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What a Capital Idea! Opportunities and Considerations for Capital Campaigns

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*Note: The **Arts Insights** newsletter entitled "12 Components To Planning For a Successful Capital Campaign" by ACG President Bruce Thibodeau and Vice President Daniel J. Zanella (May 2005), provided concise points to aid organizations in their preparation for a campaign. The information below takes these components a step further, providing additional information and detailing composite case studies that demonstrate why successful planning is so important.*

Imagine walking into a board meeting and, without prior discussion, institutional assessment, or planning, it is announced that it's time to start a capital campaign. While unimaginable to some, the truth is that this happens frequently. Some organizations view capital campaigns as a "fix-all," when in the long run they could actually undermine institutional credibility. Capital campaigns should address the specific issues and needs determined through a process of advance planning, analysis, and community engagement.

There are many cultural organizations that engage in the practice of launching a capital campaign every 7-10 years. Sometimes these efforts are disguised with names like Campaign for the 21st Century (a.k.a. we need new donors), Big Donor Named Endowment (a.k.a. we need reserves), or The Roof is Leaking Campaign (a.k.a. the whole place is falling apart). All of these are all viable reasons for a campaign, but given the resources of most organizations, it is often best to consider a more comprehensive approach from the outset.

WHY START A CAMPAIGN?

A large museum recently announced that it was embarking on a five-year campaign to raise over \$100 million for an expansion, building improvements and program enhancements. Prior to the public announcement, more than half of the needed monies were committed, a stellar list of donors was solicited and on board, a campaign planning committee named, and each and every trustee had given substantial multi-year gifts. Nine years later the campaign continues with a new goal of over \$200 million with many new projects added since its launch. While the organization has been successful, the campaign has actually become its annual giving vehicle instead of being what was originally intended - a real effort designed to meet a particular set of needs over a defined period of time with a clear and concise case. But most cultural institutions do not have the resources or reputation to allow the successful completion of a campaign under these evolving conditions. Furthermore, this approach is difficult to sustain, may not reach its goals, and may cause stakeholders to question the organization's integrity.

Many arts and cultural organizations, whether performing arts groups, museums, public broadcasters, zoos or aquariums, have aging facilities that require renewal or replacement. Some are under funded from the start, needing endowments and cash reserves to support them, especially during economic downturns or catastrophic events. Conversely, there are organizations with relatively new facilities that are not successfully maintaining sustained donor support for their day-to-day operations.

In this uneven economy, there are many regions of the country where government entities, foundations, corporations and individuals continue to significantly reduce cultural funding, forcing organizations to replace funds or cut services. Depending on the severity of the funding cuts, some organizations are forced into emergency campaigns just to address cash flow concerns. More positive reasons for embarking upon a campaign for successful organizations include that they consistently meet their mission and provide positive community – more funds allow them to increase these services to the community.

Many organizations start campaigns to fund new initiatives and build new or larger facilities to better serve their audiences. One performing arts group for youth, for example, operated for years without a venue of its own. It was highly successful, garnering community support while it gained national acclaim. Needing larger and diverse venues, it started to suffer from its audiences' inability to literally find its obscure locations. The organization decided it was time to develop a campaign, but it recognized that its community was in the midst of a severe recession. There was concern about the timing and how much could reasonably be raised in the current environment. Fortunately, the organization had a sterling reputation and its performances rivaled professional companies nationwide. Additionally, they were in the enviable position of being recognized as one of the best run non-profits in the region. With so many favorable factors, they decided to proceed with their campaign.

The group gathered key stakeholders both within and outside the organization to assess perceptions and support, and then developed a strategic fund raising plan with specific goals and benchmarks that would help them grow. They knew that they wanted a facility and equipment that was as flexible as their repertoire, an endowment to fund travel for its youth competitions and national performances, and funds to supplement general operations. They also wanted to increase their capacity to involve more students. Equally important, they wanted to make sure that their systems and processes were strengthened so they could continue their success in the event of leadership transition without difficulty. In the end, the campaign was wildly successful and funding goals were exceeded by nearly 75%.

Again, when considering a capital campaign, it is paramount to clearly understand and articulate your needs, both in the short- and long-term. You need to assess actual costs, sustainability issues, and the on-going resources needed to avoid placing your organization in the precarious position of going back time and time again to major donors to pick up pieces that were not considered in the original plan. Perhaps more importantly, the goals that are set forth in the campaign must be those that donors, audiences, and other stakeholders consider realistic, attainable, and necessary for the ongoing success of the organization. Outside counsel can be beneficial during the process to ensure that the campaign has each of the necessary components for success and a strategic that can be achieved.

WHAT DO WE NEED TO BE SUCCESSFUL?

Proper attention to the importance of clearly identifying needs is only one element of a successful capital campaign. There are many well-meaning, worthy and needy organizations that have created carefully structured and farsighted plans but have failed to raise the money needed for their operations, let alone a major fundraising initiative. The reasons for this vary, but more often than not the lack of success can be tied directly to various factors, including:

- Too few major donors to the annual fund
- Insufficient community support
- An unmotivated or poorly organized board of directors
- Senior management in transition
- Operational or cash flow problems

Unless the campaign is set to address these issues in addition to tangible its needs, success is very challenging. There are organizations, however, that have achieved capital campaign results even when the above issues or other major factors loomed over them at the outset. A symphony orchestra, for example, was mired in operational deficits, declining subscriptions and concert admissions, and had the added stigma of being deemed irrelevant to its community. Less than half of its board members attended meetings, let alone contributed annually to the institution. There were severe labor issues with the musicians' union and new executive directors came and went every two to three years. The organization was on the brink of closing its doors.

The new executive director called key staff, union representatives, volunteers, community leaders and active board members together to discuss the future of the orchestra. The overwhelming consensus was that something dramatic needed to be done. The executive director compiled suggestions, sought advice from successful colleagues and crafted a campaign to address the community's needs in order to invest in its future. During the presentation, it was clear that few had confidence that a multi-million dollar campaign could be successful. The executive director then commissioned a feasibility study with objective outside counsel which revealed that, while there was an overwhelming desire among potential donors (both private and public) to see the symphony return to its former glory, lack of confidence in the current organization was a critical factor.

The executive director began to address the orchestra's shortcomings and rebuilt key relationships both within and outside the organization. Among the first steps taken was to energize committed board members while replacing others. The new board better understood that its role had to change. In addition to governance, they had to be dedicated advocates both in terms of time and personal financial support. With the support of the new board, limited resources were reallocated to revive program elements and improve patron services. In the midst of the campaign, the orchestra took music to the people with musicians performing on street corners in black tie and blue jeans. The organization also incorporated new technologies to better process subscriptions and ticket sales, worked with the union for concessions, and launched new community outreach efforts.

Each of these small but tangible steps helped to build confidence among new and potential donors, community leaders and staff. Those small steps led to larger ones and, with improved publicity and marketing, the organization was able to do what most had thought they could not. At the conclusion of the campaign, the orchestra had not only exceeded its fundraising goal but had reinvented the entire experience for its newly diverse audiences. All of its key business indicators had improved multi-fold and its reputation had been restored.

This example demonstrates what capital campaigns can do for an organization, regardless of the current state of affairs when planning begins. It is, of course, far preferable to begin planning major campaigns *before* a crisis. But cultural organization leaders are often so embroiled with putting out the small fires of day-to-day management or the myriad details of creative initiatives, they overlook core issues and larger trends that could ultimately be leading their organizations toward disaster. The process of planning a successful campaign can itself bring needed changes to the way an organization runs its programs and interacts with its community.

WHEN DO WE LAUNCH A CAMPAIGN?

As with most things, timing is everything! Determining when to begin a major capital campaign requires thought and care. You must be certain that you have thoroughly assessed organizational needs and have both a sound business plan and a realistic fundraising model. Equally important, you must have (or develop a plan to have) the resources - including human ones - needed to successfully manage the campaign from start to finish. Management of the campaign and the organization must be in sync to ensure that milestones and projects are completed on schedule. Serious delays can cause not only a loss of momentum for the campaign, but may jeopardize the strength of the organization's donor base permanently.

Once you have a detailed plan, needs assessment and the resources to move forward, the timing may be right to proceed with the campaign. Obviously, emergency campaigns are launched strictly based on the current crisis and the dynamics surrounding the organization, but in general organizations plan the launch of campaigns to coincide with programmatic, facility, or other strategic initiatives. This approach can also be directly related to gift tracking, as it can make it easier to link campaign success to ongoing operations. Some groups link to calendar year or annual fund cycles while still others launch campaigns to link with a significant milestone like an anniversary. Again, whichever approach works best can only be determined by the particular organization with advice from experienced campaign counsel.

SUMMARY

There is no magic bullet for capital campaigns. Circumstances, resources, and the needs for every organization and community are different as the aforementioned examples illustrate. Most successful campaigns do, however, share two common elements. First, their leaders are able to succinctly articulate a clear vision of both the organization's future and a case statement that will ultimately result in the campaign's success. Second, they do not allow goals to evolve uncontrollably because of unanticipated needs or changing circumstances (including success), because their full scope, including milestones, objectives, and final results has been shaped at the outset by a careful review of *all* needs and resources required to meet their goals.

There are a number of resources and models available to help prepare for and build a successful capital campaign. However, developing a campaign is not something to be undertaken if you have no direct experience managing one regardless of how urgent the financial need. Even the most experienced leaders know that assistance is vital throughout the process. Counsel can provide the objective insight, breadth of knowledge and diverse contacts to help a campaign be as successful as possible. Regrettably there are a number of board and staff leaders that believe they are saving money by going it alone. Others think that allowing staff to develop their skills during the campaign, even if there are missteps, will help them in the long run. The fact is the cost can be significantly higher if the appropriate resources are not dedicated from the start, as long-term donor relationships can be impacted negatively.

Ultimately, developing and managing a campaign to its successful conclusion requires a S.I.M.P.L.E. process:

- S** State your needs into a compelling case statement, and let the donor know why they should care.
- I** Invest in the resources you will need to be successful, including volunteers, board, staff, and outside advisors.
- M** Manage your operations and campaign without sacrificing either.
- P** Plan for success by keeping your donors informed and happy.
- L** Leverage your organization's existing community impact into its vision for the future.
- E** Engage all your stakeholders throughout the process to ensure their commitment to its success.

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