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## REGIONALIZATION AND SYSTEMIZATION IN PHILANTHROPY

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Health care organization mergers and acquisitions have consistently accelerated over the last decade. According to the 2016 AHA Trendwatch Chartbook, 265 hospitals were part of 102 separate deals in 2015. As collaboration and integration increase and financial pressure for providers intensifies, systems are seeking to leverage their size, talent, infrastructure, knowledge, processes, buying power and more to drive enhanced effectiveness and efficiency. Now, this integration trend has come to areas of the health care organization responsible for advancing philanthropy.

As philanthropy organizations consider regionalization or systemization, it is important to articulate common rationale for change:

- Strengthen fulfillment of the organizational mission
- Improve efficiency and effectiveness of fund development
- Consolidate non-donor-facing activities (i.e. data management)
- Share specialized talent and resources
- Leverage human and budget resources
- Capture a broader view of donor engagement
- Share boundary-spanning funding opportunities
- Drive standardization in development practice

- Enhance the donor-centric experience
- Diminish duplication and/or competition in donor engagement

To pursue integration, leaders must consider the legal structure of existing philanthropy entities. Health care organizations currently utilize several legal structures to advance philanthropy work, these include:

- Philanthropy department: Uses health care organization 501(c)(3) status
- Foundation: Separate 501(c)(3) public charity
- Foundation: Affiliated 501(c)(3) supporting organization

Of the structures above, both separate, 501(c)(3), public charities and affiliated, 501(c)(3), supporting organizations are led by a foundation board of directors with a legal governance responsibility, while an internal development department generally engages leadership volunteers through a development council or advisory board.

Organizations pursuing integration reconcile differing legal structures in a variety of ways. Some dissolve existing, local structures to consolidate into a regional and/or system-based structure to simplify accounting, tax filings, insurance, staffing and governance. Others migrate all philanthropy organizations to a common legal structure; however, this is not without its own headaches as it often requires legal maneuvering and interaction with regulatory bodies. Other organizations leave diverse legal structures intact, since there are no fundamental differences in how philanthropy is advanced under each structure.

As organizations realign legal and governance structures, it can impact the roles, responsibilities, decision rights and engagement of community leadership volunteers serving on foundation boards or development councils. However, regardless of the resulting philanthropy organization structure, the influence of community leadership volunteers is still needed to advocate for and to connect the organization to the community. Simply, regardless of organizational structure, what remains abundantly clear is philanthropy is local. Community-based donors most often give to benefit local work at the facility where they have or anticipate they would receive care, so the importance of community-based volunteer leadership and the need for local, donor-facing, philanthropy professionals will continue. Therefore, organizations must be thoughtful in discussing and designing the ultimate organizational and governance structure for the integrated entity and be very clear about the resulting decision rights and roles of board leaders in the realigned entities.

## In Summary

The push to capture efficiencies and share specialized resources will continue to drive a desire for integration at the regional and system levels for philanthropy organizations. Organizations that have pursued this path have seen great benefits come to fruition in many forms, including increases in total dollars raised. However, foundation board and development council members should seek to be educated on the issues involved in integration and actively engaged in envisioning and driving eventual solutions.

### Prerequisites to Successful Integration

- Baseline of trust between all involved parties
- Shared vision for change
- Consistent and transparent communication
- Leaders with competencies and qualities to envision and guide change
- Internal champion to keep all partners focused on shared agenda
- Consideration of the impact of geographic dispersion, health care organization leadership structures and culture on integration

- Understanding of each organization's commitment and role
- Explicit plans to address organizational design, governance roles, staff titling and roles, reporting lines, spans of control and more.
- Clearly articulated steps and deadlines along the change journey
- Public commitments from organizational and/or regional CEO

## For Board Discussion ≡

How could integration offer broader opportunities to add value?

How would integration address current organizational needs and challenges?

How could integration leverage scale without introducing inertia?

How should regional or system foundation boards or development councils be structured or even tiered?

What roles, responsibilities and decision rights will volunteer leadership have?

What safeguards will ensure locally-raised funds benefit local work?

Short of integration, how could we add value through informal collaboration with other philanthropy organizations affiliated with our health care organization?

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