The mention of accountability systems for fundraisers often leads to animated discussions. Operating nonprofits with a business-oriented mindset is nothing new. However, balancing the art and science of major gift fundraising is challenging for even the best fundraising teams. Efforts to set aside possible conflict and anxiety over accountability metrics can lead to a more empowered environment that is good for gift officers, management and donors.
Peter Drucker said, “What is measured improves.” Although it seems like the notion of metrics is taken to extremes these days, most within the nonprofit arena would agree that improving our fundraising results begins with measurable goals and activity steps. Here, we offer some useful tips toward developing a more accountable and successful fundraising team.

In the world of annual giving, fundraising metrics are standard fare. However, some major gift operations don’t embrace the same disciplines as those found in annual giving—even though the stakes are often higher. For example, just a 10 percent decline in the number of major gift donors can result in a 30 percent (or more) decline in fundraising revenue. Who can afford to leave the results up to chance when there’s a potential revenue swing of that magnitude on the table? It’s easier for senior management and volunteers to sleep at night when clear metrics exist that are directly tied to the financial goals of the organization.

Often, gift officer management systems focus on just a few key metrics such as number of donor visits, number of proposals, and contribution revenue. The more robust systems, with higher probabilities of success, measure several interim steps, including the number of “discovery” visits, number of prospect “moves,” the number of stewardship contacts, etc. But before we can dive deep into determining the various measurable steps in the process, major gift prospects must be identified, individual donor cultivation status must be determined, prospects must be assigned to gift officers, and realistic goals must be set. This whitepaper will explore all of these issues and position you to implement a strong accountability system.

CAN WE JUST HIRE SOMEONE TO “DO” THE MAJOR GIFT FUNDRAISING FOR US?

Some view the key to success to be in the hands of HR who sometimes receives a charge like this: “Go find a superstar development director who can get this done for us!”

Instead, CEOs and nonprofit boards must focus on building a lasting infrastructure that can adapt to changing personnel. Hiring people with the potential to be top performers is important, but they must also be surrounded by several critical program components—solid donor analytics, a powerful case message, appropriate donor stewardship, and engaged senior managers and volunteers.

Even the best major gift officers (MGOs) aren’t going to stay around forever. You must guard your organization against short-term success that is highly dependent on a few key personalities. Instead, build a “culture of philanthropy” that can easily conform to changing personnel. The process by which you identify prospects, make donor assignments, set goals, execute your plan and measure your results will become a lasting infrastructure that lives beyond the current staff and boards!
WHAT EXACTLY IS A MAJOR GIFT?

The answer depends on where in the fundraising lifecycle the institution or organization finds itself. For some with new programs, it may be $5,000 or $10,000. For many others, it may be $25,000, $50,000 or even more. For the purposes of this discussion, we will define a major gift as $25,000 or more. Donations of lesser amounts, even if they fit your current definition of a major gift, usually can be attracted through straightforward, short-term methods like events, high-end direct response, and Pursuant’s Charitable Partners™ Mid-Level Program. Securing major gifts usually requires multiple cultivation steps, and thus demands a system that measures those multiple steps toward earning a major gift.

WHO IN OUR DATABASE ARE MAJOR GIFT PROSPECTS?

Before making portfolio assignments to your gift officers, a major gift donor pool must be established. Over the last few years it has become easier to identify donors within your constituency who possess the financial capacity to make a one-time gift of $25,000 or higher. Wealth screening services from companies like Target Analytics and others provide a good place to start for such information.

What does a “typical” $25,000 donor look like?

The body of knowledge around this topic is vast, but here are a few rules of thumb. Mid-career donors with the potential to make a one-time gift of $25,000+ will typically be income earners in the mid-six-figure range or higher. Arguably Late Career donors can be evaluated more in terms of their accumulated assets. Such donors must possess income-producing assets of more than $2 million (lower, if gifts are made in the form of multi-year pledges). This threshold can be adjusted up or down depending on the age of the donor. Retired donors, for example, with many of life’s major expenses behind them, may be willing major gift prospects with lesser overall wealth. These are VERY general rules of thumb and should be viewed as just a starting point. Donor information beyond one’s financial capacity tells the real story.

Once financial capacity has been identified, donor interest or affinity must be determined. Various modeling/prioritization services should consider additional factors such as RFM (Recency, Frequency and Monetary) analysis of past giving, and expressions of donor affinity to your cause. At Pursuant, we assign donors with a Behavioral Interest Profile (BIP) score to illustrate donor affinity. BIP scores can be developed by analyzing off-line behaviors such as event attendance and volunteer participation, as well as online behaviors such as consumption of your online content (opens and clickthroughs).

1Investment assets, excluding residential real estate and retirement assets
The combined evaluation of wealth data, RFM and behavioral information can help you prioritize your list of major gift prospects. This “stack ranking” of the prospect pool provides a general road map for portfolio assignments. At Pursuant, we refer to this exercise as Donor Prioritization.

**HOW DO WE ASSESS THE SHORT-TERM POTENTIAL OF THE PROSPECT POOL?**

At some point early on in the planning process, there must be a realistic intersection between the financial goals of the organization and the short-term philanthropic potential of your base of prospective major gift donors.

The CFO may desire a 10 percent increase over the prior year’s results, or perhaps a specific project needs to be funded at a certain dollar amount.

To determine whether you can realistically achieve these targets requires an assessment of your donor prospect pool. This normally requires input from several members of your team, both staff and volunteer, who help determine where each prospect sits in the cultivation cycle. Prospect Stages are used to define the donor’s current status:

- **Discovery** (Capacity and affinity have been verified but no personal visits have occurred.)
- **Early Cultivation** (An initial visit has occurred but not much else.)
- **Mid Cultivation** (Multiple interactions have occurred, and the relationship is advancing.)
- **Ready to Solicit** (Above average interest in the case for support has been verified; a major gift ask will not damage the relationship.)
- **Proposal Pending** (A major gift proposal has been presented to the donor.)
- **Stewardship** (A previous major gift has been made; discussion about another major gift is premature.)

Careful determination of the Prospect Stage of each donor prospect is a key step in the assessment of the short-term philanthropic potential of the overall prospect pool.

**HOW MANY PROSPECTS CAN A GIFT OFFICER REASONABLY HANDLE?**

Establishing portfolio size for each gift officer is a good next step. The current trend is toward smaller portfolios of 80 to 150 prospective donors. “Dunbar’s Number definitely applies in this case,” says Gary Cole, EVP-Consulting at Pursuant. “Maintaining more than 150 social relationships is challenging for even the best of us. Our goal is to maximize the number of prospects who will seriously entertain a major gift proposal. It is best for each gift officer to
maintain a fairly tight portfolio from the beginning.” This is true even if the number of qualified prospects is significant. Prospects can always be removed (and replaced) from portfolios, so it is important to resist the temptation to create overly large portfolios.

Obviously, the total cumulative number of prospects assigned to gift officer portfolios is a function of the number of gift officers and the size of the portfolios.

**HOW SHOULD WE ASSIGN PROSPECTS TO GIFT OFFICERS?**

The portfolio mix may differ from one gift officer to another based on circumstances such as existing relationships or the geographic locations of the gift officers. Strive for a balance between Discovery Prospects (30%), Early and Mid Cultivation Prospects (40%) and Ready to Solicit/Proposal Pending Prospects (30%). Stewardship Prospects are often considered “below the line,” meaning that prospects at the Stewardship Stage are included in the portfolio but do not count toward the portfolio size limit.

On the first cut, gift officers who have been around for some time may end up with a disproportionate number of Stewardship Prospects. Maintaining too many of these relationships can have a detrimental impact on the gift officer’s ability to perform Discovery, Cultivation and Solicitation. Therefore, it is best to keep the number of Stewardship Prospects to a minimum (fewer than the number of Discovery Prospects).

Some organizations have the luxury of a stewardship department to help mitigate this potential conflict. Other more mature programs sometimes have targeted mid-level efforts aimed at performing Discovery visits. In this case, major gift officers are only dealing with prospects who have advanced beyond the Discovery Stage.

Once the portfolio assignments are complete, typically you should be ready to set your major gift fundraising goal for the year. However, you might find some unassigned prospects in the Cultivation or Ready to Solicit Stages. In such cases, you may need to add gift officers or rebalance portfolios to absorb these important individuals. Adding gift officers has obvious expense implications, but the following exercise may help you determine the right time to do so. Creating the next generation of major gift donors through interaction with Discovery Prospects is an important long-term strategy that cannot be ignored.

<table>
<thead>
<tr>
<th>Sample Portfolio Size = 80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Prospect Distribution</td>
</tr>
<tr>
<td># Discovery (30%) = 24</td>
</tr>
<tr>
<td># Early &amp; Mid Cultivation (40%) = 32</td>
</tr>
<tr>
<td># Ready to Solicit (30%) = 24</td>
</tr>
</tbody>
</table>

Stewardship Prospects are typically considered “below the line” in terms of determining portfolio size.
Depending on the distribution of the overall prospect pool, not all gift officers will have a perfectly balanced portfolio. You may choose to give some younger gift officers more Discovery Prospects, for example. From here, the building blocks for goal-setting begin falling into place.

**HOW DO WE SET ACHIEVABLE GOALS?**

Sometimes, there can be a temptation to overly simplify the goal setting process. At a high level, the notion of setting goals can appear to be fairly straightforward:

> “If we call on 100 people and 50% say yes, then we have 50 major gifts. If the average major gift is $10,000, then we can raise $500,000! Let’s get started!”

Unfortunately, it is not that easy. We must take into consideration the other issues that we have considered up to this point: Just what is a major gift? Who else in our database can make a major gift? How many proposals are currently pending? How many prospects will be ready to entertain a proposal (and make a decision) within the current fiscal year?

We must also evaluate how many gift officers we currently employ and then determine whether we have the human resources allocated to pursue the major gift potential that exists.²

You do not need sophisticated software or financial models to determine your goals. Setting the goal requires some fairly easy math that takes into consideration two key components:

For the purposes of this exercise, let’s assume we are setting goals for 2014 during the final few months of 2013 and for an organization with a December 31 fiscal year-end.

Start by evaluating the Open (pending) Proposals, or what some call the “Proposal Pipeline.” Each proposal should have an associated **Probability** (odds that it will materialize at the proposed amount) and **Projected Close Date**.

²For the purposes of this whitepaper, a staff-driven fundraising model is considered. Volunteers help open doors and influence donor decision-making. Volunteer-based fundraising models involve a similar process. The key difference is who is responsible for cultivating donor relationships – staff, volunteers, or both.
Proposal Pipeline

First, consider the open proposals (weighted value\(^3\)) with Projected Close Dates after January 1 (2014 Proposal Pipeline). Next, assume that some proposals in the 2013 Pipeline will roll over into 2014. A rule of thumb would be to carry forward into 2014 one-third of the weighted value of the 2013 open proposals. As you get closer to the end of the fiscal year, you can continually adjust the “rollover” proposal amount.

2014 Open Proposals (weighted value) = $150,000

2013 “Rollover” Proposals (33% X $151,250) = $49,912

Projected Revenue from “New Proposals”

2014 FUNDRAISING GOAL

Now, let’s figure out how much of the goal will be derived from “New Proposals.” We have to review the assessment of each prospect in the portfolio. In this example, let’s assume the gift officer has a fairly balanced portfolio with 30 percent of the prospects in the Ready to Solicit Stage. With a portfolio of 80 prospective donors, that equals 24 Ready to Solicit Prospects. Our sample organization has a historical Close Rate\(^4\) of 50 percent and projects an average major gift of $30,000.

\(^3\)Weighted Proposal Value = Proposal Value X Probability to Close
\(^4\)Percentage of Proposals that become Major Gifts
We can now add up all of the elements of the goal for 2014. This gift officer has a projected 2014 goal of $560,000!

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<table>
<thead>
<tr>
<th>Activity</th>
<th>2014 New Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td># Ready to Solicit Prospects</td>
<td>24</td>
</tr>
<tr>
<td>Projected Close Rate</td>
<td>50%</td>
</tr>
<tr>
<td>Projected # Major Gifts</td>
<td>12</td>
</tr>
<tr>
<td>Projected Average Gift</td>
<td>$30,000</td>
</tr>
<tr>
<td>Projected Revenue from New Proposals</td>
<td>$360,000</td>
</tr>
</tbody>
</table>

Again, the goal may ultimately increase based on proposals that roll over from 2013 to 2014. Considering this possibility provides incentive to finalize the gift in 2013.

Some organizations may have higher personal expectations for their gift officers, which may or may not be realistic. Taking this recommended approach will help ensure that achievable goals are established that properly assess the organization's short-term philanthropic potential.

**WHAT ARE THE NEXT STEPS?**

Finally, we have our prospects identified and assigned. Contribution Revenue Goals have been set. Now, we can move on to developing a measurement system to help increase the probability of achieving those goals. The next segment in this series will identify interim measures of major gift cultivation, acceptable performance standards, tracking and recognition. We look forward to sharing additional useful tips with you soon!