



The American Hospital Association's

**CENTER FOR
HEALTHCARE
GOVERNANCE™**

Boards and Philanthropy:

Developing the Next-Curve
Revenue Source for Health Care

Monograph Series

About the Author

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The American Hospital Association's Center for Healthcare Governance is a community of board members, executives and thought leaders dedicated to advancing excellence, innovation and accountability in health care governance. The Center offers new and seasoned board members, executive staff and clinical leaders a host of resources designed to progressively build knowledge, skills and competencies tailored to specific leadership roles, environments and needs. For more information visit www.americangovernance.com.

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Overview

Health care governing board members confront a complex and changing financial landscape in their role as stewards of health care organizations. Hospitals and health systems have faced slim bottom lines for an extended period that have reduced available dollars to invest in organizational advancement and forced many to change strategy, forego acquisition of new technology, delay physical plant improvements, reduce services and streamline staff. Now, implementation of health reform under the Affordable Care Act (ACA) brings new financial ambiguity and risk as health care payment and delivery fundamentally shifts from being volume-based to value-based and providers experience simultaneous and significant reimbursement cuts including extensive reductions to Medicare. Such challenges make it difficult for governing boards to reconcile their complementary roles of facilitating strategic financial investments to advance the organization while ensuring adequate financial resources to safeguard the mission. However, savvy board members know continuing to delay investment in the organization isn't a path to either sustainability or success. Rather, the key to ensuring the vibrant future of their health care organization is in finding new revenue streams.

The Next-Curve Revenue Resource

When hospitals and health systems consider ways to generate additional revenue, they generally look at how to expand clinical operations. However, there is a strategic revenue stream not all have pursued and few have optimized: health care philanthropy—also known as voluntary, community or charitable giving. Health care organizations across the country proactively advance philanthropy in partnership with an affiliated

charitable foundation or internal development office that exists to cultivate partnerships with donors interested in supporting the health care mission.

Health care philanthropy offers a meaningful, sustainable and potentially transformational revenue source. More than \$8.94 billion was given to U.S. nonprofit health care organizations in FY 2012 (see Figure 1 on page 5). An organization performing at the median raises \$3.22 for every \$1.00 invested in fund development (Association for Healthcare Philanthropy, September, 2013; page 44). A typical development organization needs to raise \$1.44 million in charitable contributions to get \$1 million to the bottom line, while a health care organization performing at the median must generate \$21.88 million in revenue from operations to get \$1 million to the bottom line (Health Leaders Fact File, July/August, 2013). Moody's Investors Service further underscores the value of charitable giving by noting it is "an important consideration in our credit assessment" that "can positively impact bond ratings." (Moody's Investors Service, March, 2006) With a rate of return that exceeds most clinical service lines and encouragement to adopt by a key bond-rating organization; it is time to consider how your organization can position philanthropy as a core strategy to fuel progress and secure competitive advantage. (See sidebar "Have Moxie for Your Mission" on page 6.)

To optimize the opportunity philanthropy provides, an important evolution of thought must occur within most organizations. *Philanthropy* must be distinguished from *fundraising*. Traditionally, health care fundraising has been transactional and rife with special events—leaving the endeavor as more decorative than strategic. However, health care philanthropy seeks to build

Figure 1

AHP Report on Giving, U.S., FY 2000-FY 2012 Annual Trends

Approximate Total Funds Raised²

Median Value For All Institutions



² The basis for estimating fundraising across the entire universe of health care organizations is the median change in Fundraising Revenue by institutions reporting data for both FY 2012 and FY 2011 in the current year's survey. This survey's information is only one part of the information gathering process for institutions. Each institution must ultimately make independent decisions as to how this survey data will or will not be used.

Source: AHP Report on Giving U.S., FY 2000-FY 2012

values-based partnerships with donors to accomplish mutual goals for the common good. The impact of this nuance in approach is powerful, since data show that focusing on relationship-driven, investment-level, “major” gifts offers a higher total return and a stronger return on investment. Focusing on philanthropy also means you must put up the tin cup...because you are not begging. Rather, you are embracing that the nonprofit health care organization is a charitable, community-benefit organization with a noble, life-saving mission that merits community support.

Philanthropy As a Governing Board Role

Health care governing board members are uniquely positioned to elevate health care philanthropy on the organizational agenda as a strategic revenue-generating strategy. However, governing boards have often seen philanthropy as ancillary to their core role. In fact, many governing boards created adjunct foundation boards to wash their hands of the “distasteful” task of “fundraising.” It is perhaps understandable from a historical perspective in that fundraising was often viewed as a

Sidebar

Have Moxie for Your Mission

Most know the Greek myth of Icarus and his father Daedalus and their attempt to escape from the island of Crete. Daedalus crafts wings out of feathers and wax for his son to enable him to fly. Young Icarus is cautioned that he must not fly too close to the sun, or his wings will melt—causing him to plunge into the sea and die. Thus, the myth has been used as a tale warning others of the dangers of hubris.

However, in his book *The Icarus Deception: How High Will You Fly?* (Godin, 2012), Seth Godin reminds readers there is a second half to this myth that is often lost in retelling: Daedalus also warns his son not to fly too close to the sea. If Icarus were to fly too close to the sea, the feathers on his wings would get wet and deny him the ability to maintain the lift needed to fly—and he would also plunge into the sea and die. Thus, the oft-forgotten second half of the story gives an equally powerful warning that taking the route that seems safe and comfortable can bring a different kind of peril.

In the world of health care philanthropy, many organizations take the seemingly “safe” path and consequently squander the rich opportunity offered by robust community charitable giving. This often manifests itself through one of three stumbling blocks. First, relegating fund development to being a decorative, social endeavor characterized by galas and golf tournaments—activities better at gathering friends than generating meaningful funds. Second, treading lightly by asking people for token, transactional gifts rather than fostering value-aligned partnerships with donors who are able and willing to make significant financial investments. Third, neglecting to clearly state fund development as an expectation of board membership, because the organization is anxious to secure agreement to serve and doesn’t want to mention a source of potential reluctance.

Elevating the ambition and objectives for philanthropy to pursue a higher level of donor engagement and impact is an opportunity best driven by board members and executives. So, it’s time to embrace some moxie for your mission—and fly a little closer to the sun.

softer, social endeavor, with charitable proceeds used to fund the “nice to haves” and “extras.”

Now, with availability of capital for reinvestment a prevalent constraint for most health care organizations, it is time to put responsibility for advancing philanthropy back on the governing board agenda and build greater understanding of how governing boards and foundation boards can

complement each other’s work (see sidebar: “Governing Board and Foundation Board Roles” on page 7). The reason is simple: the governing board’s fiduciary responsibilities mean it must not only spend dollars but also ensure the *availability* of adequate dollars. Elevating philanthropy also dovetails with the governing board’s responsibility for strategic planning; it makes sense that the body setting and executing upon strategy would also ensure that adequate financial resources

Sidebar

Governing Board and Foundation Board Roles

While both governing boards and foundation boards provide leadership, build culture and foster relationships to advance philanthropy, nuances to their varying roles in advancing philanthropy appear below.

Governing Board Roles:

- Position fund development as a strategic endeavor
- Set an expectation for meaningful CEO engagement
- Foster an organizational culture to advance philanthropy
- Align hospital strategy and charitable funding priorities
- Invest budget resources to build program capacity and growth
- Track leading performance measures alongside other KPIs
- Ensure execution on donor-funded projects
- Expect collaboration between marketing/PR/development
- Provide input toward a compelling case for support
- Leverage connections and open doors for development
- Invite others to participate as donors and volunteers
- Give at level commensurate with your ability and interest

Foundation Board Roles:

- Leverage connections and open doors for development
- Invite others to participate as donors and volunteers
- Provide information to guide effective outreach
- Thank and steward donors
- Ensure donor dollars are used for the intended purpose
- Insist upon strategically aligned funding priority selection
- Vet potential funding priorities for donor appeal
- Evaluate, shape and approve the case for support
- Approve allocations of unrestricted dollars to the health care organization
- Approve fund development campaigns and goals
- Provide oversight for management of charitable funds
- Monitor progress toward development goals and objectives
- Approve development office budget (sometimes)
- Give at level commensurate with ability and interest

exist to power those plans. With boards legally, fiscally and morally responsible to safeguard the organization's mission, the board has the obligation to pursue a strategic revenue source with a demonstrated ability to strengthen and sustain the mission.

There are many opportunities for boards to add significant value in advancing philanthropy, many of which are part of

creating an organizational environment or "culture for philanthropy" within which development can thrive. For example, development needs to be positioned within the organization to imbue credibility, enable access to information and encourage participation from internal advocates. Impactful philanthropy is also reliant upon alignment between the health care organization's vision and goals and the fund

development organization's efforts to avoid having silos with potentially differing objectives. Thus, a highly leveraged role is for the governing board to wield its collective influence to create the conditions for and to facilitate support conducive to more vibrant fund development.

Multiple studies explore which specific variables correlate strongly with successful fund development. Because many of these factors are both controllable and within the influence of the health care governing board, it is valuable to consider the following levers to improve performance:

- Create a comprehensive program to foster annual, major and planned gifts
- Prioritize seeking major, investment-level gifts from individuals
- Build a pipeline of prospects with affinity and ability to become major gift donors
- Involve advocates, including executives, board members and physicians
- Align health care organization strategy and charitable funding priorities
- Ensure the health care organization provides a positive, supportive clinical service experience
- Conduct ongoing evaluation using tools such as benchmarking
- Hire an experienced, professional foundation staff
- Ensure investment in development to build capacity and to enable growth

The following sections explore in greater detail several steps health care governing boards can undertake to enhance charitable giving.

Support CEO Involvement

The most significant cultural lever to drive robust charitable giving is the meaningful engagement of key organizational advocates, including governing board members, foundation board members, health care organization executives and physicians. Securing the participation and support of

these insiders is a critical step to optimizing performance, since even the professionally led development program will eventually hit a performance ceiling without them.

CEOs not only can unleash support, access and resources within the organization to build a platform for performance, they also play a key role in cultivating the most significant donors. Donors making large gifts understandably expect to meet and build a relationship with the organizational leader whose vision they are investing in and who is responsible for ensuring execution of plans to achieve that vision. Therefore, while governing boards should set a formal expectation for CEO involvement in philanthropy, data suggest that many do not. A 2010 Association for Healthcare Philanthropy survey report found only 36% of health care organizations include philanthropy as an official responsibility of the CEO (Page, January 4, 2011). Further, many CEOs state that not having philanthropy officially recognized as a valued role sets up an inherent obstacle to their meaningful participation because they are pulled between the stated charge of the governing board and the knowledge that advancing philanthropy is becoming a hallmark of strategically focused health care organizations. Many governing boards that have hardwired the expectation for CEO participation in philanthropy have included the expectation in the CEO's job description, annual performance goals or triggers for at-risk compensation.

Many organizations squander the potential impact of philanthropy by allowing charitable dollars to benefit low-value initiatives. Governing board members can harness greater donor interest and drive stronger giving by ensuring charitable funding priorities align with the health care organization's strategic priorities. To achieve this, organizations should implement a deliberate, thoughtful process to identify high-value initiatives that are tightly aligned with the health care organization's highest strategic aspirations and that garner emotional and rational appeal for donors.

Figure 2

Gift Uses

Other **7.5%**

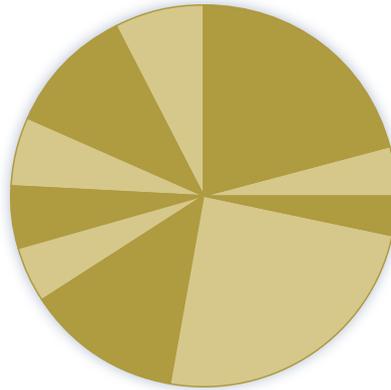
General Operating Support **10.8%**

Research **5.6%**

Education **5.5%**

Community Support/
Advocacy **4.7%**

Capital Equipment **12.9%**



Patient Care Program Support **21%**

Charitable Care **4.2%**

Hospice/
Home-Health/
Long-term Care **3.4%**

Construction and Renovation **24.4%**

Source: Association for Healthcare Philanthropy, 2013

While charitable contributions fuel progress in a variety of areas, about half of total charitable dollars are currently split between construction/renovation and patient care program support (see Figure 2 above). (Association for Healthcare Philanthropy, September 2013; page 7.) It is also common to see organizations use philanthropy to acquire new clinical technology and to support community benefit programs. However, progressive organizations are pushing the boundaries on how philanthropy can enable excellence by engaging donors in visionary initiatives to drive clinical innovation, to enhance the patient care experience and to improve safety and quality. While some organizations still pursue raising money to offset charity care, this generally fails to capture the interest of donors and to generate meaningful investment.

Significant donors seek high-impact projects central to the health care organization's strategic plan and core mission. Yet, there is often a painful disconnect between the hospital or health care system's strategy and

the development organization's list of initiatives for charitable investment. Many health care organizations use budgetary dollars to fund exciting, high-profile projects that meaningfully advance patient care. Then, projects left on the chopping block are turned over to the foundation to "do the best they can" in raising dollars to fund them. For example, perhaps a hospital is committed to a sweeping strategy to transform cancer care and intends to build a new cancer center as the cornerstone of this effort. The hospital chooses to pay for this project with strategic implications and significant donor appeal from its capital budget—thus taking it off the table as a project for donor investment. Then, the foundation is given low-value projects not within the hospital's ability or interest for funding. For example, the foundation might be asked to replace aging equipment that has outrun its useful life, a funding initiative offering little additional clinical benefit to patients. This puts the foundation in the position of trying to galvanize interest in a project with low emotional appeal that will not meaningfully raise the standard of care.

As a result, the foundation pushes hard, yet raises an amount of money less than the real potential for charitable giving.

Now, take this scenario in a different direction: the hospital identifies the need to transform cancer care in the community through building a new cancer center that will increase access to and raise the standard of care. This center is a project the community can embrace—because many, if not most, people know someone touched by cancer. In this scenario, the hospital chooses to invite donors to support a critical initiative that is big, exciting and meaningful. When donors respond to the call to action, the hospital is then able to redirect funds it would have invested in the cancer center to fund the less exciting replacement. In short, inviting donors to participate in meaningful, high-priority projects simultaneously enhances total dollars raised and frees money to invest in other organizational priorities.

To facilitate the selection of strategically aligned funding priorities, boards and executives are encouraged to create a clear process for identifying appropriate projects that also allows adequate time for donor identification, cultivation and solicitation. Leaders often ask who should be part of such a process, and several parties bring unique capabilities to the task. **Health care organization executives** have the most information about how a project would respond to emerging clinical care needs or shifting demographics, about business planning for the project and about how the initiative fits with broader health care sector issues and trends. **Governing board members**—often through finance or strategic planning committees—not only bring the sensitivity of their role as community stewards, but also have in-depth knowledge about strategic and financial plans as well as valuable external expertise and perspectives. **Foundation board members** bring sensitivity to donor interests, knowledge of the breadth and depth of the existing donor base and

awareness of the availability of volunteer advocates to assist in making connections. While decisions about funding priorities have often been confined to just one of the above groups, it can be very helpful to select priorities through a joint task force that brings all perspectives to the table to create a common base of information, to improve decision-making and to set a standard of collaboration and alignment (see sidebar “Use Diligence in Setting Goal Amounts” on page 11). Selected projects are then generally taken to the foundation board for their input and consideration, since those who will lead solicitation efforts need to have ownership of the funding priorities that will be shared with donors.

Create a Compelling Call to Action

A resonant “case for support” that shares the health care organization’s rationale for seeking charitable giving is another critical element of success. The case must provide an urgent, compelling and emotional appeal that resonates with donors both intellectually and emotionally. The case illuminates the organization’s vision of its potential and shows how proposed solutions will address real problems or transform the landscape of local health care. It opens donor’s hearts through emotional stories of those who were saved...or who could have been. It lets donors see how they can step up and be part of something bigger than themselves. Set against the backdrop of credible information on why the health care organization is best positioned to advance the proposed solution, the well-crafted case for support moves donors to give.

However, many health care organizations prepare case statements that fall flat because:

- The entire case is “we are a hospital... of course we are worthy of support.”
- They are confused with marketing pieces that document the merits of the hospital.
- They are crammed with mind-numbing facts and statistics that make them difficult to read.

Governing board members are ideally suited to assist in shaping a compelling case for why the organization merits charitable support and how the proposed initiative will advance community health and provide community benefit.

The Outside Impact of Patients and Physicians

Grateful patients are generally the most generous donors to health care organizations. To put it in perspective, investment-level or “major” gifts from individuals are the largest driver of total dollars and generate about 32 percent of total dollars raised by fund development organizations performing in the top quartile (Association for Healthcare Philanthropy, September, 2013; page 22). At the same time, several studies show grateful patients make the largest gifts to health care initiatives. So, if major gifts represent the largest share of total dollars and grateful patients are most likely to make a major gift, fostering strong relationships with grateful patients to harness the power of gratitude is a strategic imperative.

Converting someone from a grateful patient to a committed donor requires more than an excellent clinical and service experience; it requires the ability to proactively identify and engage this core constituency. To capture this opportunity, “grateful patient programs” of varying forms have grown across the country. These programs often include cross-functional collaboration with clinical operations to enhance patient service and a suite of interrelated elements such as caregiver recognition programs, direct mail, concierge services, in-facility informational resources and guest rounding programs. However, true traction comes from collaboration with internal advocates—with physicians taking a starring role.

Physicians have the most influence over grateful patients and are the primary focus of patient gratitude. Physicians also bring the unique capability to explain the value of

Sidebar

Use Diligence in Setting Goal Amounts

Too often, financial goals for charitable funding priorities are set with less than requisite diligence and end up with consequences that extend beyond a simple need for more money. For example, one health care organization set a goal to raise \$1.8 million to build a new primary care clinic. The donor was told the clinic would be named for her with a gift of that amount; she was also told no other donors would be recognized on the project. However, the \$1.8 million estimate had been hastily determined based upon the per-square-foot cost of physician space in a physician office building and had not accounted for the increased expense of a freestanding clinic. In the end, the project came in at \$5.6 million, and the hospital genuinely needed donor dollars to move the project forward. However, their predicament went beyond the gap between dollars secured and dollars needed. The foible demonstrated a lack of financial diligence on behalf of the organization that was concerning to the donor, put “egg on the face” of the board member who solicited the gift and generated negative word-of-mouth in influential circles. Unfortunately, this situation is often repeated and is utterly avoidable by requiring the diligence of business planning prior to something being chosen as a focus for philanthropic funding.

clinical initiatives and their impact on patients. However, despite the promise partnerships with physicians hold, many organizations stumble by:

- Making false assumptions about physicians' automatic interest in supporting these efforts.
- Overlooking that relationships aren't necessarily partnerships; competition, split loyalties between practice sites and organizational politics can come into play.
- Issuing mass calls to action that aren't supported by resources and plans.
- Neglecting to address concerns about appropriate and ethical engagement.

Organizations that successfully engage physicians focus on personal engagement of those who are well positioned to be successful and provide these physicians with actionable education and ongoing support to enable their focused involvement.

Many organizations also confront confusion about the appropriateness of using patient information in fund development efforts. However, using patient information, including but not limited to patient name, department of service (i.e., oncology, cardiology), treating physician name, contact information and demographic information to facilitate grateful patient engagement, is compliant with HIPAA privacy rules (Federal Register, March 26, 2013).

Governing boards can support grateful patient development efforts by clearing obstacles with internal legal and compliance departments to allow fund development to utilize patient information allowable under HIPAA. Boards can also play an important role in cultivating the engagement of physicians in advancing philanthropy.

Apply the Diligence of Business

Fund development organizations that systematically track performance and utilize benchmarking simply perform better. While

the art of relationships is certainly at the core of philanthropy, fund development is also a discipline with clear best practices and performance benchmarks to evaluate and enable performance. Practicing diligence by using ongoing evaluation to measure and then adjust and refine actions allows optimization for effectiveness and efficiency.

Governing boards can be diligent in their oversight of philanthropy by identifying and monitoring at least one development metric to include among other organizational key performance indicators. This not only keeps development top of mind, but also elevates it as a strategic effort. However, it should be noted the most commonly used metric of "total dollars raised" is a lagging indicator that provides little help in refining performance. Instead, consider focusing on leading indicators of success, such as "the number of face-to-face meetings with a clear objective that were completed" to focus on what's actually driving performance.

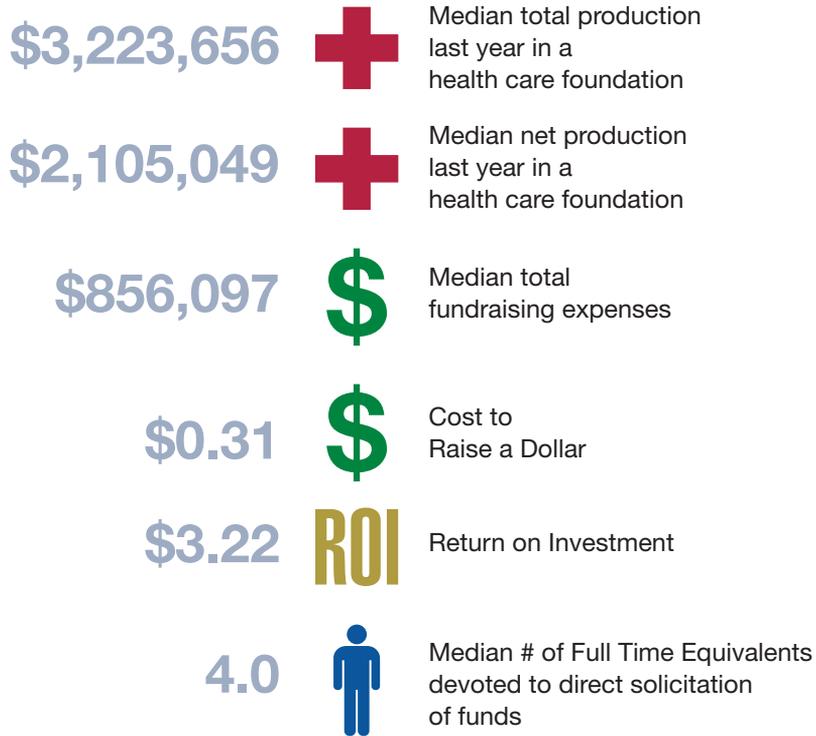
Invest in the Development Function

Many development organizations miss opportunities or underperform because they are underfunded: building capacity and enabling growth of the development program takes financial investment. Lack of investment often means programs fail to evolve from basic annual giving—characterized by programs such as special events and direct mail—to high-value, relationship-driven strategies, such as major gifts and planned giving.

To determine your organization's right-sized investment, the first step is to identify the health care organization's required rate of return. While performance certainly varies among institutions, at the median, a health care organization would get back \$1 for every \$0.31 cents invested in fund development—a return on investment that clearly outstrips financial performance from operations and typical investment returns (Association for Healthcare Philanthropy, September, 2013; page 44). Further, studies show there is no

Figure 3

Facts About Philanthropy



Source: Association for Healthcare Philanthropy, FY2012 Report on Giving US, p. 4, 2013.

diminishing point of return for investment in development: as you put more in, you continue to get more out. To learn more see Figure 3 “Facts About Philanthropy” above.

Governing board members may also want to consider their philosophy about advancing new initiatives when deciding how development should be resourced. For example, how would you resource this effort if it were a new clinical service line? If you were starting a clinical service line, wouldn't you ensure it not only adhered to best practices and had qualified staff, but also had the appropriate level of investment to build out infrastructure and enable a comprehensive program? With

fund development programs consistently offering a sizeable yield, fund development merits investment as a profit center that pays for itself.

Agreeing to invest adequate dollars in fund development often requires a progression of thought. For example, many board members feel comfortable investing in clinical operations, but simultaneously feel unsettled about investing in fund development. This often manifests itself with governing or foundation board members saying the community would be offended by dollars being directed toward development activities. However, author Dan Pallotta boldly

Sidebar

What Drives the Cost to Raise Money

Many variables drive the cost of fund development, and effective performance cannot always be calculated strictly on the cost to raise a dollar. For example, younger programs have a greater percentage of expensive donor acquisition efforts than established programs with existing major gift efforts. Variables impacting cost include:

- Age and maturity of development program.
- Programmatic mix (annual/major/planned).
- Breadth of program/spread of overhead.
- Qualifications and expertise of staff.
- Mix of in-house versus outsourced work.
- Availability of qualified donors.
- Appeal of projects selected for funding.
- General economic conditions.
- Reputation of the health care system.

If you wish to compare your cost structure to others, ensure you do an “apples-to-apples” comparison. Since the Financial Standards Accounting Board (FASB) offers little direction on how fund development expenses and charitable revenues must be reflected, there is a wide range of variation in how organizations quantify their work. Most significantly, organizations do not always reflect the value of in-kind contributions—such as the hospital providing a staff and office space—in their overall expenses.

challenged this concept of investment in nonprofit operations. He shares the following observation about determining the appropriate investment in operations to enable results: he says letting the level of investment be driven by public opinion “is like asking the public how long it thinks the average heart transplant surgery should take and then using the answers to develop a standard for surgeons. Without any expertise in the realities of what it costs to raise a dollar, what the public thinks is immaterial.” (Pallotta, 2008).

For more on this topic see the sidebar: “What Drives the Cost to Raise Money” (left). To explore other opportunities for governing board participation in philanthropy see the sidebar: “Other Opportunities for the Governing Board” (page 15).

A Rare Solo Role for Board Members

Both governing and foundation board members are uniquely positioned to enhance philanthropy. While boards almost always work collectively as a single body, some of the most impactful development roles are about individual engagement and performance. Individual board members who bring their connections, credibility and commitment to the task drive real impact. Board members carry unmatched credibility in advocating for the value of the health care organization, since it is clear their only vested interest in the organization is the community benefit it provides. Such unconflicted, objective influence is not found anywhere else in the organization. Board members also tend to be true peers of potential donors and can inspire and challenge peers through their own personal, financial, charitable gifts. Board members also serve as a proxy in providing credibility and validity to the effort through their very association with it.

Sidebar

Other Opportunities for the Governing Board

- Create a formal fund development program if you do not have one
- Let your community know you don't have stockholders but need stakeholders
- Add a session on the rationale for and role of philanthropy to board orientation
- Set a standard that partial funding for any major capital project come from giving
- Cross-pollinate with the foundation board by sharing at least one board member
- Track one key performance indicator for philanthropy beyond total dollars raised
- Discuss expectations for individual board member giving, since the board sets the pace
- Have explicit discussions about the role of philanthropy in financial planning
- Structure giving from the hospital, so it is not confusing or offensive to donors
- Ensure there's only one, clear, consistent way for donors to support your mission
- Host a joint education session about philanthropy with the foundation board
- Add questions about the board's development role to the board evaluation
- Let employees know the hospital is a nonprofit with a mission worthy of support
- Insist that development and marketing present one consistent, inspiring brand
- Give the senior development officer a title that enables access and credibility
- Use donor recognition in the facility to show where giving made a difference
- Build synergy between grateful patient programs and service excellence efforts
- Ensure philanthropy has a presence on your website rather than a hard-to-find link
- Ensure gifts are deployed to the good donors had in mind rather than war-chested
- Change the semantics to focus on "philanthropy" not "fundraising"

Board members are ideally suited to initiate or cement significant relationships, and board engagement is essential to raising outside gifts. Board members bring a network of community connections, and many board members utilize their "social capital" to influence and connect those in their networks to the organization. Board members offer a valuable and irreplaceable personal connection between the organization and prospective donors, which enables them to gain access where the door is closed to those without an authentic personal connection. As noted in *Stanford Social Innovation Review* (Simpson, May 12, 2011), "People are

growing increasingly intolerant of messages from people they don't really know...They are increasingly limiting their attention to messages from trusted friends and business colleagues."

The influence of board members is also essential, because the decision to give is not a rational decision. In fact, a donor's decision to give is generally more influenced by his or her relationship with the asker than by organizational performance (Bradach, December, 2008). Ultimately, the *sum* of each board member's network creates a powerful force for connectivity with donors and an

organic, vibrant and ever-expanding circle of friends for the organization

While there is widespread anecdotal evidence about the power of board members in advancing key relationships for philanthropy, there is also solid quantitative information that demonstrates the elevated effectiveness of board members in cultivating and securing charitable gifts. A study at Virginia Mason Foundation in Seattle, Wash., considered the cultivation time, number of proactive interactions and eventual gift size for donors that were “foundation-identified” or “board-connected.” The study found donor prospects who were engaged by board members gave gifts that were five times larger after fewer interactions (Jachim, Fall, 2010). This has considerable performance implications for the organization’s ability to secure more commitments at much higher amounts. Other studies also point to specific interactions where board members are more successful. For example, a study by The Advisory Board Company found “volunteers have a much easier time than staff getting in the door” and points out that in reviewing performance at specific organizations, board members were able to secure a meeting with donors almost 90 percent of the time, while development staff only secured appointments about 13 percent of the time (The Advisory Board Company, 2009).

Additional ways boards can support their members to participate effectively in philanthropic initiatives are discussed below.

Be Forthright About Expectations

While most governing and foundation board members know their *intelligence* and *involvement* are critical assets to bring to the board table, they may not understand their *influence* and *investment* are needed, as well. While expectations of board members for participation in philanthropy are often a sensitive subject, the effective deployment of board members in philanthropy relies on setting clear and specific expectations at the outset. Many board members feel misled or

poorly utilized by organizations that fail to be forthright about fund development duties and responsibilities. However, many organizations downplay the development role, with promises of no or little effort required in this arena, in order to secure a candidate’s agreement to join the board. As you can imagine, this approach perpetuates itself by allowing the entire board to sink to the lowest common denominator of participation and to sometimes largely abandon the development role. Instead, it is more effective to share clear and specific expectations with board candidates at the outset, to include:

- Willingness to connect the organization with other people in his or her personal network who have the affinity and ability to be donors.
- Willingness to make a personal, financial gift commensurate with ability and interest.

The reason every single board member must make a personal, financial gift to support the mission deserves explanation. As stewards entrusted with advancing the organization, others look to the example of board members to see if those closest to the work invest in its mission. When donors see board members who don’t give, they assume those board members don’t care—many prospective donors will explicitly ask about board giving. And, individual donors aren’t the only ones asking; it is now common to be asked about board member giving on government, foundation and corporate grant applications, and many automatically reject any organization without 100 percent participation. While some board members share a prompt rebuttal that they give their valuable time, having board members who do not believe strongly enough in the work of the organization to also make a financial gift commensurate with their personal ability hamstring the potential of the organization. With a lot riding on board member giving, if you do not feel inclined to give, you must ask yourself whether you feel strongly enough about the organization’s mission and whether it is the right place for your service.

Find Right-Fit Opportunities

There does not need to be a one-size-fits-all approach to governing and foundation board responsibilities in fund development.

Development is not confined to the specific task of asking, but includes a spectrum of value-adding activities to include:

- Crafting the organizational case for support to explain the rationale for giving.
- Identifying those with likely interest and financial ability to participate.
- Qualifying interest and ability to ensure someone is genuinely a good prospect.
- Sharing the story that the health care organization is a nonprofit, community benefit organization.
- Educating prospective donors about the organization and specific initiatives.
- Engaging current and prospective donors in the life of the organization.
- Asking donors to make a financial commitment to support the mission.
- Stewarding donors to demonstrate thanks and fidelity in carrying out their intent.

Governing and foundation board members should be able to tailor their involvement in fund development activities to choose roles consistent with their passion, natural abilities, comfort zone and constraints, rather than getting a standard list of lockstep requirements. Therefore, rather than adopting the cookie-cutter approach of asking all board members to fulfill a set list of responsibilities for fund development—such as 1.) identify 10 prospects; 2.) make five face-to-face visits and 3.) fill one table at the gala—it makes more sense to allow board members to choose their own involvement from a list of meaningful activities, not only to ensure right-fit roles but also to cement ownership of the plan.

The power and value of allowing leaders to choose their own involvement is illustrated by a famous experiment. In the experiment, half of the group was given a pre-printed lottery

ticket while the other half was given a blank piece of paper and a pen to write down lottery numbers they chose themselves. Before the proposed drawing was to occur, researchers offered to buy back the tickets. What they found was that those who received preprinted tickets with assigned numbers would readily part with them. However, those who chose numbers for themselves were more reluctant to sell and wanted five times more for the tickets. The takeaway here is clear and simple: we are more committed to a plan we can craft for ourselves (Keller, April 26, 2012). Enabling board members to select activities in which they are both comfortable and committed makes way for both greater ownership of the work to be done and better performance.

Support Trustee Success

Governing and foundation board members tend to be high-performing people who do not want to be “set up for failure” by being asked to participate in fund development when they do not feel they have the resources to be successful. Many admit feeling significant anxiety about asking others for financial contributions, even to support a cause they care about greatly. Board members say their biggest concerns are:

- Feeling uncomfortable asking their friends.
- Not having the training and tools to be successful.

Lack of comfort in connecting one's friends to the organization comes from a variety of places. Many fear development is an undesirable task that involves begging, arm-twisting or applying pressure to secure money from an unwilling partner who feels imposed upon. As a result, board members don't want to alienate their friends or damage their relationships. However, it can be helpful to remember that soliciting funds is about having a conversation with someone who loves the organization; it is not a presentation or a sales call. The intent is also—always—to engage those with genuine interest and affinity.

Sidebar

Conversation Starters for Board Members

It is far more meaningful to be authentic and passionate than to be experienced and polished when asking for money. The best way to ask is one that feels natural and comfortable to you and that presents a clear and specific request to the potential donor. These conversation starters might help you discover your own words.

- “I’m involved in a project at the hospital right now that is very important to me. I’d really appreciate an opportunity to sit down with you <<and spouse>> to tell you what we’re thinking about and to get your thoughts about it. Would it be okay if I came by your <<home/office>> for about 45 minutes next <<day of week>>? If so, what time would be best for you?”
- “I’d like to talk to you about something I’m part of that I think you would care about, too. I’m serving on the hospital board, and we have some exciting plans for the future of health care in our community. Would you consider a conversation to hear what we’d like to do and to talk about whether you might be interested in getting involved?”

- “I believe this project will enhance and save lives by <<achieving this impact>>. The overall cost for this project is <<total cost>>. To make it happen, we need to identify <<number>> people who are able and interested in giving at the leadership level of <<specific amount>>. Could you see yourself having the inclination and ability to be one of these leaders?”
- “Your participation would make a big impact in moving this project forward. Would you consider a gift of <<specific amount>> over the next <<time period>>?”
- “I hope you will join me in making a gift of <<specific amount>> to support this project. Is that something you would consider?”

It should be noted, asking a potential donor for a gift of a specific amount is not an imposition or gauche. When you ask someone for an unclear amount or to “do what you can”, he or she may be reluctant to participate at a level that is grossly different from your expectation or inconsistent with what his or her peers are doing. Sharing a clear request for a specific dollar amount allows someone to fully consider and respond to your request.

Others avoid development activities because they “don’t know how” to ask for money, and they don’t want to be unsuccessful or appear foolish by participating in an activity for which they don’t have the tools, training and resources to be successful. For example, board members who are willing and able to “ask” need to know what to expect on a visit, how to handle objections and how to find

their own words in inviting someone to give. All board members deserve actionable, practical training that is tailored to enable them to successfully use their natural strengths and passion to advance right-fit activities along the spectrum of development (see sidebar: “Conversation Starters for Board Members” above).

Boards must proactively enable confident and successful participation of members by providing information and tools to demystify development, to place the role in context and to address specific situations to support success.

An Appendix that includes questions boards and individual board members can ask to prepare for effective participation in philanthropy appears on page 20.

It All Comes Back To Purpose

The provision of health care is a sacred trust; people put their bodies and their hopes in the hands of the health care organization and its caregivers for healing and comfort. Board members have the awesome role to safeguard and strengthen this noble work. Through philanthropy, board members have the opportunity to announce the organization's vision and to invite others to join. This purpose-filled activity allows the health care organization to more strongly embrace its community while letting donors be part of something that fulfills the good they have in mind. Through philanthropy, the organization and donor stand shoulder-to-shoulder to fulfill their mutual purpose of providing excellent care.

Appendix: Board Participation in Philanthropy: Getting Started

The following list of questions can help boards and board members take a thoughtful approach to participating in philanthropic efforts.

Discussion Questions for the Health Care Governing Board

Philanthropy as a Governance Role

- Is advancing philanthropy consistent with stewardship of this community asset?
- How does development fit into our definition or concept of good governance?
- How will we become more intentional about our fund development efforts?
- Is our development effort structured, positioned and supported for success?
- How will our commitment to philanthropy translate to concrete action?
- How can we optimize our collaboration with the foundation and its board?

Philanthropy as an Individual Role

- What expectations do we have of board members around philanthropy?
- How will we communicate and support those expectations?
- What education, skills and resources do board members need to be successful?

CEO Participation

- What expectations do we have about CEO engagement in philanthropy?
- How will we formally codify those expectations? Job description? Goals? Other?
- What support does the board need from the CEO to fulfill its own roles?

Strategic Alignment

- How can we achieve alignment between hospital strategy and funding priorities?
- Who needs to be “at the table” to aid with the selection of funding priorities?
- If we were to evaluate potential funding priorities through the lens of being a donor, what programs would be compelling? What would be unacceptable?
- How can we dovetail a diligent approach to selecting funding priorities with other internal processes, such as the capital budget process?
- How else can we improve the financial impact of philanthropy on our mission?

Creating the Resonant Case

- What about our vision, plans and community benefit merits charitable support?
- Does a clear and common understanding of our future plans exist that would enable us to ask prospective donors to be part of it?
- Does our case effectively illustrate emotional and rational reasons to give?
- Do we consistently communicate to internal and external audiences that the health care organization is a nonprofit, community benefit organization that merits support?

Physician Engagement

- How can the board help foster physician engagement in advancing philanthropy?
- Do expectations differ for employed versus independent physicians?
- Will we formalize expectations for participation for employed physicians?
- How will we factor availability of a physician champion into project selection?

Applying the Diligence of Business

- Is there a development measure we should track on the dashboard or with key performance indicators?
- How does our performance compare to national benchmarks? Are there obstacles we could clear or support we could give to enable better performance?

Investing in Fund Development

- Do we invest in the development function to enable both capacity and growth?
- Is greater investment impeded by lack of available dollars? Lack of understanding about what is needed? Concern about criticism for investing in fundraising?
- Is our philosophy on funding development more concerned about efficiency of the cost to raise a dollar or about net total dollars raised?

Discussion Questions for Individual Board Members

- What motivates and inspires you about the health care organization's mission?
- Do you have enough belief in the mission and confidence in the organization to introduce your friends to it? If not, why are you on the board?
- Is the healing mission of the organization worth putting aside your own reluctance about solicitation to invite people to be part of this work?
- What are the impediments that keep you from getting involved in philanthropy?
- How will you sharpen your skills to increase your comfort and effectiveness?
- What development activities fit your passion, purpose, talents and constraints?
- What do you expect out of the organizations/projects you charitably support?
- If this organization were your own, what would you do to optimize philanthropy?
- Do you make a personal, financial gift that reflects your true interest and ability?
- What could you personally do in the next 60 days to help foster philanthropy?
- Who do you know that has both the affinity and ability to make a charitable gift?

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