

FUND RAISING STRATEGIES: Know What You're Selling

**Produced by
David Connell, David J. Connell & Associates
1998**

FORWARD

Fund Raising Strategies: Know What You're Selling presents fund raising in a new perspective. Many excellent sources on fund raising already exist, many of which have been referenced in this document, however, they only mention that the fund raising environment is more competitive. Too often, they fall short of positioning fund raising in a strategic context. They tell you what to do, but don't tell you how to compete.

Successful fund raising must begin with a shift in attitude: *having a good idea is not enough – you have to prove it!* **Fund Raising Strategies** aims to shift the reader's attitude by presenting fund raising in the context of strategic marketing. Knowing what you are selling and knowing to whom you are selling are essential elements of a strategic fund raising plan.

While the basic elements of fund raising are included in this document, it is recommended that you look up other fund raising references for more details. A good strategic marketing book should also be part of your book shelf.

About the author

David Connell, B.Econ., B.Comm., M.B.A., is President of David J. Connell & Associates, a consulting firm specializing in market strategies. David possesses over ten years' experience in the marketing and organizational development field. He has worked with international management consulting firms and with provincial non-profit organizations. David's practical experience is supported by formal training in economics, marketing, and strategic planning.

Two principles guide David's work. One is a belief in the strengths and values people bring to organizations. The second is the view that outcomes drive process. Practising these principles, together with his analytical and practical approach to solving problems, enables David to integrate the 'bottom-line' perspective of the corporate sector with the values that guide the non-profit sector.

FUND RAISING IN A COMPETITIVE ENVIRONMENT

The focus of this guide is to help non-profit organizations develop a healthier attitude and create a responsive plan to compete for a limited pool of dollars.

We often hear that non-profit organizations need to be more business-like. What does that mean? What can we learn from businesses?

The first thing to learn from the corporate sector is to approach fund raising like selling. *Have you ever known a business to survive by not selling something?* For-profit companies sell products that customers value. And they compete head-to-head with other companies for the same customers. Non-profit organizations must do the same if they are to be successful fund raisers.

A non-profit organization needs to know *what* it is selling, *why* it is selling it, to *whom* it's selling it (target market), and *how* to differentiate itself from other non-profit organizations (the competition). Only those non-profit organizations that embrace a more assertive and aggressive marketing approach to competing for funds are going to survive. In some cases, they will even find themselves competing with for-profit organizations for the same pool of money!

This guide is not trying to convert you, your staff or your volunteers into cut-throat, corporate barons. It is trying to emphasize the need to shift gears, to change attitudes to be able to respond to increased competition in the fund raising environment. The reality is that many non-profit organizations already have established their own market share of the funding pool. March of Dimes and the World Wildlife Fund are established in direct mail. UNICEF and the Salvation Army are known more for their fund raising methods than their services. The growing number of hospital lotteries is just a recent indication of the competition for another fund raising vehicle. How many advertisements or direct mail pieces have you seen or heard recently for other fund raising campaigns? These are all examples of the increased competition out there. As others stake their niche of a limited pool of funds, more organizations are being left out.

This document is not just about competing for funds. There is an important philosophic difference between the for-profit and non-profit sectors: for-profit organizations exist to serve

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private interests; non-profit organizations exist to serve public interests. While non-profit organizations must compete with each other for funds, we can never lose sight of our accountability to the public and to our communities.

The objective of this document is to provide you with the tools and understanding to develop a fund raising plan, strategies and techniques. Specifically, this guide will help you to develop:

- ! A positive and healthy attitude to fund raising;
- ! Leadership for a fund raising campaign;
- ! Clear roles for board members and staff in fund raising;
- ! A fund raising plan and strategy; and,
- ! Stewardship.

FUND RAISING IS MARKETING

The most successful for-profit companies understand that you can't be all things to all people. This is the first rule of marketing in a competitive environment. Yet many non-profit organizations never think about this because they refuse to accept that they are "competing" with other non-profit organizations.

Having a good idea is not enough as a fund raising plan.

The fund raising environment is more sophisticated and more demanding than ever before. You must learn how to sell the real value of your products and services! A 'good idea' is the minimum pre-requisite for a fund raising plan and does not guarantee that your organization will survive.

Every introductory marketing textbook refers to the four "Ps" of a marketing strategy: Price, Product, Promotion and Place.

Traditionally these are applied to the for-profit marketplace as producing (Product), advertising (Promotion), distributing (Place), and selling (Price). In the for-profit market there is a producer and a consumer. The company is the producer and the consumer is the person who pays for and uses the product or service.

The non-profit market is different. The organization is still the producer but the consumer is actually two different people: one person uses the service and another pays for it. In the non-profit market, the "consumer" usually refers to the person who uses your services. This person does not usually buy, or purchase, your services. Most often, non-profit services are provided for free or for a nominal user fee. When fees are charged they rarely reflect the true cost of providing the service. The funder is the person who "buys" your products and services. And the funder is the person to whom you must sell the value of your services.

This can be summarized in another way. In the non-profit sector marketing is associated with *allocating* resources (providing services) and *attracting* resources (getting funding). Many organizations, even the ones that spend a lot of time doing strategic planning, only focus on *allocating* resources. In these situations, as warned in the Boys and Girls Clubs of Canada *Marketing Handbook*, these "organizations believe so strongly in what they do – that their services are so vital and important – that they think people should automatically support the organization *for that reason alone*."

Focussing only on allocating resources (or providing services) is not strategic. This kind of organization is self-centred and fails to look at itself from the donor's, or buyer's, perspective.

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The *attracting resources* side of marketing is your fund raising strategy. Determining the four Ps of your strategy starts by asking yourself about how your organization is perceived by donors:

- ! Why would donors want to make a contribution?
- ! What's in it for them?
- ! What do they receive (tangible and intangible) in return for giving money, in-kind services, time or effort?

These questions emphasize the need to develop donor- or customer-focused relationships as an integral part of your fund raising strategy. As you develop your strategy there are a few basic rules (not written in stone) that are important to remember. They are:

- ! The task is not to get a donation, but to develop a donor.
- ! Most people don't give because they have never been asked.
- ! It is easier to retain a donor than it is to attract a new donor.
- ! It is easier to get a donation from someone who knows you or your organization.
- ! People give to people, not to institutions.
- ! The right person makes the difference.

Like the customer-focused questions above, these rules emphasize a personal connection between the donor and your organization. Therefore, your fund raising strategy starts by deciding what is your target market: who are your potential funders?

BEFORE YOU BEGIN PLANNING

Leadership: roles and responsibilities

Board members may delegate responsibility for carrying out fund raising tasks, but they can't delegate their accountability for the outcomes.

Your board is responsible for ensuring there are enough financial resources to meet the mission of your organization. Fisher Howe in *Fundraising and The Nonprofit Board Member* identifies five principles that every board member should fully understand and accept.

Principle #1.

The board alone is ultimately responsible for attracting funding resources to ensure the financial viability of the organization and its programs.

Principle #2.

Asking for and giving money are natural processes, and need not be viewed as something to be avoided.

Principle #3.

Board members should help in preparing the "case", which is the rationale for supporting the organization (see the following section), and be able to explain the case persuasively to prospective donors.

Principle #4.

Every board member can do something useful to support the fundraising effort, employing his or her own skills and interests.

Principle #5.

Motivation of board members is the most critical and difficult task of all.

These principles will help your board members to understand their responsibilities.

Board members may find fund raising one of the most difficult tasks they are expected to perform. The checklist provided on the following page can be used as a guideline to help you distinguish board and staff roles. The specific division of tasks depends entirely on the resources available to your own organization and the skills available.

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BOARD AND STAFF ROLES IN FUND RAISING

Board	Staff	Task
X	X	Make a personal commitment to the goals and objectives of the organization
X	X	Make a personal commitment to the purposes of the fund raising program
X	X	Give money commensurate with your ability
X	X	Give leadership and time to fund raising efforts
X		Establish and maintain guidelines (limits, ethics), staying up-to-date on trends
X		Determine organization's direction and purpose (use of funds)
X		Allocate sufficient human resources, paid and unpaid
	X	Develop fund raising plan according to guidelines and purpose as set out
	X	Stay up-to-date on new trends and techniques; make recommendations to appropriate volunteers and/or staff
X	X	Monitor progress and agree on changes as necessary
X	X	Be aware of and plan for global financial implications
X		Seek out and cultivate prospective donors
	X	Support volunteers in their efforts to develop donors
X	X	Use knowledge, understanding and personal network to spread word about the organization
	X	Identify key roles for board volunteers

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Having the right attitude

Many volunteers and staff express concerns, fears, and discomforts about doing fund raising. Having the right attitude can help to overcome many of these problems. James Gregory Lord in his book, *The Raising of Money*, provides a very practical attitude toward raising money. While the book is geared to board members, it is equally valuable for staff members and other volunteers.

Lord has captured the essence of fund raising in a few powerful statements.

The task is not to get a donation, but to develop a donor.

Seek investment, not charity.

Organizations have no needs, they have solutions.

From the viewpoint of the donor, the organization has no needs. A community, of course, may have needs to satisfy. Society may have problems to solve. People have needs and problems. The organization has solutions. It has answers. It has capabilities.

Make your case larger than the institution.

What works best is to present a vision of the future – one that people find attractive, achievable and worth working for. This kind of case can't be developed from an internal, institutional perspective. It has to be psychologically based in the donor marketplace.

People give to people.

People don't give to an institution. They give to the person who asks them. Often, a contribution is made because of how one person feels about another. The institution may be almost incidental. People also give for people – not for endowments or swimming pools. The donor, too, is also a person. A foundation, corporation or committee never makes a decision. Only people make decisions.

The Right Person Makes the Difference

Many a veteran will say: "select the right person to ask the right person, in the right way, for the right amount, for the right reason, at the right time."

The One Who Asks Must First Give

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In business or in philanthropy, a person's actions are more convincing than his or her advice. This is the cardinal rule of fund raising: A volunteer must make a *personal commitment* before asking others. That is a given.

These statements, and supporting comments, help to set the right tone for a fund raising campaign. Of course, there is more to Lord's book, all of it worth the read. As reflected in Lord's statement, ...

“... you must approach funding as a challenge to provide the right services, not as a money problem.”

Always keep your task in perspective. Your challenge to raise \$5,000 may be as significant as someone else's \$500,000 goal. By building gradually, proving your services have an impact, and keeping the community apprised of your work, you are validating the essential need that you are addressing and setting the ground for "the ask." Good fund raising provides an opportunity to raise more than just funds. It is also an opportunity to support other objectives and other management functions, such as:

- qPublicize activities;
- qImprove image;
- qMake contact with new donors;
- qDemonstrate credibility;
- qEducate others about the needs your organization serves;
- qIncrease commitment from current supporters;
- qDevelop good community relations;
- qDevelop leadership skills of staff, volunteers and members;
- qRecruit new volunteers; and,
- qRevitalize volunteers and staff by celebrating successes.

Think of funding as "friending" – as "friend-raising"! While funds are used to support your organization financially, "friends" are used to support your organization in every aspect of its development. They are the people who share your values and recognize the long-term commitment needed to serve your community on an on-going basis.

Setting up the fund raising structure

Fund raising must have its own structure to support your organization's commitment to financial goals. An integrated effort that involves both staff and volunteers across a number of

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organizational functions (like financial management, marketing, and public relations) in both the planning and implementation processes is essential. Organizations that choose to carry out fund raising initiatives as a side project or think it is the sole responsibility of staff will not be successful.

A fund raising structure should include:

Clear roles and responsibilities of board members

If board members are expected to donate money to help the organization reach its financial goals, they should be informed of this at the time of their recruitment.

Clear fund raising policies.

Organizations may find that some forms of fund raising are inconsistent with their values. Established policies and guidelines are important. For example, bingos, casinos and other gaming (or gambling) initiatives can be lucrative sources of funds for non-profit organizations. Some would include lotteries in this group. However, organizations like the Canadian Mental Health Association, for example, might not want to encourage gambling because this is inconsistent with their mission. Therefore such organizations may have policies to not engage in these activities. Other examples of potential conflict include alcohol or tobacco companies sponsoring children's events.

A system to monitor fund raising activities and donors.

The organization should evaluate the success of fund raising events and notice trends in fund raising donations. Your financial and donor tracking systems (e.g., database) are essential to this process.

Clear roles and responsibilities of committees and staff.

A fund raising committee, preferably made up of board and staff members, is often the primary vehicle for fund raising in an organization. The committee's responsibilities need to be clearly outlined by the board. Volunteers may be recruited specifically for their interest and experience in fund raising. On the other hand, these positions can be the most difficult to fill. Certain staff members may also have specific fund raising responsibilities.

(Adapted from *Board Basics*, United Way of Canada/Centraide Canada.)

DEVELOPING A FUND RAISING PLAN

With the leadership, the right attitude and the structure in place, you are ready to start working on your funding plan. When complete, a good plan will help your organization accomplish the following:

- ! Develop a diversified funding base;
- ! Identify a contingency plan;
- ! Be responsive to your organization's future;
- ! Clarify board and staff roles;
- ! Establish the purpose for your funds; and,
- ! Be ethical.

The fund raising planning process begins with your budget. This is where your financial goals, the goals of your fund raising plan, are established. From here your attention shifts to a strategic review of who your potential donors are, what it is you have to offer, and how to put the two together. For each element of your strategy, you will need to develop a campaign plan. This includes identification of specific goals, internal resources, tools, timing, and materials. All of these elements, when pulled together as an integrated effort to support your financial goals, make up your fund raising plan.

Start with your budget

Organizations can't afford to base budgets on needs anymore. Needs are insatiable.

Instead, develop your capacity to deliver services.

Developing, or re-visiting, your budget is one of the first things your organization will do as part of your fund raising planning. The budget shows, in dollars and cents, what your group is doing, what it wants to do (goals and objectives), and how it wants to get there (services). For this reason, it is assumed that you have already undergone an extensive review of your organizational priorities, including programs, staff requirements, and community needs. The basic steps of creating a budget are covered in the following pages.

Organizations used to identify areas of services and link these to organizational goals. This helped to distinguish between what funding you "need" and what you "want." This is not as

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useful as it used to be since fewer organizations have the luxury of having core funding. A more practical method to develop a budget is to distinguish between

CREATING A BUDGET

Adapted from *Financial Management*, produced by Fitness and Amateur Sports Canada.

1. Establish a budget calendar.

This is a timetable for preparing your budget. It includes what is to be done, who should do it and when. It is often easier to start with when you want the budget completed (or when you must have it completed, as set by your articles of incorporation) and work backwards from there.

2. Collect all necessary information.

It is important to use a number of different sources to prepare your budget. This ensures your budget plan is as accurate as possible. Suggested sources include:

- Your group's short- and long-term planning documents
- Past budgets (if applicable)
- Bookkeeping records
- Financial policies (e.g., membership fees)

3. Request input from others.

The more input, the more accurate the process; the more people involved, the more people committed to the budget process. Talk to:

- Volunteers/staff (leadership group, Board, service)
- Community contacts (United Way, professional associations, service clubs)
- Other Boys and Girls Clubs
- The Regional Boys and Girls Club organization
- Funding sources

4. Review the materials collected and prepare a draft budget.

The draft budget should reflect the goals, objectives, and your plan to get there.

There is only one rule to follow: Be realistic. The better job you do in Steps 2 and 3, the more realistic your estimates will be.

5. Review the draft budget and prepare adjustments.

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Draft budgets are made to be changed. Go back to talk to the people who helped you prepare it and ask for their input. You will want to find out two things:

- Have you missed anything?
- How good are your estimates?

Keep in mind that many people don't like working with numbers and may have difficulty understanding the information you have presented. If so, you may want to consider presenting the numbers differently. Grouping expenses by activity and presenting high and low estimates can help others to understand how you came up with the numbers. It is also a great way to find out how well you know your own material.

6. Present the final budget.

The final budget must be presented to your Board for approval. Present the information as simply and as clearly as possible. When approved, the budget establishes the spending guidelines for the next year.

7. Use your budget on an ongoing basis to assess the quality of your decisions.

With tightening budgets and shrinking funding, the emphasis of financial management has shifted to efficiency and effectiveness: "How well are we providing services?". Your Board and funders still want to know how much money you have, how much you owe, etc. However, increasingly, Boards are more interested in the quality of decisions being made to support the stated goals.

One of the easiest ways to show this is on your monthly financial statements. For each expense (and revenue) show the budgeted amount along side the actual amount of money you have spent (or received) to date. Use another column to show the variance between the two. You must then demonstrate to the Board that the variances are substantiated by solid decisions.

There are several methods to use when preparing a budget. Each method has its own advantages but, more importantly, each method requires different ways to justify the need to spend money. A brief overview of the three most common types of budgets will show these differences. (See *Financial Management* listed in *Materials* for more details about each method.)

Planning Program Budget System

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The decision on amounts to spend comes after you have established overall goals and objectives, as well as how you are going to achieve them. The final result reflects the Club's priorities.

Zero-based Budget

The starting point for this method is zero. This is also the point where new Clubs must begin. Each expenditure must be justified on an individual basis.

Line Item Budget

The previous year's budget becomes the core for the next year's budget. Changes are made one line item at a time, often applying a percentage increase or decrease. The outcome may not accurately represent your organization's priorities.

"hard" and "soft" sources of funds. "Hard" implies monies you can count on, the funding you are certain, or reasonably certain, to receive. "Soft" would be monies you are planning for or hoping to receive. For example, you may have submitted an application and are waiting to hear back. This hard-soft approach provides a more realistic view of your funding capacity.

It is also useful to add another label to your funding sources: "free" money. "Free" money includes funds that are not dedicated to particular programs or services. For example, a corporation may provide funds to support a building campaign. This money cannot be used, therefore, to help pay for program staff salaries. On the other hand, a company that makes an unqualified donation, one that is not directed at anything, is "free" to be used as your organization chooses. Identifying hard, soft, and free money improves your understanding of where your money is coming from and how you can use it. This, in turn, will make your planning process more adaptable and responsive to changes.

The "hard-soft" approach can be applied to the expense side of the budget as well. Hard and soft expenses can be aligned with overall organizational priorities. An overview of budget preparation is included in the preceding pages. Here are some good questions to ask yourself to find out if you have done a good job with your budget.

- **Did we prepare well in advance to allow time for evaluation, input and revision?**
- **Were we realistic about what resources we can expect to receive?**
- **Were we realistic about what could be done with the resources available?**
- **Can it be flexible in case of emergencies? Opportunities?**
- **Are we able to explain it clearly?**

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Having identified your services during your organizational planning, your budget provides a reality check: what services are you realistically able to deliver? Through this process your organizational priorities are re-affirmed and assigned priority values. The result may be less than your long-term vision but it should never be inconsistent with your mission and organizational values. With a solid budget as a platform, the next step is to develop a strategy to support your organization's commitment to its financial goals.

Understanding the marketing elements

The essence of a fund raising strategy in a competitive environment is to know what you are selling and to whom. In Boys and Girls Clubs of Canada's *Marketing Handbook* the following essential questions begin the marketing process:

- ! What is the Boys and Girls Club? What does the Boys and Girls Club do best?
- ! Who is the customer (or donor, supporter, audience)? What does that individual or group need or want?
- ! How can "what we do best" be connected to what the customer or audiences want?

A casual response to these questions merely re-states the organization's mission and objectives. This kind of thinking only focusses internally, and only tells people what you do. The marketing process, when done well, will get an organization to move beyond this mindset, to position itself in a competitive environment.

**As discussed earlier,
the funder is the
person to whom you
must sell the value of
your services.**

As discussed earlier, the *attracting resources* side of marketing is your fund raising strategy. Determining the four Ps of your strategy starts by asking yourself about how your organization is perceived by donors:

- ! Why would donors want to make a contribution?
- ! What's in it for them?
- ! What do they receive (tangible and intangible) in return for giving money, in-kind services, time or effort?

These questions emphasize the need to develop donor- or customer-focussed relationships as an integral part of your fund raising strategy. Each element of your marketing plan must emphasize a personal connection between the donor and your organization. Remember that having a good idea is not good enough. You have to prove it.

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Writing the Fund Raising Plan

The process of developing your fund raising plan is outlined in fourteen steps.

1. Define the scope of the plan.
2. Conduct preliminary research with users and competitors.
3. Define scope of your business (including budgets).
4. Define the specific projects to be funded.
5. Research the interests of the donors. (Do you need more than one case?)
6. Conduct informal interviews.
7. Write the basic marketing strategy (the four Ps of allocating and attracting resources).
8. Seek more input.
9. Write an outline of your funding plan.
10. Test market the plan.
11. Seek approval.
12. Write the plan.
13. Present the Funding Plan.
14. Write campaign plans for each fund raising program.

Each of these steps is broken down into further detail as shown below. Next, we look at whom you're selling to and what you are selling. Then we will discuss campaign plans.

A STEP BY STEP FUNDING PLAN

#1 *Define Scope of Plan*

- a) How large is this plan going to be? How much money needs to be raised?
- b) What is the appropriate amount of energy to invest relative to the value your plan will have?
- c) Be specific in determining what the cost will be to the organization in salaries and benefits.

#2 *Conduct Preliminary Research*

- a) Conduct research among users (those who will benefit from the programs/services) and competitors (other organizations that provide similar services) to which these people can turn.
- b) From this knowledge you can create the tentative plans you hope to fund.
- c) Test these plans among your top fund raising prospects in a survey as a feasibility study.

#3 *Define Scope of Business*

- a) What business are you in?
- b) What business should you be in?
- c) What programs/services do your users want? Donors? Trustees? Staff?
- d) What services will you concentrate on delivering?
- e) When? How much will it cost?

#4 *Define Specific Projects to be Funded*

- a) What programs are appropriate to the mission and what provides the greatest likelihood of a profound impact?
- b) What will they cost? Will the cost of these programs be too great a burden on current operations?

#5 *Research Interest of Donors*

- a) Research donor interests to determine feasibility of campaigns/programs.
- b) Gain a keen understanding of donors' desires.
- c) Devote study to gaining prospects' reactions to your tentative case.
- d) Questions for donors:
 - What is your image and reputation of the organization?
 - Are you willing to work in the campaign and contributing to it?
- e) Know to whom your plan is to be addressed. What are the concerns of your major donors today (individuals, foundations, businesses)?

#6 *Conduct Informal Interviews*

- a) Speak to donors, prospective donors, trustees, volunteers, staff.

#7 *Write Basic Marketing Strategy*

Define your marketing strategy:

- a) What groups make up your target markets?
- b) What benefits do they seek?
- c) How will you articulate the benefits of this fund raising program relative to those of other organizations?

#8 *Seek Further Input on Marketing Strategy*

- a) Present your marketing strategy to the people you involved asking:
 - Does it make sense?
 - Is it focussed sharply enough?

#9 *Write Outline For Fund Raising Plan*

- a) On one to three pages, present an outline of the major points of the plan. This is based on the marketing strategy that tells you "what" and "why".
- b) Keep the plan clear, simple and logical.

#10 *Seek Further Input*

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- a) Take the outline to donors or prospects to test market it. Gain their reaction to it and get an idea of the plan's strengths and weaknesses.
- b) Re-write the plan.

#11 *Seek Approval*

Seek approval for the marketing strategy and plan outline from board members and senior staff:

- Statements should be clear and directed (remove ideas that inhibit the flow of logic).
- Fully understand others' suggestions.
- Secure approval of concept and direction.
- Committees should not try to work out the language and details.

#12 *Write the Plan*

Your plan is the basis for your CASE STATEMENT and many other communications materials, including:

- Proposals
- Brochures and pamphlets
- Direct mail campaigns
- Media releases
- Public relations tools
- Public service announcements

#13 *Present Funding Plan to Board*

#14 *Write Campaign Plans for Each Program*

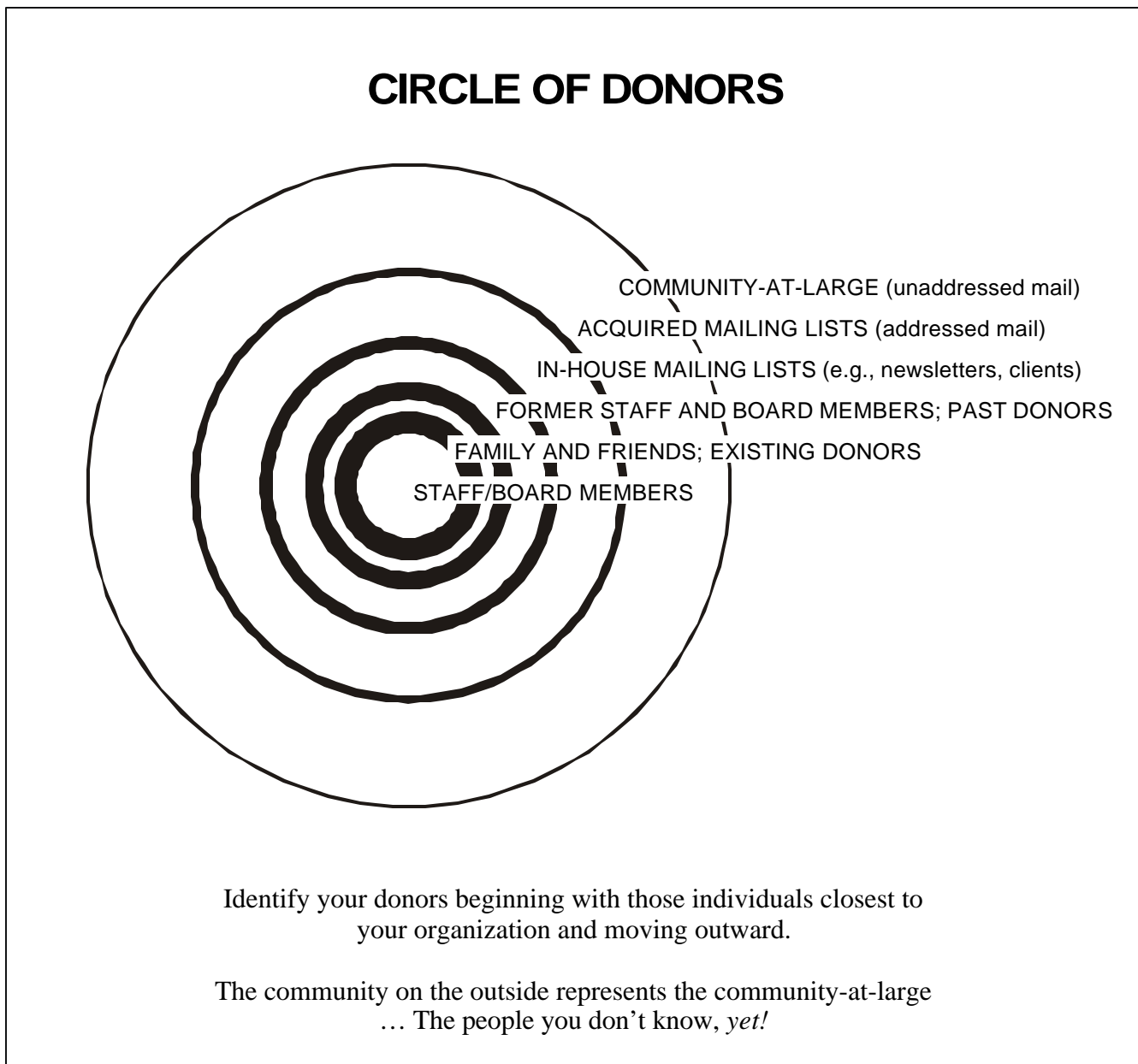
The funding plan has identified feasible funding programs and donors' interests. A campaign plan matches the two in more detail.

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Know to whom you're selling

Your Circle of Donors

An easy way to put a customer focus into practice is to think about your "circle of donors." The figure below shows how a strategy begins by identifying those individuals closest to your organization. For example, from an inner circle of family we can move out to the next circle. Here we can find friends, both of staff and volunteers, as well as friends of the organization. We can next consider the companies (and people)



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from whom you buy products and services: your suppliers. Depending on the services you provide you may want to consider your membership or "alumni" within these circles. As you move to the outermost circles you can include members within the community at large, individuals and corporations, considered to be sympathetic to your cause and finally, at the outermost, the community at large ... "the people you don't know, *yet*." Remember:

Most people don't give because they have never been asked.

The circle of donors is a starting point for assessing potential funders. Each circle may represent a group with specific attitudes towards your organization. Develop your own circle of donors as an early step in your fund raising planning but don't stop here! This is only the starting point. Unfortunately, many organizations jump from here into short-term campaigns to meet their immediate financial needs. Remember this too:

The task is not to get a donation, but to develop a donor.

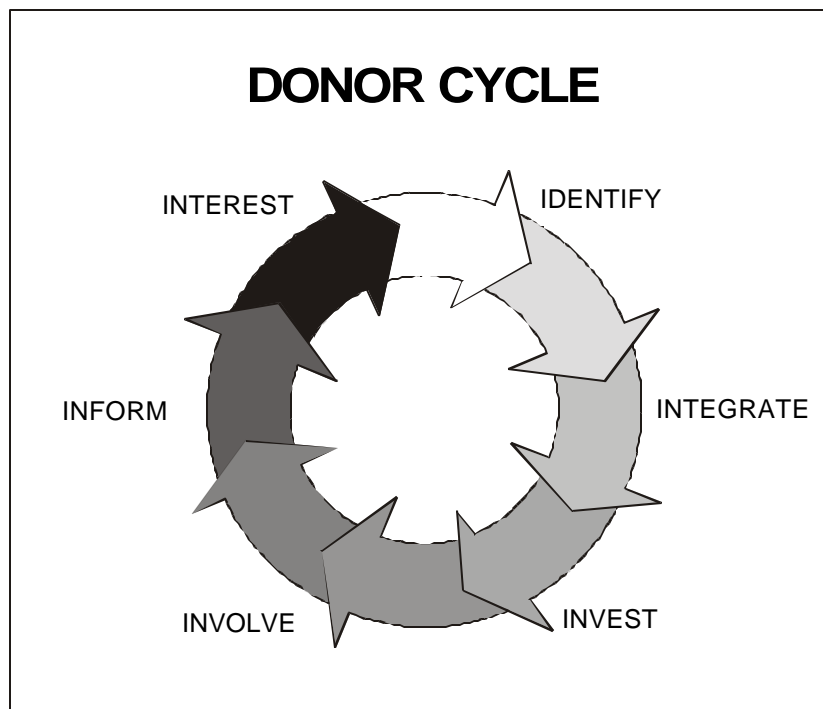
The Donor Cycle

An important word to describe the process of developing a donor is *cultivation*: you are cultivating donors so that they may increase the level and frequency of their donation over time. The key to cultivating donors is to practise the donor cycle.

- Identify** - know who your donors are
- Inform** - tell your donors about your organization
- Interest** - peak their interest; target their affinity based on what you know about them
- Involve** - find a way to involve your donor in your project or program: ask for information, get them directly involved
- Invest** - a contribution from the donor, financial or in-kind, will come as a result of having a sense of responsibility for the cause
- Integrate** - Whatever the level of involvement, the donor must feel a part of the project/program, that they can make a difference and will have an impact on its success or failure.

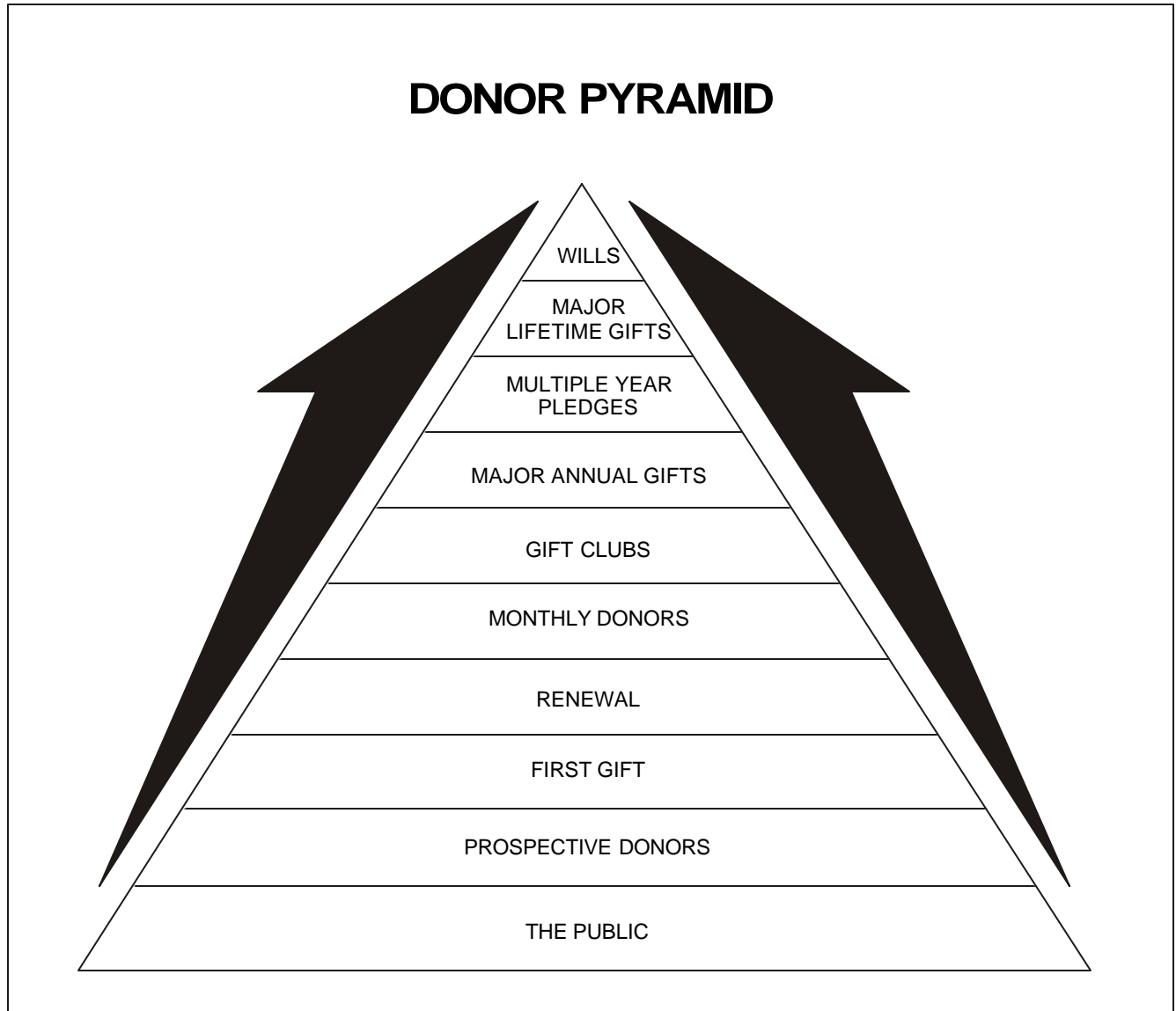
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The cycle continues by identifying new donors *and* by identifying new opportunities for previous donors to renew their donation. Remember: *It is easier to retain a donor than it is to attract a new one.* The effort required to attract a "renewal" gift is far less than attracting a brand new donor, including the time of staff, volunteers, creating a new appeal, developing new techniques, and making cold calls to people who may not know your organization.



The Donor Pyramid

The evolution of a donor's relationship with your organization can be viewed as a pyramid. (The Donor Pyramid is presented below.) As you move from the bottom of the pyramid to the top, the relationship evolves. The bottom starts with the public at large. You move up the pyramid when you identify prospective donors and when you attract the first gift. At the top of the pyramid, you can see where individual donors moved beyond their renewal to major annual gifts to major lifetime gifts and wills (oh to be so lucky!). While you may be thinking that your organization can never attract these kinds of gifts, there are enough success stories out there to suggest otherwise.



Know what you're selling: the Case Statement

The "case" statement is the most important document you will produce as part of your fund raising strategy. The case statement is an executive summary of your funding plan. It is a concise, confident, and critical presentation of your organization. Ultimately, this document alone defines why your organization exists and is used to sell the value of your organization to potential funders. Every question you asked to develop the budget, every question you asked to determine the needs of your members, every question you asked to set priorities, all of these are captured and justified in the case statement.

FUND RAISING: *Know What You're Selling!*

In its basic form, the case statement will answer the following questions:

- ! What is your organization?
- ! What needs do you serve?
- ! How do you serve those needs?

A case statement may be adapted to support specific programs and can be tailored to individual funders. For this, the following two questions must also be answered in the case statement:

- ! How can the funder help you to serve those needs?
- ! How will the funder's contribution be recognized?

Here are some more questions to help you think about what the case statement is supposed to be:

- ! Why do people want to give to your cause?
- ! Why should the community support you?
- ! What sets you apart from other organizations?
- ! What is the money raised used for?
- ! What good will come from someone's donation?
- ! Why is a gift to you the best use of my resources?
- ! What's in it for me, the donor?

**Think like a donor ...
think like a donor.**

Ten characteristics of a winning case are presented on the following page.

Throughout this section the same themes were emphasized that have been discussed throughout this guide: the application of marketing techniques, the focus on personal relationships, and, most importantly, *knowing what you're selling*. These same factors will carry over to the process of selling your services: attracting the interest of funders.

Components of a campaign plan

As outlined below, there are many ways to raise funds and plenty of places to start looking for donations.

- ! Organized money
- ! Events/products/gaming
- ! Mass marketing
- ! Face-to-face

! Entrepreneur

YOUR CASE FOR SUPPORT

Ten Characteristics of a Winning Case

The CASE is an investment prospectus.

The CASE is larger than the organization;
it has a broad and universal appeal.

The CASE makes statements that are supportable and defensible.

The CASE shows that the project has been endorsed.

The CASE is most successful when it's rational and emotional.

The CASE is optimistic.

The CASE is brief.

The CASE is easy to remember.

The CASE will answer specific questions:
who, what, when, where, why and how?

The CASE recognizes that a "sense of urgency" is required to move people
– especially people of power – to act.

DIVERSIFIED FUNDING

Types of Money and Strategies

Organized Money

Foundations

Government

Business

Service clubs

United Way

Employee funds

Unions

Professional groups

Mass Marketing

Direct mail

Telemarketing

Advertising

Public service announcements

Telethons

Door-to-door

Face-to-face

Special small groups

Planned giving

Personal salutations

Events/Products/Gaming

Luncheons

Athletic events

Auctions

T-shirts, mugs, pins, materials, videos

Bingo

Raffles

Casinos

Dinners/dances

Workshops

Entrepreneur

For profit business

FUND RAISING: *Know What You're Selling!*

**For effective fund raising,
access and secure at least
three types of money**

FUND RAISING: *Know What You're Selling!*

A campaign plan must be developed for each method you choose to use. Each campaign plan must be approached individually. Bringing together all your campaign plans defines your overall fund raising plan. A fund raising campaign has specific components, each analyzed by asking some simple questions.

Goal

- ! What is the money going to buy? (This is a translation of your financial goal as determined by your budgeting process.)

Leadership/organization

- ! Who are the players? The leader? Staff? Volunteers?
- ! What are the training needs of the players?
- ! How are they organized (i.e., relationships, job descriptions, committees)?

Internal resources

- ! What do you have to help you with a campaign: Accessibility of volunteers? Staff? Time? Cash to cover up front costs?
- ! How does your campaign relate to other management functions? (This is discussed below.)

Tools/techniques

- ! How are you going to raise the money?

Materials

- ! What materials do you need to conduct the campaign (e.g., print, video)?

Timing

- ! When are you going to conduct the campaign?
- ! How are its elements going to be rolled out?
- ! Can the campaign be linked with other on-going promotional opportunities?
- ! Are there restrictions from other funders (e.g., United Way) to consider?

Recognition

- ! How are you going to thank donors and volunteers?

Evaluation

- ! How are you going to monitor your progress (e.g., number of contacts versus donors, total donations, average and individual dollar values, public exposure)?

Tools and techniques

FUND RAISING: *Know What You're Selling!*

Specific tools and techniques exist to attract funds from each type of source listed above. Each of these opportunities has their own advantages and disadvantages. These are listed in the following pages. Most importantly, the availability and access to the

FUND RAISING: *Know What You're Selling!*

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following factors will determine the most efficient and effective tools and techniques your organization should use.

- Time** - how much time is available to commit to a campaign?
- Money** - how much money is available to support the campaign (some campaigns require significant up-front costs)?
- People** - who among your staff and volunteers are committed and ready to support the campaign? What skills do they have? What training do they need?
- Materials** - what materials are necessary to support the campaign (e.g., letters, envelopes, flyers, posters, tickets, etc.)?

Finally, your choice, as noted previously, must have an ethical fit with your mission. Other intangible factors, like cultural fit, will emerge from your identification of your potential donors. Once you "get a handle" on what's out there, you can then align your resources and expertise to the areas that you want to approach.

Understand, however, that not all funders are the same. Some will only provide funding for specific reasons, such as:

- Operation funding** is the money that you need to pay for rent, office supplies, salaries, telephones, etc. -- the day-to-day expenses.
- Project funding**, such as summer and training programs, have definite start and end dates. The outcome is also more easily identified.
- Capital funding** is often associated with building or renovating facilities, but it can also be for other major expenditures.
- Minor Capital funding**, such as computer equipment or program equipment, has finite costs that fit with one-time donations. The outcome is also easily identified.
- Endowment funding** is an investment fund from which annual funds can be drawn from the interest earned.

Most funders prefer to support project and capital funding because it is easier for them to see what they are getting. Operation funding is often more difficult to obtain. Start small to build credibility and to develop a positive working relationship with funders and potential funders. Operation monies might be obtained through United Way funding or municipal grants. However, as a rule, the receipt from the latter two might be a maximum of 50% of the required amount -- and probably less given recent cut backs. Typically, government and foundation funding is limited to short-term projects or programs with specific outcomes and end dates. The Board must be prepared to raise a good portion of the remaining monies through a variety of sources.

FUND RAISING: *Know What You're Selling!*

As a rule: look to a number of funding sources to support services. The rationale for this is as follows:

- Provides a more stable base for your organization
- Creates its own potential for change and growth
- Embraces broad community support
- Improves the credibility of your organization
- Lessens the impact of external forces
- Demonstrates accountability to other funders
- Provides a degree of independence
- Better equips your organization for an emergency

MAKING THE ASK

People give to people

There is considerable truth in the saying, "Most people don't give because they have never been asked." Take this as a starting point. So, how do we make the ask?

The reality of the funding market is that who you know is becoming increasingly important. Whether it's the person who owns the corner store, the manager at your bank, the director of a foundation, or your board member's neighbour's sister who is an executive with a large corporation. With all the options facing you about how to attract financial resources, you can't lose sight of the importance of relationships. Whether you are seeking corporate, foundation, or individual support, always keep the relationship up front because ...

... people give to people.

The importance of who you know is heightened by the recent trend in donations.

At all levels, individuals and organizations are reducing the number of gifts made and increasing the size of the gifts. This means that fewer non-profit organizations are getting more money.

In business or in philanthropy, a person's actions are more convincing than his or her advice. This is the cardinal rule of fund raising: a volunteer must make a *personal commitment* before asking others. That is a given. In his book, Lord states, "Select the right person to ask the right person, in the right way, for the right amount, for the right reason, at the right time: *the right person makes the difference!*" Your research about the potential donor will help you decide these "right" questions.

So far, the personal aspect of asking has been emphasized. Unfortunately, the more personal the ask, the more uncomfortable you may be to make the ask. If we could all simply develop our case statements, write up proposals, send them in the mail and wait for positive responses, the world of giving and receiving might be easier – but less satisfying, both for the donor and recipient.

As outlined in the Boys and Girls Clubs of Canada *Marketing Handbook*, there are four common fears in making the ask:

FUND RAISING: *Know What You're Selling!*

- ! Fear of rejection.
- ! Fear of embarrassment.
- ! Fear of failure.
- ! Fear of mandatory reciprocity (having to return the favour)

Here are some counter-arguments they offer for typical reasons for not wanting to make the ask.

Typical Excuses

Counter-arguments

"I hate to ask for money."

People like and expect to be asked.

"I'm afraid to ask."
If I ask I may hear, "No!"

People give because they're asked.
Ask and you may also hear, "Yes!" Don't ask and you won't hear anything.

"It's too stressful."

Not asking hurts your members and the community you are serving.

A special word on making the corporate ask

There is no magic potion that helps you to secure corporate gifts (sorry!). You will find that the most interesting aspect of the successful, large corporate gifts is tracing the personal relationships that exist between the donor and recipient. This is the stuff you don't read in the newspaper headlines. You won't hear about the inside track and you won't hear about the years of cultivation and research that helped to secure that gift.

Nevertheless, every corporate gift starts from the same place.

1. Identify your prospects.
2. Do research.
3. Make the ask.
4. Deal with objections.
5. Close the deal.
6. Thank the donor.

Sounds easy. The following pages provide additional details. Keep in mind that it takes hard work to secure corporate gifts and often years of work. It may take a year of talking with a corporation before you are able to ask for a small gift. It usually takes at least three more years before you are in a position to ask for a larger gift.

SECURING CORPORATE GIFTS

Basic Steps

(Michael Meadows, Boys and Girls Clubs of Canada)

1. Make your own gift first.

2. Develop a priority prospect list based on:

- Why people give
- Previous support
- Fit with objectives
- Provincial focus
- Ability to provide recognition
- Donor's ability to influence others

3. Determine approach method:

- Letter, follow-up call
- Call to arrange personal meeting

4. Follow through

- Letter, follow-up call
- Call to arrange personal meeting

CORPORATE and FOUNDATION VISITS Before You Go

(Michael Meadows, Boys and Girls Clubs of Canada)

Research! Research! Research!

- 1. Research the prospect's donations history (if any) at all levels of the organization, no matter how large or small, in-kind or financial.**
- 2. Determine who is the right contact person.**
- 3. Assess the prospect's support of similar organizations.**
- 4. Do your best to estimate the potential funding range.**
 - If you are too low, you may not only miss an opportunity but you may also insult the donor.
 - If you are too high, you may embarrass the donor and lose the donation.

CORPORATE and FOUNDATION VISITS When You Go

(Michael Meadows, Boys and Girls Clubs of Canada)

- **Never surprise a prospect; make sure they know why you are there.**
- **Be respectful of their time.**
- **Make the visit in pairs, seldom more; don't overwhelm a prospect.**
- **Go in with a goal in mind and a list of the strongest points on your case that you will get out – no matter what!**
- ***Listen* more than you talk. Understanding the prospect's interests and needs will provide many opportunities to *invite* their support.**
- **Leave the meeting with a commitment to do something, and follow-up promptly.**
- **Never leave with an absolute no. Recognize that timing can have a huge effect on corporate decisions (fiscal year end, previous commitments).**

DEALING WITH OBJECTIONS During the Meeting

(Michael Meadows, Boys and Girls Clubs of Canada)

Dealing professionally with objections is a time to make a strong impression upon the prospect. Persuade a prospect with facts in your attempt to overcome the roadblock to giving. Here are a few ways to deal with an objection:

1. Acknowledge

This shows that you are listening and concerned.

2. Do not debate!

Respond with facts calmly, continuing to make your case.

3. Correct bad information

This is one of the best things that can happen; it's a great opportunity to make a positive impression.

4. Get back on track

After satisfying the objections focus on the prospect's gift.

5. Maintain a common ground

The opportunity to find common ground, e.g., "I am in total agreement with you that we ...", comes from listening to the prospect and understanding what they like.

6. Avoid sounding defensive

Remember: having a good idea isn't enough, you have to prove it.

7. Focus on the three 'F's

I feel – the same as you

I found – myself asking

FUND RAISING: *Know What You're Selling!*

I felt – it was time to act and I did

CLOSING THE DEAL During the Meeting

(Michael Meadows, Boys and Girls Clubs of Canada)

No/Yes

“Can you think of any reason why you shouldn't honour our request for a major gift?”

Investment

“We have invested considerable time and energy in this campaign. It must be completed by next month so that we can begin our program as scheduled. I'm sure you can appreciate our urgency. Can we count on you for a gift today?”

Ego

“You are one of the most influential leaders in our community. People follow your example. Your gift today will attract many of your friends and colleagues. Can we count on your leadership?”

Double Up

“Your gift of \$10,000 is extremely generous and very much appreciated. However, how about doubling it? (Pause for effect and assessment.)

The best time to recruit a donor as a canvasser is right after they have made their own gift.

FUND RAISING: *Know What You're Selling!*

Writing proposals

Something you can't avoid is writing funding proposals. This is an art in itself. To newcomers, the whole process may seem overwhelming. Each application will have its own requirements and restrictions. Use your case statement as the foundation for all of your proposals and adapt it to the specific requirements of your request. If you haven't done a great job of developing your case, you will never be able to convince funders of your value through a proposal. The funding plan provides additional detail as needed.

Below are some basic principles of proposal writing as prepared by the development office of the University of Toronto. A sample outline of a standard funding proposal follows.

Most often, there is enough information provided by the funder. This may be in the form of funding objectives, areas of importance, desired outcomes, etc. Use this information to structure your proposal. The outline below can be tailored to fit the funder's requirements. The objective is to give the funder all of the information necessary in a format that makes sense to them and that deals directly with their own goals.

PROPOSAL WRITING: Basic Principles

(Development Office, University of Toronto)

1. Proposals should be clean and well organized.

- ! Break up your text with section headings for quick reading.
- ! Use bullet points for variety and emphasis.
- ! Use serif typefaces (e.g., Bookman, Times New Roman, not Arial or Courier).
- ! Left justify your copy; it's easier to read.
- ! Don't feel compelled to spend a lot of money on packaging.
- ! Use extra spacing between lines of text for greater readability.
- ! Watch for typos.

2. Write in everyday English.

- ! Stomp out clinical jargon -- it can always be translated or explained.
- ! Strive for a conversational tone.
- ! Find a test reader who has distance from the subject; the average intelligent reader must understand the proposal.
- ! Use direct confident language, i.e., "will" not "would."
- ! Get a tough editor.

3. Be brief. Proposals are sales pitches, not research papers.

4. Be positive.

- ! Avoid negative language.
- ! Don't apologize or call attention to past blunders.
- ! Don't beg or whine; you are offering the donor something of value.
- ! Remember, donors want to fund winners and feel good about making their gifts.

5. Support your assumptions.

- ! Document your argument with facts and, if possible, statistics.
- ! Explain who your organization is and what it does.

6. Remember your donor's needs and interests.

- ! Decide how much information is necessary after considering the donor needs, interests and personality.
- ! Evaluate the situation: Is it early in the cultivation process? Is the document public or private? Have there been extensive discussions already?

PROPOSAL WRITING FORMAT

Cover Letter

- To the right person *and* from the right person
- Summarizes proposal
- Deals with house keeping business such as next contact, timing of gift

Proposal

- I. *Summary*
 - Clearly and concisely summarizes request
 - Includes amount
 - Makes link to donor

- II. *Introduction*
 - Who are you?
 - What are your qualifications?

- III. *Statement of Need*
 - Document the needs to be met or problems to be solved by the proposed funding, i.e., how will you be helping society? Members?

- IV. *Objective and goals*
 - Establishes the benefits of the funding
 - Focus on concrete outcomes: be specific, measurable and attainable

- V. *Methods*
 - Explains what you will do to achieve your goals

- VI. *Evaluation*
 - Presents a plan for determining how well the objectives will be met

- VII. *Future Funding*
 - Shows that the project will be viable
 - Who else will be pitching in?

- VIII. *Budget*
 - Clearly lays out total project costs, including those to be met by funder

Recognition

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- Weave throughout the proposal or, if the recognition is elaborate, include a separate section.

PRACTISING STEWARDSHIP

Recognizing your donors

The last item listed in the above outline of a funding proposal is "recognition." Stewardship is about thanking your donor; it's about recognizing them as a valuable part of your organization; and, it's about treating them like a friend. According to Lord, "good stewardship is about protecting and managing the donor's investment ... so that it produces the best possible return."

As a rule, thank your donor seven times. This could be done in person, by different people, at different times. This could be done through a thank you letter, your annual report, during your annual general meeting. Many of the methods we use to manage and take care of our volunteers must be applied to donors equally well. We wouldn't want to ignore our volunteers for the threat of upsetting or losing them, so why would we want to ignore our donors.

There are many ways to recognize donors:

- ! Naming opportunities (programs, rooms, events)
- ! Annual reports
- ! Annual general meetings
- ! Volunteer appreciation events
- ! Media releases
- ! Promotional events
- ! Promotional materials
- ! Program materials
- ! Letterhead
- ! Thank you letters, a phone call, or visit from the Board President

The opportunities for recognizing your donors are only limited by your imagination. If you accept recognition as an important part of practising good stewardship then you will find the most appropriate means to carry this out.

Protecting your donor's investment is also about accountability. Keep your donor informed about your progress with financial statements and program updates. Remember, you are managing their investment!

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FUND RAISING: *Know What You're Selling!*

Tracking your donors

Finally, practising good stewardship also means keeping your internal recording and tracking systems up to date. Managing your donor database does not have to consist of a significant investment in computer software. However, if your database is large enough, the investment will quickly realize its potential.

Database management means knowing who your donors are. In addition to this, you will want to track where they live, how much they gave, when, and why, their relationship to the organization, and any personal connection they may have (i.e., who knows who). A donor tracking form can be adapted to meet the capabilities of your own system, methods, and donors.

Keeping records up to date, particularly individual donors who may have moved since you last contacted them, is always a chore. Dedicating specific efforts to keep your files current is required. Even if you spend thousands of dollars on a donor management package, the database is only as good as the information it contains.

One means of keeping addresses and contacts up to date is to send regular mailings. This does not mean asking them for more money every few months. An excellent way to keep in touch is to send out quarterly or semi-annual newsletters. These newsletters can be very effective promotional opportunities to talk about your most successful programs, upcoming events, and an effective way to thank previous donors. On top of these benefits, you have a better chance of tracking donors who have recently moved.

A word about donor management software. There are some excellent donor software packages out there – and there is a lot written about them. To start, they can be expensive for small organizations. While these packages can easily meet a small organization's tracking requirements, they can just as easily exceed your requirements and you end up paying for more than you need.

At a minimum, a paper tracking system should be used. Such a manual system has its obvious limitations but the value of the information is just the same. As a step between paper and a software package, there are easy to use database programs that come as part of other software packages. These, too, have their limitations but can be used for basic tracking functions and offer significant advantages over paper trails.

TRENDS IN THE FUND RAISING ENVIRONMENT

There are two emerging trends in the fund raising environment that will be addressed in this section: outcomes-based funding and privatization. Each of these is slowly working their way into board and staff meetings. The potential impact of these two trends is enormous.

Outcomes-based funding

Overview

The Social Planning Council of Peel has produced an excellent review of outcomes-based funding as part of their regular newsletter (*Infoshare* (December, 1996)). This overview of outcomes-based funding is drawn from this newsletter.

The definition of "outcomes," according to The Social Planning Council of Peel, is:

- ! results of any action;
- ! impact of services on clients during and/or after clients' use of services; and,
- ! changes in clients as a result of their participation in a particular program.

And outcomes must be measurable in formal terms, either short- or long-term. As explained by Peel's Social Planning Council, outcomes can be "categorized in terms of areas or types of change. The following types (or areas) of outcomes are arranged in the sequence or order that they are most likely to occur:

- ! Knowledge gain
- ! Attitude change
- ! Values change
- ! Skills change
- ! Behaviour change
- ! Social status change
- ! Social conditions change
- ! Community health change"

The Planning Council places the identification of outcomes within a three-stage planning process. This process and key questions are provided below.

FUND RAISING: *Know What You're Selling!*

A. IDENTIFICATION OF OUTCOMES

- ! Who will change?
- ! What about them will change? And in what direction?
- ! How much of that change will be achieved? (i.e., how much change among how many people)

B. IDENTIFICATION OF APPROPRIATE INTERVENTION (PROGRAM/SERVICES)

- ! What will happen to bring about that change?

C. IDENTIFICATION OF EVALUATION METHODS AND TOOLS FOR MEASURING OUTCOMES

- ! How will you know that the change is occurring/has occurred?
- ! How will you know if your intervention/action was the cause of the change?

Implications

As per the above definition, outcomes-based funding is focused on the consumer, not the organization. It is a funder's evaluation of an organization's services based on the positive affect of these services on the client, or consumer. This is consistent with the message of this entire document: a good idea isn't enough; you have to prove what you do is good work and has value.

The effect of outcomes-based funding, by focusing on the consumer and not the organization, is to even the playing field for non-profit and for-profit organizations. This has led to concerns about privatization of the human service system. Outcomes-based funding alone won't lead to privatization of the human services sector. There are many other issues to be resolved. For example, the following was stated in the introduction of this document:

There is an important philosophic difference between the for-profit and non-profit sectors: for-profit organizations exist to serve private interests and non-profit organizations exist to serve public interests

Outcomes-based funding in isolation does not take this difference into account. Nevertheless, it is likely that outcomes-based funding does create a new forum for competing organizations -- both non-profit and for-profit organizations. The trend toward outcomes-based funding, therefore, serves to emphasize the need for non-profit organizations to adopt marketing principles to be successful. You must know what you're selling, to whom you're selling, and be able to prove that you are a valuable organization, both to funders and consumers.

FUND RAISING: *Know What You're Selling!*

Privatization

As mentioned above, the issue of privatization is often related to outcomes-based funding. Some see outcomes-based funding as a deliberate means to allow for-profit firms to compete in what has traditionally been a non-profit human service system. Whether competition from for-profit organizations is supported by outcomes-based funding or for any other reasons, it seems inevitable that they are coming.

Overview

To begin a review of privatization, a distinction must be made between "commercialization," "privatization," and "marketization." As defined by the Social Planning Council of Metropolitan Toronto:

Privatization "is a broad term that describes government's shifting of responsibility for the delivery of services to private alternatives." Both commercialization and privatization fall within this definition.

Commercialization "promotes service delivery by commercial concerns."

Marketization "introduces a market type relationship in contracting with non-profit agencies, and drives non-profits to engage increasingly in commercial activities such as charging fees for services, and selling products to generate revenues."

These definitions help to give the case for outcomes-based funding a better context. Instead of a for-profit versus non-profit scenario, the concept of marketization shows how non-profits can exist and *compete* alongside for-profit firms, as well as competing against other non-profit firms in what can simply be described as a competitive environment.

Implications

At the heart of privatization is a philosophical question about the purpose and value of the non-profit sector: Why does it exist? Keep in mind that funders are asking themselves this question as well. This has three implications for the fund raising environment. First, we must be more assertive when selling our value to potential funders, we have to prove our value beyond question. Second, we must adapt our selling approach to reflect market principles of efficiency and effectiveness. Third, we must find more creative ways to raise funds. Again, a good idea isn't good enough.

FUND RAISING: *Know What You're Selling!*

The first issue has been dealt with throughout this document; it is the purpose of this document. On the second point, to remain a viable sector in the economy, non-profit organizations must be willing and able to adapt to a market-based delivery system. This means working within a system based on supply and demand where the equilibrium, the point of efficiency and effectiveness, is determined by competition. Here, *efficiency* is making the best use of available resources and *effectiveness* is delivering the right services to the right people. Outcomes-based funding is just one emerging means of sorting out what is "best" and what is "right."

Marketization, as defined above, means non-profit organizations must be willing and well-positioned to compete in a competitive environment. Two examples will illustrate this point. First, more organizations are turning to "entrepreneurial" activities such as user fees and product sales. More aggressive non-profit organizations are starting for-profit activities, such as retail outlets or operating franchises, to financially support the non-profit activities. Another example of increasing marketization is purchase of service contracts. In these situations non-profit organizations submit bids to provide services for another agency. Often, these bids compete head-to-head with for-profit organizations.

In summary, a better understanding of what it means to participate in a "competitive" market is essential for the non-profit sector's survival.