EAB

Making Meaning of Metrics

Laying the Foundation of Major Gift Officer Performance with Metrics

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Advancement Forum

The Major Gift Officer (MGO)

An Overview of the Current Landscape

The MGO in Brief

- Also called Directors of Development or Development Officers
- Fundraisers responsible for raising between $250K and $10M per year from high net worth individuals
- Key responsibilities are identifying, qualifying, cultivating, and soliciting prospective donors

MGO Quick Facts

Gender: 71% female, 29% male

Age:

- Under 35 = 6%
- Aged 35 – 55 = 66%
- Aged 55 and over = 28%

Ethnicity: 95% Caucasian, 5% other

2 years

Median tenure of MGOs at colleges and universities

Source: Burk P, *Donor Centered Leadership,* Cygnus Applied Research, 2013; "2014 Compensation and Benefits Study," *Association of Fundraising Professionals*, 2014; EAB interviews and analysis.

More Than Metrics

Only One Part of the Broader Performance Management Landscape

Metrics
- What are the right metrics for my MGOs?
- What are the appropriate targets for these goals?
- How do I adjust these targets on the basis of portfolio and MGO characteristics?

Accountability
- How do I motivate my MGOs to care about metrics?
- How do I reward my fundraisers without breaking the bank?

Data and Analytics
- How can I equip my MGOs with data and analytics on their own performance to empower them to succeed?
- How can I support MGO discussions with deans about time allocation?
- How can I make a compelling case for greater investment in advancement from university leadership?

Source: EAB interviews and analysis.

Greater Gains Than a Pied Piper IPO

CAOs Need to Prove ROI

Advancement Under Increasing Pressure to Measure Its Impact

From Our Major Gift Donors…

"Our entrepreneurial background influences our approach to philanthropy…to make our giving more effective, scalable and sustainable. The return on this investment is stronger, more resilient communities."

Paul Orfalea
Founder, Kinko's (now FedEx Office)

…and University Leadership Alike

"The university could invest more in faculty and students. If it's going to put more money in advancement we have to be able to show what we're doing with that investment, and this has become especially acute in the post-2008 recessionary period."

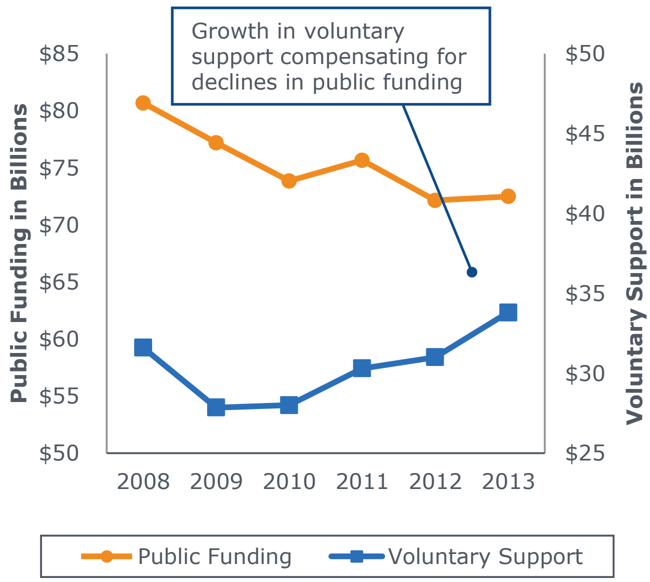
Matt Ter Molen
Chief Advancement Officer
Syracuse University

Source: EAB interviews and analysis.

Bridging the Funding Gap

Administrators Look to Advancement to Fill Holes

Public Universities Increasingly Reliant on Advancement
Revenue by Source[1]



"Advancement has taken on much more of an important role lately, which coincides with the downturn in state support. We've seen increases in tuition, but politically you can't increase tuition enough to take care of your shortfall—and you don't want to. So philanthropy is the next frontier. In the old days whatever you raised was good enough—now it's not."

Keith Inman
Vice President, Advancement
University of Louisville

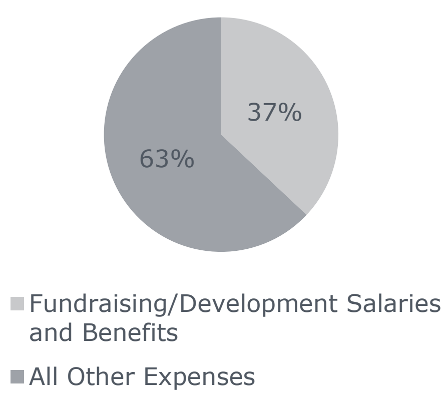
1) In real 2013 billions of dollars.

Source: "SHEF – State Higher Education Finance FY14," *SHEEO*, April 12, 2015, http://www.sheeo.org/resources/publications/shef-%E2%80%94-state-higher-education-finance-fy14; The Integrated Postsecondary Education System, *National Center for Education Statistics*, https://nces.ed.gov/ipeds/; EAB interviews and analysis.

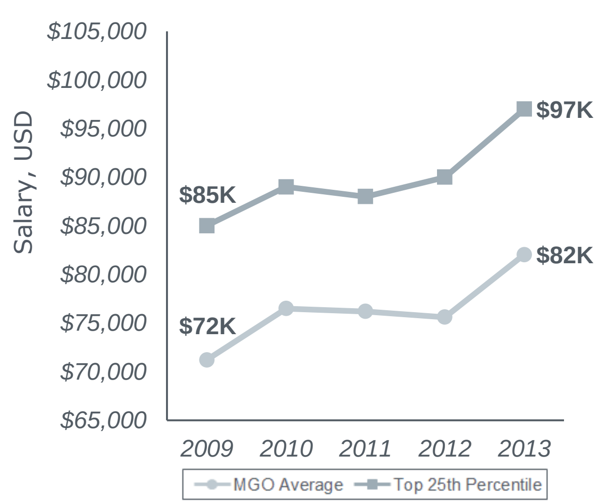
Disproportionate Dollars on Development Officers

Major Gift Officers Account for Increasingly Large Share of Budget

Advancement Department Expenditures at Research Universities[1]
Council for Aid to Education Data, FY2014



Average MGO Salaries
Association of Fundraising Professionals Data, 2009-2013



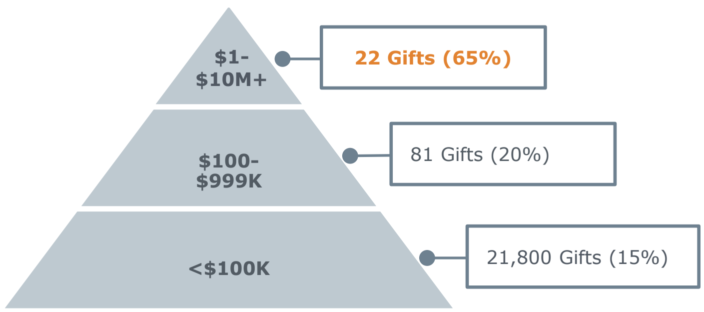
1) n = 36.

Source: "2014 Compensation and Benefits Study," *Association of Fundraising Professionals*, 2014; Voluntary Support for Education Data Miner, *Council for Aid to Education*, http://www.vse.cae.org; EAB interviews and analysis.

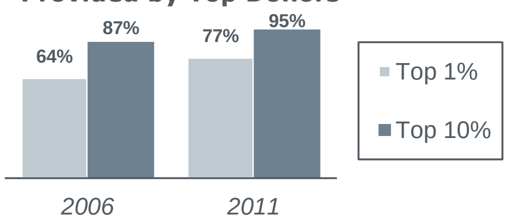
Is That a Gift Pyramid Or the Space Needle?

The Pareto Principle on Steroids

Number of Gifts and Percentage of Total Funds at Each Level: Hazel University[1]



Percentage of Total Campaign Dollars Provided by Top Donors



"We talk often of the fundraising gift pyramid, but I think there's a similar talent pyramid—one in which the top 10% of our MGOs are responsible for disproportionately high fundraising totals. If we accept this premise, we have to remain focused on measuring and increasing the productivity of our major gift officers."

VP, Advancement
Public Master's University

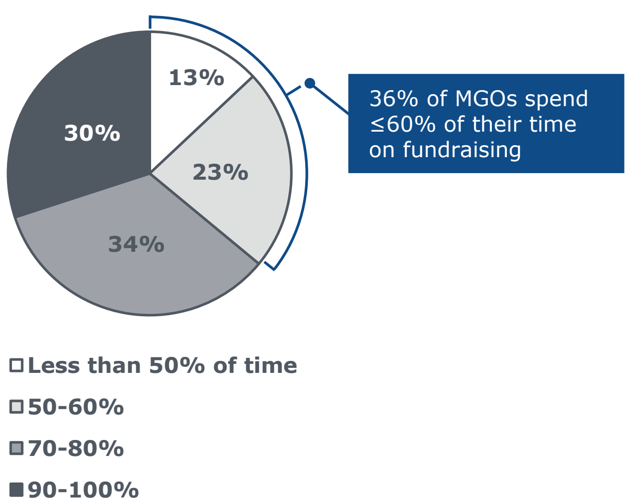
1) Anonymized private research university.

Source: "CASE Campaign Report," *Council for Advancement and Support of Education,* 2011; EAB interviews and analysis.

What Are Your MGOs Doing With Their Time?

Survey Reveals Substantial Time Allocation to Non-Fundraising Activities

Approximately what percentage of your time is spent on fundraising versus other responsibilities?[1] (n = 1,217)



"No hiring process is perfect, but I am surprised that we sometimes hire people as major gift officers who are often threatened by the idea of going out and visiting with people. The whole thing is illogical to me. But in our environment there are so many external opportunities that might capture a major gift officer's attention but are, in fact, tangential to actual major gift work. So it takes a real discipline on everyone's part—supervisors, deans, and MGOs—to stay focused on what is important."

Niles Sorensen
Vice Chancellor for Advancement
University of North Carolina at Charlotte

1) Other responsibilities defined as organizing events or writing articles for university publications, etc.

Source: EAB interviews and analysis.

1 **Laying the Foundation: Setting Expectations**

2 KPIs with Teeth: Creating a Culture of Accountability

3 Data as a Means, Not an End: Utilizing Performance Analytics to Support Decision Making

Why is Intermediate Goal Setting So Important?

Defining Success in Clear Terms is Critical for MGOs

The Destination and the Motor

"Your vision is your destination, and small, manageable goals are the motor that will get you there. Without the vision you're on a road to nowhere. Without the goals, you have a destination but no motor. They work in tandem, and you need both."

Frank Murtha, Ph.D.
Managing Partner
MarketPsych

Source: Mehta M, "Why Our Brains Like Short-Term Goals,' *Entrepreneur*, January 3, 2013, http://www.entrepreneur.com/article/225356; EAB interviews and analysis.

Why Intermediate Metrics Matter

An Overview of Problems Evident in Absence of These Metrics

Problem	Example
No job definition	New MGOs uncertain of job expectations
No rank for prioritizing time	MGO unfocused, does not know best activity to perform
No guidance for reaching goal	Large financial target paralyzing without next steps
No timely success measure	Outcomes revealed long after efforts made
No basis for evaluation	Multiple MGOs' performance difficult to judge fairly

Source: Philanthropy Leadership Council interviews and analysis; EAB interviews and analysis.

How to Choose Relevant Goals

Activity vs. Outcomes and Team vs. Individual

Activity Goals—Individual

- Prospects identified, qualified
- Contacts, visits, moves
- Prospects in each stage of pipeline
- Written strategies
- Solicitations
- Assists
- Dean, volunteer assists
- Size of solicitations
- Stewardship contacts
- Trustee interactions

Outcome Goals—Individual

- Gifts closed
- Funds raised
- Average gift size
- Conversion rate

Activity Goals—Team

- Prospects identified, qualified
- Referrals
- Prospect pool coverage rate
- Database entries, call reports
- Written proposals
- Stewardship contacts

Outcome Goals—Team

- Gifts closed
- Funds raised
- Annual fund upgrades
- Donor satisfaction

Source: Philanthropy Leadership Council interviews and analysis; EAB interviews and analysis.

Conditional Statements Aren't Just for C++

How to Choose Relevant Goals

Activity vs. Outcomes

If…

- Advancement shop is new
- MGOs are not as skilled
- MGO results are not improving
- Advancement shop is far from goal
- Focus is long-term

→

Then…

Focus on Activities

If…

- Advancement shop is mature
- MGOs are highly skilled
- MGO results are improving
- Advancement shop is near goal
- Focus is short-term

→

Then…

Focus on Outcomes

Source: Philanthropy Leadership Council interviews and analysis; EAB interviews and analysis.

Individual Goals

Weighing In on Individual Goals

Pros	Cons
• Roles more clearly defined • Sense of control over own performance • Useful as a guide to plan time • Awareness of appropriate performance level • Awareness of success • Sense of fair evaluation • Ability to refuse non-MGO work	• Reduced flexibility • Risk that goals will be hit in dysfunctional manner • Short-term view promoted at expense of long-term horizon • Target levels may be difficult to set correctly • Target levels may become ceiling instead of floor

Considerations

- Goal implementation typically leads to debates about definition and credit
- Goals can promote negative behaviors
- Fewer goals better than more goals
- Goals should not be changed often

Source: Philanthropy Leadership Council interviews and analysis; EAB interviews and analysis.

Team Goals

Weighing In on Team Goals

Pros	Cons
• Collaboration always prominent • Information sharing constant • Activity of supporting staff increased • Office culture highly positive • Donor interests always of paramount importance	• Jobs tend to become ill-defined • Staff has difficulty prioritizing activities • Little incentive for individuals to outperform • Individual accountability difficult to measure • Underperformers can hurt team's morale

Considerations

- Consistent managerial oversight necessary
- Managerial span of control limited
- Employees must embrace spirit of collaboration
- More staff will have personal stake in outcome of MGO candidate interviews

Source: Philanthropy Leadership Council interviews and analysis; EAB interviews and analysis.

Be Careful What You Measure

Knee-Jerk Metrics Cause Confusion and Lower MGO Productivity

1. VP sees MGOs in the office too much
2. **Metric Added**: Face-to-Face Visits
3. MGOs visiting the same prospects
4. **Metric Added**: Number of Unique Visits
5. Visits are friendly but not substantial
6. **Metric Added**: Number of Solicitations
7. MGOs are asking too soon and alienating prospects
8. **Metric Added**: Number of Gifts Closed
9. MGOs are asking too low
10. **Metric Added**: Specific dollar goal

∞

Source: EAB interviews and analysis.

How to Choose Relevant Targets

A Three-Tiered Process For Finding the Answer for Your MGOs

Tailor Goals (Type and Level) Based On:

Step 1: Advancement Department Characteristics

- Campaign Stage
- Fundraising Maturity

Step 2: MGO Characteristics

- Tenure
- Title/Role/Compensation
- Percent Time Fundraising
- Academic Unit Affiliation

Step 3: Portfolio Characteristics

- Number of Prospects
- Capacity Ratings
- Affinity Ratings
- Prospect Stage Distribution

Source: EAB interviews and analysis.

Industry Benchmarks

Data on Major Gift Officers[1]

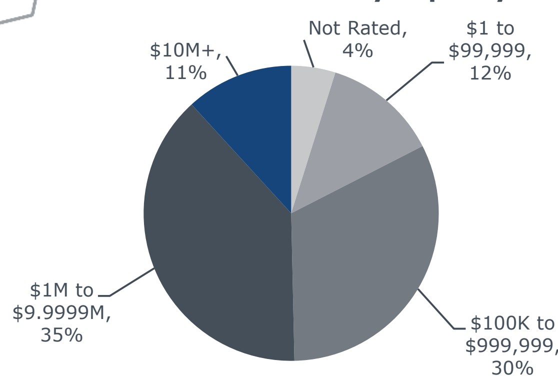
Key Fundraiser Metric Medians[2]

6
Visit-to-proposal ratio

67%
Gift closure rate

$1.1M
Dollars raised

Portfolio Distribution by Capacity



Fundraiser Attributes

- Tenure at University – 4.8 years
- Tenure in Present Role – 2.1 years
- Management Responsibility - 31%
- ≥$125K Total Compensation – 60%

1) Data on this slide is sourced from a group of ten private research universities; Includes major and principal gift officers
2) Only includes staff with >= 1 year in seat

Source: EAB interviews and analysis.

Industry Benchmarks

Data on Leadership Annual Giving Officers[1]

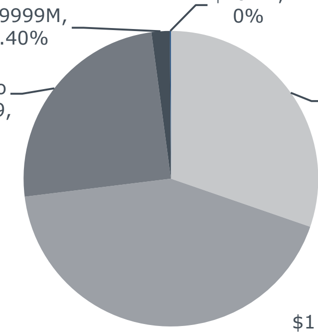
Key Fundraiser Metric Medians[2]

8
Visit-to-proposal ratio

65%
Gift closure rate

$204K
Dollars raised

Portfolio Distribution by Capacity



Fundraiser Attributes

- Tenure at University – 2.7 years
- Tenure in Present Role – 1.6 years
- Management Responsibility - 22%
- <$75,000 Annualized Total Compensation – 69%

1) Data on this slide is sourced from a group of ten private research universities
2) Only includes staff with ≥ 1 year in seat

Source: EAB interviews and analysis.

Make Your Performance Data Work for You

How to Analyze Your Data to Uncover Ratios

Pool Coverage

$$\frac{\text{\# Unique Visits}}{\text{\# Total Prospects}}$$

Effective Use of Visits

$$\frac{\text{\# Total Visits}}{\text{\# Asks}}$$

Yield Rate

$$\frac{\text{\# Asks}}{\text{\# Major Gifts}}$$

Accurate Ask Estimates

$$\frac{\text{Ask Amount}}{\text{Gift Amount}}$$

> "We had a campaign consultant who told us to use a set of ratios for MGO goals. When I asked where he got these numbers from, he simply told me they were well-known in the industry. Maybe I'm just a data guy, but I'm not going to overhaul my performance management system based on figures that are not specific to my institution—or at least based on best practices. "
>
> *AVP, Development*
> *Public Master's University*

Source: EAB interviews and analysis.

Lower Pressure, Higher Quality

Washington State University Achieves Success with Lower Goals

Original WSU Targets

150 visits per year

36 major gift solicitations per year

10 closures per year

Decrease in required solicitations

36 → 24

Increase in major gift yield rate

30% → 44%

The size of gifts has also increased

Low yield rates caused WSU to conduct an internal analysis of its target levels

Analysis revealed that only **24** solicitations were required to close 10 gifts per year

"You get what you measure. We wanted to shift the focus to quality versus quantity. Our major gift officers ended up taking the time necessary to find the sweet spot between donor desires and institutional needs. Metrics should be set appropriately to your organizational circumstance and revised accordingly."

Mark Hermanson
Executive Associate Vice President
Washington State University Foundation

Source: EAB interviews and analysis.

Dunbar and Development Don't Mix

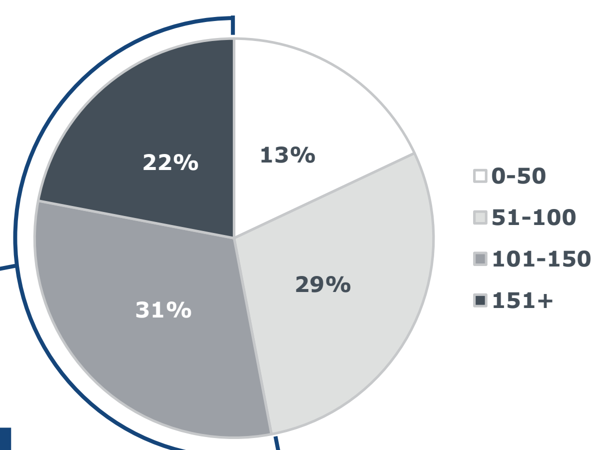
Portfolios Have Become Large and Unmanageable

Dunbar's Number

150

Oxford anthropologist Robin Dunbar determined based on the size of an average human brain that we can maintain stable social relationships with 150 other people

Approximately how many prospective donors are in your fundraising portfolio?
2014 EAB MGO Survey (n = 1,217)



Over half of MGOs have 101+ prospects in their portfolios

Source: EAB interviews and analysis.

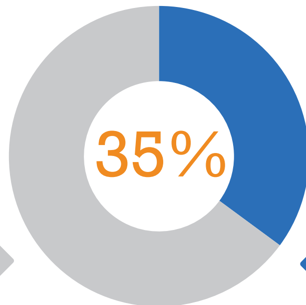
Wildcats Win with “Less Is More”

Portfolio Size Reduction Yields Manageable Prospect Pool[1]

Prior Portfolio Penetration

Fallow Prospects

- 65% of portfolio was not visited within one fiscal year
- Locked in portfolio, prospects received no additional fundraising touches (e.g., annual giving)



Active Prospects

- An average of 40 prospects received visits per fiscal year
- These were the only prospects in active fundraising stages

> “The whole concept of assignment seems to be flawed and strangely skewed towards having a large list of names assigned to you, versus, ‘these are the 30 people that I’m planning to solicit over the next 24 to 36 months.’ Shops have portfolios of 120-150 because some fundraising consultant 20 years ago told them to and they never second guessed it.”
>
> *David Lively*
> *Associate Vice President, Alumni Relations and Development*
> *Northwestern University*

1) Both previous and current portfolio counts do not include prospects in stewardship

Source: EAB interviews and analysis.

Wildcats Win with “Less Is More”

Portfolio Size Reduction Yields Manageable Prospect Pool[1]

Old Portfolios

Suggested New Portfolios

30-40
total prospects

Now all prospects in a portfolio must have an **ask date, ask amount, expected gift close date, and gift design**

170% Increase in number of asks

211% Increase in number of gifts

595% Increase in dollars raised

Figures above refer to the *same fundraisers* compared over two-year period

1) Both previous and current portfolio counts do not include prospects in stewardship

Source: EAB interviews and analysis.

A More Rigorous Approach to Dollar Goal Setting

NAU Incorporates Proposal Close Probability Into Annual Planning

1 Probability of solicitation this fiscal year

Low = 0%
Medium = 50%
High = 75%
Certain[1] = 100%

X

2 Probability of gift closing this fiscal year

Low = 25%
Medium = 50%
High = 75%

If the gift comes in without a pledge, with little or no effort = 100%

X

3 Planned ask amount

=

4 Dollar goal for fiscal year

1) Solicitations made last year, but not closed, are also included in this category.

Source: EAB interviews and analysis.

Running the Numbers

NAU Incorporates Proposal Close Probability into Annual Planning

Sample Probability Calculation for NAU Director of Development

Prospect	Ask Amount	Solicitation Probability	Close Probability	Expected Amount
Bill Williams	$1M	50%	50%	$250K
José Perez	$80K	100%	75%	$60K
Rashmi Anilkumar	$80K	100%	75%	$60K
Mildred Smith	$200K	50%	25%	$25K
Roger Chen	$150K	100%	50%	$75K
			Total Dollar Goal:	**$470K**

Source: EAB interviews and analysis.

Embedding Metrics into Job Descriptions

Clear Expectations Start From Day Zero

Development Officer

Salary: $75,000

Minimum Qualifications: Five to seven years of front-line fundraising experience

Performance Expectations:

- 25 face-to-face visits per month
- 2 major gift proposals submitted per month
- $500,000 raised per year…

Specific target levels, rather than ranges, clearly articulated

All performance metrics included

"Candidates tell me they're glad to know exactly what their metrics are because they have entered into institutions in the past without knowing what they're expected to do. One candidate told me she was excited to work for my shop because we had such explicitly defined objectives, even in the job description."

AVP, Development
Public Research University

Source: EAB interviews and analysis.

Gauging Reactions to Performance Metrics

DePaul University Reviews Performance Metrics During MGO Interviews

1. Applicants travel to campus for interviews with Advancement team
2. Candidates receive a walkthrough of divisional performance metrics as part of interview
3. Metrics include solicitation, contact, and dollar goals along with portfolio distribution
4. Candidates invited to ask questions and respond to performance metrics
5. Interviewers assess candidates' reaction to the metrics as part of overall evaluation
6. Interviewers also test candidates' ability to execute on metrics via a portfolio exercise

Source: EAB interviews and analysis.

Scoreboards Aren't Just for Stadiums

Progressive Advancement Shops Create Rigorously Designed Scorecards

Benefits of Using a Points System

- More objective indicator of success than qualitative feedback
- Distills massive amount of information into most relevant data points about performance
- Easy to integrate into formal performance review
- Agile enough to allow for weighting of activities/outcomes most valuable to your shop in a given period

Nimble Goal Setting

"Your department's goals…and therefore the metrics you use to measure success toward those goals need to be responsive to the changing trends and demands of the environment."

Rick Dupree
Executive Vice President for Development
Indiana University Foundation

Source: "Defining What Activities Are Truly Critical," *Academic Impressions,* February 27, 2012, http://www.academicimpressions.com/news/defining-what-activities-are-truly-critical; EAB interviews and analysis.

Adding It All Up

Freed-Hardeman University's Points-Based Metrics System

Category	Goal	Percent Attainment	Points Possible	Points Earned
Cash	$1M	80%	50	40
Total Contacts	25 per week	100%	30	30
In-Person Contacts	5 per week	90%	10	9
Donor Retention	NA	80%	10	10
Bonus for Estate Gifts	NA	NA	5	3
			Total Points:	**92**

Average of the portfolio's production over last 5 years throwing out highest and lowest years +15%

Included in Total Contacts

Based on a scale:
- ≥80% = 10
- 70%-79% = 5
- <70% = 0

Based on a scale:
- ≤$49,999 = 1
- $50,000-$149,999 = 2
- $150,000-$249,999 = 3
- $250,000-$499,999 = 4
- ≥$500,000 = 5

Source: EAB interviews and analysis.

Points With a Twist

MSU Alumni Foundation Institutes Innovative Points Cap

Montana State's Metrics

- Personal Visits
- Discovery Visits
- Solicitations
- Dollars Raised ("Solicitation Gifts Booked")

"In our system, you earn points in each task category. These points are capped because I don't want over-performance in one category to mask lower performance in the other categories. For example, it's great to secure a $3M gift, but you still need to perform on the other metrics."

Chris Murray
President and CEO
Montana State University Alumni Foundation

Points Cap

The maximum number of points an MGO can earn in one metric, including performance greater than 100% of goal.

✓ Allows room for **recognition** of over-performance relative to goal

✓ Serves to ensure that an MGO who greatly over-performs in one area **remains motivated** to perform in others

Source: EAB interviews and analysis.

The Points Cap: Recognition Within Reason

MSU Prevents Success in One Area from Masking Low Performance in Another

$1M
Dollar Goal

30
Points Value

45
Points Cap

Points Earned for Dollar Goal Performance

MGO	Dollars Raised	Percent of Dollar Goal Attained	Points Earned
MGO A	$870,000	87%	26
MGO B	$1,500,000	150%	45
MGO C	$2,000,000	200%	45

Although 200% of 30 points is 60, the points cap limits MGO C to 45 points

Source: EAB interviews and analysis.

Emphasizing Individual Performance

Vanderbilt Applies Structured Approach to Performance Management

A Partial Sampling of Metrics with Three-Tiered Goal System[1]

Metrics	Points Earned at Threshold	Points Earned at Target	Points Earned at Reach	Maximum Points
Dollars Raised by Team	10	10	10	**30**
Dollars Raised by Individual	35	35	35+	**105+**
Number of Solicitations Funded	30	30	30	**90**

Leadership changed the percentage of evaluation comprised by dollars raised by individual and closed gifts from 50% to 65%.

1) The full metrics system includes points for personal visits (30), solicitations made (30) and money raised by the university (15), for a total of 300+ points possible.

Source: EAB interviews and analysis.

'Dores Soar with Limitless Dollar Metric

Knocking it Out of the (SEC D1) Park

Recognizing Fundraisers Who Beat Ambitious Dollar Goals

No Cap on Dollars Raised by Individual

For example:

If all three-tiered dollar goals are 35 points each and the development officer surpasses her reach dollar goal by 40%, she would earn:

(35 + 35 + 35)

+

40% of 35

=

119 points

33% Increase in solicitations

80% Increase in Leadership Annual Giving dollars

Focus MGOs on Fundraising

"What we want to do is give you permission and authority to say when you need to say it, 'I need to keep my focus on these prospects because that's what's most likely to lead to increased giving to Vanderbilt.'"

Randy Smith
Executive Associate Vice Chancellor
Vanderbilt University

Source: EAB interviews and analysis.

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