

It All Begins with Strategy: Using the Internet as a Strategic Tool

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From an organizational standpoint, the degree to which online activities complement and communicate other activities within the organization is more important than leading-edge technology or the number of Web visitors.

The Internet has the potential to revolutionize philanthropy. However, it should not fundamentally change the way nonprofits develop and implement organizational strategy. Strategy provides an organizationwide roadmap that determines the activities an organization should carry out. Although the Internet is an effective tool for achieving goals and supporting organizational mission, the Web is not a unique functional area in and of itself, and simply having a Web site is not a strategy. In order to effectively deploy an ePhilanthropy strategy, nonprofits should first assess their missions—each organization’s purpose and reason for being—and then develop a dynamic, organization-specific strategy that aligns key processes and programs with Internet activities.

A COMMON SITUATION

Jane walked into the board meeting confident and proud. As the director of development for a regional Midwestern symphony orchestra, she had a strong relationship with the board, and she enjoyed the challenging assignments they gave her. A year ago, she completed a five-month project to roll out the symphony’s first Web site—one of the board’s major initiatives. Although Web traffic was slow at first, over time she and the board came to regard the project as a success: hundreds of visitors came to the site each month, and she had received a good deal of positive feedback on the online program guide.

The board, though pleased with the Web site, wanted to expand the symphony's online presence to make it more dynamic. One of the members had seen another symphony's site—it had online ticketing functionality and a "Donate Now" button to accept electronic donations. Shouldn't they have that as well? Building the site had cost money, and the recurring hosting and maintenance fees were adding up. They wanted to be sure they were using the Internet to its full potential.

The board began asking Jane what her plans were for the site: "Can we raise money online? . . . what about selling tickets? . . . event registration and customer service? . . . online communities and Web casts of performances? . . . real-time customer service? . . . more graphics and animation? . . . what about a charity auction feature like on eBay?"

Jane was pretty sure the symphony could carry out each of these activities online, although she was uncertain which of these ideas, if any, they should now implement. The symphony wanted to take its Web presence to the next level, but neither Jane nor the board knew the best way to approach this task.

EARLY RETURNS ON ePHILANTHROPY

Jane's situation is very familiar to nonprofits exploring Internet technology. The Internet is a dynamic, interactive environment for engaging constituents in meaningful ways, and it provides access to larger, more advantageous demographics inaccessible through offline means. Online credit-card processing increases ease and flexibility of payment for Web visitors, and the broad reach of the Internet provides a high-volume, low-dollar means of accepting donations. Over the past few years, these advantages have driven impressive results: On average, online donations are larger and the transaction costs are significantly lower than through more traditional channels.¹ Who hasn't been impressed by the \$63.4 million in online donations the American Red Cross (ARC) received² at www.redcross.org in the wake of September 11, 2001, or the \$6 million Heifer International received at www.heifer.org in the fourth quarter of 2002?³

Fundraising success online is not limited to larger organizations like ARC and Heifer. Online giving was estimated to be a staggering \$1.9 billion in 2003, an amount growing at a rate of nearly 50 percent a year.⁴ Needless to say, thousands of other nonprofits have found success online as well. However, the majority of nonprofits have yet to leverage Internet technology to its full potential. A relatively small number of nonprofits have taken the lion's share of online donations, while hundreds of others struggle to design, implement, and execute successful campaigns using the Web. After investing in market-leading Web technology, many otherwise highly successful nonprofits have received little traffic and few, if any, donations. Many painstakingly planned, perfectly executed e-mail campaigns have yielded unsatisfying returns. Why have so many nonprofits had so much trouble?

ORGANIZATIONAL STRATEGY

In each of these situations, organizational strategy—not just Internet technology—was the key to a successful use of the Internet. The American Red Cross's mission is to "help people prevent, prepare for and respond to emergencies." Because of a long-standing history of crisis response, people naturally turn to the American Red Cross after times of crisis. The organization's Web site serves as a conduit for quickly and

efficiently accepting support and distributing information. The key to the ARC's online results was not its Web site, but its strong, nationwide brand presence and long history of providing disaster relief services, without which its online donations probably would not have been noteworthy.⁵

Although one of the leaders of the ePhilanthropy movement, Heifer International had been successfully raising money for almost 55 years when it built its first Web site in 1998. The site was deployed in conjunction with larger marketing and public relations efforts. A popular children's book about the Heifer's efforts was featured on *The Oprah Winfrey Show*, and the organization was mentioned on the popular television program *The West Wing*. These high-profile appearances on national media helped to raise visibility and create interest, and individuals wanting to learn more gravitated to Heifer's site for more information.⁶ In Heifer's case, the Web provided a complementary means of marketing the organization's mission to reach a larger market segment. The Web leveraged longstanding efforts, rather than supplanting them.⁷

Although the Internet played a key role in each organization's success, it was part of an orchestrated, organizationwide strategy that involved offline programs and activities that supported the mission, goals, and objectives as much as a Web site and e-mail. Although it might be true that having a Web site is more important than being listed in the phone book,⁸ simply having a Web site or e-mail address is a far cry from successfully raising money or engaging constituents online. When it comes to nonprofit Web sites, the line from the movie *Field of Dreams*, "If you build it, they will come" proves false more often than not. And, while e-mail is often described as "cheap, quick and simple,"⁹ it can overwhelm constituents, dilute communications, and potentially turn away donors if not deployed in an organized, concerted fashion. Although the drive to get ahead in ePhilanthropy is well intentioned, it can be fraught with significant risk if not integrated with organizational strategy.

The reality is that developing an Internet strategy independent of organizational strategy is essentially treating a Web site as an end in itself—which is why many nonprofits have a "Donate Now" button but a disappointing amount of online donations. ARC and Heifer employed Internet technologies in support of their efforts as a whole, developing Web activities that specifically reinforce offline efforts in support of their mission, and vice versa. Organizations that have conducted Internet activities with less than satisfactory results generally lack this comprehensive, organizationwide strategic approach—which is often the largest barrier to successful fundraising, communication, and marketing over the Web.¹⁰

DEVELOPING AND ALIGNING STRATEGY

Jane came out of the board meeting feeling overwhelmed. The board members had a wide variety of ideas, all of which seemed good, but it would be far too expensive to implement them all. Additionally, although the ideas seemed good in theory, Jane was unsure if they would actually work in the real world. And what if there were more ideas they hadn't yet considered? The symphony lacked direction and focus, and before it could start using the Web, it would need to develop a strategy.

More than a set of tactical plans or a step-by-step recipe for success, strategy is a clearly articulated, mission-driven, and organization-specific roadmap that aligns

activities, programs, and communication channels. Strategy provides direction, helps to set priorities, and ensures that each department work together to create the right activities to serve the organization as a whole and support its mission. This *strategic fit* between previously independent activities exponentially increases results, making the sum of activities more valuable than individual parts.¹¹

In regard to the Internet, this means that organizations must ensure that online efforts work in close synchronization with more traditional programs to support the organization's mission. Lacking the knowledge for integration of Internet technology and its potential for engaging constituents, many nonprofits have understandably treated the Web as a separate, fundamentally different functional area than the more traditional forms of outreach. Although the Web is a new technology for most nonprofits, strategy expert Michael Porter notes that the Internet is essentially “an enabling technology—a powerful set of tools that can be used, wisely or unwisely, in almost any industry and as part of almost any strategy.”¹²

Rather than an independent functional silo, the Web is a technology with the potential to leverage efforts across departments and functional areas. When it comes to the Internet, nonprofits must focus not on how to develop an Internet strategy, but on how to integrate the Internet as part of an organizational strategy.

THE FUNDAMENTALS OF STRATEGY

In order to develop a strategy that served the symphony as a whole, Jane looked to the board. They had a number of strong ideas to begin with, and their role as a governing body could help them understand the wants and needs of departments throughout the organization, not just those of her development office. Although the different offices within the symphony rarely worked together, the board assembled a cross-functional team including members from every department: ticketing, operations, administration, and marketing, as well as Jane's development team. While brainstorming ideas at their first meeting, the strategy team realized that a true organizational strategy would reach across all functional areas. A strategy that leveraged the Internet would benefit them all.

From an organizational standpoint, more important than leading-edge technology or the number of Web visitors is the degree to which online activities complement and communicate other activities within the organization. Strategies are effective when they create a synergy between activities to provide specific and valuable services to constituents—a compelling reason for donor interest, support, and ongoing loyalty.¹³

As seen in Exhibit 2.1, strategy begins and ends with the organizational mission—every nonprofit's reason for being. The mission determines the divisional goals that, in turn, determine the coordinated constituent-centric activities that provide information to and gather support from donors—the foundation of fundraising and relationship building. The impact of executing strategy-driven, constituent-centric activities is twofold:

1. Support-gathering activities fulfill the mission.
2. The results of the activities provide the feedback necessary to making informed decisions about divisional goals and objectives.

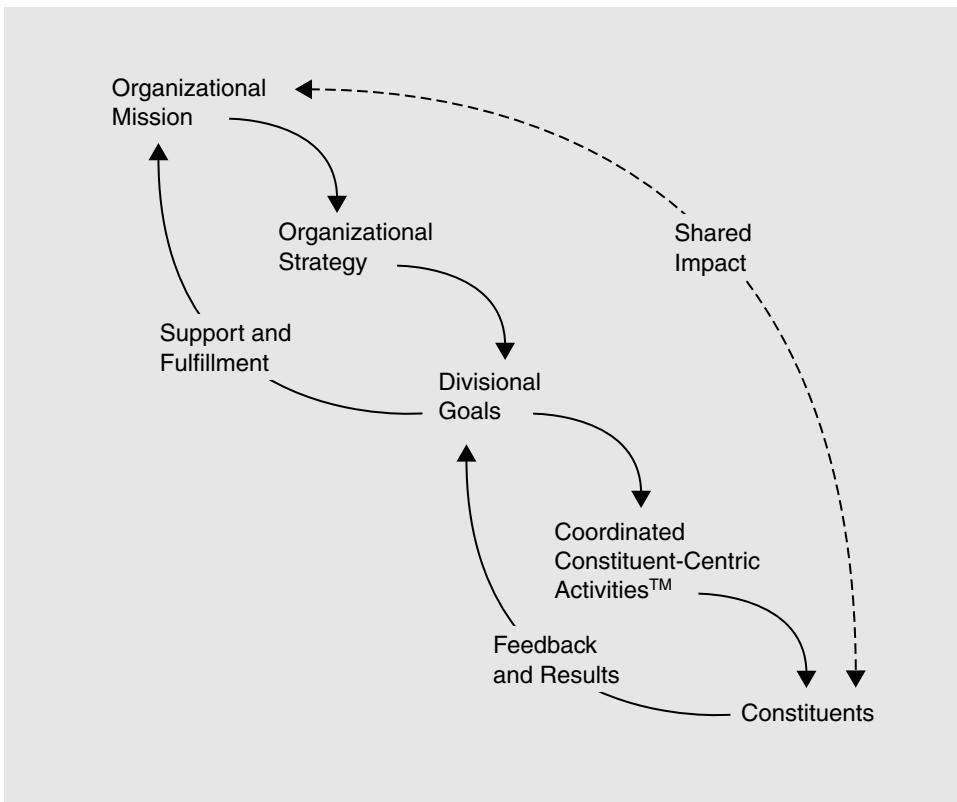


EXHIBIT 2.1 The Waterfall Strategy Model

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Because every nonprofit is different—with a specific mission, goals, resources, and constituencies—there is no one strategy that will work for all organizations. The degree to which a strategy is unique sets an organization apart by providing key differentiation from similar and potentially competing organizations. In other words, the unique fit of a strategy to an organization is essential to its success. On the most fundamental level, this involves the consideration of the specific mission, goals and objectives, and constituency of an organization.

MISSION, OBJECTIVES, AND ACTIVITIES

Each department was conducting activities critical to the symphony's mission: "to enrich the cultural life of the region by presenting a diverse range of artistically superior performances." Fulfilling this mission required a number of activities and programs. Marketing promoted the world-class performers featured at the symphony, primarily through advertising and events. The operations team managed the complexities of ticketing and volunteer management—both mission-critical activities. Development was responsible for raising the funds necessary to bringing in quality talent—a task accomplished primarily through an annual benefit concert and direct mail. Together, the

strategy team brainstormed about how they could use the Internet to enhance each of these mission-critical activities or carry them out more efficiently.

Strategic planning should always begin with organizational mission—the purpose and reason for being of every nonprofit. *Mission* dictates the activities and programs of an organization, both on- and offline. Mission clarifies the “business” a nonprofit is in—that is, the scope of what an organization wants to accomplish—and strategy determines the activities that will be used to support the mission. Some organizational missions require promoting awareness, providing services, conducting programs, or carrying out other activities. Properly deploying the Internet requires viewing an organization holistically, with fulfilling the mission as the paramount goal of every activity, department, and program. Mission articulates the *what*; strategy provides the *how*.

Additionally, every activity should be accompanied by clear, quantifiable objectives to measure the relative success of efforts, as well as to demonstrate return on investment. Developing a strategy is often the ideal time to revisit goals and objectives to ensure they are still timely, accurate, and relevant to the mission.

CONSTITUENCY

As the strategy team brainstormed, they realized all of their ideas had one thing in common—the involvement of the patrons, donors, volunteers, members, and other constituents who supported the symphony. Internally, the strategy had to serve the symphony’s mission. But, it also had to serve an external audience—the wants and needs of the people most important to the organization.

Nonprofits must identify and respond to the wants and needs of constituents in order to build and sustain a loyal donor base. Just as with direct mail, operational activity, marketing, or any other offline activity, Web presence must closely match constituent needs, and building an effective strategy requires knowing and understanding the values, attitudes, and behaviors of constituents in order to tailor Web content and services. Information must be relevant and timely, services must be useful, and the overall experience must be user-friendly and valuable. When it comes to relationship building, organizations must conduct coordinated, constituent-centric activities in order to attract and maintain the attention and support of the public. Having a Web site that lacks timely and interesting content or helpful services, for instance, will discourage visitors from returning.

Of course, these elements are both interdependent and subject to change, making strategy a living, constantly evolving process. To be effective, the use of technology must be revisited from time to time as the activities evolve to ensure all aspects of the organizational strategy are being supported. The impact the Internet will have on fundraising and the nonprofit community is far from certain, and nonprofits will need to adapt their strategy to take advantage of ever-improving technology and online marketing practices. The process of crafting a strategy is often iterative. The results and feedback from strategically planned activities inform and drive decision-making going forward, a self-tuning approach that vastly increases results over time.

APPLYING STRATEGY—SAMPLE CASE

After assessing the symphony's mission, the activities of each department and the needs of their constituents, the team began drafting a strategy. From a strategic standpoint, making decisions regarding the board's suggestions was much easier.

The team recognized two primary objectives for the symphony: optimizing internal business processes and conducting bidirectional communication with constituents. After identifying these objectives, they could focus on how to use the Internet to support, expand, and deepen the symphony's existing mission-critical activities.

Fundraising was integral to the sustainability of the symphony's operations and was one of the initial reasons for investing in a Web site. Accepting online donations would be convenient and easy to use for donors and could automate gift entry and processing, reducing the burden of administration and freeing staff to work on more valuable activities. Additionally, e-mail campaigns could complement the symphony's successful direct mail efforts. The strategy team discussed these options with the board, and everyone agreed they should move forward with these initiatives. Although the symphony held a silent auction fundraiser every year the team realized that online auctions were beyond the scope of the symphony's mission.

A significant portion of the symphony's constituent-facing activities took place through the ticketing department, and the Web offered a number of opportunities to improve service and increase value to the public. Online ticketing would make attending performances more convenient, and online customer service features—including a "Contact Us" Web form and a list of FAQs—could help the symphony better serve patrons while reducing the number of incoming calls. These options could provide convenient alternatives for visitors in addition to the traditional ways of contacting the symphony.

The marketing department began a publicity drive that would take advantage of the inherent benefits of Internet communications. They added the symphony's Web address to all of its printed materials to drive traffic to the site and began publishing high-quality, Web-only content to keep site content fresh and encourage first-time visitors to return to the site. Rather than investing in more graphics and animation for the site, the team decided to repurpose print content for the Web—an approach that would save time and money, as well as provide an ongoing resource for people interested in the symphony and its performers. Although having online communities and Web casts of performances were initially interesting ideas, these ideas failed to hold up under closer strategic scrutiny. The team decided that the time and resources required to build these features would be better spent elsewhere. However, the team agreed to reconsider these ideas in the future when revisiting their strategy.

The marketing and development teams also worked together to take advantage of the Web for a benefit concert with the symphony's jazz quartet at a popular local venue. The jazz quartet had broad appeal and, historically, jazz events had been one of the symphony's top fundraisers. This year, the symphony wanted to expand the event to include an even broader audience. The strategy team recognized that the Internet—with more efficient processing, 24/7 availability, and appeal to a younger demographic—could potentially help to achieve this objective.

In order to reach a broad demographic, the symphony promoted the concert through partnerships with local rock and popular radio stations. In addition to of-

fering tickets through the symphony's traditional ticketing office, the symphony began offering tickets online. Each radio advertisement mentioned the symphony's Web address and encouraged people to buy tickets and donate online. To further encourage online traffic, the symphony offered two-for-one coupons for online ticket buyers. Additionally, demographic information from online donations and ticket purchases—including e-mail addresses—was captured and logged into the donor database for use in future e-mail campaigns.

The initial results from the benefit concert were very encouraging—the broad appeal of the quartet combined with the reach of popular radio stations drew a record crowd, as well as provided a great jump start for the Web site and a substantial pool of e-mail addresses for future communications. The key to this success was the strategy team's recognition that e-mail functionality, e-ticketing, and Web-based communication and support could not replace their traditional offline counterparts. Executing the strategy improved the results of these activities and deepened value to constituents—a key to any successful strategy.

CONCLUSION

The preceding case study, although fictitious, illustrates the leveraging power of the Internet as a tool to support organizational strategy—from optimizing ticket sales and improving the value of customer service to expanding marketing efforts and deepening constituent interaction.

Jane's success derived from the articulation of an organizational strategy and the subsequent implementation of appropriate goals and activities. In regard to Internet, most organizations are little different than Jane's, and nonprofits that want to benefit from the advantages of the Internet must first create a strategy.

ABOUT THE AUTHOR

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ENDNOTES

1. Fundraising is only one way in which nonprofits can use the Web. Many nonprofits have used the Internet to automate labor-intensive back office tasks through automatic inventory control, services management and similar tools. While constituent engagement has been the focus of much publicity surrounding the Internet, internal optimization has historically demonstrated lasting results for both businesses and nonprofits. A discussion of the benefits inherent to business-to-business (B2B) applications of the Internet, however, is beyond the scope of this book.
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