

## Strategic Planning in the Arts: A Practical Guide

### Special Campaigns

*From time to time arts organizations will need to initiate special fundraising campaigns for physical expansion projects, organization stabilization (e.g., endowment, reducing accumulated deficit), or the launch of a new program. Knowing exactly how much money is needed to complete the special campaign and integrating the special campaign with the organization's annual fundraising campaign are essential for special campaign success.*

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Virtually every mature arts organization reaches a point in time when its strategic plan recommends a project that cannot be supported by the annual fund-raising drive. Physical expansion, stabilization (reducing the accumulated deficit or establishing or augmenting a working capital reserve or endowment fund), or the pursuit of a major new program will frequently demand more resources than the annual campaign can produce. An arts organization must then contemplate mounting a special campaign.

Before one can even begin to plan for a special campaign, it is essential to develop an absolutely explicit and comprehensive description of the need. Too many organizations conceive of and initiate a special campaign only to discover midway through the effort that major "hidden costs" were omitted and that the campaign target must be increased. When a physical expansion is planned, for example, organizations frequently omit or underestimate costs of closing during construction, the increased costs of operating the new facility, the cost of running the campaign or the costs of financing the expansion until pledge payments are received in full. Organizations that do a poor job of cost estimation will be evaluated poorly by major donors, at best, and can be financially crippled by a "successful" (but inadequate) campaign, at worst.

When an organization has decided that it needs to mount a campaign, it should consider the range of projects that should be included. Many organizations planning physical expansions, for example, also include operating endowments in the campaign goal. Arts organizations cannot mount special campaigns very frequently. After any successful campaign, the participants want to believe that they are "finished."

Frequently an ambitious effort will leave staff, Board and donors feeling spent. It is difficult enough to fight this post-campaign depression and to get everyone focused on the annual funding needs. If the campaign was inadequately specified, and substantially more money is required, the sense of frustration can be crippling. This is particularly true of organizations that erect new facilities only to find themselves in severe financial straits owing to poor campaign planning.

For this reason, all the special needs for the following five or more years should be considered. Broadening the scope of a campaign may also interest donors who are not engaged by the original limited purpose of the campaign.

Without a clear picture of the full cost of the project, it is also impossible to determine the feasibility of the fund-raising effort. Conducting a feasibility study lowers the chances of initiating an unsuccessful campaign. In addition to wasting time and money, unsuccessful

campaigns create doubt in the minds of major donors and Board members about the management of an arts organization, thereby hampering future major projects. For this reason, it is essential to devote some resources to studying the organization's potential for a successful effort.

Feasibility studies can be completed by the organization itself or by a consultant. While internally-managed studies are undoubtedly less expensive, an outside consultant may be more objective and can frequently learn more from potential donors. Prospects may be less willing to reveal their true views and the level at which they might give in a meeting with a staff or Board member than in a confidential appointment with an independent consultant.

In fact, a superior feasibility study can frequently teach an organization a great amount about its strengths and weaknesses in dealing with donors, in creating an image of excellence and in managing its own affairs. These insights can inform the internal analysis in future plans and should be used to strengthen the organization's marketing and annual fund-raising efforts.

Frequently the decision to mount a campaign results from a planning process. One must be careful not to initiate a feasibility study prematurely if the plan also includes strategies for substantially strengthening visibility, the Board, donor relations, or other aspects of the organization that will affect the results of the study. It makes sense to delay the study until these other strategies are given a chance to have an impact. Too often, an organization which is planning a major campaign and a concurrent major change in strategy commences a feasibility study that does not accurately measure how donors will feel about the organization after the strategies have been implemented.

The feasibility study may reveal that enough support does exist to launch the campaign, it may indicate that certain changes are required before a campaign can be implemented successfully, or it may suggest that a campaign should be deferred or reduced in scope.

In addition to suggesting whether a campaign has a strong chance of success, a feasibility study will provide a list of initial campaign prospects that should be solicited immediately. Frequently a strong candidate to serve as the Campaign Chair will also emerge. The Chair will have a major impact on the campaign's success. The ideal Chair gives a leadership gift and has the connections and stature to encourage others to give generously.

The most successful campaigns have strong, committed leadership. The Chair should be supported by a committee of donors who will work diligently on behalf of the campaign. The committee need not only include Board members; in fact, broadening the membership to include corporate and civic leaders can be very effective.

The committee will work with the staff to develop the strategy for the campaign, including:

- The expected division of the campaign target into gift categories: Most campaigns receive a few very large or “leadership” gifts, more mid-sized gifts and even more smaller gifts.
- Prospect lists for each gift category: Supporting the projected number of gifts that should fall in each category will be a list of realistic prospects for each size gift.

- Solicitation strategies: Different donors will be approached in differing ways. The large potential donors may require a major presentation; this is obviously not justified for smaller donors.
- Named gift opportunities: Many donors will want to memorialize their gifts by naming a physical structure, endowment fund, staff position, or project for themselves or someone they wish to honor. Creating a strong list of naming opportunities is becoming increasingly important.

The committee will need a coherent statement of the campaign goals. This "case statement" justifies supporting the institution, relates the needs addressed by the campaign and reveals the named gift opportunities.

Unless the entire campaign goal is obtained from a very limited number of donors, an organization must be prepared to spend between three and five percent of the target on campaign expenses. This money is spent publishing the case statement, mounting cultivation events and hiring additional staff or fund-raising consultants. It is ideal if the organization's development staff, perhaps with some additional temporary employees, can manage the campaign effort. If the time or expertise required is not sufficient, consultants can be hired to manage the campaign. In any case, even if consultants are engaged, it is essential that the relationships formed with campaign prospects include the Board or staff of the organization. An opportunity for future solicitations is wasted if the organization's relationship with the donor ends when the consultants complete their work.

Except in unusual circumstances, donors to the campaign should also become top prospects for the annual campaign. These donors have invested in the future of the arts organization and will probably have a continuing interest in it.

Keeping in touch with campaign donors after the pledge has been received is essential; too many organizations ignore the donors who have already committed to the effort in favor of the next set of prospects. This is a sure method for disengaging their interest and losing the potential for future support. All campaign donors should be thanked on an on-going basis, involved in major events and treated as important prospects for future gifts.

Keeping campaign donors involved is also the best way to encourage them to involve their friends in the campaign. One of the best sources of campaign prospects should be the friends and associates of those already giving. Once someone has invested in the campaign, they should be asked to join the campaign committee and to solicit contributions from their personal lists.

Pursuing a major campaign requires considerable cultivation of new prospects. Few arts organizations can meet campaign goals solely by soliciting extra contributions from current donors. The focused marketing steps described in Chapter Ten: Focused Marketing are appropriate for cultivating donors prior to and during the campaign. Indeed, if an organization is even contemplating a special campaign, focused marketing techniques should be implemented.

Similarly, the efforts to generate visibility that enhance the effectiveness of the annual campaign should be pursued with extra vigor in support of special campaigns. The more attention the

organization can attract, the greater the chances that donors will be willing to support its campaign.

Board members must be willing to commit their time and their money to the drive. While some organizations must pursue campaigns without the considerable financial support of their Boards, most must depend on them for a large portion of the campaign goal. If an organization cannot count on its Board to contribute at least one-third of the target, it must have access to major non-Board donors or it must strengthen its Board prior to publicizing the campaign. Board gifts are typically pledged before a campaign is formally announced. The reason to delay announcing a campaign until a substantial portion of the target has been pledged is to convince marginal donors that the effort has a high probability of succeeding.

The annual fund-raising campaign must be strong enough to bear the loss of some gifts during and immediately following the campaign. Invariably some donors to a special campaign will reduce their annual gifts while they are making their pledge payments. The organization must calculate an expected loss in the annual effort (the amount of the loss will depend on the overlap between annual donors and campaign donors) and charge this amount to the campaign as an added cost.

Cannibalization of the annual campaign is one reason why a serious effort should be made to encourage donors to schedule pledge payments over as short a time period as possible. Obviously short pay-out schedules also improve cash flow. In fact, when developing an initial campaign cash flow forecast, one must realistically expect that major pledges will only be paid out over a three to five year time frame, if not longer. This is an essential consideration since the cost of money can be quite high for an arts organization. If commitments to spend campaign revenue (on a new building, for example) substantially precede receipt of pledges, the cost to the organization can be significant. Failing to predict pledge payments accurately can result in a campaign target that is inadequate to meet the true project cost.

Arts organizations must also be careful to plan explicitly for the way they intend to inhabit their new facilities. Too many organizations design beautiful new buildings, raise the money needed to erect them and, less frequently, to operate them, without fully accepting the requirements of being a larger institution. The pressure to raise the levels of artistic accomplishment, visibility, financial performance, Board strength, staff productivity and customer service can be intense as an organization moves up one or more tiers. Too few organizations that expand rapidly seize the benefits available to institutions that claim leadership in their fields. Leaders have an easier time attracting press coverage, soliciting most major institutional donors and building audiences. But leadership must be planned for and claimed and many growing institutions fail to do so.

## **CAMPAIGN PLANNING ISSUES**

Each of the following issues should be addressed in the campaign plan:

- Has the organization developed an explicit and comprehensive description of the need?
- Has the organization performed a feasibility study?

- Has a specific campaign target been specified?
- Have campaign costs and transition expenses been adequately budgeted?
- Does sufficient funding exist to meet the goals of the campaign?
- Has the impact of the campaign on the annual fund-raising effort been considered?
- Have prospect lists been created?
- Have solicitation strategies been developed?
- Has the organization created a set of named gift opportunities?
- Does the organization need to hire additional staff or fund-raising consultants?
- Has the organization created a cash-flow forecast for the campaign?