

Don't waste a good crisis: fundraising in tough times.

filed under: fundraising crisis

A revenue crisis is every NGO's nightmare, but it can also allow you to get things done that are otherwise impossible. The order of business is staying afloat; but after that, look for the opportunities. Here are six steps to take.

"Forging Ahead", one of the featured blogs on socialedge.org, has been following how Kjerstin Erickson has responded to a funding crisis in her non-profit organization, FORGE. Erickson is not alone - the economic meltdown is subjecting many NPO's to funding emergencies. So it is a good time to remember the words of Rob Emanuel, President-elect Barack Obama's designated Chief of Staff, who told a reporter, "Never let a serious crisis go to waste". This is the advice I give to NGO fundraisers staring at revenue shrinkage and budget cuts in the wake of the US and world economic recession. Crisis can be an opportunity if you navigate it right. So how do you do that?

First, know where you are financially and where you are going. If you have not had an honest discussion with your institutional donors, do so *now*. Don't wait to send in a renewal request or an LOI for the next project; reach out as soon as you can. The news may not be all bad. Foundations may have a little leeway - while their endowments are down by as much as 40% and therefore, their earnings are down, they can use endowment and revenue over 5% to smooth out giving, and many are. On the other hand, corporate giving committees and corporate foundations are not as flexible because they depend on corporate profits, so most will cut or eliminate giving budgets this year. You need to know what your donors plan to do as soon as they decide.

Second, strengthen relationships. Take advantage of the opportunity to talk to program officers and corporate donors to reinforce the reasons they invest in you - you are clear-eyed, strategic and honest. When you talk to an institutional donor, tell her which of your funding sources you know are secure and which you are not sure about. Don't over or understate the case. Ask what her plans are with regard to your funds this and next year. Bring her into your confidence and onto your team. This is an important part of not letting a serious crisis go to waste.

Third, have a plan. Once you have gotten a good read from your donors on their plans, run projections of your fiscal year or two years - do best case, worst case and most likely case. Think through what cuts you might have to make in each case (but don't discuss them with staff because they will assume the worst case). Be able to tell donors that you have planned for contingencies and can answer their questions about their investment in you. In the process, you may discover ways to save money and improve performance that you never noticed before because you were not driven by a crisis to look.

Fourth, change your fundraising, but stay true to your message. In the face of a downturn in corporate and foundation revenue many NPOs turn to individual donors, and they should. Often individual major donors have more flexibility than institutional donors, and there are more of them. Project the shortfall in institutional giving and calculate how much extra your individual major donors will each have to increase their giving to make up a critical amount of the deficit. If the figure is reasonable, ask them for it. **And remember - increased gifts this year may be the baseline gift next year, generating more funds in the long term.**

Fifth, sharpen your message targeting. Email, direct mail and telephone asks get different responses when you discuss a recession or crisis. One study found that mentioning the economic downturn in direct mail increased donations, but mentioning it in email fund raising lowered both number of gifts and average gift size. Personal letters targeted at your most faithful major donors that honestly discuss the falloff in foundation funds, in my experience, can dramatically increase major gifts. In personal meetings with major donors, anticipate the response "the recession has hurt me too, so I may have to cut back" by asking for a specific number for just this time to avert serious damage. Asking for "a stretch gift" in this situation will not work.. Let the donor know exactly what she needs do to protect her investment in you.

Finally, innovate. The crisis may enable you to make innovative changes that your board or organization has resisted or would resist. Look at your programs and ask what expenses have crept in over time that don't contribute to your mission and cut them out. Ask yourself if there are other organizations doing the similar projects you can team up with to eliminate some duplication – maybe share space or materials - even though you compete for funds. Rack your brains for ways to increase your impact while reducing your costs – maybe you could compact sections of your program while you increase the number of participants, or use other facilities, or train the participants to work in the program as well as benefit from it. Maybe there are programs or program elements that you should have cut last year, but politically could not. Think about re-directing or re-designing programs so you will be eligible for government funds. Exploring starting a fee-based program or mission-related business.

The key is to try to see a funding crisis as an opportunity, as Erickson has done with Forging Ahead. For a good example of all kinds of crisis planning, Check out my podcast with Ashley McCown, President of Solomon McCown & Co., and and Lisa Rowen-Gillis, Development Director of the Home for Little Wanderers discussing crisis planning and why it can pay off.

Comments: 0

[Log in to add comments](#)