

The Impact of Leader Compensation and Administrative Overhead on Fundraising Efficiency

Final Project Summarization and Analysis

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Hypothesis

Many donors are unwilling to give to organizations with high paid leaders and higher administrative expenses in general. Changing the world unfortunately is not free and an investment is often required in staff and overhead to make an impact. The initial inspiration behind this project was to determine if leadership compensation and administrative expenses have an effect on an organization's fundraising success. Do the dollars invested behind the scenes increase the ability of nonprofits to make an impact on the people they serve? Are larger organizations more efficient at raising money than smaller organizations simply because they can pay their staff better?

Outcome of Exploratory Data Analysis

Overall, the leadership compensation and administrative expenses alone did not have a significant impact on cost to raise a dollar in the organizations studied. Some interesting findings include:

- Despite the large distribution of total revenue and expenses for organizations, the mean compensation for leaders was not as dispersed. The standard deviation for net revenue was in the millions, where as leader compensation has a standard deviation of \$145,000. The max compensation for leaders was \$300,000.
- Small and mid-sized organizations were statistically similar in most of the analysis performed.
- Large organizations are more efficient at fundraising than smaller organizations. Their mean cost to raise a dollar is lower.

Missing Variables

The biggest improvement in the variables was the size categorization of the organizations. I would have also liked to segment them based on the number of employees or population of the area they serve. Since this analysis is looking at the fundraising efficiency, the size of the fundraising team, number of donors and statistics on specific fundraising events would have been helpful.

Assumptions

A huge assumption I made in the beginning of the project that was incorrect was a higher value in fundraising efficiency column indicated the organization was more efficient. The fundraising efficiency column represents the cost to raise one dollar. So the lower this value is, the more efficient the organization is at raising money.

Challenges

My biggest challenge was deciding what variables to explore and narrowing down my specific question. I started with the question regarding the compensation of leaders and staff, but once I began to explore the data, I went off on a few tangents. The file with my code still includes all of the analysis I performed but the presentation only includes the data I gathered relating to my statistical question.

In addition, most of my analysis was pointing towards the leader compensation and administrative expenses having a slight effect on fundraising efficiency; however, my final regression analysis did not confirm that. I'm not sure what direction to take next. If I had more time, I would do a multiple regression analysis combining the leader compensation and administrative expenses. I could add on to it fundraising expenses since those are specific to fundraising.