

The 2014 research project into board giving was co-led by Nancy Raybin, Senior Consultant & Principal, and Sarah Williams, Leader of Marts & Lundy's Analytical Solutions Group.

We offer special thanks to all who participated in the survey and especially to our panelists, who gave generously of their time at our June workshop in New York City:

*Aileen Hefferren, Chief Executive, Prep for Prep*

*Joyce Kuh, Director of Development, Grace Church School*

*Lisa Mantone, Vice President of Development and Communications, WNET New York Public Media*

*Hope O'Reilly, Director of Development, Institute of Fine Arts, New York University*

*Charlie Prizzi, Vice President for Development, Cold Spring Harbor Laboratory*

*David Shanton, Acting Vice President for College Advancement, Baruch College*

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## 2014: New York City Board Giving Adding Facts to Anecdotes

In a 2013 study, we began a research project that explored the roles board members play in fundraising. With plenty of anecdotal evidence at hand, we saw an opportunity to enrich our understanding with data. And, while we know that board members contribute to the organizations they serve in a multitude of ways, we specifically wanted to look at board giving, asking the question: How can you increase board giving and create a more effective fundraising board?

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We found, in fact, that high-yield boards do share some common characteristics. Board size, the nominating and board management processes, means of engagement and campaign phase all correlated with varying levels of board giving.

Eager to further our understanding of how these factors influence board giving — and how staff and boards can work together to shape a highly philanthropic board that inspires giving — we conducted additional research, this time, taking a deeper look at the characteristics revealed in last year's findings.

We again presented our findings followed by a panel discussion at a June workshop in New York City. In this report, we share our research results along with insights from our panelists and bring into sharper focus the strategies and tactics you can apply to advance your board and increase philanthropic contributions.

# Marts & Lundy Special Report

## BACKGROUND

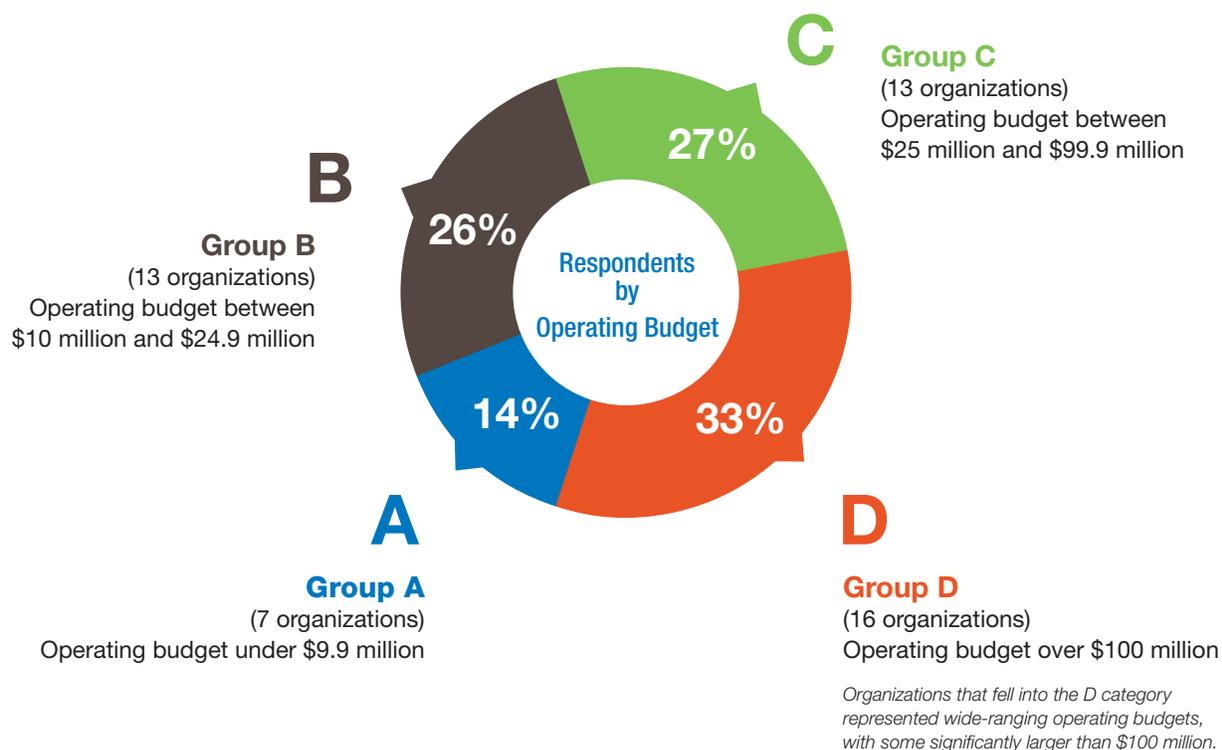
We followed the methodology used in our 2013 research: Deploying an online questionnaire, we surveyed 400 major New York nonprofits selected from a larger list composed of those listed in Marts & Lundy's database, AFP's Fundraising Day in New York participants, Women in Development New York's membership and Crain's New York Business.

The response rate was higher this year compared to last, with a total of 49 participants, 16 of which also had participated the previous year. Though never intended to be a statistical sample, enough information was gathered to continue to identify trends and have data points we can learn from and discuss.

### About Our Respondents

Again this year, we segmented respondents by the size of their operating budget (figure 1), though with an increased number of respondents from the schools, higher education and arts and culture sectors, it was worthwhile to look a bit deeper at them. We did note some variation across the sectors but felt segmenting by operating budget yielded more applicable information.

Figure 1: The Respondents



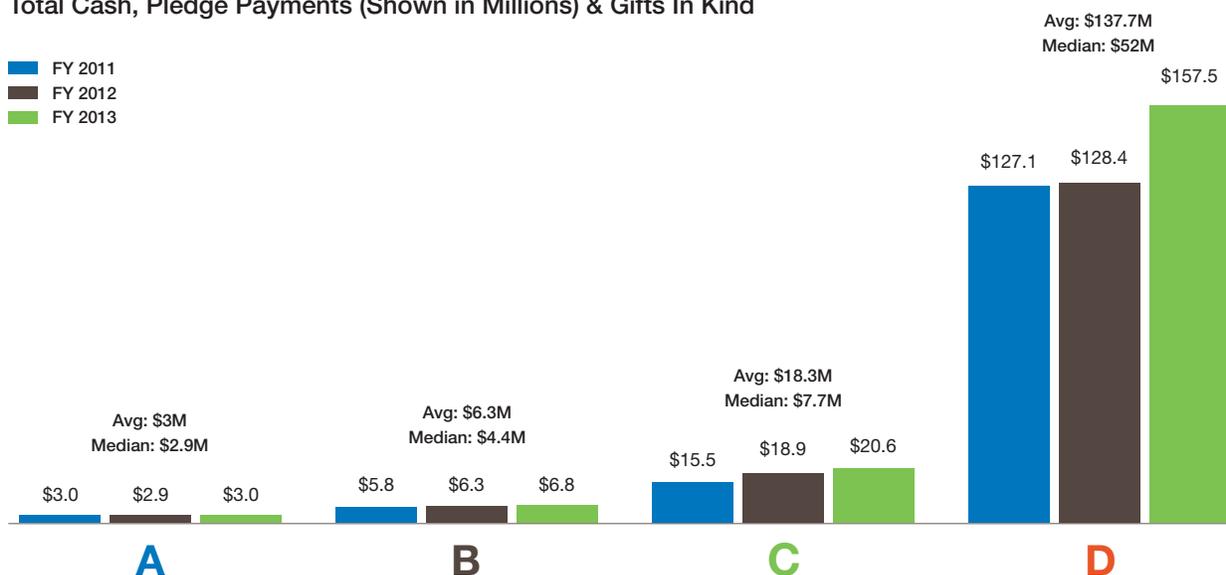
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## Giving Patterns

In terms of total giving (figure 2), the 2014 study findings are quite similar to the 2013 findings. Overall, we see increases in total giving, and organizations with operating budgets in excess of \$100M saw the greatest rate of growth. When we looked at board giving only (figure 3), we saw that the numbers remained fairly consistent with 2013 study findings across all four segments. However, there is variability in giving across the years, which could be the result of the timing and size of large gifts.

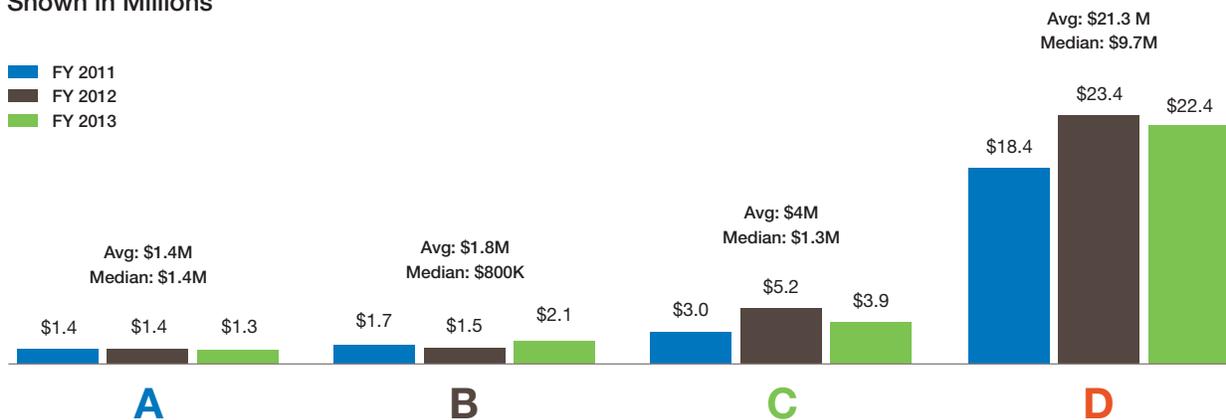
**Figure 2: Total Giving**

Total Cash, Pledge Payments (Shown in Millions) & Gifts In Kind



**Figure 3: Board Giving by Current Members**

Shown in Millions



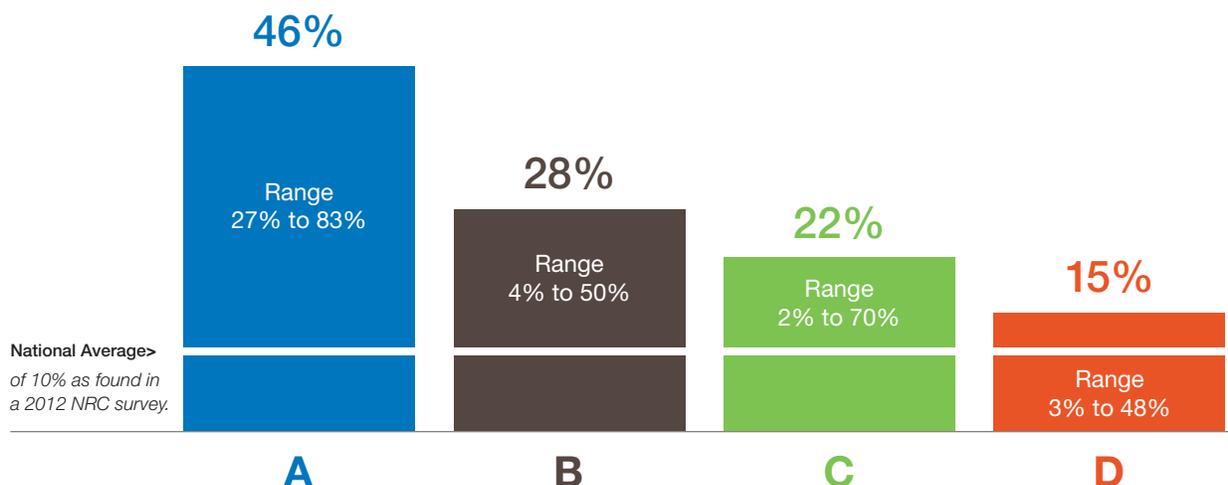
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AS A PERCENTAGE OF TOTAL GIVING, ALL SECTORS AND ALL OPERATING BUDGETS AGAIN REALIZED BOARD GIVING THAT IS HIGHER THAN THE NATIONAL AVERAGE

As a percentage of total giving (figure 4), all sectors and all operating budgets again realized board giving that is higher than the national average, ranging from an average of 46 percent in organizations with an operating budget of less than \$9.9 million to an average of 15 percent in organizations with operating budgets in excess of \$100 million. We found that the larger the organization, the smaller the board's percent of total giving — a result that is consistent with our 2013 research findings, but more pronounced in the current study. However, this could be explained by the range of available revenue sources, with smaller organizations tending to have fewer sources of revenue and, therefore, relying more heavily on board giving.

**Figure 4: Board Giving as a Percentage of Total Giving**

FY 2011 – FY 2013 (average)



## UNDERSTANDING THE NUMBERS

This year’s research was designed to discover the strategies and tactics that can allow you to directly influence the very characteristics we associated with board giving in our earlier research. As we worked through the data, four actions emerged as the major outcomes of our 2014 work:

- Set Giving Expectations
- Manage Board Size, Desired Profile and Composition
- Plan Board Recruitment, Review and Renewal
- Engage Board Members from the Beginning

These actions are interrelated and, though we address them in distinct sections, can be looked at as facets of a multidimensional approach to working with boards.

### Giving Expectations

Every respondent to our 2014 research survey indicated they expect their boards to give; however, fewer than half of them reported having a stated minimum. There appears to be a correlation between giving and communicating minimum giving expectations. Organizations that communicated expectations averaged \$12.4 million in board giving versus \$3.8 million for those that did not. Furthermore, regardless of what the minimum expectation was, we saw that board members exceed minimum expectations in all cases (figure 5).

**Figure 5: Annual Philanthropic Contributions from Individual Board Members**

	A	B	C	D
Median Amount (Expected)	\$25,000	\$30,000	\$35,000	\$25,000
Average (Expected)	\$21,250	\$40,566	\$40,500	\$70,625
Median Actual (Average FY11–FY13)	\$46,692	\$46,191	\$48,276	\$263,158
Average Actual (FY11–FY13)	\$55,828	\$63,093	\$157,779	\$505,731

Aileen Hefferren, Chief Executive of Prep for Prep, offered a valuable, real-life example of the impact giving expectations have. “In the early ’90s we were looking to expand the board, so we added new members but didn’t increase the giving expectation. In the mid-’90s, the development committee articulated what we were looking for financially from new trustees – we literally wrote it down in three sentences. This had two effects. One, people appreciated being told up front what the expectations were instead of being in an awkward position later. Two, board giving increased, which allowed programmatic growth from a budget of \$2 million to \$10 million.”

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As we looked at the importance of board composition, a natural question arose: How can you attract and groom younger board members who don't have the financial means for large gifts at the same time you expect your older board members to make significant philanthropic gifts?

David Shanton, Acting Vice President for College Advancement at Baruch College, shared that the college addresses some of these challenges by having various levels of board membership, allowing the college to set minimum giving expectations accordingly. For instance, "We always have three young alumni trustees on the board. They can't meet giving minimums expected of the board proper, but we've provided other opportunities to engage them in meaningful ways."

WHEN THE ORGANIZATION CONSIDERS WEALTH AMONG THE MOST IMPORTANT CRITERIA, IT ACHIEVES TWICE THE LEVEL OF GIVING: \$9.4 MILLION AS COMPARED TO \$4.5 MILLION.

## Board Size, Composition and Profile

In the 2013 study, we found that larger boards correlated to higher overall giving. This year we wanted to understand the factors at play.

In terms of size, it seems that among the greatest benefit may be that larger boards allow the capacity to manage a larger list of qualified board candidates. And this makes it easier to achieve a strategic composition and member profile.

In our 2014 research, we saw fewer organizations report that philanthropic capacity is one of the highest priorities in their board member profile. However, when the organization considers wealth among the most important criteria, it achieves twice the level of giving: \$9.4 million as compared to \$4.5 million (figure 6).

Figure 6: Consider Wealth Important Criteria?



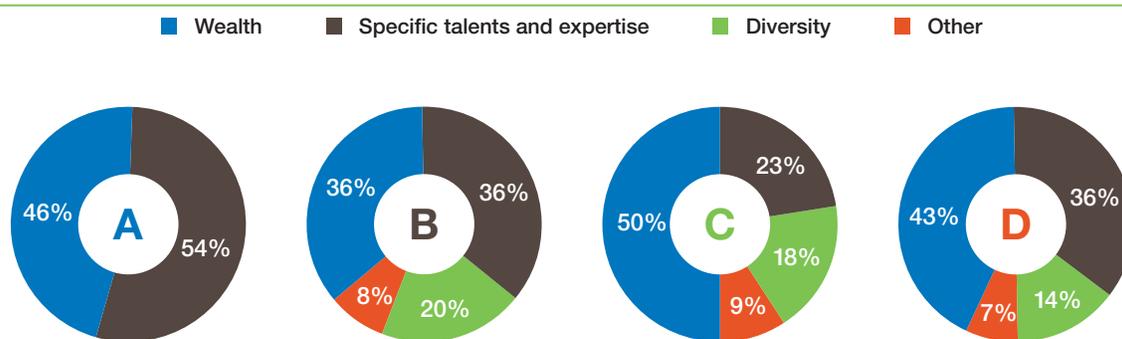
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Overall, 80 percent of respondents said wealth was one of the most important criteria. Interestingly, when we looked at this data point by sector, we saw all sectors consistently at the 80 percent level except for Independent Schools, in which 64 percent reported that wealth was considered one of the most important criteria.

Second to wealth, “specific talents and expertise” was reported as an important criteria in board member selection. **Figure 7** below illustrates top criteria by respondent operating budget.

“From time to time we need board members who can provide specific talents, such as in real estate or construction or legal matters, etcetera,” shared Joyce Kuh, Director of Development, Grace Church School. “And we want our board to reflect and represent the diversity of our parent body. I think our role is to help identify the talents needed and then to be proactive in helping to fill board member seats with people who have the ability and willingness to support the school.”

**Figure 7: Most Important Criteria for Board Nomination**



Diversity — including considerations such as age and ethnicity — was the third most important criteria overall and was also reported, in a separate question, as the most difficult criteria to recruit for. And while wealth clearly makes a difference, those organizations that did not list diversity as an important criteria for board composition raised a third less than the average.

THOSE ORGANIZATIONS THAT DID NOT LIST DIVERSITY AS AN IMPORTANT CRITERIA FOR BOARD COMPOSITION RAISED A THIRD LESS THAN THE AVERAGE.

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## Board Recruitment, Review and Renewal

While larger boards give you the capacity to manage the balance of board member traits — such as expertise and wealth — boards of any size would seem to require a management process just like any other group of individuals critical to your organization’s success. Logic would dictate that if you don’t have recruitment strategies, term limits and performance reviews, you have no way of strengthening, growing, diversifying and renewing your board.

We explored these areas in some depth to understand if there are practices that seem to be more effective, and the research yielded mixed results:

- The definition of a term varied from none to six years.
- Only about half of the organizations reported having (or enforcing) term limits (figure 8).
- Twenty-four percent of respondents reported there is no board member evaluation performed (figure 9).
- Many organizations reported that they add new board members “as needed” and had no formal recruitment pipeline (figure 10).

Figure 8: Enforce of Term Limit?

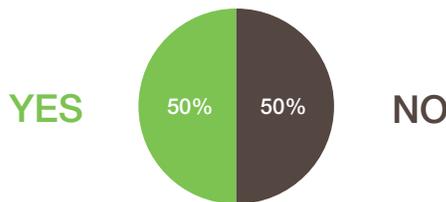


Figure 9: Perform Board Evaluations?

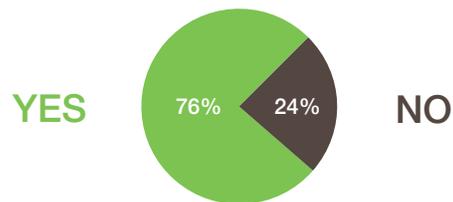
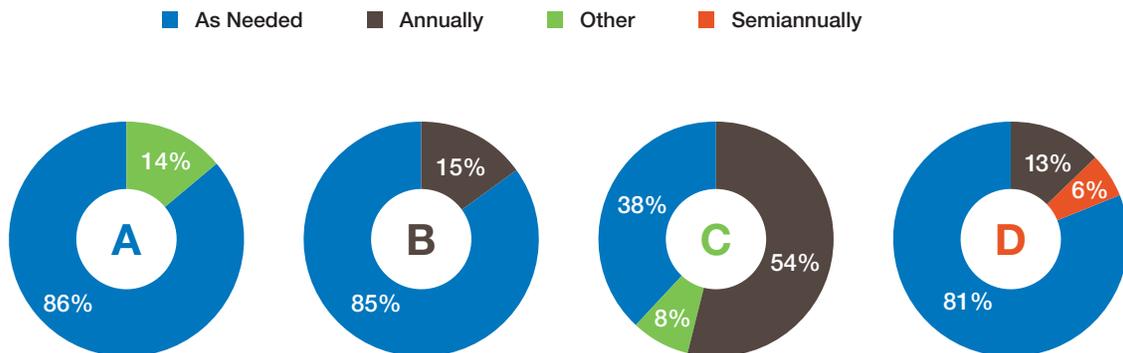


Figure 10: When are New Members Added?



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What did become clear during our panel discussion is that there is consensus on the importance of development professionals' involvement in ongoing board management.

Hope O'Reilly, Director of Development for the Institute of Fine Arts at New York University, shared that the institute has a small committee that meets three to four times a year. The committee assesses issue such as board size and term limits and creates a strategy to extend invitations. "We look to broaden the composition of our board both geographically and related to their personal interest," she shared. "The committee is responsible for setting minimum annual and campaign gift expectations and expectations as to frequency of board member attendance at meetings. We also manage expectations that board members introduce fundraisers to their contacts."

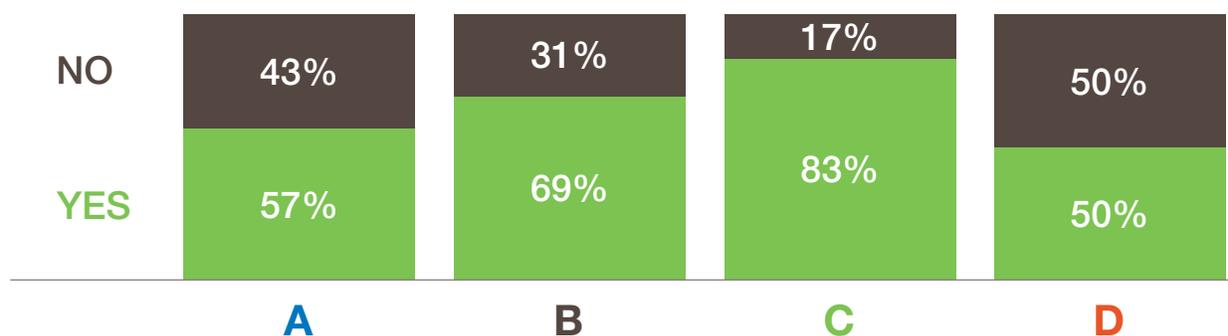
Involvement in the nominating process and the distinct contributions that can be made by development were discussed at some length by our panelists. "I managed to make my way into the nominating process," shared Charlie Prizzi, Vice President for Development at Cold Spring Harbor Laboratory. "We, as development professionals, add great value — especially in terms of prospective candidate research and follow-up. I attend the nominating committee — and there are people that we in development feel strongly about as board candidates whom the board members may not even know about."

## Engaging Board Members from the Beginning

New board member orientation can lay the groundwork for early and meaningful involvement. About two-thirds of respondents report offering some type of formal orientation process (figure 11). And those that do realize average board giving of \$11.4 million versus \$8.1 million for those that don't have such a process.

Of those that offer orientation, only a quarter report that there is a fundraising session in the orientation process. When we looked at fundraising differences between those that offer a fundraising session and those that don't, the data showed that those that offer the session are seeing greater board giving: \$10.4 million versus \$8.4 million (figure 12).

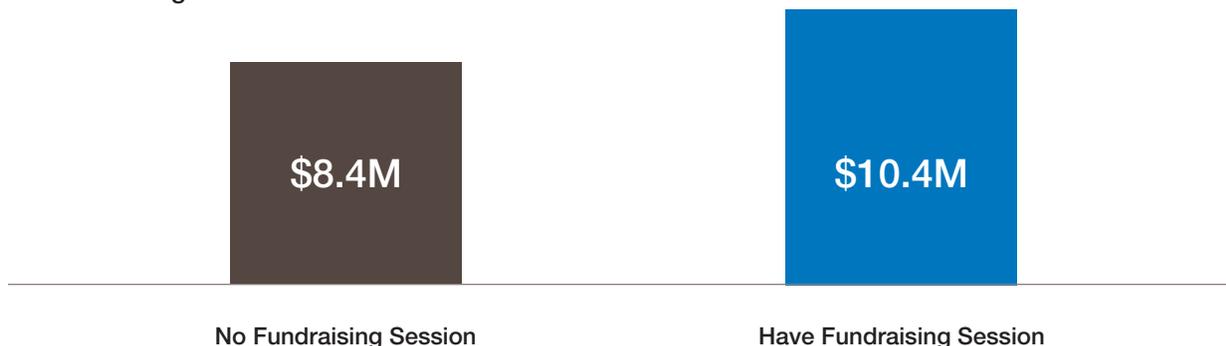
Figure 11: Organizations Offering Formal New Board Member Orientation



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**Figure 12: Fundraising Session and Board Giving**

3-Year Average



Beyond orientation, there are opportunities for engagement that seem to relate to increased board giving. The top five activities are listed in figure 13 below. For organizations that offer any one of these, board giving is two times higher. Also of note: Those organizations that ask the board member to personally make introductions to a potential donor are realizing 10 times more giving from their board members.

**Figure 13: Opportunities to Participate in Fundraising (top 5 for respondent pool shown below)**

	A	B	C	D	overall total
Provide names and contact information for potential donors	100%	69%	77%	81%	<b>80%</b>
<b>Chair event of campaign; attend events</b>	<b>86%</b>	<b>77%</b>	<b>77%</b>	<b>81%</b>	<b>80%</b>
Personally make the introduction to prospective donor	100%	46%	85%	88%	<b>78%</b>
<b>Host events in their own home/business/club</b>	<b>71%</b>	<b>77%</b>	<b>85%</b>	<b>88%</b>	<b>76%</b>
Ask friends or business associates to give	100%	69%	69%	69%	<b>73%</b>

“We find if board members are interested in a subject, that’s a great predictor of a good relationship, so we use their interests to support projects,” shared Lisa Mantone, Vice President of Development and Communications at WNET New York Public Media. “We have focused on ways to get members more involved during the board meetings, and we’ve found that bringing in our filmmakers to talk with them about what they do and how they do it results in a richer exchange — there are a lot of questions from our board members. At a recent reception at a trustee’s house, I invited literally all of our staff to attend. The trustee later shared with me: ‘I felt more engaged than ever because I met all levels of the staff.’”

## WHAT MORE CAN WE LEARN?

There were correlations revealed in the 2014 research that warrant further study: in particular, the interplay between seeking a diverse board and increased board giving, as well as determining why certain board engagement activities correlate to higher giving.

As we look ahead to what form our ongoing research in board giving could take, we also are exploring both the opportunities and challenges our survey respondents shared.

### **We defined the opportunities as matters of importance to board members.**

With a solid understanding of what motivates board members to serve, we have the chance to build strategies that ensure they will have a rich and fulfilling experience. Our survey respondents shared what they believe matter a great deal to their board members:

- Knowledge that the organization makes a difference in issues they care about.
- Access to and engagement with executive leadership who share their intellectual curiosity and personal drive.
- Volunteering and working alongside fellow board members who share their values and interests.

There are meaningful questions to explore around motivation, with input from the institution's perspective and from the board members themselves.

### **Challenges were defined as matters of concern to the organization.**

We continue to seek data that help organizations develop board engagement strategies based on facts and proven practices. Issues that were mentioned by our survey respondents fell into three major areas of concern:

- Organizations need to prepare board members to address changes in the sector, including demographic shifts, reduction in public funding and new demands for programs or services.
- Organizations need to provide board members with more clarity about their role as external leaders and guidance in balancing their involvement in internal operations.
- Organizations need to address their aging boards and craft mutually beneficial succession plans.

As with board motivation, here, too, are meaningful questions to explore: in this case, working to gain a better understanding of how to fully prepare our board members for their work today as well encourage forward-thinking and active planning for the future.

**We invite your thoughts on board giving and welcome your suggestions as to areas that merit additional research. Please e-mail us at [comments@martsandlundy.com](mailto:comments@martsandlundy.com) or call us at 212-490-0590.**