecting.
- Describe your best funders by looking at the characteristics they share *after* you have acquired them.
- Conduct a SWOT analysis of your organization, emphasizing the strengths most sought after by donors.