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For Schools

The Role of Performance Metrics

The purpose of this *Bulletin* is to examine the role of performance metrics for development officers. More specifically we want to focus on the role of metrics in building a culture of major gifts at your institution. Let's begin with some definitions of terms.

Advancement: The term "advancement" can be defined as the integrated, comprehensive approach to furthering the mission and vision of the institution.

Performance Metrics: A set of values-based, institution-specific, quantifiable measurements designed to *encourage, assess, and reward* the best possible *individual* development performance.

Major Gifts: Each institution must determine what they consider a major gift. The following criteria are important to determine this level of gift:

- ◆ Gifts above and beyond annual support
- ◆ Often pledged and multi-year in nature
- ◆ Gifts that support capital, endowment, or programmatic priorities
- ◆ Gifts not annually repeatable over time

While performance metrics is a newer phrase used to describe measuring outcomes quantifiably, the concept of quantifying has been part of development for a long time. Our friends in the for-profit arena have championed such performance measurement strategies for many years. For instance, Peter Drucker, the father of modern-day management concepts, advocated MBO or Management by Objectives. The objectives were quantifiable and therefore measurable.

Rationale for Performance Metrics

In today's environment, institutions are asked to provide (and be evaluated on) an ever-increasing set of performance indicators. Whether through an accreditation process, government oversight efforts, standard governing board inquiries, components of a grant approval process, or the questions arising from individual donors, institutions are expected to be transparent and knowledgeable about the effectiveness of all of their programs. At no time in the history of the non-profit sector has the ability to articulate return on investment been more important.

Therefore, one rationale for performance metrics is because the environment is demanding a better system of assessment and accountability. There are at least three additional rationales that address the role of leaders and individual major gift officers within the development operation.

1. Performance metrics provide an intentional and effective methodology of measuring performance. Performance metrics help to focus attention on the work that truly is important and answers the question, "day-to-day, are we getting the job done for which we have been hired?"
2. Performance metrics allow leaders to effectively assess and reward the best possible performance among staff members.
3. Performance metrics provide all involved with immediate, "point in time" feedback on progress toward agreed upon goals.

Developing a Performance Metrics System

There is an important distinction to be made between “performance metrics” and a “system of performance metrics.” Incorporating performance metrics can be rather simple and, indeed, most shops already incorporate them in some form. For instance, if you keep track of the following information, you can rightly say you use performance metrics:

- ✓ Amount of current use dollars raised or commitments received;
- ✓ Number of donor visits made;
- ✓ Number and amount of planned gift commitments received;
- ✓ Number of solicitations made or proposals completed;
- ✓ Number of annual giving leadership donors.

There are countless other examples of “performance metrics” that can be tracked. The important question we all must ask is, “Which metrics should we track that will be of the greatest benefit to the staff and the institution?”

Ultimately, effective advancement programs do much more than simply track performance in the form of a set of quantifiable metrics. Effective programs create systems of performance metrics that inform staff evaluation. Take the following example:

Suzy is a major gifts officer in her 3rd year at Success School. Suzy knows she is responsible for securing \$750,000 in current gift commitments through the management of a portfolio of 150 donors and prospects. Each month, the Prospect Management Team meets and the number of visits that have been completed is reviewed, as well as the plans for visits that are to be made in the coming weeks. Also, the number of proposals that have been submitted is reviewed.

However, at the end of the fiscal year, when Suzy is evaluated, there is a standard Human Resources form that serves as the basis of her evaluation. This form reflects little of what Suzy does on a day-to-day basis and it has little to do with whether or not Suzy will receive a pay increase next year based on her actual performance.

So, the development program at Success School utilizes performance metrics. Suzy keeps track of the number and amount of commitments she has received and number of proposals she has submitted, number of visits she has made, etc. But, in the end, these efforts really serve only to “keep track” of what has occurred. There is very little in this scenario that is helping to encourage, drive, and ultimately, evaluate Suzy’s performance.

Alternatively, a system of performance metrics looks much different. It is an agreed upon set of quantifiable measurements that are not only tracked, but also used as the basis of an annual evaluation. In our example with Suzy, if a system of performance metrics were implemented, she would know at any point during the year how well she is progressing toward her goals. Her “year-end evaluation” is being compiled daily by her work and so there are no surprise conversations. Additionally, Suzy’s supervisor can easily assess her performance at any time during the year so that efforts can be made to enhance her progress and outcomes or to praise her fine work.

How Best to Design a System of Performance Metrics

At GGTS, we understand that every school is unique. Therefore, we do not recommend a “cookie-cutter” approach to something as important as performance metrics. What works in one development operation simply is not effective in all others.

Instead, to develop a system of performance metrics that will work for you, we suggest that development leaders and their teams follow an approach that is values-based and widely participatory. Here’s how:

1. Start with values. Ask the following questions of everyone on the development team:
 - ◆ At our institution, what values are important?
 - ◆ In our work together in the development office, what values or characteristics are important?
 - ◆ In our work with donors, what values are important?

2. Identify and then clearly define the components of your system – What do we want to measure? What is worthy of measurement? Certainly, in the development effort, we could measure many activities; number of emails sent, number of phone calls made, and amount of meetings attended. But these activities, of course, are not the best predictors of development success with donors.

Here, then, is a “moment of truth” in the development of an effective performance metrics system. The system should measure the most important variables that will lead to gift officer success. We have to make decisions about what to measure and keep the number of measurements manageable so that the system of tracking doesn’t overwhelm the real work of development.

The standard performance metrics for major gift officers would typically be:

- ◆ Amount of dollars raised
- ◆ Number of personal visits with donors
- ◆ Number of proposals and gift requests submitted
- ◆ Measurement of budget management

Your institution, however, may come up with different performance metrics. The key is to tie what you are measuring to the values that emerged earlier. For instance, did the development staff members identify the notion of “teamwork” as an important characteristic or value? If so, your system of performance metrics should support that value.

Following are some concrete examples of individual metrics, as well as team metrics that your development operation could consider.

Individual Metrics

- ◆ Gift commitments – current and deferred commitments over a multi-year period
- ◆ Proposals or solicitations – documented “asks” that have occurred at various levels
- ◆ Number of personal visits
- ◆ Budget management – keeping track of dollars spent for travel, entertainment, mailings, meals, etc.
- ◆ Number of donor moves – utilizing a simple prospect management system allows for the tracking of donor prospects from Discovery to Stewardship. Each time a development officer “moves” a prospect from one stage in the process to the next, credit is given.
- ◆ The number of discovery calls made to engage new prospects

Team Metrics

- ◆ Alumni giving participation percentage
- ◆ Number of annual leadership-level donors
- ◆ Number of new planned giving society members
- ◆ Number of donor “hand-offs” from annual fund staff to major gift staff

It cannot be overstated that the process of identifying and defining the components of the system needs to be participatory and based on values. This means that leadership must ask well-framed questions in order to uncover or affirm values and to specify what and how the work will be measured.

At all times, leaders should keep in mind the following:

- ❖ The art of good leadership is in asking well-framed questions. If discussions get bogged down, the effective leader re-focuses the group on the outcomes that matter. “What are we really attempting to measure or accomplish with what we are discussing?”

❖ Define the components of the system in ways that favor those being measured. For instance, a common question is: “What is a visit? Does it count when I see a donor unexpectedly in the grocery store and talk for 10 minutes?” Other examples might include:

- ◆ *Gift Commitments* – How much in current gifts should a development officer generate in a given year?
- ◆ *Budget Management* – How much should an advancement officer spend in order to reach his/her goals?
- ◆ *Team Goals* – How many new endowed scholarships should we aim to add this year?

The goal of a system of performance metrics is to encourage and help, not to be punitive. Therefore, be lenient in your definitions and, with integrity, count as much as can be counted. Effective leaders establish systems that support and affirm people.

3. Set quantifiable goals and the relative importance (or weight) of each component. Again, how important is each component? Is money raised more important than visits made or proposals submitted? Or, do we value visits and proposals submitted more than money raised? If the dollar amount raised is viewed as 25% of a major gift officers job, how much more (or less) important is the number of proposals submitted?

This is the area in which you begin to frame the evaluation of staff. Not only are we tracking activity, we are valuing activity and, therefore, we can fairly and appropriately assess performance.

4. Once a system of components and their importance has been identified and agreed upon, we recommend implementing the system for one year without adjustments. If adjustments need to be made to components, goals, or importance, they should be made after the first year is complete.

Establish evaluation processes that utilize the performance metrics as a base. If you are crafting a system to encourage more visits, more proposals, more dollars raise, etc., you must make these metrics the foundation of evaluation and reward. If a development officer achieves 83% of his or her goals, is that good? Should he or she have done better? Does he deserve a raise or other reward? These are the questions that should be answered in the creation of the system, not as an afterthought.

Throughout the process outlined above it is vital that all members of the development staff are involved and heard. The process of establishing an effective system of performance metrics should not be a top-down directive. When performance metrics systems are perceived as being “top-down” efforts, there is little buy-in by those who are most impacted and more individuals attempt to stonewall implementation.

Key points to remember:

- ✓ Define the components of your metrics system clearly, e.g. team goals, individual goals
- ✓ Identify the level of success (75%, 85%, etc.) that will be deemed “good work” and will trigger an increase in salary, a one-time bonus, or other reward appropriate for your institution
- ✓ Be prepared to share and define your metrics system with institutional leadership, including the Head of School/President and Board members.

Conclusion

A complete metrics system for your advancement office should help track your progress and likelihood of success, frame the values of your institution, and share responsibilities across the advancement team and institutional leadership. Implementing a system of performance metrics and actively reviewing progress toward your goals will help motivate and direct the activities and actions of all staff.