



Philanthropy and Strategic Direction

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The shift from volume- to value-based healthcare delivery will necessitate innovative and farsighted financial solutions for hospitals large and small. Among those leading-edge responses must be a reconsideration of philanthropy's strategic role within the organization—led by a CEO who is willing to work with the board and reframe the issue as a newly vital revenue stream.

Although insightful CEOs may see philanthropy's potential in a value-based healthcare world, they may not realize how closely their involvement is tied to enhanced philanthropic performance. Indeed, the Association for Healthcare Philanthropy estimates only one-third of CEOs have expectations for philanthropy participation included in their stated job description.

“The symbolic and tactical importance of the CEO in setting the tone and priorities for philanthropy for the organization cannot be overstated,” says Betsy Chapin Taylor, leader of healthcare philanthropy consulting firm Accordant Philanthropy. “If the CEO says he or she doesn't understand it, doesn't know what to do with it, or thinks focusing on it shows a lack of the organization's financial strength, then that belief

will filter down to trustees, other executives and physicians.”

Executives, trustees and physicians should be the leading advocates of philanthropy within a hospital or health system. But the CEO, above all, must make the rallying call for philanthropy's importance and strategic direction, Taylor says.

“Executives must be at the center, because they know the organization best, followed by trustees and then physicians,” she explains. “Physicians have to see that executives and trustees have a shared philanthropic vision before they will step in” and lend their support.

Although many CEOs may believe they lack philanthropic expertise, in fact they already possess the appropriate skills and only need to know how to deploy them differently, Taylor says.

For example, most CEOs are expected to speak publicly about the hospital's purpose and goals and are effective one-on-one communicators, Taylor says. Chief executives' deep understanding of the organization's mission and vision allows them to speak with authority about where their organization is today and where it wants to be

tomorrow, whether discussing their community benefit or the transformation of healthcare. To advance the organization's philanthropic priorities, the CEO simply must articulate this vision, Taylor says.

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In turn, CEOs should ensure funding priorities are linked to the hospital's strategic objectives. Not only does such alignment achieve the greatest benefit for the healthcare organization, but “visionary donors also seek high-impact, high-visibility projects that will really make a big difference,” she says. Examples might include kick-starting an innovative program or raising funds for operating suite robotics.

Many organizations squander philanthropy's impact, Taylor says, because it

is still frequently used to support low-impact initiatives on the nice-to-have list, for which there often is no budget, no urgency and no long-term strategy. Although there is nothing wrong with small-scale efforts, they are not the best use of major donors' money or the CEO's influence.

To make the best use of their donor-facing skills, CEOs must first understand the difference between philanthropy—the development of ongoing donor partnerships—and transactional fundraising. “Major donors expect a personal and authentic relationship with the CEO,” she says, but that doesn't mean the CEO has to find those donors or ask directly for major gifts. He or she simply needs to be able to explain the hospital's mission and vision and talk to important potential donors with whom relationships have often already been established.

CEOs don't have to be a part of all relationships, but they need to be part of the right relationships at the right time. It falls to the chief development officer to facilitate the involvement of various advocates in advancing relationships. “And many times board members can bring donor relationships all the way to the finish line before they need to bring in the CEO,” Taylor says.

Taylor says some CEOs often are embarrassed about having to fundraise, but it's the CEO's job to convey that philanthropy is a proud and noble endeavor, setting an example by embracing the nonprofit's charitable roots.

At the same time, the fund development team should benchmark its performance against industry standards

and best practices and be held accountable for results. “The philanthropic effort has to be conducted with diligence. It is a strategic endeavor that the board should expect performance from—and should expect to invest in as well,” she says.

Concrete philanthropy metrics include counting the number of face-to-face meetings with potential donors, donor retention rates, number of first-time donors and what percentage of the board contributes to the hospital's charitable efforts. The last measurement is crucial.

“No one will make significant gifts to the organization if the board doesn't give,” Taylor says. “The CEO needs to say to board members, ‘We want you to connect with people as an ambassador for philanthropy.’” And the same expectations circle back to the C-suite. “Every member of the executive team and the development team needs to give to the organization,” she says. “It has to be worthy of their own support to ask for money from the outside.”

It boils down to developing a culture that encourages philanthropy. Taylor says, “The organization must foster the engagement of all three key philanthropy advocates—executives, governing and foundation board members, and physicians—because of their outsize influence with donors. It also must embrace that grateful patients want to demonstrate thanks and be part of the organization through giving.” Because patients who have had excellent hospital experiences are the largest donors to healthcare organizations, hospital leaders and their boards

must first create “a clinical experience that's worth supporting,” she advises.

Finally, Taylor says there is simply no excuse for CEOs to claim they don't have time for philanthropy. Although some CEOs may be concerned that implementation of the Affordable Care Act will result in reduced charity care and their organizations will be seen less as charities and more like businesses, Taylor says “cases for support rooted in backfilling the cost of charity care have never been compelling.” The ACA is “part of what makes the strategic alignment to drive high-value, excellent work even more important,” she says. “We have to engage donors for the push toward excellence rather than seeking sustainability.

“The CEO is the most visible symbol of the institution,” Taylor adds. “No one else carries the same gravitas walking into a room. Data show that philanthropy has a more significant return on investment than most clinical service lines. And, CEOs also play a key role in cultivating the most significant donors. If philanthropy can have that kind of impact, why wouldn't CEOs think of philanthropy as part of their core responsibilities?” ▲



Totten



Combes

Mary K. Totten (marykaytotten@gmail.com) is content development director and John R. Combes, MD (jcombes@aha.org), is president and COO of the American Hospital Association's Center for Healthcare Governance.