PERFORMANCE-BASED FUNDRAISER COMPENSATION:

AN ANALYSIS OF PREFERENCE, PREVALENCE AND EFFECT

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ABSTRACT

This dissertation examines the preference for and prevalence of performance-based compensation and the relationship between it and productivity within the sample population of professional fundraisers. It reviews the history of fundraiser compensation and prevalence of incentive pay in the nonprofit sector and among professional fundraisers, including its correlation to performance. The study's first hypothesis posits that a majority of fundraisers whose compensation includes an at-risk component prefer financial rewards over non-financial rewards, while a majority of fundraisers whose compensation does not include an at-risk component prefer non-financial rewards over financial rewards. The second hypothesis holds that fundraisers who work for higher education, health care and arts organizations prefer financial over non-financial rewards, while fundraisers who work for religious, social service and environmental organizations prefer non-financial over financial rewards. The third hypotheses asserts that the compensation plans of male fundraisers are different than the compensation plans of female fundraisers. The study tests the first two hypotheses with multiple regression analysis and the third with an independent sample t-test.

Hypothesis tests rejected the first null hypothesis but failed to reject the second and third null hypotheses. Findings revealed respondents' dissatisfaction with the relationship

between goal attainment, performance and compensation in their jobs. It also found significant compensation differences based on respondents' gender and ethnicity, findings different from research discussed in the literature review. My research also confirmed that the age, educational attainment and other descriptive characteristics of the sample population are similar to those reported in research discussed in the literature review. This dissertation adds important knowledge about the prevalence of and desire for performance-based compensation within the sample population and what effect performance-based compensation has on the amount of money fundraisers raise.

APPROVAL PAGE

The faculty listed below, appointed by the Dean of the School of Graduate Studies, have examined a dissertation titled "Performance-Based Fundraiser Compensation: An Analysis of Preference, Prevalence and Effect," presented by Matthew J. Beem, candidate for the Doctor of Philosophy degree, and certify that in their opinion it is worthy of acceptance.

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ACKNOWLEDGMENTS

My path to the PhD has spanned 20 years. Periods of inactivity were never the result of disinterest. They occurred because of my guiding commitment to be as present and engaged as possible in the lives of my spouse and three children amidst the demanding nature of my position in the organization for which I've worked the last 17 years.

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CHAPTER 1. INTRODUCTION

Scholars and practitioners have thought about employee compensation since the early part of the 20th century. The assembly lines of the industrial revolution gave rise to the question of whether workers are more productive when they're paid for each item they produce or a flat hourly rate. Interesting discussions of productivity and motivation sprang from these early conversations, and the resulting literature has become a rich reference for scholars. My dissertation connects early work on performance and pay with more recent inquiries into non-profit sector compensation. The converging bodies of literature, supported by a review of the development of fundraising in higher education and the organizational studies field of inquiry, are the foundation of my hypotheses.

Early research shows that performance-based compensation positively affects worker productivity in non-specific work settings (Jenkins, Gupta, Mitra and Shaw, 1998). Jenkins, Gupta, Mitra and Shaw showed a positive correlation between at-risk compensation and worker productivity, and their findings suggest neither job type nor worker status diminish the correlation. Scholars and practitioners have increasingly raised the question of whether performance-based compensation has the same effect on fundraiser productivity. My review of the literature did not yield data on the preference for or prevalence of such pay arrangements or conclusive research on whether they are positively correlated to performance.

The Association of Fundraising Professionals (AFP), the world's largest association of professional fundraisers, states its disapproval of commission-like fundraiser pay in its code of ethics. Beyond that, however, AFP has not conducted research on the preference for performance-based fundraiser compensation, studied whether such pay plans are positively correlated to productivity or formally published a position on non-commission, performance-based fundraiser pay. This study references AFP's position and work as a means of accessing the academic literature on performance-based fundraiser compensation and defining the need for further study. Its primary aim is determining the prevalence of and preference for at-risk fundraiser pay and whether such compensation arrangements are positively correlated to performance.

My dissertation's findings will answer scholars' and practitioners' performance-based compensation questions by filling some of the gaps created by AFP's incomplete consideration of the issue. Through information gleaned from a questionnaire distributed electronically to members of the Mid-America Chapter of the Association of Fundraising Professionals, I will answer three key questions:

1) Does a desire for financial rewards among some fundraisers guide them to organizations whose compensation includes an at-risk component, and does a desire for non-financial rewards among other fundraisers guide them to organizations whose compensation does not include an at-risk component?
2) Do fundraisers who work for certain types of organizations prefer financial over non-financial rewards, and do fundraisers who work other types of organizations prefer non-financial over financial rewards?
3) Among fundraisers whose compensation includes an at-risk component, do differences exist based on gender?

The questions derive from two theoretical frameworks, both of which are found in the organizational studies literature. Institutional theory describes the often-intangible symbolic values and rewards that accompany employees' service in such organizations as those in the non-profit sector. Among other things, institutional theory implies that organizations focus less on compensation and more on culture when rewarding employees (Pfeffer, 1982). Resource dependency theory, on the other hand, describes a work environment in which employers strategically compete for scarce resources – including employees – critical to their missions. Among its tenets is the point that organizations must pay top attention to compensation, a critical component of employees' happiness, even at the expense of such intangibles as workplace culture (ibid).

My dissertation's second chapter reviews the fundraiser compensation literature and considers historical, theoretical and applied perspectives. The third chapter presents the paper's methodology, describing its survey instrument, hypotheses, study design and data collection. Its fourth chapter shares results through descriptive statistics and hypotheses tests, and the fifth chapter analyzes data, shares key findings, discusses their relationship to the literature, explores topics for future study and ends with a conclusion. Four appendices follow the dissertation's references section and include its survey solicitation email and informed consent form, follow-up survey email 1, follow-up survey email 2 and the 54-question Fundraiser Compensation Survey.

CHAPTER 2. LITERATURE REVIEW

Introduction

This literature review first outlines four reasons for studying the compensation-performance dynamic in professional fundraising and reviews scholars' opinions on at-risk fundraiser pay. Its second section summarizes the history of fundraiser compensation, largely in higher education, from 1900 to the present. The third section reviews the organizational theory literature that grounds this paper's discussion of compensation and performance, and the fourth section explores the notion of economic dualism as a theoretical conceptual framework for understanding the potential disparity in fundraiser compensation. The literature review's fifth section draws previous sections into a focused exploration of the literature's discussion of compensation and performance, and the sixth section reviews a meta-analysis aimed at determining whether performance-based compensation positively affects worker productivity. The literature review's seventh section summarizes work on nonprofit compensation and productivity, and its final section describes research on fundraiser compensation, performance and bonuses.

Why study at-risk compensation in professional fundraising?

My review of the literature identified four motives and six opinions that suggest it is important to study the relationship between pay and performance in professional fundraising. Jacob Needleman says money should be viewed as an obstacle, not a barrier, to true happiness. He shares his belief that by placing their wealth in the proper place in their lives, such early American altruists as Rockefeller, Carnegie and Mellon developed a clear and complete understanding of their philanthropic capacity. Needleman's research suggests that fundraisers working with similar donors should keep their intentions paramount and guard against closing a gift for the sake of a commission or incentive-based payment (1991). Edwin Sandys, treasurer of the Virginia Company, learned Needleman's lesson the hard way after misreporting the use of a 1,500-pound seed grant from the Virginia Company, which was intended to establish a college on a gift of land. Sandys subsequently misrepresented the college's needs in appeals to donors, which resulted in several failed economic schemes that left philanthropists angry at the misuse of their gifts (Goodchild, Wechsler and Eisenmann, 2007). Sandys made his, not his donor's, intentions the top priority, which is relevant because it illustrates the importance of Needleman's observation and why employers must be informed as they identify the actions for which they reward fundraisers.

Fundraisers have asked that their performance and compensation be connected for more than three decades, a second reason to study performance and compensation in professional fundraising. *Currents*, the magazine of the Council for the Advancement and Support of Education, in 1996 said incentive-based compensation was the wave of professional fundraising's future (McNamee, 1996). Shortly after the Currents article appeared, *The Chronicle of Higher Education* reported on the successful completion of Harvard University's $2 billion campaign and the essential role fundraising professionals play in achieving such lofty philanthropic objectives. The article comments on Harvard's well-oiled, machine-like fundraising operation as it observes the centrality of fundraising professionals in higher education (Pulley, 1999). As campaign goals grow in higher education and elsewhere, it is imperative that we learn all we can about fundraiser performance and compensation to adequately respond to the desire for at-risk pay reported 32 years ago in *Currents* and as fundraisers continue to be key factors in their organizations' success.

Attracting and retaining good fundraisers, a third reason to study fundraiser compensation and performance, is a top priority for institutions competing for charitable dollars. The 1996 Currents survey found that only three of 330 respondent organizations' fundraisers were paid for performance, but an article I subsequently wrote reports different findings. I surveyed 40 Missouri, Iowa and Kansas fundraisers in 1999 (Beem, 2006). Of the 27 respondents, seven reported they were paid for performance, and 20 reported a preference for such an arrangement. Although the survey's results are not generalizable to all fundraisers, they seem to suggest a trend in fundraiser compensation practice and preference, since nearly 26 percent of respondents were paid for performance in 1999 and less than one percent were in 1996.

Compensation pressure in higher education is a fourth reason to study fundraiser pay (Tempel and Beem, 2002). In *The Shaping of American Higher Education: The Emergence and Growth of the Contemporary System*, Arthur Cohen describes higher education fundraisers' low salaries in the 1950s and says they've never caught up (1998). The *Currents* piece aligns with Cohen's position and asserts that because higher education fundraiser salaries averaged $10,000 a year less than those of comparable health care fundraisers in the mid-1990s, university development officers moved to hospital fundraising positions to secure better pay (McNamee, 1996). It is important that we learn all we can about fundraiser performance and compensation to help nonprofits retain fundraisers essential to their ability to raise the money they need to fulfill their missions.

Six scholars have examined the issue of performance and compensation in the nonprofit sector. In *Nonprofit Compensation and Benefits Practices*, Carol Barbeito and Jack Bowman report a range of perspectives on fundraiser compensation and acknowledge that one of the key concerns with the appropriateness of incentives is whether bonuses should be paid to fundraisers (1998). They believe some fundraisers view incentives as commissions, which critical observers worry will scare donors away from institutions but others believe will encourage fundraisers to step up their efforts and generate larger gifts. They report that Dennis Young, on the other hand, does not believe fundraiser compensation should be tied to performance (ibid). He says fundraising success depends heavily on economic conditions over which fundraisers have no control and does not believe they should be rewarded in banner years and penalized in lean years because fundraising success depends partly on luck (ibid). Barbeito and Bowman's study indicates that James Rocco says fundraisers' efforts should not be undervalued. He believes part of an employee's success depends on his or her ability to understand and effectively work with donors and says a well-designed compensation plan should account for such variables (ibid). Barbeito and Bowman also share Jay Wein's belief that the question is not whether but how fundraisers should be paid for performance (ibid). He believes financial incentives result in better outcomes and that nonprofits should set themselves up to engender and reward such behavior. According to Barbeito and Bowman's study, Richard Stein believes measuring and tying performance to compensation can be difficult for nonprofit organizations that define success in terms of mission accomplishment (ibid). He suggests nonprofit organizations tie their incentive plans to long-term goals. The four motives and six nonprofit scholars' opinions described above make a strong case for studying the relationship between pay and performance in professional fundraising.

History of professional fundraiser compensation

The university presidency, whose evolution gave rise to professional fundraising, began to show marked changes near the end of the 19th century as new presidents juggled many balls: they supervised others, balanced the books, led the faculty and delegated duties. The latter required a special flexibility that maintained the president's authority yet maximized his or her efforts. In perhaps the most significant departure from previous presidents at universities throughout the country, new leaders of higher education at the dawn of the 20th century often were exempt from teaching responsibilities. The presidency became an office of power and opportunity (Goodchild, Weschler and Eisenmann, 2007).

Because of the narrowing duties of university presidents, a tremendous expansion and differentiation of the higher education administrative function occurred between 1870 and 1930. The order in which supporting roles developed varied by institution, but librarians were largely the first to emerge as offshoots of the presidential function. Registrars followed, as did deans, business officers and directors of public relations and admissions. Vice president and chancellor positions blossomed between 1900 and 1930 (ibid).

The narrowing of college and university presidents' duties created a place for fundraisers in higher education, but what fueled the profession's growth? It is important to understand several forces that shaped the landscape of American higher education in the 20th century to put the period's spike in higher education fundraising in perspective. Two trends emerged in the latter half of the 19th century that transformed higher education and paved the way for modern-day fundraising. One was the move toward loosened ties between religious denominations and the colleges and universities with which they had been affiliated. The other was the exponential growth of large research institutions, which was spawned in large part by burgeoning foundations looking for places to give money (ibid).

In *The Making of a Modern University*, Julie Reuben explains the transformation in higher education operating principles and missions that occurred between 1870 and 1890 in the United States. It was a critical time for higher education and professional fundraising as colleges and universities became increasingly free of earlier denominational influences and developed constituencies independent of their religious sponsors (Reuben, 1996). Religious denominations initially founded colleges and universities to be vessels through which their beliefs would spread and spawn ministers of like thought and practice. In 1870, colleges and universities taught religion and were still largely committed to teaching a broad knowledge of the classics. By 1890, however, many institutions had evolved into places that approached religion scientifically and preferred teaching specific knowledge at the cost of total inclusivity. Although university reformers never rejected comprehensive instruction as a positive goal, they began to emphasize instead the importance of training students to think scientifically. Reformers sought to turn students into investigators and extolled the search for truth as the highest purpose of the university (ibid).

Roger Geiger discusses the effect foundation giving had on the rise of the modern research university in *To Advance Knowledge*. He describes Harold Laski, who questioned three aspects of the relationship between foundations and higher education that emerged in the 1920s after he returned to Britain from a four-year teaching stint at American universities. Laski asked whether the new stream of university research funding from foundations was worth the increase in labor it required, whether the relationship between research universities and foundations was healthy and whether the result of the relationship between universities and foundations would be funders' overt control of the academy (Geiger, 1986). In response to Laski's question about the rise in labor associated with foundation funding, Geiger said the new dollars expanded empirical knowledge and enabled the development of new fields of inquiry (ibid). He dismissed Laski's question about the relationship foundation dollars would create between funders and institutions and said they actually gave scholars more time for research (ibid). To Laski's question of whether their funding gave foundations control of the academy, Geiger responded that new university units, fellowships and direct research support would flourish with foundation support of higher education (ibid).

Religious denominations established most early American colleges and universities, which were modeled after Oxford and Cambridge, to train ministers (Reuben, 1996). The higher education landscape ripened for fundraising in the early years of the 20th century as colleges and universities moved away from strict denominational ties and toward externally funded research. The resulting growth in their student populations led to larger and more diverse donor and alumni groups. The strong bonds that formed between research universities and foundations sparked a new consciousness about the agenda setting-role funders could play in the higher education arena (ibid).

Nonetheless, virtually all fundraisers were paid the same amount regardless of how much money they raised until the 1960s, and the trend toward incentive-based compensation was slow to start even then. In his 1966 book, Harold J. Seymour clearly states his opinion that fundraisers should be paid for service, not performance. He says development officers should be paid a fee and never a percentage (Seymour, 1992). Henry Rosso has a different perspective. His Achieving Excellence in Fundraising espouses the need for non-cash and incentive-based compensation. He recommends recognition as an effective tonic for burnout and suggests such rewards as a weekend getaway, a basket of fruit and cheese or a gift certificate (Rosso, 1991). Such diverse opinions on fundraiser compensation would continue to inform research and practice well into the 21st century.

Organizational theory literature

Organizational theory, which describes how organizational structures affect behavior within and between organizations, is a useful construct through which to study and from which to understand performance and pay in professional fundraising. It provides a helpful framework for studying the potentially competitive priorities of institutional identity and resource dependence and the role they play in fundraiser compensation. Organizational theory considers individual and group dynamics in an organizational setting and whole organizations and industries, including how they adapt and the strategies, structures and contingencies that guide them (Scott, 2002).

Resource dependency theory, one organizational theory that helps explain the apparent trend toward performance-based fundraiser compensation, describes organizational and inter-organizational behavior in terms of the critical resources organizations need to survive and function (Johnson, 1995). Resource dependency theory suggests that an organization will respond to and become dependent on those entities in its environment– including employees – that control resources critical to its operations and over which it has limited control. Such dependence makes the external constraint and control of organizational behavior possible as asymmetrical exchange and power relations arise.

Most resource dependency theorists employ the organization-set level of analysis, which views the environment from the perspective of a specific (focal) organization (Scott, 2002). Jeffrey Pfeffer suggests that resource dependence theorists work from two presumptions. The first addresses external constraint and asserts that organizations respond most attentively to the actors in their environments that control essential resources, which include fundraisers in the nonprofit organization setting. Pfeffer says this focus affects the activities, including employee compensation, of organizations. The second presumption posits that organization leaders attempt to manage their external dependencies to ensure survival and acquire more autonomy and freedom (Pfeffer, 1982) by using a variety of strategies to maximize their autonomy (Johnson, 1995). One such strategy is incentive compensation.

In his discussion of the external constraint that grows from resource dependence, Pfeffer distinguishes between outcome interdependence and behavior interdependence. Outcome interdependence claims that outcomes achieved by one social actor are interdependent with those of another actor, while behavior interdependence holds that the activities themselves are dependent on the actions of another social actor (Pfeffer, 1982). Pfeffer and Salancik identify three factors critical to determining organizational interdependence: the importance of the resource; the extent to which one group has discretion over resource allocation and use; and the extent to which there are few alternatives to that resource (2003). Some early organizational scholars implied that the potential to alter the environment and manage external dependence was limited to large organizations in control of resources. Others, however, have cited numerous examples of small organizations banding together in associations and marshaling substantial control over their environments (Hesselbein, 2001). The research on outcome and behavior interdependence described above helps explain the special treatment some nonprofit organizations give fundraiser compensation as a means of retaining what they believe is an essential independent resource.

Empirical resource dependency research has dug deeply into organizational interdependence and organizations' strategies to address and negotiate relationships. Because managers strive to increase the certainty with which external resources flow into their organizations and increase organizational autonomy, they engage in buffering and bridging activities (Johnson, 1995). Taken together, bridging and buffering defend, define and redefine organizational boundaries (Scott, 2002). Buffering strategies involve amplifying and protecting organizational boundaries in attempts to insulate the technical core from external dependence. One common manifestation of buffering is stockpiling resources critical to an organization's outputs at times when resources are available and affordable (Johnson, 1995). Bridging is also the result of an organization's attempts to reduce its dependence on resource-rich competitors, but it involves the external activities of spanning and shifting boundaries to reduce the uncertainty surrounding the inflow of needed resources. Pfeffer and Salancik identified cooperation and merging as two prime organizational bridging strategies (2003).

In addition to the external power imbalances that result from interdependencies between resource-rich and resource-poor organizations, an internal political dynamic emerges because of resource dependence. Over time, power accrues to organizational leaders and teams – including fundraisers – skilled at reducing the constraints, uncertainties and contingencies that accompany the flow of critical resources. According to resource dependence theory, these individuals determine which adaptive strategies organizations pursue. Hence, given that internal power arrangements are central to the decision-making process, choices regarding the management of organizational inter-dependence are rooted in a political context (Johnson, 1995).

Resource dependency theory has several challenges and limitations. The most significant shortcoming of resource dependency theory is its inability to fully and clearly delineate the relationship between the environment and the organization. Resource dependency theorists generally place the environment as the dependent variable in their conception of an organization's interaction with its world, but Johnson questions this assumption. Although environments limit organizations, they also influence them through organizations' choices about the acquisition and use of scarce resources (Johnson, 1995). A second challenge to the resource dependency perspective is overcoming the limitations associated with aggregating individual choices to the organizational level. While there are several methods by which the complex actions of individuals and groups of individuals can be extrapolated to represent organizational actions, they are difficult to interpret and even tougher to standardize (ibid). A third difficulty associated with resource dependency theory is determining which unit of organizational analysis to employ. One might choose to focus on the organization itself, the relationships of the organization or its resources. Yet more choices exist within each of these three options, complicating the issue of level of organizational analysis (ibid).

Economic dualism and fundraiser compensation

A fertile area for future organizational theory research is the concept of economic dualism, which draws on institutional and resource dependency theory. Economic dualism suggests institutions struggle with the competing priorities of an institutional commitment to traditional modes of operation and a resource-dependent commitment to more productive ways of doing business (Scott, 2002). It describes the state in which competing commitments to institutional values and institutional survival leaves organizations, and the fact that both exist simultaneously in some organizations creates the tension Scott calls economic dualism. Such dualism could explain the diversity of fundraiser compensation opinions and practices and creates a meaningful construct through which to study and understand the issue.

To test economic dualism as a relevant framework for explaining the diversity of performance-based fundraiser compensation opinion and practice, I gathered data from a group at the Association of Fundraising Professionals International Conference in April 2000 in New Orleans. The questionnaire was designed to explore how tenets of institutional and resource dependency theory exist in fundraisers' perceptions of their relationships with their organizations and whether they believe such frameworks, if in conflict, contribute to a disparity in fundraiser compensation. The average tenure in respondent's current positions was four years, and the average tenure in their previous positions was 5.27 years. Five of the respondents worked for higher education institutions, one worked for a social service agency, two worked in health care settings and two did not specify their work settings. Sixty percent of the respondents held AFP's Certified Fundraising Executive (CFRE) credential, and respondents supervised an average of four employees. Eighty percent of respondents agreed with AFP's position that it is appropriate to accept compensation based on performance (if it is not tied to actual dollars raised), and 20 percent disagreed with AFP's stance. Forty percent of the respondents said performance and compensation are related in their organizations, 20 percent said they are somewhat related (cost-of-living adjustment plus merit raise) and forty percent said they are unrelated. Eighty percent of the respondents said they would like for performance and compensation to be connected in their organizations, and 20 percent said they preferred they be separate issues (Beem, 2000).

The survey results merit several comments. First and foremost, the data is far from conclusive. The survey was not intended to yield statistically significant results but to test the validity of a theoretical conceptual construct for viewing and studying fundraiser compensation, and its findings are tentative at best and not generalizable to any population of fundraisers or other professionals. Nonetheless, the exploratory study's data point up two distinct perspectives among respondents. One set of fundraisers clearly works for the causes its organizations represent and believes mission is of primary and compensation of secondary importance. Although not all members of this group overtly oppose performance-based compensation, each member said serving the cause he or she represents is paramount. The other set of respondents is motivated by money. For them, performance-based rewards are a potent incentive, and their reliance on such motivations is central to their success and satisfaction (ibid).

Two pairs of responses suggest that the concept of economic dualism may be a useful theoretical construct. Several respondents raised the discrepancy among compensation scales and schemes within nonprofit sub-sectors. Others, however, said the diversity is good. In similar point-counterpoint fashion, one respondent said salary is more important to clerical employees and those who join a nonprofit organization's ranks for compensation than it is to those who commit to an organization's mission, while others said compensation is always most important. Such polarized responses suggest that economic dualism may have merit as an explanation for and lens through which to analyze discrepancies in fundraiser compensation opinion and practice (ibid).

Compensation and performance literature

Edward Lawler's early work is a good foundation for my discussion of performance-based compensation. In *Pay and Organization Development,* Lawler lays the groundwork for subsequent research and observes that many compensation systems described as merit-based are in fact far from it (1981). He outlines four advantages of properly designed pay-for-performance systems. Such systems motivate effective performance by encouraging certain behaviors through increased rewards. They also attract entrepreneurial, high-achieving individuals who wish to be rewarded for their success. Third, well-designed incentive pay plans effectively stratify employees along the continuum of their performance-reward positions. Finally, evidence suggests that individuals are more satisfied with their compensation when they believe it is based on their performance (ibid).

Following Lawler's work, a group of scholars concluded in 1991 that the effects of compensation for performance, pieced together from research, theory, clinical studies and surveys of practice, indicate that in certain circumstances, incentive compensation plans produce positive effects on individual job performance (National Research Council, 1991). They found that expectancy theory explains why compensation-for-performance plans enhance employee efforts and an understanding of the general conditions under which the plans work best (Vroom, 1994). Expectancy theory predicts that employee motivation will be enhanced and performance increased under compensation-for-performance plans when the following conditions are met: employees understand their performance goals and view them as doable, there is a clear link between performance and compensation that is consistently communicated and acted on and employees view and value compensation increases as meaningful (ibid).

Locke and Latham's Goal-Setting Theory further explains the link between compensation and performance by clarifying the conditions under which employees see goals as achievable (2012). Locke and Latham assert that the goal-setting process is most likely to improve employee performance when goals are specific, moderately challenging and accepted by employees. They found that several characteristics, including compensation-for-performance and meaningful increases, appear to raise the likelihood that employees will reach performance goals. Shaw, Gupta and Delery found that higher levels of workforce performance occur when formal individual incentive systems connected to independent work are in place (2002). When viewed together, this body of work suggests that incentive compensation plans can improve performance, a finding confirmed by C. Bram Cadsby, Fei Son and Francis Tapon (2007).

Notwithstanding the work cited above, merit compensation has its limitations. By 1990, researchers were quick to say that while nearly every company claimed it used a merit compensation system, few did it well (Mohrman, Resnick-West and Lawler, 1989). Mohrman, Resnick-West and Lawler found two problems with merit compensation. First, it must be truly important in an organization to be effective. Moreover, it must be tied to performance for it to sustain and improve productivity. Because it rarely is, scholars were beginning to pinpoint several problems with merit compensation systems in the early 1990s (ibid).

Central to effective merit compensation systems are credible, comprehensive measures of performance. Minus these, there is no way to relate compensation to worker outcomes. A large body of literature supports the assertion that performance appraisal is done poorly in most organizations and, thus, few good measures of individual performance exist (ibid). Several factors contribute to this shortcoming: some managers lack the skill to appraise performance, some appraisal systems are defective, and some work is difficult to measure (Lawler, 1990).

For many top performers who stay with their organizations, the merit system and its annuitizing effect creates a disincentive to intrinsic motivation. Over time, some scholars argue, years of good performance and top raises create a base salary that generates a steady, reliable income – or annuity, as the literature describes it – that kills the appetite for success and replaces it with malaise. The very incentives designed to motivate and reward top performers can in fact create the opposite effect. As a result, many scholars claimed in the late eighties and early nineties that merit systems, while on the surface reaching out to the stars, were in fact encouraging mediocre performers to stay put and continue generating average results (ibid).

So what were organizations to do as they stepped into the last decade of the twentieth century? First, scholars suggested using an individual bonus and base wage system instead of a general merit compensation system. The advantage, they said, is that such a system rewards individual performance in truly individual ways. In other words, employees of average performance will receive a standard cost-of-living adjustment (COLA), while employees who exceed expectations will receive a COLA and bonus, which derives from a separate pool of money and rewards success without punishing the status quo (ibid).

Scholars also recommended that organizations facing merit compensation decisions pay close attention to process issues. A good system is the foundation of every good plan, but consistent, clear communication is also essential. Evidence suggests that involving employees in compensation-system decisions makes the system more credible (Lawler, 1981).

Organizations deciding whether to use employee merit compensation systems in the 1990s also were urged to take performance appraisal seriously. The overwhelming sentiment was that such activities had become mundane, routine and void of hope for the future. The literature on effective compensation-for-performance programs makes it clear that effective systems pay top attention to performance appraisal and strongly link it to financial remuneration (Lawler, 1990).

Scholars also warned organizations and human resource professionals to focus on key organizational factors that affect compensation systems. Ineffective merit compensation programs, it was discovered, often lagged because of other organizational problems, including poor job designs and reporting structures. Before compensation-for-performance can work in organizations, the organizations must work well (ibid).

Those employing compensation-for-performance systems were also encouraged to include group and team performance in evaluations (Schuster, 1984). As team-based work structures evolved, this became a central tenet of reward system design. Even in individual work appraisal, however, team assessments were important to determining one’s effectiveness (Von Glinow and Mohrman, 1989).

Finally, scholars commended special awards to those considering merit compensation systems. The reality, many claimed, is that most compensation-for-performance systems are incapable of dealing with major performance accomplishments. The reason is simple: people achieve because of a commitment to something more than money, and their resulting rewards ought to reflect that motivation. The literature holds up such examples as the Nobel Prize and major corporations' research and development awards, both of which include prestige and recognition that go beyond a normal compensation system because of their separateness from the compensation structure (Lawler, 1990).

By 2000, the conversation on performance and compensation had taken a new turn. In 1980, scholars were talking about the rightness of merit compensation, but in 1990 they were acknowledging its limitations and heeding those considering it for the future. At the turn of the century, scholarly articles and books raised a strikingly different question: How much, if any, compensation should be based on performance (Lawler, 2000)?

Many of today's organizations put individuals on multiple performance reward systems. They may use a salary-increase system that rewards people for individual performance. At the same time, they may also award everybody on a team or in a unit a bonus based on the unit's performance, which Garbers and Konradt found generally has the same effect as individual incentives (2013). Some companies also measure group or company performance and divide bonuses based on individual contributions. Today more than ever, rewarding some behaviors and not others has clear implications for performance, so decisions about what is to be rewarded need to be made carefully and with attention to the overall strategic plan of the business (Lawler, 2000).

In addition to earlier criticisms of merit compensation, Lawler cites two additional reasons to think twice. He first refers to W. Edwards Deming, who said merit compensation systems create dysfunctional competition among employees and become a disincentive to team success. He also cited earlier evidence that compensation for performance over time becomes a disincentive to intrinsic motivation. But instead of agreeing with critics, who claim top compensation systems don't compensate for performance, Lawler asserts the best route is to develop compensation-for-performance systems that fit modern organization designs and business strategies and motivates optimal behavior (ibid).

Today, despite their criticisms, scholars cite several reasons to continue with well-crafted merit compensation systems. First and foremost, they acknowledge that money is a unique commodity. It is easily distributed, valued by most people, can be given in a wide variety of forms and exists in every organized society. Further, although compensation for performance is not a silver bullet that can be shot once and have positive, systemic organizational effects, it nonetheless is proven to be a strong contributor to increased organizational performance (ibid).

Lawler's and others' work suggests the prioritization of organizational structures, strategies and work processes has eclipsed the historic importance of traditional compensation systems (Flannery, Hofrichter and Platten, 2002). The resulting compensation plans, in general, fall into a category labeled performance-based variable compensation strategies. In simplest terms, such plans – because of the earlier criticism that merit compensation plans destroy teams and dilute intrinsic motivation – reward employees for individual, group and organizational performance. Some have labeled such strategies new compensation systems (Schuster and Zingheim, 1996).

New compensation systems reward employees for their competencies instead of performance. The switch is away from rewarding backward-looking, individual-centered outputs and toward rewarding forward-looking, organization-focused development. The competency framework holds that any given job requires a minimum number of competencies from a predetermined set for that position. Likewise, the set of competencies for a given position is selected from an aggregate group of competencies representing all those defined for employees. Competency based compensation systems reward individuals not for their work but for their skill development, adhering to the underlying rationale that employees will perform better as their skills improve. The system's strengths include a focus on skill development, teamwork and career tracking. Its weaknesses include measurement difficulty, terminology limitations and disconnections between competencies and key organizational goals (Flannery, Hofrichter and Platten, 2002).

Many organizations have shifted from individually focused merit compensation evaluations to competency based reviews. Most of those organizations have simultaneously flattened themselves in a move that many now call broadbanding, a platform on which skill- and competency-based compensation strategies can be built and operated. An organization might, for instance, place its professional positions in one band, its management positions in another band, its technical positions in another and its clerical positions in yet another. The resulting arrangement shifts the focus from the necessity of moving up through grades for additional compensation to lateral moves in a single band. By de-emphasizing titles, grades, job descriptions and ever-upward movement, broadbanding proponents say it helps organizations advance the values of group or team performance along with that of individuals (ibid).

Despite the lack of direct research on whether compensation-for-performance affects fundraiser productivity, the literature suggests that linking compensation to performance generally leads to increased individual and organizational performance in most jobs. A comprehensive review by R. Heneman concludes that 40 of 42 studies looking at merit compensation find performance increases when compensation is tied to it (1992). Gerhart and Milkovich took the performance-compensation question a step further. They found that, across the 200 companies they surveyed, there was a 1.5-percent increase in return on assets for every 10-percent increase in employee bonus size. They further found that the variable portion of compensation had a stronger impact on corporate performance than did the base portion of compensation (Gerhart and Milkovich, 1990). Garbers and Konradt found that the relationship between incentives and performance was greater in the field than it was in the laboratory, which suggests that experiments cannot reflect the complex conditions that occur in authentic situations (2007). A group of scholars asked 180 employees from 72 companies to rate nine possible factors in terms of the weight they should receive in determining salary increases. The respondents believed the most important factor for salary increases should be job performance (Dyer, Schwab and Theriault, 1976).

Performance-based-compensation as a means of boosting productivity: One meta-analysis' findings

Although no published academic studies examine the relationship between compensation and performance in professional fundraising, a 1998 meta-analysis by Jenkins, Gupta, Mitra and Shaw examines whether relating compensation to performance influences general worker outcomes. It quantitatively analyzed the results of 39 surveys and found a .34 average correlation between financial incentives and performance quantity, which means financial incentives accounted for 34 percent of a respondents' performance quantity. The meta-analysis further reported that positive effects on incentive performance could be found in the laboratory, in the field and in experimental situations. Moreover, the study found that employees' specific roles did not moderate the relationship between financial incentives and performance quantity (Jenkins, Gupta, Mitra and Shaw, 1998).

In positioning their work among the literature related to financial incentives and performance, the authors acknowledge the competing schools of thought around the performance-compensation dynamic. Some scholars believe their research shows that incentives negatively affect performance and worker morale. Jenkins and her team indicate that the most significant argument against financial incentives is the detrimental effect of money on intrinsic motivation. The team also believes such incentives jeopardize the relationship between supervisors and subordinates and reduce risk-taking behaviors. Others believe worker morale and performance are positively linked to incentives. Proponents consider financial incentives a potent influencer of employee performance and other desired behaviors. Financial incentives also convey symbolic meaning beyond their monetary value: they meet multiple human needs and serve multiple functions. Moreover, financial incentives help move organizations and their workers toward the bottom line (ibid).

The authors acknowledge several of their study's constraints, namely that the standard studies had to pass to make it into their analysis was high. They conclude, however, that their rigorous requirements enhance data quality and outcomes. The team also acknowledges that dissertations and other unpublished data were not included in their study, a vulnerability managed by employing Rosenthal's formula, which determined that 1,115 studies with disconfirming results would have been needed to invalidate their conclusions, which was unlikely.

The authors point out several areas ripe for future research. The nature of their data did not allow them to explore the moderating effects of incentive size on the relationship between performance and rewards, but their comments suggest they believe smaller incentives may dilute the positive correlation. Nor did the study explore whether interdependencies among employees affects performance or incentive size. The relationship between financial incentives and performance may well be markedly different when such interdependencies exist (ibid).

The meta-analysis affirmed a point and raised several questions for those studying the performance-compensation dynamic in professional fundraising. First and foremost, it confirms the importance of empirical, quantitative research. The meta-analysis leaves open the question of how the performance-compensation dynamic plays out in work environments where workers share responsibilities. Although the authors suspect such arrangements dilute the correlation between compensation and performance, they have no proof. More data should be collected on this potentially mitigating effect, since fundraisers often share responsibilities for resource-generating activities related to individual, foundation and corporation giving.

Compensation and performance research in non-profit literature

It's no surprise that the notion of performance-based compensation is turning up more and more in conversations among fundraisers and the literature dedicated to their work. With ever-larger numbers of organizations competing for charitable dollars, hiring and retaining good fundraisers is becoming increasingly difficult. Understanding the relationship and interrelationships between the four components that work together in development compensation – planning, performance, evaluation and compensation – is essential to a study of performance-based fundraiser compensation. Several scholars have begun such inquiry.

A team of researchers from The Urban Institute's Center on Nonprofits and Philanthropy described one of the most comprehensive studies to date on executive compensation in the nonprofit sector. Using Internal Revenue Service Form 990 data, which had just become available electronically, the team reported on salaries from 54,493 nonprofit organizations divided into ten categories: arts, culture and humanities; education (excluding higher education); higher education; environment and animal-related; health (excluding hospitals); hospitals; human services; international, foreign affairs; public, societal benefit and religion-related (Twombly and Gantz, 2001).

The authors acknowledge the controversial nature of nonprofit compensation early in their article and say several factors feed the debate. Some observers argue that large executive salaries and the charitable mission of nonprofit organizations are incompatible. Others simply claim that the levels of compensation reported in surveys of nonprofit leaders are excessive. Proponents, on the other hand, claim that rising for-profit compensation levels leave them little alternative but to attempt to compete as they seek to hire and retain the best leaders in the nonprofit sector. Regardless of which side of the issue scholars and practitioners find themselves on, the Urban Institute team grounds its inquiry in the fact that little empirical work has been done on the subject of nonprofit executive compensation (ibid).

In reviewing compensation literature, the Urban Institute team acknowledges several unique features of nonprofit compensation. Nonprofit organizations are frequently exempt from corporate income tax, often receive preferential treatment in state contract procurement processes, are barred from distributing residuals and have no shareholders. They also identify the size, ideology and type of services an organization provides as a detriment to nonprofit compensation. The authors conclude that several patterns predict nonprofit executive pay. Chief among them is the relationship between an organization's reliance on direct public support, which it uses as a proxy for donor preference, and the salary of its top executive, which the study showed is most directly related to the size of the organization. A proxy variable, although not a direct measure of the desired quantity, is a variable used to measure an unobservable quantity of interest because it is strongly related to the unobserved variable (Lewis-Beck, Bryman and Futing Liao, 2011). The reality of donor preference, however, combines with creative compensation planning to allow the nonprofit sector latitude in developing complete compensation packages. In addition to firm size, the study reported that more commercialized nonprofits, defined by the authors as employing affinity marketing strategies and profit-seeking subsidiaries, pay higher salaries than less commercialized ones (ibid).

Albert Anderson clearly states his case for why percentage-based compensation, which he lumps with commission, is unethical for fundraisers. Although Anderson deals with a different type of compensation arrangement than I am focused on, his thoughts are worth exploring. He introduces his rationale by criticizing AFP's compensation guidelines, which he describes as normative but without rationale or explanation. He says the guidelines simply declare what is not permissible and, therefore, are not as helpful as they could be in clarifying why percentage-based compensation is ethically wrong (Anderson, 1999). Anderson believes compensation is rarely earned by a single fundraiser. Rather, a completed gift represents the work of many who have, over time, cultivated and moved the donor toward the final act of giving. Thus, paying the "closer" for the gift excludes those who rightfully deserve some measure of recognition and reward. In addition to its exclusive nature, Anderson says commission-like fundraiser compensation improperly adds to an organization's fundraising costs. Although most donors expect reasonable operational expenses to be part of what their private support enables, he argues they could view organizations who use contributed funds to pay commissions as poor stewards. Finally, Anderson claims that commission-like compensation could ultimately put donors' interests at risk by encouraging fundraisers to push for a quick instead of a well-planned gift (ibid).

I feel compelled to challenge an inherent assumption on which Anderson's thoughts are based. I believe his logic is overly simplistic and without regard for today's resource-dependent human resource environment. Today's job market, which more than ever allows workers to chart their futures, favors employees with in-demand skills and can-do attitudes. As Pfeffer and other organizational behavior scholars have pointed out, the most successful organizations are those that stockpile and care for essential resources to protect their competitive edge (1992).

Ted R. Grossnickle and Eva E. Aldrich argue that compensation is about more than money (2004). They assert compensation encompasses how people, organizations and societies value and reward work. Consequently, they believe all conversations about compensation, particularly those that seek to determine what is and isn't appropriate, should consider whether the value received by an organization or society is commensurate with the reward received by the individual or team that creates the value. They acknowledge that the nonprofit sector is subject to the law of supply and demand and reference Giving USA 2003, which reports that the supply of trained, experienced fundraisers has dried up since the 1990s. Giving USA publishes its charitable giving summary annually and always identifies the dearth of trained, experienced fundraisers as a significant challenge (2017). The 2003 publication reports that the number of U.S. nonprofits grew from 575,690 in 1993 to 909,574 in 2002, an increase of 58 percent. Grossnickle and Aldrich conclude that the explosive growth of the nonprofit sector confirms the dearth of seasoned fundraisers, stoking demand and driving compensation upward (2004).

An AFP fundraiser career survey found that a significant number of fundraisers are paid bonuses as part of their total annual compensation. The survey was mailed randomly to 1,500 of AFP's 19,000 members, and 475 – or 31.7 percent of those who received instruments – returned usable responses. Through its survey, which did not request and therefore does not detail the type of bonus received, AFP found that 20 percent of all respondents received a bonus in 2009 (2009). In 2009, when the average annual rate of inflation in the United States was 1.8 percent, the largest range in bonuses for fundraisers was the 1-to-3 percent range, with 4-to-6 and 10-to-12 percent following closely behind. Specifically, 7.6 percent of respondents reported bonuses of between 1 and 3 percent, 6.3 percent reported bonuses of between 4 and 6 percent, 1.9 percent reported bonuses of between 7 and 9 percent, 2.4 percent reported bonuses of between 10 and 12 percent, .7 percent reported bonuses of between 13 and 15 percent, .2 percent reported bonuses of between 16 and 20 percent and .7 percent reported bonuses of more than 20 percent. Of the respondents, 80.4 percent reported receiving no bonus in 2009. Of respondents who received a bonus, 4 percent received a bonus of 10 percent or more and 12 percent received a bonus of 4 percent or more. The average bonus was 5.84 percent and the median bonus was between 4 and 6 percent (ibid).

Like AFP's findings, Barbeito and Bowman's 1998 report raises several points worth noting. Among their inquiries in Nonprofit Compensation and Benefits Practices was a series of questions on bonuses and other types of non-standard compensation, and their findings support AFP's. Barbeito and Bowman surveyed non-profit chief executive officers and found that a total of 28 types of innovative compensation and/or recognition plans were implemented for fundraisers and senior staff members by 72.2 percent of the survey participants' organizations. Of those, bonuses, incentives and non-cash recognition programs were the most prevalent. Specifically, Barbeito and Bowman found that 33.3 percent of organizations awarded some sort of bonus, 27.7 percent awarded incentives or non-cash recognition, 22.2 percent awarded team or group incentives, 16.6 percent awarded spot non-cash recognition awards, 11.1 percent awarded lump sum merit and cash awards and .05 percent awarded another type of performance-based recognition. Barbeito and Bowman also found that the non-standard compensation plans had a moderate to strong connection to the organizations' long-term objectives in 92.3 percent of survey participants' organizations. Of the 12 non-profit organizations that reported the form of non-cash award they gave, 33.3 percent used a flat dollar value and 16.6 percent valued the award as a percent of salary. Finally, 44 percent of survey participants' organizations reported a target range for their performance recognition plans, which averaged between 2 and 5 percent of employees' total salaries (Barbeito and Bowman, 1998).

Even more striking than the similarities between AFP's and Barbeito and Bowman's findings on the types and parameters of pay plans in existence were the parallels between the productivity results discovered by Barbeito and Bowman and the for-profit compensation-for-performance literature. Like scholars studying the effects of performance-based compensation in for-profit work settings, Barbeito and Bowman found strong positive relationships between the existence of such plans and worker productivity. Specifically, they found that the 14 nonprofit organizations with innovative compensation plans all reported success, that seven of the respondents reported improved employee productivity, morale and teamwork and that most respondents reported enhanced goal communication, a strengthened participative environment and improved employee retention (ibid).

Before reviewing the narrow band of fundraiser-specific literature related to performance and compensation, it is important to review what AFP's Code of Ethics says about incentive pay. While AFP clearly admonishes commission-based compensation, it leaves open the possibility of merit compensation and bonuses based on the achievement of quantifiable goals related to fundraiser performance and unrelated to the value of private support received (1992). Anderson, whose work was discussed earlier, incompletely reports the organization's position on performance-based-compensation (1999). Specifically, the code of ethics says fundraisers should not accept finder's fees or compensation based on a percentage of charitable contributions. It further forbids fundraisers and charitable organizations from paying finder's fees, commissions or percentage compensation based on charitable contributions and encourages them to discourage others from such activity. AFP's Code of Ethics also says, however, that "members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of charitable contributions" (1992).

Despite the literature reviewed in this paper the fact that more fundraisers in all organizations want and are receiving performance-based compensation, little has been written on incentive pay in professional fundraising. What research has been done focuses on the roles and responsibilities of development officers (Beem and Sargeant, 2017; Carbone, 1986; Frantzreb, 1975; and Loessin and Duronio, 1990). Little has been said about how the resulting activities of professional fundraisers are measured and rewarded.

Several scholars have contributed to the professional fundraising compensation discussion. Janet Greenlee and Teresa Gordon evaluated the real effect non-staff fundraising counsel has on annual fundraising campaigns. Although their research was focused on a different group of fundraisers, Greenlee and Gordon's 1998 article reported that fundraisers compensated by fixed-fee rather than commission generated more contributions and provided proportionately greater returns to charities (1998). Nonetheless, neither of these scholars nor others conducting research on fundraising has fully explored the connection between fundraiser compensation plans and performance.

In their national study of the determinants of hospital foundation fundraising success, Mary Malliaris and Mary Pappas found that 80 percent of hospital foundations' fundraising success is a result of how they handle expenses, assets, fundraising compensation and board compensation. Of those, they wrote, fundraising compensation was one of two factors most related to positive fundraising outcomes. Malliaris and Pappas surveyed 178 hospital foundations in different regions of the U.S., each with yearly revenue below $30 million. They found that for every additional dollar hospital foundations spent on fundraiser compensation, they raised an additional six dollars (Malliaris and Pappas, 2009).

Today's compensation studies consider more than just the dollars fundraisers are paid for their work. Nancy Day says today's "total rewards" view of compensation and benefits includes but is not limited to anything of monetary and non-financial value organizations provide employees in exchange for their work (pay and benefits, including perquisites). "Total rewards," which many organizations are embracing, includes everything that will motivate workers to be attracted to, join, perform well in and remain with an organization. "Total rewards," therefore, includes base salary, incentive pay and benefits and workplace attributes that create an environment of choice: good supervision, safe and attractive facilities, access to training and development and other elements that attract potential employees and enhance their experiences with an organization. In support of Day's point, a survey of nonprofits conducted jointly by WorldatWork and Vivient Consulting found that 82 percent of participating organizations offered short-term incentives and 19 percent offered long-term incentives (2018). Although most of the organizations surveyed had budgets between $100 million and $5 billion, there is a trend in all nonprofits to include incentives as part of the nonprofit pay package (Day, 2016).

Compensation complexity, fundraising performance and fundraiser bonuses

Mesch and Rooney published a comprehensive study of fundraiser performance and compensation in 2005. The three questions the study seeks to answer best describe its purpose. First, is there a significant relationship between fundraiser compensation and performance? Mesch and Rooney chose to study fundraisers because they believe the clear connection between their role and performance would facilitate their desire to test the compensation-performance relationship. The article suggests that the linkage between responsibilities and performance would be clearer for fundraising positions than it would for other nonprofit positions. The second question the paper asks is what factors affect fundraiser salaries and bonuses. Mesch and Rooney studied salary and bonus as separate components of total fundraiser compensation to determine whether the relationship between compensation and performance is significant for bonus, salary or both. They acknowledge previous studies' discovery that nonprofits pay lower base salaries, bonuses and total compensation than for-profits. For fundraisers, however, they seek to discover whether a more contingent relationship between performance and bonus exists because money raised is such a clear performance measure. Finally, Mesch and Rooney ask whether a gender-compensation gap exists among fundraisers. Because there had been an increase the decade before the study was conducted in the top three professional fundraising organizations' memberships – and because most of each organization's members were women – they focus on issues of gender equity in the fundraising workforce. They also believe the question is important because studies confirm that women occupy all fundraising job categories across all types of nonprofit organizations (Mesch and Rooney, 2005).

With money raised as the primary performance variable, Mesch and Rooney collected data for four years from a national sample of fundraisers employed in every industry position classification. It yielded several important discoveries for my research and helpful information for fundraisers and others studying the relationship between fundraiser compensation and performance. First, Mesch and Rooney's research suggests that, though fundraiser incentive compensation plans are relatively rare, they are becoming more common, especially at large nonprofits. The scholars cite evidence of the growth and evolution of nonprofit executive and fundraiser compensation packages, indicating that salaries paid in 2003 to the top executives of the nation's largest nonprofits rose by twice the inflation rate and more than doubled from 1997 to 2002. As further evidence of growth in the prevalence of compensation-for-performance arrangements among fundraisers, the authors cite studies that indicate 25 percent of the nonprofits they surveyed offer an opportunity to earn cash compensation for the achievement of certain performance measures (ibid).

Similarly, Mesch and Rooney offer strong evidence that fundraising performance is an appropriate independent variable in the analysis of fundraiser compensation. Their 2005 article uses performance as its independent variable, which they operationalize as the amount of money raised in contributed gifts from all sources in a fiscal year. Mesch and Rooney acknowledge that the issue of incentive compensation for fundraisers is controversial but continue by suggesting that compensation based on money raised is both a relevant and timely subject for those in the fundraising field. In particular, they draw on research that suggests nonprofit organizations use incentive compensation to retain top fundraisers (ibid).

For scholars studying the relationship between fundraiser performance and compensation and for fundraising practitioners, Mesch and Rooney's study answers several important questions. Their findings confirm that performance does play a positive and significant role in determining fundraiser salaries and bonuses, particularly for individuals employed as chief development officers, when they controlled for organizational characteristics and human capital variables. The scholars' results also indicate a gender-compensation gap in fundraising, even after controlling for all factors traditionally associated with compensation differences between men and women. Female fundraising professionals who are chief development officers earn significantly lower salaries then men; female fundraising staff members earn significantly lower bonuses than men; and female consultants earn significantly lower bonuses and salaries than men. Mesch and Rooney also found that fundraising experience was only marginally related to fundraiser compensation and that tenure had no effect on compensation. Finally, they found that neither race nor education appear to have a significant impact on fundraiser compensation (ibid).

In a 2008 study, Mesch and Rooney found that performance does play a positive and significant role in determining salary and bonus for fundraisers, particularly individuals employed as chief development officers. They note that the linkage merits further study for the following reasons: it is difficult to measure results in nonprofits; managers self-select to work in nonprofits and may be averse to risky compensation plans; and the trust of donors may be jeopardized when they perceive compensation is too high (Mesch and Rooney, 2008).

Sarah Nathan and Eugene Tempel in 2015 updated the profile of fundraisers in the 21st century, and their unpublished white paper offers several new insights. Referring back to Fundraisers: Their Careers, Stories, Concerns and Accomplishments (Duronio and Tempel, 1997), Nathan and Tempel's 2015 research documents several noticeable shifts that have occurred since the mid-1990s. First and foremost, the profession's gender mix has changed. In 1996, 54.6 percent of fundraisers were female, a number that had climbed to 73.1 percent by 2015. In addition, more young people were working as fundraisers in 2015 than in 1996, a trend underscored by the fact that fundraisers younger than age 40 comprised the majority of Nathan and Tempel's respondents. A third fundraiser trend reported by Nathan and Tempel is toward greater levels of educational attainment. Fundraisers with graduate degrees rose from 36.6 percent in 1996 to 44.8 percent in 2015, and only 3.2 percent of fundraisers had less than a bachelor's degree in 2015. Finally, Nathan and Tempel report that bonuses were most likely to be reported among fundraisers working in arts organizations, a finding that surprised them. While their paper does not conclude that bonuses positively impact fundraiser performance, it reports a clear increase in the number of respondents who received some type of bonus between 2010 and 2014 (Nathan and Tempel, 2015).

Beyond the studies cited in this section of my dissertation, little scholarly research has been published on the relationship between fundraiser compensation and performance, though several practitioner journals have touched on the topic. A 2002 Chronicle of Philanthropy article suggests that every fundraiser on a team must receive equal incentive opportunities for them to be effective (Gose, 2002). In 2003, AFP's Advancing Philanthropy cautioned fundraisers on the risks of bonuses, questioning their validity when evaluated through the lens of AFP's Code of Ethics (Sczudlo, 2003). And in 2006, Motivating Employees in a New Governance Era: The Performance Paradigm Revisited found that challenging yet specific goals improve the performance of employees and financial incentives moderately to significantly improve task performance (Durant, Kramer, Perry, Mesch and Paarlberg, 2006). Otherwise, there is little academic research and practitioner writing available to guide those seeking to learn about performance-based fundraiser compensation, a body of knowledge to which this paper seeks to add.

Summary

This literature review identified six reasons to study fundraiser compensation and reviewed a range of scholarly opinions on the topic. It then traced the history of professional fundraising from the offices of university presidents to the creation of separate professional fundraising roles, acknowledging the growing acceptance of incentive fundraiser compensation from the 1960s to today. The contrasting perceptions of the fundraising role described by institutional and resource dependency theories explain the relevance of economic dualism, which my limited survey established as a viable framework worthy of further research (Beem, 2000). Even though Jenkins, Gupta, Mitra and Shaw's 1998 meta-analysis confirms that a third of performance quantity is determined by compensation, a review of the subsequent nonprofit sector literature dedicated to performance and compensation reveals a series of limited opinions and inquiries without purposeful connection or result. In 2005 and 2008, Mesch and Rooney sharpened the inquiry through their exploration of the relationship between gender and compensation in the nonprofit sector. A byproduct of their paper was the establishment of two independent variables – compensation complexity and fundraiser performance – as appropriate lenses through which to analyze fundraiser compensation.

Three unanswered questions emerge from the literature review:

1) Do fundraisers who prefer financial rewards choose to work at organizations that offer at-risk compensation, and do fundraisers who prefer non-financial rewards choose to work at organizations that do not offer at-risk compensation?
2) Do fundraisers who work for higher education, health care and arts organizations prefer financial over non-financial rewards, while fundraisers who work for religious, social service and environmental organizations prefer non-financial over financial rewards?
3) Among fundraisers whose compensation includes an at-risk component, do differences in performance exist based on gender, race or ethnicity?

CHAPTER 3. METHODOLOGY

Survey Instrument

My study evaluates fundraiser performance, evaluation and compensation. It combines portions of two existing instruments with questions I created. The study seeks to understand whether fundraisers' reward preferences influence the organizations for which they choose to work; whether fundraisers at organizations' with certain mission types prefer financial rewards while fundraisers at organizations with other mission types prefer non-financial rewards; and whether differences based on gender exist among fundraisers whose compensation includes an at-risk component.

The *Fundraiser Compensation Survey*, which is included as Appendix D, synthesizes categories from expectancy and goal-setting theories previously proposed in *Pay for Performance: Evaluating Performance Appraisal and Merit Pay* (National Research Council, 1991). Questionnaire items 13-33 are taken from Locke and Latham's *Goal Setting Questionnaire* (2012), items 34-42 are taken from Lawler's *Measuring Motivation Using Expectancy Theory Questionnaire* (1981) and I created items 1-12 and 43-54.

The questions drawn from Locke and Latham's questionnaire enable the *Fundraiser Compensation Survey* to gather data on how goal setting affects fundraiser performance. The questions taken from Lawler's instrument collect information on how the creation of goals motivates fundraisers to accomplish their objectives. The questions I created gather important descriptive and compensation information.

Table 1

Fundraiser Compensation Survey Questions

Question	Source	Purpose
1-12	Beem	Collect respondents' descriptive information including ethnicity, age, gender, education, certifications, tenure and employer mission
13-33	Locke and Latham	Measure respondents' perceptions of their goals' difficulty, attainability, volume, clarity, source, value alignment and connection to rewards
34-42	Lawler	Measure respondents' perceptions of their compensation's fairness, connection to goals and performance, calculation and relationship to employer's pay system
43-54	Beem	Measure respondents' perceptions of relationships between goal attainment, performance and pay, existence and nature of bonuses and pay plan input

Fundraiser Compensation Survey responses will enable those studying fundraiser compensation to begin answering the following questions and gain new insight into the characteristics they describe:

- Do fundraisers who prefer financial rewards select organizations for which to work whose compensation includes at-risk compensation?
- Do fundraisers who prefer non-financial rewards select organizations for which to work whose compensation does not include at-risk compensation?
- Do certain types of organizations attract fundraisers who prefer financial rewards?
- Do certain types of organizations attract fundraisers who prefer non-financial rewards?
- Does a gender gap exist among those whose compensation includes an at-risk component?

- Do age, ethnicity, gender, education or professional certification affect compensation preference, the type of organization for which a fundraiser chooses to work and/or performance?
- How common is it for fundraisers to participate in the creation of their goals?
- Do fundraisers believe their goals are fair?
- How common is it for fundraisers to participate in the creation of the financial rewards they receive for attaining or exceeding their goals?
- Do fundraisers believe the financial rewards they receive for attaining or exceeding their goals are fair?

Hypotheses

My review of the literature led me to identify three hypotheses for this study:

<u>Hypothesis 1</u>

A majority of fundraisers whose compensation includes an at-risk component prefers financial rewards over non-financial rewards, and a majority of fundraisers whose compensation does not include an at-risk component prefers non-financial rewards over financial rewards.

<u>Hypothesis 2</u>

Fundraisers who work for higher education, health care and arts organizations prefer financial over non-financial rewards, while fundraisers who work for religious, social service and environmental organizations prefer non-financial over financial rewards.

<u>Hypothesis 3</u>

The compensation plans of male fundraisers are different than the compensation plans of female fundraisers.

Study Design

Because this is foundational research designed to establish benchmarks for future study, I employed a convenience sample (Creswell and Creswell, 2018). A convenience sample draws from a population that is readily available and convenient. Because the study is based on a convenience sample, its findings are not generalizable to the entire population (Wright and Lake, 2015). They do, however, yield a current assessment of the population surveyed. Moreover, the sample was evaluated according to the known characteristics of fundraising professionals to determine how well it matches the overall profession. When compared to the U.S. fundraiser population as a whole, the demographics are relatively similar (Association of Fundraising Professionals, 2016 and Nathan and Tempel, 2017).

Data Collection

The Fundraiser Compensation Survey was piloted in April 2017. It was sent electronically to five experienced Kansas City-area fundraisers. They were asked to complete it and provide feedback on items that worked well and items that were problematic. They shared helpful suggestions, including multiple comments that initial questions on the amount of dollars they had raised in the last two full tracking years were very difficult to answer accurately in a timely fashion. As a result, 11 questions were removed from the survey before it was distributed to the full sample population.

The invitation to participate in the Fundraiser Compensation Survey was sent via email to members of the Mid-America Chapter of the Association of Fundraising Professionals three times between May and July of 2017. Survey recipients received an email from AFP inviting them to complete the survey. They were directed to a secure web site at https://umkc.co1.qualtrics.com to complete the questionnaire online.

The AFP email invited participants to complete the online survey at their earliest convenience and emphasized the importance of their input to the practice and study of fundraising and fundraiser compensation. Members of the sample group who did not complete the web-based survey within two weeks received a second email with a link to the survey. A third email with a link to the survey was sent two weeks later to those who had not completed it. AFP sent the survey three times to 3,036 email addresses, which generated a total of 117 useable responses, a response rate of about four percent.

CHAPTER 4. RESULTS

Statistics

This section of my dissertation will first summarize responses to the *Fundraiser Compensation Survey*'s 54 questions through four tables that illustrate respondents' descriptive, goal and compensation information. Thereafter, it will report on my tests of hypotheses one and two using regression analysis and hypothesis three using an independent sample t-test.

Table 2 presents descriptive data for the *Fundraiser Compensation Survey's* 117 respondents. It reveals a number of interesting sample population characteristics. An overwhelming majority (94 percent) of the respondents are white (the national average is 89 percent), their average age is 46 (the national average is younger than 40) and about 76 percent of respondents are female (the national average is 73 percent).

While my sample population is not identical to those evaluated in Nathan and Tempel's 2017 study and AFP's 2016 report, the similarity of their attributes suggests it is somewhat representative of the general population of professional fundraisers. *Fundraiser Compensation Survey* respondents' average tenure in the profession is 12 years (the national average is 16 years), average tenure with their current employer is six years (the national average is four years) and average tenure with their previous employer is five years (the national average is four years). Nearly 49 percent of *Fundraiser Compensation Survey* respondents have earned a master's degree or higher (the national average is nearly 45 percent), nearly 20 percent holds the CFRE credential (the national average is 20 percent) and nearly one percent holds the Advanced Certified Fund Raising Executive Credential (ACFRE), which is consistent with the national average of one percent (Association of

Fundraising Professionals, 2016 and Nathan and Tempel, 2017). The CFRE and ACFRE credentials are granted by AFP, the world's largest association of fundraising professionals, and are accepted by the profession as endorsements of a fundraiser's professional competency.

Table 2

Fundraiser Compensation Survey Respondents

	Minimum	Maximum	Mean
My age is (years).	23	66	46
How many years have you worked as a professional fundraiser (years)?	1	34	12
How long have you worked for your current employer (years)?	1	40	6
How long did you work for your previous employer (years)?	≤ 1	25	5

Table 3 compares *Fundraiser Compensation Survey* respondents with larger samples of fundraisers described in AFP's *2016 Compensation and Benefits Report* and Nathan and Tempel's *Fundraisers in the 21st Century*. Their characteristics are surprisingly similar, which suggests *Fundraiser Compensation Survey* respondents are somewhat representative of the general population of professional fundraisers.

Table 3

Fundraiser Compensation Survey Respondents vs. General Fundraiser Population

Attribute	**Fundraiser Compensation Survey**	**AFP and Nathan and Tempel studies**
White	94%	89%
Age (years)	46	<40
Female	76%	73%
Tenure in profession (years)	12	16
Tenure in current job (years)	6	4
Tenure at previous job (years)	5	4
Graduate degree	49%	45%
CFRE	20%	20%
ACFRE	1%	1%

Sources: *Fundraiser Compensation Survey* (Beem)
2016 Compensation and Benefits Report (Association of Fundraising Professionals)
Fundraisers in the 21st Century (Nathan and Tempel)

One area in which *Fundraiser Compensation Survey* respondents appear to differ from those in AFP's *2016 Compensation and Benefits Report* and Nathan and Tempel's *Fundraisers in the 21st Century* is bonus availability. Although it could be due to the relatively small sample size, the Bonus Availability table below reflects that just six percent of *Fundraiser Compensation Survey* respondents reported that their employers pay bonuses of any size for meeting fundraising goals. By comparison, nine percent of Nathan and Tempel's (2017) respondents and 14 percent of the Association of Fundraising Professional's (2016) respondents reported that their employers pay bonuses of any size for goal attainment.

Table 4

Bonus Availability

Source	**Percentage of respondents**
Fundraiser Compensation Survey	6%
Fundraisers in the 21st Century	9%
2016 AFP Compensation and Benefits Report	14%

Sources: *Fundraiser Compensation Survey* (Beem)
2016 Compensation and Benefits Report (Association of Fundraising Professionals)
Fundraisers in the 21st Century (Nathan and Tempel)

The data reported in Table 5, which reflects Fundraiser Compensation Survey respondents' perceptions about goals, suggests goal satisfaction, attainment and participation are not aligned. It reports the sample population's responses to questions about performance in pursuit of goals and opinions about their relationship to personal values, short- and long-term objectives, recognition and compensation.

On one hand, nearly 48 percent of respondents did not agree that working toward their goals was very stressful, and 47 percent agreed or strongly agreed that their goals on the job are challenging but reasonable. On the other hand, 40 percent of the sample population agreed or strongly agreed that they often fail to attain their goals, and 81 percent strongly disagreed or disagreed that they participate in the setting of their goals. Perhaps most reflective of the disconnect between goal satisfaction, attainment and participation among respondents is the fact that 40 percent strongly disagreed or disagreed that their chances for a raise increase if they reach their goals.

The study's suggestion that goal satisfaction, attainment and participation are not aligned in the sample population is important because of the literature's clear indication that linking goal setting, goals and performance to compensation drives higher performance among individuals who believe they're connected. This has been established in studies by Locke and Latham, Shaw, Gupta and Delery and Lawler.

Table 5

Goal Information

Scores range from 1 to 8, where 1 means "strongly disagree" and 8 means "strongly agree."

	Minimum S	Maximum S	Mean S
My goals are much too difficult.	1	8	3
I have too many goals on this job (I am overloaded).	1	8	6.3
I understand exactly what I am supposed to do on my job.	1	8	6.2
I have specific, clear goals to aim for on my job.	1	8	6.4
Some of my goals conflict with my personal values.	1	8	3
My job goals serve to limit rather than to raise my performance.	1	8	3.7
The goals I have on this job focus only on short-range accomplishments and ignore long-range consequences.	1	8	2.4
The top people at my organization do not set a very good example for the employees, since they are dishonest themselves.	1	8	6.2
I get credit and recognition when I attain my goals.	1	8	4.2
If I reach my goals, it increases my chances for a promotion.	1	8	5.5
I understand how my performance is measured on this job.	1	8	6.4
If I have more than one goal to accomplish, I know which ones are most important and which are least important.	4	8	6.9
I feel proud when I get feedback indicating that I have reached my goals.	1	8	5.1
I get regular feedback indicating how I am performing in relation to my goals.	1	8	5.1
My goals are highly qualitative.	1	8	6.1
My goals are highly quantitative.	1	8	5.3

Table 6 depicts information on respondents' views about their compensation and reflects an incongruence similar to that observed in the goal data. It reports whether bonuses were calculated and how, how respondents feel about bonuses and whether they have input on their compensation plans.

Although 37 percent of the sample population agreed or strongly agreed that they make a fair wage considering their skills and effort, nearly half (47 percent) agreed or strongly agreed that they don't make the kind of money they should for the job they do, and 46 percent agreed or strongly agreed that their individual performance has little impact on their financial reward. In addition, 55 percent of the sample population strongly disagreed or disagreed that they understand how their last salary increase was determined, and 44 percent said their performance has no impact on the size of their financial reward. Perhaps most reflective of the disconnect between performance and compensation among respondents, more than 99 percent said they do not earn a bonus if they exceed their fundraising goals and less than one percent said they do. These three pieces of data from the sample population suggest a disconnect between performance and compensation similar to the lack of alignment between goal satisfaction, attainment and participation discussed earlier. The apparent disconnect between performance and compensation among those surveyed is important because of the literature's finding that individuals who believe their performance and compensation are connected are more productive than those who do not believe they are connected (Shaw, Gupta and Delery, 2002 and Lawler, 2000).

Table 6

Compensation Information

Scores range from 1 to 8, where 1 means "strongly disagree" and 8 means "strongly agree."

	Minimum	Maximum	Mean
My compensation is fair, given what my co-workers make.	1	8	5.2
My compensation is fair, considering what other places in the area pay.	1	8	5.3
I have a good understanding of how the compensation system works in my organization.	1	8	5.7
To what extent is the size of your financial reward based on the attainment of your pre-established goals?	1	7	2.7
If I meet my fundraising goal, I earn my base salary.	1	7	1.5
If I earn a bonus, it is based on the precise amount of money I raise beyond my goal.	1	7	1.2
If I earn a bonus, it is based on a range of money I raise beyond my goal.	1	7	1.2
If I earn a bonus, it becomes part of my subsequent year's base salary.	1	8	7
My organization asks my opinion of my annual compensation plan.	1	7	1.9
My organization asks for my input into my annual compensation plan.	1	7	1.9
My feedback on my annual compensation plan affects my future annual compensation plans.	1	7	2.1
My annual compensation – both base salary and bonus – affects my fundraising performance.	1	2	1.4

Hypotheses

The Fundraiser Compensation Survey tested three hypotheses. In two cases, the tests failed to reject the null hypothesis, but in one the null hypothesis was rejected. The p values, numbers between 0 and 1 that determine the significance of hypothesis test results, were large enough in the tests of hypotheses 2 and 3 to suggest a high potential for sampling error.

The testing of hypothesis 1, however, yielded a p value well below .05, which means the likelihood of the result being caused by sampling error is extremely low.

<u>Hypothesis 1</u>

The first hypothesis I tested is: A majority of fundraisers whose compensation includes an at-risk component prefers financial rewards over non-financial rewards, and a majority of fundraisers whose compensation does not include an at-risk component prefers non-financial rewards over financial rewards. Table 7 shows the *Fundraiser Compensation Survey* questions used to test hypothesis 1.

Table 7

Compensation Preference

Variable Type	Question Number	Question
Predictor	31	I feel proud when I get feedback indicating that I have reached my goals
Dependent	53	I would like for my compensation to be related to my performance

I used regression analysis to test hypothesis 1. If hypothesis 1 were valid, I would expect to find that a majority of respondents whose compensation includes an at-risk component prefer financial rewards and a majority of respondents whose compensation does not include an at-risk component prefer non-financial rewards.

The hypothesis 1 regression analysis yielded a standardized beta coefficient corresponding to the association of financial and non-financial compensation for the at-risk component of -0.237. This means that fundraisers whose compensation does not include an at risk component are less likely to prefer financial over non-financial rewards than fundraisers who compensation does include an at-risk component.

The p value of hypothesis 1 is .011, which is below the .05 significance level. Based on the .011 p value, we can reject the null hypothesis and conclude that there is a relationship between at-risk compensation and reward preference among respondents.

This finding is noteworthy because of the economic dualism concept described in the literature review and its relationship to the institutional and resource dependency organizational theories, which describe different sets of priorities through which employees and organizations select and value one another. Institutional theory suggests non-financial rewards are most important to organizations and employees, while resource dependency theory suggests financial rewards are most important to them. Economic dualism is Scott's term for describing instances in which both sets of priorities exist simultaneously in organizations or professions (2002), which my experience and earlier research suggest could be the case for some nonprofit organizations (Beem, 2000).

Hypothesis 2

The second hypothesis I tested is: Fundraisers who work for higher education, health care and arts organizations prefer financial over non-financial rewards, while fundraisers who work for religious, social service and environmental organizations prefer non-financial over financial rewards. Table 8 shows the distribution of Fundraiser Compensation Survey respondents' organizations among the two mission categories.

Table 8

Mission Information

Organization type	Frequency	Percent
Higher education, health care and arts	53	45.3
Religious, social service and environmental	64	54.7
Total	117	100

I used regression analysis to test hypothesis 2. If hypothesis 2 were accepted, I would expect to find that fundraisers who work for higher education, health care and arts organizations prefer financial rewards and fundraisers who work for religious, social service and environmental organizations prefer non-financial rewards.

The hypothesis 2 regression analysis yielded a standardized beta coefficient corresponding to the association of financial and non-financial compensation for the at-risk component of 0.075. This means that fundraisers who work for higher education, health care and arts organizations are 0.075 standard deviations more likely to prefer financial over non-financial rewards than fundraisers who work for religious, social service and environmental organizations.

The p value of hypothesis 2 is .422, which means there was sampling error and we fail to reject the null hypothesis. Because of this, we cannot assume the results are not due to chance and there is no meaning to be gained.

Hypothesis 3

The third hypothesis I tested is: The compensation plans of male fundraisers are different than the compensation plans of female fundraisers.

I used an independent sample t-test to test hypothesis 3. If hypothesis 3 were valid, I would expect to find that the compensation plans of female fundraisers are different than the compensation plans of male fundraisers.

The t value corresponding to the difference in compensation plans between females and males is 0.31. The mean difference is .039.

The p value of hypothesis 3 is 0.756, which is larger than the .05 maximum probability sampling error. Because of this, we must conclude that there is no difference between the gender and compensation plans of respondents.

Notwithstanding these results, I look forward to administering the *Fundraiser Compensation Survey* to a larger, random sample of professional fundraisers for two reasons. First, Mesch and Rooney’s 2015 report found that male fundraisers continue to earn more money than female fundraisers. I also am interested in enlarging and randomizing the sample population to test my findings that more females than males earned bonuses and that females’ bonuses were larger than males’, both of which are described in the following pages.

CHAPTER 5. ANALYSIS

Key findings

Evaluating the *Fundraiser Compensation Survey's* findings in relation to the literature raises a number of interesting questions. The following pages will examine them in the context of two of the three research questions sparked by the literature review, which are posed on pages 40 and 41 of this paper and into which this study seeks to gain further insight.

One of the questions raised by the literature review is whether differences exist based on gender or ethnicity among fundraisers whose compensation includes an at-risk component. Mesch and Rooney found that female fundraisers who are chief development officers earn significantly lower salaries and bonuses than men. They also found that ethnicity does not have a significant effect on fundraiser compensation (Mesch and Rooney, 2005).

The *Fundraiser Compensation Survey* yielded different results to the question of whether differences exist based on gender among fundraisers whose compensation includes an at-risk component, which could be a result of the small sample size and fact that it's drawn from a convenience sample. More females than males earned bonuses at both ends of the range shown in the Gender and Bonus Size table below. Specifically, 63.4 percent of females and 61.2 percent of males earned bonuses of 1 percent or less of their base salaries, and 5.6 percent of females and no males earned bonuses of more than 10 percent of their base salaries.

This finding is noteworthy. It seems to suggest a trend toward equal pay among female and male fundraisers in the years since Mesch and Rooney conducted their research.

Table 9

Gender and Bonus Size

	A	B	C	D	E	F	G	TOTAL
Female	63.4%	12.3%	13.5%	3.4%	2.2%	1.3%	5.6%	77%
Male	61.2%	14.7%	11.5%	7.5%	4.2%	0%	0%	23%

A One percent or less of my base salary
B Between one and two percent of my base salary
C Between two and three percent of my base salary
D Between three and four percent of my base salary
E Between four and five percent of my base salary
F Between six and 10 percent of my base salary
G More than 10 percent of my base salary

Because my data does not include respondents' compensation, I used bonus percentage as a proxy for compensation. While it is not a perfect surrogate, I believe it represents compensation adequately for the purposes of this study. Using bonus as a proxy for compensation, the sample population yielded very different results than Mesch and Rooney's 2005 report on the relationship between ethnicity and compensation. They found that ethnicity does not have a significant effect on fundraiser compensation. Of this study's non-white respondents, however, just 3.2 percent earned a bonus of 1 percent or less of base salary, while 57.8 percent of white respondents earned a bonus in the same range, data that is illustrated in the Ethnicity and Bonus Size table below. Only 1 percent of non-white respondents earned a bonus of 2 percent or more of base salary, while 23.9 percent of white respondents reported receiving bonuses in that range.

This is an important and concerning finding. While it could be a result of the small sample size and fact that it's drawn from a convenience sample, the *Fundraiser Compensation Survey's* conclusion that a relationship exists between ethnicity and compensation seems to suggest race does impact pay among survey respondents.

Specifically, it appears to indicate that white fundraisers earn more money than fundraisers in all other ethnic categories.

In "Diversification of the Fundraising Profession: Nonprofits' Role," Clarenda Stanley-Anderson expresses her belief that our multicultural society requires nonprofits to diversify the fundraising profession (Stanley-Anderson, 2017). She discusses a 2015 diversity and inclusion report that identified the lack of research on diversity in the fundraising profession as its top need. Of those surveyed and discussed in the report, 37 percent believed the fundraising profession's diversity was increasing, 4 percent believed it was decreasing and 59 percent felt it was constant (ibid). Stanley-Anderson's report underscores the need for the fundraising profession to take intentional steps to equalize pay among professionals of all ethnicities as it diversifies its ranks to reflect society.

Table 10

Ethnicity and Bonus Size

	A	**B**	**C**	**D**	**E**	**F**	**G**	**TOTAL**
Hispanic or Latino	0%	1%	0%	1%	0%	0%	0%	2%
Black or African-American	1.6%	0%	0%	0%	0%	0%	0%	1.6%
White	57.8%	12.1%	12.9%	3.3%	2.5%	1%	4.2%	93.8%
Other	1.6%	1%	0%	0%	0%	0%	0%	2.6%
TOTAL	61%	14.1%	12.9%	4.3%	2.5%	1%	4.2%	100%

A One percent or less of my base salary
B Between one and two percent of my base salary
C Between two and three percent of my base salary
D Between three and four percent of my base salary
E Between four and five percent of my base salary
F Between six and 10 percent of my base salary
G More than 10 percent of my base salary

The literature review also suggests further inquiry into whether fundraisers whose compensation is tied to their performance raise more money annually than those whose compensation is unrelated to their performance. Locke and Latham found that the goal-setting process is most likely to improve employee performance when goals are specific, moderately challenging and accepted by employees and that the existence of bonuses and meaningful increases raise the likelihood that employees will reach performance goals (2012). Similarly, Shaw, Gupta and Delery found that high performance levels occur when pay and performance are connected (2002). Lawler found that those who prefer bonuses perform at higher levels than those who do not prefer bonuses and that individuals are more satisfied with their compensation when they believe it is related to their performance (2000). Dyer, Schwab, Heneman and Fossum, Malliaris and Pappas and Jenkins, Gupta, Mitra and Shaw reached similar conclusions in their studies (1989, 2009 and 1998).

To test Locke and Latham's finding, I transformed five variables into a new variable entitled My Goals and Rewards are Clear and Connected and compared it to respondents' reported likelihood of meeting their goals. While the My Goals and Rewards are Clear and Connected variable is not identical to that tested by Locke and Latham, I have chosen to use it as a proxy because it contains information similar to theirs and is the closest within my data set. I aggregated My Goals and Rewards are Clear and Connected scores into five groups in the table below.

Fundraiser Compensation Survey respondents did not confirm Locke and Latham's finding. As the Goal Characteristics table shows, 40.8 percent of the sample population said they don't often fail to hit their goals, 11.2 percent neither agreed nor disagreed that they often hit or fail to hit their goals and 48 percent said they often fail to hit their goals.

The fact that 59.2 percent of *Fundraiser Compensation Survey* respondents said they often fail to hit their goals or neither agreed nor disagreed that they often fail to hit their goals gives me pause. Locke and Latham (2012) and others have found employees perform best when goals are specific, moderately challenging and accepted by employees and lead to bonuses and meaningful increases for those who attain them. The sample population's responses seem to indicate that the connection between goal setting, performance and compensation is strained at best.

Table 11

Goal Characteristics
Range = 6 to 30

Goal Performance

My Goals and Rewards are Clear and Connected	I don't often fail to hit my goals	Neither agree nor disagree	I often fail to hit my goals
6-10	2.1%	0%	2.1%
11-15	17.3%	7.2%	15.3%
16-20	20.4%	4%	22.4%
21-25	1%	0%	7.2%
26-30	0%	0%	1%
TOTAL	40.8%	11.2%	48%

Fundraiser Compensation Survey questions used to create the *My Goals and Rewards and Clear and Connected* variable:

13. The goals I have on the job are challenging but reasonable (neither too hard nor too easy)
19. I have specific, clear goals to aim for on my job.
20. I participate in the setting of my goals.
41. To what extent is the size of your financial reward based on the attainment of your pre-established goals?
44. If I exceed my fundraising goal, I earn my base salary plus a bonus.

Beyond Locke and Latham's findings, Shaw, Gupta and Delery found that high performance levels occur when such outcomes lead to at-risk rewards. To determine whether the Fundraiser Compensation Survey yielded the same results, I calculated the relationship between goal attainment and performance-related compensation and created the Goal

Attainment and Performance-Related Compensation table below (Shaw, Gupta and Delery, 2002).

Survey respondents again failed to confirm the literature's findings. Specifically, while Shaw, Gupta and Delery found that high performance levels occur when high performance leads to at-risk rewards, the sample population's responses were mixed. Of respondents who said their compensation is related to their performance, 41.5 percent strongly agreed or agreed that high performance leads to at-risk rewards in their organizations. Among the balance of the sample population, 11.1 percent neither agreed nor disagreed and 47.4 percent disagreed or strongly disagreed that performance leads to at-risk rewards in their organizations.

I am concerned that a majority (58.5%) of the organizations for whom Fundraiser Compensation Survey respondents work either moderately (11.1 percent) or do not (47.4 percent) reward high-performing fundraisers with at-risk rewards. The reported pay practices are inconsistent with Shaw, Gupta and Delery's (2002) finding that high performance levels occur when high performance leads to at-risk rewards. The data seems to suggest that, to improve fundraisers' results, organizations should add at-risk rewards to employees' compensation plans.

Table 12

Goal Attainment and Performance-Related Compensation

	My compensation is related to my performance		
	Strongly agree or agree	Neither agree nor disagree	Disagree or strongly disagree
My employer rewards high performance with at-risk rewards	41.5%	11.5%	47.4%

The last *Fundraiser Compensation Survey* finding to evaluate alongside the literature is based on Lawler's conclusion that individuals are more satisfied with their compensation when they believe it is related to their performance. To compare Lawler's finding to the sample population, I transformed three variables into a new variable entitled Compensation Fairness and crosstabulated it with respondents' indication of whether their compensation is related to their performance, the results of which are detailed below in the Compensation Fairness and Performance-Related Compensation table. Again, while the Compensation Fairness variable is not a perfect recreation of that tested by Lawler, I have chosen to use it as a proxy since it contains similar information and is the closest in my data set.

The sample population affirmed Lawler's finding. I analyzed the data in the Compensation Fairness and Performance-Based Compensation table by grouping the Compensation Fairness scores into three groups of seven. Only 3.5 percent of respondents whose compensation is related to their performance registered Compensation Fairness scores of between one and seven, which means 3.5 percent of respondents whose compensation is related to their performance fall in the bottom third of the Compensation Fairness range. Of the other respondents whose compensation is related to their performance, 55.3 percent scored between 8 and 14 and 41.2 percent scored between 15 and 21. This is clear evidence that, consistent with Lawler's *findings,* respondents who believe their compensation is related to their performance are more satisfied.

I am unsure how to interpret this finding. While it is encouraging that 96.5 percent of *Fundraiser Compensation Survey* respondents scored in the middle or top Compensation Fairness ranges, the result appears to be inconsistent with the data reported in Table 12, which indicates that a majority (58.5%) of the organizations for whom *Fundraiser*

*Compensation Surv*ey respondents work either moderately or do not reward high-performing fundraisers with at-risk rewards. While this potentially inconsistent finding could be a result of the small sample size and fact that it's drawn from a convenience sample, it clearly suggests the need for additional research.

Table 13

Compensation Fairness and Performance-Based Compensation

Range = 1 to 21

Compensation Fairness	My compensation is related to my performance
1-7	3.5%
8-14	55.3%
15-21	41.2%
TOTAL	100%

Fundraiser Compensation Survey questions used to create the *Compensation Fairness* variable:
46. Considering my skills and effort, I make a fair wage.
47. My compensation is fair, given what my co-workers make.
48. My compensation is fair, considering what other places in the area pay

Beyond the two literature review questions and their connection to *Fundraiser Compensation Survey* findings described in the previous pages, data gathered from the sample population raises a number of additional interesting questions in relationship to the literature.

Lawler found that involving employees in compensation system decisions makes the system more credible (Lawler, 2000). I compared Lawler's finding to *Fundraiser Compensation Survey* responses by crosstabulating a question that asks the survey population whether its feedback on their annual compensation plans affects future annual compensation plans with one that asks whether respondents have a good understanding of how the compensation system works in their organization. Results are reported below in the Compensation System Understanding and Effect of Feedback table.

Interestingly, a majority of respondents (41.5%) said they have a good understanding of how the compensation system works in their organization but also said their input on their annual compensation plans has no impact on their future annual compensation plans. An even stronger statement of respondents' belief that their feedback on their annual compensation plans and future annual compensation plans are disconnected is the fact that none reported that their feedback on their annual compensation plans almost entirely or entirely effects their future annual compensation plans.

Like those discussed previously, this mixed result is concerning because of Lawler's (2000) finding that involving employees in compensation system decisions makes them more credible. While 41.5 percent of respondents said they have a good understanding of how the compensation system works in their organizations, none reported that their feedback on their annual compensation plans almost entirely or entirely effects their future annual compensation plans. This finding is alarming and suggests that respondents have no say in how their performance impacts their future compensation. Things must change if we believe Lawler's (2000) and Locke and Latham's (2012) findings that fundraisers raise more money when they're involved in their pay planning and believe strong performance will lead to greater rewards.

Table 14

Compensation System Understanding and Effect of Feedback

I have a good understanding of how the compensation system works in my organization.	My feedback on my annual compensation plan affects my future annual compensation plans. Not at all	To some extent	Almost entirely or entirely
Strongly disagree or disagree	12.2%	7.3%	0%
Neither agree nor disagree	6.1%	3.5%	0%
Agree or strongly agree	41.5%	24.5%	4.9%
TOTAL	59.8%	35.3%	4.9%

Building on Lawler's finding that involving employees in their compensation systems makes them more credible, Garbers and Konradt found that the most important driver of salary increase among the nine they tested is job performance (Garbers and Konradt, 2014). To determine if the sample population confirmed Garbers and Konradt's findings, I crosstabulated respondents' answers about the extent to which their performance has an impact on the size of their financial reward with their responses to the statement that they earn their base salary plus a bonus if they exceed their goals. Results are reported below in the Performance and Raises table.

A clear majority of respondents (43.8 percent) reported that their performance has no impact on their financial reward and that they do not earn their base salary plus a bonus if they exceed their goals. Moreover, no survey participants said their performance almost entirely or entirely has an impact on their financial reward and that they almost entirely or entirely earn their base salary plus a bonus if they exceed their goals.

This finding is inconsistent with Garbers and Konradt's (2014) study, which concluded that the most important driver of salary increase among the nine they tested is job performance. This is not surprising, given the findings previously reported. The fact that the majority of *Fundraiser Compensation Survey* respondents do not believe their performance and pay are connected is further evidence that the connection between performance and compensation among the sample population is broken.

Table 15

Performance and Raises

	I earn my base salary plus a bonus if I exceed my goals.		
To what extent does your performance have an impact on the size of your financial reward?	Not at all	To some extent	Almost entirely or entirely
Not at all	43.8%	0%	1%
To some extent	22.4%	4.3%	0%
Almost entirely or entirely	27.5%	1%	0%
TOTAL	93.7%	5.3%	1%

Mesch and Rooney found that neither experience, tenure nor education had a significant effect on fundraiser compensation. To test their finding, I transformed three variables into a new Preparation variable. I then analyzed Preparation and results of the question asking respondents to list their bonus size, which serves as a proxy for compensation. Results are reported below in the Preparation and Compensation table.

My findings affirmed Mesch and Rooney's. Only 1 percent of the respondents in the top Preparation score range (31-37) earned a bonus of 3 percent of base salary or more, and 10.2 percent earned bonuses of no more than 3 percent of base salary. Of those who scored in the lowest Preparation score range (4-10), 6.1 percent earned bonuses of 3 percent or more of base salary and 2.1 percent earned bonuses of more than 10 percent of their base salaries.

Table 16

Preparation and Compensation

	Bonus Size					
Preparation	A	B	C	D	E	F
4-10	20.4%	6.1%	5.1%	3%	1%	2.1%
11-17	15.3%	4.1%	4.1%	0%	0%	1%
18-23	14.3%	1%	0%	0%	2.1%	1%
24-30	4.1%	0%	1%	2.1%	1%	0%
31-37	7.1%	2.1%	1%	0%	1%	0%
TOTAL	61.2%	13.3%	11.2%	5.1%	5.1%	4.1%

A One percent or less of my base salary
B Between one and two percent of my base salary
C Between two and three percent of my base salary
D Between three and four percent of my base salary
E Between four and five percent of my base salary
F More than 10 percent of my base salary

Fundraiser Compensation Survey questions used to create the *Preparation* variable:
3. How many years have you worked as a professional fundraiser?
5. Please indicate your highest earned degree.
9. How long have you worked for your current employer?

Discussion

The *Fundraiser Compensation Survey* yields new insight for those interested in and who study fundraiser compensation. It confirms there is a relationship between at-risk compensation and reward preference among respondents, an important first step in testing the potential presence of economic dualism in fundraiser compensation. It failed to confirm that there is a relationship between the types of organizations for which fundraisers work and their reward preferences or between the compensation plans of female and male fundraisers. Despite these mixed results, sample population descriptive data and several interesting findings are worthy of discussion.

Comparing my data to that reported in Nathan and Tempel's study highlights four sets of characteristics of fundraising professionals worthy of continued consideration. First and foremost is the profession's current gender mix. Nathan and Tempel found that 73.1 percent of fundraisers were female in 2015, up from 54.6 percent in 1996. Of this survey's respondents, 76.1 percent were female, a percentage consistent with Nathan and Tempel's. Future studies utilizing the *Fundraiser Compensation Survey* will confirm whether the profession's gender mix is trending in the same direction as that reported in Nathan and Tempel's 2015 work.

A second point worth noting is the age of respondents. The majority of respondents to Nathan and Tempel's survey were under 40, and the mean age of this survey's respondents was 46.08. Future use of the *Fundraiser Compensation Survey* will confirm whether respondents' ages are trending in the same direction reported by Nathan and Tempel.

It is also interesting to compare the educational attainment levels reported in the *Fundraiser Compensation Survey* with the trend toward greater educational attainment reported by Nathan and Tempel. Their study confirmed that fundraisers with graduate degrees rose from 36.6 percent in 1996 to 44.8 percent in 2015, and only 3.2 percent of fundraisers had less than a bachelor's degree in 2015. Similarly, about 49 percent of this survey's respondents had a graduate degree, and only 2.6 percent had less than a bachelor's degree. Future responses to the *Fundraiser Compensation Survey* will confirm whether respondents' educational attainment levels are trending in the same direction as those reported in Nathan and Tempel's 2015 study.

A final finding worth noting when comparing my findings with Nathan and Tempel's is the clear increase in the number of respondents who received some type of bonus between 2010 and 2014. Nathan and Tempel reported that the percentage of respondents who received bonuses based on individual achievement was 2.8 percent in 2010 and 9.3 percent in 2014, that the percentage of respondents who received bonuses based on team achievement was 2.6 percent in 2010 and 7.8 percent in 2014, that the percentage of respondents who received bonuses based on merit was 1.8 percent in 2010 and 5.8 percent in 2014, that the percentage of respondents who received bonuses for staying in their jobs or completing a project was .7 percent in 2010 and 1.2 percent in 2014 and that the percentage of respondents who received bonuses for another reason was .4 percent in 2010 and 1.4 percent in 2014. By comparison, 6.8 percent of *Fundraiser Compensation Survey* respondents received their base salary and a bonus for exceeding their fundraising goals, 7.7 percent earned a bonus based on the precise amount of money they raised beyond their goal and 8.5 percent received a bonus based on a range of money they raised beyond their goal. Future *Fundraiser Compensation Survey* responses will examine whether the percentage of respondents earning some sort of bonus is increasing as Nathan and Tempel reported.

Beyond comparing the *Fundraiser Compensation Survey's* descriptive data with that reported by Nathan and Tempel, several of my sample's findings merit discussion. I was surprised by the high percentage of *Fundraiser Compensation Survey* respondents who said they do not participate in the creation of their job goals. Specifically, about 42.7 percent of survey respondents strongly disagreed that they participate in the setting of their goals.

Similarly, I did not expect the percentage of *Fundraiser Compensation Survey* respondents who believe their job goals are fair to be so low. Just 30.8 percent of respondents agreed that the goals they have on the job are challenging but reasonable (neither too hard nor too easy), which means 69.2 percent of respondents feel otherwise.

The *Fundraiser Compensation Survey* also yielded interesting findings on respondents' input into and opinion of their annual compensation plans. Specifically, 64.1 percent of respondents indicated their organizations do not ask for their input into their annual compensation plans, and 61.5 percent said their organizations do not ask their opinion of their annual compensation plans. Beyond these, about 54.7 percent of respondents said their feedback on their annual compensation plans does not affect their future annual compensation plans.

Finally, survey results suggest respondents are largely dissatisfied with the amount of money they earn relative to others and with the relationship between their performance and financial reward. Only 28.2 percent of *Fundraiser Compensation Survey* respondents strongly agreed that their compensation is fair, considering what other places in the area pay. In addition, 32.5 percent of survey respondents strongly agreed that their individual performance actually has little impact on their financial rewards. These responses are noteworthy because, as research conducted by Locke and Latham (2012) and reported earlier in this paper suggests, employees are most satisfied and perform better when they believe their compensation is fair and their performance and pay are connected.

Future research

Future study is warranted by collecting data from a larger, random population of professional fundraisers and through several survey modifications. Although I developed the hypotheses from previous studies in the literature that commended them for evaluation, we should not conclude that the *Fundraiser Compensation Survey's* results are definitive. The following paragraphs suggest a number of paths for future study for those interested in fundraiser compensation.

Four of this paper's findings raise specific sets of questions for future inquiry. First among them is learning more about why nearly half (42.7 percent) of *Fundraiser Compensation Survey* respondents said they do not participate in the creation of their job goals. How do respondents feel about not participating in the creation of their work targets? How does the lack of involvement affect the amount of money they raise, their desire to set challenging goals and their feelings about their profession and the organizations for which they work?

A second topic for future inquiry suggested by this paper's findings is why such a small percentage of respondents believes its goals are fair. Only 30.8 percent of *Fundraiser Compensation Survey* respondents agreed that the goals they have on the job are challenging but reasonable (neither too hard nor too easy), which means 69.2 percent of respondents feel otherwise. How come? How are the goals perceived to be unfair? How does this perceived imbalance affect respondents' performance and the seriousness with which they pursue their goals?

The third area of inquiry that should be pursued in the future focuses on respondents' input into and impact on their annual compensation plans. About 64.1 percent of respondents said their organizations do not ask for their input into their annual compensation plans, and 61.5 percent said their organizations do not ask their opinion of their annual compensation plans. Moreover, 54.7 percent of respondents said their feedback on their annual compensation plans does not affect their future annual compensation plans. Why are so few respondents asked for input into and opinions about their annual compensation plans? Similarly, why do so few respondents believe their feedback on their annual compensation plans affects their future annual compensation? If more fundraisers were asked to help create and give feedback on their annual compensation plans, would they raise more money annually? If more fundraisers believed their feedback on annual compensation plans had an impact on future annual compensation, would they set different goals than their current ones? If so, how would they be different?

A fourth focus of future research raised by the *Fundraiser Compensation Survey's* initial findings is the low percentage of respondents who believe their compensation is fair and that their performance impacts their financial reward. Only 28.2 percent of respondents strongly agreed that their compensation is fair, considering what other places in the area pay, and 32.5 percent strongly agreed that their individual performance has little impact on their financial reward. Why do respondents feel this way? If a higher percentage felt their compensation was fair, would their performance improve? If more respondents believed their performance impacted their financial reward, would they set more challenging goals and raise more money?

In addition to the four previously discussed areas ripe for further study, future revisions of the *Fundraiser Compensation Survey* should test Nathan and Tempel's finding that bonuses were most likely to be reported among fundraisers working in arts organizations. They were surprised by the finding based on previous research confirming that bonuses were most prevalent among fundraisers working for health care and higher education organizations. That same research shaped this paper's second hypothesis that fundraisers who work for higher education, health care and arts organizations prefer financial over non-financial rewards, while fundraisers who work for religious, social service and environmental organizations prefer non-financial over financial rewards. Based on Nathan and Tempel's work and my contradictory findings, future studies should test each organization type separately instead of grouping them into two categories.

The Committee for the Advancement and Support of Education (CASE), the largest organization of higher education fundraisers, offers only general guidance on the creation and administration of at-risk fundraiser pay. In guidelines adopted in 2010 and published on its website, CASE says it opposes paying fundraisers a commission but recognizes some forms of supplemental compensation may be appropriate and represent sound management practice. The guidelines say fundraiser incentive pay should be based on pre-set goals agreed upon by the employee and institution and should not serve as a replacement for base salary (CASE, 2010).

Barbeito and Bowman studied the effect that both cash and non-cash incentive plans have on fundraisers, but the *Fundraiser Compensation Survey* only asked about cash incentives. Specifically, Barbeito and Bowman found that incentive compensation plans had a moderate to strong connection to organizations' long-term goals in 12 of the 13 organizations they surveyed. In the future, I would like to expand my study of fundraiser compensation to include questions about the non-cash incentives and recognition fundraisers receive. It will also be important to learn which, if any, are positively correlated to performance.

One of the interesting differences between Mesch and Rooney's research and that undertaken in the *Fundraiser Compensation Survey* is the direction in which fundraiser performance and pay was tested. The *Fundraiser Compensation Survey* seeks to learn whether fundraisers who are paid for performance raise more money than those who are not. Mesch and Rooney, on the other hand, concluded that fundraiser performance plays a significant role in determining fundraiser salaries and bonuses, particularly for those employed as chief development officers. In the future, I would like to test Mesch and Rooney's research and learn what fundraiser performance measures are correlated to compensation.

Mesch and Rooney also found that female fundraising consultants earn lower salaries and bonuses than men. While the *Fundraiser Compensation Survey* did not specifically ask respondents whether they are consultants, I am interested in testing this area of Mesch and Rooney's research for obvious reasons. My practical experience affirms their findings.

I was excited by the *Fundraiser Compensation Survey's* finding that there is a relationship between at-risk compensation and reward preference among respondents. As noted earlier, this finding is noteworthy because of the economic dualism concept described in the literature review and its relationship to the institutional and resource dependency organizational theories, which describe different sets of priorities through which employees and organizations select and value one another. My experience and earlier research suggest economic dualism could be a viable lens through which to study and understand the tension in fundraiser compensation, and I look forward to pursuing it further in the future.

A final and emerging area of fundraiser incentive compensation raised in the literature review focuses on team performance. Although the *Fundraiser Compensation Survey* does not address such rewards, Garbers and Konradt's work does. They found that rewarding teams of workers for their performance is positively correlated to productivity. It will be important to add questions about team incentives to the next version of the *Fundraiser Compensation Survey* to collect and analyze this important information.

Conclusion

Because of my role as CEO of a large fundraising consultancy, I see strongly – and much more clearly now than I did a year ago – the need for more knowledge about fundraisers, the challenges they face and the tools they need to help them accomplish their goal of expanding their organizations' missions by growing philanthropy.

The fundraising profession is changing. I've always known it anecdotally, and now I have primary data to prove it. More fundraising professionals are females than ever before, the average fundraiser has more education than at any time in the past, the average fundraiser is younger than at any time in history and more and more people are choosing fundraising as a profession. Nathan and Tempel's and Mesch and Rooney's research confirms these trends, and my work establishes benchmarks from which to study them in the Kansas City region.

The fact that professional fundraising is changing is what makes my collection and analysis of regional data suggesting much of the infrastructure supporting the profession is broken so alarming. The disconnect between participation in goal setting and goal satisfaction and the lack of relationship between goal attainment and compensation is clear. The fact that the Association of Fundraising Professionals, the largest organization supporting professional fundraisers, has done little research on these topics and not changed its limited guidelines regarding performance and compensation in 26 years is disturbing and disappointing.

I believe many in our profession, both those who work in it and those who study it, are asleep at the wheel. To date, philanthropy has continued to grow year after year with just several exceptions for the nearly five decades we've tracked it comprehensively. But data on philanthropy suggests that's likely to change.

It's no secret that the gap between the dollars needed to operate nonprofit organizations and those they receive from sources other than philanthropy (government support and earned revenue) is widening. We *must* grow philanthropy to sustain, much less grow, the nonprofit sector.

I share two sets of data with every client our firm works with, along with all those to whom I speak, that clearly illustrate the trends challenging fundraising professionals and demand a new level of understanding and readiness. We know from Giving USA's annual report on philanthropy in America that philanthropy grows almost every year, but the Merrill Lynch Lilly School of Philanthropy longitudinal study of high net-worth donors (defined as those whose combined household incomes are at least $250,000 and whose net worth is at least $1 million) tells us something important about how that growth is occurring. The average donor surveyed in the Merrill Lynch Lilly report gave to between five and seven organizations in the 1990s, to between three and five nonprofits in the 2000s and to just over two nonprofits in 2017, the most recent year for which we have data. So while more money is being given each year in the United States, it's being given to fewer nonprofits. That means the days of fundraising like we always have are on their last leg. The second piece of data we know from experience. In every nonprofit, whether its fundraising goal is $100,000 or $100,000,000, fewer donors are giving a larger share of the total dollars raised. Based on our organization's tracking of our many engagements since 1987, the average nonprofit raised 70 percent of its gifts from 30 percent of its donors in the 1990s, secured 80 percent of its gifts from 20 percent of its supporters in the 2000s and today raises about 90 percent of its philanthropy from just 10 percent of its donors. It's imperative, therefore, that fundraisers participate in setting their goals and are rewarded appropriately for their performance as the nature of philanthropy evolves and competition for it increases.

Today more than ever, the data collected in the *Fundraiser Compensation Survey* and reported in this study is critical. Not only is it important to individual fundraisers who want to do a better job for the organizations and missions they serve, it's of fundamental importance to the philanthropic sector and its future survival and growth.

I believe I am unusually positioned to see the needs and opportunities described in this conclusion because of my role leading an organization that works with many of the largest campaigns in the United States and understanding of the data's clear portrayal of the disconnects in professional fundraising. I look forward to continuing to study, interpret and share the data reported in this paper and collected by the *Fundraiser Compensation Survey* in the years to come toward the goals of adding to the body of knowledge, strengthening the fundraising profession and sustaining the nonprofit sector.

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APPENDIX A: SURVEY SOLICITATION EMAIL AND INFORMED CONSENT

Dear Mid-America AFP Chapter Member,

You have been selected from the membership of the Mid-America Chapter of the Association of Fundraising Professionals (AFP) to participate in a study of fundraiser compensation. The primary purposes of the study are to determine the prevalence of performance-based fundraiser compensation and whether there is a positive correlation between performance-based fundraiser compensation and age, gender, ethnicity, education, professional certification and organization type, among other independent variables.

Purpose
The *Fundraiser Compensation Survey* contains 54 questions and will require about 30 minutes of your time. Please click here to be directed to a secure web site hosted by https://umkc.co1.qualtrics.com. To ensure I can use your response, please email me at mjb576@mail.umkc.edu to indicate your willingness to participate in this survey and confirm your e-mail address.

Participation
Your participation in this research study is voluntary, and you may terminate your service as a participant at any time. Your responses to the questionnaire will remain confidential and be reported only in aggregate form.

Disclosure
Results of this research may be presented to professional and scientific organizations or published for practitioner or scientific purposes. However, you will not be identifiable by name. Your responses to the questionnaire and other data will remain confidential, and the data will be analyzed and reported only in the aggregate.

Risks
There are no known risks associated with participation in this study, and you may choose not to answer any questions or items.

Benefits
There are no known benefits for participation in this study.

Disclaimer
The University of Missouri–Kansas City appreciates the participation of people who help it carry out its function in developing knowledge through research. If you have any questions about the research in which you are participating, feel free to call or email me at 816-876-9393 or mjb576@mail.umkc.edu or David Renz, director of the Midwest Center for Nonprofit Leadership, at 816-235-2342 or renzd@umkc.edu.

Thank you for participating in this important research endeavor.

Sincerely,

Matthew J. Beem, MPA, CFRE
Doctoral Candidate
Midwest Center for Nonprofit Leadership
Henry W. Bloch School of Management
University of Missouri -- Kansas City
5100 Rockhill Road
Kansas City, MO 64110-2499
PHONE 816-876-9393
EMAIL mjb576@mail.umkc.edu

APPENDIX B: FOLLOW-UP SURVEY EMAIL 1

Dear Mid-America AFP Chapter Member,

You recently received an email with a link to a survey. If you have already completed the survey, thank you for your participation and disregard the information that follows.

If you have not yet completed the *Fundraiser Compensation Survey*, I encourage you to do so at your earliest convenience by clicking here. The survey will take about 30 minutes to complete and will provide important new information on fundraiser compensation.

Thank you for your time and consideration. I appreciate your honest and thoughtful input.

Sincerely,

Matthew J. Beem, MPA, CFRE
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APPENDIX C: FOLLOW-UP SURVEY EMAIL 2

Dear Mid-America AFP Chapter Member,

In the last four weeks, you've received two emails with links to a survey. If you have already completed the survey, thank you for your participation and disregard the information that follows.

If you have not yet completed the *Fundraiser Compensation Survey*, I encourage you to do so at your earliest convenience by clicking here. The survey will take about 30 minutes to complete and will provide important new information on fundraiser compensation.

Thank you for your time and consideration. I appreciate your honest and thoughtful input.

Sincerely,

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APPENDIX D: FUNDRAISER COMPENSATION SURVEY

Please answer the following by filling in the blank with the appropriate information or circling the appropriate response.

1. What is your ethnicity?
____ Hispanic or Latino
____ American Indian or Alaska native
____ Asian
____ Black or African-American
____ Native Hawaiian or other pacific islander
____ White
____ Other

2. My age is:
_____ (years)

3. How many years have you worked as a professional fundraiser?
_____ (years)

4. Please indicate your gender.
_____ Female
_____ Male

5. Please indicate your highest earned degree.
_____ High school
_____ Bachelor's
_____ Master's
_____ Post-graduate
_____ Doctorate

6. Do you hold the CFRE credential?
_____ Yes
_____ No

7. Do you hold the ACFRE credential?
_____ Yes
_____ No

8. How long have you worked as a professional fundraiser?
______ (years)

9. How long have you worked for your current employer?

______ (years. If less than one, please check here____)

10. What is the mission of your current organization?
____

11. How long did you work for your previous employer?

______ (years. If less than one, please check here____)

12. What is the mission of your previous organization?
____

Please indicate how strongly you agree or disagree with each of the following statements.

13. The goals I have on the job are challenging but reasonable (neither too hard nor too easy).
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

14. I find working toward my goals to be very stressful.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

15. My goals are much too difficult.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

16. I often fail to attain my goals.
A Strongly disagree
B Disagree
C Slightly disagree

D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

17. I have too many goals on this job (I am overloaded).
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

18. I understand exactly what I am supposed to do on my job.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

19. I have specific, clear goals to aim for on my job.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

20. I participate in the setting of my goals.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

21. Some of my goals conflict with my personal values.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree

E Slightly agree
F Agree
G Strongly agree

22. My job goals serve to limit rather than to raise my performance.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

23. The goals I have on this job focus only on short-range accomplishments and ignore long-range consequences.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

24. The top people at my organization do not set a very good example for the employees, since they are dishonest themselves.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

25. I get credit and recognition when I attain my goals.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

26. If I reach my goals, it increases my chances for a compensation raise.
A Strongly disagree
B Disagree
C Slightly disagree

D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

27. If I reach my goals, it increases my chances for a promotion.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

28. I understand how my performance is measured on this job.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

29. If I have more than one goal to accomplish, I know which ones are most important and which are least important.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

30. I feel proud when I get feedback indicating that I have reached my goals.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

31. I get regular feedback indicating how I am performing in relation to my goals.
A Strongly disagree
B Disagree
C Slightly disagree

D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

32. My goals are highly qualitative.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

33. My goals are highly quantitative.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

34. I don't make the kind of money I should for the job I do.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

35. Considering my skills and effort, I make a fair wage.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

36. My compensation is fair, given what my co-workers make.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree

E Slightly agree
F Agree
G Strongly agree

37. My compensation is fair, considering what other places in the area pay.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

38. My individual performance actually has little impact on my financial reward.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

39. I have a good understanding of how the compensation system works in my organization.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

40. I understand how my last salary increase was determined.
A Strongly disagree
B Disagree
C Slightly disagree
D Neither agree nor disagree
E Slightly agree
F Agree
G Strongly agree

41. To what extent is the size of your financial reward based on the attainment of your pre-established goals?
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent

5 To a substantial extent
6 Almost entirely
7 Entirely

42. To what extent does your performance have an impact on the size of your financial reward?
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

43. If I meet my fundraising goal, I earn my base salary.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

44. If I exceed my fundraising goal, I earn my base salary plus a bonus.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

45. If I earn a bonus, it is based on the precise amount of money I raise beyond my goal.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

46. If I earn a bonus, it is based on a range of money I raise beyond my goal.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent

5 To a substantial extent
6 Almost entirely
7 Entirely

47. If I earn a bonus, it becomes part of my subsequent year's base salary.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

48. My bonus is
1   One percent or less of my base salary
2   Between one and two percent of my base salary
3   Between two and three percent of my base salary
4   Between three and four percent of my base salary
5   Between four and five percent of my base salary
6   Between six and 10 percent of my base salary
7   More than 10 percent of my base salary (it's _____ percent of my base salary)

49. My organization asks my opinion of my annual compensation plan.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

50. My organization asks for my input into my annual compensation plan.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

51. My feedback on my annual compensation plan effects my future annual compensation plans.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent

5 To a substantial extent
6 Almost entirely
7 Entirely

52. My annual compensation – both base salary and bonus – affects my fundraising performance.
1 Not at all
2 To a very small extent
3 To a small extent
4 To a medium extent
5 To a substantial extent
6 Almost entirely
7 Entirely

53. I would like for my compensation to be related to my performance.
1 Yes
2 No

54. My compensation is related to my performance.
1 Yes
2 No

VITA

Matt is president and CEO of Hartsook, a global fundraising consultancy. He chairs the board of directors of the Institute for Sustainable Philanthropy in Plymouth, United Kingdom and is a senior fellow of the Midwest Center for Nonprofit Leadership at the University of Missouri-Kansas City (UMKC). Matt served on the board of trustees of Avila University in Kansas City from 2015-2017, on the board of trustees of Graceland University in Lamoni, Iowa from 2008-2014 and on other local, regional and national nonprofit boards over the years.

Matt has co-authored fundraising textbook chapters with Adrian Sargeant (*Fundraising Principles and Practice*, Jossey Bass-Wiley, 2017) and Gene Tempel (*New Strategies for Educational Fundraising*, Oryx Press, 2002) and several academic journal articles. A featured professional speaker on fundraising and fundraiser compensation in the United States and abroad, Matt is the author of *Performance-Driven Fundraising: Taking Control of Your Success* and co-author of *$231 Billion Raised and Counting* with Bob Hartsook and Karin Cox. He has taught graduate fundraising courses at Avila University, Indiana University, Plymouth University and UMKC.

Matt holds a bachelor of journalism in news editorial from the Missouri School of Journalism at the University of Missouri-Columbia and a master of public administration in nonprofit management and interdisciplinary doctor of philosophy in organizational behavior and higher education administration from UMKC's Bloch School of Management. He and his wife, Kate, along with their three children, live near the Truman Presidential Library and Museum in historic Independence, Missouri.