Original Article

‘More bang for the buck’: Examining influencers of fundraising efficiency and total dollars raised

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ABSTRACT This study examines institution-specific factors that are within the control of the advancement office and that predict fundraising efficiency and total dollars raised. Using data from the Council of Independent Colleges and IPEDS, fundraising outcomes are examined at private colleges in the United States. Most of the variables of interest are not statistically significant, with the exception of staff size, which is positively correlated with dollars raised. Institutional age and endowment size positively affect dollars raised; student body size positively affects efficiency.

International Journal of Educational Advancement (2009) 9, 35–41.

doi:10.1057/ijea.2009.19

Keywords: fundraising performance; private colleges; development efficiency

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INTRODUCTION

The ability to succeed at fundraising has implications beyond the fundraising office. Donor dollars can reduce tuition dependency,

enhance fiscal security, provide funding for programs that enhance campus life and even transform a campus. Increasingly, college presidents spend a significant percentage of their time on raising funds.

Much of the research on fundraising effectiveness evaluates factors that are outside of the institution's control, or at least beyond the immediate control of the advancement office. Institutional age relative to other institutions and an alumnus' undergraduate experience both matter, but are unchangeable. Expenditures per student and the budget can be changed, but not by the fundraiser (Brittingham and Pezzullo, 1990). Although knowing which type of alumni donate may help an institution to target its appeals, it does not increase the pool of available donors. More work needs to be done on what *fundraisers* themselves can do to increase giving. Although there is a plethora of experience-based advice on this, most of it has not been empirically tested. This paper focuses on characteristics of the advancement office (rather than of the institution as a whole) that have been normatively treated. It attempts to empirically test the value of these strategies.

LITERATURE REVIEW

Practitioner-oriented advice for fundraising draws on research and experience to create a set of 'best practices' for fundraising. One set of recommendations is drawn from the results of previous surveys (Miller, 2001). Willmer, for example, offers suggestions in the areas of goal articulation, authority and organizational structure, personnel, activities and functions, and evaluation (Willmer, 1981). A more recent edited

volume on fundraising for education discussed the state of research and best practices in research in areas ranging from annual funds to prospect research (Worth, 2002). There are other publications that provide fundraising advice, although they are aimed at nonprofits in general rather than higher education in particular (Burlingame and Hulse, 1991; Rosso and Associates, 1991).

Other research is more academic in orientation, although the findings can be applied by practitioners. A recent paper on the characteristics of donors that increase their contributions is one example (Weerts and Ronca, 2006). There is also a bounty of research in doctoral dissertations, although of widely varying quality. Many of these studies are of single institutions, and are focused on alumni giving (Kelly, 2002). Over 40 dissertations completed from 1991 to 2006 addressed factors affecting fundraising at colleges and universities, but almost none were published (Caboni and Proper, 2007). Much of this research, while valuable, necessarily focuses on the characteristics of the donor rather than the institution or economic climate, which require multi-institutional and longitudinal studies, respectively. Multi-institutional works are rare; one recent example focusing on state-wide forces looked at the impact of state appropriations on giving to public universities (Cheslock and Gianneschi, 2008).

This study focuses on the gap in the literature by addressing institution-specific factors that are within the control of the advancement office, at least to some degree. Specifically, this analysis examines the effects of these factors on the outcomes of fundraising efficiency and total dollars raised.

DATA SOURCES AND METHODOLOGY

The main source of data, including the variables of interest, is the most recent survey conducted by the Council of Independent Colleges (CIC) and the Council for Advancement and Support of Education (CASE). In 2006, the 555 private, not-for-profit colleges and universities that were members of CIC were surveyed, with 274 responding. The survey asked questions about alumni relations, fundraising, marketing, communications and enrollment management. The data collected were for the 2004–2005 academic year (Willmer, 2008).

Additional data on institutional characteristics were collected from the National Center for Education Statistics' IPEDS dataset. IPEDS data are collected annually from all institutions of higher education in the United States; the data used here are from the 2004–2005 academic year.

Two dependent measures were used in the analysis: fundraising efficiency and total dollars raised. The fundraising efficiency measure was constructed as the ratio of spending on advancement to dollars raised. This is a widely used measure of the cost to raise a dollar. Independent variables used as controls included geographic region, degree of urbanization, Carnegie classification, whether the institution is an HBCU, endowment at the beginning of the year, total tuition and mandatory fees, institutional age and several enrollment variables. Variables of interest came from the CIC/CASE data and included the following:

- Presence of a plan: 'Does this IA department have a written statement of objectives?'

- Involvement with top management: 'Is your chief advancement officer a member of the institution's executive officer policy-making group (cabinet)?'
- Size of professional staff devoted to fundraising.
- Whether the department actively solicits long-term gifts (wills/bequests, annuities and trusts).
- Number of days it takes to respond to a gift.
- The ratio of contacts that do not ask for a donation to those that do ('touches' in fundraising lingo): The number of magazines and newsletters sent per year divided by the number of general appeals for funds sent per year to the entire mailing list (where the latter was missing or zero, the number of appeals to regular donors was substituted).

The colleges in the sample have a mean age of 114 years. They have an average undergraduate enrollment of 2134 students, although the smallest is 376 and the largest 22421 students. The mean endowment at the beginning of the academic year is \$50 million, but the median is only \$23 million. On average, the colleges raised a mean of \$5.5 million and a median of \$4.2 million. The mean professional staff size is 6.4 people; the median is 5. Costs to raise a dollar are low – a mean of 23¢ and a median of 17¢.

Data from the two sources were merged using Excel, and were then analyzed using Stata. Multivariate analyses were conducted using ordinary least-squares regression. Two models were specified – one for each dependent measure.

Table 1: Regression Analysis for Fundraising Efficiency with Coefficients and Standard Errors

<i>Variable</i>	<i>Coefficient</i>	<i>Standard error</i>
Endowment, BOY 2004–05	0.000	0.000
HBCU	–0.207*	0.107
Masters I	–0.291*	0.153
Masters II	–0.163	0.157
BA—Liberal Arts	–0.291*	0.157
BA—General	–0.229	0.157
BA/Associates	0.471**	0.199
Associates colleges	–0.336	0.219
Health professionals	0.189	0.256
Business schools	–0.363	0.262
Total FTE	0.000***	0.000
Undergrade proportion	0.139	0.112
Institutional age	–0.001**	0.000
Department has a long-range plan	0.068	0.089
Chief is in cabinet	0.041	0.216
Tuition and fees	4 610 000.000	0.000
Size of professional staff	0.003	0.005
Response time to donations	0.006	0.012
Solicits deferred gifts	–0.246***	0.068

$R^2=0.3792$; * $P<0.10$, ** $P<0.05$, *** $P<0.01$; law schools dropped.

Table 2: Regression Analysis for Total Dollars Raised with Coefficients and Standard Errors

<i>Variable</i>	<i>Coefficient</i>	<i>Standard error</i>
Endowment, BOY 2004–05	0.024***	0.003
HBCU	1 997 901.000	1 364 353.000
Masters I	3 507 016.000	2 426 487.000
Masters II	3 567 042.000	2 488 465.000
BA—Liberal Arts	4 798 008.000*	2 494 109.000
BA—General	3 260 072.000	2 500 303.000
BA/Associates	23 56 007.000	3 014 727.000
Associates Colleges	2 230 959.000	3 468 030.000
Health professionals	388 656.300	4 084 971.000
Business schools	3 479 268.000	4 165 319.000
Law schools	12 900 000.000***	4 154 810.000
Total FTE	–159.332	175.257
Undergrade proportion	–2 497 710.000	1 769 071.000
Institutional age	18 507.810***	5 907.369
Department has a long-range plan	–678 332.500	1 245 442.000
Chief is in cabinet	1 818 067.000	2 391 184.000
Tuition and fees	–17.403	67.624
Size of professional staff	331 311.100***	81 312.670
Response time to donations	–86 053.390	174 584.300
Solicits deferred gifts	589 361.600	4 141 751.000

$R^2=0.5412$; * $P<0.10$, ** $P<0.05$, *** $P<0.01$.

RESULTS

Region and urbanization were not significant in any model, and were dropped from the analysis. The ratio of donation requests to touches was also dropped. This variable was possibly misspecified; because the survey examined the use of newsletters and magazines only, it ignored emails, thank you's, department or school bulletins, and personal contacts. This was reflected by the 108 institutions that had as many or more general appeals than touches.

The first model used fundraising efficiency as the dependent variable (Table 1). Of the control variables, surprisingly endowment size was not statistically significant. Being a historically Black college or university (HBCU) had a negative, significant effect, and total enrollment had a positive, significant effect, although the coefficient is tiny; at three places, it rounds to zero. Institutional age, which is thought to have a positive effect, was negative and significant, but small. Among the variables of interest, only whether the department solicited long-term deferred gifts was significant, and this was surprisingly negative.

The second specification was for the total dollars raised (Table 2). Here, the endowment and age control variables were significant and in the expected direction (positive). HBCU and enrollment were not significant. Among the variables of interest, only staff size mattered.

CONCLUSION

Results from this study indicate that older institutions with larger endowments raise more funds than newer, less-endowed institutions,

independent of any effort put forth. A larger staff is also able to raise more funds. These findings are not surprising, as they align with previous research. It is unexpected that endowment size does not affect 'bang for the buck.' In other words, less-endowed institutions are just as efficient at raising funds. A larger student body increases fundraising efficiency, perhaps because the larger alumni base increases the number of likely donors. (The converse of this is that more dollars need to be raised to have the same funds per student).

The one recommendation for practitioners from this study is that staff size matters; larger staffs increased total dollars raised. There seem to be no other organizational shortcuts to increasing dollars. Furthermore, only soliciting wills, bequests, trusts or annuities improved fundraising efficiency. This may not be bad news, however; it may mean that the difference between 'best' practices and 'ordinary' practices is minimal, and that no one is engaging in 'bad' practices. All institutions, for example, indicated that donations were acknowledged; perhaps the difference between responding the day a donation is received and responding seven days later is irrelevant to donors. (Only four colleges indicated that it took eight days or longer to respond.) Along similar lines, only nine institutions did not have a long-range plan; this number may have been too small to make the coefficients significant, even if planning is valuable.

The results from this study provide limited guidance for institutions that wish to increase their fundraising efficiency. The one recommendation

from this analysis is to solicit deferred gifts. Willmer (1981) suggests that each dollar raised should cost 25¢–40¢; only 23 colleges in this study spent more than 40¢ per dollar. It is noteworthy that only three of these 23 institutions had programs in place to solicit deferred gifts, whereas just nine colleges with ratios of 40¢ or below did not solicit deferred gifts.

Fundraising efficiency, as cost per dollar raised, has had detractors for 30 years, but its ease of use means that it remains a commonly used measure. According to Rooney (1999):

Warren Heeman (1979) and other scholars argue that there is a distinction between fundraising efficiency (for example, minimizing the average cost per dollar raised) and effectiveness (for example, maximizing the net between total gifts less total fundraising costs). Heeman illustrates his point with an example. Most would prefer a program that raised \$3 million and spent \$300 000 (cost of fundraising equals 10 per cent) over a program that raised \$2 million and spent only \$160 000 (8 per cent cost of fundraising).

Furthermore, an across-the-board measure of efficiency obscures differential costs between types of donors. Acquiring new donors, who usually give small amounts, may cost as much as it raises. However, without this activity, fundraisers cannot engage in more lucrative practices such as securing major gifts from established donors. More recent proposals for analyzing fundraising efficiency tend to take into account a wide range of costs, including public relations marketing, and recommend calculating

different ratios for different types of fundraising (Levis *et al*, 1993; Rooney, 1999).

The insignificance of our coefficients may result from using a ratio that masks a variety of efficiencies. For example, a college may have an excellent annual fund but does poorly at raising major gifts. Another might generally be efficient across the board, but happens to have increased costs in one year by preparing for a capital campaign. Overall efficiency is only a starting point for evaluating a fundraising program's effectiveness.

PROBLEM STATEMENT

Increasing staff size remains the best way to improve fundraising performance. Most advancement offices have mastered the basics of good fundraising practice, such as responding to gifts in a timely manner, and incremental improvements do not have a significant impact on outcomes.

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