

Impact of Recent Events on Development Staffing and Budgets: Cross-Sector Overview

July 2020

Marts&Lundy

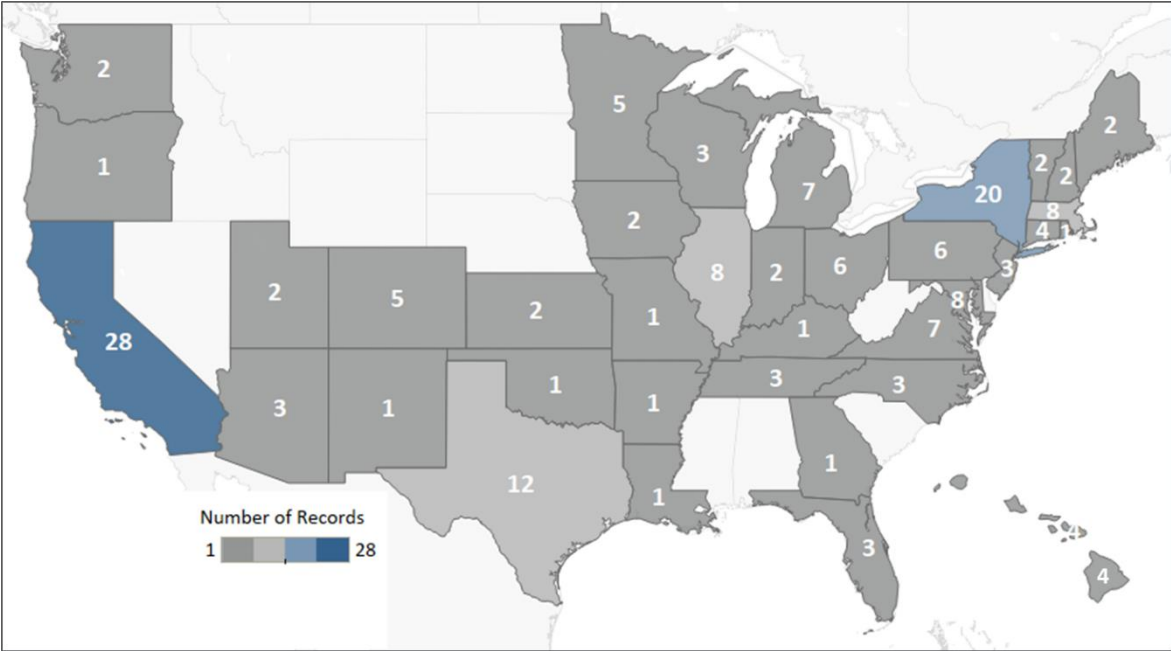
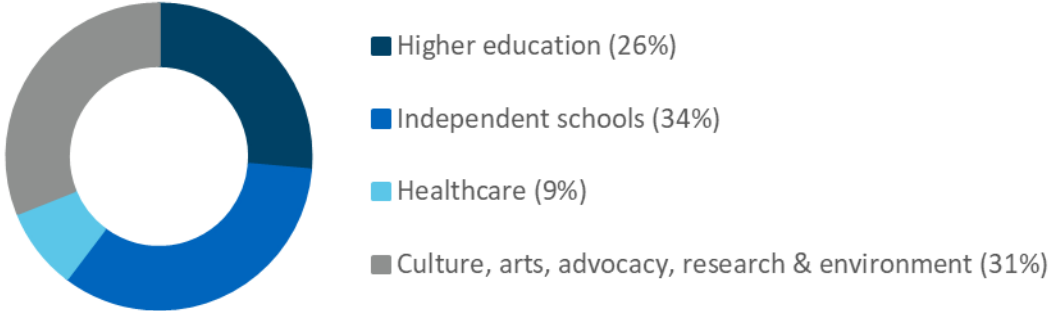
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A Survey of How Recent Events Have Impacted Development Staffing and Budgets

Many organizations are facing challenging decisions as they adapt to recent economic, political and public health events. Marts & Lundy developed a brief survey to learn how recent events have impacted development staffing and budget decisions in higher education, independent schools, healthcare, and culture, arts, advocacy, research and environment (CAARE) organizations. The survey asked participants to categorize how they are making adjustments across their development operation, based on institutional plans as of July 2020.

Respondents by Organization Type and Location

A total of 174 organizations participated in the survey. Thirty-seven states and Washington, D.C. are represented in the full cohort.



Summary of Findings

Most development teams plan to return to the office by the Fall.

Sixty percent of development teams plan to return to the office by the Fall, including more than 10% of teams that are already back, at least part-time (e.g., rotating schedules). Many teams expect that a return will look very different from prior to the pandemic, with hybrid schedules (in-office and remote) and some staff working remote indefinitely. Uncertainty of when a return will take place is found at 20% of independent schools and CAARE organizations.

Many organizations expect a continued decrease in gift revenues in FY21.

Nearly 40% of organizations saw a *decrease* in total gift revenues in FY20, and 45% expect a *decrease* in FY21. More organizations expect FY21 revenues to remain *flat* (40%), rather than *increase* (15%). At independent schools and healthcare organizations, more than half anticipate a *decrease* in FY21 gift revenues.

Although less than 15% of organizations paused annual fund appeals due to the pandemic, nearly 40% of all responding organizations saw a *decrease* in FY20 annual fund gift revenues. Forty percent expect another year of *decreased* annual fund revenue in FY21. Independent schools and higher education are most likely to expect annual fund *decreases* in FY21, while most CAARE organizations expect annual fund revenue to remain *flat*. Only 20% of healthcare organizations anticipate a *decrease* in FY21 annual fund revenue.

More than 90% of organizations have experienced *flat* or *increased* board giving in light of recent events. Nearly half of CAARE organizations have seen board members step up their giving in the face of challenging times for the sector. Healthcare organizations are the only respondents reporting no *decrease* in board giving; most *decreases* have been seen in higher education.

Most organizations face budget reductions in the period ahead.

Budget reductions are expected for 68% of development teams, and more than half of each sector anticipates cuts to be made. Independent schools have been most likely to maintain

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their budget, while higher education institutions have been mostly likely to face budget reductions.

Budget reductions are impacting development teams broadly, with 34% cutting program expenses and staff and 45% cutting program expenses only. At the time of the survey, a quarter of independent schools were still unsure what their cuts would entail.

Within the full cohort, every program within development is being impacted at some level. Event programs are most likely to be impacted by budget reductions, followed by administrative support.

Nearly half of development teams have instituted hiring freezes as one way to manage expenses. More than 20% of organizations have implemented furloughs and/or layoffs, and higher education institutions have been most likely to do so. Other measures include not filling vacancies and salary freezes or reductions. Overall, 33% of organizations are expecting no staff eliminations or hiring freezes.

Organizations are emphasizing unrestricted support and financial aid in their case for support.

Many organizations have made changes to their case for support in response to recent economic, political and public health events. More than half of organizations (54%) have placed an increased emphasis on unrestricted support or financial aid, and 45% have added an appeal for emergency funding. Financial support for diversity, equity and inclusion has gained prominence at more than one-third of organizations.

Events continue to change with the times we're in.

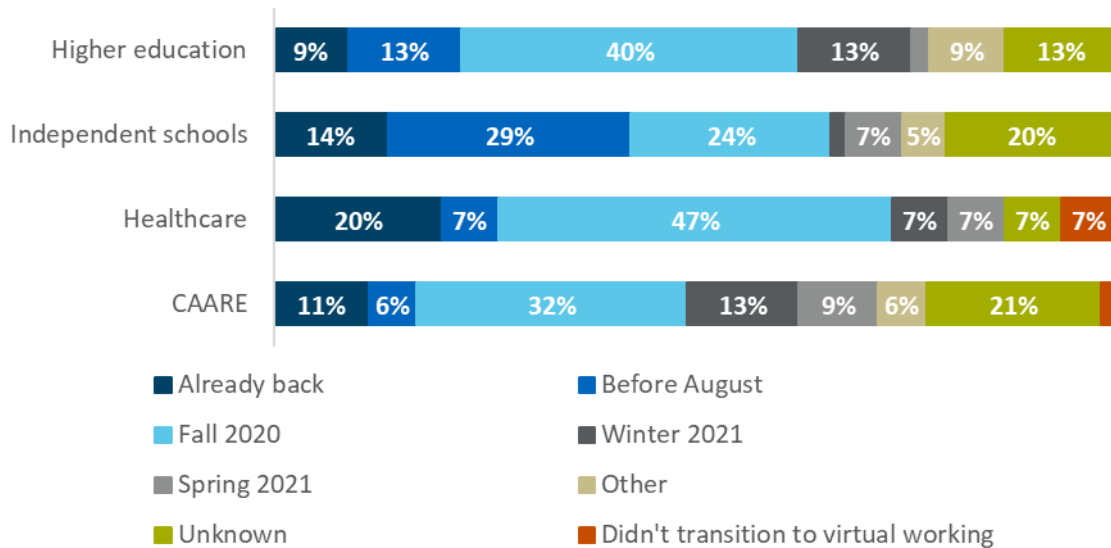
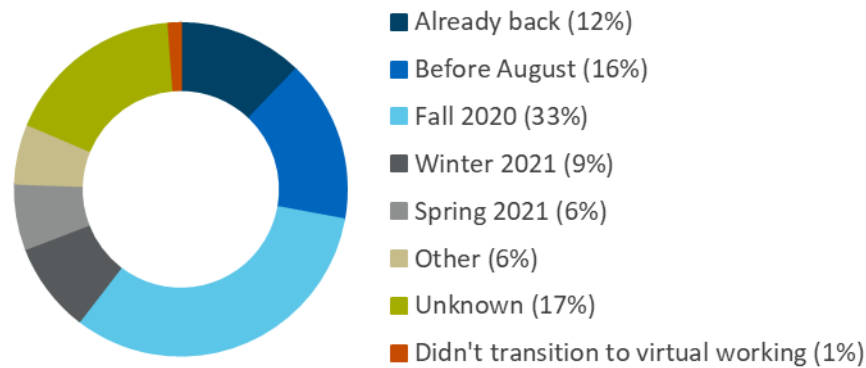
From campaign kickoffs to reunions, education and donor relations events, organizations of all sizes have had to pivot during challenging circumstances. While some organizations are still developing event strategies or have decided to postpone signature events, most are developing virtual alternatives. Overall, organizations are focused on short, engaging events that allow constituents to connect meaningfully with the mission. Some respondents noted that with travel no longer being a barrier to attendance, they have been able to expand their audience and attract participants from outside their main region. An area of concern is the quality and production value of virtual events, which some noted can be very uneven.

Detailed Findings and Analysis

Most development teams plan to return to the office by the Fall.

Sixty percent of development teams plan to return to the office by the Fall. Twelve percent of teams are already back on campus, at least part-time (e.g., rotating schedule). Many teams expect that a return will look very different from prior to the pandemic, with hybrid schedules (in-office and remote) and some staff working remote indefinitely. Uncertainty of when a return will take place is found at 20% of independent schools and CAARE organizations.

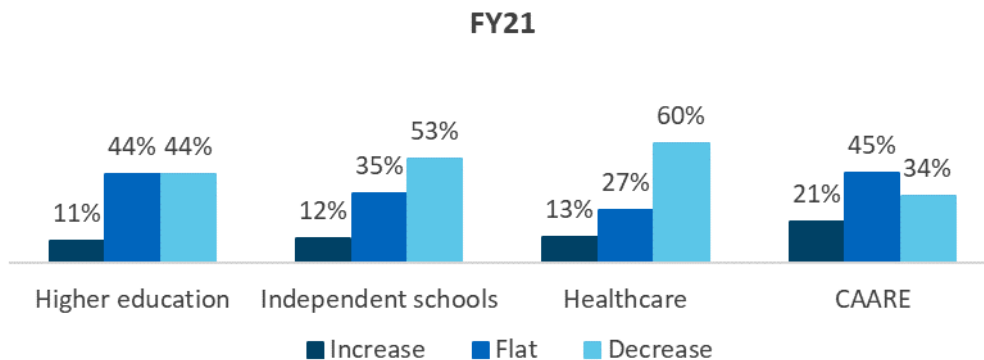
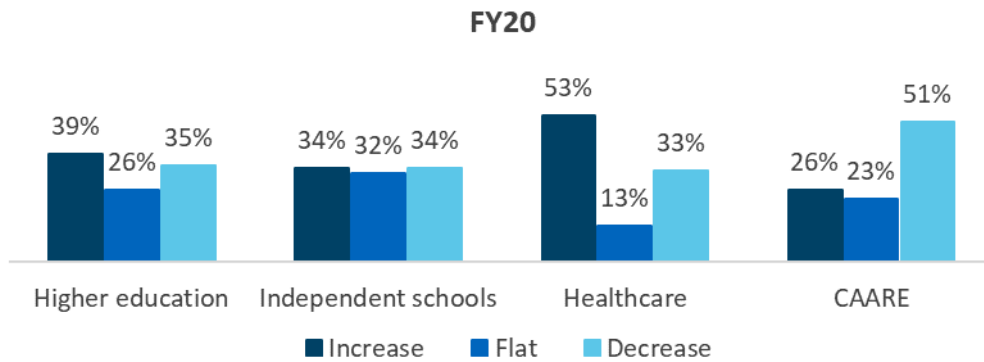
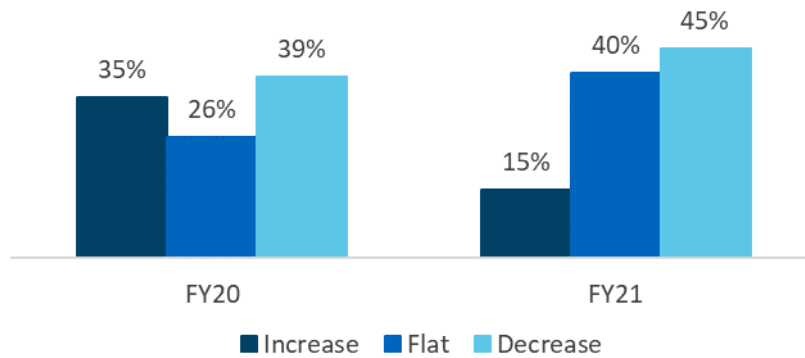
When do you anticipate your development team returning to the office?



Many organizations expect a continued decrease in gift revenues in FY21.

Nearly 40% of organizations saw a *decrease* in total gift revenues in FY20, and 45% expect a *decrease* in FY21. More organizations expect FY21 revenues to remain *flat* (40%), rather than *increase* (15%). At independent schools and healthcare organizations, more than half anticipate a *decrease* in FY21 gift revenues (53% and 60% respectively).

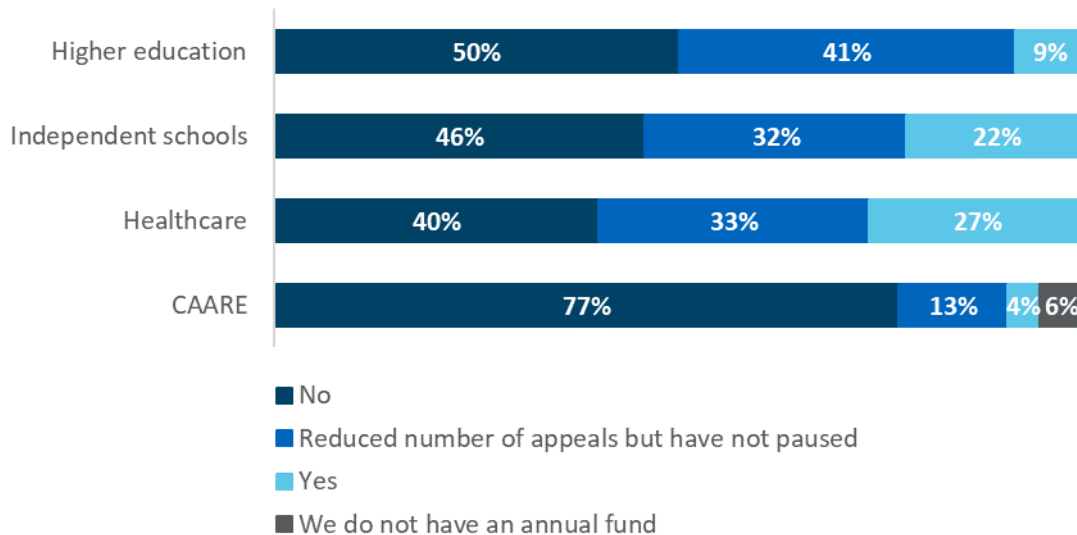
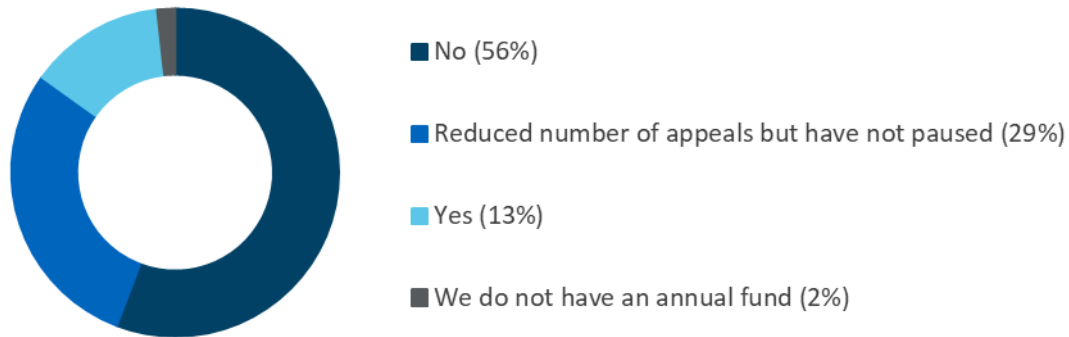
What do you anticipate for total gift revenues in FY20 and FY21?



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Only 13% of organizations paused annual fund appeals due to the pandemic. Healthcare organizations and independent schools were most likely to pause appeals (27% and 22% respectively), while CAARE organizations were the least likely to do so (77% did not pause). Approximately 30% of organizations reduced their number of appeals instead of pausing.

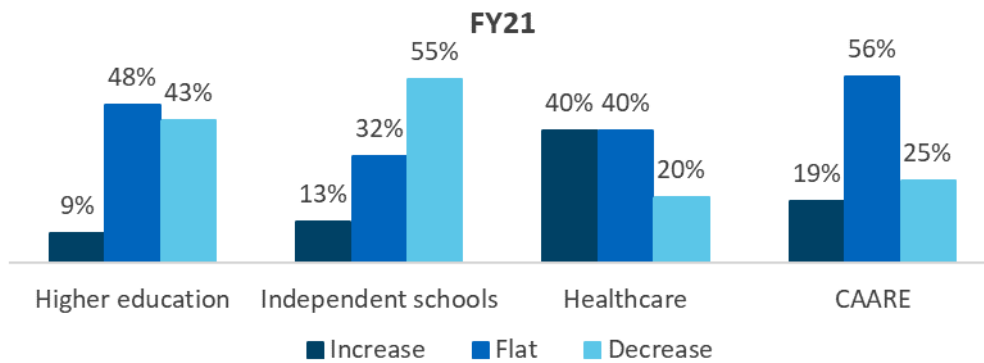
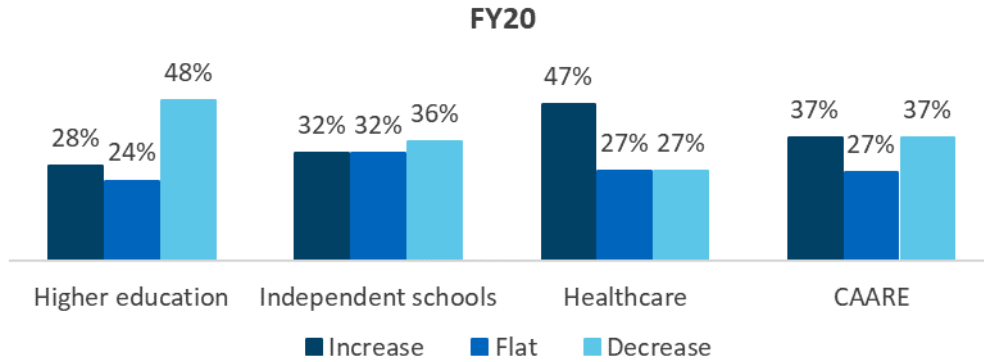
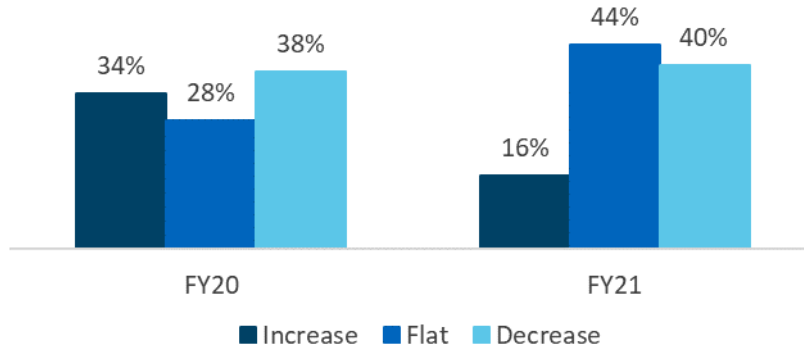
Have you paused annual fund appeals due to the pandemic?



Thirty-eight percent of all organizations saw a *decrease* in FY20 annual fund gift revenues, and 40% expect another year of *decreased* annual fund revenue in FY21. Independent schools (55%) and higher education (43%) are most likely to expect annual fund *decreases* in FY21, while most CAARE organizations expect revenue to remain *flat* (56%). Only 20% of healthcare organizations anticipate a *decrease* in FY21 annual fund revenue and are instead more than twice as likely as the other sectors to expect an *increase* (40% vs 9-19%).

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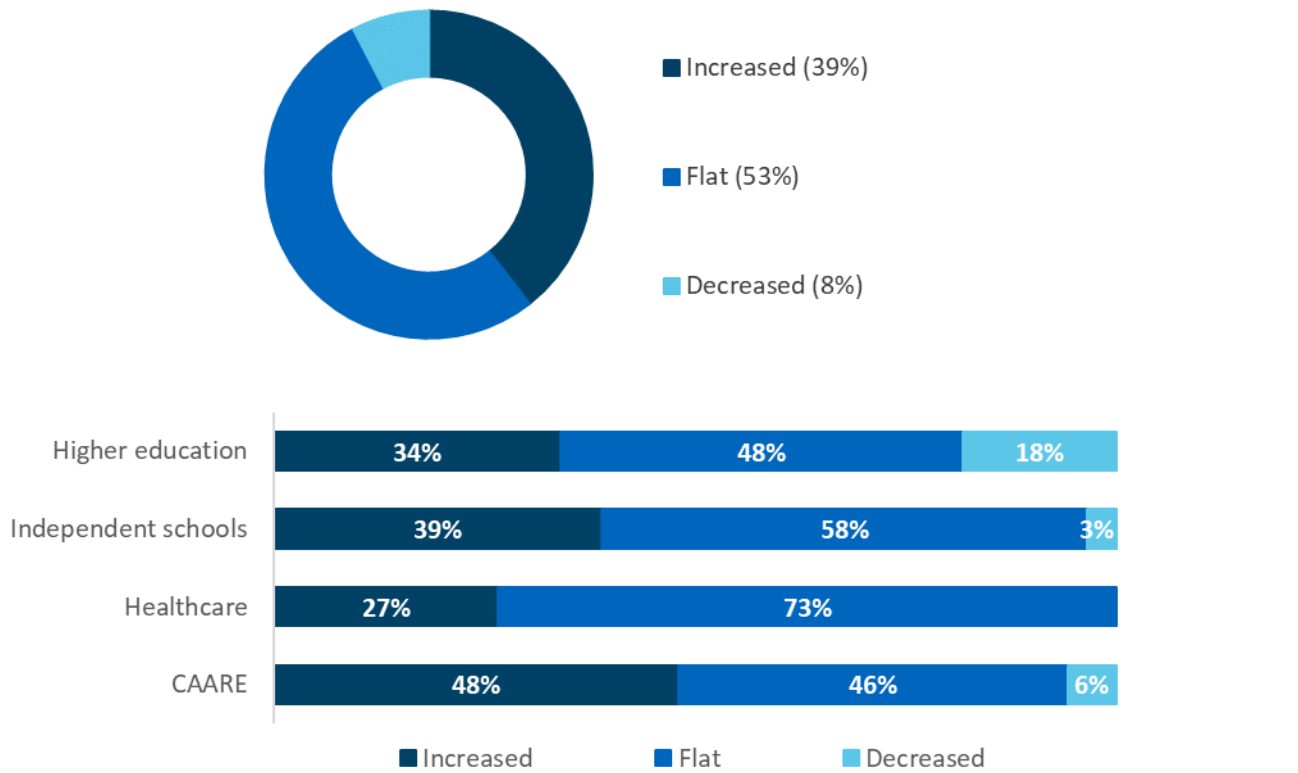
What do you anticipate for annual fund gift revenues in FY20 and FY21?



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More than 90% of organizations have experienced *flat* or *increased* board giving in light of recent events. Nearly half of CAARE organizations (48%) have seen board members step up their giving in the face of challenging times for the sector. Healthcare organizations are the only respondents reporting no *decrease* in board giving; most *decreases* have been seen in higher education (18% vs 0-6%).

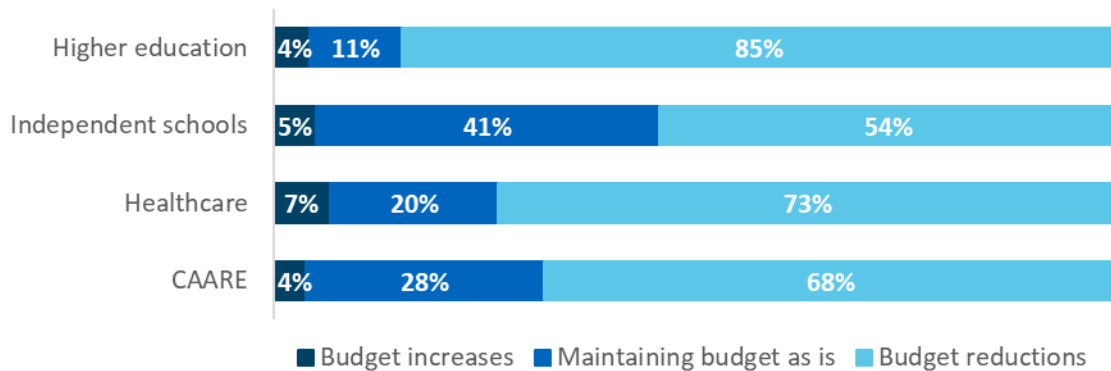
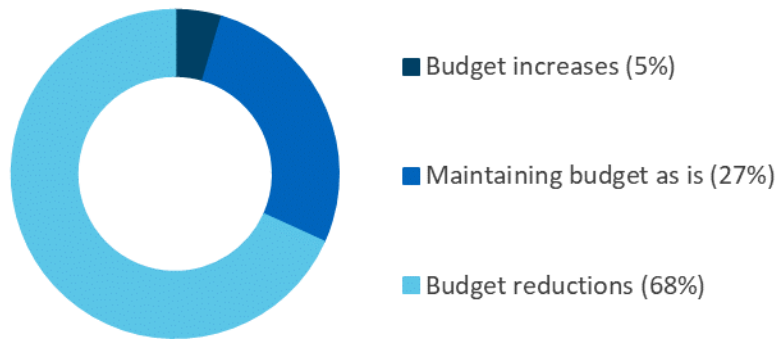
How has board giving to your organization been impacted by recent economic, political and public health events?



Most organizations face budget reductions in the period ahead.

Budget reductions are expected for 68% of development teams and more than half of each sector anticipates cuts to be made. Independent schools have been most likely to maintain their budget (41% vs 11-28%), while higher education institutions have been mostly likely to face budget reductions (85% vs 54-73%).

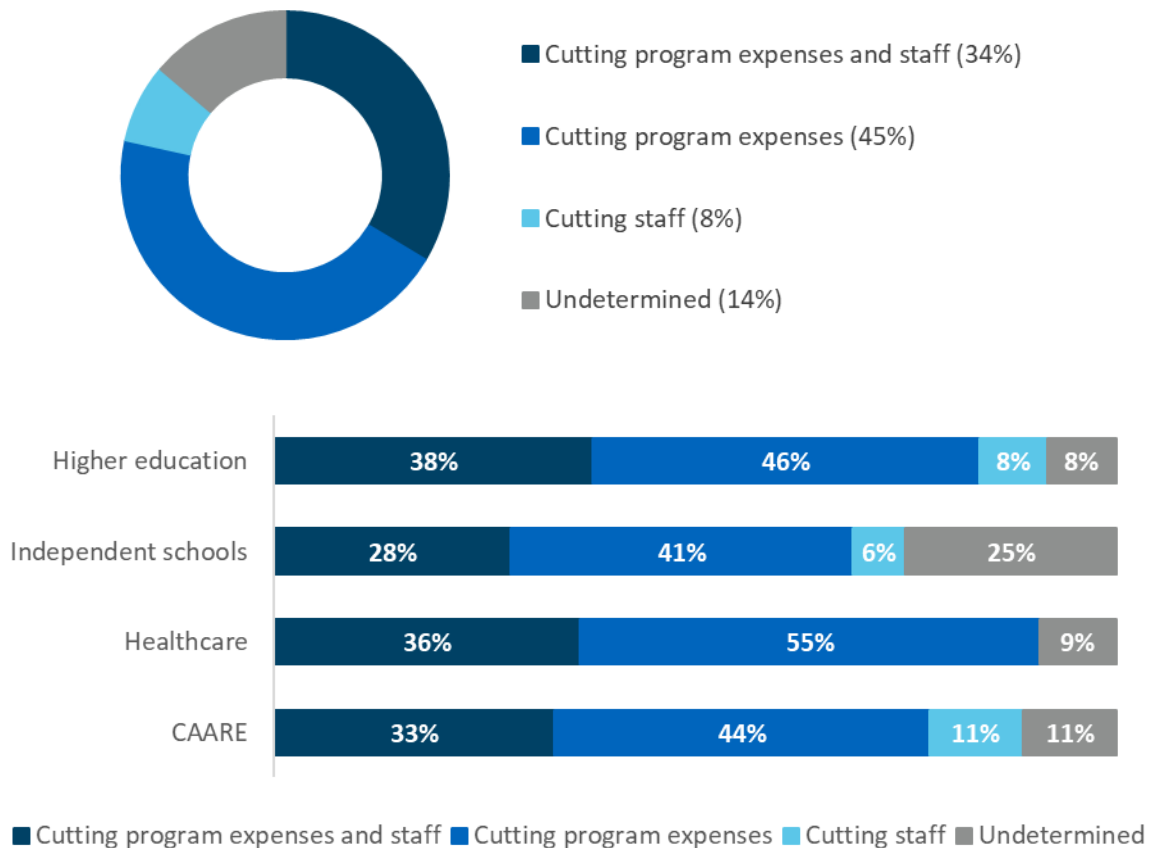
What are the budget implications for your development operation in the period ahead?



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Budget reductions are impacting development teams broadly, with 34% cutting program expenses and staff and 45% cutting program expenses only. At the time of the survey, a quarter of independent schools were still unsure what their cuts would entail.

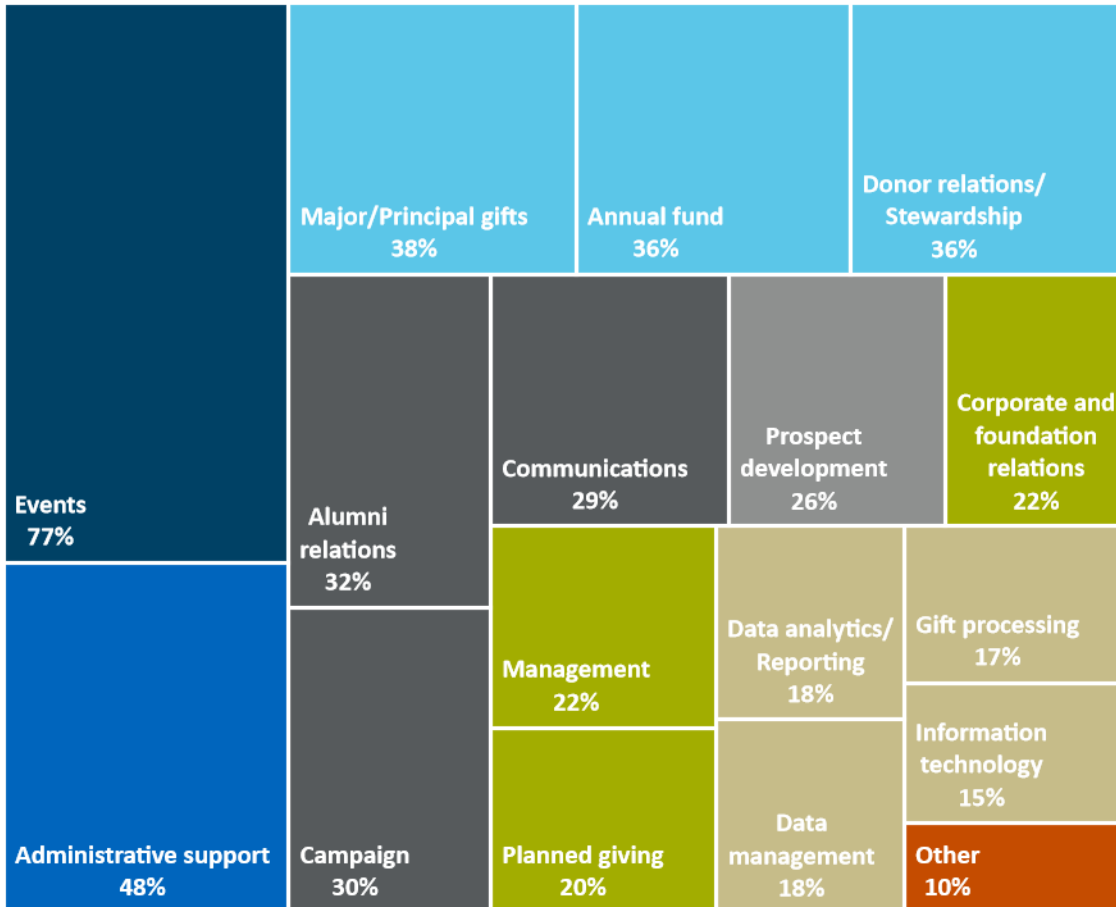
What changes are being made as a result of budget reductions?



Within the full cohort, every program within development is being impacted at some level. Event programs are most likely to be impacted by budget reductions (77%), followed by administrative support (48%). An area of concern as reductions are made is maintaining productivity. As one higher education respondent noted, “We have tried to implement cuts across the division, focusing on items that will not impact the quality of our efforts.”

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Which programs will be or have been directly impacted by budget reductions? (select all that apply)



By sector, programs most commonly impacted by cuts are:

- Higher education – events (82%), alumni relations and major/principal gifts (54%) and administrative support (51%);
- Independent schools – events (73%), administrative support and alumni relations (37%);
- Healthcare – events (90%), administrative support, annual fund, campaign, corporate and foundation relations, donor relations/stewardship and major/principal gifts (50%);
- CAARE – events (71%) and administrative support (54%).

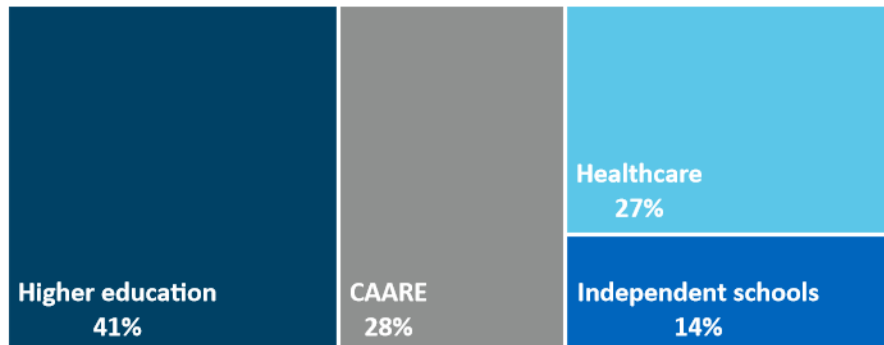
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Nearly half of development teams (45%) have instituted hiring freezes as one way to manage expenses. Twenty-two percent of organizations have implemented furloughs and/or layoffs, and higher education institutions have been most likely to do so (41% vs 14-28%). Other measures include not filling vacancies and salary freezes or reductions (10%). Overall, 33% of organizations are expecting no staff eliminations or hiring freezes.

How has development staffing been impacted? (select all that apply)



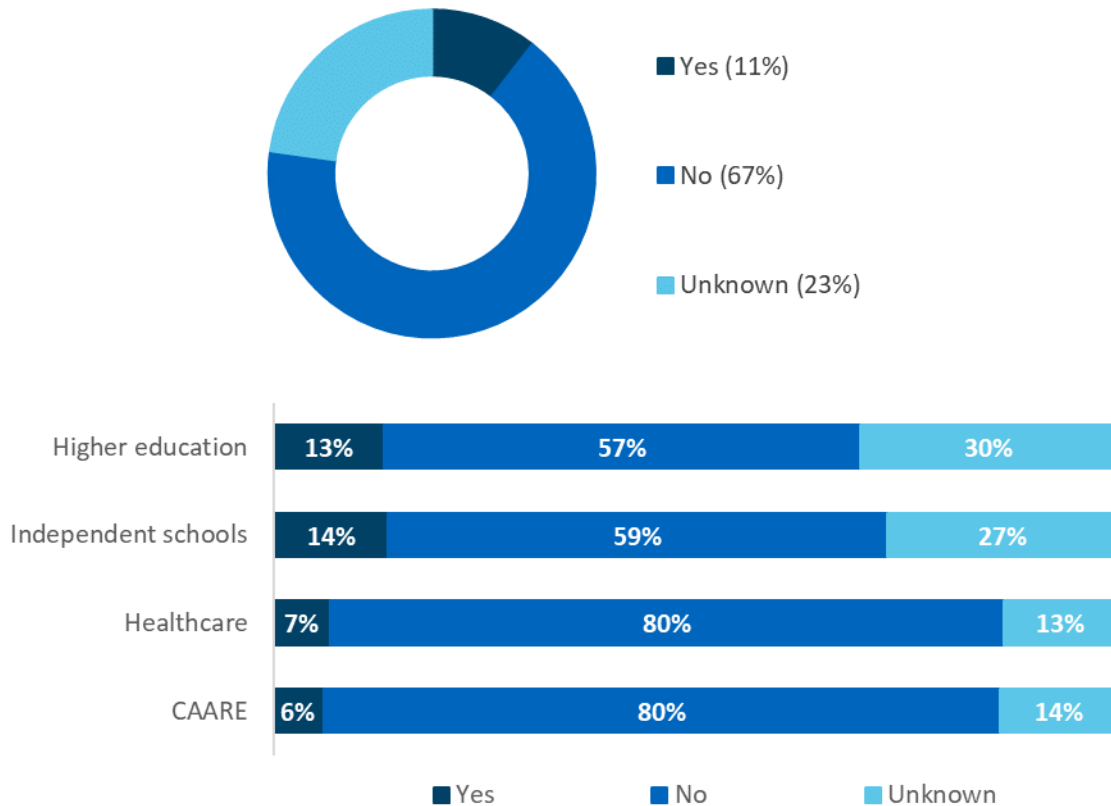
Furloughs and/or Layoffs



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Most organizations (67%) are not making changes to how their endowment is managed. Higher education institutions (13%) and independent schools (14%) have been most likely to make changes. Those changes have included reducing or increasing the endowment draw, altering investment strategy or switching to a different management firm.

Are you making any changes to the way you manage your endowment?

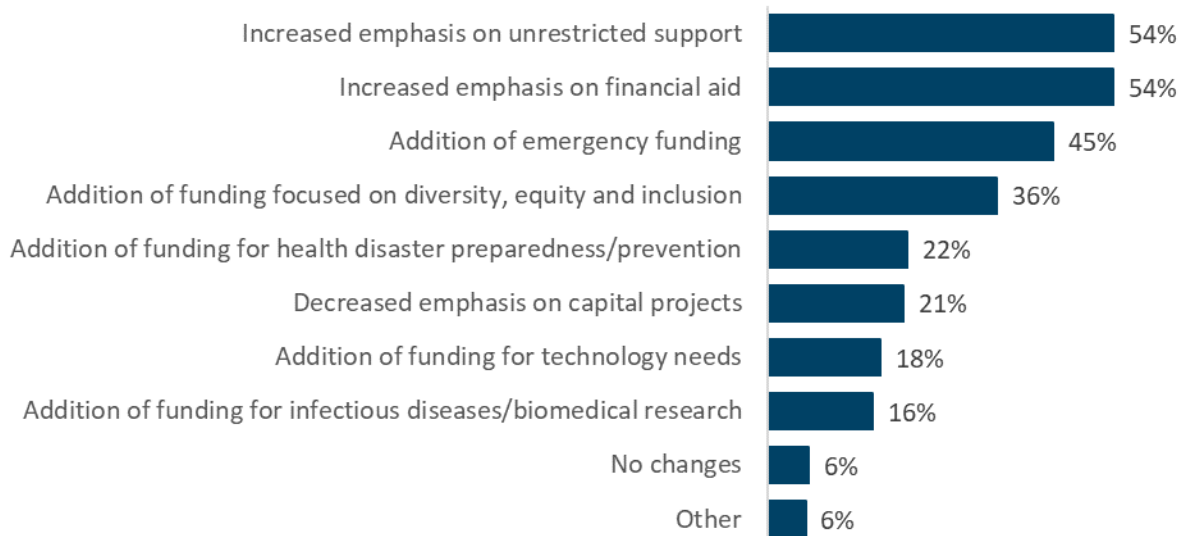


Organizations are emphasizing unrestricted support and financial aid in their case for support.

Many organizations have made changes to their case for support in response to recent economic, political and public health events. More than half of organizations (54%) have placed an increased emphasis on unrestricted support or financial aid, and 45% have added an appeal for emergency funding. Financial support for diversity, equity and inclusion has gained prominence at 36% of organizations.

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How has your case for support changes in response to recent economic, political and public health events?
(select all that apply)



By sector, the most common changes are:

- Higher education – increased emphasis on financial aid (80%) and addition of emergency funding (78%);
- Independent schools – increased emphasis on financial aid (78%) and unrestricted support (56%);
- Healthcare – addition of emergency funding and funding for infectious diseases/biomedical research (67%);
- CAARE – increased emphasis on unrestricted support (72%).

Events continue to change with the times we're in.

From campaign kickoffs to reunions to education and donor relations events, organizations of all sizes have had to pivot during challenging circumstances. While some organizations are still developing event strategies or have decided to postpone signature events, most are developing virtual alternatives. Overall, organizations are focused on short, engaging events that allow constituents to connect meaningfully with the mission. Some respondents noted that with travel no longer being a barrier to attendance, they have been able to expand their audience and attract participants from outside their main region. An expressed area of concern is the quality and production value of virtual events, which some noted can be very uneven.

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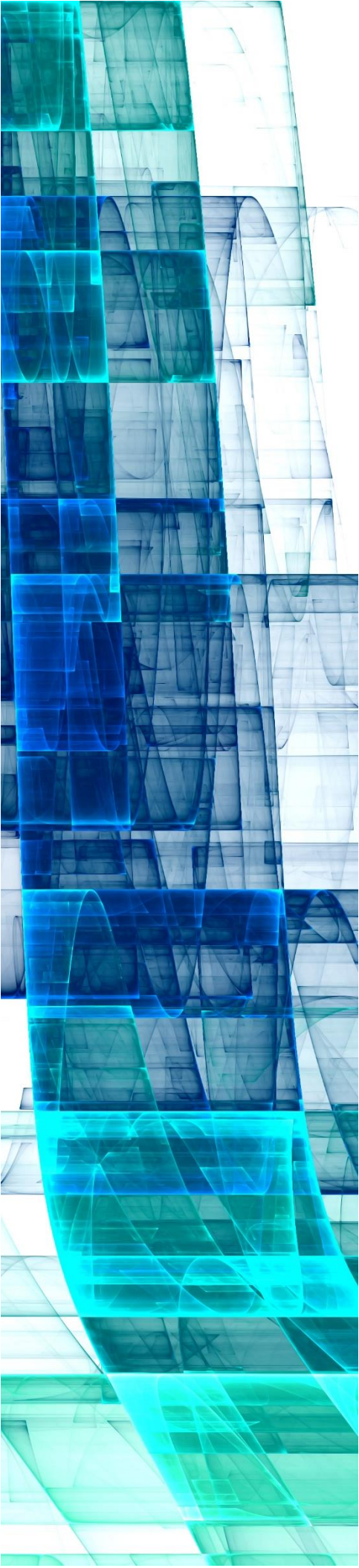
Keys to success have included:

- starting simple and building on success
- comprehensive planning and rehearsals
- surveying target populations to ask about their preferences
- keeping events short
- curating quality content
- focusing on high-interest topics
- creating interactive experiences
- finding ways to include social time using breakout rooms and other methods
- changing virtual platforms based on the event's type and purpose
- multi-channel promotion of events.

Continue to look forward.

Organizations will continue to face challenging decisions as economic, political and public health issues persist in nearly every facet of our lives. As one higher education respondent noted, “The health issues of the pandemic, the economic fallout and the reawakening of demands to address racial injustice require constant adaptation to engagement and fundraising activities and messages.” Development teams must continue to rapidly evolve as they demonstrate to donors the impact of sustained giving to a mission that matters now as much as it did before.

And while teams strive to maintain productivity in the face of these challenges, it will be important to focus on well-being both externally and internally. As one CAARE respondent noted, “Staff stress has increased and is also dispersed differently throughout the organization, depending on a variety of factors such as having children at home, health conditions, race divisions, etc. It is challenging to apply a ‘one size fits all’ approach to employee policies and engagement at this time. Using an equity lens has become even more important.”



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