



Perspectives for Community Foundations

Winter 2003

Measuring Success in Donor Development Per Capita Giving Levels Highlight Successful Strategies

by *Rebecca Graves and Owen Stearns*

Every foundation wants to maximize its investment returns and achieve social impact with the leanest possible organization. Many standard metrics exist—such as portfolio returns and operating cost ratios—to help community foundations compare themselves to their peers and set appropriate performance targets. But community foundations also need to raise money from donors, and finding meaningful ways to measure this crucial aspect of their performance is much more complicated.

It's easy enough to measure how much money comes in the door, but merely comparing the total contributions received by different community foundations doesn't take into account important variations in size and location. If community foundations are to learn from each other's success, they must find ways to cancel out these distortions and create truly comparable performance data. None of the measures community foundations currently use to gauge the success of their fundraising yet achieves this goal:

- **Total Contributions.** Comparing total gifts received requires a rigorously-defined peer group to be meaningful. And given the substantial diversity in population and wealth within the areas served by community foundations, identifying a meaningful peer group is very difficult.
- **Past Performance.** Comparing this year's gifts with those received in prior years eliminates the challenge of peer group selection, but it doesn't permit foundations to learn from each other. Lower performing foundations will miss opportunities to improve and, of course, one or two large

gifts in any year can make year-to-year comparisons meaningless.

- **New funds established.** Using the aggregate number of new funds established to serve as a proxy for the foundation's penetration of potential donors in its service area is also susceptible to the low expectations trap: It is difficult to measure performance or to set objectives effectively without a sense of the region's potential for giving.

Our experience suggests that a new measure—per capita giving within the foundation's service area—combined with a new goal setting process can enable community foundations to better understand their own performance and highlight successful strategies.

Measuring Per Capita Giving

We find that using 2000 U.S. Census data to develop a rigorous analysis of per capita giving within the counties included in the foundation's service area provides a much more reliable basis for discussions of donor development performance. More specifically, we recommend using a five-year average of per capita giving in order to eliminate year-to-year variations caused by occasional large gifts.

As an illustration, we've computed average per capita giving for the fifty largest community foundations by asset size. Take a look at the table on page 2 of this newsletter. There is striking range on display from \$1.89 up to \$91.84 per capita.

(Continued on page 2)

FSG News

West Coast Office

FSG has moved into its new West Coast offices:

Foundation Strategy Group, LLC
50 California Street, Suite 3165
San Francisco, CA 94111
Phone: (415) 397-8500

For more information, please call Fay Hanleybrown at extension 151.

Clients

FSG's latest work covers a wide range of issues for community, private and corporate foundation clients around the world:

- The Pittsburgh Foundation and The Community Foundation For Greater New Haven both retained FSG to lead them through the organizational change process needed to implement the strategies we helped them develop during the past year.
- The Milwaukee Foundation, San Francisco Foundation and Cleveland Foundation all began our community foundation cost & revenue analysis study.
- For The Maine Community Foundation we evaluated several capacity building grant programs.
- We helped a California foundation design a "performance dashboard" to help the Board and CEO track foundation performance concisely and consistently.
- The Bertarelli Foundation, in Geneva, Switzerland retained us to research and assess strategic options within the foundation's

(Continued on page 3)

The Ranking

Per Capita Giving at the 50 Largest Community Foundations

Rank	Foundation	Per Capita Giving 1997-2001 Average
1	Marin Community Foundation	\$91.84
2	Greater Kansas City Community Foundation	\$81.17
3	Omaha Community Foundation	\$74.08
4	Winston-Salem Foundation	\$71.91
5	Columbus Foundation & Affiliates	\$67.72
6	Kalamazoo Foundation	\$64.86
7	Tulsa Foundation	\$59.00
8	Community Foundation of Silicon Valley	\$58.90
9	Baton Rouge Area Foundation	\$55.85
10	Dayton Foundation	\$55.12
11	Central Indiana Community Foundation	\$49.25
12	Hartford Foundation for Public Giving	\$41.37
13	Community Foundation Serving Richmond & Central Virginia	\$40.43
14	Community Foundation of Greater Memphis	\$38.39
15	Peninsula Community Foundation	\$33.47
16	Saint Paul Foundation	\$30.95
17	Louisville Community Foundation	\$28.40
18	Fremont Area Foundation	\$26.16
19	Santa Barbara Foundation	\$26.09
20	Rochester Area Foundation	\$23.99
21	Seattle Foundation	\$23.37
22	Oklahoma City Community Foundation	\$23.15
23	Cleveland Foundation	\$21.79
24	San Diego Community Foundation	\$20.30
25	Greater Cincinnati Foundation	\$19.28
26	New Hampshire Charitable Foundation	\$16.83
27	Pittsburgh Foundation	\$16.66
28	San Francisco Foundation	\$16.50
29	Community Foundation of Middle Tennessee	\$16.44
30	Community Foundation for the National Capital Region	\$15.09
31	Oregon Community Foundation	\$14.80
32	Hawaii Community Foundation	\$14.35
33	Boston Foundation	\$13.18
34	Milwaukee Foundation	\$12.51
35	Community Foundation for Greater New Haven	\$11.94
36	Rhode Island Foundation	\$11.76
37	California Community Foundation	\$11.25
38	Denver Foundation	\$10.49
39	Grand Rapids Foundation	\$10.47
40	New York Community Trust	\$10.05
41	Community Foundation for Southeastern Michigan	\$9.98
42	Community Foundation for Greater Atlanta	\$9.67
43	Minneapolis Foundation	\$9.57
44	Norfolk Foundation	\$7.74
45	Arizona Community Foundation	\$7.58
46	Communities Foundation of Texas	\$3.94
47	Chicago Community Trust & Affiliates	\$3.53
48	Foundation for the Carolinas	\$3.50
49	Philadelphia Foundation	\$3.36
50	Venice Foundation	\$1.89

Interestingly, while smaller, wealthier communities such as Marin County tend to achieve higher per capita giving, this is not uniformly the case. Kalamazoo, for example, comes before Silicon Valley and Rochester ranks next to Seattle.

A further level of precision could theoretically be obtained by drawing on census data about income and wealth in each region. If per capita giving were divided by the average income in each service area, one could eliminate variations due to disparities in wealth and arrive at the share of local household income that each community foundation is able to raise, an even purer measure of development performance.

Even without that added level of complexity, however, a close look at the list suggests that performance is not determined by the wealth of the local community alone. In fact, there is a substantial variation in the data even for communities with demographic commonalities. Take, for example, foundations with service areas of between 1.0 and 1.1 million people. Here per capita giving ranges from \$11.76 up to \$67.72. (See Figure 1)

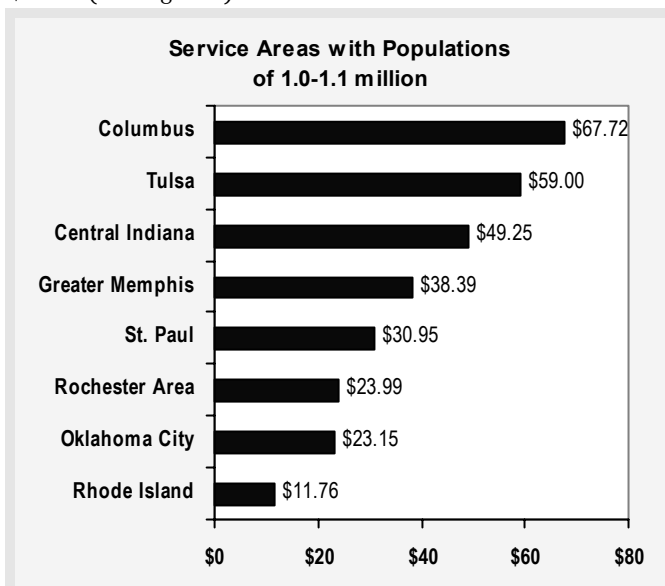


Figure 1

Clearly, other non-demographic variables are at work. In our work with clients we've found that in many cases the variation is best explained by strategic and operational factors. Is the foundation addressing issues of concern to the community? Do donors view the foundation as a vital player, or merely as venerable and wealthy? Are strong donor development programs in place? Has the foundation used technology well? Does the foundation employ best practices in all aspects of its work?

How did we compute these numbers? We started with the fifty largest United States community foundations based on 2001 assets as reported by the Columbus Foundation's Community Foundation Survey. We then computed annual average donor gifts to each of these foundations over the five-year period from 1997 through 2001—again based on Columbus Foundation data. Next, we reviewed each foundation's published materials to identify its unique service area, then determined service area population based either on each foundation's published materials or, lacking that, on 2000 United States Census data for the service area. Finally, we divided each foundation's average donation level over that five-year period by service area population to yield the reported per capita giving numbers.

Peer Review Process

Per capita measures have the potential to enable important conversations among a foundation's leadership and to provide insight into high-performing foundations. But using this measure alone is insufficient unless it is embedded in a constructive goal setting process.

Step 1: Identify Peers. This process begins with identifying an appropriate peer group of four to six foundations for comparison. Develop a set of peers with similar social goals, similar asset sizes, similar levels of affluence, and similar geographic coverage.

Step 2: Understand Strengths and Opportunities for Improvement. Compare your foundation's per capita giving with those of your peer group as in Figure 2. Look for sources of superior and inferior performance. Which peer actions should be emulated and which avoided? Are there elements of the foundation's fundraising strategy that should be revised?

Step 3: Establish Targets. Based on this thinking, identify ambitious, but achievable per capita targets for donor development. Having an explicit goal is itself one step in the process of successful donor development.

Achieving the Goals

Setting the goals is only the first step. A well-thought-out strategic plan to achieve them is critical. If the foundation has a low penetration of high net worth individuals in its service area, what can be done to attract more? If the foundation is only capturing a small portion of each donor's giving, how can this be increased? If new and promising donor segments have been ignored, how can they become involved?

Taking this kind of structured approach helps a foundation to establish fair and reasonable goals and to embark on critical discussions of what changes and new initiatives will be necessary to bring those goals to fruition. Such an analysis can advance the field of philanthropy by highlighting successful strategies and tactics that might otherwise go unnoticed. Above all, without such an approach, a foundation will never maximize the funds available to achieve its social mission. ☞

FSG News

(Continued from page 1)

focus area of infertility.

- For a family foundation, FSG created a plan to engage board members of different generations to focus on advancing the state of knowledge and practice nationally in supportive and transformational housing for low income families.

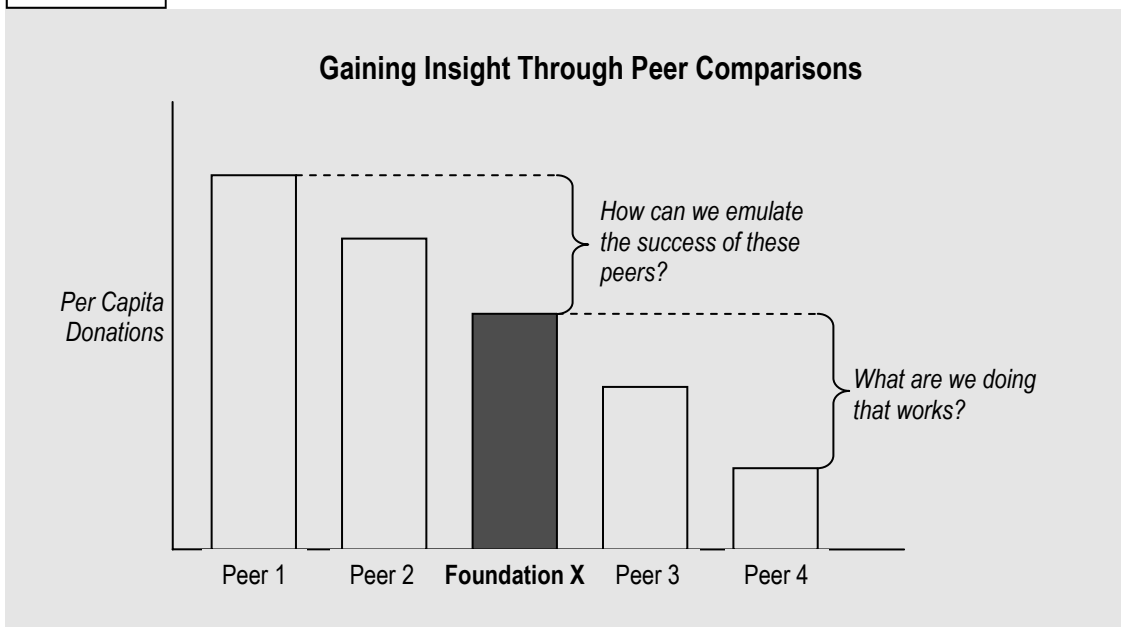
A Growing Team

We are delighted that a new Consultant has joined our San Francisco team:

Laura S. Loker, has joined us after completing her MBA with a certificate in Public Management and an MA in International Policy at Stanford University. She has consulted with private and community foundations on strategy and program design, focused specifically on issues relating to the environment and international health. Prior to joining FSG, she worked as a senior consultant at Deloitte Consulting focused on large-scale organizational change initiatives.

European Expansion. We are pleased to announce plans to open a FSG office in Geneva, Switzerland in April, 2003.

Figure 2



Setting Ambitious and Reasonable Goals

While a community foundation can conduct much of the computational analysis on per capita giving in-house, understanding the implications of a foundation's relative performance can benefit from an objective, experienced perspective.

FSG has helped community foundations assess and enhance their donor development efforts and would be pleased to discuss the opportunities facing your organization.

For more information, please contact one of us:

North America:

Mark Kramer or John Kania at 617-357-4000, or on the West Coast contact Fay Hanleybrown at 415-397-8500

www.foundationstrategy.com
info@foundationstrategy.com

About FSG

FSG is a professional consulting firm exclusively dedicated to helping community, corporate, private and family foundations increase their effectiveness.

We offer objective analysis and confidential counsel on strategy, organizational alignment, strategic communications, governance, leadership, foundation-wide assessment, and community foundation donor development.

We invest in innovative ideas and we partner with our clients to help them do good, better.

For more information call us or visit our web site.

Foundation Strategy Group, LLC

20 Park Plaza, Suite 1127
Boston, MA 02116
(617) 357-4000

50 California Street, Suite 3165
San Francisco, CA 94111
(415) 397-8500



Perspectives

for Community Foundations

FIRST CLASS
PRE-SORTED
U.S. POSTAGE
PAID
PERMIT #
BOSTON, MA

Foundation Strategy Group, LLC
20 Park Plaza, Suite 1127
Boston, MA 02116

In this issue:

*Ranking Community
Foundations by Per
Capita Contributions*