



## **TEACH YOUR PIPELINE TO SPEAK “DONOR”**

### *A SMART Practices Report from Bristol Strategy Group*

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How does your fundraising pipeline “speak” to you today? For lots of people, the fundraising pipeline, that useful list of grants, gifts and corporate sponsorships that help you keep track of your funding opportunities, may only tell you two things: “what’s closing this week?” and “are we going to meet our fundraising goals this quarter?” Too often, that’s where the conversation with the pipeline ends. But your pipeline could be telling you many other valuable things – if it could speak “Donor,” that is, speak to you in the voice of your donors, grantors and corporate partners.

#### **WHAT’S A PIPELINE ANYWAY?**

To recap what we said above, the fundraising pipeline is a running list used to keep track of all gift or grant opportunities. Ideally, it’s organized by “stages,” to show how far along the gift has matured from “howdy” to “here’s my check.” For-profit sales organizations have used this idea forever because it’s such a useful way to summarize what’s going on, and what can safely be forecasted. Virtually every customer-relationship management platform includes something called an opportunity management module, to automate tracking. To our surprise, however, the concept is not anywhere near as well known among nonprofit leaders, and few donor-management platforms appear to include effective opportunity management tools. (PS: including Moves Management doesn’t really cut it; read on.)

The basic information tracked in the pipeline includes the name of the funder you’re cultivating, the specific gift, grant or sponsorship you’re seeking, the amount of money the contribution you’re hoping to get, and the date by which you expect it to come to fruition, or to “close.” Another helpful factoid is the location of the gift along the arc of cultivation, referred to as the opportunity stage. For those of you familiar with Moves Management this should sound familiar, but there are some substantive differences we’ll address later.

#### **THE TROUBLE WITH PIPELINE MANAGEMENT IN NONPROFITS**

Trouble #1: too few development shops take advantage of the concept. Trouble #2: far as we can tell, donor-management platforms largely ignore the idea of an opportunity-management module. Which leads to Trouble #3: no pipeline, and no opportunity-management module, mean it’s tough to figure out how close the gift is to converting from an idea to a check. So instead of actually knowing, we end up keeping track of gift progress anecdotally. We either have long stories about the various meetings, conversations, golf games, facility tours and so on on a donor-by-donor basis, or we have a chronological set of notes about same. Or we trust “gut instinct.” Sorry, but this leaves too much to chance – and makes it very difficult to forecast income with any degree of accuracy.

Working like this is working without a net, so you flounder. The “net” currently Missing in Action could be made up of useful, insightful performance indicators, metrics providing those desirable insights and methods supporting the management of the development process. Remember – if you can’t measure it, you can’t manage or improve it.

All of which leads to Trouble #4: Concentrating on the “trailing end” of the pipeline. Too much worrying and speculating and complaining about why this particular gift hasn’t come in yet or how come we didn’t get that grant or for heaven’s sake, why didn’t [fill in name of corporation] buy the table, time’s running out you know? Effective pipeline management puts attention at the FRONT END of the pipeline, the place where you identify and qualify the prospects offering potential, and begin the cultivation process.

### **MOVES MANAGEMENT – TIME FOR VERSION 2.0**

Let’s address the Moves Management model here, because I already hear some of you grumbling about my ignorance. Well, no problem; I know the model well and respect it, but it has a few shortcomings.

Pipeline models are organized around so-called opportunity stages, milestones locating each opportunity somewhere along the path to securing the gift. Opportunity stages are standardized (i.e. they measure the same thing the same way every time) and they can be quantified (how many at any given stage at any given time), so the measure-to-manage idea becomes reality. They make your gift-acquisition progress visible, showing you where things are moving smoothly from stage to stage, or where progress encounters obstacles or bottlenecks. This approach helps assess the probability that you’ll secure a particular gift with greater accuracy. Forecasting philanthropic income is now based on objective evidence, welcome news for the CFO.

Moves Management falls a bit short in the metrics arena. It was designed to be applied opportunity by opportunity, so the major-gift officer prepares a unique Moves Management map for every relationship. Bye-bye standardization. If every gift follows a different trajectory during the cultivation process, it’s mighty confusing to assess the overall health of the process, either for an individual development officer or the development shop as a whole.

Also, Moves Management’s “Moves” describe the activities of the fundraising team: schedule discovery call, conduct facility tour, invite to gala event, play golf, or whatever it is. Well, actually, that’s not all that unusual; most opportunity stages describe similar development behaviors. Regrettably, these tactics measure activities – meetings scheduled, events attended, mailings sent, phone calls made. They don’t measure *results* – donors qualified to be worth further time investment; donors showing interest in your mission; donors requesting gift proposals; and so on.

## **DONOR MOVES – MOVES MANAGEMENT SPEAKING “DONOR”**

While there are dozens and dozens of activities gift officers could take during the cultivation process, there are only a few results of those activities, so we figured, why not just describe the donor’s giving process? We boiled it all down to eight simple Donor Moves. If you adopt this approach, your pipeline will speak Donor. Here they are:

- *Move 1:* Prospect shares charitable motivations and preferences (so we can decide if their level of interest and giving capacity justify our time and effort).
- *Move 2:* Prospect validates our ability to achieve the mission and provide good programs (so they can decide if what we have to offer satisfies their charitable motivations).
- *Move 3:* Prospect agrees to consider a gift proposal.
- *Move 4:* Prospect reviews the proposal and negotiates terms and scope of gift.
- *Move 5:* Donor agrees to give.

Please note, there is no Donor Move containing the word “ask.” This is a “no-ask” approach to cultivating gifts. Most donors love it, and it takes the pressure off the officer or board member who’s got to somehow ask for the money.

Most pipeline stages end at Move 5, the money shot, but we think there are three more useful Donor Moves that contribute to donor retention, a long-term problem for nonprofits. So not only are these Moves useful, they’re also a great way to engage board members who suffer from “ask reluctance.”

- *Move 6:* Donor gives feedback on satisfaction. For every major gift or grant, schedule a time after receiving the gift to talk to the donor and make sure things are going well. (Note impact on donor retention here.)
- *Move 7:* Donor gives again. (Ditto.)
- *Move 8:* Donor refers us to others. (Note peer-to-peer fundraising here.)

There are a few other ways to help your pipeline speak Donor. The best ways involve adding performance targets to the pipeline that describe more aspects of your donor base. Here the ones we like the most:

***Ranking Your Prospects and Funders According to Your Scorecard<sup>1</sup>***. If you’ve developed a formal ideal donor profile like the SMART Way Prospect Scorecard, you can assign a rank or potential value, rating the donor as an A, B, C or D opportunity. That way you can ask your pipeline great donor-focused questions like these:

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<sup>11</sup> The SMART Way Prospect Scorecard is a key component of Fundraising the SMART Way. To learn more, review two additional SMART Practices Reports: *Fundraising Strengths Your Nonprofit Competition Can’t Touch* and *Why Your Best Funders Support You*.

- Are we pursuing enough “A” (high-potential) donor prospects to meet our fundraising targets, not only this quarter but into the future?
- Does our pipeline consistently deliver the right mix of new and established donors, and if not, why not?
- Are our development officers and peer solicitors investing their time in donor prospects with the highest potential for lifetime value, or squandering it on short-term prospects not likely to build our funds or transform the agency?
- Where does our fundraising pipeline encounter bottlenecks or obstacles? What should we do to alleviate them - or plan around them?
- What challenges are within the span of control of the development team? Are any such challenges outside their control, such as internal operations or misalignment with board objectives? If so, what should we do?

**Conversion Ratios and Cycle Times.** Now that you know your prospects’ ranking and Donor Moves achieved, your pipeline can give you even more info straight from the horse’s mouth. It’s telling you stuff like this:

- how long does it take most of our donors to migrate from one Move to another? Does it typically take longer to move from any given Move to another, so we can anticipate a slowdown in progress anywhere?
- When do our donors need more time to consider the opportunity, and when can they get to the next Move quickly?
- How many times in a year or a given month do we think our donors should achieve each of the Moves, and how many actually achieve them?
- And, knowing what we now know about donor and pipeline performance, what should we do differently to get better results?

Because your pipeline speaks Donor, you can evaluate your team’s ability to select and cultivate those funding prospects most likely to provide high lifetime donor value, qualify and cultivate them more efficiently, and bring in more amount of income at a predictable, consistent pace.

### **WHERE YOU ARE TODAY**

Before you can teach the pipeline to speak fluent Donor, you need to have a starting point. An easy way to do this is to print out your current pipeline report or list of active giving opportunities and mark each one in terms of its current position or Donor Move. If you are currently using a spreadsheet to keep track of pipeline information, obtain an up-to-date copy of it. If your agency has never put together such a report, now would be a good time to start!



Please remember that your Income Target will not be reported to the IRS, the thought police or anyone else. It's a target, not a life sentence. An educated guess or estimate is just fine. Just make sure it covers all your expenses (including salary and benefits) plus a little extra for cash reserves.

Okay, now that you've decided how much income you're aiming for, establish your Pipeline Target. Because you will not, repeat NOT, bring in every opportunity you've identified, you need more opportunities than the amount of income you're aiming for. Try for two or three times as much. That way you can afford to lose one or two dollars out of every three and still come out a winner. Plus, a big pipeline target keeps your focus on the beginning end of the pipeline, where it should be. Frankly, if you cultivate the right donor for the right size and type of gift, the ending end takes care of itself.

### **DONOR MOVES TARGETS**

Donor Moves targets help you understand how much pipeline progress you'll need to reach your income target. Using the table below, enter your own total income target. Select an "ideal" gift size. Divide that ideal gift size into the total income target to see how many gifts you'll need, to reach your fundraising target. Choose a generous ideal gift size; a high income target and a small ideal-gift size make for tough sledding.

Our example is unrealistic because the arithmetic is so easy, but it demonstrates a conversion ratio of about 1 to 1.5 from one Move to the next. If you need to achieve Move 5 twelve times in a year, then you need to reach Move 4 eighteen times in a year or 1.5 times as many. Notice that Moves 1 and 2 show the same target; that's because you should be able to achieve Move 1 (they share their preferences) and Move 2 (they find out enough about you to move ahead) in the same conversation.

Remember, the first time you do this, it's just a math exercise, but do it anyway. Having a target to shoot for is actually motivating to the development team, even if it turns out that the target was way off base. You'll need some time to develop a baseline, which will arise from experience. Once you've got your baseline, you can then up the ante (reasonably!) by establishing targets that either maintain current income levels or drive them somewhat higher.

SETTING PIPELINE TARGETS				
	Case-Study Examples		Your Targets	
Total Fundraising Income Desired This Year	\$1,200,000			
“Ideal” Size of Gift/Grant	\$100,000			
Total Number of Gifts/Grants to Achieve Desired Fundraising Target	12			
Donor Moves	Annual Target		Monthly Target	
	Example	Yours	Example	Yours
Stage 5: Approves gift	12		1	
Stage 4: Negotiates terms, scope	18		1 or 2	
Stage 3: Agrees to accept proposal, grant application, etc.	27		2 or 3	
Stage 2: Assesses our credibility	40		3 or 4	
Stage 1: Shares charitable motivation, philosophy, giving capacity	40		3 or 4	

**SPEAK, PIPELINE!**

Now that you’ve defined your pipeline using Donor Moves as Key Performance Indicators along with Success Targets, your pipeline can “speak” to you about your funders’ giving process. It can tell you important things you need to know to produce predictable, consistent income growth, along with better efficiency and effectiveness in your development shop. And you can choose various tactics to improve pipeline results.

Here are some suggestions that our clients like to use when reviewing pipeline progress:

- Are we getting repeat donations from current donors? If not, what should we do differently?
- Are we getting as many new funders as we’d like to, and if not, what should we do differently?
- What are our conversion ratios? How many or what percentage of conversions from one Move to the next? What proportion of prospects at Stage 1 convert to donors at Stage 5?
- Is our opportunity pipeline large enough to produce our income targets? If it’s not what should we do to either increase the pipeline or reduce our income target?

- How long does it take to move an Opportunity from one Move to the next? What could we do to shorten that cycle? Where should we anticipate a delay in moving from one Donor Move to another, or should they all take the same amount of time?
- Where do bottlenecks crop up in the pipeline? What should we do to alleviate them, so the pipeline can flow at the proper speed?
- Are our A- and B-ranked prospects and donors performing well? Or are our C- and D-ranked opportunities getting too much attention?
- Which C- or B-ranked donors could be ‘trained’ to become B’s and A’s?

There are many other things that your pipeline could tell you. Use your imagination!

### HOW OFTEN SHOULD YOUR PIPELINE TO SPEAK TO YOU?

Simple. *At least once a month.* Once a quarter is too infrequent; a weekly review may be too frequent, since you might not see progress that quickly. Many agencies start out with a weekly review of their pipeline to get the hang of it, and then go back to a monthly review. Individual development officers will update it daily, since they have to keep up with their dramatically improved activity, right?

### USE YOUR PIPELINE FOR CONTINUOUS IMPROVEMENT

You now have a pipeline that speaks fluent Donor, so use it regularly to tell you what you want to know. There are some simple guidelines for “listening” to your pipeline and deciding where action is required. We refer to this as “reading the story the pipeline tells you,” or interpreting the numbers. You can “read the story” alone, but if you collaborate with team members on interpreting pipeline reports, you’ll get a richer set of insights.

Follow these “ask/don’t ask” guidelines.

- **Don’t ask** “are these numbers good or bad?” They will ONLY be desirable or undesirable.
- **Don’t ask** “whose fault is this?”
- **Ask** “what are these numbers telling us?” They will tell you whether you are on or off target, that your cycle times are this or that, that your conversion ratios are such and such, and so forth. Simply note this information, don’t judge it!
- **Ask** which results are desirable. Are your results at or above targets in any areas? Find out what you need to do to lock in those results you can achieve them again and again.
- **Ask** which results are undesirable. Where is the team performing below target? Decide which of those results justifies attention on your part, or the part of the whole team. Then ask the key questions about continuous improvement:
  - Are these undesirable results within our span of control? If so, you can do something about them (train, coach, design new other collateral, etc.).
  - Are these undesirable results a consequence of something within our agency’s operations, but outside the control of the fundraising team? Some examples are misaligned goals, lack of alignment between development and programs,



communication issues between staff, board and contractors. If these issues exist, use pipeline data to make a business case for an initiative to fix things.

- Are these undesirable results a consequence of something happening in the external market? Some examples would include fluctuations in the economy, regulatory changes, competitive pressures, and donor fatigue. These are not within your control either, but you can bring the evidence to the attention of the leadership team.

## SUMMARY

Fundraising professionals have invested lots of time and energy into tracking their pending gifts and grants, for decades. Far too often, though, we let these pipelines “tell” us too little, by keeping the focus on short-term results. Far too often, pipeline reports simply report on gross dollars, anticipated close dates, and whether we’ll make our number this year or not. They might even create a revolving door to the development office, replacing otherwise capable staff. We really don’t need to do that if we have robust pipeline management techniques – and our pipelines can speak Donor. When your pipeline speaks fluent Donor, you get better results with less effort.

## WHAT YOU CAN DO NEXT:

- **DIY Project (Do It Yourself):** Fill out the templates in this form. Consider asking other staff members, development officers or campaign consultants for their input; many minds make better work. Speak to your IT department about simple ways to capture the new metrics and report on them.
- **Bring *Fundraising the SMART Way™* to Your Nonprofit:** Call BSG to implement the methodology for your agency. We offer group-learning cohorts for smaller agencies, so it’s affordable at almost any budgetary level. Phone us at 305-935-6676 or visit [Fundraising the SMART Way](#) for more information on our website.

## ELLEN BRISTOL



Ellen Bristol, president of Bristol Strategy Group, works with nonprofit organizations to build fundraising capacity, adapting classic principles of the process-management discipline to this all-important strategic function. She is known as a thought leader for her research on staff fundraising productivity, the Leaky Bucket Assessment for Effective Fundraising, which has been completed by more than 1,000 nonprofit professionals and executives as of 2016.

A classic late-bloomer, Ellen spent the first twenty years of her career selling zillion-dollar computer systems. Only after she launched Bristol Strategy Group did she discover her true calling: building organizational capacity with a focus on the revenue-generating function. Since that big “aha!” moment, she has become a performance-management geek and a nut for metrics. Along the way, she has:

- Developed the SMART Way™ methodologies, an innovative, strategic approach to managing revenue generation based on classic business-process disciplines, with variations for nonprofit fundraising, social enterprise and for-profit businesses;
- Designed and launched the Leaky Bucket Assessment for Effective Fundraising, the single largest study of fundraising staff performance in the nonprofit sector;
- Implemented Fundraising the SMART Way™ for dozens of nonprofit organizations;
- Authored ***Fundraising the SMART Way: Predictable, Consistent Income Growth for Your Charity*** and co-authored ***The Leaky Bucket: What’s Wrong with Your Fundraising and How You Can Fix It***, with Linda Lysakowski, ACFRE, both available at Amazon and the AFP Bookstore;
- And created the SMART Fundraising Game, a light-hearted way to show staff and board what fundraising is really all about.

Recently, Ellen collaborated with her grandchildren to write a children’s book called *Morton the Marvelous Monster*. Her eight-year-old grandson only agreed to participate if she promised to split the proceeds with him. He is still waiting for his first royalty check.

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