

Viewpoint

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Strategic Planning: Meeting the Challenge of Fund-Raising Competition*

HUGH T. GOLDIE

Stevenson Kellogg Ernst & Whinney, Management Consultants, Winnipeg

Introduction

This discussion of some approaches to strategic planning will centre on two definitions. The first can be found in *Webster's New World Dictionary*:

Strategy (n.)—the science of planning and directing large-scale military operations, specifically, of maneuvering forces into the most advantageous positions prior to actually engaging the enemy.

The second came from that world philosopher, Pogo, who stated, "We have seen the enemy . . . and they is us".

Before proceeding to strategic planning, let us touch very briefly on the process of planning itself. After that we shall focus on the *strategy* component of strategic planning and, finally, we shall look at some of the problems that can arise when we attempt to make strategic planning work.

In dealing with the process of planning, I do not wish to rework old ground. You are, as readers of *The Philanthropist*, all familiar with the standard planning terminology and components: missions, goals, strategies, objectives, action plans, results.

These statements haven't changed, they won't change, and they are very essential to the process of planning.

I also do not want to talk about the relatively new emphasis now being placed by fund raisers on marketing. Most of you are aware, if you weren't before, that

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any requests for funds must place your organization in a position where it can be perceived as serving the needs of individual and corporate donors.

Instead, I want to talk about competition in fund raising. I believe it is becoming a significant factor that must be considered by any organization approaching the marketplace for funds.

Looking back, life was relatively easy in the 1970s. Organizations found it easy to grow and be profitable. Managers found it easy to manage, and while we were all dismayed by the inflation that surrounded us, in fact it helped us to solve many of our problems.

Life is not so easy in the 1980s. After a round of recession in the early part of the decade we find that competition, especially in business, has become very, very strong. Governments can no longer rely on inflation to cover their deficits and are beginning to take strong measures to reduce them. As a result, more and more charitable organizations are chasing fewer and fewer dollars. Specifically:

- Government spending is down;
- Social upheaval is putting increasing demands on social agencies;
- There is a need for more charitable giving;
- Corporations are inundated with requests for gifts;
- Major campaigns by universities, hospitals and the arts are often in competition.

The truth is that fund raisers are all competing with one another for a limited number of dollars. And the competition has become stronger. Not long ago, we in Winnipeg had three universities actively seeking funds at the same time and they were joined by private schools, cancer, heart, kidney, United Way—the list goes on and on. Organizations are becoming ever more skilled and sophisticated in their fund raising; however I suggest to you that your ability to raise money for your charity in the future may well depend, not on your fund-raising skills, but on your ability to compete.

The references to “military operations” and “engaging the enemy” in my first definition of strategy are, of course, exaggerations for effect. The references to gaining the most advantageous position and gaining competitive advantage are not. Competition is what strategy is all about; competition is what distinguishes strategic planning from other kinds of planning. Without competitors there would be really no need for strategy. The sole purpose of strategic planning is to enable a particular group to gain, as efficiently as possible, a substantial edge over its competitors. Strategy, then, implies an attempt to alter a group’s strengths relative to that of its competitors in the most efficient way.

Let me emphasize that strategic planning is *not* a means of achieving greater operational efficiency. It is a means of altering the strengths of your enterprise relative to your competitors.

This approach may be distasteful to some of you. Philanthropic endeavours are, after all, good works. You and all of your causes are on the side of the angels. There should not have to be competition among good causes. Unfortunately the reality is that there are too many philanthropic endeavours chasing too few dollars and there will be some losers. If you don't want to be one of them then you had better learn the art of strategic planning.

Strategies, in fact, are alternatives. They are choices which you have in creating opportunities and in taking advantage of opportunities that present themselves. You must be prepared to make the best possible choices in both areas if your organization is to prosper.

Approaches To Strategy

I would like to approach the question of strategy for philanthropic organizations by drawing some parallels to the strategic planning practised in the business community. I would also recommend that you study a book entitled, "The Mind of the Strategist" by Kenichi Ohmae, a Japanese management consultant who works for McKinzie & Company, a United States management consulting firm. He suggests that strategy can, and should, be an analytical exercise and I would like to deal with the four basic strategic approaches which he defines:

- A. Concentrating on the key factors for success (KFS)
- B. Building on relative superiority
- C. Aggressive initiatives
- D. Innovation

A. Key Factors For Success (KFS)

For any organization there are usually three or four (no more) key factors for success. These factors depend on the type of organization and the type of market which it serves.

Identifying these key factors is not difficult. Take the example of a large printing plant using a web press. One of the key factors for success in this type of operation is the loading of the press. When the press shuts down, the organization makes no money. When the press is running, the organization is making money. Managers therefore concentrate on keeping the presses in operation.

For philanthropic organizations, I would like to suggest the following KFS:

1. A cause which a substantial number of people think is important and to which they can relate. (The Hugh T. Goldie Benefit Fund may be attractive to my children and perhaps my dog, but I doubt that I would have too many other supporters.)

2. The capacity to organize, train and manage a force of volunteers;
3. A connection to key opinion leaders who are prepared to lead the way;
4. A mechanism for providing feedback to the community to show results.

At this point I would like to emphasize that what we are talking about is *relative* superiority; *being better than your competitor*. To see how these factors apply in practice I'd like you to look at some of the more prominent philanthropic groups operating in Winnipeg and study their use of the KFS.

The United Way.

The United Way's greatest strength is its ability to manage a very strong force of volunteers. That force of volunteers provides continuity from year to year as individuals rise in the organization and assume more responsible positions.

Winnipeg's United Way does not have a particularly strong cause relative to others. It does make some use of community leaders. It has no real feedback mechanism to let the community know where its funds have gone.

Canadian Cancer Society and the Heart and Stroke Foundation.

These two organizations have very strong causes to which most of us can relate because we all know someone who has been struck by cancer or heart disease. Often it is a family member. However, the capacity of these organizations to organize volunteers is substantially less than that of the United Way. In Winnipeg they make some, although not a strong use of community leaders and they provide little feedback to the community .

St. John's Ravenscourt (an independent school for boys).

St. John's Ravenscourt raised over \$4 million in its last campaign for the school. There was a strong cause. (Perhaps not as strong as cancer or heart but certainly stronger than the United Way, at least to the interested group who contributed.) The campaign had a well organized force of volunteers although not as strong a volunteer organization as the United Way. There was effective use of leaders within the school community. The feedback to the school community was very strong and included beautifully illustrated architect's drawings to show what the money would be buying.

Each of these groups has been successful using a different weighting of KFS but deciding to use the KFS is not enough. Your organization must have the dedication, persistence and passion for quality that will allow you to use them well. If you decide that using the KFS is for you, your best bet is to choose one, and make it work extremely well. Most organizations do not have the resources or the management capacity to use more.

B. Building on Relative Superiority

In business terms this approach to strategy deals with things like price and cost competition, a superior product or a superior service. Most organizations using this strategy are trying to avoid head-on competition with the big and powerful.

A very good example of the sort of enterprise which can use this approach would be some of the small ladies' wear boutiques which have appeared in Winnipeg's Polo Park Mall. You may wonder how they can compete with department stores like Eatons and The Bay. The answer is very simple: they don't try. They carry a few quality products. Their price points are very narrow but they provide service at a level which a department store could never hope to achieve. That is the source of their relative superiority. They know their customers and they look after them well. You may be interested to know that some of these small boutiques are earning revenues of \$600 per square foot compared to equivalent department store rates of \$250 to \$300 per square foot. Their margins are also relatively superior.

There are parallels in the philanthropic world.

The University of Manitoba, for example, has an alumni list of thousands of graduates with whom the alumni association keeps in constant contact. Few other organizations have such a direct pipeline into an interested and financially capable group of donors. The university has an exceptional opportunity, and the time (usually four years), to build a very strong relationship with its future alumni. In the United States, universities have done this for years. They rely on their alumni for funds, often for survival. In Canada, we have learned to rely on the government for funds. As a result we don't have very strong alumni groups.

The Canadian Red Cross has a similar opportunity, although I don't believe it has ever chosen to use it. It has the names and addresses of thousands of blood donors across the country. It even knows the active ones. Its records are computerized. (I know that because they call me regularly every three months, like clockwork.) Using these sources of relative superiority would give them a very strong advantage in attracting and promoting their causes.

C. Pursuing Aggressive Alternatives

This approach to strategy involves taking existing systems and methods and adding new life to them. Some examples:

- Adding a built-in flash to cameras
- Creating a film package that does not require rewinding.

The best example that I can think of is the SuperValu supermarket chain's approach to the marketplace. They use:

- Big stores that are attractive to men as well as women;

- Regular changes to the featured merchandise in their centre-aisle displays;
- A President's Choice line of quality (high-margin) No Name products;
- A magazine *Insiders Report* which sells exotic and attractive high-margin goods with a great deal of humour.

Where most supermarkets manage on a one-to-three per cent margin, Super-Valu's margins are two and three times that level. Yet they are really doing what most other grocers do; however, they do it with class and they do it well. They are more productive with their resources. They are giving the rest of the industry a very tough time. Their strategy seems to be to make your visit to their stores an event. There is lots to see and they always have something new happening.

D. Innovation

With this strategy we are looking at new ways of operating; new ways which can give us competitive advantage. In the business world the Sony Corporation is probably one of the best examples of this strategy. Their innovations include the Betamax VCR, the Walkman and their 8mm video system. By creating new products they create entirely new markets for themselves. Their innovations have actually been responsible for building entirely new industries.

What are you doing that is innovative and new? I'm not talking about variations on a theme. I'm talking about new and innovative ways of raising money and selling your cause to the donating public.

In my opinion, a benefit sponsored by Brettons for Winnipeg's Children's Hospital Research Foundation came close to that kind of innovation. It was a very well-planned dinner and fashion show which raised some \$16,000 for the foundation. Now I know that many people said that the cost of raising that \$16,000 was excessive and they put forward a good argument that:

- 800 people paid \$70 each to attend. That is \$56,000. They noted that the Children's Hospital research foundation only received \$16,000 so the overhead must have been \$40,000.

They are right, but . . .

Some 800 people enjoyed a very fine dinner and an excellent fashion show. The sponsoring firm, Brettons, got something very important . . . publicity. The Winnipeg Symphony made money from the booking. The support people, supplying light and sound etc. had a good contract.

In short, a lot of people gained and, what is more important, found the contribution painless.

Perhaps that's one of the ways in which innovation can come to the fund-raising area. Maybe there has to be a way to allow corporate donors to gain

more significantly from their fund-raising operations. Perhaps more donors could be encouraged to give more dollars if they were able to share in the rewards themselves.

I had suggested earlier that you have to be prepared to grab an opportunity when it comes along, as well as making your own opportunities. I believe that the Children's Hospital Research Foundation did that when Brettons came along.

The concept of strategic advantage means just that. Placing your organization in a position where it has an advantage over its competitors in the difficult struggle for funds.

The second focal point I mentioned at the start was Pogo's wry observation:

"We have seen the enemy . . . and they is us".

I would like to focus on three specific ways in which organizations are often their own greatest contributors to the failure of the strategic planning process:

1. Planning to Death

The first mistake that organizations make in developing strategic plans is to make them too big and too complicated. Take the typical five-year plan: most strategic plans have a detailed set of activities which are to be undertaken in year five. How on earth does anyone know what's going to happen five years hence? How do people even know what the world is going to be like five years hence so they can do the things they have planned? Most people are lucky to be able to plan tomorrow, or even today.

Of course it is important to have five-year goals. But it is equally important to have short-term objectives. Concentrate on today's objective. Make it work. Then look at the next objective which will keep you on the path to achieving your five-year goal.

The best example of this approach I know of is Federal Industries, managed by Jack Fraser and his three senior lieutenants. Several years ago, they embarked on a corporate plan whose goal was to make them a significant Canadian company within 10 years. They knew what they wanted and they took each step, a step at a time, to get there. Some steps took a little longer than they anticipated, but some steps came a lot sooner than they had anticipated. For example, the acquisition of Canadian Corporate Management put them ahead of their projected time schedule. It is like that with most plans. Some objectives will be achieved quickly and some will be achieved more slowly. As long as you keep your eye on the goal, and make steady progress toward that goal, then you will achieve it. But do it, one step at a time. Make a plan and work a plan.

2. Misusing the Team

Any team that is capable of making things happen has to have a mix of players, each of whom contributes his or her particular strength. I put them into four categories:

- **Social workers.** These are the people with heart, they recognize and respond to the need.
- **Crusaders.** They know how to get out in front of the pack. They know how to fire people's enthusiasm and motivate them to do the job.
- **Examiners.** These are the engineers and the accountants. They know how to put the systems together and they know how to make the details work.
- **Directionists.** They know how to set their minds on a goal and make sure that it is achieved.

Each one of these makes a particular contribution. Most often, none of them can do it alone. And none of them can do anything if he or she is placed in the position of the square peg in the round hole. Don't ask the directionists to be leaders of people, instead they will turn them off. Don't ask the social workers to be hard-nosed and get things done. They worry too much about how people feel. Don't ask the examiners to come up with good ideas. That is not their strength. They will make the ideas work, but they are not good producers of ideas. Don't ask crusaders to worry about the details, their eyes are on the stars. Individually, these types may not be very strong but as a team they have the strengths and skills not only to make a plan but to work a plan.

3. Substituting Planning for Action

The writing of a plan is not easy, but it is the easiest part of the entire strategic planning process. The toughest part is getting out on the street and making the calls and asking for the money, i.e., getting the plan off the page and putting it into action. The best plan in the world means nothing if it isn't executed properly. There are always lots of people who say they want to help, but the real help comes from those who have the dedication and the energy to get out and make the calls and work the plan.

Summary

We have looked at two, perhaps diverse, concerns arising from the process of strategic planning. The first had to do with developing relative superiority, the second with capitalizing on that relative superiority. I believe that as the competition for funds becomes more and more fierce, these factors will mean the difference between success and failure in the charitable organizations of the future.