Every Nonprofit Needs a Database

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Appeal letters. Thank you letters. Mailing labels. Reports for the board. Event registration. Gift tracking. The list of items that a nonprofit has to generate in order to operate efficiently can go on and on. There are not enough hours in the day to complete all these tasks by hand. With a solid database, nonprofits can be more effective in their missions. If you have ever used any type of database or data tracking system or if you are using one and wish that you had more information to decide if what you are using is right for your organization, please read on. This article can help you get started on the path to choosing the most cost effective database for your organization.

There are several points you should consider when deciding on the type of database you should use. It is important to understand the difference between the two most common types of databases – flat files and relational databases.

An example of a flat file would be a Microsoft Excel® spreadsheet. A good way to think of it is as a flat piece of paper with one row of data for each constituent and many columns or categories of information. All information about a constituent is stored in this single file – name, address, phone number, donations, etc. As you can imagine, this type of file can become unwieldy very quickly. A flat file is also very limiting in the amount of data it can hold. For instance, Excel will not allow more than 256 columns of data on a single spreadsheet. That may seem like a lot, but if you reflect about all the different pieces of information that are important for you to collect on each constituent like relationships with other constituents, their preferred methods of contact, each donation made to your organization, then those columns will be used up in a short amount of time.

The goal is not to discourage you from using Microsoft Excel®. It is a fine tool. Data entry is straight forward and it contains good data analysis tools. As you gather more data however, easily organizing that data in such a way that it can be analyzed becomes cumbersome especially if you have multiple spreadsheets.

The second type of database that is commonly used is a relational database. A relational database contains many separate tables or groups of data that are related to one another by a common identifier like a constituent; i.e. an entity that is involved with your nonprofit whether an organization like a foundation or an individual like a donor. This separation allows for better organization and reporting than using one giant spreadsheet. For example, one main table may contain a constituent ID plus the constituent's name and address. Another table may contain

that same constituent ID and all of the donations a person has made. This separation of information can help reduce having to reenter the same information repeatedly and can allow you to analyze the data in many ways, such as total giving per person or giving within a certain time period. More powerful reporting capabilities are a benefit of using a relational database.

There are some readily available tools. For instance, Microsoft Access® is software that can be used to build relational databases. It can be a very powerful tool for reporting on your information. One big drawback however, is the difficulty in getting the database set up in the first place. Many organizations hire programmers to create their database. This is not only an extra expense, but what do you do if something goes wrong with the database and you can't find the original programmer? How do you support this database long term?

One of the most important things to consider when deciding what type of database to choose for your organization is data normalization. Data normalization is the process of organizing the data structure in such a way to prevent redundancy or other data anomalies. A normalized database is a must for accurate and efficient data collection and reporting. If a database is not normalized you could end up entering the same information multiple times, such as the name and address of a donor every single time they made a donation. This is inefficient and can cause inaccurate reporting. For instance, you may be wasting money on postage when you print multiple letters for the same person because they appear in your data many times.

An easy to understand example of what data normalization means is to think of your social security number. Nobody else has your same number. It is your unique identifier. That number is used to identify you and only you in many ways and in many different places – the IRS, credit card companies, banks, etc. Since you are the only person with that specific number, it keeps your specific information related to you and not someone else. What if more than one person used your same social security number? No one would be able to tell what information goes with which person. Not having a unique identifier for each of your constituents can cause a type of data identity theft. Data gets all mixed up and related to the wrong person or reported multiple times. Then you have lost the integrity and trustworthiness of your data.

Ideally, if you are going to choose a commercially available, out of the box software for your data needs, you want to look for software that has a unique identifier for each constituent and allows you to relate all unique constituents to each other. This will allow you to report on individual people and organizations accurately. Some vendors offer out of the box databases where you can enter multiple people or organizations under the same ID to show that they are related. However, when running a report you can't tell which person or organization under that ID the information should be attributed to. Instead, you should consider databases that allow you to easily relate individual constituents to each other and to organizations while keeping their records separate and your data integrity intact.

The bottom line is that you need a way to record and analyze your data accurately and efficiently. Before purchasing any software or hiring someone to build a database for you, research what is out there and ask questions of the vendors. Always insist that vendors provide you with customer references – other nonprofits like your organization that preferably were using the same tools you're using today before converting to their new database. Talk to other nonprofits in your community too. Armed with the information in this article, you are on the right path to making an informed decision that will help your organization with its fundraising tools.

We hope you found this information to be helpful and informative. Please look for the second article in our *Database Management for Nonprofits Series* which will be available for download at www.towercare.com in November 2009.

To check out DonorPro, a powerful relational database built by nonprofit professionals, visit our online DonorPro Product Tours at www.towercare.com/content/product-tours.