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**Exploring Benchmarking: The Efficacy of Establishing
Common Key Performance Indicators for Grant Fundraising**
By: *Tim Calabrese, Director, Conservation & Education Philanthropy,
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Abstract

This paper explores the need for grant professionals to establish external benchmarks that assist organizations in assessing and monitoring the health, performance and sustainability of their grant fundraising efforts. To be most effective, these benchmarks should be commonly used and broadly accepted by grant professionals and their organizations. Benchmarks are of great interest amongst grant professionals. However, there are many challenges in developing any type of standardized measuring system. The authors, therefore, seek to explore key performance indicators (KPIs) currently in use by grant professionals across varied industry segments to determine the feasibility of establishing benchmarks for comparative purposes.

Definitions of Key Terms

Key Performance Indicators (KPIs): A set of quantifiable measures that assesses an organization's annual performance relative to its own unique strategic goals, priorities and performance criteria.

Benchmarks: A set of quantifiable industry standards or best practices that measures organizational performance using commonly-accepted KPIs that are compared to similar organizations in the same field.

Organizational Effectiveness Variables (OEVs): Key performance indicators that directly impact the overall health and effectiveness of an organization (*See examples in Diagram 1*).

Introduction

In an increasingly tight fiscal climate, many non-profits are facing decreased revenue from individual donors and other common sources of unrestricted funding. In the authors' experience, when unrestricted funds decline, restricted grant revenue frequently gains importance as a means of stabilizing organizational budgets, even becoming a lead source of operational income for some programs. As a result of the enhanced profile of restricted revenue within the larger pool of fiscal resources, organizational leaders commonly request data revealing the performance of grants staff and related fundraising efforts to predict future revenue and assist in annual budget setting. Unfortunately, common sets of key performance indicators (KPIs) and benchmarks to address these demands have not been fully developed or vetted by grant professionals, professional associations, or in the literature. Therefore, the authors seek to initiate a dialogue among grant professionals to establish common KPIs that will help inform the development of benchmarks for the grants field and within specific industry segments.

Given that broadly accepted KPIs and benchmarks are available for organizations that focus on individual giving, both major gifts and membership, it seems clear that KPIs may also be developed to assess the success of grant fundraising. The need for KPIs and benchmarks goes beyond any departmental or individual performance evaluation and serves as a critical tool for monitoring the overall fiscal stability of an organization (Saul, 2004, p.1-12). Additionally, the widespread adoption of KPIs and benchmarks serves to strengthen the grants field by providing a broadly accepted measurement system that demonstrates the value and performance of all grant professionals (Hubbell, 2008).

Case Study: Absence of Grant Fundraising Benchmarks

The initial motivation to research benchmarks for grant fundraising occurred as the authors led an internal analysis, as requested by leadership of a national nonprofit organization, to assess and improve the effectiveness of its grant fundraising efforts. To initiate this process, the authors convened a task force composed of a diverse blend of staff members from the organization's philanthropy, program and finance departments. Its primary goals were to establish KPIs based on internal historical data, streamline grant submission processes and identify growth opportunities.

To provide context for the development of KPIs and ultimately benchmarks, the authors reviewed available literature and solicited feedback from individual grant practitioners through Grant Professionals Association (GPA) message boards and informal discussions. However, the authors were unable to identify well established benchmarks for grant professionals that are both useful for organizational budgeting and widely accepted by the grants industry. Significantly, a GPA white paper featuring results from the *2011-12 Grant Professionals Impact Survey*, also highlights the need to "provide other performance metrics, not just dollars raised" (Alford et al., 2013, p. 23).

By collaborating with *GrantStation*, the organization that manages the bi-annual *The State of Grantseeking* survey, the authors proposed a series of benchmarking questions for inclusion in the Spring 2014 survey. The questions gauge the use of internal versus external benchmarking data and request feedback on the most common KPIs. Overall, the survey results of over 1,200 respondents confirm the authors' assumptions by showing that internal KPIs are utilized at a much higher rate (44%) than external benchmarks (5%) to monitor the performance and effectiveness of organizational grant fundraising programs (Mowrer, 2014, p. 33).

Strategies to Overcome Benchmarking Challenges

One key finding of the task force suggests that organizational leadership frequently wants not only to measure internal performance but also to compare their successes to other similar organizations. The lack of commonly accepted KPIs for the grant-seeking field, or segments thereof, means that little or no KPI data is available from similar organizations. By definition, this means there are no benchmarks, making comparisons impossible. Consequently, grant professionals should first work toward establishing KPIs, then track and share the resulting data as necessary prerequisites to the benchmark setting process.

In contrast, tools are presently available for predicting revenue and return on investment for planned and individual giving. Indeed, the Fundraising Effectiveness Project (FEP) launched by the Association of Fundraising Professionals and the Urban Institute, conducts an annual survey that assists non-profits in better understanding their overall performance in relation to individual donor retention and recruitment activities. Since its establishment in 2006, the FEP's survey response rate has grown from 275 in 2007 to over 3,000 in 2012. The success of this survey in helping "to not only compare the performance of their organization from one year to the next, but also to compare with the performance of other organizations" implies that a similar tool can be developed to monitor grant fundraising performance (Fundraising Effectiveness Survey, 2012, pg.4).

The authors recognize that convening the large number of stakeholders necessary to vet and approve KPIs is challenging at the organizational level and that such a task becomes exponentially more complicated when considering the inclusion of all segments of the grants industry. Indeed, a process to develop widely accepted KPIs, and eventually benchmarks, must take into account several key issues such as:

- the ability to account for both commonly-accepted and unique organizational effectiveness variables (OEVs);
- the acceptance of a common approach to identify KPIs; and
- the ability to generate a unified interest across the grants community in developing both KPIs and benchmarks, which requires the sharing of data across industry segments.

As the authors outline below, these issues can be addressed through a logical set of next steps that builds on existing KPIs and best practices for creating effective benchmarking strategies.

Organizational Effectiveness Variables

The success of individual fundraisers and development departments is greatly influenced by a considerable number of organizational effectiveness variables (OEVs), as shown in *Diagram 1* below, that are beyond the control of any single development or grant professional.

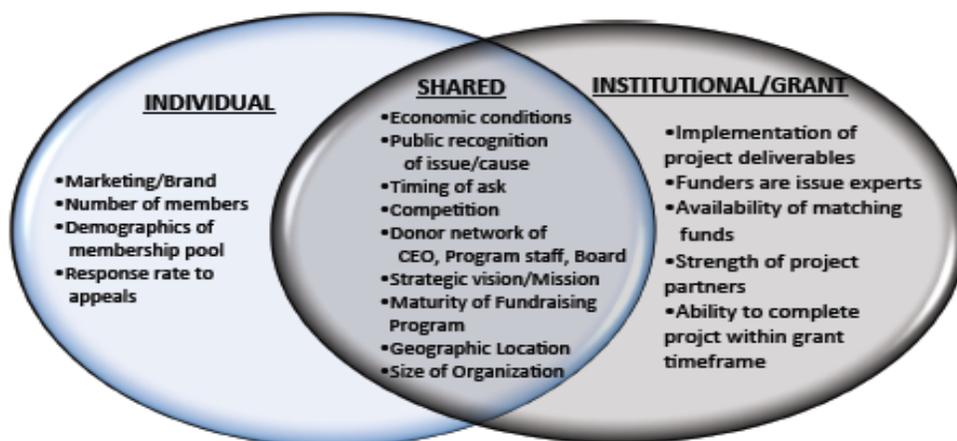


Diagram 1. Unique & Shared Variables for Individual and Institutional fundraising

The diagram above illustrates that unique and shared OEVs influence the success of fundraisers and grant professionals within development departments who solicit from individual donors and grantors. Therefore, all fundraising units must work collaboratively when addressing these organizational variables to enhance fundraising readiness, while recognizing the impact of select variables differs between each fundraising unit (e.g. individual vs institutional). Adding to this complexity is that grant seekers face an additional challenge, as successful grants acquisition is often tied to the historic performance of a specific program(s). Tony Poderis (2011) best expresses this challenge by recognizing that,

... different approaches to fundraising, institutional environments, and donor bases will yield numbers unlikely to be relevant to any institution other than the one that produced them. The labels applied to the numbers may be the same, but the underlying variables defining them are likely to make such comparisons invalid.

The influence of complex OEVs in grant fundraising is clear. Even so, it is encouraging to grant professionals that benchmarks are available for other fundraising sectors facing some of the same variables. A deeper investigation into the impetus and

development of benchmarks for those sectors will help assess the feasibility of creating a similar process for grant fundraising.

Towards the Development of Key Performance Indicators

Yet another unique characteristic of grant seeking results from the qualitative and therefore less definable aspects of program development, organizational planning, and external image building (Faruqi, 2004). This creates the need for a more comprehensive view of KPIs that looks beyond common quantitative indicators such as the number of proposals written and awarded. The complexity of this “full landscape” as described by Faruqi (2004) presents challenges for grant professionals in assessing and articulating their performance for colleagues, managers and organizational leadership, a problem mentioned frequently in both online discussions and the literature (Faruqi, 2004, pg. 87). Additionally, the variance and complexity of business practices and fundraising assets between grant seeking organizations in divergent fields, requires a certain degree of flexibility when utilizing internal KPIs and external benchmarks to account for these nuances (Keehly & Abercrombie, 2008). However, this complexity is not impossible to overcome.

Despite concerns throughout the field that developing a set of benchmarks that relies more heavily on numeric data and measurable results will lead to oversimplification, the importance of comparative data in both the non-profit and for-profit sectors is likely to increase. This does not suggest, however, that a complete overhaul of evaluation processes for grant professionals and their organizations will occur overnight, as employers continue to place greater emphasis on numeric value comparisons rather than rich text narratives. However, the growing appetite for quantitative indicators provides a tangible impetus to initiate the benchmarking conversation within the grant seeking community. The KPIs espoused by Faruqi (2004), as shown in the table below, represent a starting point for the development of benchmarks once the topic gains the proper momentum across the grant fundraising community.

| | |
|--|---|
| 1) Number of proposals submitted | 5) Number of first time grants |
| 2) Total amount of funds raised | 6) Number of repeat grants |
| 3) Success rate | 7) Stewardship activities (reports, calls, updates, etc.) |
| 4) Number of new foundations researched and approached | |

(Source: Faruqi, 2004, pg. 88)

For many grant professionals, self-evaluation using KPIs based on internal data from previous years is the best method to demonstrate success to superiors. Faruqi (2004) recommends that these indicators be reviewed annually “not just by grant professionals and their supervisors, but the entire grants team including program staff and senior leadership to ensure buy-in and commitment” (p. 88). The authors recognize the need for this type of comprehensive review of internal KPIs, but there is value in expanding the scope of review beyond the organizational level by developing external

benchmarks. By doing so, grant professionals and organizations may calibrate both past performance and future goals with peers and best practices from similar organizations (Tiernan, 2012).

Recommendations for Further Action

The development of industry-specific KPIs and benchmarks is a complex task requiring significant planning beyond the scope of this paper, as well as the involvement of a broad set of stakeholders with leadership from the Grant Professional Association and others. With this paper, the authors present the value of KPIs and benchmarks for the grants industry and challenge the notion that such collaborative measures cannot be developed. As a call to action, the authors recommend a deeper exploration into KPIs currently in use by a wide variety of grant seeking organizations as an impetus to engage thought leaders to assess the feasibility of developing benchmarks.

Considering KPIs are not usually publicly accessible or actively shared between organizations, generating awareness within the grants community of the need for external benchmarks is a necessary prerequisite. Gaining a better understanding of the various types of performance data already being collected by grant-seeking organizations across various industry segments serves as a logical first step.

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