



**Blackbaud®**

**Funding Success:**  
lessons from  
fast-growing charities

**action**   
**planning**  
let's start from here

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fundraising, management & recruitment consultants

Is your organisation funding led, or funding fed? Do you feel that your destiny is almost entirely determined by the current funding climate, or that you are able deliberately to amend your course to suit the prevailing funding 'wind', without losing sight of your intended destination?

This white paper identifies five things that any organisation can do to provide greater financial stability. They are very easy to say and, in many cases, extremely difficult to do. But they can be done, as the organisations in our survey have shown.

Be encouraged by them, and develop your own action plan. Out of the list of five ingredients for success, perhaps identify the two that are 'quick wins' for your organisation. Then from the remaining three, identify the one that will be hardest to achieve, and develop a clear plan as to how

you will achieve it. You may need some help to do so, but very likely it will be this ingredient that produces the greatest benefit.

Of course, the proof of the pudding will be in the eating!



David Saint  
Chairman, Action Planning

I am delighted Blackbaud has been able to participate in this series of white papers focusing on the success and growth of organisations from the third sector. Blackbaud only serves and works with charities and not-for-profits, so the research is aligned with our own focus and allows us to better understand some of the challenges charities face; particularly in the current challenging climate.

This paper examines the secrets of success for organisations that have been successful at growing income. It provides insight into how specific organisations have prospered during this difficult economic time. It's fascinating to see how the organisations featured have taken the bold decisions to control their own destiny. Clearly, they all had a vision, plan, structure and team in place to achieve their goals.

The underlying message of this paper highlights the importance of having the correct mix of elements to ensure success. The real life examples illustrate how organisations are raising the bar in order to succeed. We should note the five ingredients highlighted for successfully growing income and ask ourselves whether we have these same elements in place.

I really hope you enjoy reading this paper and can utilise the information provided.

Sincerely



Martin Jervis  
Managing Director, Blackbaud Europe

## Introduction

Although the economic forecast is currently gloomy, the third sector has been growing consistently, increasing total income every year this decade.<sup>1</sup> But this growth has not been shared equally amongst all charities. So what are the factors that mean that some organisations grow? How can organisations create the right conditions for growth? And what potential hazards do they face as they expand? In previous papers, we examined the role of the entrepreneurial leader in fostering and maintaining growth; and the challenge of maintaining an “intelligent” organisation in the midst of change. This paper returns to the basics of charity growth: growing and maintaining income, which will be of interest to expanding, stable and indeed shrinking charities.

Using qualitative research methods, we conducted face-to-face interviews with the Chief Executives of 24 of the fastest growing charities in the UK to better understand what has made their organisation successful. Participating organisations were a mix of charities primarily funded by grants and donations, and another group which are primarily generating income by providing services on a contracted basis. Further information on these charities can be found at the end of the paper. The organisations we studied each face a set of challenges unique to their circumstances, environment and history. However, there are commonalities in the types of challenges they face. Principal challenges include:

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- **Human Resources**; particularly recruitment and retention, and legislation around taking on teams of staff from other organisations for contracting organisations

- Maintaining **organisational culture**
- **Governance and leadership** (especially developing the competencies of a board that has to cope with providing oversight for a charity that has grown 10-fold)
- **Income generation and fundraising**
- Ensuring that **infrastructure, systems and technological solutions** are keeping pace with organisational growth

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This paper will examine the secrets of these organisations’ success at growing income levels, whether via direct mail, delivering services under contract, securing large grants from international funders or anything in between.

## Five ingredients for successfully growing income

When we asked the organisations we interviewed what they attributed their success in growing income, we discovered five key themes in the answers they gave.

These were:

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- Focusing on what the organisation is there to do
  - Designing the organisation so that it is able to fundraise
  - Hiring the right staff
  - Developing a mix of income sources
  - Having a clear target to aim for
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We will now examine each of these in turn.

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<sup>1</sup>The UK Civil Society Almanac 2009 – Executive Summary, NCVO, Feb 2009 p2

## Focus on what the organisation is there to do

Whilst this may seem obvious, knowing what the organisation wants to achieve and the aspects of its way of working that are most attractive to potential funders avoids the trap of focusing on institutional need rather than the needs of prospective beneficiaries the organisation serves. Steve Ward, Deputy Director of the Liverpool School of Tropical Medicine, says:

*"We identified the way we wanted to go, and it was the remit that we've had for a long time, which was to deliver help and benefits for the developing world by developing tools and products. We decided that's what we did, or that was what we were going to do. That then forced us to organise ourselves and for people to organise their research in a way which was much more looking towards translational research [taking science from the laboratory bench to the patient's bedside]. It was at that point that we suddenly found that our expertise and the focus that we applied to that expertise was exactly what the community at large was wanting to fund. We saw how best we could make an impact, and that fitted best with what the institution was claiming that it wanted to achieve."*

For others, this focus might not be about impact, but around other issues, such as quality of work or relationships with clients. Joyce Duckworth, Deputy Chief Executive of the Alternative Futures Group commented:

*"We have a strategy that acknowledges that we are best served, that our commissioners and clients are best served, if we stay local. When we started off, we were a very small organisation, and very successful very quickly. So we've looked at that model and asked how we can replicate it with this larger*

*organisation that we have. One of our secrets of success was to remain local. We have taken strategic decisions to stay and operate only in the Northwest of England. That gives us a small geographical area but plenty of opportunity. One of our unique selling points is the fact that we are local. We can respond very quickly and positively and be reactive in that sense."*

## Design the organisation so that it is able to fundraise

Some of the organisations we have talked to have had to redesign the structure of their organisation to allow them to access funding successfully. Lynette Lowndes, from the HIV/AIDS Alliance, tells their story:

*"We purposefully, in the redesign of the organisation, focused on increasing our knowledge, understanding and ability to respond to where the money is. For us, there are two big pots of money globally, one is the US Government, and the other is the Global Fund for Malaria, Aids and TB.*

*When we restructured we decided we need to have people who understand the US government. So we have a small team there who have much more scope for understanding the mechanisms for getting money out of the US.*

*In addition we've created a new team with expertise on the Global Fund. It's a complex system whereby you have to be part of a national planning process. So you need to work with the country's Ministry of Health, with other government departments, and with civil society in general. So we've concentrated on a small team that skilled up and trained our country offices and organisations to understand how the global fund works. That's brought a different structure to the organisation.*

*Then we have to link those teams with the programme teams who are really at the coalface of understanding what is happening in each country. For example, our programme staff in our Africa team would say that they previously spent 5% of their time on proposal development, whereas they now spend 30% of their time on this. So the workload and job description of a number of jobs throughout the organisation has changed as a result of the fundraising strategy."*

For other organisations the changes they have put in place have been less complex, but no less significant. For instance, one organisation said that they have addressed how they fundraise at a trustee level, and as a result have a new CEO in place who will focus much more on raising the profile and income of the organisation.

Even successful, fast growing charities have to re-evaluate the way that they grow income as they develop. Jehangir Malik, the UK Director of Islamic Relief, says:

*"Over the last 4 to 5 years we have gone back to our old model, which was to facilitate volunteers to lead in the fundraising. Key to our success is that we've got supporters that believe in the brand, believe in the cause, in the mission and want to take part in relieving people's poverty and suffering. Facilitating that is our job.*

*I was a volunteer myself in 1992 when I was in university. My first job was to drive trucks to pick up donations of clothes. I therefore realise the value of the power of the people. As an organisation we have to recognize that we have a huge human resource asset (which is not entirely free) but which we term as unpaid staff. Over the years we somewhat moved away from that, and we are trying to move back. As we became bigger we relied more on corporate and*

*institutional funding we moved away from the volunteer model. Now we are bigger there is a tendency to overlook the importance of the foot soldiers. But both things have to be done in tandem. This year we are developing the Volunteer Development Programme and putting that back as the heart of our strategy. Instead of focusing on money, we are focusing on raising awareness of the issue, and allow people to be part of a movement for good from which success can be created. From that we find outstanding results."*

### **Getting the right staff**

For other organisations, rather than changing the structure of how the organisation grows income, it has been about getting the right staff involved in the process. Mark Barrett, Director of HR Development at Sightsavers International, said:

*"We've started to get grants now from the EU, the US, Irish Governments ...which we haven't had before. The team that got those grants were key people, and we had to make sure they already had that experience in working with governments to get funding and already had relationships with those bodies. When we started we had to recruit virtually everybody in that team from outside."*

However, it is not just about hiring staff with the right skills, but also staff who will have credibility with those they interact with, both supporters and programme staff. Andrew Cook, Director of Communications and Fundraising at WaterAid, said:

*"You are not always going to find a smooth fit between the plans and aspirations of the people who raise the income and those who spend it. We have to try and have those groups working closer together, and*

*understanding the issues that each face. The Senior Managers, particularly on the institutional funding side, work very closely with the Programme Managers. When we are recruiting people, we don't just want people who are good at raising money, but people who have a real passion for the cause. That's the number one criterion. Also, most of the staff working in Marketing and Fundraising will at some point in the first couple of years at WaterAid have spent some time visiting projects overseas. I've been very supportive in trying to maintain that whilst we've been growing. They are truly engaged with the service delivery."*

## **Developing a mix of income sources**

Some of the organisations we interviewed have been fortunate to have a broad range of income sources, and see this as a crucial part of their success. Andrew Cook commented: *"We are not at all donor driven. We have a broad portfolio of income, 70% of which is voluntary, and the lions share is unrestricted money, so we don't have to work to the back and call of institutional donors."*

Other organisations, especially those reliant on a few institutional funders, or who have contracts only with one or two bodies, feel much more vulnerable. One Chief Executive told us:

*"The only source of funding we had were government grants which are not guaranteed, and they don't cover everything we do, and we didn't have enough money to invest in increasing our voluntary income. We've managed to increase the number of grants, get better types of grants, get better cost recovery, and manage them better. But one or two grants going wrong could actually affect the viability of the whole*

*organisation."*

A Fundraising Director, who had recently been trying appointed to diversify his charity's mix of income, told us:

*"90% of our funds come from one funder. Our measure of success has been almost entirely defined by the funder. When putting the contract out for tender they will also set the terms of success in delivering the contract: the number of young people, the level of achievement, and cost per young person. We want to try new types of service delivery, new ways of helping the young people we want to work with. Those new activities are not funded by the Learning and Skills Council contracts. Hence my appointment to try and find new sources of funding."*

However, it is possible to find amongst those charities that do deliver services on a contracted basis those who feel they have managed to create a mix of income sources by ensuring that they have a range of clients, and deliver a range of services. David Royce, Chief Executive of Crime Reduction Initiatives, told us:

*"When we were nosing a million, I sold to the board the idea that now we were going to go through a period of instability and when we got beyond ten million we would be big enough to be stable. But we never relied on one Ministry of State, we always spread the risks. For instance, we have contracts with the Department of Health and the Home Office. And within the Home Office we undertake work in prisons and community based work. So it wasn't just one product or one customer. In terms of risk management, if one Ministry of State changes its position, we will be able to generate income from another Ministry of State. That's been very deliberate."*

## Have a target to aim for

It is clear that where organisations, like Crime Reduction Initiatives, have aimed at specific and demanding targets, this has been one of the factors that have influenced their success. For instance, Steve Ward of Liverpool School of Tropical Medicine says:

*"The focus of what we are doing is different from how we used to focus ourselves. Now we want to make a much bigger impact. The research agenda we wished to pursue now was not a £250,000 3-year project. If you want to eradicate malaria, it's a £4 billion programme. So how do we achieve that? When you refocus and say that's actually what we want to be doing, then you start working out how to do it, I've got to work in this consortium, it's going to require £20 million, and then you start seeing how you can fit that ambition with what the funding opportunities are.*

*It wasn't just focused on the target number of millions of pounds turnover I don't think. We were more focused on the size of organisation that we wished to be. At the time we were a small organisation of around 100 - 150 people or so. The initial plan was to build up our research base and activities so that we could double in size physically in terms of the people who would be active with us, and then double again up to an operational size of maybe 500 - 600 people. So there was a very aggressive programme to raise the £25 million to build this building.*

*As we went through that process, the confidence built up. So for example, I had a 20 million Euro initiative, and we knew we would get the funding. Another person was 12 or 18 months into discussions with Gates Foundation, and we knew that we were going to land the first £50 million from Gates. When that happens, then other*

*people start saying, "Well actually I think I'll speak to Gates about my idea." Then everybody else sees that's the way you do it."*

Andy Grimshaw, Chief Operating Officer of the Kew Foundation, can also bear testament to the transformative power of capital projects to increase income and develop fundraising:

*"Our objectives are to raise money solely for Kew Gardens. One of our main drivers has been a decision by Kew to do some very large capital projects. So we started to move into the major gift fundraising both with institutions and individuals. We had to change the structure of our team to reflect that. That growth has happened predominantly through the corporate side and major individuals getting 7 figure donations. That occurred because Kew happened to have the opportunity for capital programmes."*

## Conclusion

It is easy to look at the last quotation from Andy Grimshaw and assume that simply creating a target will help to grow income. However, contained in this short synopsis of their story of success are all the key five ingredients we have identified in our research. Certainly they have set a target. But they also know what the organisation is there to do, and what they are fundraising for. They have changed the design of their charity to help them fundraise. They have hired new staff. And they have engaged with other sources of income to diversify their income mix.

In thinking about how the lessons from this research might apply to your own organisation, you may want to consider:

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- Does your organisation know what it is there to achieve?
  - Does the structure of your organisation enable it to draw in income for what it wants to do?
  - Do you have the right staff?
  - Do you need to diversify your sources of income – and if you cannot diversify the sources, are there ways to manage that risk?
  - Can you use a target, for instance for a capital appeal or major project, to help you to develop our ability to grow your income?
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## **Methodology**

*The research investigated 24 of the 100 fastest growing (i.e. % growth) charities within Caritas "Top 3000 Charities" 2007-8. This was further refined by eliminating any charities which grew because of a one-off major capital appeals or endowments, or exist solely for distributing funds (grant makers). The research further stratified charities who have grown by providing services under contract, and those who have grown because of grants and donations (including grants from statutory bodies).*

*Though some quantitative analysis approaches were used, the research was primarily qualitative. Each organisation was interviewed, either by telephone or face to face. Questions covered a range of twelve key issue areas including governance, leadership, strategy and cost effectiveness.*

*Interviewees included seven CEOs, thirteen Directors, three Heads of Departments and one supporting secretariat. An additional twenty one interviews were conducted with members of the four organisations featured in this paper to provide more in-depth analysis.*

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*The research aimed to discover:*

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- *How and why they are growing*
  - *What stresses and challenges they have faced as a result of the growth*
  - *How they have overcome or are dealing with these stresses*
  - *What is their recipe for success and for continued growth*
  - *The role of leaders in inspiring success*
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*The participating organisations were:*

*The Abbeyfield Society  
 Alternative Futures Group  
 Breakthrough Breast Cancer  
 British Red Cross  
 Concern Universal  
 Crime Reduction Initiatives  
 The International HIV/ Aids Alliance  
 Islamic Relief  
 Kew Foundation  
 The Liverpool School of Tropical Medicine  
 MCCH Society  
 Merlin  
 Metropolitan Support Trust  
 Mines Advisory Group  
 National Centre for Social Research  
 Prior's Court Foundation  
 Rathbone Training  
 The Salvation Army Trust  
 Sightsavers International  
 St Mungo's  
 WaterAid  
 World Emergency Relief  
 Youth Hostel Association (England & Wales)  
 Youth Sport Trust*

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More than 22,000 organisations – including Cancer Research UK, CRISIS, University of Cambridge and English National Opera – use one or more of Blackbaud products and consulting services for in-house and online ticketing, marketing, website management, and fundraising. Blackbaud's solutions include The Raiser's Edge<sup>®</sup>, The Patron Edge<sup>®</sup>, The Information Edge<sup>™</sup>, Blackbaud Gift Aid<sup>™</sup> and Blackbaud<sup>®</sup> NetCommunity<sup>™</sup> as well as a wide range of consulting and educational services.

Since 1981, Blackbaud's sole focus and expertise has been partnering with not-for-profits and providing them the solutions they need to make a difference in their local communities and worldwide. Headquartered in the United States, Blackbaud also has operations in the United Kingdom, Canada and Australia.

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