

Strategic Planning in the Arts: A Practical Guide

Development Planning

The Giving Cycle

Arts organizations must develop careful and coordinated plans for maximizing their contributed revenue from foundations, corporations, government agencies and individuals. To make the transition from small to large, arts organizations need to develop an individual giving program that will support their growth to the next level.

The impact of marketing techniques on fund-raising results can be remarkable. In fact, environmental analysis suggests that the techniques needed to support fund-raising efforts will become even more sophisticated in the future. With government funds subject to sudden, drastic cuts for economic and political reasons, foundation support limited by investment gains, corporate underwriting moving increasingly to one-time sponsorships, and the newly wealthy looking for increased visibility for their gifts, competition among arts organizations for support, even from the most loyal donors, will grow more intense.

The effect of this transition in giving philosophies by the four major types of donors - government agencies, foundations, corporations, and individuals - on an arts organization depends on its stage of development. The normative model of institutional growth holds important insight for the development plan.

Typically, when an arts organization is founded, it has the financial support of one or several individuals who care about the work of the artistic director. Frequently, artistic directors themselves, or their families, are the principal sponsors. This reliance on individual funders is not required for arts organizations that are founded by an arts superstar or by a high-powered Board. For most young artists, however, corporate, foundation and government funding is not available. In fact, most government agencies require at least three years of activity before an arts organization qualifies for a grant.

A start-up organization will usually rely on the initial circle of individual donors for several years; ideally, these charter patrons will recruit their friends and associates and the base of support will grow. As the organization builds a reputation for good work, foundation grants may begin to materialize, particularly if the individual donors, who typically form the organization's first Board of Directors, have any high-level contacts at appropriate foundations.

Corporate support, in small amounts, may also be received if the organization has access to corporate executives. Greater support may be available if the organization builds a reputation for excellence and addresses the audience that a corporation is interested in reaching. As noted in the preceding chapters, building visibility is a key to fund-raising success throughout the entire life cycle of the organization.

Eventually, government support will be available and when the company is four to ten years old all forms of giving are "kicking in" and the organization enjoys a rapid level of growth. During this period, earned income growth typically matches the expansion of the development effort.

At some point, however, growth invariably begins to slow. Many organizations continue to rely on the same individual and institutional donors who saw them through the growth phase. Frequently these donors, including the Board, begin to feel "tapped out" and frustrated: the growth of the organization frequently outpaces the growth in their giving, making each year's gift count less and less. If the artistic potential of the organization isn't great enough to support a larger organization and the administration is not strong enough to manage in the changing, higher stakes environment, further growth becomes substantially more difficult to achieve. (A very few arts organizations grow on the basis of unusual earned income potential. The Alvin Ailey organization, for example, earns over five million dollars each year, over seventy percent of its total budget. Yet even these organizations must build the level of contributed income to achieve consistent growth.)

Many organizations hit this "Bermuda triangle" somewhere between the one and three million dollar budget levels when funding from traditional sources begins to level off but the growth enjoyed in earlier years creates an inertial expansion of budgets. The ensuing fiscal problems demoralize the Board members who feel that their contributions are no longer adequate and dissuade them from involving their friends and associates in the organization, further sapping financial strength.

A few arts organizations emerge from this vicious spiral to reach the next level of budget size of five to ten million dollars, typically by focusing attention on individual donors. Few arts organizations are going to grow consistently based solely, or even primarily, on institutional support. At some point government grants hit a legislated limit, all relevant foundations have been approached, and increased corporate support becomes episodic at best. Individual giving, on the other hand, can always be increased.

Expanding the individual giving effort requires attracting donors who can give at higher levels than the organization has enjoyed in the past. Rather than soliciting gifts in the \$1,000 to \$5,000 range, these organizations attract individuals who give \$10,000 and more each year.

Finding individuals capable of making such high-level gifts is primarily the responsibility of the Board. Attracting Board members with access to wealth, therefore, is an on-going requirement for virtually every arts organization. The best planners anticipate this need and work actively to strengthen the Board when it is the easiest to do so - when the company is growing and financially strong.

This is typically when performance quality, visibility and earned income are building and Board participation is exhilarating. Waiting until the fiscal crisis hits to strengthen the Board increases the difficulty of the task. (Yet few Boards want to add to their ranks when the organization is prospering. The impetus to "spread the wealth" is minimal for those not looking clearly into the future.)

The patterns described in this "fund-raising life cycle" are experienced by dance companies, theater companies, museums, presenting organizations, opera companies and symphonies. Every organization must be prepared to respond to them in their fundraising strategies. A careful plan for maximizing revenue from each type of donor must be developed.

FOUNDATIONS

There are many charitable foundations that give money to arts organizations. In many respects, raising funds from foundations is the most straightforward. A foundation's purpose is to make grants and it must do so by law; it might as well be to your organization.

Many foundations are regionally-focused, giving primarily to the arts organizations in their home territory. Others are national or even international, supporting important organizations regardless of geography. Making the leap from local to national foundation funding represents a milestone in the history of an arts organization. One of the key benefits of building a position as a leader in one's field is to become eligible for national foundation funding.

All foundations fall somewhere along a continuum from professionally-managed with established application procedures to family foundations that distribute money according to purely personal interests. Those foundations without professional staff that give according to the wishes of the family members should really be considered individual givers from a strategic perspective. They act like individual donors even if technically the money comes from a foundation.

Competing for grants from professionally-managed foundations has become increasingly competitive as arts organizations try to make up for the loss of government and corporate grants. Success requires the investment of time and effort. Any one development officer can only produce a limited number of superior grant applications in any given time period. Therefore, it is imperative to research each foundation carefully to develop a list of the most likely prospects. Giving guidelines will reveal whether your organization has a chance for funding. (When developing any solicitation list, it is helpful to research the donors who have given to your peers. While one always hopes to avoid competition for grants, one knows, at least, that these foundations do support the arts.)

When possible, a meeting with foundation personnel should precede a formal proposal. Fund-raising is really about developing relationships. It is far easier to receive funding when the donor knows you and your organization. (If one of your Board members knows and contacts a member of the foundation's Board, the chances of having a proposal taken seriously improve. Pass out a list of the Board members of the foundations you expect to solicit at your Board meetings to identify contacts of this nature.)

When meeting for the first time with foundation executives, *listen* for a description of their giving interests and concerns. This is the best aid you can have in writing a competitive proposal. Taking the time to draft a proposal that addresses the foundation's interests while meeting your organization's needs raises the odds of receiving funding substantially. Even if this proposal is not funded, a relationship with the foundation has been established and future funding is entirely possible, particularly if the foundation executives are impressed with your professionalism. In fact, frequently one may leave an initial meeting without finding an appropriate match between your needs and the foundation's interests. Rather than applying for something that does not fall within the guidelines, waiting for just the right project to materialize will impress the foundation

personnel. Again, development means developing productive relationships over a period of time. Simply mailing out hundreds of boilerplate proposals is *not* development.

CORPORATIONS

Unlike foundations, corporations have no legal obligation to contribute to the arts. In fact, fewer corporations are giving for purely philanthropic reasons. Increasingly, gifts are tied to the visibility they can create for the corporation. Grants are now frequently made by the marketing staff rather than a contributions or community relations department.

The ability to generate visibility will depend on the importance and accessibility of the project to the audience the corporation is trying to reach. General operating support is not interesting or enticing; it is extremely difficult for most arts organizations to receive large operating gifts from corporations. (In some cities, the dominant corporations take a paternalistic attitude towards the local arts institutions and do provide substantial operating funding.)

A special project that creates press and community interest is much more likely to secure corporate underwriting. Therefore, a corporate support plan must include a list of appealing projects and a description of the way visibility will be created for them. The more ways one can build visibility without affecting the artistic product, the better. Signage, program listings, press releases, stage announcements, etc. have all been used to promote the sponsor's name.

In addition to the marketing impact of their gifts, many corporations are seeking other benefits from the organizations they support. Reduced price tickets for their employees, for example, are one way that corporations can justify their contributions. Others use performances as client entertainment opportunities.

Gaining access to corporate executives who develop their firms' marketing strategies is obviously vital to building support. Board members can be very helpful in this endeavor. Many arts organizations have created Corporate Committees composed of leading executives from the Board and the corporate community, each of whom is required to give a modest corporate contribution. More importantly, the members are asked to solicit underwriting from their own corporations and from their colleagues in other firms.

GOVERNMENT AGENCIES

The strategies employed to maximize government funding vary depending on the level of government. While national arts funding is not increasing, this does not mean that an organization that builds a strong record of artistic accomplishment cannot experience growth in funding from federal sources. As in all fund-raising, building relationships with staff of government funding agencies is a key to writing better and more effective proposals.

State and local government funding depends substantially on the local perspective on the arts. Many states and cities have arts councils that give money in a manner similar to federal agencies.

Yet the realities of local politics and impact of the arts on local economies frequently leaves room for more effective lobbying than at the national level. Many arts organizations work diligently to establish strong relationships with local politicians; these organizations frequently benefit substantially from these relationships. Some arts organizations receive long-term substantial support through regional funding - a dedicated tax that supports local arts groups. But winning approval for this is a difficult task in the current anti-tax environment.

No arts organization can trust that the government funding it receives will be maintained or increased. The tremendous impact of state and local budget cuts in the early 2000's on hundreds of arts organizations is an example of the power of sudden and dramatic cuts in government funding. All arts organizations must work actively to prepare themselves for future cuts of this magnitude by building stronger corporate, foundation and individual fund-raising efforts and by creating new earned income opportunities.

INDIVIDUALS

The supply of potential individual donors is unlimited. The challenge is to isolate a group of potential donors and to work effectively to engage them in the activities of the organization. If one can get donors to believe that their happiness is tied to the success of your organization, these donors are likely to give generously.

Some individuals give because of the relationship they enjoy with the solicitor. If a friend, family member or business associate asks for a contribution, it is difficult to refuse. Still other individual donors believe that they can benefit from the reflected glory of the organization. Individual giving will range from low level memberships to major gifts of substantial size. Membership tends to include the largest number of donors but not the largest portion of contributed revenue. Since the average membership gift is small, arts organizations must be very careful to minimize expenditures on attracting and servicing members.

Many organizations unknowingly lose money on large segments of their membership activities. While the program, in total, may generate net revenue (because the larger membership gifts tend to be quite profitable), the solicitation, mailing, fulfillment and staff costs of the lower end of the program frequently exceed revenue. In particular, few direct mail membership campaigns are profitable when one adds in the cost of servicing the new members unless the prospect lists are very focused on the organization's friends. The losses incurred can only be justified if a significant effort to keep members and to move them into higher giving categories is pursued.

Mid-level individual givers, those who give from \$500 to \$5,000, represent a largely untapped source of revenue for many arts organizations. It is frequently easier and less costly to find one \$1,000 donor than twenty \$50 donors, yet too many organizations spend more effort on the lower dollar amount. Board members, guild members and other friends should be able to provide a substantial list of mid-level prospects; working in an organized fashion to cultivate these prospects can be very profitable. The strategies for approaching the largest individual donors must be similar to those for major corporate or foundation prospects.

Typically, access will come through Board contacts. Except in unusual circumstances, major donors will support a project that is of personal interest. A useful technique when soliciting a major donor is to be prepared with a menu of projects in need of underwriting. The key to successful fund-raising is to listen to the interests of the donor and then to match the donor to the appropriate project. Those solicitors who come to a donor with a sole project have no recourse if it is of no interest.

Culturally-specific arts organizations have had a difficult time finding major individual sponsors. The communities they serve have other giving priorities and limited funds; mainstream donors support mainstream organizations. Culturally-specific arts organizations, therefore, are particularly challenged in the current funding environment.

SPECIAL EVENTS

Special events provide a strong vehicle for attracting corporate and individual contributions. Corporations apply the same criteria used to evaluate other arts programming when considering events sponsorship: Will the event provide visibility with the right audience? Does the event provide an opportunity for client entertainment? If the event is well planned, both criteria are easily met. Individuals will frequently support a special event if a close associate asks them to help or if the event offers a special entertainment opportunity.

Therefore, the uniqueness of the event and the active participation of the Board and the Benefit Committee will determine success. Most prospects invited to a major special event receive many invitations to similar functions. To compete effectively, one must make an event unique and exciting to a jaded prospect pool.

Asking celebrities to participate can be extremely helpful. Many notables from the world of the arts, politics, entertainment and sports will participate willingly if they believe in the mission of the organization. Involving celebrities also attracts press interest. Creating visibility, even after the event is over, is useful. It helps sell the next year's event, it pleases corporate sponsors and it makes participants feel that they were part of something special and newsworthy. This helps sell tickets for future events.

Many arts organizations plan too many events in a given year. While the temptation to raise more is strong, too often an organization that mounts multiple events finds that each one is under-supported and that the total earned is less than the net for one effort that has the full backing of the entire organization.

For any event, however large, the focus must be on the bottom line. While one hopes all guests will have a wonderful time, costs must be controlled. For many donors, supporting an annual gala is the only way they will help the organization; if a large portion of the ticket price goes to defray the expenses, a great deal of effort results in very little net support.

Everyone on the staff and Board should be involved in some phase of fund-raising:

- Board members must give personally and solicit their friends, associates and employers.
- The artistic leadership must convey the vitality and quality of the artistic plans to major donors.
- The administrative leader must provide all participants the information they require to make appropriate solicitations.
- The development staff must coordinate all the efforts of the Board and staff, implementing a comprehensive fund-raising campaign.
- The remainder of the staff participates in ad hoc meetings with donors. For example, marketing and production staff will be involved in supporting corporate donors.
- Support groups (guilds, auxiliaries, etc.), with appropriate staff leadership, can raise funds from donors not otherwise reached by the organization's development efforts.

A carefully crafted development plan that focuses the efforts of all participants and supports an organized pursuit of each prospect invariably leads to substantial fund-raising success.

DEVELOPMENT PLANNING ISSUES

Each of the following issues should be addressed in the development plan:

- Does the organization convey the vitality and quality of its artistic programming to donors?
- Is the effort to solicit foundations adequate?
- Which foundations have given to peer organizations?
- Has each foundation been well-researched?
- How can a corporate gifts program be created?
- Has a list of projects likely to appeal to corporate funders been developed?
- Does the organization convey the way in which visibility will be created for the corporate donor?
- Has the organization developed benefits for corporate donors?
- How can positive relationships with local, state, and national government officials be developed?

- Has the organization identified a group of potential individual donors?
- How will the organization engage these individuals in the activities of the organization?
- How can membership be increased?
- Is a direct mail campaign the most efficient method for reaching your funding audience?
- Has the organization matched the interest of the donor with the appropriate project?
- Have benefit events been planned to maximize both income and visibility?
- How can the Board become more involved in fund-raising?
- Does the administrative leadership provide the development staff and Board with the information they need to make appropriate solicitations?
- Has the development staff coordinated efforts between Board and staff, implementing a comprehensive fund-raising campaign?
- How should the fund-raising program be managed?
- Does the organization require a capital campaign? For what purpose?
- Is the organization strong enough to mount a capital campaign?
- What steps are required to prepare for a campaign?