



Hospital Foundations: Managing for Success

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Office of Rural Health

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Overview

- Resource development models
- The role of the Board
- Characteristics of a successful hospital foundation
- Operational issues to consider

\$1 million in philanthropy =
\$16 million of operating revenue!



Resource Development Models

- Foundation model (60%)
- Hybrid model (35%)
- Department model (5%)

Foundation Model

- Foundation corporation receives, holds, invests and grants philanthropic assets to one or more non-profit healthcare organizations. Expenses are borne by the Foundation and paid from unrestricted gift income, and, sometimes, as a board-determined percentage of restricted gift income.
- Philanthropy appears as “Grants”, “Released from restriction” and “Contributions” on the parent income statement. Expenses are not reflected.
- Foundation is responsible for investment and grants oversight.
- Normally requires Foundation board-level investment and grants committees.

Hybrid model

- Like pure foundation model, it will show up as a corporate entity, often a subsidiary, with its own balance sheet
- Holds assets
- Has own bylaws, board of directors
- Distinguishing feature: hybrid foundation acts as a flow through; only holds assets long enough to acknowledge them
- No board investment committee needed
- No board grant committee needed

Department Model

- All philanthropic income is immediately available for use or investment, usually by one healthcare organization. Expenses often borne by hospital.
- Unrestricted gift income appears as “Contributions” and restricted philanthropy as “Released from restriction” on the parent income statement. Expenses are borne by the parent corporation.
- Institutional investment management, no grants management
- Board-level investment and grants committees not needed, often represented at institutional level

Model Comparisons – human dynamic

Foundation

- Board: open Rolodex, open wallet, fundraise
- Help us invest and make grants wisely
- Engage their brains at higher level
- Board involved at strategic level

Hybrid & Department

- Board: open Rolodex, open wallet, fundraise for us

Model Comparisons – the negatives

Foundation

- Can lead to “hoarding and schism”
- M.D. perception: I have to ask for money twice?!

Hybrid & Department

- Challenge to engage brains at higher level to attract CEO's and leaders to board or advisory committee

What David Gillig would do

- HYBRID...but mitigate the negatives
- Cross-fertilize governing board and foundation board – both ways
- Culture of philanthropy: fundraising responsibility is shared with governing board
- Philanthropy report at every governing board meeting
- Populate governing board committees with foundation board members (strategic level)
- Some hospitals: you can't get on governing board unless you've served on fdtn board

No matter what model

- It's the development officer's job to manage it all
- Find ways to engage that minimize the negatives and optimize outcomes

Foundation model - remember

- Even if foundation is its own 501(c)(3) it is not “separate” – it does not exist without its hospital (remember this = avoid schism)
- All 501(c)(3) charities are further subdivided
 - 509(a)(1) public charities receive (and must demonstrate) broad public support
 - Most hospitals are 509(a)(1)
 - Supporting organizations 509(a)(3) may not make grants to other institutions and may not receive gifts from IRA's
- Biggest differentiator: holds assets, makes grants

For more information

The Law of Tax-Exempt Organizations (Wiley Nonprofit Authority) by Bruce R. Hopkins

New edition May 3, 2011

The role of the Board

- Govern – not manage
- They are part of the checks and balances of governance and management
- They hold the organization “in trust” for the community and are legally and financially responsible
- They represent community needs
- They ensure that funds are spent wisely
- Each board member is a “multiplier” for limited staff

Board roles - mission & vision

- They are “keepers of the mission”
- Mission is *why* your organization exists – the human or societal need you are meeting
- Board members have to master the mission; stay connected to it; insist on strong mission statement
- Vision is larger than the organization: it is for the community if the vision is achieved
- Board’s ability to convey the vision is key to engaging other board members and donors

Board roles in philanthropy

- Every board member needs to be involved in the *development* process, but not every board member will be involved in *fund raising*
- All board members can help identify, qualify, develop strategies, cultivate and steward – it is part of your job
- The full development team is the board and staff; the core development team designs and implements the fund raising program

Board roles in philanthropy

- Begins with giving (100% participation by the board) that leverages community giving
- Board members will play one or more of these roles
 - Ambassador
 - Advocate
 - Asker

Building a “Culture of Philanthropy” – the Holy Grail

- An attitude, more than anything
- Organization-wide commitment to mission, vision, values and building relationships
- An understanding that each interaction with anyone in the community is part of the development process
- Everyone thinks “development” (of relationships)
- Staff and all board and non-board volunteers understand the importance of philanthropy
- Visitors, employees, patients, donors and volunteers feel the culture when they are with you

Attributes of Philanthropic Culture

- Priority in strategic plan
- Visibly evident
- Family actively engaged
- Trustee selection includes philanthropy
- Charismatic, engaged CEO
- CDO reports to CEO
- CDO involved in board nominations
- CEO/board have high expectations
- Donor-focused staff
- Perception as revenue center
- Management buy in
- Board shares responsibility for goals
- Active consistent communications
- Trust in management oversight of gifts
- Linked to bottom-line, visibly consistently reported
- Location and visibility of development office and staff
- Unfettered access by staff
- Giving is priority of leadership

Board roles in creating a culture of philanthropy

- Ambassadors – a role everyone can play
 - Introducing people to the organization
 - Building relationships
 - Masters of the “elevator speech” (and the “elevator question”)
- Advocates
 - Strategic in their information sharing
 - Making the case (formal and informal)
 - Informed about case for support and integrated into organization’s strategic plan and vision

Board roles in creating a culture of philanthropy

- Askers
 - Enjoy asking
 - Well informed, well trained (by CDO)
 - “Matched” with prospective donors (or current donor-investors) for maximum possibility of success
 - Teamed with another board asker or staff leader
 - Staff organizes the ask, so the Asker’s focus can be on single purpose at hand

Boards – the AAA rating

- Some board members will do it all
- Most board members excel at one or two
- Motivation is increased when board members are assigned to roles that draw on their skills and align with their “confidence” zone
- Create a AAA program on your board that engages each board member in a role that contributes to your organization’s advancement and helps them feel respected and engaged
- As motivation increases, you will find board members moving among the roles – even to Asker!

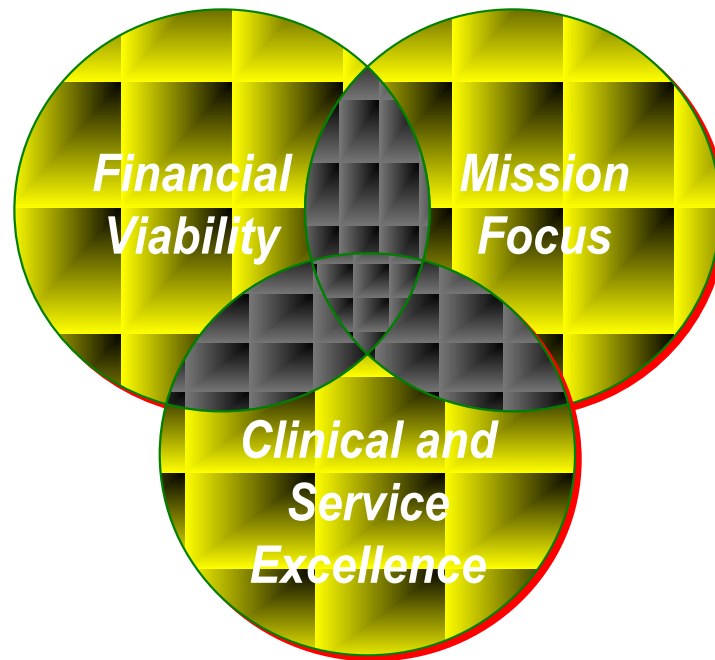
Boards - considerations

- Size
 - 10-20 is manageable
 - 25-100 is obviously honorific – requires subcommittees
 - 5-10 may depend too much on the personalities of a few
- Effectiveness (*Si Seymour*)
 - Creative 5% (you can't keep up with them)
 - Responsible 30-35% (done by due date)
 - Responsive 30-35% (have to keep dogging)
 - Inert 25-30%

Characteristics of a successful hospital foundation

- Strategic alignment
- Compelling case for support
- Culture of philanthropy – all in
- Highly engaged CEO
- Everyone knows their role in philanthropy
- Performance measures & accountability
- Donor centered (orgs have no needs)
- Having fun!

The Mental Model



Determining Potential



Case for support

- Make it larger than the institution
- What problem(s) are you solving?
- Concise enough to fit in your pocket
- Psychologically based in the donor marketplace
- Answers donors' questions:
 - What? Why? Why should I care – now?

Culture of Philanthropy

- CEO engagement
- Trustee engagement
- Leadership acceptance of 3-part mental model
- Defined relationship of philanthropy within the hospital
- Inclusion of philanthropy in strategic plan
- Strong working relationship of development with marketing and PR

Culture of Philanthropy

“The CEO must drive a Culture of Philanthropy by believing in it, saying it (in public and to other hospital staff), and acting it (e.g. walking away from an administrative meeting to meet with a donor).”

David Slone



BREAK

Operational issues

- Staffing
- Developing a strategic philanthropy plan
- Metrics: leading and lagging indicators
 - Money is a lagging indicator!
 - Culture comes first
- Performance
 - Foundation staff – board – all executives
- Grateful patient fundraising and HIPAA

Metrics

- Report meaningful data to Board
- Create accountability
- Support strategic planning
- Desired management outcomes
 - Services to the community are quantified
 - Data for strategic planning are aggregated
 - Management decisions are data driven
- Boards and CEO's value metrics

Where to Begin Global View (Macro)

- Develop “guiding principles”
 - Support mission, vision, values
 - Affirm Donor Bill of Rights
 - Ensure everyone’s accountable
 - Treat all gifts equally
- Appoint the “Team”

Where to Begin Global View (Macro)

- Describe and map your processes
 - “present state”
- Develop “future state” architecture
- Know the processes
- Develop metrics

Development Metrics (Micro)

- Should be...
 - Useful, understood, tracked over time
- Example:
 - Cost_____ = Activity unit
\$ Raised
 - Cost_____ = Production unit
Participants
 - Result_____ = Management unit
Time spent

Begin with a philosophy statement

- For instance: “We believe that Development is an ongoing process, not a single event or string of events. The process is relationship based; it is cyclical in nature and does not have a conclusion. There are multiple, simultaneous relationship cycles within the development process, each of which is at a different phase. We will measure those things that drive the process.”

Build metrics that allow for development “pace”

- Not every prospect develops “according to plan”
- Not every prospect develops at the same pace as others
- Try to design development metrics that are not arbitrarily based on financial accounting periods
- Build metrics that do not force you to move donors at an overly aggressive pace

Some principles on metrics

- Use a **consistent methodology** when you quantify performance
 - Focus time and resources on things that contribute to major gifts
 - Identify “leading performance indicators” and “lagging performance indicators”. Do not mix them up. Manage the leading indicators.
 - Be careful about what you measure – and what you don’t; what you measure is what your staff will do...and not do.

...Principles on metrics

- Everyone should agree *up front* as to goals established within each indicator
- Establish goals that are specific as to amounts, dates, percentage-of-change
- Keep in mind: your staff should be held accountable only for things within their span of control; they cannot really control the final actions of others

Examples of metrics

- Financial performance (lagging indicators)
- Development program activity (leading indicators)
- Personal performance indicators

Financial performance examples (lagging indicators)

- Total income/percentage to goal
- Dollars secured from fundraising/percentage of goal
- Expense/revenue ratio
- Cost per dollar raised
- Percent of expenses spent on fundraising
- New deferred gift commitments as percentage of goal

Development program activity (leading indicators)

- Donor base re-rated (A-B-C-D)
- 100% of rated prospects assigned/managed by
- Number of calls made per day on rated prospects, major donors, new donors
- Number of asks delivered to rated prospects
- Number of (\$100K +) asks delivered
- Favorable proposal response
- New donors added per year to prior year active donor base
- % renewal rate of (2-yr +) consecutive donors

Major gift officer performance – examples

- # prospects managed (corporate, foundation, individual)
 - Usually 70-100
 - 1/3 cultivation 1/3 “ask” 1/3 stewardship
- # major gift calls involved in by year end
 - Actual “asks” with outcomes – yes /no/deferred
 - “Yes” one in three (maybe four)
- Accountability: keep donor records up to date (contacts not recorded don’t count)

Positioning Your Organization as a Community Investment

- 21st century philanthropy – including gifts from board members – is increasingly done from a sense of wanting to invest
- Obligation is not a lasting motivation for giving
- People invest in impact, issues, ideas
- Board members are the connectors that move community investors into a relationship with your organization
- People give because you meet needs, not because you have needs (key to investment positioning)

Lessons learned: What Donors Want From You

- Authenticity – key
 - You have to be who you are
 - You can't feel "unworthy"; you have to respect the organization you represent
- Respect
- Listening
- Honesty – you can't mislead
- Knowledge
- Influence
- Validation – donor should feel honored when they make a gift

Final thoughts...

- Feeling overwhelmed?
- You are in a really good space as a rural hospital!
- Not the same competitive environment as urban hospitals (“for profit” behavior)
- Strong identity within the community – you can capitalize on that
- Be nimble – open to different ways to make “gifts” (strategic investments)



Q & A



Thank you!

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