Power of Real-Time Insights to Improve Donor Communications

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For years, organizations looked to data primarily to understand past performance. But major advances in computing power and other technology have made it possible for organizations to leverage data for more than just keeping score.

Nonprofit organizations rely on donors, ranging from individuals to groups, such as private and family foundations, state and local government agencies, and federal programs, to support their mission. With more than 1.5 million nonprofit organizations in the U.S.[1], these donors have a dizzying array of options where they can support causes that matter to them. And the recent change in tax laws, which doubled the standard deduction for federal individual tax returns, may cause donors to give less liberally or not at all. Organizations competing for donor support must communicate well to attract and retain donors to their work.

In order to stand out as a leader in a crowded field, a nonprofit organization can distinguish itself by providing compelling information about the impact of its work. Through many new channels for fundraising, there are numerous ways for nonprofits to share this information when seeking support — all leveraging the power of data.

As nonprofits look to gather data to provide donors with real-time insights, the key is to follow a systematic process scaled to their size as outlined in the following six steps.

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1. Identify what you want to measure.

When considering what to measure, begin with the end in mind. Envision how the information will be presented, who will access it and how will it be shared with community stakeholders as well as existing and potential donors.

Basic financial metrics often need to be supplemented by other measures to maximize value. For example, the average cost per student for schools may have more power if coupled with the graduation rate. Plenty of schools may spend the same amount per student, but the cost per graduating student might reinforce that money well spent in a particular school can produce outcomes at a lower cost than other schools.

Incorporating the number of volunteers engaged into an analysis of the cost per book for a literacy program can show how investing in a particular program will not only get books to children but engage adults in their literacy growth in more impactful ways.

Thinking about and then measuring more than purely financial metrics can strengthen the message and differentiate your organization from others.

Insights about the data, ranging from shifts in trends to examples of when program results diverge from the norm, can help donors see how your organization will have an impact on the issue and position the nonprofit for sustained and increased support.

For example, health and human service providers must capture "encounter data" to get paid, but that data can also provide great insights into the health of and issues faced by the population served. Are there gaps in funding or reimbursement for certain types of services or constituents? Are chronic conditions more prevalent in certain groups? Is the local nonprofit hospital providing a disproportionate amount of charity care compared to other hospitals in the community?

When considering the data you want to measure, keep in mind that new privacy laws and other compliance regulations may restrict the collection and storage of certain types of data.

2. Catalog the data you currently capture.

Nonprofit organizations already gather a broad range of financial and non-financial data that can help donors understand the way resources are used and the impact of that work. This data likely resides in different systems, so don't limit your review to only the most obvious sources, like the accounting system. In many cases, particularly in smaller organizations, there is often an overwhelming amount of data across disparate systems that could provide meaningful insights. If this is the case, you don't need to invest in new software or complex processes to gain control over your data. You can make significant headway simply by talking with your existing team.

Start by asking everyone who interacts with data to tell you where they get it and how they use it. From these conversations, you can create the three key documents that form the foundation of your new data management system:

- A data register of your current data processes
- A data flow diagram showing how data enters, leaves and moves around your organization
- A data map depicting where various data lives and in what form

By allowing you to take inventory of and locate all your data, these tools can also help you comply with new privacy regulations that may require you to furnish or delete information about individual consumers upon request. Often, organizations can lower their risk exposure by purging data that isn't essential.

3. Identify complementary external data sources.

Nonprofit organizations can build on the power of internally generated information by supplementing it with other local, regional or national data produced and shared by others, strengthening how they describe the impact of their work.

Data about challenges or barriers faced by the population an organization serves can enable your organization to show how it improves outcomes for those it serves, in turn helping to reinforce the value and impact on the community. In addition to data collected and disseminated by governments, there is also published research that can be found online or by reading scholarly articles written by leaders in the field.

For example, an organization serving the homeless can contextualize its impact by supplementing internal data on the people it served with point-in-time count (PIT) data from the U.S. Department of Housing and Urban Development, looking at trends in the number and composition of homeless in communities across the U.S.

In speaking to donors, it is important not only to describe the impact of your organization's work on specific groups but also to show the importance of the work in the context of local, regional and national trends.

As described above, the nonprofit sector can leverage extensive data collected and analyzed through federal programs that help focus national resources and inform community organizations of the areas of most significant need and progress made in addressing them. Many organizations also publish their own data for others to see. The information is readily available today, often in the time it takes to run a Google search.

4. Consolidate your data.

Before you can extract meaningful insights from the data you have collected, you need to structure and organize it in a way that makes sense. The required adjustments will depend on your unique data sets, but you may need to integrate data from multiple sources into a single destination, segment large blocks of data into smaller subsets or standardize the format of various data points. This step might be the most time-consuming and technically demanding part of the process, but it is essential.

For example, one reflection of the literacy crisis in the U.S. is the percentage of children living in poverty in critical age groups who lose reading proficiency over summer break, also known as the "summer slide." Research suggests that the lack of access to books and the lack of parental involvement, particularly when parents can't themselves read, are key factors in the loss in proficiency. To align internal results of reading interventions with the national trends, therefore, it is important to gather and roll up the data by the same criteria — by age group and poverty

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status. To increase credibility in the insights drawn from the data, it is critical to ensure the time periods over which data is drawn are in sync and categories are consistent.

5. Report your data.

Unless your data is presented to donors in a user-friendly format that enables them to take timely action, it is like a tree falling in the forest with no one around to hear it. Present your findings in a way that allows users to see clear patterns and discover correlations. The most poignant insights are frequently those that have been distilled down to a very understandable set of metrics rather than a complex array of statistics.

There are numerous ways to share the data, ranging from your organization's website or annual report to issuing a report on the state of affairs for a given area of need or authoring articles for local or national publication.

For example, Mothers Against Drunk Driving (MADD) maintains three counts on its home page — the number of drunk driving incidents per day, the number of deaths per year and the number of injuries per year. These statistics set the backdrop for MADD's work, highlighting the severity of the drunk driving problem, and then supplemented with victims' stories to put a face on the statistics.

While large enterprises may have sophisticated reporting software and a team of data analysts, you don't need all of that to extract real-time insights from your data. For many, Excel software is sufficient. Other affordable tools, including Tableau and Power BI, offer robust reporting and analytics capabilities. And, free online tutorials make it easy for someone to learn how to use these tools to build a useful dashboard and manage data reporting.

6. Build an implementation plan for today and the future.

Create a plan to ensure that employees understand how and why to integrate analytics into their day-to-day activities, ensuring they understand how data can improve donor relations and generate new ideas for moving your organization forward.

Technology advances, organizations evolve and priorities change. Your data management process must be able to adapt. Consider establishing a steering committee that cuts across the organization to regularly evaluate your data analytics efforts. This group might initially review the dashboard considering the organization's current goals and then focus on ensuring it continues to align with the long-term growth strategy.

Insights about issues relevant to donors come from informed analysis of issues and the experience of constituent groups but can also come from research. Bringing new data to help demonstrate how certain programs can help people overcome barriers or improve outcomes can be a powerful driver in messaging to donors. Speaking about research results rather than just sharing anecdotes about an organization's work can set it apart from others in the space and help donors see how their contributions can drive specific impacts.

The idea of utilizing data to improve communication can seem daunting but working through the steps above can create a more manageable process and yield powerful results in attracting and retaining donors.

Additional Resources

If your nonprofit is wondering how to best analyze outcomes and results, consider starting with these five outcome metrics.

And learn more about how to maximize your nonprofit's impact by applying insights provided by dashboards and metrics in this recorded CapinCrouse webcast.

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[1] McKeever, Brice; "The Nonprofit Sector in Brief," National Center for Charitable Statistics, The Urban Institute