

Managing Returns on Advancement Investments

Overall Findings: Key Diagnostic Metrics to Assess the Health of Your Advancement Operation

March 2012

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About this Study

- Every development organization faces the question of how to determine appropriate staff and budget allocations in a way that maximizes returns for the institution. This unique study reprises a hallmark Eduventures study first completed in 2008, which examined—in great detail—the return on investment of development operations.
- The 2012 version was refined based on member feedback and provides a fresh dashboard of operational metrics to help development organizations evaluate their resource allocation and support efforts to identify effective ways of structuring and growing their programs.

Methodology

- 36 institutions included in the sample for this report completed an excel-based survey and the remaining 25 completed a web-based survey.
- All benchmarks included in this report were collected in late 2011 and are inclusive of 2011 fiscal year data.
- 49 institutions reported that their 2011 fiscal year ended June 30, 2011. The remaining participants had fiscal years that ended between May 31, 2011 and September 30, 2011.

More than 70 institutions participated at some level in the *Managing Returns on Advancement Investments* study; the following 61 participants are included in the analysis for this report

American University in Cairo
American University of Beirut
Amherst College
ASU Foundation for a New American University
Brandeis University
Bucknell University
Buffalo State College, State University of New York
Butler University
Clarion University
Creighton University
DePaul University
Drew University
Drexel
Emory University
Furman University
George Mason University
Houghton College
Indiana Wesleyan University
Iowa State University Foundation
James Madison University
Life University
Marquette University
MSU Foundation
Northeastern University
Ohio State University
Oklahoma State University Foundation
Portland State University
Providence College
Rice University
Rochester Institute of Technology
Rutgers University Foundation

Smith College
SUNY Oneonta
Temple University
Texas A&M Foundation
University at Buffalo
University of Arizona
University of Colorado Foundation
University of Connecticut
University of Evansville
University of Houston
University of Illinois, Urbana-Champaign
University of Iowa
University of Kentucky
University of Maryland, Baltimore County
University of Maryland, College Park
University of New Mexico Foundation
University of North Texas
University of Notre Dame
University of Oregon
University of Rochester
University of Tennessee Foundation
University of Texas - Arlington
University of Texas - Austin
University of Texas - Pan American
University of Toledo
Virginia Tech
Washburn University
West Virginia University Foundation, Inc.
Worcester Polytechnic Institute
Worcester State University

Eduventures benchmarks uniquely match current-year activity with current-year returns as closely and as comparably as possible

- **Definition of Total Commitments:** For the purposes of this study, Eduventures defines “Total Commitments” (or “Dollars Raised”) as the total dollar value of all new gifts, new pledges and new irrevocable deferred expectancies for the fiscal year. Participants were instructed not to include a pledge payment made on a previous year’s pledge, revocable bequest expectancies or other revocable deferred expectancies. The terms “Total Commitments” and “Dollars Raised” are used interchangeably throughout this and other reports based on the *Managing Returns* data set. Additional definitional information can be found in the Appendix.
- **Unique Feature of this Study:** Eduventures’ unique definition of annual fundraising results allows for current-year activity to be matched with current-year returns in the most comparable way, achieving a result that is not possible when only cash (and cash equivalents) are used to represent fundraising results. Rather than comparing current-year investments solely to cash receipts—which are in large part generated by investments made in previous years in the form of pledges—the use of “Total Commitments” allows for an accounting of the expected cash pipeline generated by current-year investments in staff and budget.
- **Segmentation for Analysis:** Since advancement operations become more efficient as they grow fundraising results, the analysis featured in this report is segmented by “Total Commitments” groupings. This segmentation allows for individual institutions to draw more specific conclusions about their own operations relative to a cohort of similar size and scope, in addition to the average or median of the sample as a whole. The Total Commitment groupings used throughout this report are as follows: Less than \$10M; \$10M-\$29M; \$30M-\$54M; \$55M-\$100M; \$100M-\$199M; \$200M or more.

Executive Summary: Key Trends

- The median return on investment (Dollars Raised per Dollar Invested) is \$5.70 with a minimum of \$0.93 and a maximum of \$44.16.
- High overall return on investment does not necessarily signal a healthy or efficient advancement operation; it is important not to compromise short-term return on investment for long-term, sustainable return.
 - For example, when institutions ramp up for campaign they generally make significant investments in staff and budget, which, in many cases, do not produce returns for years to come. In the short term these investments can reduce overall return on investment, but will boost it sustainably over time.
 - The appropriate level of return on investment may be different for each institution. Productivity benchmarks from this study should be used as a starting point for internal analysis and other factors impacting return should also be considered.
- Increased success in total dollars raised comes from focusing on fundamentals: Moving from one fundraising level to the next is driven by a combination of both more donors *and* larger gifts.
- Despite the steep decline in mega-gifts to higher-education observed since their all-time high in 2007, gifts of \$25,000 or more still comprise about 80% of total commitments but less than 2% of total donors across advancement operations of all sizes.

Executive Summary: Key Trends, continued

- As institutions raise greater amounts of money, they become more efficient and realize economies of scale.
 - As advancement operations move from one level of fundraising to the next, they realize an average increased return of between \$1.40 to \$2.60 for every additional dollar invested in operations.
 - Similarly, for every percentage increase in staff, returns increase by \$2.00.
 - Investment in major gifts staff significantly outpaces investment in other types of frontline staff as institutions grow their operations.
- There are a few investment benchmarks that either decrease or remain the same across operations of all sizes:
 - These allocation metrics remain relatively stable across advancement operations of all sizes, including:
 - Frontline FTE as a Percentage of Total FTE
 - Total Development Budget as a Percentage of University Budget
 - Allocation of Total Development Budget to Personnel Budget
- Smaller operations should expect to invest relatively more in service areas than in frontline fundraising areas in order to build the foundation for success.

***Managing Returns* data can be used as a diagnostic tool to enable organizations to evaluate the health of their operations and create strategies to reach the next level of fundraising**

First, begin by determining how your organization compares to others in the sample

Scale of Operations

- Where does your organization stand relative to its closest comparison grouping?

Then, compare metrics across 3 areas (below) to diagnose its health and readiness for growth

1. Investment and Return

- Is your organization as productive with current resources as it could be?

Key Examples:

- Dollars Raised per Budget Dollar
- Dollars Raised per Dev. FTE
- Dollars Raised per Frontline FTE
- Percentage of University Budget

2. Resource Allocation

- Do any imbalances exist in your organization's overall allocation of resources?

Key Examples:

- Personnel Budget Allocation
- Service Area Budget Allocation
- Frontline FTE as % of Total FTE
- Allocation of Dept. FTE & Budget

3. Constituent Productivity

- Is your organization penetrating its constituent base effectively?

Key Examples:

- Average Gift Size
- Number of Donors
- Number of Rated Prospects
- Gift Pyramid by Total Commitments

Diagnostic insights from this study have been effectively used by Eduventures' clients to achieve the following results:

- Determine the appropriate investments for the success of overall advancement operation and key functions
- Make the case to the board, president, and key stakeholders for increased investment in development
- Provide insight to inform strategic direction and resource allocation required to get to the next level of fundraising results
- Appropriately ramp up staff and budget for a campaign or maintain/reallocate investment levels post-campaign
- Reallocate existing resources to be more efficient in achieving greater returns with current investment levels
- Make strategic, incremental investments in the advancement operation to promote future growth of dollars raised

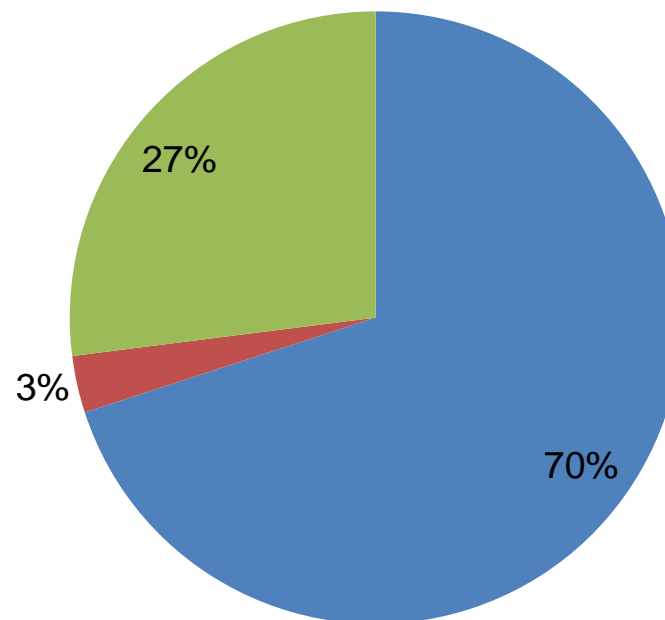
The sample for this study represents a diverse cross section of colleges and universities both large and small, public and private, and located across the country

Demographic Information

- 61 colleges and universities participated
- 41% private, 59% public
- 27% have an Institutionally-Related Foundation
- A majority of participants describe their operations as primarily centrally structured, while only 3% reported that their operation is primarily decentralized in structure

Organizational Structure

■ Centralized ■ Decentralized ■ Hybrid

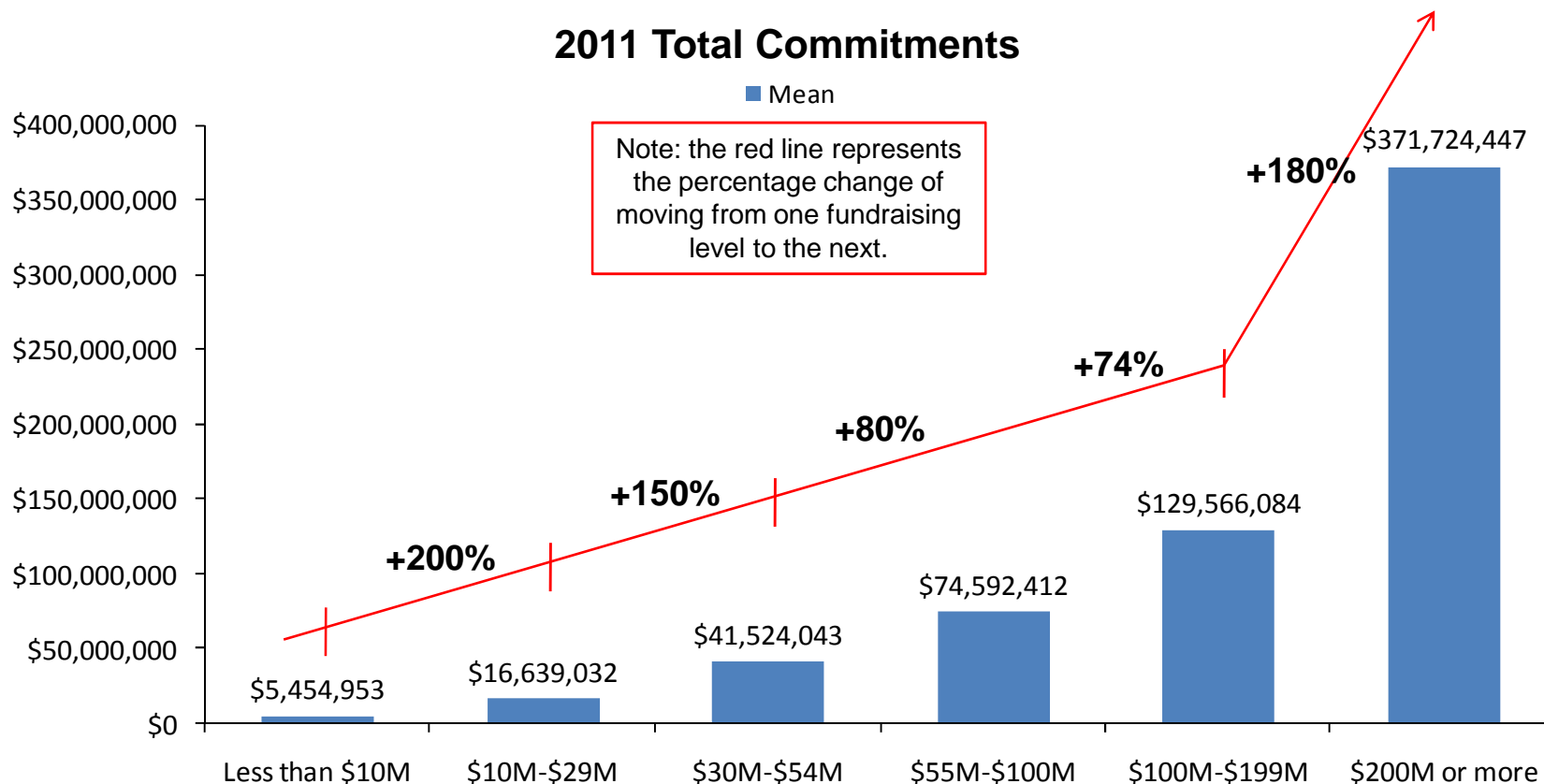


SCALE OF OPERATIONS

Use the staff and budget benchmarks from this study to gauge how your institution's investments and returns compare to other institutions that raise similar amounts of money

Scale of Operations Benchmarks (Averages)						
Benchmark	Less than \$10M	\$10M-\$29M	\$30M-\$54M	\$55M-\$100M	\$100M-\$199M	\$200M or more
2011 Total Commitments	\$5.5M	\$16.6M	\$41.5M	\$74.6M	\$129.6M	\$371.7M
Total Development FTE	21	44	82	116	148	217
Total Frontline FTE	6	15	31	37	55	69
Total Development Budget	\$1.9M	\$4.5M	\$8.6M	\$12.8M	\$15.6M	\$26.2M
2011 University Budget	\$126.3M	\$275.4M	\$650M	\$863.7M	\$1.4B	\$1.7B

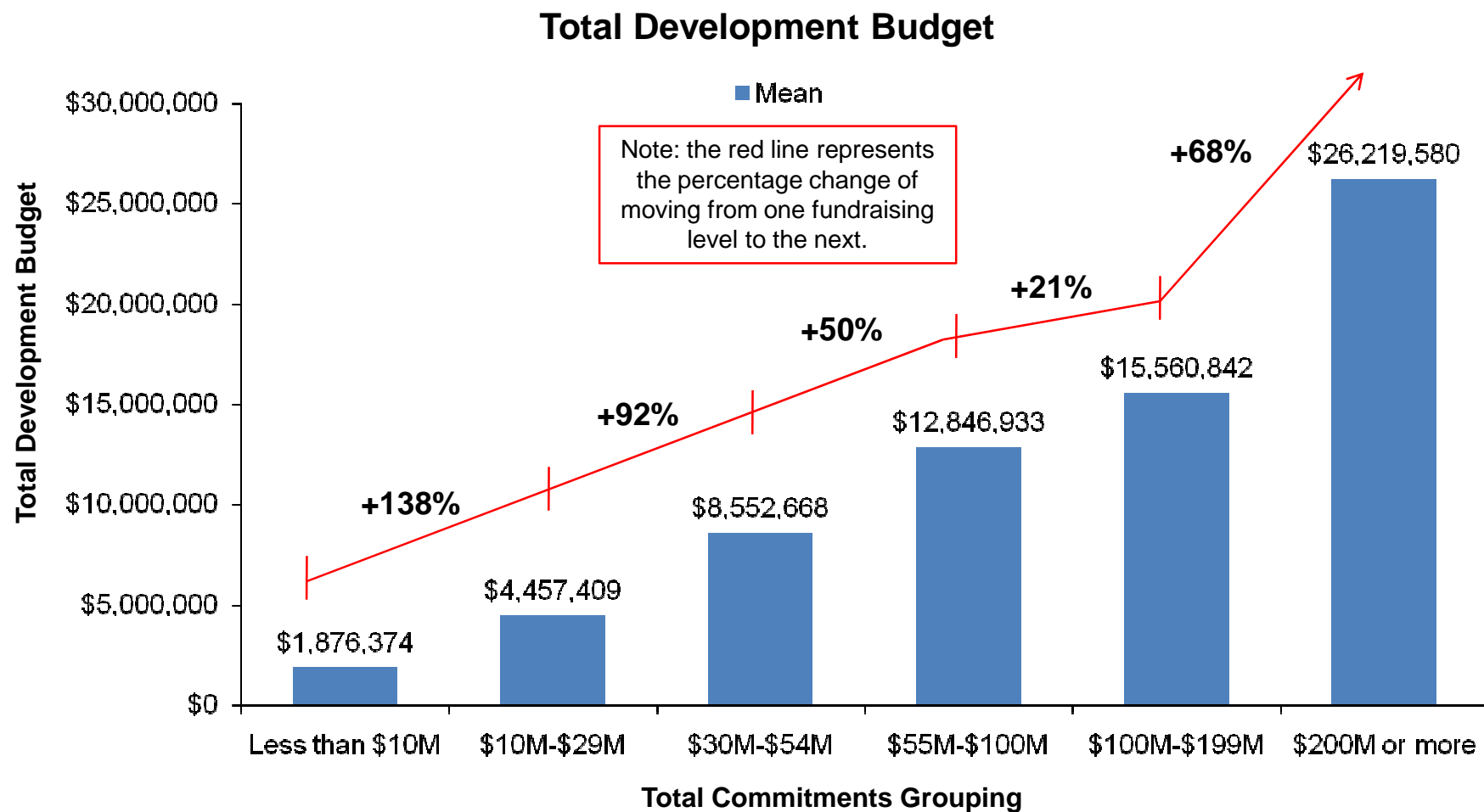
Investing in your fundraising operation drives total returns:
Relative increases in total commitments are substantial as programs ramp up their operations



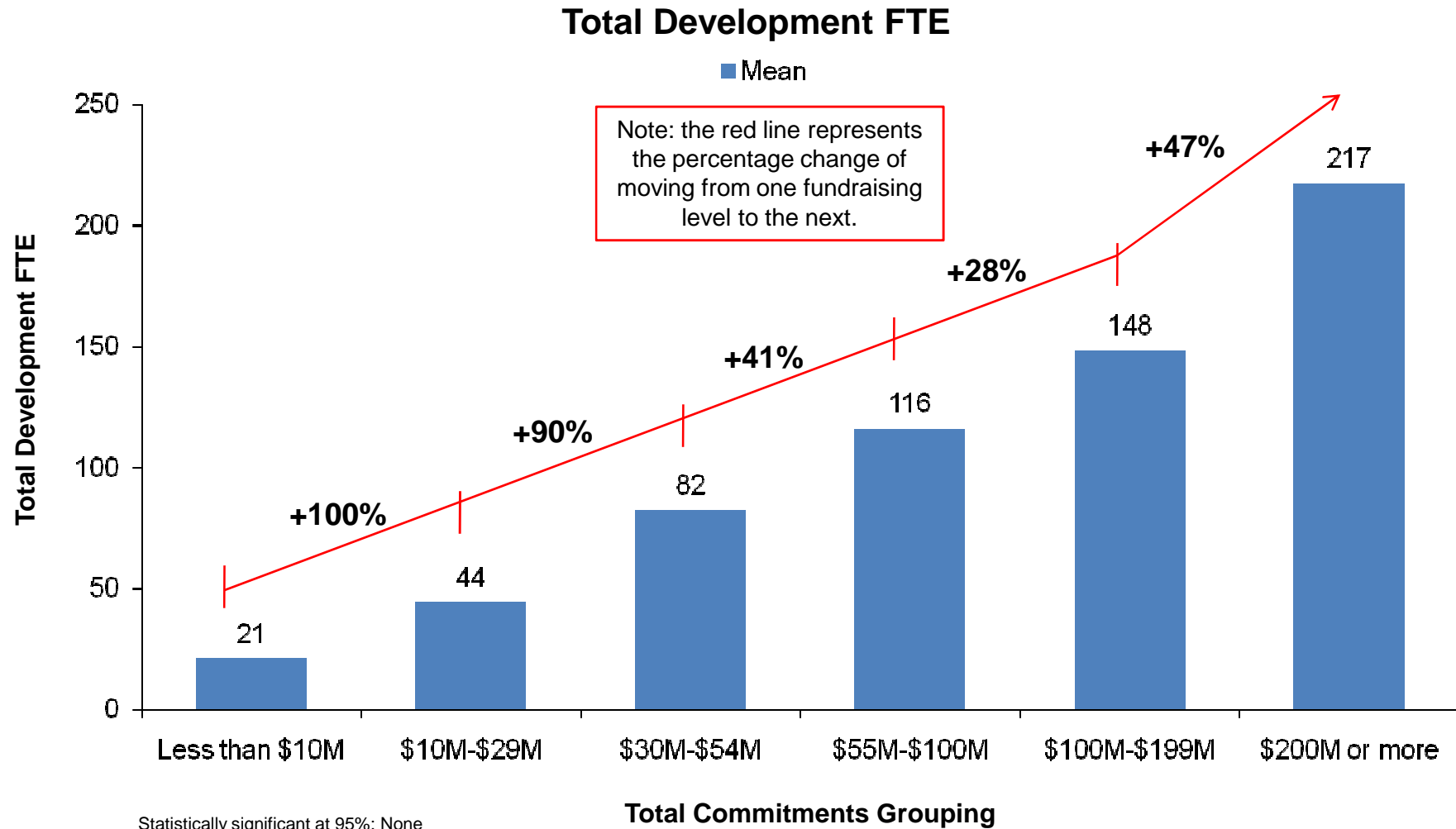
Total Commitments Grouping

“Total Commitments” is defined as the total dollar value of all new gifts, new pledges and new irrevocable deferred expectancies for the fiscal year. *Exclude:* A pledge payment made on a previous year’s pledge and revocable bequest expectancies or other revocable deferred expectancies.

For every percentage increase in investment, institutions realize an increased return of between 1.4% and 2.6%



For every percentage increase in FTE, returns increase by roughly double



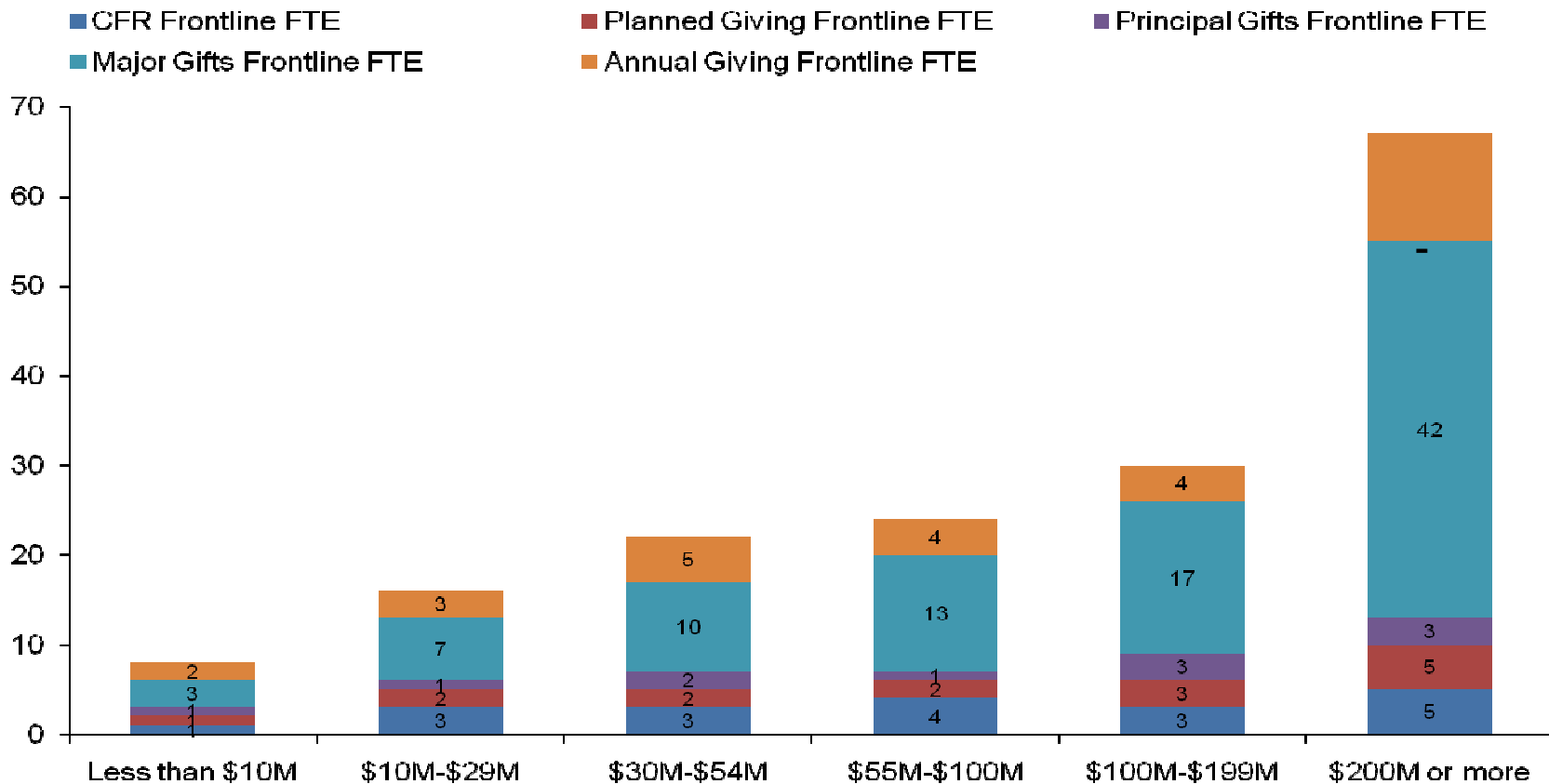
Use frontline staff benchmarks as a guidepost for evaluating and growing your frontline staff

Frontline FTE Average Benchmarks						
Benchmark	Less than \$10M	\$10M-\$29M	\$30M-\$54M	\$55M-\$100M	\$100M-\$199M	\$200M or more
Annual Giving	2	3	5	5	4	12
Major Gifts	3	7	10	13	17	42
Principal Gifts	1	1	2	1	3	3
Planned Giving	1	2	2	2	3	5
Corporate & Foundation Giving	1	3	3	4	3	5

*Additional data and analysis is included in report 2 of this 3-part series, which examines Fundraising Area investments in greater detail.

As programs grow, major gift frontline FTE represent the largest portion of staff

Number of Centrally-Funded Frontline Officers per Department



In addition to centrally-based FTE, unit-based FTE ranged from 4 at smaller programs to 32 at the largest. Unit-funded FTE are relatively rare in advancement offices raising less than \$55 million and are increasingly common in the largest shops.

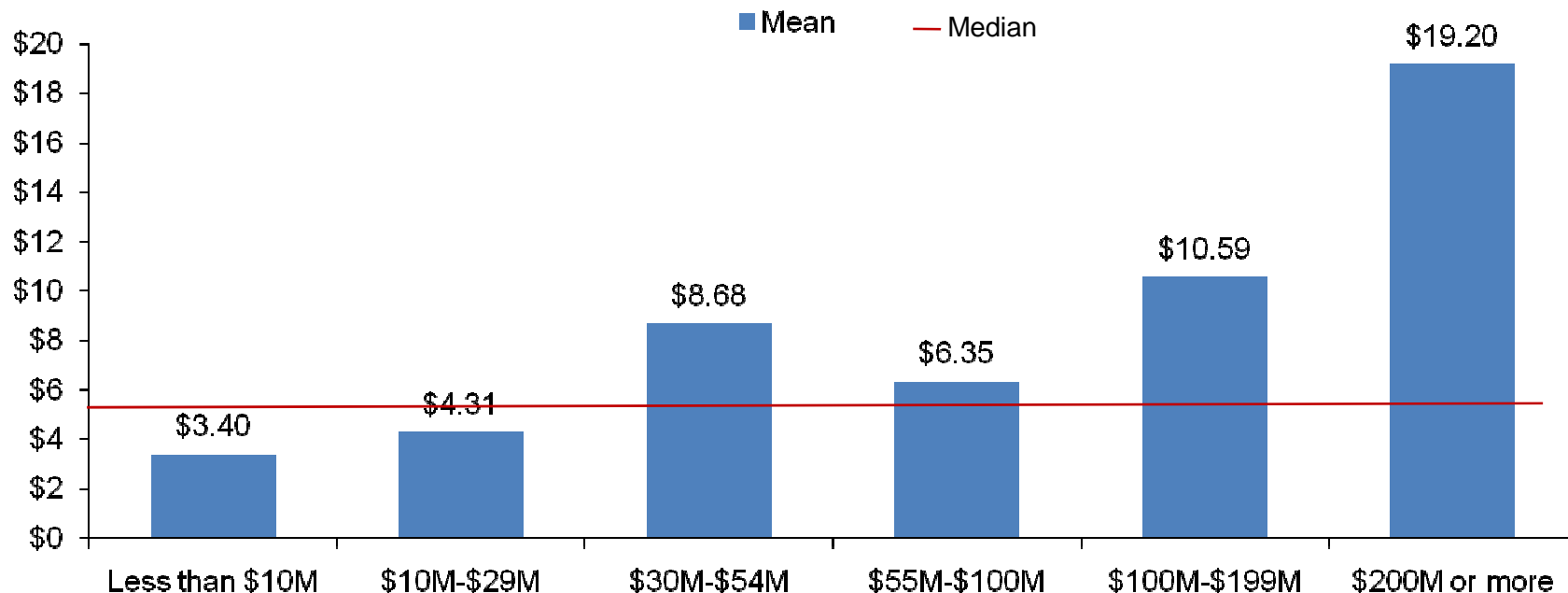
RETURN ON INVESTMENT

Productivity metrics help institutions diagnose how efficient their operations are compared to others raising similar amounts of money

Summary: Overall Productivity Benchmarks						
Benchmark	Less than \$10M	\$10M-\$29M	\$30M-\$54M	\$55M-\$100M	\$100M-\$199M	\$200M or more
Dollars Raised per Budget Dollar	\$3.40	\$4.31	\$8.68	\$6.35	\$10.59	\$19.20
Dollars Raised per DEV FTE	\$289k	\$442k	\$574k	\$729k	\$1M	\$2.2M
Dollars Raised per Frontline FTE	\$1.1M	\$1.5M	\$1.8M	\$2.1M	\$2.7M	\$9.1M
Development Budget as % of University Budget	1.73%	1.85%	1.75%	1.96%	1.28%	1.82%

Overall return on investment is a great starting point for determining overall productivity

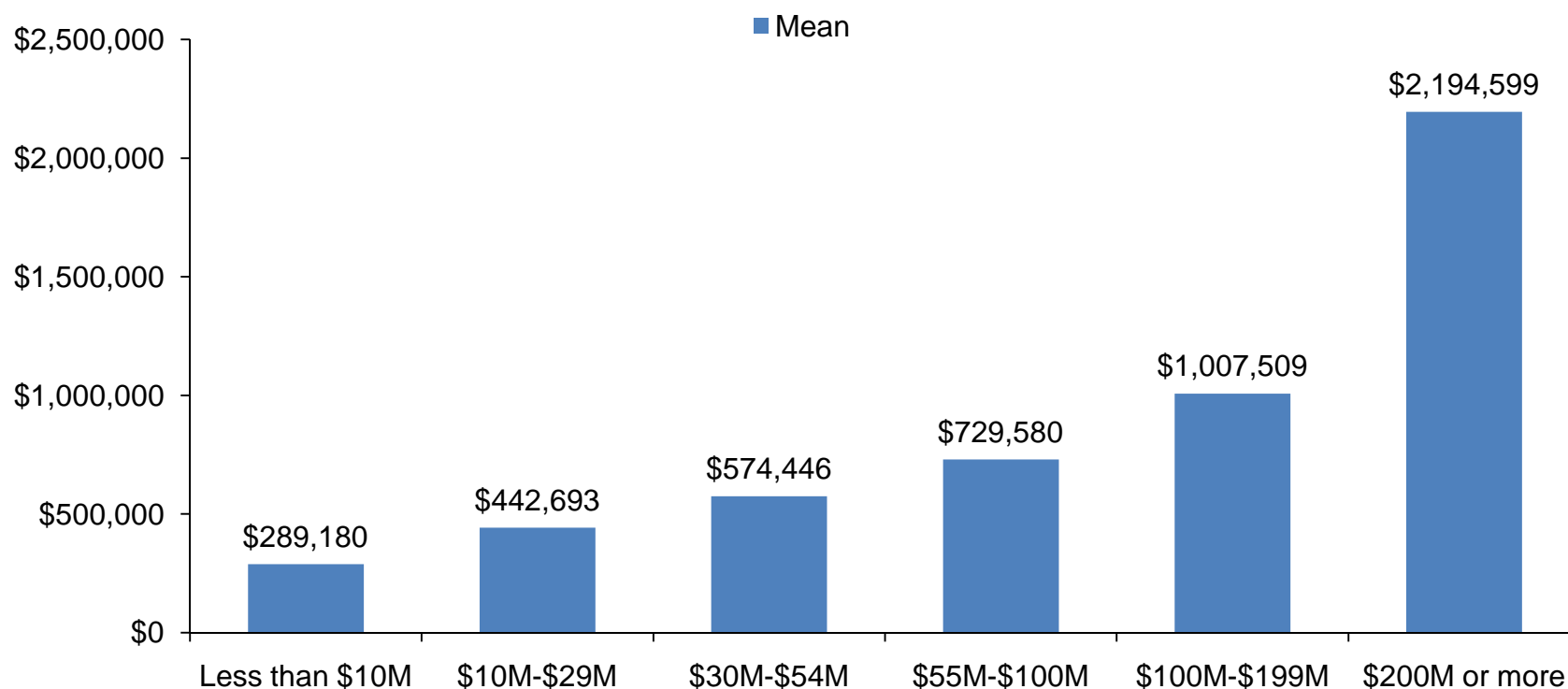
Dollars Raised per Dollar Invested



An institution's ROI metric that falls either far above or below the mean, compared with others that raise similar amount of money, is often a sign of imbalance or inefficiency somewhere in the operation. A further comparison of department-level benchmarks can help diagnose the situation.

Total commitments per development FTE provides an indication of the appropriateness of the size and/or efficiency of an institution's staff

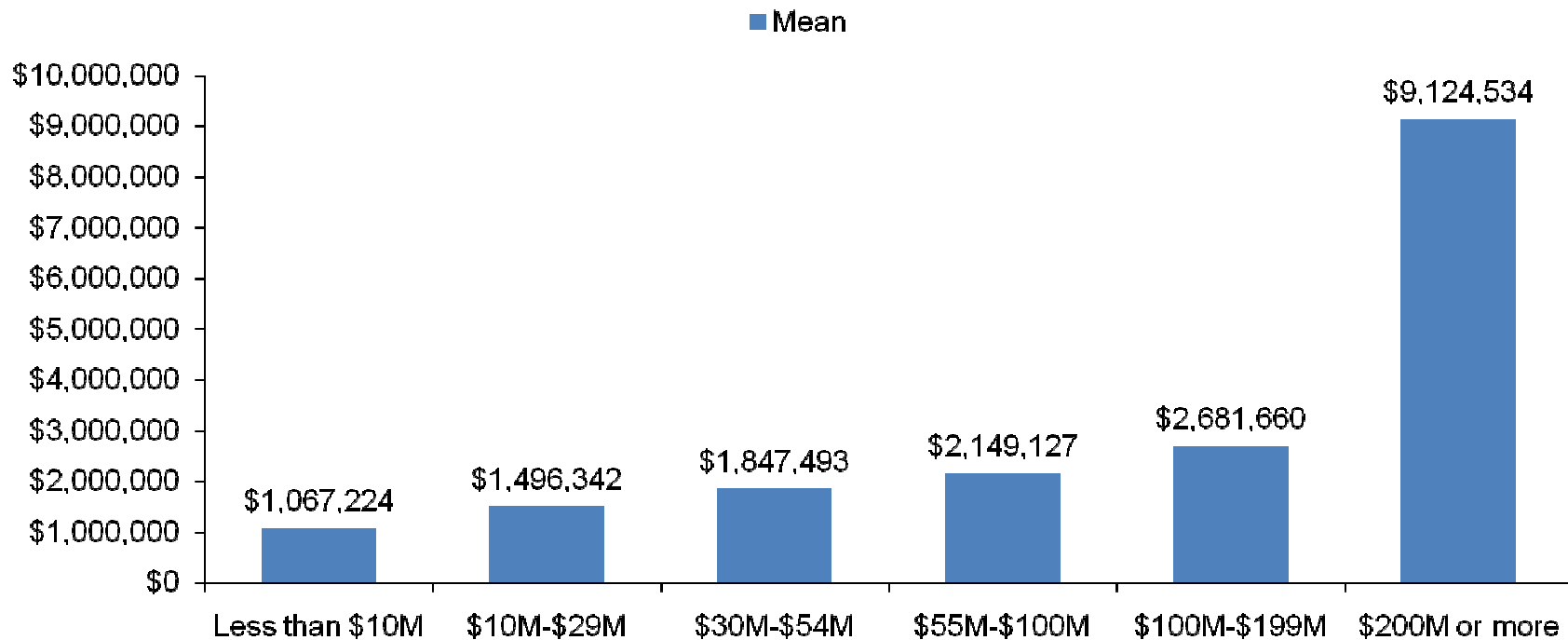
Dollars Raised per Development FTE



Metrics that are well above or below the average could be an indication of too few or too many staff, or of missed opportunities.

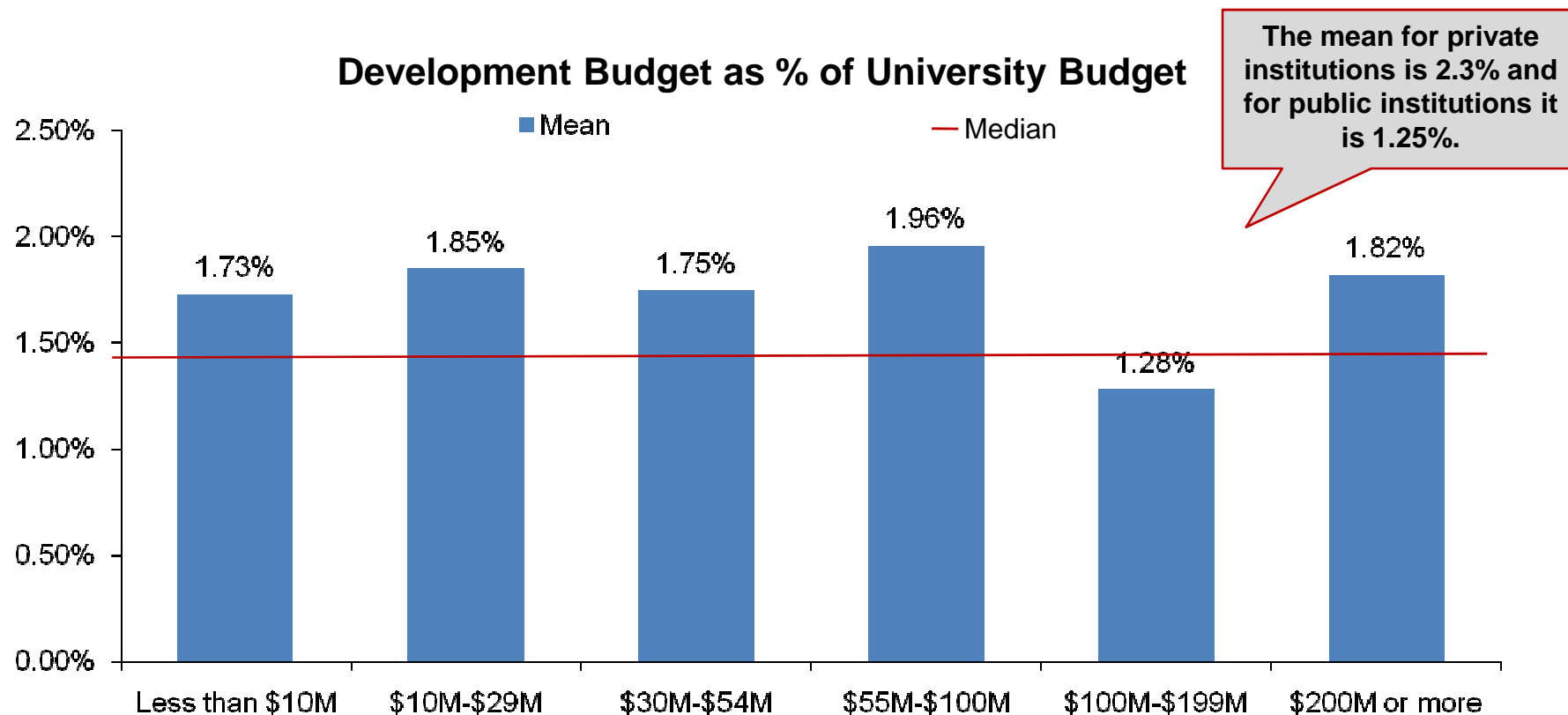
Gauging the productivity of frontline staff in comparison with others is an excellent starting point for determining the current state of frontline productivity in your organization

Dollars Raised per Frontline FTE



If your institution's dollars raised per frontline FTE is significantly below the average it could be an indication that this area is not as productive as it should be, or that you are overstaffed, or, it could simply reflect a pre-campaign ramp-up in staff.

Development offices of all sizes spend about the same percentage of their overall institution's total budgets to fund operations



The average development budget as a percentage of its university budget measures the overall institutional commitment to fundraising relative to other areas.

RESOURCE ALLOCATION

Overall allocation of resources to personnel costs, service and fundraising areas, and to the frontline remain relatively stable across operations regardless of their size

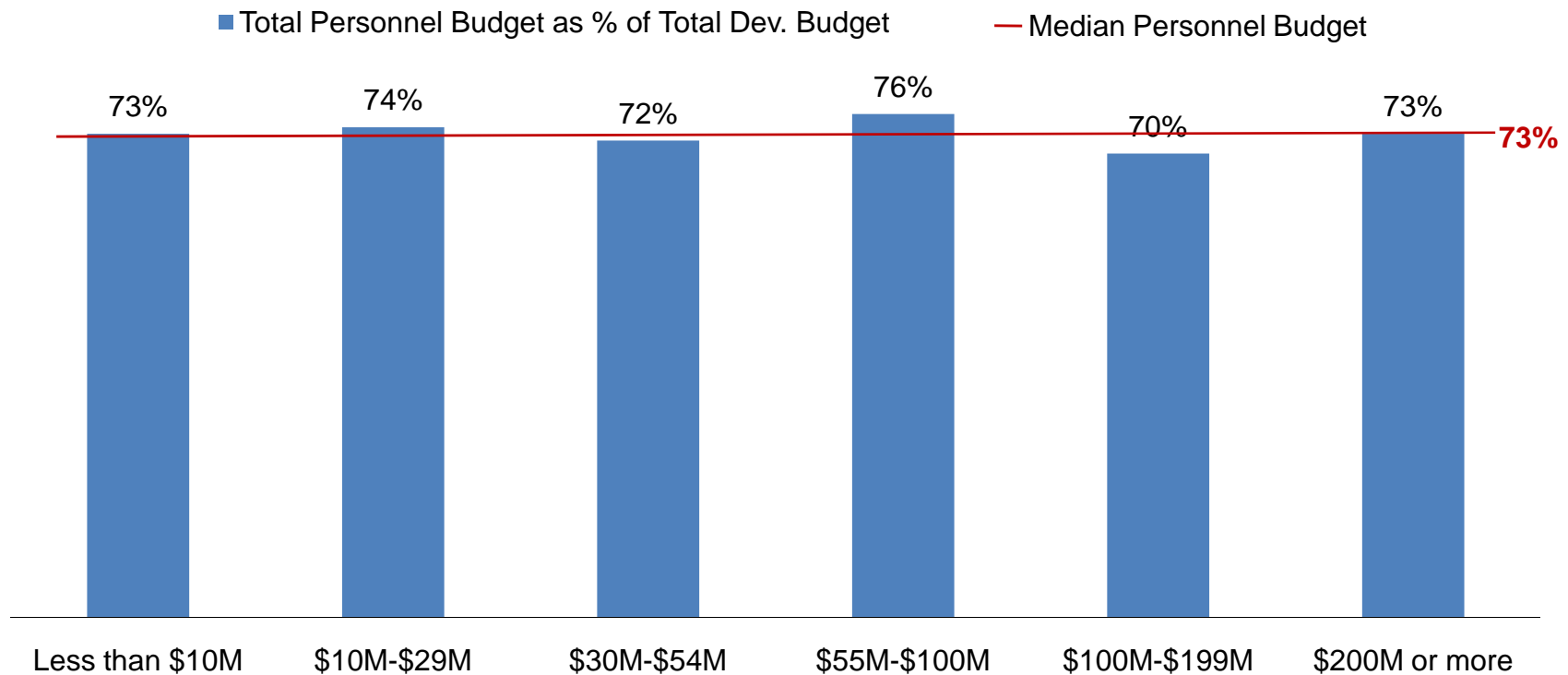
Summary: Resource Allocation*						
Benchmark	Less than \$10M	\$10M-\$29M	\$30M-\$54M	\$55M-\$100M	\$100M-\$199M	\$200M or more
Allocation of Total Development Budget to Personnel	73%	74%	72%	76%	70%	73%
Allocation of Total Development FTE to Service Area FTE	64%	49%	65%	50%	47%	41%
Frontline FTE as a % of Total Development FTE	30%	33%	36%	34%	38%	29%

*Not included in this report are department-level benchmark allocation, which are included in reports 2 and 3 of this series. In order to make a complete diagnosis of your operation it is important to compare department-level benchmarks.

Imbalances in investment across the organization can have a big impact on return, so be sure to compare the allocation of your resources to that of others. With some exceptions, most institutions should strive to be close to the average.

All organizations surveyed, regardless of the size of their development operation, allocate about 73% of their total budgets to personnel expenses

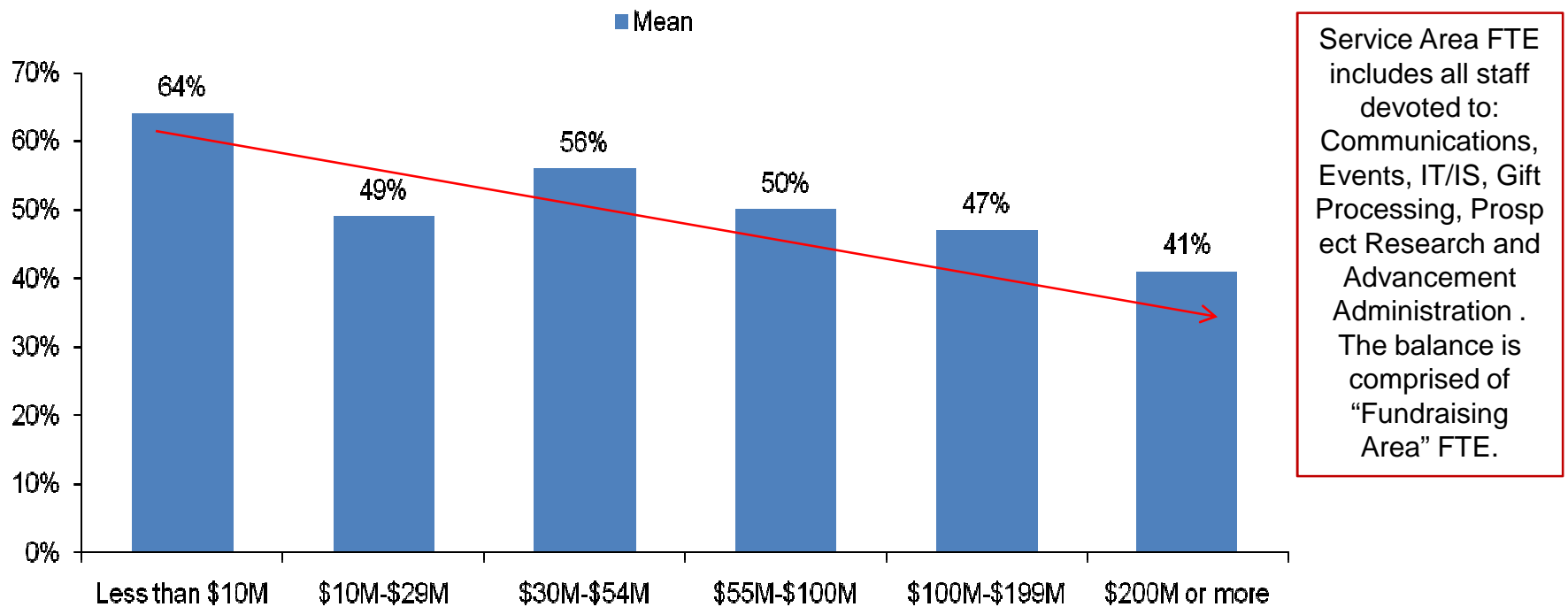
Allocation of Total Development Budget to Personnel



“Personnel Budget” was defined as salary, health insurance, dental insurance, 403b contributions and major taxable fringe benefits, including: life insurance, disability insurance and transportation benefits. All other expenses were defined, for the purposes of this study, as “Operations Budget.”

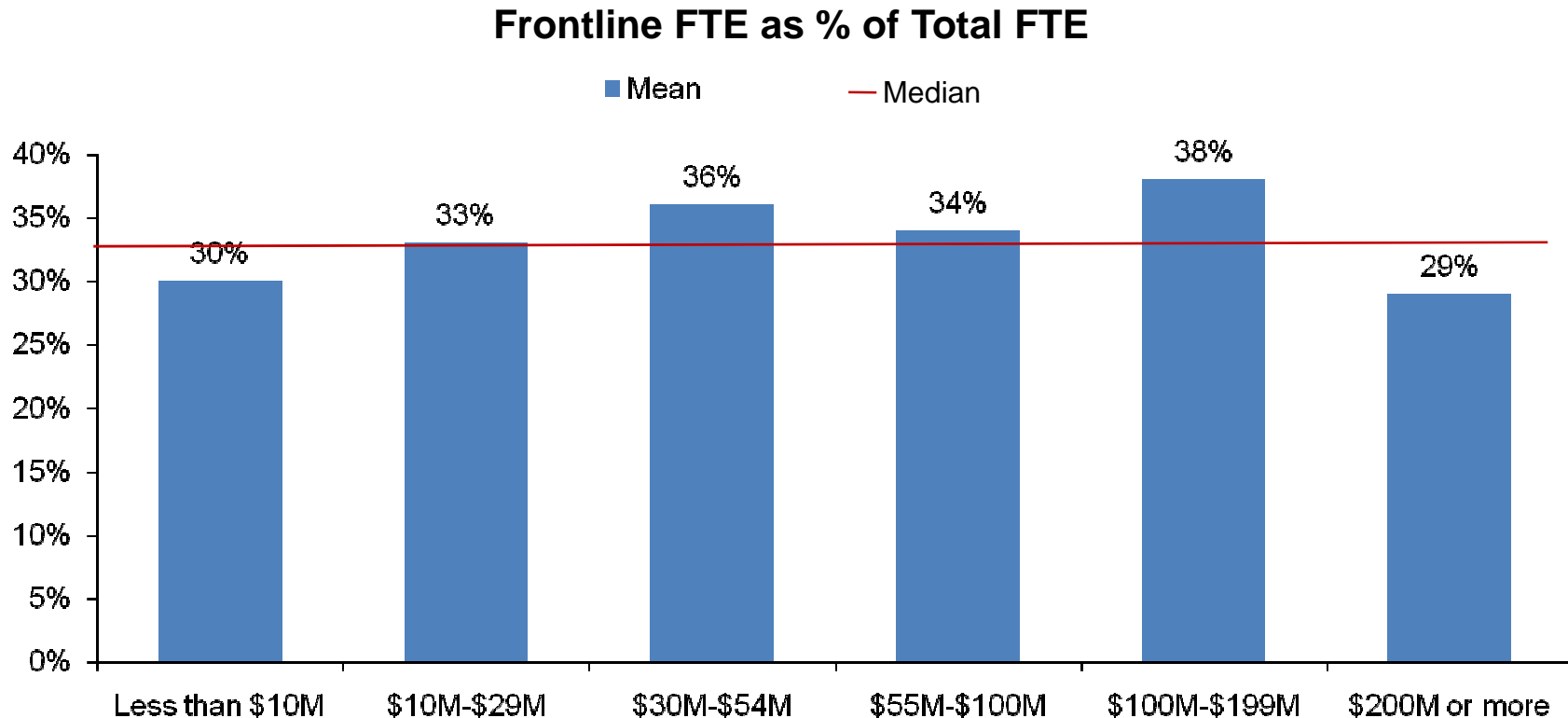
Service area budget and FTE allocation is greater in smaller programs and decreases as programs raise more money and investments in services scale

Allocation of Total Development FTE to Service Areas



Over or under-investment in fundraising area staff relative to services area staff can indicate an inefficient allocation of staff resources.

The average frontline FTE as a percentage of total FTE is 34%, with no correlation to total commitments



If your institution's percentage of frontline FTE is significantly higher than the mean, it could be an indication that you are under-invested in service area support, which will eventually make the frontline less productive.

CONSTITUENT PRODUCTIVITY

Constituent benchmarks such as *average gift size* or *number of donors* help organizations determine how effectively they are penetrating their prospective donor base

Summary: Constituent Productivity Benchmarks

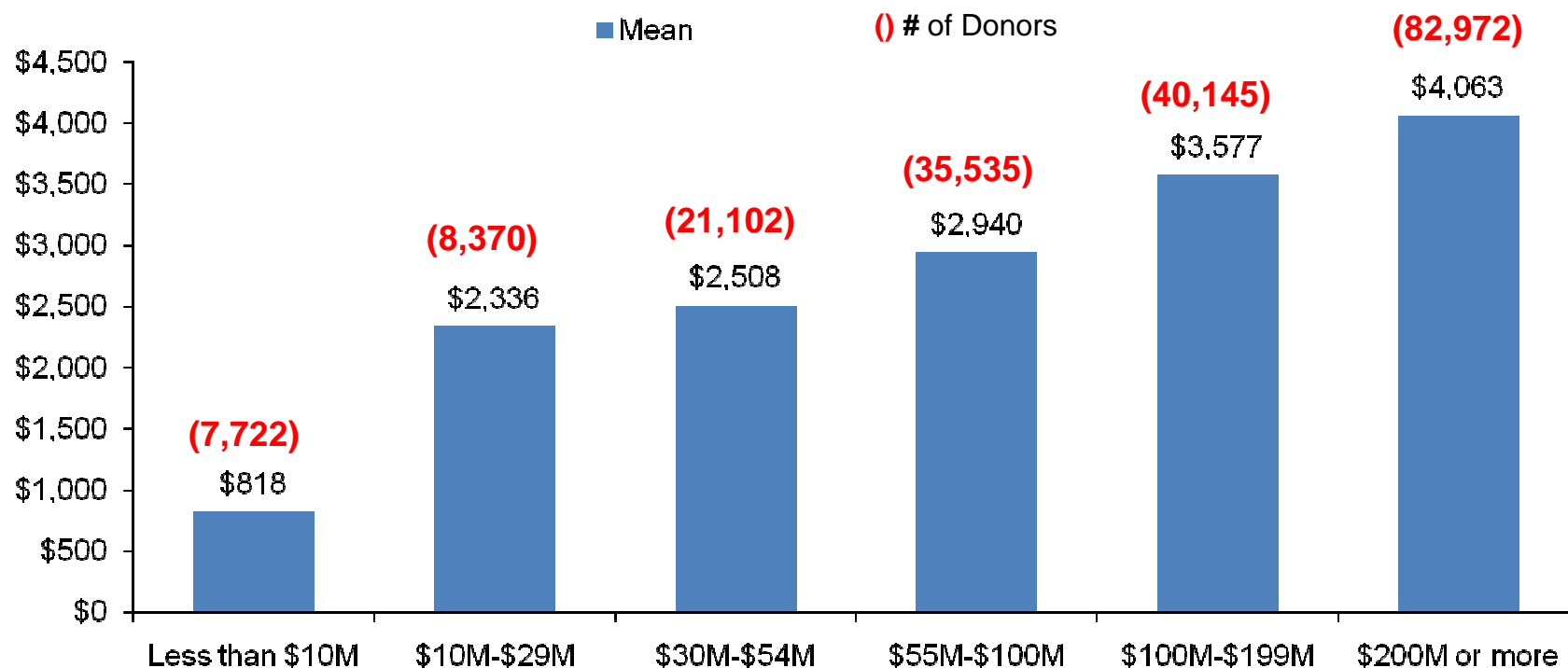
Benchmark	Less than \$10M	\$10M-\$29M	\$30M-\$54M	\$55M-\$100M	\$100M-\$199M	\$200M or more
Alumni of Record	54,609	85,782	149,940	179,455	266,260	345,096
Number of Donors	7,722	8,371	21,102	35,535	40,145	82,972
Average Gift Size	\$818	\$2,336	\$2,508	\$2,940	\$3,577	\$4,063
Average Participation Rate	14%	19%	23%	24%	19%	-

Number of Rated Prospects by Number of Alumni

Benchmark	Up to 50,000	50,000 – 99,999	100,000 – 199,000	200,000 – 299,000	300,000 or More
Number of Prospects Rated \$25,000 or more	3,098	15,470	19,369	26,531	27,649
Number of Prospects Rated \$500,000 or more	295	471	1,309	942	2,106

Increases in total commitments over time generally come through a combination of both more donors *and* larger gifts

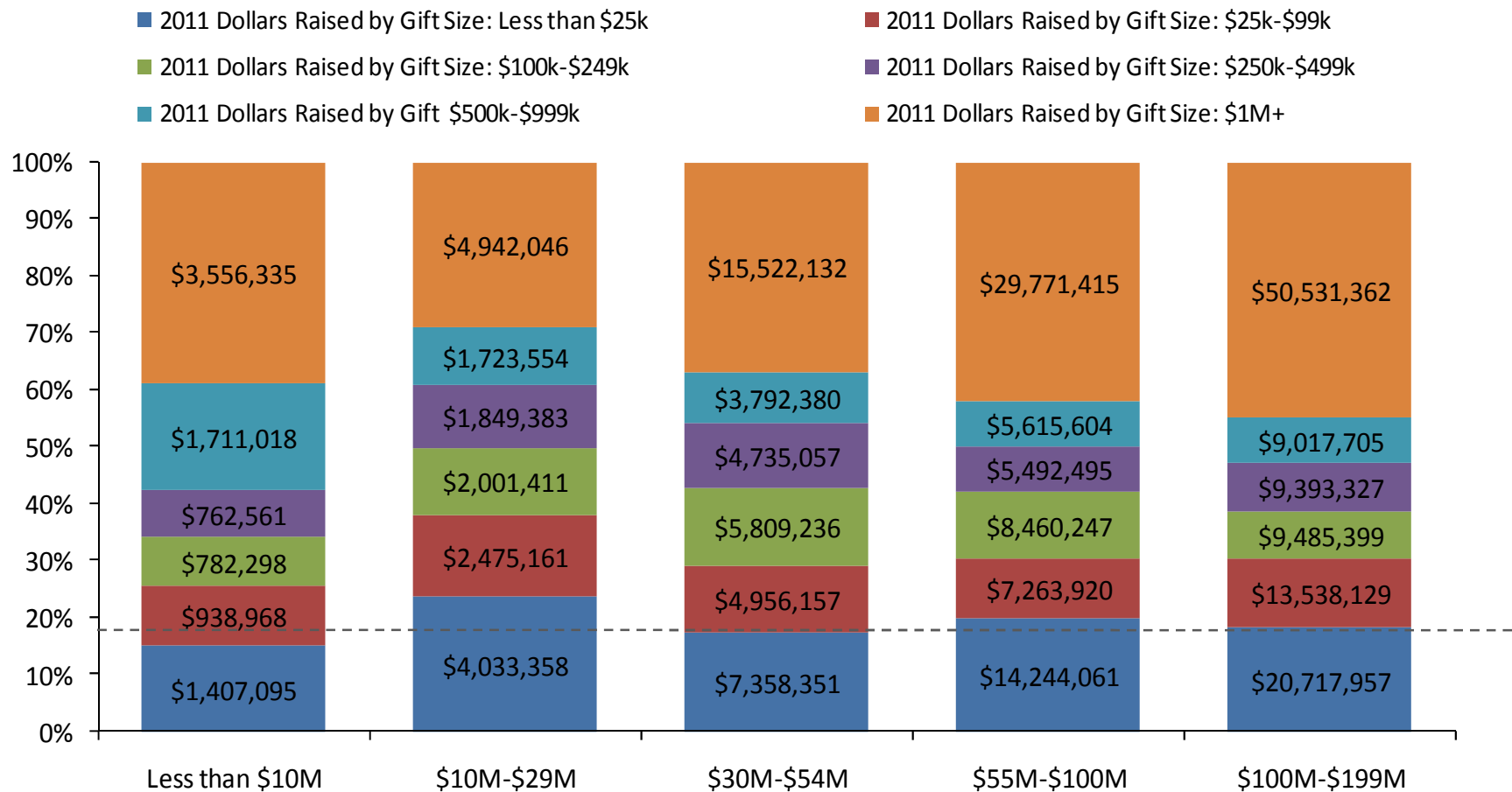
Average Gift Size & Number of Donors



Compare the number of donors and average gift size of your institution to others in order to chart a path for growth.

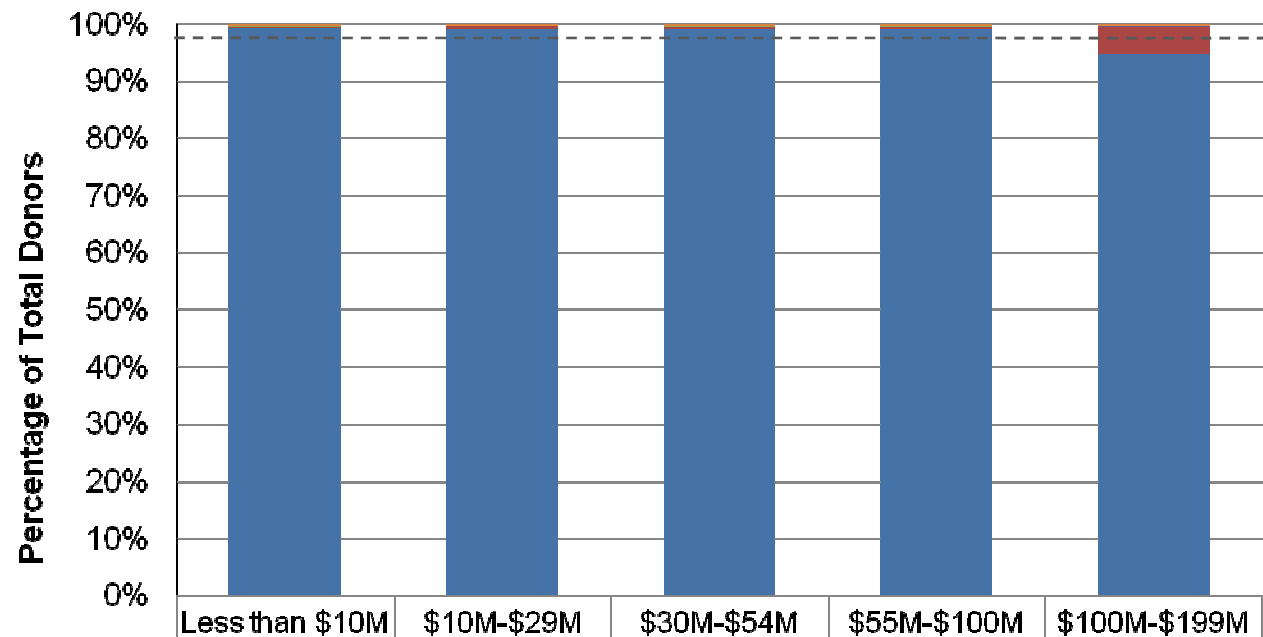
On average, commitments of \$25,000 or more comprise about 80% of total commitments

Gift Pyramid by Total Commitments



The same donors who provide 80% of fundraising totals, however, comprise less than 2% of donors

2011 Gift Pyramid by Number of Total Donors

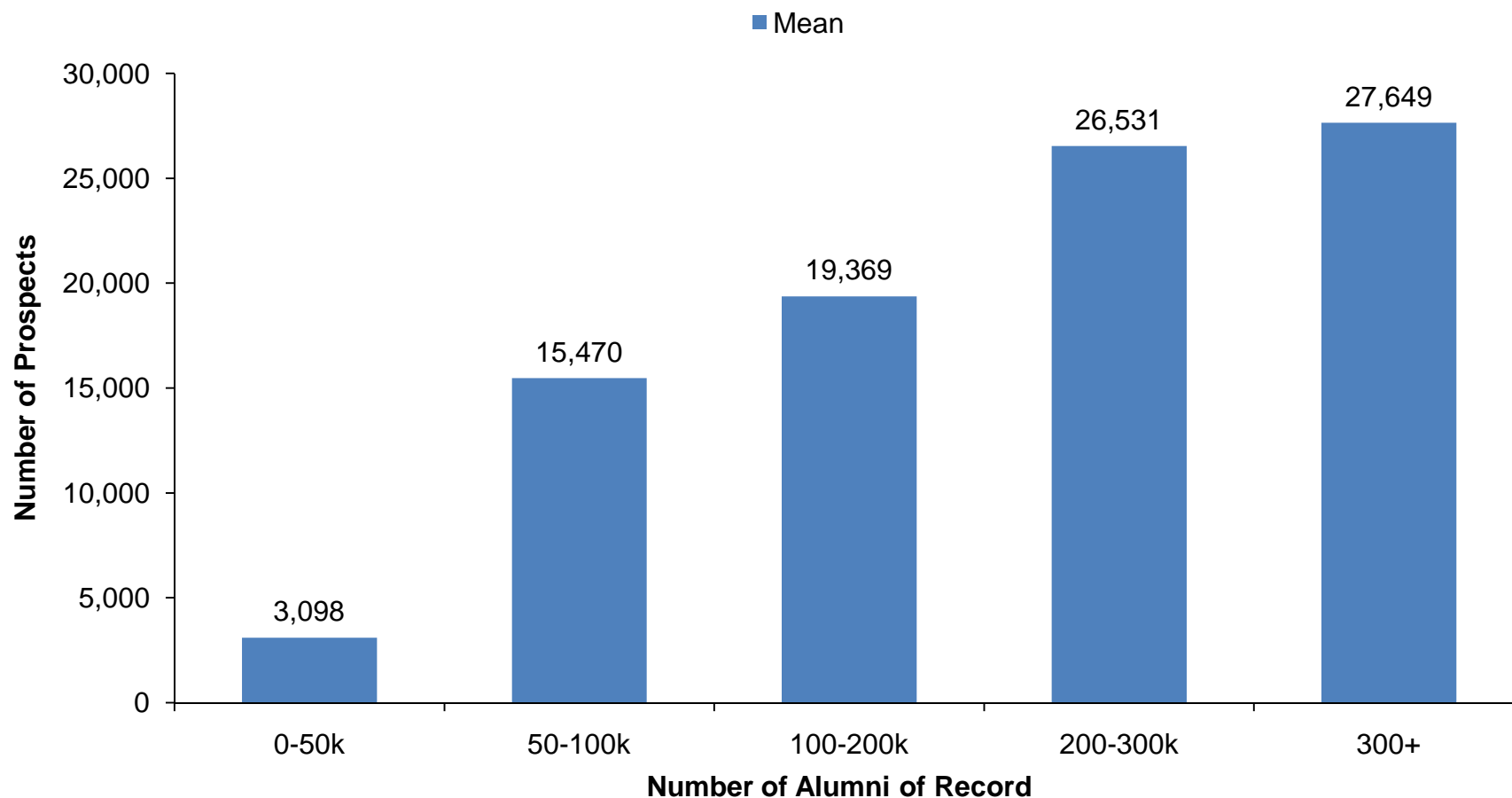


Average

Number of 2011 Donors \$1M+	2.00	2.43	8.50	23.14	19.50
Number of 2011 Donors \$500k-\$999k	2.67	2.83	6.00	13.86	35.00
Number of 2011 Donors \$250k-\$499k	2.00	5.67	15.50	21.83	35.88
Number of 2011 Donors \$100k-\$249k	6.00	15.86	40.00	73.86	75.38
Number of 2011 Donors \$25k-\$99k	22.20	59.00	113.00	205.86	1360.00
Number of 2011 Donors Less than \$25k	5368.00	9990.86	18837.00	35880.57	28235.83

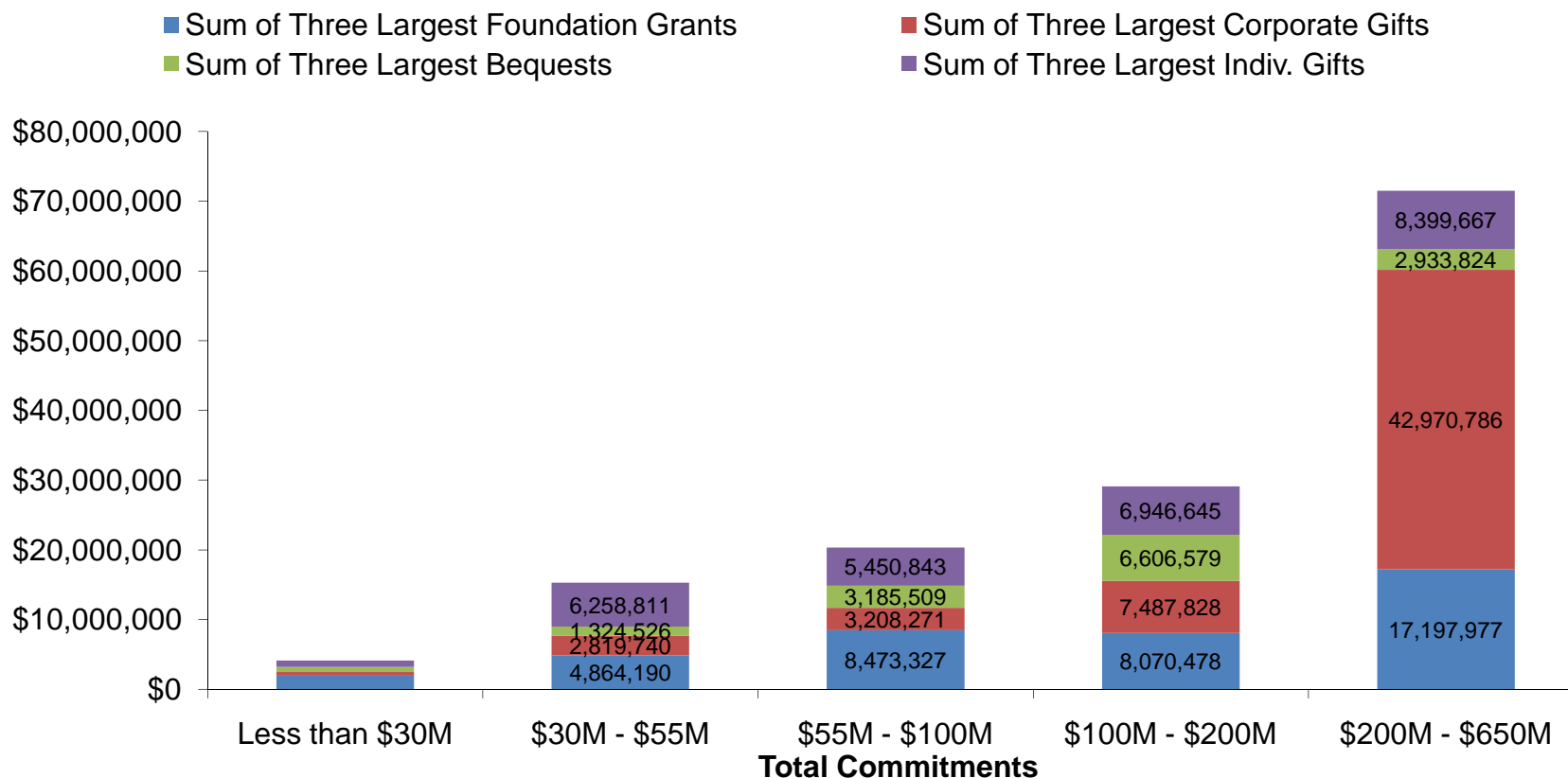
Use these benchmarks to determine whether your program has a sufficient number of rated prospects relative total number of alumni

Number of Prospects Rated \$25k+



In addition to raising more gifts overall, increases in total commitments are realized by also raising larger gifts

Sum of Three Largest Gifts by Source



Sometimes an extraordinarily large gift can affect productivity in a given year but not necessarily represent “typical” operations.

APPENDIX

The following definitions are used in this study:

Benchmark	Survey Instructions
Full-Time Employee (FTE)	When entering staff FTEs and budget, all entries should be mutually exclusive. If one staff person has responsibilities in multiple areas (e.g. stewardship and events), either: a) Designate the appropriate full-time equivalent staff time to each area (e.g. .5 to stewardship and .5 to events), or b) Designate the full FTE to one area and specify that functional area's responsibilities
Fundraising Areas	Include investments in centrally-funded Annual Giving, Major Gifts, Planned Giving, Principal Gifts and Corporate and Foundation Giving (CFR) in addition to Unit-Funded investments, if applicable.
Operations Budget	Report all other costs excluding personnel costs as defined in "Personnel Budget."
Personnel Budget	Report salary, health insurance, dental insurance, 403b contributions and major taxable fringe benefits including: life insurance, disability insurance and transportation benefits.
Total Commitments/Total Dollars Raised	Total dollar value of all new gifts, new pledges and new irrevocable deferred expectancies for the fiscal year. Exclude: A pledge payment made on a previous year's pledge and revocable bequest expectancies or other revocable deferred expectancies.
Service Areas	Include investments in Development Communications, Events, Stewardship. Gift Processing, Prospect Research, Information Technology/Services and Advancement Administration functions. Do not include Alumni Relations/Affairs functions.

Note: In order to use industry definitions as much as possible, the following variables reported in this study were collected from the 2011 Voluntary Support of Education survey in order to ensure the highest level of comparability:
Number of Donors, Number of Alumni, Total University Budget and Sum of Three Largest Gifts by Source.

The following table provides calculations for the key ratios used in this report:

Metric	Calculation
Dollars Raised per Dollar Invested	Total Commitments divided by Total Development Budget
Dollars Raised per Development FTE	Total Commitments divided by Total Development FTE
Dollars Raised per Frontline FTE	Total Commitments divided by Frontline FTE
Development Budget as % of University Budget	Total Development Budget divided by Total University Budget*
Frontline FTE as % of Total FTE	Frontline FTE divided by Total Development FTE
Average Gift Size	Total Commitments divided by Number of Donors*
Average Participation Rate	Number of Donors* divided by Number of Alumni of Record*

*This benchmark was collected from 2011 Voluntary Support of Education survey in order to ensure the highest level of industry comparability possible.