Developing Your Nonprofit Funding Strategy

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Bridgespan Speakers



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About The Bridgespan Group





The Bridgespan Group is a global nonprofit organization that collaborates with mission-driven leaders, organizations, and philanthropists, to make the world more equitable and just.

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A funding strategy is the approach that a nonprofit organization takes to financially sustain its operations and mission





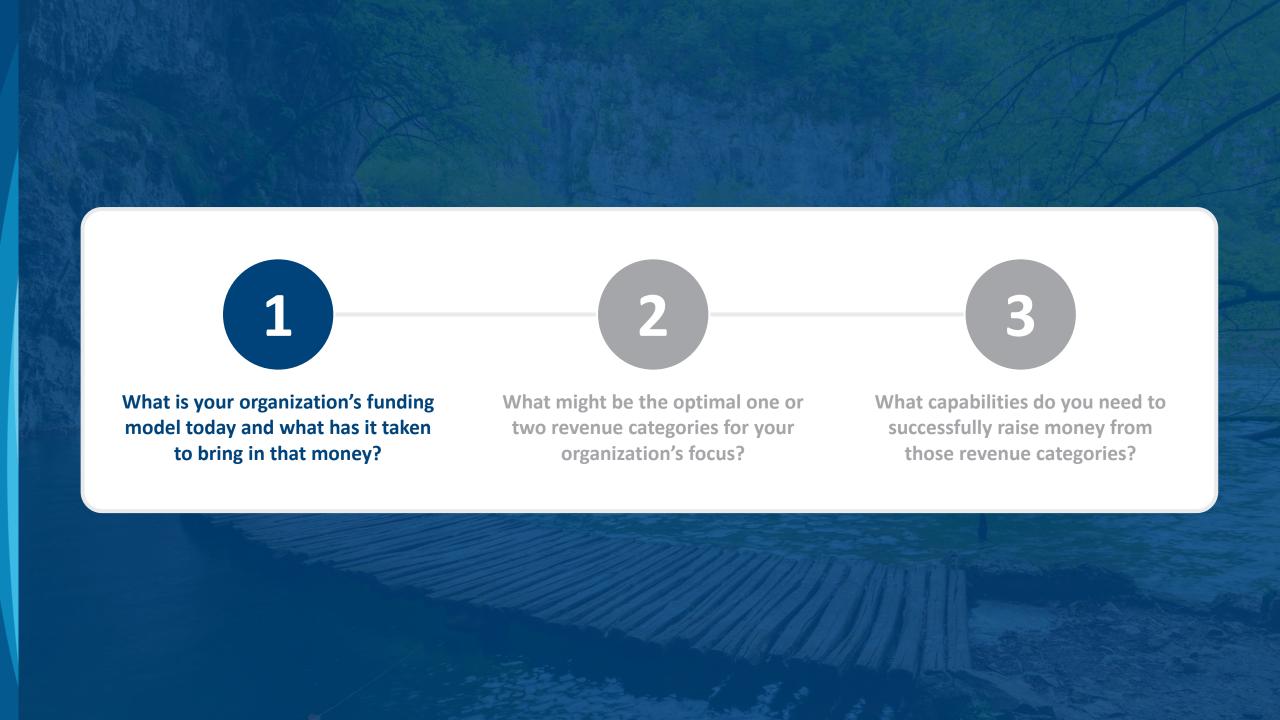
What is your organization's funding model today and what has it taken to bring in that money?

2

What might be the optimal one or two revenue categories for your organization's focus?

3

What capabilities do you need to successfully raise money from those revenue categories?



To explore your funding model today, probe on revenue mix, funder motivations, plus your assets and capabilities

Revenue mix

- What is your revenue mix over the past five years? For your biggest revenue category, has the share of total been growing or declining?
- Is there another way to disaggregate the data to learn new things?
- How flexible is your funding? How much is tied to specific programs?
- For your major donors or customers, how long are they typically sticking with your organization? How did they first become engaged?

Funder motivations

- Why do your funders support the organization? Are they compelled by:
 - Mission
 - Population served
 - Track record
 - Relationships with your team
 - Opportunities to engage in the work
 - Other?
- How does supporting your organization help the funder to advance its goals? How does your organization fit into the larger set of organizations that the funder supports?
- How has the funder's interests changed over time?

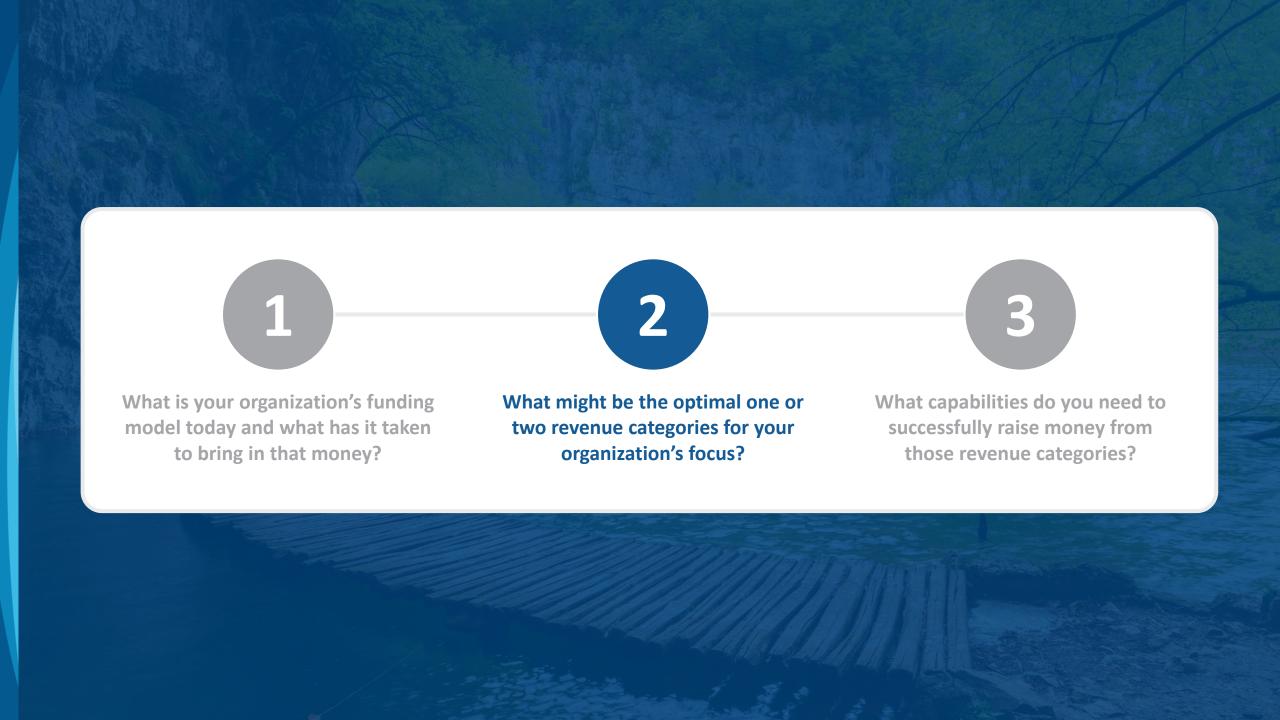
Fundraising assets and capabilities

- Looking back, what assets and capabilities has your organization needed to raise the revenue that you bring in today?
- What is your organization really, really good at?
- Does the funding strategy align with the strengths and passions of your leadership team and staff?
- Where does your organization have weaknesses in securing revenue? Could these be tied to gaps in assets or capabilities?



Across categories, there are trends in common funder motivations, as well as the assets and capabilities that can be key to unlock funding

	Governments	Program Service Fees	Corporations	High-Net-Worth Individuals	Foundations	Small Gifts (<\$10K) from Individuals
Common Funder Motivations	 Provide essential services to constituents Federal funders often prefer project replicability and third-party evaluations State and local funders often look for evidence of community support 	 Demand for a product or service Unmet needs In some cases, customers' payment for a service comes from a third party such as Medicaid 	 Create ties between the corporation's brand and a meaningful social cause Motivate employees with volunteering and gift matching 	 Build individual and/or family legacy Find meaning and joy in deploying wealth to worthy causes Invest in a personal interest or passion Maximize tax benefits 	 Invest in sectors and geographies that align with the foundation's mission and strategy Achieve something distinctive over an extended timeline 	 Contribute to a well-known cause, often in response to social media engagement or mail campaigns Respond to urgent needs, such as a natural disaster Maximize tax benefits
Assets and Capabilities	 Lobbying / government relations Technical grant writing on RFPs and proposals Contracting Compliance and reporting 	 Customer insights Product development Pricing Marketing and sales capacity Billing and payment infrastructure 	 Board members with corporate connections Branding, marketing, and communications Employee volunteer opportunities 	 Connections to wealthy individuals Board of directors committed to fundraising and willing to make introductions Major gift stewardship and solicitation 	 Technical grant writing Connections to program officers at foundations Monitoring, evaluation, and reporting 	 Strong brand awareness and widespread appeal Marketing, digital advertisements and mail campaigns Payment infrastructure



What we've been told...

What the data says...

..."Diversify, diversify, diversify!!"

...Focus on a few categories of funding ...and diversify within those

The next step in determining the optimal funding strategy is to develop a hypothesis of your organization's target revenue mix

- Using all the data that you gathered in answering question 1 (revenue mix, funder motivations, assets and capabilities), develop a hypothesis of what future mix of revenue (or "funding model") will sustain your organization
- Ideally, the target revenue mix is one that:
 - Gets as close as possible to being sustainable at the desired pace of organizational growth
 - Does not overly restrict the work that your organization is committed to doing
 - Provides a good longer-term return on investment over the cost of raising that revenue
- Explore being both proactive and opportunistic (or reactive)
 - **Opportunistic:** Carefully evaluate in-bound opportunities. What is the funding potential? Equally important, what will it cost to unlock the funding, considering staff time, travel, contractors, event costs, etc.? Does the opportunity draw on capabilities and assets that your organization already has? How likely is your organization to win the funding?
 - **Proactive:** What would it look like to "double down" on a funding category where your organization is already successful? Are there ways to proactively "dial up" the effort you are putting into areas where you are getting traction? Can you "make your own luck"?

The concept of a "major" and a "minor" can be useful for developing a hypothesis for your target revenue mix

"MAJOR" CATEGORY

Largest revenue category for your organization, and where your team will put the most effort at bringing in revenue

"MINOR" CATEGORY

An important, secondary category that will also contribute meaningful revenue, and where your team will dedicate some time

"OPPORTUNISTIC" CATEGORY

Revenue opportunities where you do not proactively dedicate time, but that you do pursue when they appear especially fruitful

To test your revenue hypothesis, explore peer benchmarking and interviews, funder conversations, and scans of the external environment

Peer benchmarking



- If similar organizations have secured significant revenue from the funding categories you want to focus on, it increases the likelihood that your hypothesis is feasible
- Probe on what the peer's overall revenue mix is, what changes in revenue have occurred over the past few years, and what the specific funding sources are, as well as how peers raise that revenue
- These can be investigated by looking at organizations' websites, annual reports, and press releases, and 990s

Peer conversations







• Usually, the most productive conversations will be two-way—sharing your experiences as you learn about those of your peer

Funder research



• Identify a funder that is attractive to your organization, and see if it is possible to learn what other organizations get supported by that funder

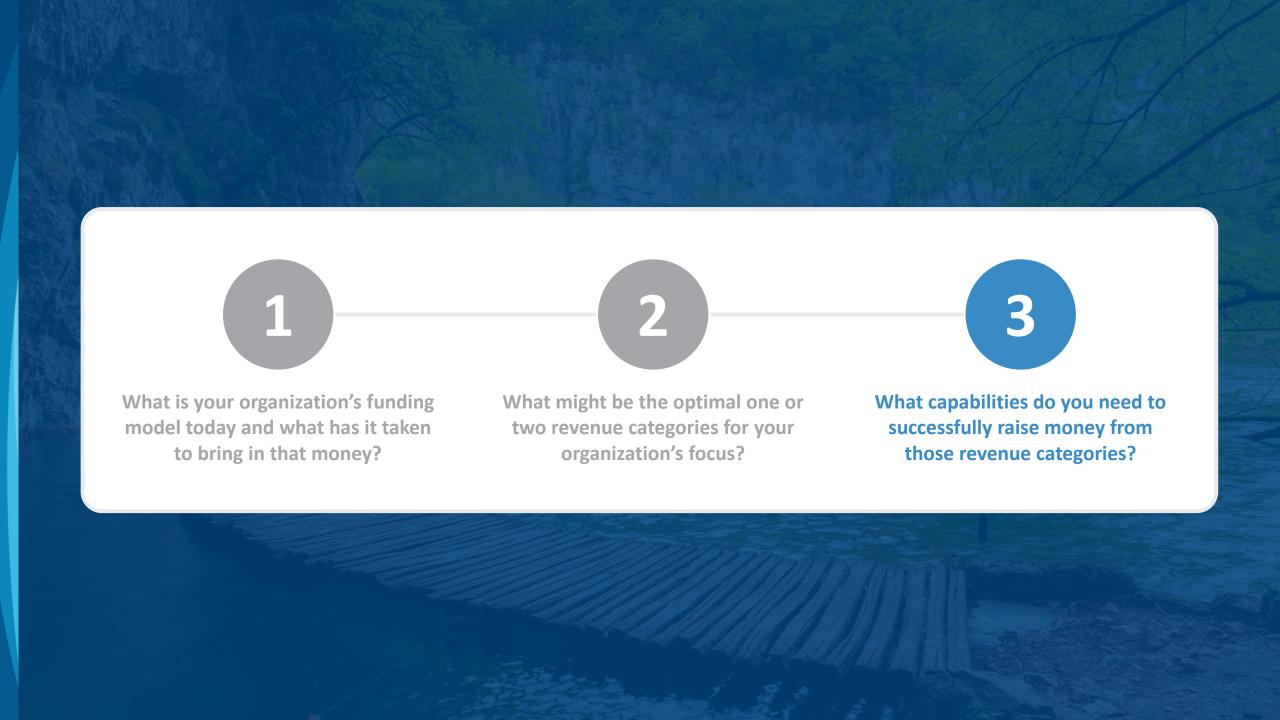


• It can often be valuable to talk to funders to get a better understanding of the kind of organizations they fund and why—and to test out your hypothesis with them

External environment scans



- Are new funding streams becoming available or are current ones drying up
- Is the environment around your program model changing in a way that might make it easier—or harder—to pursue a particular funding strategy



At this stage of the process, it is important to get clear about what assets and capabilities are need to pursue a specific revenue categories

- What specific capabilities will it take to execute the new strategy? Reminder refer back to the previous grid that outlines the assets and capabilities typically associated with raising a given category of revenue
- Which of these capabilities is your organization already good at? Which will it need to build or strengthen?
- How much will it cost to implement the funding strategy? Building capabilities may require hiring new staff, building new systems, or buying new technology. And it could take several years for added revenue to come online to pay for these investments.
- What is the opportunity cost of building new capabilities?

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As a final step, developing an implementation plan can help your organization to manage change and adapt overtime

An implementation plan can support organizations in executing the funding strategy. This plan can include:

- > **Pilots**. Are there aspects of the strategy that you are not clear on, and need to test out? What tests can you design to gather data and learn more?
- > Costs. What new capabilities, capacity or assets will you need for the plan to be a success, and what do those cost?
- > Staffing and accountabilities. Who on your team will be accountable for what activities and results?
- > Role of the Board. How can your Board of Directors play a role in ensuring success of the funding strategy?
- > **Metrics**. What measurable outcomes do you hope to see, over what timeline? Are there intermediate indicators that you can track along the way, to show that the strategy is gaining traction?
- > **Timelines**. How will change be sequenced? What results are expected, by when?

As you develop these plans, we suggest keeping in mind two findings:

- 1. It can take 18 to 24 months or even longer for a fundraising strategy to pay off or for you to understand that it may not work. Before making definitive decisions, explore if there has been enough time for the strategy to play out
- 2. The plan will likely need to be adapted as the strategy encounters real-world experience



A rule of thumb is keep coming back to your core mission. We focus on program revenue and philanthropic support. We can find other funders, but if we stray too far from [our core mission], we find ourselves looking at working in places that aren't a good fit for us or what we're trying to accomplish."

DEREK MITCHELL, PHD, CEO OF PARTNERS IN SCHOOL INNOVATION

Guest Speakers

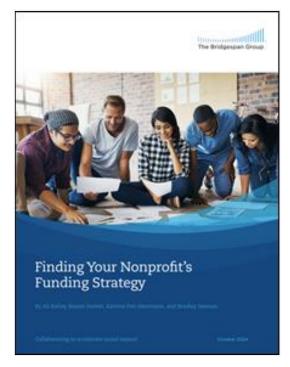


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Nonprofit Funding Strategy Resources



Finding Your Nonprofit's
Funding Strategy



Finding Your Funding Strategy:

Benchmarking 101

By Ali Kelley, Naomi Senbet, Katrina Frei-Herrmann, and Bradley Seeman

For nonprofits seeking an effective funding model, a helpful first step is benchmarking against similar organizations. This process combines quantitative assessments, such as comparing revenue mixes among peers, as well as qualitative, like identifying best practices and emerging trends. Benchmarking can provide a holistic view of the funding landscape, including clear paths to long-term sustainability.

Depending on a nonprofit's specific needs and resources, the depth of benchmarking can vary from a basic review of a hardful of similar organizations to a more comprehensive analysis involviate research methods, such as interviews, to account for regional differences and nuances.

These suggestions are based on Bridgespan's experience and research but should be taken as reference points rather than precise steps, and we would expect nonprofits to tailor their own approaches.

We have determined three key steps for nonprofits to make the proper set identify organizations with similar missions, scopes, and sizes to benchmark.

So part of the process of the proper set identify organizations with similar missions, scopes, and sizes to benchmark against.

Pofine your peer set identify organizations with similar missions, scopes, and sizes to benchmark against.

Share findings with stakeholders: Compile misgifts gathered from banchmarising to inform internal discussions and strategic decision-making processes on the funding model search.

Finding Your Funding
Strategy: Benchmarking 101



Funding Categories at a Glance

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Funding Categories At-A-Glance





anprofits & NGOs

A New Look at How US Nonprofits Get Really Big

In 2007, we published research analyzing how nonprofits with more than \$50 million in annual revenue were funded. Has anything changed?

By Ali Kelley, Darren Isom, Bradley Seeman, Julia Silverman, Analia Cuevas-Fereras & Katrina Fiel-Herrmann | Jun. 20, 2024



Nonprofit leaders often grapple with the question of how big their organization will need to get to have the impact they aspire to. Inevitably, that question is coupled with the question of where the money will come from to support that growth.

"That is always top of mind, the question of how you sustain it, build it, grow it," says José
Quiñonez, CEO of the Mission Asset Fund (MAF), a 16-year-old organization that works to
create a fair financial marketplace for immigrants, particularly those who are undocumented.

In the acoy SSIR article "How Konprofits Get Really Big," our Bridgespan colleagues William Foster and Gail Pereault identified US-based nonprofits, Gunded within the previous 30 years, that had reached at least \$50 million in annual revenue. Limiting the age of nonprofits in their data to a 9-year span ensured they were able to identify instances where organizations "Gound their finding model" and scaled relatively rapidly. It also established a clear starting point from which revenue growth could be measured. The data showed that over 90 percent of these "reality big" nonprofits "raised the balls of their money from a single category of funder such as corporations or government —and not, as conventional windom would recommend, by going after diverse types of funding." Conversations with leaders at these nonprofits underlined that achieving scale had required fundraising teams and capabilities that were tailored to the needs of their primary funding sources.

Now, with much having changed in the social sector over the past 17 years, we wanted to know—Bull the original findings will hold; This article is based on a new analysis of the 207 US based onaprofits founded since 19.90 with over \$50 million in annual revenue in their most recently available audited financial statement or IRS Form 950. We will refer to this group of 207 nonprofits as "all large organizations" below. We also interviewed the ladders of frome than a dozen of these organizations to describe our findings and the implications for nonprofits and their fueders, particularly those seeding such

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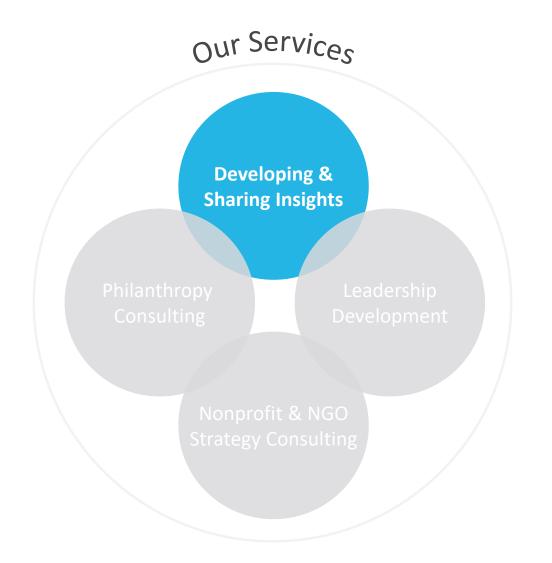
The headline is that these organizations grow to their current size mainly by focusing on a single overuse category rather than diversifying across categories of funding. As with ry years ago, over 50 percent of the organizations in our study—36 of ther—head a dominant revenue category which accounted for at least 60 percent of the organizations total revenue. We predominantly focus on those 269

A New Look at How US
Nonprofits Get Really Big





Sharing research, insights, and practical tools is core to our theory of change



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