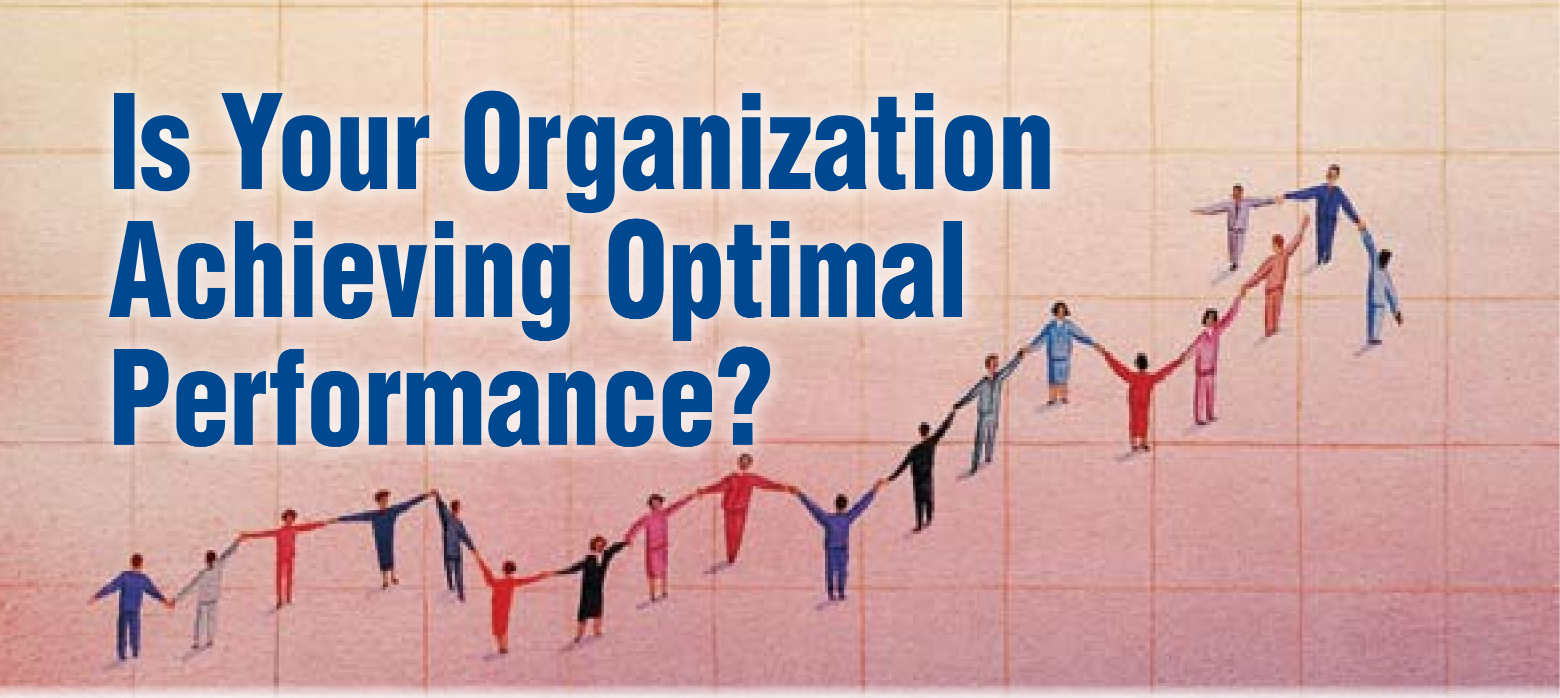

Is Your Organization Achieving Optimal Performance?

Reach your organization's highest potential by using your "hidden" assets.

By Brad Dawson

Is your organization operating at its optimal level? If funding is stable and revenue is increasing, you would probably respond "yes." Most likely, however, you would be wrong.

When asked this question, most executives look to their financial statements for answers. But financial statements measure tangible assets and are silent on the potential value of your most important and leverageable asset—your donors.

On average, organizations are realizing just 6% of their potential value—leaving an opportunity of 94%. For a $5 million organization, this translates to a potential value of over $80 million. Here's how to reap these benefits.

What's the Potential Value?

What is *your* organization's potential value? The answer establishes the benchmark for optimal performance and quantifies your organization's value *if all its leverageable assets are fully utilized.*[1]

To calculate your organization's potential value, multiply the number of donors by the expected value of your organization's entire fundraising portfolio. The result indicates how much revenue your organization would realize if every donor contributed to every fundraising appeal.

> Taking these simple steps makes it possible, with very little effort, to double your revenues.

Since you'll probably never attain that ideal, you can refine this computation by segmenting your donor population into classes. You can base these classifications on geography, age of donor, donation amount, or any other information. Once segmented, refine your organization's fundraising portfolio to include only those offerings that pertain to the designated donor class. Recalculate the potential value by donor class and add the results together.

This result provides a target for measuring overall performance, offers a benchmark for optimal performance, and highlights some interesting causal information. Specifically, how many donor segments did you create, and is there a distinct series of offerings for each segment to maintain every individual's interest?

If you're like most organizations, this exercise will show that for each donor class, your organization offers fragmented or partial solutions to the specific issues faced by that donor class. While you're addressing some issues faced by each donor segment, a larger group of unanswered issues remains. You'll likely find that your organization is providing partial value to each of your donor segments but isn't viewed as the sole source for the market, forcing donors to seek your competitors to remedy their unanswered issues.

How Does Your Organization Compare?

With your potential organization value established, you can now compare your actual revenues to this optimal value. In most cases, the actual revenue numbers fall far short of the potential value. Why is the gap so large? There are two possibilities:

- **The composition of your donor base** is inconsistent with your organization's mission.
- **Many of your donors** don't consider your fundraising events and appeals worthy of response.

There is good news, however, if your organization has a large performance gap. The bigger the gap, the more opportunity for improvement.

How Can You Increase Your Organization's Performance?

Outside your financial statements lies one of the most important performance metrics—revenue per donor. Too many organizations think

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the best way to increase revenues is to invest in aggressive marketing campaigns to find new donors. You can achieve greater returns at less cost by leveraging existing donors.

If your donor retention rates are low, then, boosting them should be your first priority. The reason for low retention rates:

- **Most new donors** don't realize that their contribution enrolled them into an organizational membership—with all the requisite rights and privileges.
- **Organizations act as if** once donors are captured, the work is over when, in fact, the work of integrating them into the organization's fabric has just begun.
- **Donors are a diverse bunch** with many different needs. To achieve more revenue per donor, you need offerings that each donor class can use. An event or fundraising letter that appeals to a single donor class cuts off a large group of donors.

Here, then, are the keys to boosting your retention rates:

- **Make sure donors know the benefits they gain** by contributing to your organization. Move them along a continuum of benefits so that there is always an incentive to give and a benefit to giving.[2]
- **Use surveys and focus groups** to see if donors realize the benefits available to them and if they'd like benefits you're not providing.[3]
- **Put time and energy** into involving donors in your organization and strengthening connections with them. This work will pay off far more than putting that same time and energy into seeking new donors.[4]

Once you have a strong retention plan in place, you can further increase your organization's value and performance with the following steps:

- **Pinpoint your target markets,** and gauge how far you've penetrated into those markets. If you have low levels of penetration into your markets, try low-cost donor acquisition methods.[5] If you have high levels of target-market penetration, seek out non-traditional donors.
- **Create new fundraising programs** and use innovative fundraising ideas to increase your organization's usefulness to donors. (See, for example, "Creative Fundraising Ideas" in each issue of *Nonprofit World.*)
- **If, like many organizations, you have fundraising offerings that have outlived their usefulness,** discontinue them. Take a pro-active approach, offering donors a logical progression of benefits to provide the greatest value to the greatest number of donors.

On average, organizations are realizing just 6% of their potential value—leaving an opportunity of 94%.

Double Your Money

Taking these simple steps makes it possible, with very little effort, to double your revenues. The beauty of this system is that you're using assets you already have—your donors and potential donors. Although these assets don't appear on your balance sheet, they have the most power to increase your organization's income. ■

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Outside your financial statements lies one of the most important performance metrics—revenue per donor.

Footnotes

[1]This computation of potential value is based on Corporate Actualization™, which is used in the commercial services world to increase performance with corporate assets that don't appear on the balance sheet but have the most potential to increase revenues. At the point where an organization's potential, capacity, and actual (or realized) value meet, Corporate Actualization™ is achieved. Unlike traditional financial measures that only provide for incremental asset movement, this method focuses on management's ability to maximize the value of existing assets.

[2]For example, donors may receive an e-mail newsletter, invitations to special events, or their names on a plaque. You might give them opportunities to take active roles in your organization, talk with a board member, or see the projects they fund in action. For more benefit ideas, see these *Nonprofit World* articles at www.snpo.org/members: "The Premium: Tool for Motivating Supporters" (Vol. 2, No. 5), "Make It Simple to Give" (Vol. 20, No. 1), and "Secrets of Sustaining" (Vol. 21, No. 2).

[3]See these *Nonprofit World* articles (www.snpo.org/members): "Using Surveys & Focus Groups to Gather Market Data" (Vol. 13, No. 3), "Are You Using the Power of Assessments and Audits?" (Vol. 14, No. 3), and "How to Conduct Focus Groups' (Vol. 17, No. 5).

[4]See Remley in "Resources."

[5]Some low-cost acquisition methods are discussed in these *Nonprofit World* articles (www.snpo.org/members): "Fundraising for 44 Cents" (Vol. 23, No. 3), "How to Send Less Mail and Increase Results" (Vol. 23, No. 4), "Fundraising on the Internet: Three Easy Strategies" (Vol. 17, No. 4), and "How Can I Find More Donors?" (Vol. 17, No. 2).

RESOURCES

Costello, Tim & Bryan Lilly, "Improve Your Donor Base," *Nonprofit World*, Vol. 19, No. 6.

Hitchcock, Stephen, "How to Start a Giving Club," *Nonprofit World*, Vol. 10, No. 3.

Remley, Dirk, "Relationship Marketing: Guaranteeing the Future," *Nonprofit World*, Vol. 14, No. 5.

These resources are available at www.snpo.org/members.