

The Opportunity of Collaborative Benchmarking

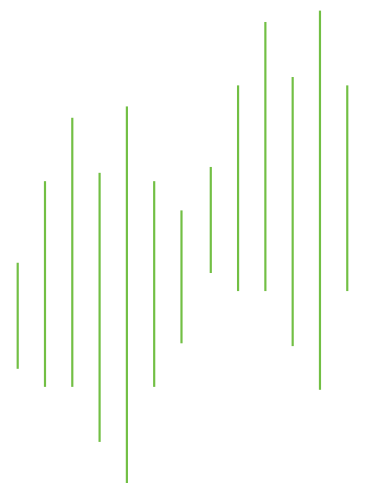


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FOREWORD

Demand for social good services is rising, but revenue is not increasing fast enough to meet it. According to the annual State of the Nonprofit Sector Survey from Nonprofit Finance Fund®, 86% of organizations say demand for services is increasing year over year, and 72% of organizations say they are budgeting to “break even” or lose revenue this year. Furthermore, donor, funder, and board expectations are rapidly changing, emphasizing data-informed outcomes and operational efficiency as ways of monitoring organizational and mission success.

Defining how your organization measures success is a critical element for any leader in answering the questions of “How can my organization improve?” and “Where should I be investing next?” In this white paper, we take a look at the value of using comparative measurement against peer nonprofits to understand position in the sector.

As you evaluate your organization today, what key questions are you and your board asking? Is your organization’s IT spend in line with similar nonprofits? Are your programs and results outperforming or underperforming the rest of the sector? Is your staff ready for major initiatives such as digital transformation as compared to peer organizations?

Many leaders cannot answer these questions, making it hard for them to truly understand where and how to invest. Collaborative benchmarking offers a solution, allowing organizations to measure their progress against that of peer organizations in meaningful ways.

Here we explore the background of collaborative benchmarking and why it remains an exceptional opportunity for measurement and collaboration across the sector. We also note how organizations can begin their benchmarking journey and participate in efforts to innovate on this critical practice.



SECTION 1

Why Collaborative Benchmarking?

Common Reasons For Benchmarking

Performance measurement is a key operational tactic that many social good leaders employ. Identifying organizational Key Performance Indicators (KPIs) allows for the measurement of mission success against organizational strategy. However, these measurements are often focused inward and lack the context of how the organization is performing as compared to peers.

Imagine, for a moment, the stock market. A single stock may have gained 5% in value within a month. As an isolated KPI, this would appear to be a positive trend. However, if peer stocks averaged an increase of 25% in the same period, how should that 5% gain be viewed?

Rapid change is a constant within our sector, and success is predicated on our ability to adapt to change successfully. Legislation, supporter preferences, program standards, and accounting principles fluctuate, causing adaptation within the sector. More than ever, there is a need to identify and learn from the top performing organizations. With a dizzying pace of change, can social good organizations afford not to know where they stand among their peers?



Collaborative Benchmarking

The practice of benchmarking originated out of a desire for something simple: to measure current organizational performance with the goal of finding areas of strength as well as those in need of improvement. In the context of the social good sector, benchmarking is typically used to generate standard performance metrics for efforts such as fundraising, program delivery, and accounting with the goal of identifying gaps in strategy or implementation. The concept of collaborative benchmarking refers to the measurement of a specific data set or organization against its peer group within the sector.

Benchmarking can be applied against any organizational unit or department, function, process, or outcome. It is easier when programs are standardized with established, industry-accepted

quantitative metrics, like those from the Financial Accounting Standards Board (FASB). Its goal is to compare your own performance to that of your peers as a way of generating ideas for improving processes, approaches, and technologies. For example, you might want to know how your advocacy program has influenced state legislation compared to other programs at similar organizations. You might want to understand if your fundraising efforts are keeping pace with your peers or if you might be leaving money on the table. What makes benchmarking shine is its ability to define key metrics and drive measurable change in cost reduction, revenue increases, and program outcomes.

In the rapidly evolving world of healthcare, identifying high-risk and high-cost areas of service is vital to ensuring an efficient delivery model. For instance, the National Health Service (NHS) is the publicly funded national healthcare system for England and the largest-single payer healthcare system in the world. To ensure its efficiency, the NHS has invested in a collaborative benchmarking service across its member institutions. So, the Wirral Community NHS Foundation Trust overlaid its Service Level Reporting data and cost data with those of fellow NHS Benchmarking Network institutions. This provided it the ability to measure productivity metrics, such as response time and cost of service, against peer institutions to identify geographic service areas that needed improvement.



SECTION 2

Benchmarking the Sector

Evolution of Benchmarking

Benchmarking within the for-profit sector has been common practice since the 1970s when Xerox® introduced the concept of “competitive benchmarking,” a practice where the company compared itself with its direct and best competitors to determine what it could do to increase productivity while decreasing costs. Robert Camp, widely known as the father of modern benchmarking, published his seminal book, *Benchmarking: The Search for Industry Best Practices that Lead to Superior Performance*, in 1989.

Collaborative benchmarking in the social good sector originated with fundraising processes. A confluence of nonprofit organizations and leaders in

the sector realized that fundraising metrics across channels could be measured in a similar way across peer organizations. Although specific fundraising strategies may be proprietary, models such as moves management are widespread. Key donor, channel, and revenue metrics are measured and compared in a standards-based approach. This data, shared in strict confidentiality, allowed organizations to compare progress against peers, leading to the creation of one of the social good community’s first collaborative benchmarking groups.



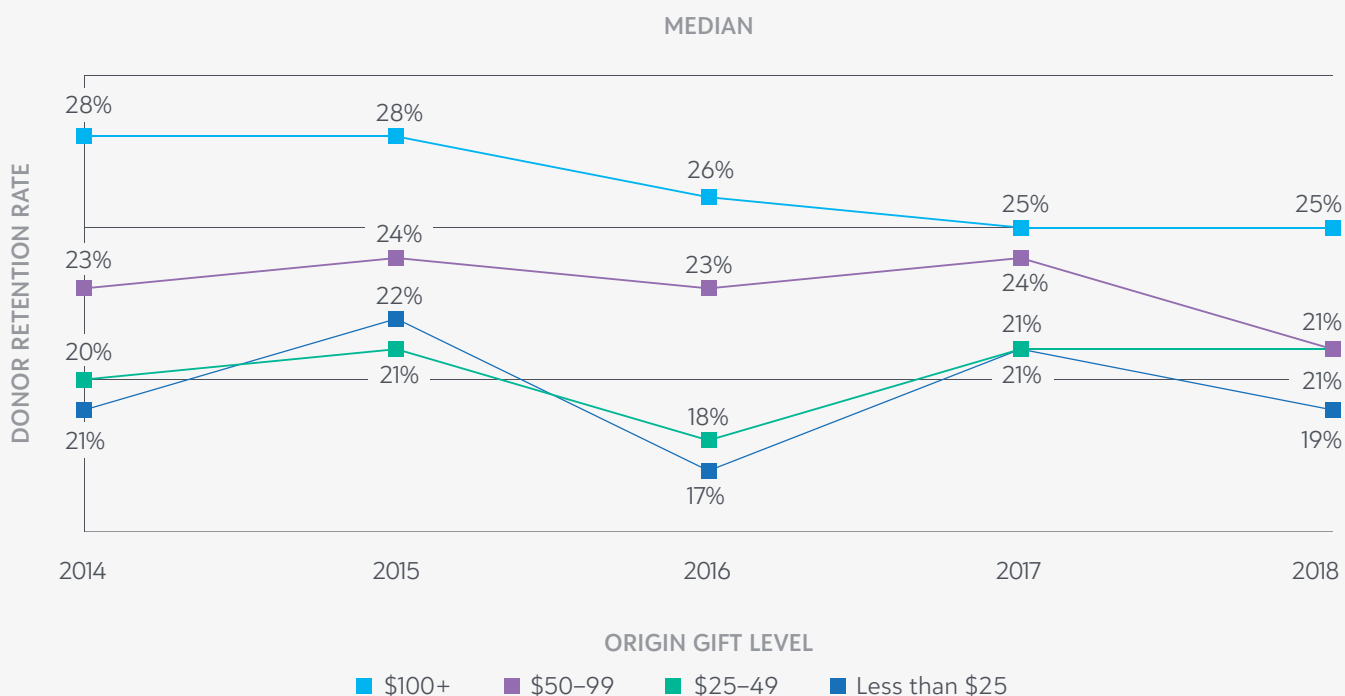
What Successful Benchmarking Efforts Look Like

Successful benchmarking efforts are built through alignment on key metrics, processes, and data sources. To achieve this alignment, most industry benchmarking initiatives rely upon the following:

- **A coalition of organizations:** a group of organizations willing to share their data with and learn from a benchmarking group
- **A shared set of measures:** an agreed-upon set of metrics applied consistently over organizations and time
- **Technology:** platforms that provide the ability to host complex sets of data, perform detailed statistical calculations and analysis, and visualize anonymized benchmarking results
- **Clean data:** data that has been collected consistently enough and scrubbed well enough to serve this purpose
- **Data scientists:** experts who ask the right business questions and can translate between nonprofit needs and associated data and technology
- **Clear and consistent reporting:** reports that are easy for a broad set of stakeholders to understand, able to be replicated consistently, and used in decision making

FIRST-YEAR RETENTION RATE TRENDS BY ORIGIN GIFT AMOUNT

SAMPLE DATA



Examples of Successful Benchmarking

Although it is possible for organizations to self-benchmark and/or self-organize a benchmarking service, the most successful programs today involve a combination of nonprofits, for-profit companies, and industry experts. Below are seven key examples in practice:

NTEN Tech Accelerate

NTEN's decade of nonprofit technology staffing and investment research is now a free online assessment and benchmarking tool. Tech Accelerate includes a comprehensive assessment about technology use and policies across four major categories: leadership, organization, infrastructure, and fundraising and communications. Based on the assessment answers, organizations receive a full report that includes both overall and category rankings, prioritized areas for investment, and resources for next steps. Additionally, organizations can use their assessment data to explore dynamic benchmarking tools to compare their answers to organizations similar to their own budget, geography, mission, and more.

AFP Fundraising Effectiveness Project

The groundbreaking annual Fundraising Effectiveness Survey, piloted in November 2006, collects fundraising data from nonprofit organizations beginning with data from 2004–2005. It enables participating groups to measure and compare their fundraising gain and loss ratios to those of similar organizations. Participants can use this industry data, which AFP offers free, to make better-informed, growth-oriented budget decisions to boost donor revenue.

NetHope DNA Assessment Survey™

NetHope and its nearly 60 nonprofit members have undertaken a multi-year approach to benchmark organizations across key business categories to

ascertain readiness for digital transformation.

The Digital Nonprofit Ability (DNA) Assessment measures progress against six discrete measures: Readiness, People, Process, Technology, Data, and Investment. NetHope has partnered with its member organizations and key industry influencers on developing this benchmarking capability. These three components (coalition of organizations, technology, data scientists) combine to benefit NetHope's nonprofit members.

donorCentrics®

Introduced in 1989 by Target Analytics, a Blackbaud company, donorCentrics works with over 500 organizations across more than 25 countries to benchmark trends related to revenue generation and fundraising performance. Participating organizations share their data with small cohort groups in an effort to benchmark performance against peers. This allows each organization to set realistic goals for donor acquisition, donor retention, upgrading, and lapsed donor recapture, based not only on current trends but also on real results from similar organizations. Data is compared across peer organizations to quickly determine where their current fundraising strategies stand in comparison to nonprofits of similar mission, size, and/or program model.



Charity Navigator

Since 2001, Charity Navigator has focused on creating a numbers-based rating system to assess nonprofits across two broad areas of performance: 1) financial health and 2) accountability and transparency. Their objective is to benchmark the nonprofit sector so that charitable givers can make intelligent giving decisions, and the sector can measure and improve its overall performance.

The Blackbaud Institute Index and Charitable Giving Report

Tracking more than \$37 billion from approximately 9,000 organizations in U.S.-based charitable giving, the Blackbaud Institute Index is updated each quarter and reports year-over-year percent changes as well as giving to date for the last 12 months. As a

complement to this quarterly index, the Charitable Giving Report compiles these findings to provide the earliest comprehensive look at annual giving year over year, helping organizations benchmark their performance and guide their fundraising strategies for the year and beyond. Organizations can use this to benchmark themselves against like-minded organizations of the same sector and size, and to learn about key donor statistics, mobile fundraising trends, and how to prepare for the future.

Nonprofit Finance Fund®

Combining 3,400 leaders of nonprofits across the United States, the Nonprofit Finance Fund leads a national survey that benchmarks demand for service, investment strategies, and other mission-focused KPIs.



A photograph of a man and a woman in the foreground, both smiling and clapping their hands. The man is on the left, wearing glasses and a suit. The woman is on the right, wearing a headscarf and a dark top. They are looking towards the right side of the frame. The background is blurred, showing other people and a bright, indoor setting. A green rectangular box is positioned in the upper right corner, containing the text 'SECTION 3'.

SECTION 3

Why Benchmarking Isn't Universally Adopted Within the Sector

Even with successful examples of benchmarking in the sector, its usage is not widespread. For example, some organizations use internal benchmarking analysis (e.g., comparing program results within an organization) to measure year-over-year progress but lack external comparisons to know whether that progress is in line with peer organizations. In other cases, a single team or department finds itself comfortable with usage of benchmarking services while other teams remain skeptical.

There are three common reasons why benchmarking is not universally adopted in the sector:

- Fear
- Lack of existing standards or consistent data
- Cost to get started

Fear

At its core, benchmarking relies on organizations' willingness to share data and results. Most collaborative benchmarking programs today rely on an intermediary third party who collects data from participating organizations and then anonymizes it before sharing. This protects proprietary data and strategies from becoming public. However, lack of trust can cause fear of participation. This is particularly critical when the third-party convener is a for-profit company, raising concerns of data ownership/usage and accountability. Successful benchmarking must be built on trust and a shared sense of ownership and collaboration. Assurances must be given by all parties as to how data will be used and what benefits participants will receive.

Imagine, though, the state of the sector before fundraising benchmarking appeared. Organizations were afraid to share their giving history data because of potential public scrutiny of their performance. Yet it was only through this sharing of sector data and subsequent benchmarking that organizations could

systematize the fundraising strategies you see today (e.g., dynamic gift asks, knowing when to ask a donor for a follow-up gift, or mid-level vs. major gift categorization).



Lack of Existing Standards or Consistent Data

Although fundraising benchmarking practices have existed for decades, limited standards exist across other nonprofit business processes. Organizations that look to measure mission delivery practices common to programs, such as direct service, material goods distribution, and advocacy, lack a history of standard processes and groups/coalitions, making it difficult to get started. Furthermore, many organizations have difficulty capturing high quality data with any frequency. These organizations may lack access to data as well as a common standard to use in its capture and measurement. Data consistency across similar organizations is a further challenge. Even when data standards are formed, shared data definitions are vital. The definition of absenteeism within and across school districts is a perfect example of a consistency challenge. Whereas a single school district may agree that a student is chronically absent at 15 missed school days, another district may use a threshold of 18 days. Thus, a standard exists, yet the definition differs across organizations.

Imagine the state of the sector for organizations who work primarily in global humanitarian aid efforts. Until recently, few standards or coalitions existed that nonprofit organizations could learn from or use for benchmarking purposes. As data standards like the International Aid Transparency Initiative (IATI) continue to evolve and coalitions like NetHope and its Center for the Digital Nonprofit organize critical parties within the sector, opportunities to create new standards quickly form.

These standards and agreements offer hope for measuring success across organizational programs.

Cost to Get Started

The core requirements of benchmarking include:

1. **Deep sector knowledge:** knowing the correct questions to ask and problems to solve, which comes from sector experience and data science expertise
2. **Data storage and performance:** collection, centralized and secured storage, and access to querying sometimes complex sets of data
3. **Data transformation and standardization:** the intake of multiple data sets across peer organizations and standardization into a single format
4. **Data visualization:** visualization of benchmarking results via reports or dashboards
5. **Data interpretation:** understanding how to interpret key findings, draw out patterns and trends, and apply them to sector best practices

These components can be costly in staff and technology resources as organizations look to kickstart benchmarking projects. Cost sharing through coalitions of nonprofits or through for-profit creation of benchmarks allows for easier entry into benchmarking.

A blurred background of a crowd of people, with a hand raised in the foreground. The hand is light-skinned and has its fingers spread. The background is out of focus, showing various people in a crowd. A green rectangular box is in the top right corner.

SECTION 4

How We Can Make the Most of the Benchmarking Opportunity

In looking at the Nonprofit Finance Fund benchmark study, it is easy to see that:

- **Demand for social good services is rising faster than organizations can meet it**—86% of organizations say demand for service is increasing year over year
- **Revenue is not rising fast enough to meet demand**—72% of organizations say that they are budgeting to “break even” or lose revenue this year

This creates a gap that stretches the ability of organizations to achieve their mission. Increasing program efficiency, growing strategic revenue streams, and proper allocation of resourcing are all tactics to bridge this gap. Yet how do organizations accurately identify and measure these tactics? Collaborative benchmarking is one proven answer.

Collaborative benchmarking allows for:

1. **The prioritization of resources** as informed by true organizational strengths and weaknesses
2. **Collaboration across the top and bottom of the sector**, triggered based on knowledge of top performing strategies and programs
3. **Increased confidence** that the organization is investing in programs that will lead to organizational growth and true mission delivery
4. **Trend analysis** to better understand an organization’s historical change

Knowing these benefits, how can organizations take advantage of collaborative benchmarking?

Identify common opportunities.

Getting started with collaborative benchmarking means coming to an agreement on what to measure. Opportunities exist throughout organizational practices but are most apparent in the following areas:



- Program measurement and evaluation
- IT infrastructure and investment
- Digital marketing
- Constituent lifecycle analysis
- Beneficiary analysis
- Agency or partner performance
- Strategic financial planning
- Nonprofit human resources (including volunteers)
- Logistics and supply chain management
- Volunteer management

While not comprehensive, the above list represents areas within the sector that lack comprehensive approaches to benchmarking. By establishing reliable metrics for measuring success, organizations can track current performance as a baseline and uncover trends in need of further monitoring or action.

Take, for example, an organization that benefits from 10,000 volunteers in a particular year. These volunteers account for 50% of the organization’s



project labor, have a 35% attrition rate after their initial two visits, and a 10% overlap with their donor file. Without benchmarking against a peer group, the organization does not know whether these KPIs represent measures of excellence or offer opportunities for improvement.

Leverage existing benchmarking services and research.

As described earlier in this paper, benchmarking services have existed since the late 1980s and continue to serve specific segments of the sector, such as fundraising. Organizations are not required to build benchmarking programs from scratch and can leverage many current initiatives, such as [Blackbaud Analytics](#), [NetHope DNA Assessment](#), and [NTEN Tech Accelerate](#). A number of consulting organizations also exist that focus on benchmarking services. Furthermore, professional membership groups and associations like AFP and NTEN frequently gather and benchmark data for members and sector-specific topics. All these groups provide resources that allow organizations to participate in benchmarking without significant internal investment.

Help innovate new benchmarking services.

The greatest area of opportunity lies in the continued evolution of benchmarking. Significant advances in benchmarking can be made by simply opening up new areas of collaboration. Blackbaud, NetHope, and NTEN are inviting interested organizations to contribute to a survey to learn more about where you see the most potential impact in benchmarking. We are partnering with you to identify the greatest opportunity areas, with the goal of advancing efficiency and understanding across the sector.

Take the survey



About The Blackbaud Institute

The Blackbaud Institute drives research and insight to accelerate the impact of the social good community. It convenes expert partners from across the sector to foster diverse perspectives, collective thinking, and collaborative solutions to the world's greatest challenges. Using the most comprehensive dataset in the social good community, the Blackbaud Institute and its partners conduct research, uncover strategic insight, and share results broadly, all in order to drive effective philanthropy at every stage, from fundraising to outcomes. Knowledge is powering the future of social good, and the Blackbaud Institute is an engine of that progress. Learn more, sign up for our newsletter, see the latest quarterly statistics on giving, and check out our most recent resources at www.blackbaudinstitute.com.

About NetHope

NetHope empowers committed organizations to change the world through the power of technology. NetHope, a consortium of nearly 60 leading global nonprofits, unites with technology companies and funding partners to design, fund, implement, adapt, and scale innovative approaches to solve development, humanitarian, and conservation challenges. Together, the NetHope community strives to transform the world, building a platform of hope for those who receive aid and those who deliver it.

About NTEN

NTEN envisions a more just and engaged world where all nonprofits use technology skillfully and confidently to meet community needs and fulfill their missions. We support organizations by convening the nonprofit community, offering professional credentials and training, and facilitating an open exchange of ideas. Join NTEN and increase your impact at nten.org.

About Blackbaud

Blackbaud (NASDAQ: [BLKB](#)) is the world's leading cloud software company powering social good. Serving the entire social good community—nonprofits, foundations, corporations, education institutions, and individual change agents—Blackbaud connects and empowers organizations to increase their impact through software, services, expertise, and data intelligence. The Blackbaud portfolio is tailored to the unique needs of vertical markets, with solutions for [fundraising and relationship management](#), [digital marketing](#), [advocacy](#), [accounting](#), [payments](#), [analytics](#), [school management](#), [grant management](#), [corporate social responsibility](#), and [volunteerism](#). Serving the industry for more than three decades, Blackbaud is headquartered in Charleston, South Carolina and has operations in the United States, Australia, Canada, Ireland, and the United Kingdom. For more information, visit www.blackbaud.com, or follow us on [Twitter](#)®, [LinkedIn](#)®, and [Facebook](#)®.

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