

## The Leverage Effect and Value of Regionalization/Systemization of Philanthropy

By Betsy Chapin Taylor, FAHP, President, Accordant Philanthropy

Charitable giving to hospitals and health systems in the United States achieved over \$10 billion in FY 2017, according to the Association for Healthcare Philanthropy.<sup>1</sup> Philanthropy also has an exceptionally strong return on investment of \$4 in revenue for every \$1 invested. Because of its performance, healthcare philanthropy has become an important, alternative revenue source to fuel organizational sustainability, drive competitive advantage, strengthen fulfillment of the mission, and boost investment in a broad range of priorities, including clinical programs, innovation, population health, and other strategies. Thus, progressive healthcare organizations are vigorously pursuing efforts to strengthen the efficiency and effectiveness of fund development programs.

Today, 67 percent of healthcare organizations across the United States are part of a health system, and many systems see a unique opportunity to leverage their size, scope, talent, infrastructure, capabilities, buying power, and more by creating regional or system

<sup>1</sup> Association for Healthcare Philanthropy, *2018 Report on Giving for FY2017 U.S.* (available at [www.ahp.org/resources-and-tools/report-on-giving](http://www.ahp.org/resources-and-tools/report-on-giving)).

### Key Board Takeaways

As health system boards are considering regionalization/systemization of philanthropy they should:

- Proactively consider how regionalization or systemization of philanthropy would impact existing foundation board and development council structures and decision rights, and how the organization can achieve efficiencies while preserving the engagement and ownership of community leadership volunteers.
- Discuss with management how investments in fund development activities and staff could be more effectively leveraged by taking an enterprise-wide view instead of looking at each site separately.
- Ask how charitable dollars are or could be factored into overall strategy and financial planning as a dependable and growing source of operational or capital dollars.

structures for philanthropy.<sup>2</sup> Beyond increasing total philanthropic dollars raised and improving return on investment of fund development activities, some common reasons health systems consider regionalization or systemization of philanthropy are because it:

- Provides broad access to knowledge, best practices, and innovation
- Enables integration, management, and analysis of donor and prospect data

<sup>2</sup> AHA, *TrendWatch Chartbook 2018*, "Chart 2.4: Number of Hospitals in Health Systems" and "Chart 2.9: Announced Hospital Mergers and Acquisitions" (available at [www.aha.org/guidesreports/2018-05-23-trendwatch-chartbook-2018-chapter-2-organization-trends](http://www.aha.org/guidesreports/2018-05-23-trendwatch-chartbook-2018-chapter-2-organization-trends)).

- Centralizes non-donor-facing activities (e.g., data management and finance)
- Creates enterprise-level metrics, benchmarking, and accountability systems
- Standardizes definitions, processes, data management, metrics, etc.
- Captures a broad view of donor engagement to reduce duplication/competition
- Facilitates access to specialized/expensive talent or resources (i.e., planned giving)
- Encourages collaboration to support boundary-spanning funding opportunities
- Refocuses individual foundations on relationship management for major gifts

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## Regionalization and systemization of healthcare philanthropy provides a strategic opportunity to leverage resources, accelerate performance, and drive efficiency to strengthen the performance of philanthropy as a core, alternative revenue source.

- Realigns resource distribution to support locations with the greatest potential

### Strategically Moving to Regionalization/Systemization of Philanthropy

There is no one-size-fits-all strategic roadmap to effective regionalization and systemization of philanthropy—high-performing organizations have successfully achieved integration with a variety of strategies and organizational structures. However, the successes of early movers provide several insights to shape the journey.

First, there can be no ambiguity that “philanthropy is local.” Local donors give to strengthen local organizations where they have had an experience or where they feel emotionally invested, so health systems must safeguard preserving local presence and ownership. Second, great strategy is about optimizing value rather than creating complexity. Adding layers, red tape, and slowing down decision making by creating complexity is a common failure point to avoid. Third, vibrant philanthropy programs achieve excellence through a balance of attention to efficiency, effectiveness, *and* service. Failing to keep service as a primary ambition can harm stewardship efforts and gut donor loyalty and commitment. Fourth, strategy must be formulated and pursued within the context of culture. Each organization must make tailored decisions and choices responsive to its unique environment and opportunities.

Finally, making the “right” strategic choices to harness the power of regionalization and systemization and optimize the potential of philanthropy is also influenced by both changeable and fixed variables including:

- Existing alignment and integration of system-based and market-based strategies
- Whether regionalization/systemization is embraced as a strategy in other business units
- System preference toward a centralized or decentralized operating structure
- Geographic dispersion of entities involved
- Budgetary resources to drive investment above and beyond current operations
- Legal and governance structures of existing philanthropy organizations
- State-level regulation around philanthropy activities
- Organizational culture including beliefs, priorities, norms, and “how things get done”
- Unique founding stories, heritage, and cultures of local affiliates
- Resolve and commitment of executive and philanthropy leadership

### Considering Issues and Opportunities

Some consistent and significant opportunities that come from regionalization and systemization include:

- **Knowledge management** provides a foundation for elevating performance.

Creating system-led education efforts to share a consistent body of knowledge, affirm best practices, and facilitate sharing of business intelligence consistently delivers value.

- **Relationship-based giving** to secure “major” and “planned” investment-level gifts from individuals is the cornerstone of high-performance philanthropy. Recasting the role of local affiliates to focus on the proactive engagement and management of relationships with key local donors, prospects, and allies merits laser focus.
- **Centralization of back-office activities** allows health systems to remove potentially distracting, non-donor-facing work from local affiliates, provide access to specialized expertise, fill gaps not being addressed at local sites, reduce cost, enable efficiency, achieve standardization, and leverage scale.
- **Enterprise-wide performance management systems** not only hardwire a culture of accountability but also support better benchmarking and program evaluation. This, in turn, supports refinement of programmatic efforts and identification of high-performing practices that merit replication at other sites.

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as a core, alternative revenue source. Health systems that pursue this strategy are encouraged to thoughtfully enunciate the specific outcomes they seek from integration in order to decide how, when, and to what degree regionalization or systemization will be pursued.

Healthcare organizations are also encouraged to proactively seek to understand the nuances of local markets, entities, personalities, politics, and culture and to assess

the programs, talent, performance, and governance structure of existing organizations to support creation of a thoughtful strategy and timeline. Health systems will need to be prepared to intentionally address everything that this pursuit ushers in, including organizational design, change management, culture, talent, and control issues. Simply, this complex endeavor is too important to stumble through by making key decisions as you go.

After all issues and opportunities are examined, most health systems conclude there are real, tangible benefits for regionalization or systemization of their fund development efforts in order to create a stronger, more efficient philanthropy program; enable better, safer, and more accessible healthcare for the communities they serve; and foster richer and more meaningful partnerships with donors who seek to fulfill their personal purpose through the organization.

*The Governance Institute thanks Betsy Chapin Taylor, FAHP, President of Accordant Philanthropy, for contributing this article. She can be reached at [betsy@accordantphilanthropy.com](mailto:betsy@accordantphilanthropy.com).*

