



TEACH YOUR PIPELINE TO SPEAK FLUENT “DONOR” *A Best Practices Report from Bristol Strategy Group*

BEST PRACTICES FOR MANAGING YOUR PIPELINE THE SMART WAY™

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 you try to keep up to date, 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.

Pipeline management remains a problematic issue for many nonprofits. In fact, we have run into quite a few nonprofits that don’t have a pipeline, never heard of pipelines, and have no idea what to do with them in the first place. To recap what we said above, the fundraising pipeline is a running list that shows which grant or gift opportunities are expected to close in the next week, month, quarter, or year. Your agency might keep its pipeline on a spreadsheet, or use a sophisticated software application to manage it. The basic information you track includes the names of the donors, the size of all the gifts, and the dates by which you expect them to come to fruition. The pipeline is a simple concept that can have a powerful impact on effectiveness. Managing the opportunity pipeline is either a great, positive contributor to effective fundraising – or a serious hindrance.

We know that many nonprofits raise funds from grants and corporate partners as well as donors, but to keep this article simple, we use the term “donor” to refer to any and every form of income from fundraising.

One way to improve the management of your fundraising pipeline is to “ask” it to tell you more information. This means adding a few metrics to the pipeline that are “donor-focused.” As you read through this report, we’ll recommend some of the most important ones. Once your pipeline knows that it can capture these details, it can “speak” to you by “telling” you things about your donors’ motivations or reasons for giving, not simply their capacity to give. It can tell you about your donor’s giving process, and show you what you need to do to move the process along. When your pipeline can “speak fluent Donor,” it will tell you such important information as the following:

- 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?

This article tells you step by step how to train your pipeline to “speak fluent Donor” so it can produce powerful, actionable information *without adding a lot of time and effort to your fundraising workload*. That is already heavy enough. We share the best practices of clients we have worked with over the years, who really understand managing the pipeline for optimum fundraising performance.

CAVEAT EMPTOR: This is going to LOOK like a lot of work, but believe us, if you spend about an hour on it one time, you’ll be able to improve your pipeline’s ability to “speak” to you many times over – and that’s going to help you exceed your numbers with *less* effort.

FIRST, TEACH YOUR PIPELINE “KEY DONOR VOCABULARY”

In the first phase of teaching your pipeline to speak fluent Donor, you give it Key Donor Vocabulary. Think of the Donor Vocabulary as a set of codes, entries or targets that you add to your pipeline management tool. Your pipeline can only “speak” with the vocabulary you give it.

Step 1: Conduct a Situational Pipeline Analysis

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. Then ask a few questions and mark each account accordingly. If you are currently using a report or 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! Then, follow these steps.

- **In the opinion of this donor or prospect, what is our status?** Which category do we fall into, in the eyes of the decision makers:
 - *Level 1 - “Just another charity.”* We’re just one more nonprofit agency to that donor; we compete with many others for their charitable interest. Most likely we have never gotten beyond a small annual gift from the donor; or an “open” grant application.
 - *Level 2 - “We Give Regularly.”* We’re on the donor’s “preferred” list, so we get somewhat larger annual gifts; we’re invited to submit grant applications; they give to us from time to time.
 - *Level 3 - “We Give Major Gifts.”* We’ve developed a close relationship with the donor, foundation or corporation, we have close relationships with the decision makers, and we have the opportunity – sometimes - to influence their decisions

about charitable giving. For grantors, we may be able to win no-competition grants. For corporate partners, we may be approached to do special programs, joint ventures, program underwriting, etc.

- *Level 4 - "We Make Our Ultimate Gift to You."* In these relationships, the donor has agreed to bequeath their wealth to us at death; the foundation has elected to invest in a major strategic program with us; the corporate sponsor has built a similar, exclusive relationship with us.
- **What's the status of the opportunity that's listed on the pipeline?** This is where pipeline management often goes astray. Too many times there are no visible steps or stages in the donor's giving process; the gift has been discussed and the donor's wealth profile has been researched, but from there it's difficult to tell whether you're getting closer to a satisfactory conclusion or not. PS: we think this is the reason why so many people suffer from "ask reluctance;" they're not really sure how committed the prospect is at any given time.

Resolve this problem by breaking down the prospect's giving process (not your "asking" process!). Most gifts and grants progress through a reasonably similar and straightforward set of stages, like these:

- *Stage 1:* The prospect has told us enough about their charitable motivations, philosophy, giving history and capacity to give, for us to decide how much effort we want to invest.
- *Stage 2:* The prospect has assessed our agency's credibility (community standing, outcomes, financials, etc.) and believes that we merit their attention (or not).
- *Stage 3:* The prospect agreed to accept a proposal, recommendation, grant application, etc.
- *Stage 4:* The prospect has met with us to review the proposal, and discuss or negotiate the scope, terms, conditions; size of gift, way the gift will be applied, etc.
- *Stage 5:* The prospect has approved the gift, made the grant, or finalized the contribution in some other way.
- *Stage 6:* The donor's pledge, contract or grant is disbursed; your agency receives the money.

Let's summarize the exercise so far. First, you're going to review all the gifts, grants, corporate sponsorships that are currently pending. You'll code each prospective donor according to the Level of your current relationship.

Next, you'll identify each of them, to see where your agency stands in the eyes of the donor, and do the same thing for the actual opportunity you're tracking.

This template will help you complete your analysis. As you enter the name of the prospective donor, grantor, corporate sponsor, then use the codes listed below the table to show the current status of each relationship and each opportunity.

Name of Donor Prospect	Our Status with this Donor Prospect*	Name of Opportunity (if applicable)	Status of the Opportunity**	How Much We Think It's Worth

***Our Status with this Donor Prospect:**

- *Level 1 - "Just another charity."* Your institution is one among many recipients of the donor's interests and money.
- *Level 2 - "We Give Regularly."* You are more likely to get the donor's attention for larger gifts at this level, but have no overriding commitment from them as of yet.
- *Level 3 - "We Give Major Gifts."* Your institution ranks high on the donor's list of charitable investments, and the donor has a serious interest in your mission.
- *Level 4 - "We Make Our Ultimate Gift to You."* The donor has a deep, abiding commitment to your institution and its mission. In return the donor expects "insider" access to the senior management, board members, and so on.

****Status of the Opportunity Forecasted**

- *Stage 1:* The prospect has shared their charitable motivations, philosophy, giving history and capacity to give.
- *Stage 2:* The prospect has assessed our agency's credibility (community standing, outcomes, financials, etc.) and believes that we merit their attention (or not).
- *Stage 3:* The prospect has agreed to accept a proposal, recommendation, grant application, etc.

- *Stage 4:* The prospect has met with us to review the proposal, and discuss or negotiate the scope, terms, conditions; size of gift, way the gift will be applied, etc.
- *Stage 5:* The prospect has approved the gift, made the grant, or finalized the contribution in some other way.
- *Stage 6:* The donor's pledge, contract or grant is disbursed; your agency receives the money.

Step 2: Choose Your Pipeline Targets

Now that you have identified the entries in your pipeline by designating them from the prospect's viewpoint, you may establish a number of performance targets. You may already know your overall goal for fundraising income this year. It's always useful to keep this goal in mind and on paper, and to compare your progress toward meeting it on a regular basis. However, that type of goal is a so-called *trailing indicator*; it shows up after the hard fundraising work has been done and it's too late in the cycle for you to change direction, remove an obstacle, or figure out that you invested a lot of precious time and energy on a gift too small to pay back your investment of energy. In our book, those types of prospects are DOA's, prospects that are already Dead on Arrival and don't justify a great deal of expensive development time.

Add additional metrics to your pipeline that describe the performance of the prospective donors. There will be *leading indicators*, things that happen at the beginning and middle of the donor's giving process and give your pipeline a lot more ammunition for improving performance.

Here are some of the targets you could establish:

- The number of *new donors, grants, corporate gifts* to bring in this year, quarter, and month.
- The number of *current donors* to retain, give a repeat gift or renew a grant, or "up-sell" (i.e. influence them to raise their giving level) this year, quarter, month.
- The number of times in a given month that each Opportunity Stage should occur. These occurrence targets help you figure out where your pipeline encounters bottlenecks or obstacles, and where you need more or different resources and support. Use the Opportunity Stages described in the template above. Establish targets for the **number of times the Stage occurs** in a given interval (preferably in one month).¹
 - How many each month at Stage 1?
 - How many each month at Stage 2?
 - How many each month at Stage 3?
 - How many each month at Stage 4?
 - How many each month at Stage 5?

¹ If you are familiar with "Moves Management," think about these stages as if they were "Donor Moves."

This template shows a way to set your targets for the amount of income you want to bring in per year, plus the number of occurrences of each Stage that is will take to get there. The figures in it are just an example, so you can follow the calculations. Enter your own data and see what happens.

SETTING PIPELINE TARGETS		
Total Fundraising Income Desired This Year	\$1,200,000	
“Ideal” Size of Gift/Grant	\$25,000	
Total Number of Gifts/Grants to Achieve Desired Fundraising Target	48	
Donor Moves	Annual Target	Monthly Target
Stage 6: Disburses funds	48	4
Stage 5: Approves gift	48	4
Stage 4: Signs Contract	48	4
Stage 3: Agrees to accept proposal, grant application, etc.	60	5
Stage 2: Assesses our credibility	72	6
Stage 1: Shares charitable motivation, philosophy, giving capacity	84	7

Step 3: Rank Your Prospects by Potential For Long-Term Value.

Too often, opportunities are ranked or prioritized based on subjective criteria; in other words, I think it’s an A opportunity but you think it’s a C. This lack of objectivity wastes time and money.

Instead, create a set of standards that describe donor prospects that justify the investment of your time and effort. Document these standards, and provide a copy to all development staff, peer solicitors, and contractors. The SMART Way™ Prospect scorecard is a good example of such a benchmark, and there are many others; you can learn more about it by visiting the BSG website. Use your benchmark to rank accounts according to their potential for long-term value to your institution. “A” prospects should be able to produce significant gifts, underwriting or other financial support, so they justify the investment of senior management’s costly time and attention. “D” prospects, on the other hand, are not likely to produce very much no matter how hard you try. They simply don’t have the capacity, motivation or interest in your mission to suggest that they would give to you, even if they are major donors elsewhere. Prospects that compare poorly to the qualifying benchmark do not offer a high “return on effort,” so your people should not be spending too much time with them.

SECOND, SPEAK, PIPELINE!

Once you provide your pipeline with basic Donor Vocabulary above, your pipeline can “speak fluent Donor” and tell you some really interesting things, namely the level of visibility and accountability you need to improve sales force productivity and performance on a continuous basis.

Step 4: Decide What You Want Your Pipeline to Tell You

You’ve provided the key Donor Vocabulary. It’s up to you to decide what to ask your pipeline to “tell” you. Here are some suggestions that our clients like to use.

- Are we getting the desirable proportion of new-name accounts to repeat business? If not, what should we do?
- What are our conversion ratios? How many or what percentage of conversions from one stage to the next? What proportion of prospects at Stage 1 convert to donors at Stage 5? How big should the pipeline be to create desirable sales results?
- How long does it take to move an Opportunity from one stage to the next? What could we do to shorten that cycle, or is it appropriate?
- 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!

Step 4: Decide How Often You Want Your Pipeline to Speak to You

This is simple. You want your pipeline to speak to you *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, just to get the hang of it, and then go back to a monthly review.

THIRD: 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.

Step 5: Read the Story the Pipeline Tells You

Now that your pipeline has mastered Donor Vocabulary, knows your targets, and is trained in giving you the right reports, it’s up to you to “read the story” or interpret what’s going on. 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.

- **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! **Don’t ask** “are these numbers good or bad?” **Don’t ask** “whose fault is this?”
- Now **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.
- Now **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 (training, coaching, designing new marketing messages, brochures and other collateral, etc.).
 - Are these undesirable results a consequence of something within our agency’s operations, but outside your personal control in the fundraising function? Some examples are misaligned goals, lack of understanding between the development team and the operations/program teams, communication issues between staff, board and contractors, etc. If these issues exist, you may not be able to do anything directly to resolve the problem, but you CAN 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 obviously include the recent economic downturn, uncertainty in financial markets, competitive pressures, donor fatigue, and so forth. These are not within your direct span of control either, but you can surface the evidence of the problem, and convey it to the leadership team and board so it receives appropriate attention.

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, our pipelines simply report on gross dollars, anticipated close dates, and whether we’ll make our number this month or not. That’s because we haven’t trained the Pipeline Function to give us key insights about Donors and Prospects, what we like to call “speaking fluent Donor.” We guarantee that if you spend an hour or two on teaching your pipeline to speak fluent Donor, you’ll still get the short-term information you need, but you’ll also find invaluable insights that will improve your team’s performance for years to come.

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.
- **Access BSG's E-Learning Programs:** Sign up for our next regularly scheduled e-learning program in the series Best Practices for Fundraising the SMART Way™, or download a copy of the last recorded session.
- **Bring Fundraising the SMART Way™ to Your Nonprofit:** Click here to inquire about arranging for a SMART Way Best Practices program or implementation project at your nonprofit agency.

About the Author

Ellen Bristol is president of Bristol Strategy Group, the Miami-based consulting firm she founded in 1995, after a 27-year sales career in the mainframe computer industry. She is the developer of the firm's flagship methodology for sales-force productivity *Selling the SMART Way®* as well as the nonprofit variant *Fundraising the SMART Way™*. Ellen had a personal mission to improve sales-force productivity by integrating process management disciplines into the sales function, and quickly realized that the same concepts could have a dramatic, positive impact in charitable fundraising. She has become a thought leader in this area, having published many articles for regional, national and global publications. Learn more about Ellen, Bristol Strategy Group and the SMART Way® methods and tools at www.bristolstrategygroup.com