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Improve Your Institution's Fundraising Through Metrics: A Sample Scenario

Using the *AHP Report on Giving,*

AHP Report on Giving Online Database and

AHP Performance Benchmarking Service

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We are often asked about the differences between the three AHP benchmarking tools — *AHP Report on Giving*, AHP Report on Giving Online Database and the AHP Performance Benchmarking Service — and how to use them to help improve fundraising performance. This document uses a sample scenario to walk you through the three tools and to demonstrate how each might help you evaluate your organization's fundraising efforts. To learn more about the three tools, visit www.ahp.org/reportongiving.

WHY METRICS?

To get to where you want to be, you need to know your starting point. AHP has collected benchmarking data since 2003, using consistent standards for measurement as published in the *AHP Standards Manual*. These data can help you assess where you are and provide starting points for discussion to identify goals for future growth.

If your institution is new to the *AHP Report on Giving* or AHP Performance Benchmarking Service, be sure to explore the definitions for different types of fundraising activity and fundraising costs presented in the *AHP Standards Manual* so that your comparison figures are as close as possible to the benchmark figures used in this paper, which are based on AHP survey responses that do use the standards.

WHAT METRICS?

Many institutions look at return on investment (ROI) or cost to raise a dollar (CTRD). These are helpful, but a recent study of AHP data identified several measures that characterize top performers. These are:

- o   Net Fundraising Revenue.
- o   Total Fundraising Expense, especially staffing levels and staff costs.
- o   Extent to which program emphasizes major gifts.

These success factors are discussed further in the Spring 2014 issue of *Healthcare Philanthropy*, in an article by Kathy Renzetti, CAE, and William McGinly, Ph.D. both of AHP; they are key metrics in AHP's Performance Scorecard, which is provided in all three benchmarking tools.

HOW WILL THIS WORK?

This paper presents a hypothetical scenario and illustrates which data resources at AHP can provide useful benchmarks or metrics data.

THE SCENARIO

The CEO of City Hospital, Terry Asher, has asked the chief development officer, Chris Washington, to compare City Hospital Foundation's fundraising performance with peer organizations and to propose approaches to improve the total amount raised.

This paper views the process from the CDO's starting point and goes step-by-step through various questions and the available AHP resources for getting information.

This is not intended as a user's guide to the benchmarking tools, but as an illustration of the types of analysis that can be generated and some possible action steps an institution could take when comparing its own performance with the benchmarks provided in the *AHP Report on Giving* and in AHP's online database.

STEP 1: COMPARE CITY HOSPITAL FOUNDATION WITH THE AHP SCORECARD

Chris Washington, CDO of City Hospital Foundation, completes the AHP Report on Giving Survey every year in May. Because the institution completes the survey annually, it has a free copy of the most recent report. This is the perfect starting point for Chris. In the report, Chris focuses on the AHP Performance Scorecard to get a good executive level view of how City Hospital Foundation results compare with others in the survey. See Figure 1.

The Scorecard highlights key performance metrics at the median level for all survey participants. Survey participation varies from year to year, but typically includes 200 to 300 responding organizations representing tertiary, teaching/academic, long-term care/hospice/home care, children's, community and systems.

Figure 1: AHP Performance Scorecard – FY 2013

PERFORMANCE SCORECARD										
	Cash	Production	FR Expenses	Net FR Revenue	CTRD Cash	CTRD Production	ROI Cash	ROI Production	FTEs (Direct)	FR REV/ FTE
FY2012 (median)	2,940,226	3,223,656	856,097	2,105,049	0.32	0.31	3.17	3.22	4.0	778,739
FY2013 (median)	4,661,425	4,736,554	1,056,360	3,243,152	0.28	0.28	3.52	3.55	4.5	854,671
City Hospital Foundation	1,448,862	1,854,492	522,339	1,332,153	.36	.28	.28	2.77	3.0	618,164

Source: AHP 2014 Report on Giving Survey, USA

Using the Scorecard, Chris is able to determine that while the CTRD and ROI values seem in line with others on the Scorecard, City Hospital's net fundraising revenue, at $1.3 million, is less than half the result for the median value in FY 2013 ($3.2 million). City Hospital Foundation has fewer direct full-time equivalent (FTE) fundraising staff and has a lower amount raised per FTE (right columns of Scorecard). Chris decides to explore net fundraising revenue, total fundraising expense and program focus.

STEP 2: NET FUNDRAISING REVENUE ANALYSIS USING *AHP REPORT ON GIVING*

Chris looks for more data in the *AHP Report on Giving* and finds several tables with reported values for net fundraising revenue (NFR) for all survey participants, including tables sorted by size of fundraising staff, by type of institution, by fundraising expenses and by U.S. net patient service revenue (or gross revenue in Canada). See Figure 2 for a comparison of all survey participants by range of fundraising expenses for NFR, ROI, CTRD and FPDE (funds raised per development employee).

Figure 2: AHP Report on Giving, Net Fundraising Revenue (NFR) by Total Fundraising Expenses

MEDIAN VALUES FOR KEY FUNDRAISING METRICS BY FUNDRAISING EXPENSE				
Fundraising Expenses	**NFR**	**ROI**	**CTRD**	**FPDE**
Up to $250,000	$251,140	$2.90	$0.35	$355,110
$250,001–$750,000	$736,467	$2.71	$0.37	$525,617
$750,001–$2,000,000	$3,880,009	$3.54	$0.28	$955,040
More than $2 million	$14,800,102	$4.30	$0.23	$1,197,119
All	$3,243,152	$3.55	$0.28	$854,671

Source: AHP 2014 Report on Giving Survey, USA

In looking at Figure 2, City Hospital Foundation's fundraising expenses are $522,339, so the NFR comparison group here is where expenses are between $250,001 and $750,000. For that group, NFR equals $736,567.

Chris can tell CEO Terry that along this measure, at least, City Hospital Foundation compares well, as the NFR there is $1,332,153, or 80% higher than the median NFR for other institutions expending about the same amount for fundraising.

That is helpful, but Chris really wants a combination of data that shows NFR for hospitals/hospital foundations that closely resemble City Hospital Foundation: a community hospital with a direct fundraising staff of 3 FTE. This will give Chris more information about where to seek improvements, which is what Terry really wants to know.

Referring to the table on page 11 of this paper, Chris notes that the online database for the Report on Giving might help.

Chris checks what information is available in the AHP Report on Giving Online Database (see table on page 11) and decides a subscription to the Report on Giving Online Database makes sense since a subscriber can create a customized comparison group of Community Hospitals with 2 to 5 Direct FTE Fundraising staff. Chris uses this comparison group to generate the AHP Performance Scorecard to compare results with City Hospital. See Figure 3.

Figure 3: AHP Report on Giving Online Database, Scorecard with Custom Comparison Group (Community Hospitals, 2–5 Direct FTE)

AHP SCORECARD exported as CSV file

Comparison group	Board Monitor: Total Fundraising Expenses (excl non-FR admin exp)	Fundraising Revenues per Direct Staff FTE	Board Monitor: Cash ROI	Board Monitor: Production ROI	Board Monitor: Cost to raise a dollar (cash)	Board Monitor: Cost to raise a dollar (production)	Board Monitor: Net fundraising revenue, cash	Board Monitor: Net fundraising revenue, Production
Mean (Average)	$867,212	$952,575	2.947	3.083	$0.63	$0.64	$3,005,128	$3,614,881
Maximum Value Reported	$2,390,023	$7,523,511	9.33	11.71	$2.20	$2.23	$17,810,733	$33,855,798
75th Percentile	$1,145,834	$1,199,675	4.538	3.997	$0.78	$0.96	$3,837,350	$4,063,198
50th Percentile (median)	**$691,781**	**$410,372**	**1.965**	**1.93**	**$0.51**	**$0.52**	**$1,675,789**	**$1,591,649**
25th Percentile	$451,806	$260,358	1.29	1.04	$0.22	$0.25	$858,395	$670,775
Minimum Value Reported	$217,650	($20,939)	0.45	0.45	$0.11	$0.09	($56,766)	($62,816)
City Hospital (added)	**$522,339**	**$618,164**	**2.77**	**3.55**	**$0.36**	**$0.28**	**$926,523**	**$1,332,153**

Source: AHP Report on Giving Online Database custom report.

Using a comparison group of community hospitals with 2 to 5 direct fundraising staff provides Chris with more specific information. City Hospital is better than median – but not in the top 25% (at the 75th percentile) on most measures. City Hospital's revenue per direct FTE exceeds the median and the cash ROI and production ROI are both above the median. The costs to raise a dollar (both cash and production) are below the median. However, net fundraising revenue, both cash and production, are lower than the median for the comparison group (see the far two right columns).

Since Renzetti & McGinly (2014) found that higher staffing levels – and higher fundraising expenses – are associated with higher net total fundraising revenue, Chris decides to go further. Maybe City Hospital could invest in staff and generate higher total net revenue.

STEP 3: ASSESSING STAFFING LEVELS USING AHP PERFORMANCE BENCHMARKING DATA

The AHP Report on Giving Online Database does not collect data on staffing and tenure. In order to learn more about staffing levels, Chris invests in the AHP Performance Benchmarking Service.

Using the AHP Performance Benchmarking Service, Chris is able to run a report comparing FTEs. Chris can see that City Hospital remained at the median level of 3.0 for 2012 and 2013, while peer institutions had staff sizes from 3.00 up to 3.75. See Figure 4. Perhaps that explains the lower-than-median results in net funds raised for City Hospital?

Figure 4: Excerpt from Tables & Graphs: City Hospital & Comparison Group for Median Number FTE Direct FR Staff

Gen: Number of FTE Direct FR Staff
Group stat: median
Infl. index: Not Adjusted for Inflation
N: number of responses

Fiscal Year	City Hospital	Community Hospital 2-5 Median	N
2010	3.00	3.50	8
2011	3.55	3.63	10
2012	3.00	3.00	12
2013	3.00	3.75	35

Source: AHP Performance Benchmarking Service, Custom Table

STEP 4: ASSESS STAFF COMPENSATION, TENURE

Staffing is not only about the number of people; it includes compensation and tenure of the individuals on the team. Staff with more training can earn more, and staff who have been with the organization longer may have higher salaries and benefits. Chris' analysis may need to consider compensation and possibly length of time in the position(s) along with number of direct FTE fundraising personnel.

The AHP Performance Benchmarking Service has data about staffing and compensation. Subscribers to the service can access data about salary, role and functional activities for staff at the aggregate level. The Performance Benchmarking Service contains very detailed data (where enough responses have been entered) for specific fundraising activities, including time allocation, costs and more. All AHP members can submit data. With more participating members, metrics are strengthened.

Figure 5: Excerpt from AHP Performance Benchmarking Service, Total Compensation for Direct Staff

DS: Total compensation of direct staff (only available through Performance Benchmarking)
Group stat: median
Infl. index: Not Adjusted for Inflation Service output
N: number of responses

Fiscal Year	Community Hospitals 2-5 DFTE		City Hospital
	Median	N	
2010	$476,881	8	$240,749
2011	$496,454	10	$248,195
2012	$546,020	10	$248,268
2013	$503,841	8	$255,959

Table generated by Association for Healthcare Philanthropy and amended for use here
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As Chris continues to use the AHP Performance Benchmarking Service, results show that City Hospital has comparatively low total compensation for direct fundraising staff, in comparison with other community hospitals with 2 to 5 direct FTE. This might suggest newer staff (perhaps with less professional fundraising experience), an employment market with lower salaries for all jobs, more staff who are focusing effort on lower-return fundraising activities such as annual fund or events, compared with the typically higher-yield activities of major gifts, planned giving, and institutional (foundations and corporations) giving, or some other cause. Chris now wants to explore major gifts.
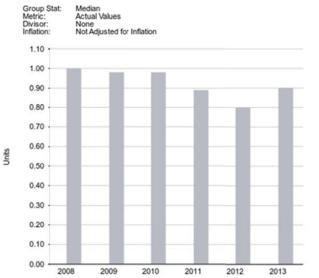
STEP 5: EXAMINING THE PERCENTAGE OF EFFORT BY FUNDRAISING ACTIVITY

Chris decides that a good next step is to consider the percentage of emphasis on the fundraising program Major Gifts at City Hospital compared with the community hospital comparison group. This level of detail is available only through the AHP Performance Benchmarking Service.

Using Tables & Graphs in the Performance Benchmarking Service database, Chris can use the "Estimated FTEs" family of variables to drill down to a direct staffing variable for "Major Gift Officers Number of FTEs Allocated to FR alone." The result across Community Hospitals with 2- 5 Direct FTEs is between 0.8 FTE and 1.0 FTE for Major Gift Officers (See Figure 6).

Figure 6: AHP Performance Benchmarking Service Graph, Fundraising FTEs for Major Gifts

DS: Major Gift Officers Number of FTEs allocated to FR alone

Group Stat:	Median
Metric:	Actual Values
Divisor:	None
Inflation:	Not Adjusted for Inflation

Source: AHP Performance Benchmarking Service, Custom Comparison

If City Hospital is far below that median, Chris might consider recommending investment in a major gift officer as one of the improvements Terry Asher, the CEO, seeks. Before making a presentation to the CEO, Chris also considers other factors that might influence total funds raised.

STEP 6: CONSIDERATION OF OTHER FACTORS

Chris knows that City Hospital is in a small city distant from major urban areas. This is a potential factor in the size of the fundraising market, the giving capacity of area residents and City Hospital Foundation's ability to recruit and retain staff. Chris could build a comparison group looking for specific institutions that share one or more of those characteristics.

SUMMARY OF FINDINGS

Chris has used data from the *AHP Report on Giving* to identify an area where City Hospital Foundation is "missing the mark" compared with the median for other institutions. With a subscription to the Report on Giving Online Database, Chris builds a comparison group of community hospitals that, like City Hospital, have 2 to 5 direct FTE fundraising staff.

With the Report on Giving Online Database, Chris finds some key information.

> From Step 2, Figure 4: City Hospital compares favorably with community hospitals with 2-5 direct FTE on return on investment and cost to raise a dollar, but under-performs in net fundraising revenue (both cash and production).

> From Step 3, Figure 6: City Hospital has fewer than the median number of direct FTE fundraising staff than the comparison group (3 vs. 3.75 at the median). This is helpful to know, but perhaps does not provide enough information for making recommendations about what to do to improve fundraising revenue.

> From Step 4, Figure 7: City Hospital Foundation has significantly lower staff expenses compared with the Community Hospital comparison group. This might reflect different assignments (more in annual fund vs. major gifts, for example), a lower pay scale overall in the community, a trend to hire somewhat less experienced professional fundraisers or other factors.

Given the importance of major gift fundraising found in many other studies, Chris decides to see how City Hospital Foundation compares in major gifts fundraising. Chris upgrades to the AHP Performance Benchmarking Service in order to have the most comprehensive data available to analyze by fundraising activity and cost center.

> From Step 5: Chris finds that, since 2010, institutions in the comparison group had a median of 0.8 to 1.0 major gift officers. This knowledge from the AHP Performance Benchmarking Service, combined with the lower number of staff at City Hospital Foundation compared with the median, suggests that Chris could make a case for a strategic investment in fundraising personnel (especially at the major gift level) to CEO Terry Asher.

Step 6: Before making this recommendation, Chris could cross-check results by making a smaller comparison group of institutions located in communities that are most like the community where City Hospital operates. This can be done with checkboxes against the names (and locations) of the institutions listed in the predefined groups or by picking specific institutions listed already in the Community Hospital 2-5 comparison group.

Chris and Terry use the data from the *AHP Report on Giving,* AHP Report on Giving Online Database and the AHP Performance Benchmarking Service to craft a plan to invest in City Hospital fundraising personnel focused on major gifts. With this plan, they work with the new hire to establish some internal performance benchmarks for a three to five-year period. As the major gifts team at City Hospital implements the plan, City Hospital will continue to track the results using national data and compare it with City Hospital's baseline data from this scenario. City Hospital begins to submit data to the Performance Benchmarking Service and subscribes to access the service's very detailed information about costs, time allocation for fundraising activities and other measures that can guide greater success for City Hospital Foundation's net fundraising revenue.

Did you find this paper useful? Let us know! Email ahp@ahp.org.

Want more information on the three AHP benchmarking tools? See Figure 7 on Page 11 or visit www.ahp.org/reportongiving.

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Figure 7: Comparison of AHP Report on Giving and Performance Benchmarking Service Subscription Packages

Resource	Subscription Level	
	AHP Report on Giving* **Online Database & Reports**	**AHP Performance Benchmarking Service** **Database & Reports**
Copy of AHP Report on Giving	✓	✓
Ability to create *comparison groups* of like organizations using All participants: ROG and PBS.	✓	✓
Ability to generate reports for *overall organizational performance*	✓	✓
Metrics *by giving program*: • Annual giving • Major Gifts • Corporate/Foundation Gifts • Planned Giving • Government Grants • Special Events		✓
Custom tables of results based on *selected variables*: Number of staff, total for gifts received by giving program, or expense totals	✓	✓
Constituency Giving (physicians, board members, grateful patients, executive staff)		✓
Activity tracking for Major Gifts, Planned Giving, Annual Fund, and Special Events		✓
Expense tracking by fundraising activity		✓
2014 pricing : AHP Member Institutions	$495	$1,000
Non-members **	$795	$1,500

* 10% discount for Report on Giving survey participants.

** Membership fees are $498 per year for an individual.

Learn more online at www.ahp.org/reportongiving.

Table of Figures