

# The Rising Role of the Healthcare CEO in Philanthropy— and Why Board Action Must Support It

By Betsy Chapin Taylor, FAHP, Accordant

Philanthropy—voluntary, charitable giving from individuals, corporations, and foundations—can provide the low-risk, high-ROI revenue source healthcare organizations need, and the importance of health philanthropy continues to rise as hospitals face challenges in securing adequate dollars for reinvestment in the mission. Charitable giving to health causes—including not only hospitals and health systems but also health research and advocacy organizations—reached \$51.8 billion in 2022.<sup>1</sup> Further, hospitals and health systems achieved median revenue of \$11.3 million from philanthropy.<sup>2</sup> Health philanthropy also provides a ROI of \$4.96 for each dollar invested in fund development—a rate of return that far exceeds what is possible from any clinical service line.<sup>3</sup> As a result, philanthropy has become essential to providing capital and operational dollars to achieve a healthcare organization's potential. Having a high-performing philanthropy program has also become a valued sign of financial fitness; ratings agencies say a successful philanthropy program is an attribute of a sound healthcare organization that can positively impact bond ratings.

## The CEO in the Spotlight

As philanthropy has become a lever to organizational excellence, it can no longer be an optional role for the CEO. The CEO has been entrusted with the successful management and financial health of the organization, so it naturally follows that he or she would be obligated to take on a meaningful role in fund development. Simply, advancing philanthropy has emerged as a central, vital component of being an effective leader and of discharging the CEO's fiduciary responsibility in securing financial resources to strengthen and sustain the healthcare organization. Realizing philanthropy's true potential, however, relies upon the healthcare CEO not only recognizing the financial benefits but also taking on a proactive role in areas where the CEO is uniquely positioned to add value.

There are many reasons why the CEO plays a critical role in philanthropy, and optimized CEO involvement is much

### »»» KEY BOARD TAKEAWAYS

- ✓ Given health philanthropy provides a ROI of \$4.96 for each dollar invested, does the organization currently position and support philanthropy at the right level?
- ✓ If philanthropy is a key revenue source to enable reinvestment in the mission, what are the board's expectations for CEO involvement and support?
- ✓ How can the board appropriately reflect the importance of CEO involvement in philanthropy in the CEO's job description, annual goals, and incentives?
- ✓ Does the board understand how philanthropy is currently utilized in the health system and what can be done to optimize the efficiency and effectiveness of philanthropy to support investment in capital, clinical programs, community health, and more?

more than an appearance at the foundation gala or saying a few words about philanthropy at a public event. The CEO is the face of the healthcare organization in the community, and no one else carries the same gravitas when walking in the room. Further, no other organizational leader is as effective in conveying the organizational vision for the future, instilling a sense of trust and confidence in the organization, or rallying internal resources and advocates.

## A Linchpin in Donor Relationships

The CEO brings the stature, prestige, and credibility of his or her office in building stronger relationships. The CEO is uniquely positioned to give donors confidence in the organization's strengths, strategic vision, and plans; those considering substantial investments in an organization's vision would also want to meet the individual who will ensure the diligent implementation of the proposed vision. CEO involvement is also an element of demonstrating respect to those who are or would be the organization's staunchest allies—significant donors are accustomed to having access to and interaction with an organization's top leaders. Thus, the involvement of the CEO is essential to securing transformational gifts.

## Embracing Multiple Internal Roles

Beyond the valuable donor-facing role of the CEO, there are important internal roles the CEO is uniquely positioned to address. The symbolic and tactical importance of the CEO in prioritizing philanthropy within the organization cannot be overstated

since no other organizational leader has the stature and relationships to single-handedly deploy the organization to advance philanthropy—or not. The CEO's verbal support, physical presence, and active modeling signals that philanthropy is important, elevates it on the agenda, sets expectations, unleashes resources,

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and builds momentum with advocates. Other ways the CEO can enhance philanthropy include:

- **Ensure strategic alignment.** The CEO ensures charitable dollars are directed to the organization's highest priorities rather than being squandered on optional or low-value projects and can facilitate access to information about multi-year objectives, the supporting rationale, timeline, cost, and more. The CEO fosters alignment with philanthropy by including the Chief Philanthropy Officer (CPO) in key strategy conversations both to hear the dialogue and to provide perspective on the likelihood of donor support for an initiative. The CEO also collaborates with the foundation board to ensure a shared vision for the role of philanthropy in enabling future plans.

1 Giving USA 2023: The Annual Report on Philanthropy for the Year 2022, Chicago: Giving USA Foundation, p.22.

2 2023 Report on Giving for FY2022, USA Association for Healthcare Philanthropy, 2023.

3 Ibid.

- **Leverage allies.** The CEO has relationship equity to seek the active involvement of board members, clinicians, and other senior executive allies as connectors, advocates, and influencers. The CEO also can encourage physicians to champion philanthropy by sharing the clinical rationale for strategic projects and by enabling patients to express gratitude for care in a way that respects, affirms, and enriches the patient experience.
- **Make adequate investments.** The CEO can ensure fund development is recognized as a revenue center rather than a cost center and can advocate for investment in the program consistent with the level of financial opportunity that exists. The CEO may sometimes also support expansion of budget and staff resources to build or expand the program even when cuts are required in the healthcare organization's operational budget since dollars invested in philanthropy can be multiplied and returned.
- **Position for credibility.** CEO support is pivotal in positioning the fund development function as credible and strategic. This begins with how the leader positions and engages with the CPO. Key actions include inclusion of the

CPO on the executive team to gain access to both information and internal allies. A strong working relationship between the CEO and CPO, based on mutual respect, regularly scheduled interactions, and open communication also enables effective collaboration.

Ultimately, CEO engagement in practical and symbolic roles both inside and outside the hospital is critical to optimize fund development efforts.

### **Boards Can Validate the Priority**

While CEOs acknowledge the valuable revenue opportunity philanthropy presents, many express not having the ability to help with philanthropy due to lack of time. However, time is an issue in part because philanthropy has not been endorsed as an organizational priority, so it's hard to prioritize it relative to other tasks.

Governing boards can affirm the importance of philanthropy as a key revenue strategy and support the CEO's role in advancing philanthropy. Today, most CEOs face the untenable position of needing to provide time and attention to philanthropy when it is not formally recognized as an organizational priority. Yet, if participation to bolster this key

revenue source is a leadership activity, the board should honor and evaluate it as part of the CEO's role. Given the CEO serves as an agent of the board, the board not only can set expectations but also align those expectations with performance evaluation criteria and at-risk incentives. Adding philanthropy to the formal list of expectations does not pile on more work but provides a benefit to CEOs by removing a hurdle to dedicating time to philanthropy and by creating a mutual understanding of the CEO's role in supporting philanthropy as a vibrant and sustainable revenue source.

Ultimately, CEO engagement in both practical and symbolic roles can enable philanthropy to flourish. The CEO is instrumental in engaging donors, facilitating allies, and creating an internal environment that supports giving. As the board considers the potential of philanthropy as a revenue source to sustain the mission and strengthen strategy, it's time to formalize the CEO's role in advancing philanthropy.

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