

Strategic Funding Framework

The Strategic Funding Framework provides a tool for building and maintaining a high return funding strategy.

How important is funding to your organisation? How efficiently and effectively do you raise the funds you need to do your work? How confident are you that you can grow your organisation over time?

A reliable income stream is critical for the majority of non-profit organisations. An organisation with a strategic approach to funding is more likely to achieve their goals and become sustainable. As a non-profit organisation, if you can develop a robust and realistic approach to fundraising you are better positioned not just to communicate with your existing funders, but to attract the attention of our growing population of wealthy individuals, trusts and foundations who are seeking a philanthropic relationship of real engagement.

The SVA funding framework is inspired by the work of the Ireland Fund's Kingsley Aikins, a globally respected expert on strategic funding and a member of SVA's Leadership Council. SVA has continued to refine the framework for the Australian context as we've moved forward in raising the millions of dollars we've required to do our work effectively. Perhaps more importantly, the Strategic Funding Framework has contributed to a 90 per cent retention rate amongst SVA supporters. For the ventures in SVA's portfolio – many of whom don't have the corporate connections that SVA has – the framework has reliably resulted in increased, longer term funding.

WHY

The SVA Strategic Funding Framework helps to establish:

- A plan which fits with the organisation's mission and programs
- Processes for raising funds which play to the organisation's strengths
- A diversified funding portfolio – an appropriate range of funders to minimise vulnerability and risk exposure
- An approach which takes advantage of the growing trend toward engaged philanthropy

Note: Engaged Philanthropy is a more deeply engaged way of giving that allows individuals, private foundations and corporations to do more than just give money by enabling them to see the impact of their philanthropy and feel the passion and journey of the people involved in making change happen.

WHAT

A good funding strategy will aim to create a sustainable funding stream and be:

- Achievable
- Comprehensive
- Aware (to manage inherent risks)

This approach requires:

- Patience – because the building of relationships takes time
- Process – because funders need to have the confidence that comes with evidence of a disciplined and managed approach to both their money and the way you communicate to them
- Persistence – because you must be prepared to commit to what it takes to promote and communicate the purpose of your work, with trust and integrity

The SVA Strategic Funding Framework involves four steps:

1. Campaign Targets - understanding your organisation and its needs

As non-profit organisations we have finite resources and infinite possibilities. The challenge is to decide what to do and in what order. Developing your campaign targets is about deciding:

- What does our organisation need in terms of resources?
- What are our priorities?

To complete this step you will refer to your organisation's:

- Baseline financial information
- Strategic plan
- Program plans (including resource requirements)
- Forecast budget

The campaign target process is best if it is both interactive and iterative. That is various people within and outside the organisation may need to be part of conversations which ask questions such as:

- How well do we understand our programs and organisation?
What are our priorities?
- Do we run program A or program B?
- Where to from here?

The outputs of the Campaign Target process are:

- A forecast budget that projects one to three years into the future
- An understanding of the resources needed (e.g. program and infrastructure costs)
- Any gaps in those resources
- Fundraising plans around unsecured funding
- Contingency plans for unfunded programs

2. Funding mix assessment - selecting your funders

The next step is to review your current and prospective funders and rank them according to their value to you as an organisation. This will help you to establish priorities about who you approach and why.

There are four criteria against which you rank each funder:

- Alignment with your organisation
- Capacity to support your organisation
- Propensity to support your organisation
- Cost of raising funds

The table explains each of these criteria in more detail and why they are important.

	Key Question	Rationale
Alignment	Is this funder aligned with our organisation's mission? That is, is there alignment between what we do, and what the funder wants to support?	Funders who are strongly supportive of an organisation's mission are much more likely to support an organisation over a longer period.
Capacity	What is the current and future giving capacity of this funding source?	Ideally an organisation is supported by a range of funders – some that have a high capacity to give now and others who will have a high capacity to give in the future.
Propensity	Is this funding source likely to actually give to us? Are we clear that he/she has the passion or interest in our work? Do we have the ability to attract and sustain his/her interest?	We sometimes assume that strategic fit will automatically translate into funder propensity to give. By understanding more deeply what a funder will need in order to make the decision to give, we can prioritise and adjust our approaches.
Cost of Funds	How much time/resources are required by us to raise the funds from this source? How much time is required to manage the relationship? It is important to consider whose time is required and the type of work involved.	Being aware of the full costs associated with raising funds is critical to making decisions about funding priorities.

3. Case Statement – developing the communication

A case statement is a clear, concise and inspiring statement that tells the listener:

- Who you are
- Why your work is important now
- What you do
- How you plan to do it and the resources you will need

A good case statement can be adapted to suit the audience, whether you are at a dinner party or in front of a packed auditorium. It is the starting point for every pitch and it gives every one in the organisation, including the board and funders, the opportunity to be an ambassador for your mission.

4. ICAM Framework – managing the relationship development process

Once you have a list of your target funders and a clear case statement, taking advantage of funding opportunities is about having the right relationship development process. SVA has found the ICAM model extremely valuable. This involves the four stage process – Inform, Connect, Ask and Manage.

The table below takes you through each step with some tactics and tips to help you apply it in practice.

	Purpose	Tactics and Tips
INFORM	To build a relationship of genuine credibility and trust based on a mutual understanding of goals and/or passions	<ul style="list-style-type: none"> ● Engage in a two way exchange to inform and elicit information ● Ask open ended questions ● Share personal stories ● Describe the organisation's philosophy, strategy and program logic
CONNECT	To connect the funder's head and heart by deepening his/her understanding of the organisation's work	<ul style="list-style-type: none"> ● Continue to share participant stories ● Provide appropriate access to the organisation and its results ● Demonstrate an understanding of the funder's interests ● Provide high quality, regular communications ● Find ways to engage the funder in the organisation – advice, networks, activities
ASK	To present a funder with the opportunity to join with your organisation in achieving social outcomes	<ul style="list-style-type: none"> ● Set clear expectations regarding the amount of the ask and the terms ● Back your instincts on issues of timing and the level of the ask ● The person who asks should have the most chance of success, i.e. the person who the funder most respects ● The ask must be personal – face to face, heart to heart, eye to eye ● Frame the ask as an invitation and an opportunity for the potential funder
MANAGE	To engage the funder so that the first contribution becomes the first of many investments	<ul style="list-style-type: none"> ● Send follow up letter immediately ● Honour and acknowledge the contribution frequently ● Identify areas where funders can contribute things other than money ● Share the organisation's successes and growth. ● Involve and connect the funder with the organisation in as many ways as possible

WHO

The strategic funding framework delivers maximum value when key stakeholders are involved in its development. The extent to which each type of stakeholder needs to be involved will vary considerably from organisation to organisation. However, as a guide the list would include:

- Chief executive or equivalent
- Board of Directors or key members of the Board
- Key personnel involved in program delivery
- Fundraising staff
- Existing funders or investors

When deciding who to involve in the process and how, it is helpful to consider which individuals or groups will be most able to assist in carrying out the funding strategy. Ensure these people have early involvement in the planning and feel a strong sense of ownership of the strategy.

WHEN

The Strategic Funding Framework should be developed after the organisational strategy and program strategies.

At the same time, funding is an iterative process and knowledge and insights from fund raising activity needs to be fed back into the organisation and be part of the ongoing fabric of dialogue and strategy adjustment. Like other forms of planning, you need to regularly refresh funding strategies.

The SVA strategic funding framework can be applied to organisations at any point along the growth continuum – from young ventures with limited staff to large and established non-profit agencies.

TESTIMONIALS

'In my opinion the ICAM process brings the kind of systematic and disciplined approach that's required for a funding strategy to deliver results. The fact that SVA has been there and "walked the walk" makes this an even more powerful tool for us to use.'

Peter Ruzyla, Eastern Access Community Health

NEXT STEPS

If you would like to experiment with using the PLPA Framework and applying it to your own organisation, go to www.socialventures.com.au/Organisational_Tools and look up the relevant Taste Test.

SVA offers additional practical and tailored support to help organisations implement these approaches and tackle specific issues. For more information contact the Professional Services team on 02 8004 6722 or email tools@socialventures.com.au.