

Philanthropy as an Imperative Revenue Stream: Strategic Planning and Design

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Pennsylvania Hospital—our nation's first—was founded in 1751 by Dr. Thomas Bond and Benjamin Franklin, two inventive, strategic thinkers. Building it, however, wouldn't have been possible without Franklin's ability to inspire community philanthropy, convincing private citizens of Philadelphia to invest the 2,000 pounds needed to make it happen.

Today, philanthropy still funds hospital construction, but it also helps alleviate narrow profit margins, squeezed by low reimbursement rates, among other industry challenges. It can strengthen the bottom line, and, in an ever-changing healthcare environment, philanthropy is becoming more important than ever before.

Philanthropy can be the key to a strong hospital, securing a competitive advantage and spurring growth. Plus, it has an admirable ROI. The Association for Healthcare Philanthropy reports that it costs hospital foundations only 31 cents to raise a dollar, while Moody's Investors Service officials say it costs hospitals themselves 97 cents to raise a dollar.

Most importantly, however, philanthropic investment can

Key Board Takeaways 10 Ways Board Members Can Support Philanthropy Strategic Planning

No single approach to philanthropic strategic planning works for every organization. As a board member, you have choices of how involved you (and the rest of the board) will be. Making smart decisions can help to ensure the philanthropy strategic plan's success. The board should:

1. Set the vision.
2. Authorize a budget.
3. Ask for internal and external research and benchmarks.
4. Support the creation of a philanthropic case for support.
5. Set a logical timeline.
6. Understand the hospital's supporter base.
7. Foster the creation of philanthropy goals, strategies, and key performance areas.
8. Help identify superstar volunteers, supporters, and philanthropists.
9. Govern and lead and don't micromanage.
10. Monitor and revise.

transform an institution by funding expansion and renovation projects, critical treatments and healthcare services, investment in new service lines, innovative technology applications, patient care facility renovations, and nursing excellence. It might fund endowments for key positions, a factor in attracting and retaining key clinical leaders. It can be a source of unrestricted funds, empowering leadership to make immediate impact, when and where the need is greatest. Most significantly, philanthropy can ensure the hospital's ability to deliver community benefits, such as

charity care and community health education, not to mention offsetting unreimbursed costs of care for the most vulnerable patients.

But successful philanthropy programs don't just happen on their own. They require alignment and shared focus across all levels of the organization's leadership.

Most hospitals and health systems have separate philanthropic foundations led by separate boards—others may have only a governing board with a designated philanthropy committee or fund development



committee. Regardless of structure, these volunteer governance leaders must understand their roles in maximizing philanthropy's benefits to the hospital or health system and the communities it serves.

Boards can fuel and steer their hospital's philanthropic success in many ways—not only by giving or getting funds themselves, but by influencing organizational culture, priorities, and resource allocation in ways that position philanthropy as a significant, valued revenue source. Philanthropy has always been an imperative revenue stream for America's non-profit hospitals and health systems, and leaders must tend to it thoughtfully if they wish to see it thrive.

Know Your Role as Board Leader

The board's role in philanthropy includes strategic planning to set the hospital's fundraising goals, and to specify parameters for conduct within which the managers will operate. As a board member, you must be highly vested in the hospital or health system's work, as well as in its mission. You serve as a steward of the organization's advancement. Not only should you make a personally significant financial contribution, you should also set the tone for an organization-wide culture that supports philanthropy.

The board needs to remain focused on philanthropic revenue targets, not fundraising tactics. In other words, the board should keep an eye on anticipated outputs, rather than operational strategies. It's critical to consider philanthropy as an important, indispensable source of revenue, and challenge the organization's capacity to fundraise.

Once a philanthropy strategic plan has been approved, board members should monitor performance against the plan's benchmarks. Review

progress regularly, and actively discuss performance metrics with the CEO and the fundraising management team.

Board members are responsible for establishing the organization's mission and driving its fulfillment. You must ensure that the strategy is grounded in and consistent with the mission. It's up to the board to drive the organization to accomplish the vision it describes.

Understand the Philanthropic Strategic Planning Process

As a board member, your understanding of the philanthropy strategic planning process and how you can most effectively participate is a tremendous asset. The more familiar you are with your role in the planning process, the better prepared you are to guide the hospital toward achieving success.

Adhere to an Organized, Systematic Approach

Since an organization-wide philanthropy strategic plan is important for successful, efficient fundraising, an organized, systematic approach is crucial. You must understand and navigate the organization's future possibilities and uncertainties. The process should consider measurable outcomes, policies, and resource requirements. It demands commitments of time and talent from the CEO, the board, and other stakeholders invested in the process. It looks several years ahead, at both tangible goals and measurable objectives. It takes time, effort, and thought to build, and usually accounts for all philanthropy activity that takes place over three to five years.

Build Confidence

A philanthropy strategic plan signifies to donors that your hospital or health system is forward-thinking. It

demonstrates that you are visionary in your approach to philanthropy and shows you have what it takes to succeed. It builds confidence in the philanthropy program and gains respect from sophisticated prospects and other influencers.

Donors prefer philanthropy offices that focus on the future, working toward measurable goals and sustainable programs. Reasonably, sophisticated philanthropists and foundations are often wary of hospitals and health systems that do not have a strong philanthropy plan. They want to know that their investment will be spent wisely but just as importantly, that the organization is going to survive for the long-term.

Follow an Essential Road Map

A philanthropy strategic plan is an essential road map that provides a planned route to achieving the mission and the vision of the hospital or health system. This road map:

- Helps you evaluate the present environment and the organization's position within it, and then craft a plan to achieve defined success.
- Ensures you have the right resources in place, from financial to human, to manage fundraising operations effectively.
- Considers the policies and procedures that ensure the hospital's fundraising is run according to its values, while succession planning and risk evaluation help you to manage the unexpected.
- Helps align fundraising strategy and strategic development.
- Leads to integration between philanthropy and organizational direction, ultimately leading to better results.

Take a Step-by-Step Process to Financial Goals

An organization-wide philanthropy

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strategic plan determines your exact goals and targets, plans out your methods, and creates a deliberate step-by-step process to achieve financial goals. It outlines what your team will be doing, when they will do it, and what results they expect to create. It takes the guessing game out of philanthropic revenue.

Be Proactive

A philanthropy strategic plan keeps the hospital and philanthropy team out of crisis mode. It makes your organization proactive by initiating deliberate fundraising strategies with carefully thought-out steps. A philanthropy strategic plan:

- Alerts the hospital to risks associated with external and internal environmental forces and demands that the organization intimately understands—and clearly articulates—its opportunities.
- Clarifies why philanthropy is critical to the mission and clarifies your audience.
- Allows you to ask important questions such as, “Why are we doing it this way?” and “Should we be investing our time here, or not?”
- Enables your team to follow best practices, rather than rushing and hoping for the best.
- Prevents distractions, such as

new “pop-up” fundraising ideas being offered by well-meaning leaders and volunteers.

- Helps leaders understand the wisdom of keeping on a planned course while shifting the hospital from being reactive to proactive.

With a plan in place, professional philanthropic fundraising staff will be empowered to execute the strategy that everyone’s already agreed upon.

Stay Dedicated to Strategy

Without a philanthropy strategic plan, the hospital or health system risks appearing to be rudderless when it comes to fundraising. As a board member, don’t pass up this opportunity to gain an understanding of your organization’s philanthropic priorities and what role you can play in moving the work forward. A plan brings focus to board meetings and gets the board on the same page regarding direction and philanthropic priorities while building a sense of teamwork along the way. Developing a philanthropy strategic plan captures the synergy of various and diverse stakeholder insights and opinions.

Nurture a Culture That Embraces Philanthropy

As a board member, you need to create and nurture a culture

that welcomes and embraces philanthropy and the opportunities it offers. The philanthropy strategic plan must be accepted and utilized as a strategic asset. Allot adequate time on board meeting agendas to discuss philanthropy, its strategic plan, and emerging trends, issues, and challenges that could impact philanthropic investment from individuals, grateful patients, foundations, businesses, and the community.

Finally, board members should be inventive, strategic thinkers. Benjamin Franklin once said, “By failing to prepare, you are preparing to fail.” Board members play a unique and important role in the philanthropy strategic planning process, and in its ongoing success. Board members are leaders, motivators, and catalysts. They should govern, lead, and guide the philanthropy strategic plan—not create or manage it—but to do so, they must understand the basic concepts of philanthropic strategic planning and become familiar with the process. Board members should bring their unique perspectives to the table and initiate the philanthropy strategic planning process with the organization’s management to secure the survival and future success of the hospital’s mission. At the end of the day, the hospital’s philanthropy strategic plan will only be as strategic as you, as a board member, and your hospital makes it.

The Governance Institute thanks Bill Mountcastle, President, Health Giving, for contributing this article. He can be reached at wmountcastle@health-giving.com. Mr. Mountcastle will be speaking at our January Leadership Conference on the same topic on Monday, January 21, 2019, from 1:00 –2:30 P.M.

