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FUNDRAISING DOWN THE DRAIN The Leaky Bucket Benchmarking Study of Effective Fundraising 2014

Report Highlights



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The Leaky Bucket Benchmarking Study 2014: Report Highlights

Introduction to the Study

After working with nonprofit organizations and their leaders since 1995, the year we launched Bristol Strategy Group, we noticed several topics that came up in discussion often. Rather, we should say these topics came up in “water cooler” conversations, those unguarded moments where people tend to reveal their pet peeves, gripes and disparaging remarks about the way things are going in their organizations.

After a while, we realized we were hearing similar stories from nonprofit organizations of all sizes, sectors, and countries around the world, especially when the conversations turned to fundraising. We rarely hear people say, “Our nonprofit has more money than we know what to do with.” We’re more likely to hear “We can’t meet payroll,” “the board wants us to throw more events,” “W have no time to meet our current donors,” and “Things are a mess; I feel like we’re just throwing darts!”

Comments like these often carry the weight of truth with them. Since we heard similar themes so often, we felt they might provide useful clues to the problem of fundraising, the “black sheep” of the nonprofit sector, as Dan Pallotta has said in his groundbreaking book *Uncharitable*. We decided to study the problem by offering a free online assessment designed to measure the level of maturity of nine basic business practices that either contribute to or detract from the productivity of the fundraising effort.

This report is the first of what we plan to be annual or bi-annual benchmarking studies about fundraising productivity in the nonprofit sector. While there has been considerable research on donor behavior and giving patterns, research on staff performance, including volunteers, has been lacking. Staff performance depends heavily on management and leadership, and is a result of the management controls provided to govern such performance. The Leaky Bucket aims to discover the standard practices used to manage and control fundraising in these nine areas:

- How you qualify donor/grantor prospects
- How you acquire new donors
- How you retain donors
- How you develop donors through “up-selling” and “cross-selling”
- How you manage funding diversification
- Your staff resources for fundraising
- How you measure fundraising performance
- What you include in your fundraising ‘toolkit’
- What techniques you use when fundraising results fall below desired levels

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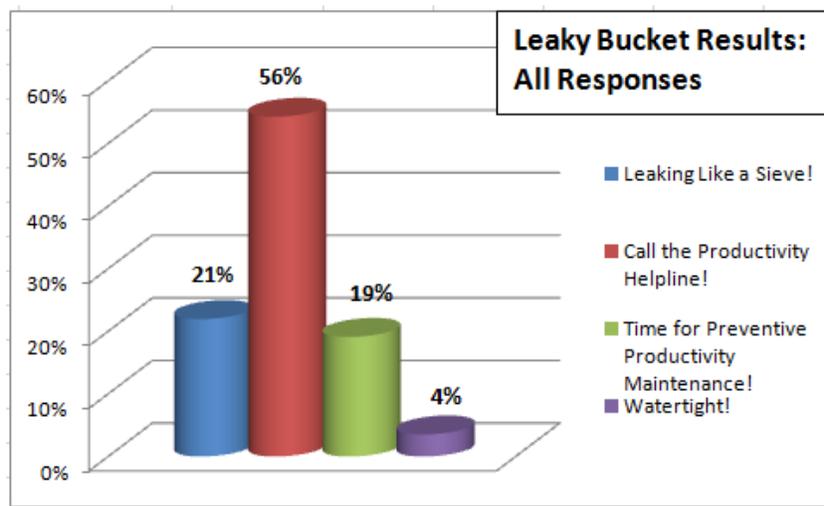
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The Leaky Bucket Assessment for Effective Fundraising measures the level of maturity of the nine basic business disciplines mentioned above. These practices either contribute to or detract from the productivity of the fundraising team. Between April 2011 and December 2013, we received 597 valid surveys¹ from fundraising professionals, nonprofit executives, board directors and others from the United States, Canada, the United Kingdom, France, several South American and Caribbean nations, and even one from the Galapagos Islands. Agencies from virtually every nonprofit sector, size of annual budget, and size of development shop participated, although higher education and arts organizations were under-represented.

The Complete Study contains analysis and interpretation of the findings.

The data are noteworthy. Only a small group of respondents - 4 percent - rated their agency's fundraising productivity at the highest level, Watertight. Meanwhile 21 percent came in at the lowest level, "Leaking Like a Sieve," and 56 percent scored at the next level up, "Call the Productivity Helpline,"



for a total of 77 percent scoring below the midpoint. These statistics suggest that few nonprofits think about or implement standards or controls for the purpose of achieving desired results at a manageable cost in time, effort and money. While it is inherently difficult to predict fundraising results, the Leaky Bucket suggests that nonprofits could improve the reliability of their fundraising results by

adopting management standards and practices that produce measurable outcomes.

Managers can exert effective control over staff performance by establishing pertinent guidelines, benchmarks and performance metrics. Without such controls, the productivity of the given business process is left, at least to some extent, to chance. Leaky Bucket respondents, however, show us that such controls are weak or lacking altogether in the nine areas studied by the Assessment.

¹ A survey is valid when all statements and profiling fields have been completed, and the respondent has entered a current, valid email address.

Insufficient Management Controls over Donor Acquisition, Retention and Upgrading

Overall, the majority of responses for each of these practices reflect the graph for total overall results. According to Leaky Bucket data, the majority of respondents stated a lack of clear, documented expectations or performance targets for such basic functions. For acquisition, 62 percent of all responses were below the midpoint. For retention, the proportion was 72 percent, and funder development or upgrading, a huge 77 percent. Only a small minority reported clear, documented expectations for the same areas, with 15 percent reporting effective productivity for funder acquisition, 10 percent for funder retention, and a mere 5 percent for upgrading funder's level of giving.

- Acquiring new funding sources:
 - 62 percent had no targets, or were merely “encouraged” to acquire new funders
- Retaining current funders:
 - 72 percent had no targets, or were merely “encouraged” to retain funders
- Upgrading of current funders through up-selling (getting larger gifts) and cross-selling (persuading funders to underwrite more than one campaign)
 - 77 percent had no targets, or were merely “encouraged” to upgrade

Heavy Reliance on Trailing Indicators; Little Use of Leading Indicators

The majority of respondents stated the use of few performance metrics altogether, but those that use any metrics tend to rely only on trailing indicators. Trailing indicators are those that show up after the process is complete. Income is a classic trailing indicator, since it never enters the checking account until long after the work of cultivation has been performed.

Total income and income by category were the options most frequently selected by our respondents. These figures show poor productivity in two ways. First, both metrics really should be tracked by all nonprofits, yet the total tracking of these indicators was just slightly above half. Could it be true that nearly half of all respondents do not track their income? Second, the use of early-stage or leading indicators was so modest, it does not counterbalance the over-reliance on trailing indicators.

- Total Income:
 - Only 63 percent of the respondent pool use total income as a performance measure; thus 37 percent do not
- Income by Funding Category (Gifts, Grants, Corporate Giving):
 - Only 51 percent of the pool keep track of income by category; thus 49 percent don't bother

Tactical Responses to Undesirable Fundraising Results

The way organizations respond to undesirable results can be instructive. Leaders who are able to face the “brutal facts” and use them as opportunities for learning and improvement will get better results than those who do not. However, Leaky Bucket responses showed that the majority of organizations have few methods for dealing with the situation when fundraising results were below desired levels. The majority selected tactical activities that have a relatively high cost in money and staff time and offer only low to moderate returns on investment.

The most popular option for managing undesirable fundraising results was throwing additional fundraising events and writing more grant applications. These are both high-cost, low return on investment.

The options offering relatively modest cost and moderate to high returns on investment attracted less than a quarter of the entire pool of respondents.

Summary

Fundraising is strategic and mission critical, yet it does not receive the appropriate level of attention it justifies from organizational leadership, at least in the populations we have studied so far. With government support for nonprofits waning, the failure to upgrade the management of the fundraising initiative could compromise the long-term viability of nonprofit organizations and NGO’s around the globe. Plugging these “leaks,” on the other hand, is less difficult or costly than it may be.

To Get the Complete Report

You may purchase the complete report, *Fundraising Down the Drain: The Leaky Bucket Benchmarking Study 2014*, at a price of \$47.00, by clicking [here](#).

Buy the Book: [The Leaky Bucket: What’s Wrong with Your Fundraising and How You Can Fix It!](#) Co-authored by Ellen Bristol and Linda Lysakowski, this book was inspired by the Leaky Bucket Assessment. It includes suggested best practices for improving the productivity of your fundraising efforts.