

Purpose-driven Philanthropy

The path to financial sustainability also can lead trustees to greater fulfillment

By Betsy Chapin Taylor

Health care boards are facing tough decisions as they look to offset growing pressure on hospital operating margins. This challenge means trustees must grasp financial sustainability and reach for competitive advantage; and yet, doing so requires looking beyond enhancing revenue from clinical operations to seeking alternative revenue streams.

Many organizations are focusing on optimizing an underutilized alternative revenue source with a high return on investment: health care philanthropy, also known as voluntary charitable giving. Philanthropy not only provides a sustainable and potentially transformational revenue source but also adds a “purpose-full” new dimension to the trustee role.

The Rationale

Donors contributed \$8.94 billion to U.S. nonprofit health care organizations in fiscal 2012, according to the Association for Healthcare Philanthropy’s “FY2012 Report on Giving USA.” The report also reveals that it takes just \$1.44 million raised in charitable contributions to generate \$1 million in net revenue. In comparison, recent data on hospital operating margins from the Advisory Board Co. suggest it takes \$45.4 million in revenue from hospital

operations to get the same \$1 million to the bottom line.

This sizable performance difference has been noted by Moody’s Investors Service, which says a proactive approach to raising charitable dollars is a key consideration in ratings assessments. With demonstrated viability and a rate of return that exceeds most clinical service lines, it is time to position philanthropy as a strategic revenue resource.

Governing boards can wield collective influence to advance philanthropy. Board focus and action can create a culture that embraces philanthropy as a crucial endeavor, facilitate leadership engagement, ensure alignment between the health care organization and development organization, and unleash financial investment in development. However, some of the most impactful and personally meaningful roles in fund development are those performed as individuals.

Building on Social Capital

Individual trustees are uniquely positioned to advance philanthropy and, in particular, to initiate or cement significant relationships and to secure outsize gifts, for several reasons. Trustees carry influence that isn’t duplicated anywhere else in the organiza-

tion, and they have unmatched credibility as advocates because their only vested interest in the organization is in the community benefit it provides. They also tend to be true peers of potential donors who can inspire and challenge others through their own charitable financial gifts. In short, the influence trustees bring to the fund development role by virtue of their connections, credibility, commitment, engagement and performance drives tremendous mission impact.

Widespread anecdotal evidence lauds the influence of trustees in advancing key relationships for philanthropy, but quantitative research also validates this effectiveness. A study published in the fall 2010 issue of *AHP Journal* found that donor prospects who became involved with the organization through trustees gave gifts that were almost five times larger and after fewer interactions than those given by staff-connected prospects. Similarly, the Advisory Board Co. in 2009 reported that volunteers successfully secure appointments with prospective donors about nine times for every 10 attempts, while staff secure meetings about two times for every 10 attempts.

Trustees perform better because of the “social capital” associated with their network of social, civic and business connections. As Harvard University professor and author Robert Putnam explains in *Bowling Alone: The Collapse and Revival of American Community*, “social capital refers to connections among individuals — social networks and the norms of reciprocity and trustworthiness that arise from them.”

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Social capital leverages human connections, acquired trust, shared values, social norms and moral obligations to allow people to come together to advance shared objectives. Putnam says each person's network is the embodiment of past success at collaboration, and positive experiences working together provide the confidence and trust to collaborate again. Thus, social capital fosters collaboration and facilitates interactions. It is essential to amplify the voice of and secure broad access for the organization.

The concept of social capital is consistent with other findings about the most effective roles for trustees in fund development. In a 2012 special report called "Engaging Board Members in Fundraising," the Non-profit Research Collaborative stated, "trustees serve two primary functions: helping the organization reach new prospective donors (access) and indicating the organization's value to the community by their own association with the group (signaling)." These "access" and "signaling" roles rely on social capital to extend trust in the trustee's reputation to become trust in the health care organization.

Having an authentic way to establish trust is especially important in a world where both trust and genuine relationships are rare. People are overwhelmed with automated personalization and customized communication and, according to a 2011 article in the *Stanford Social Innovation Review*, "people are growing increasingly intolerant of messages from people they don't really know. ... They are increasingly limiting their attention to messages from trusted friends and business colleagues." A trustee's ability to cut through this noise to legitimize the health care

cause is powerful.

Board member engagement to foster relationships also helps to overcome the idiosyncrasies of human nature. For example, the field of behavioral economics shows that people do not behave rationally, but behave irrationally in predictable ways. This leads donors to make emotional, intuitive giving decisions that they then use logic to justify.

This same phenomenon extends to the power and influence of the solicitor. A 2008 article in *Harvard Business Review* explains that "weak market forces exist" in the nonprofit sector, which means donor choice is "often influenced by personal relationships ... rather than by organizational performance." So, demonstrated impact doesn't mean much if you don't have the connectivity of the right person to carry the message.

Ultimately, the sum of each trustee's social capital and personal network is a powerful force for connectivity with an ever-expanding circle of friends for the organization.

Shared Values

Despite tremendous performance advantages, there are hurdles to meaningful trustee engagement. When trustees list their most dreaded board role, raising money often tops the list, and most trustees express discomfort about asking others to give. They are afraid of damaging their personal relationships, a fear that often stems from believing that asking for a charitable gift involves pressure tactics.

Board members also share concerns about failure, often because they tend to be high performers who don't want to be unsuccessful in securing a gift due to a lack of skills or tools. They say their charge in help-

ing is unclear or includes tasks that are outside their confidence zone or preferences for involvement.

Bridging the perception and fear gaps begins by abandoning the transactional fundraising paradigm and embracing philanthropy as a purpose-filled, values-driven relationship-based endeavor. In philanthropy, there is no tin cup to rattle and no arm to twist. Instead, trustees foster relationships with like-minded people to fulfill a shared purpose to strengthen a community-benefit organization with a noble, life-saving mission.

When a trustee invites a donor to participate, he or she becomes a catalyst to help a donor convert material wealth into an expression of convictions and values. In doing so, both the asker and the donor can achieve deep, personal satisfaction and meaning. In fact, many trustees remark that they begrudgingly agreed to make their first solicitation call, but finished the call with an "asker's high" after securing a gift to advance the mission. In short, they discovered that asking is a purpose-filled activity that leaves both the asker and the donor positively changed.

Closing the ambiguity and alignment gaps begins by identifying specific, appropriate and achievable ambitions for trustee involvement. Board members often have been asked to undertake a litany of tasks to shepherd donors through the entire development process: identifying prospects, qualifying their interest, opening the door, providing education, making the case for support, soliciting the gift and providing stewardship after the gift is made. While there seemingly is logic and efficiency to this soup-to-nuts approach, it dampens trustee engagement. Many trustees are uncomfortable navigating this multifaceted process or participating in one or more of these roles that do not reflect their individual strengths and preferences. As a consequence, they often have avoided participation in roles outside their comfort zone or skill set — and then felt guilty for doing so — which

Board Support for Philanthropy

For additional resources on governance roles in philanthropy, see "Boards and Philanthropy: Developing the Next-Curve Revenue Source for Health Care," a new monograph from the American Hospital Association's Center for Healthcare Governance, at www.americangovernance.com.



Finding Your Role

Individual trustees' best-fit involvement in advancing philanthropy occurs by matching their personal preferences, natural strengths and interests with specific, high-impact roles on the development spectrum. In uncovering the right role, it is important to follow your preferences rather than your talents, because all individuals have both innate, natural talents and acquired, developed talents. This means there may be things you are really good at that you do not really enjoy. So, in finding your resonant roles in fund development, trustees should identify the profile below that best reflects their preferences for how they spend their time, what they enjoy and what gives them energy. The four best-fit roles are:

CONNECTORS: You place great value on relationships and have a broad network of friends and acquaintances. You easily strike up conversations with others and are energized by doing so. These relationships give you a unique ability to share a message and to make introductions. So, your best-fit role in advancing philanthropy is rooted in your connectivity with others. You are well-suited to make introductions, open doors and host meetings or events.

CHAMPIONS: You are a natural teacher who collects information and shares it with others in an understandable and usable way. You are great at uncovering potential solutions and putting things in context. You take unconnected pieces and put them together in a logical and cohesive whole. However, there is a clear distinction that your intent in sharing information is to educate rather than to persuade. Your best-fit role in philanthropy is explaining the rationale for raising money and sharing a vision of what is possible if the organization achieves its vision for transforming health care. As an approachable authority, you also can help to answer the questions of a prospective donor who wants to really understand the impact of her gift.

CLOSERS: You like to bring others around to your way of thinking and to secure agreement. You have a take-charge attitude. You feel energized by achievement, and you motivate others with your convictions. You are a risk-taker. You make things happen. You are also likely exciting,



full of fun and have a sense of adventure. If this describes you, you are a natural closer. Closers are a rare handful of people who are able and willing to ask someone directly to consider making a charitable financial gift, so your right-fit role is in solicitation.

CARETAKERS: You are sensitive to the feelings and interests of others. You are sincere, loyal, responsible and have a seriousness of purpose. You find great satisfaction in helping others. Your relationships tend to be deep. You pay attention to details and follow the rules. Your right-fit role in development is in donor stewardship by expressing thanks, showing people the impact of their gifts and affirming the decision to give. You provide a special sort of glue between the

organization and those who support it.

While many people will have a clear preference among these profiles, many others will be strong hybrids in two areas, such as connector-closers. Ultimately, this system is not intended to pigeonhole you, but to liberate you by providing an actionable framework to uncover where you would find the greatest success and personal fulfillment in advancing philanthropy. This means you no longer need the elasticity to stretch yourself across all the roles in the development process but, instead, play a specific and unique role that is tailored to your preferences. It also means that advancing philanthropy becomes a true team effort in which a connector opens the door, a champion makes the case, a closer seeks investment and a caregiver expresses gratitude. — B.C.T.

sidelines some of the organization's best advocates.

This intention needs to be recalibrated to respect that trustees deserve to participate in clear, specific, high-value activities that are aligned with their personal strengths, preferences, comfort zone and constraints.

A Return to Purpose

Advancing philanthropy goes beyond the strategic and financial roles of collective governance to tap into

each board member's individual ability to make a difference in the mission. Trustees who connect others to the health care organization through philanthropy amplify and multiply their impact. At the same time, moving others to join the mission allows leaders to express their own core values, to fulfill their own purpose and to make an impact on the world. As philanthropy becomes a strategic lever to secure sustainability or to capture competitive advan-

tage, it is time for trustees to embrace the unique ways they can participate in this high-value, purpose-filled governance role. **T**

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