National Council of Nonprofits

How Much Money Should a New Development Director Be Expected to Raise?

By: Amy Silver O'Leary

I can’t count the number of times I’ve heard a version of this story: “We hired a new development director six months ago and they haven’t raised their salary yet! What should we do?”

Unfortunately, it doesn’t work that way. Hiring a development director (or any development staff) is an investment in a nonprofit’s revenue growth. It requires an initial outlay for the development director’s compensation and benefits, plus for resources such as a database/CRM and other technology, materials, professional development opportunities, and – depending on the job and organization – perhaps an advertising or event budget. While nonprofit professionals are often used to working creatively under a shoestring budget, nobody should be expected to work with no budget.

As with a small business startup, it takes time to pay off the initial investment and begin generating a “profit,” or net revenue beyond the ongoing expenses.

And no, you can't pay a development director or grant writer a percentage of the revenue they raise. It's considered unethical by the Association of Fundraising Professionals (AFP; see Standard #21 of AFP's Code of Ethical Standards for organizations and professional fundraisers).

While timelines vary and every nonprofit's situation is unique, a general rule of thumb suggests it might be reasonable to expect a development director to raise their salary by around year two, and then two to three times their salary by around year three. If your nonprofit receives foundation or government grants, you also need to factor in grant cycles that may only come around once per year.

It takes time to get up to speed, cultivate relationships, and implement a new strategy. Often, strategies must be tested in several different iterations, followed by course corrections, before the most effective ones emerge. You'll want your new development director to spend time talking with their colleagues, observing your programs, reading organizational materials, and if they're new to the community your nonprofit serves, perhaps learning about that wider community.

There are also external factors to consider, such as local competition for donor dollars, recessions, or the decline in donations we're currently seeing across the nonprofit sector.

Have a strategy and a plan in place that's right for *your* nonprofit

A development director who is stepping into their role with a development team and robust systems in place, and perhaps being handed a list of hundreds or even thousands of major donor prospects to visit (not unusual in some universities or hospitals), is in a very different situation than the first development director hired by a smaller or newer organization without a ready source of new prospects.

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For all nonprofits, but especially for newer nonprofits and those undergoing organizational change or growth, it's critical that the executive director, board members, and development staff engage in a thoughtful business planning process.

What revenue strategies make the most sense for the organization's current situation, mission, supporters, and community connections?

You can't do everything at once: figure out what revenue streams to focus on today, and sketch out a three- to five-year fundraising plan.

Once you identify the most important – and achievable – revenue streams for your organization, what is the plan for implementation? What resources are needed? How will you test different approaches? Who's on the team?

If your organization is mostly grant-funded, is your plan to sustain current grant funding while seeking new foundation or government grant sources? Or is it to expand into other areas, like individual donor fundraising? Those are two very different strategies, and either one alone can be a full-time job. If your development "department" consists of one person, experienced people know it would be unreasonable to expect success by trying to do both at the same time.

If your nonprofit has a broad base of small donor support, is your strategy to find new donors through marketing campaigns, or to connect with major donors in your community through events, personal calls, or meetings? Maybe your development shop has the capacity to do both of those at once – expand small donations while creating a major donor program – or maybe it makes sense to focus on one, and then the other.

One way to explore revenue models is to conduct a "competitive analysis." Pull the publicly available Form 990s of nonprofits in your community that are similar to yours in size and/or mission. (You can get those via a free Candid account or even by doing a Google search.) On Part VIII, the Statement of Revenue, you'll see how much money these nonprofits raised in contributed revenue, government grants, earned revenue (which often includes government contracts), gross and net income from fundraising events, and other income streams, such as rents. Then, see if you can find out how many paid development staff they have by checking their website. Every nonprofit's business model is unique, but you can often glean insights from seeing how similar organizations are putting it all together.

With development staff and leadership working closely together, choose a limited number of strategies to experiment with initially, and give them time to work. Some things literally take years to pay off – but when they do, they can pay off big.

Set realistic goals

Once you have an overall strategy in place, establish dollar goals for each revenue stream and “key performance indicators” or metrics based on behaviors such as calls, visits, appeals, grant proposals submitted, and mailings – actions that the development director can control and regularly report on.

“Increasing our Giving Day revenue over last year by 15% through a stepped-up social media campaign and outreach to 30 new potential business sponsors” is a reasonable goal. “Double our Giving Day revenue” with no idea of how to get there is not reasonable. It could happen, but it’s not a plan.

Some nonprofits establish their annual budget based on conservative revenue goals, but have an additional “stretch goal” in place. You want an ambitious vision, but you don’t want to burn out your staff with unrealistic expectations.

Support your people

Research suggests that development director longevity is correlated with raising more funds.

Losing a development director costs much more than the obvious loss of momentum while the nonprofit goes through another hiring process and onboarding process, and then rebuilding special relationships with key donors. A 2020 report, “Untangling Turnover: Why Development Directors Leave and What Nonprofit Organizations Can Do About It,” documents the direct and indirect costs of development director turnover, including: “lower organizational performance and morale; decreases in donations; loss of institutional knowledge and stakeholder connections; service delivery disruption; increased recruitment expenses; and heavier staff workloads.” The report also explores the causes of and some solutions to development director turnover.

High turnover among fundraisers was a problem even *before* this era of burnout and workforce shortages in the nonprofit sector. It’s critically important to keep your development staff in place for more than the 18-month sector average.

In addition to making sure your development director has the resources and support they need, reasonable goals, and performance indicators that make sense given the goals. Consider these tips:

- Communicate frequently, but don't micromanage or second-guess. Let your professional be a professional.
- Celebrate and recognize success. If there are big wins, take some time to bask in the glory. Don't immediately raise your expectations as though punishing success.
- Give your strategy time to work. Desperation is not conducive to fundraising. Authentic relationships take time to develop. It's those relationships that ultimately sustain the work of your nonprofit and can support your mission in many ways including – but not limited to – cash.

Fundraisers of color face unique challenges

Supervisors and board members, even those with the best of intentions, can (perhaps due to implicit bias) expect professionals of color to perform *better* than white professionals to be considered "as good." Respondents to a 2019 survey by Cause Effective, Money, Power and Race: The Lived Experience of Fundraisers of Color, cited "multiple examples of board members questioning development staff of color's knowledge and assumptions, instead turning to white staff as the experts. Development directors of color felt they had to work harder than their white counterparts to establish their authority and gain the trust of executive directors and board members."

The report further documents how fundraisers of color must be prepared to encounter explicit racial bias both internally in their own organization and in their external relationships, such as with donors.

Seeking diversity in your nonprofit's board and staff, including fundraising staff, is important for many reasons. But it's not enough to hire professionals from underrepresented groups: **leaders must also take care to provide support and set reasonable expectations**. Cause Effective's report offers specific recommendations for executive directors, HR managers, supervisors of development staff, board members, donors and institutional funders, staff colleagues, and development professionals themselves. The recommendations are terrific for all nonprofits – whether or not you have a person of color on your development staff today. Indeed, the recommendations provide sage advice for application across the organization, and not just in connection with development directors.

No one can do it alone!

Fundraising is a team sport. The culture of philanthropy at the organization is critically important. Is everyone pulling together to articulate your case for support and to identify, cultivate, and steward donors? Think of a development director as the team captain: they're working with the coach to develop strategy and organize the players, and they keep the big picture in mind, but they can't move the ball down the field alone.

Additional Resources:

- Desperately Seeking Fundraisers, (*Chronicle of Philanthropy*, November 1, 2022)
- "Money, Power and Race: The Lived Experience of Fundraisers of Color" (Cause Effective, 2019)
- Stop the Revolving Door in Nonprofit Development (Benefactor Group blog, 2021)
- Kristina M. Pepelko, "Untangling Turnover: Why Development Directors Leave and What Nonprofit Organizations Can Do About It," SPNHA Review: Vol. 16: Iss. 1, Article 7 (2020)