



Philanthropy Leadership Council

Fulfilling the **Donor Investor** Mandate

Philanthropy Leadership Council

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Table of Contents

Advisors to Our Work	4
Companion Resources	5
Executive Summary	7
The Emerging Donor Investor in Health Care	9
Invest in Staff and Resources	19
Practice 1: Donor Investor Scorecard	20
Practice 2: Director FTE	22
Practice 3: Frontline Accountability	24
Build Compelling Business Cases	25
Practice 4: Investor Communication Translator	28
Practice 5: Philanthropy Mini Business Plan	29
Scale Data Capture and Impact Reports	33
Practice 6: Fund Use Tracker	35
Practice 7: Priority Report Template	38
Practice 8: Impact Information Worksheet	40
Activate Donors and Volunteers	43
Practice 9: Board Member IDPs	45
Practice 10: Hot Topic Workshops	46
Practice 11: Donor Investor Volunteer Channels	47

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Companion Resources

This book is a part of a suite of resources, detailed below, to help development teams fulfill the donor investor mandate. These resources are available on-line at advisory.com/plc/donorinvestormandate.

Abbreviated Request for Proposal

Use this abbreviated RFP to exclude misaligned projects and to ensure that there is an internal champion who will follow through on donor stewardship and impact reporting.

Project Sponsor Conversation Guide

Follow this guide to capture information from the individual who will be using the funds to populate a compelling mini business plan for donor investor case proposals.

Metric Selection Checklist

Use this checklist to filter and pressure-test potential impact metrics before including them in a donor investor case proposals.

Philanthropy Mini Business Plan Template and Example

Customize plans for specific funding priorities using the template, and use the sample mini plan as a model.

Priority Report Template

Use this template to create donor-facing impact reports for specific funding priorities.

Impact Information Worksheet

Customize this worksheet to collect impact data from funding recipients (e.g., physicians, service line leaders) to populate impact reports.

Executive Summary

Donors are increasingly becoming more like investors in the nonprofit organizations that they support—they conduct regular reviews of nonprofit performance and increasingly invest in high performers, while dropping low performers and institutions unable to validate worth with gift impact data.

This donor trend has profound implications for health care philanthropy. With increased scrutiny on hospitals' nonprofit status and a steady but slow rebound from the economic downturn, hospital and health system CDOs cannot continue to iterate on traditional donor outreach strategies. To compete more effectively for philanthropic dollars and donor mindshare, hospital development leaders must fundamentally rethink prospect strategy and donor stewardship. Hospital fundraisers have an opportunity to capture new philanthropy dollars by engaging donors—both current and prospective—as investors.

To attract donor investors and win their investments, hospital development staff must make compelling business cases that illustrate the funding projects' significance and expected impact. After a donor invests, fundraisers need to deliver on impact, both to fulfill the immediate gift expectations and to secure future gifts. While perceived as time-consuming and tedious, servicing donor as investors can lead to reinvestments and increased giving. This type of “stewardship” becomes meaningful, impact-centric cultivation—part of ongoing prospect moves with the donor. By employing scalable and replicable “stewardship” tactics, fundraisers can apply this ongoing cultivation to known donor investors, and attract new prospects.

This study reviews 11 best practices and accompanying ready-to-use resources to prepare health care development teams to fulfill this donor investor mandate.



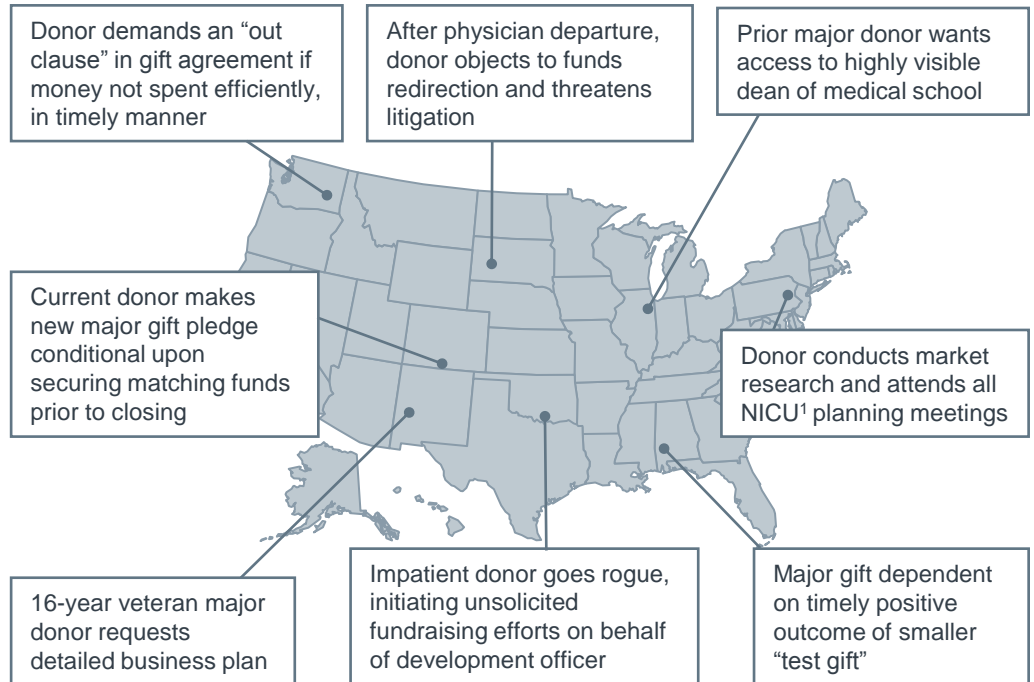
The Emerging Donor Investor in Health Care

Donors Increasing Demand for Impact and Accountability

Today's donors want to drive the highest impact with their philanthropy dollars, and they search for investment security. Accordingly, they are demanding more and more of hospital development teams, from requesting up-front business plans and budgets to withholding pledge payments until receipt of an impact report. This shift in the donor market occurs at the same time as a steady but slow rebound from the Great Recession—in which hospitals are lagging behind other sectors.

Hospital development leaders must recalibrate donor strategy to capture new philanthropy dollars.

Investor Mind-Set Reflected in Donors' Requests



All signs suggest that stories like these are just the tip of the iceberg. The four market forces outlined here—described in more detail on the following pages—indicate that this trend of donor scrutiny and impact focus will continue.

The Emerging Normal in Donor Demands

Components Contributing to Donor Investor Mindset



1) Neonatal intensive care unit.

Source: Philanthropy Leadership Council interviews and analysis.

#1: Changing Demographics

Both baby boomers and “next-generation” donors are more interested in impact-centric philanthropy than traditional, often older, donors.

According to the 2013 Burk Donor Survey of over 16,500 donors, current donors—including major donors—across the industry already demand impact information and concrete plans of how nonprofits plan to use their next gifts.

Next-generation donors’ philanthropy strategies include conducting due diligence research before supporting nonprofits, as well as funding solutions to systemic problems. They care more about a nonprofit’s measurable impact than its name recognition and qualitative reputation.

These up-and-coming donors also have a vast array of giving options and information, with research about nonprofits and impact at their fingertips on the Internet.

Donors in Search of Philanthropy That Gets Results



Influencing Future Giving for All Donors

75%

Want information on results achieved with gift

62%

Want information on how charity plans to use gift

64%

Want stories about people who were helped

Top Strategic Components in Next-Generation Donors’¹ Personal Philanthropy

- 1** Conduct research and due diligence before deciding what to support
- 2** First decide philanthropic goals, then search for potential recipients
- 3** Fund efforts that address root causes and attempt systemic solutions
- 4** Prefer information on organization’s proven effectiveness or measurable impact



“[I want] proof of impact. I believe my parents give much more for the ‘feel good’ feeling that comes along with giving, whereas I am dead-set on maximizing the impact of my philanthropic dollars.”

“[We] are not just writing checks to established non-profits... There are a million ways to be philanthropic [now] that weren’t there in 1985.”

Interviewed Next-Generation Donors

1) Survey participants were limited to individuals aged 21 to 40 years old who were “currently or potentially active in their families’ significant philanthropic processes and/or who are wealth creators themselves and currently or potentially active in their own philanthropy.”

Source: Burk P, “The Burk Donor Survey: Where Philanthropy Is Headed in 2013,” Cygnus Applied Research, Inc., September 2013; Johnson J, “Including the Young and the Rich,” *New York Times*, April 18, 2014, www.nytimes.com/2014/04/20/fashion/white-house-hosts-next-generation-young-and-rich.html?_r=2; Johnson Center for Philanthropy and 21/64, “#NextGenDonors: Respecting Legacy, Revolutionizing Philanthropy,” July 2013, www.nextgendonors.org/wp-content/uploads/next-gen-donor-report-updated.pdf; Philanthropy Leadership Council interviews and analysis.

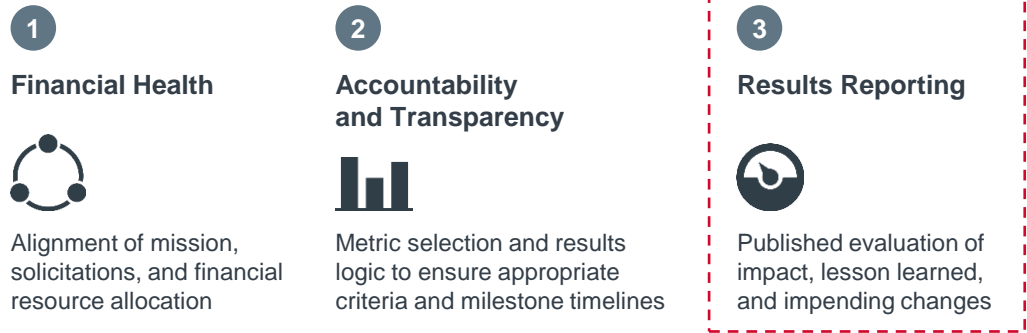
#2: Expansion of Assessment Criteria

Nonprofit watchdogs are responding to donors' needs for impact by increasing focus on nonprofit outcomes and results.

Charity Navigator, a popular resource to evaluate giving options, is adding a new element to its assessment criteria: results reporting. This new focus aims to better assess and represent nonprofits' overall performance, rather than relying on case studies that convey instances of success.

Charity Watchdogs Look to Evaluate Nonprofit Outcomes

Charity Navigator's Primary Criteria for Evaluating Nonprofit Results and Impact



Company in Brief: Charity Navigator

- Objective rating system assesses over 7,000 charities; launched in 2001
- “CN 3.0” includes three dimensions: financial health, accountability and transparency, and (as of 2016) results reporting

#3: Culture of Skepticism

Donors also question the health care industry's integrity in the nonprofit space. While the public does have positive impressions of hospitals, it also associates hospitals with words like “expensive” and “greedy.”

Additionally, expected further coverage expansion under the Affordable Care Act leads some donors and prospects to question the need for hospital philanthropy.

Hospital foundations and development offices have to overcome these perceptions and negative connotations to validate their worthiness among potential donors.

Increased Pressure on Nonprofit Worthiness

Words the Public Associates with Hospitals¹



IMAGE CREDIT: THE MORNING CONSULT.

1) Poll conducted from March 21-23, 2014, and May 2-4, 2014, among a national sample of 3,687 registered voters. This question: "In a word or two, could you please tell me what comes to mind when you think of hospitals?" Results have a margin of error of plus or minus two percentage points.

Source: The Chronicle of Philanthropy, "Nonprofits Anxiously Try to Show Results for New Charity Navigator Rating," <http://philanthropy.com/article/New-Charity-Navigator-Rating/141427/>; Charity Navigator, "Where We Are Headed (2013 and Beyond)," www.charitynavigator.org/index.cfm?bay=content.view&cpid=1193#_U8aTA_idWVM; The Morning Consult Public Opinion Poll, <http://themorningconsult.com/2014/05/poll-americans-associate-health-industry-with-high-costs/>, May 20, 2014. Philanthropy Leadership Council analysis.

#4: More Nimble Competition

Lastly, emerging and increasingly popular nonprofits command greater donor attention by better adapting to demands for impact, setting a higher bar for transparency and impact reporting.

For example, through the nonprofit organization Kiva, donors lend microfinance loans to individuals in developing communities without access to traditional banking systems. On an online dashboard, lenders can directly see to whom their money goes and how the borrower uses it.

Watsi—a nonprofit start-up that “crowdfunds” low-cost, high-impact medical treatments for patients in developing countries—also poses new competition. Although it lacks Kiva’s sophisticated dashboard, donors have direct online access to information about treatments they can support. They also receive a post-intervention report on the patient’s condition, painting a strong picture of their giving’s focused impact.

New Market Players Lead with Impact

1 Snapshot of Kiva Investor Dashboard

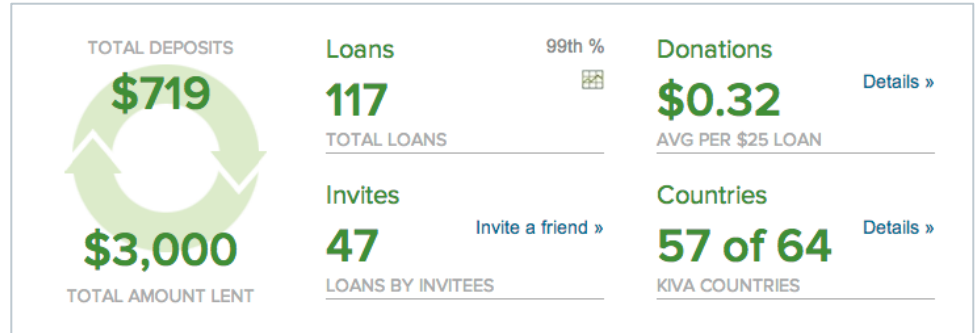


IMAGE CREDIT: KIVA

2 Watsi’s Impact-Centric Crowdfunding for Health Care

Watsi’s Core Values

Impact



“Impact is king. The goal is to fund low-cost, high-impact medical treatments for a million people in need.”

Transparency



“Watsi is an open book—100% transparent. All relevant information, from transfer receipts to patient waivers, is available online.”



Company in Brief: Kiva

- Microfinance lender blurring lines between charity and investing; launched in 2004
- Broad selection of investments; transparency into performance driving rapid success
- Pursuing and cultivating more major investors



Company in Brief: Watsi

- Global crowdfunding platform for health care that enables anyone to directly fund life-changing medical care for people in need; founded in 2011
- Members invest in treatments for specific patients or invest in general funds for specific patient communities, all distributed in developing countries

Source: www.kiva.org/updates/kiva/2013/04/16/introducing-the-kiva-portfolio-dashboard; <https://watsi.org/>; Philanthropy Leadership Council analysis.

The Donor Investor Manifesto

To effectively engage donor investors and secure their continued investments in this dynamic market, development teams must conduct due diligence on funding projects' significance and expected impact before donors decide to give. Development staff must also provide proof of impact and transparency into projects' progress after gift receipt and fund use.

If development teams rise to this challenge, they can achieve a significant return on investment: Donors who see the positive impact of their philanthropy tend to give larger gifts, give more frequently, or advance their pledge payments.

For example, at Landon Health Care,¹ a donor gave \$20 million to fund fellowships in cancer research. The foundation tracked the fellows' activities, research findings, and additional funding secured from the National Institutes of Health (NIH), and each year they presented the annual and compounding impact to the donor. The donor is now evaluating a larger gift proposal, and he reduced his rigorous impact reporting expectations because the foundation proved to be a trustworthy steward of his philanthropic investments.

Donations' 'Must Meet' Requirements

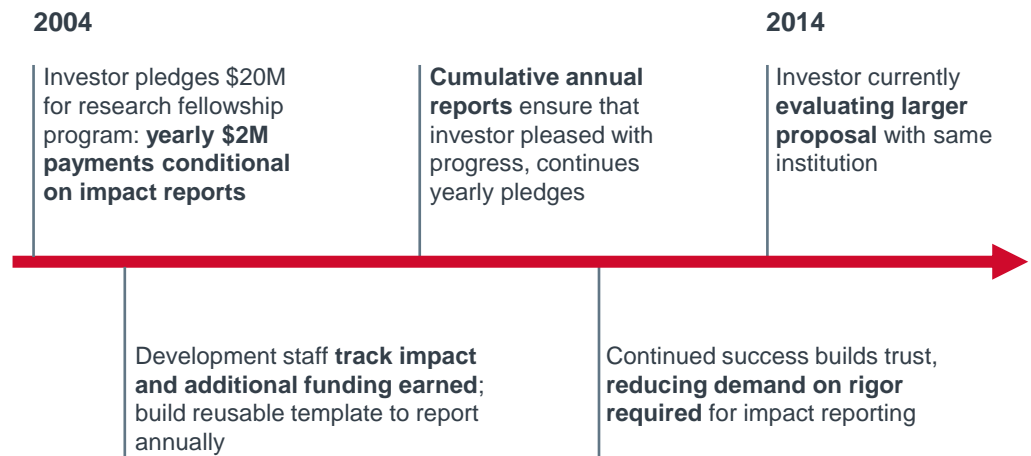
Donor Investors Want Due Diligence in Advance

- Due diligence supporting claims that initiative will influence change in proposal
- Sound business case with clearly defined impact metrics
- Budget and information on plans for using investment
- Clearly outlined timeline with milestones and progress updates
- Access to leadership to discuss proposal and longer term goals

Donor Investors Expect Proof of Impact After

- Evidence of use and updates on major purchases, expenses
- Acceptable level of transparency into progress and challenges
- Access to gift recipient and program leadership
- Regular, planned impact reports
- Documented evidence that investment generated impact, using metrics defined at outset

10-Year Impact-Oriented Donor Relationship at Landon Health Care¹



1) Pseudonym.

Source: Philanthropy Leadership Council interviews and analysis.

Need to Change, Not Fix, Stewardship Approach

Donors' demands for impact mandate that development staff look beyond typical donor engagement and stewardship strategies.

According to the 2013 Burk Donor Survey's assessment of common stewardship tactics, the status quo fails to resonate with donors or influence future giving. Stewardship touches such as newsletters, special events, and letters from the CEO miss the mark with donors.

In some cases, current stewardship tactics may even negatively influence donors' decisions to give again. For example, 21% of donors are less inclined to make future gifts when they receive gratuitous gifts from foundations. These tactics prove to be low-value for donors, who prefer to see their funds put to direct use at the organization and not spent on unnecessary goods. In fact, these acknowledgements may actually set back further engagement efforts.

Current Stewardship Tactics Not Resonating

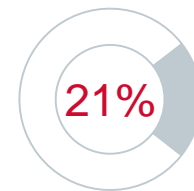
Typical Communication to Donors Uninfluential



Donors Find Standard Recognition Dissatisfying



Donors that feel adequately thanked and recognized



Tokens negatively influence donors' future giving to organization

“The last thing I want is another glass sculpture—I want the foundation to use my donations for patient care, and not to buy meaningless tokens.”

*Board Member
Hospital Foundation in the South*

Source: Burk P, "The Burk Donor Survey: Where Philanthropy Is Headed in 2013," Cygnus Applied Research, Inc., September 2013; Philanthropy Leadership interviews and analysis.

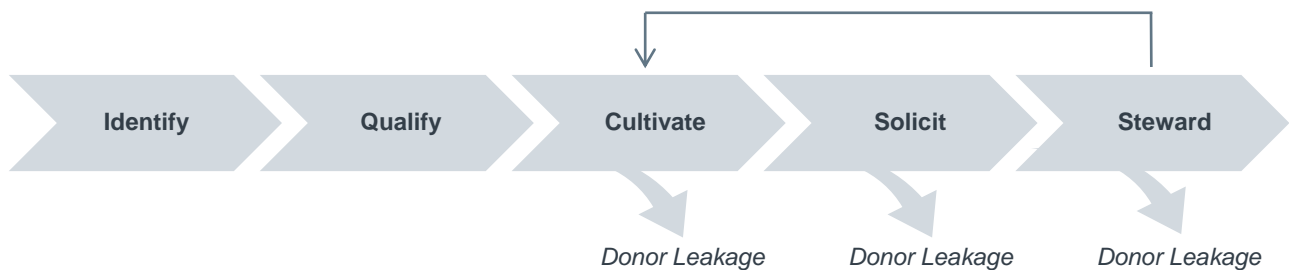
Merge 'Cultivation' and 'Stewardship' into Continual Donor Engagement

To better address and accommodate donor investors, development teams must adjust the standard donor relationship model and advance beyond the traditional moves management framework.

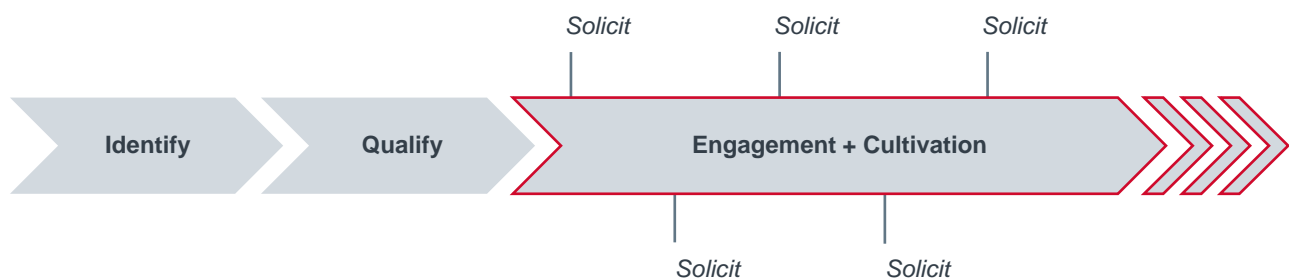
Development staff can no longer move donors through the pipeline in a step-wise fashion from cultivation to solicitation to stewardship—and then restart the cycle. Instead, stewardship and cultivation should merge into one extended “engagement” phase that naturally leads donors to repeat gifts.

Development staff should also design this engagement phase around the donor’s desired philanthropic impact and build a professional arrangement around a common goal, such as improving prostate cancer treatment or expanding primary care options for the medically underserved in the local community.

Traditional Transaction-Oriented Framework



Donor Investor Management Framework



Source: Philanthropy Leadership Council interviews and analysis.

Scaled Practices Maximize Usability and Efficacy

Addressing donor investor engagement poses significant challenges for development teams.

Donor investors have historically monopolized a significant amount of fundraisers' time—an unsustainable approach if hospital foundations and development offices expect to service more donor investors.

Additionally, donor investors' business expectations require more taxing behind-the-scenes work. Development staff must venture into the unfamiliar territory of business planning and finance to appropriately interact with donor investors.

To ease these burdens, the Philanthropy Leadership Council vetted best practices against two filters: scalability and implementation readiness. The remainder of this study will present these practices and ready-to-use tools around four imperatives to prepare development teams to fulfill the donor investor mandate:

- Invest in staff and resources
- Build compelling business cases
- Scale data capture and impact reports
- Activate donors and volunteers

Current Engagement Approaches Unsustainable

1 Over-Engaged Donor Monopolizes Staff's Time

- Extended cultivation period leads to \$3M investment in eye transplant research
- Donor requests inclusion in planning sessions, expects frequent progress updates from medical team
- Unsatisfied with pace of progress, donor initiates phone campaign without foundation support
- Gift officer initiates uncomfortable intervention to stop unauthorized efforts by donor

2 Typical Demands of Business-Minded Donor

- Donor requests market intelligence for NICU proposal
- Donor conducts national inquiry for industry best practices; requests pro forma and market share projections from hospital
- Development struggle to prepare relevant business documents for donor
- Slow progress results in withheld pledge payment to continue earning interest until needed

Employ Replicable, Realistic Practices

Scalable



- Improves efficiency of pipeline through conversion rate or size of investment
- Elevates efficacy of gift officers via focus on high-impact engagement efforts
- Able to be repurposed for multiple priorities, donors, and gift levels
- Can be shared across content silos and gift officers

Implementation-Ready



- Incorporates templates or examples
- Requires minimal development staff time to generate and customize
- Includes guidance to ease rollout and maximize utilization



Access our full set of ready-to-use resources at:
advisory.com/plc/donorinvestormandate



Invest in Staff and Resources

- Practice 1: Donor Investor Scorecard
- Practice 2: Director FTE
- Practice 3: Frontline Accountability

Practice 1: Donor Investor Scorecard

All development shops pursuing a donor investor strategy must put donor investor engagement on their scorecard to solidify its strategic relevance and create a concrete road map for execution. If development executives do not prioritize this strategy, it will not trickle down to the frontline staff, and ultimately to donors themselves.

We developed the *DIY Philanthropy Metric Selection Workshop* to assist CDOs in creating foundation and development office scorecards. Access this resource at advisory.com.

Create Actionable Road Map for Donor Investor Agenda

Philanthropy Scorecard Template

Strategic Objective	Measure	Target	Initiative
Improve engagement with donor investors			

Key measures to track outcome of progress toward objective

Target goals for meeting our measures

Specific initiative to move dial on metrics



Access the *DIY Philanthropy Metric Selection Workshop* at: www.advisory.com

When assessing donor investor strategy, development staff may struggle to identify an appropriate and realistic measure to track on scorecards.

Oakwood Healthcare Foundation's staff creatively utilized an engagement proxy: a donor loyalty score, tracked in their annual donor survey. They have tracked a 91% increase in the loyalty score over the past 14 years—partially attributable to engagement strategy improvements made in response to donor feedback through the survey.

Incorporate "Loyalty" Score into Donor Survey

Donor Loyalty Assessment at Oakwood Healthcare Foundation



"I would recommend the Oakwood Healthcare Foundation to my friends and associates as a fundraising organization to support."



Sample donor survey available at: advisory.com/plc/donorinvestormandate



Case in Brief: Oakwood Healthcare Foundation

- 20-FTE foundation supporting 1,206-bed, four-hospital health system in Dearborn, Michigan; raised \$12.3M in FY13
- Annual donor survey to assess donor engagement, affinity, and satisfaction; first survey released in 2000

Donor Investor Engagement Measurable via Outcomes, Proxies, or Processes

While we found no perfect metric to be the clear “right answer” to capture the impact of donor investor engagement strategies, the table below outlines several measures development teams can use.

Development teams should immediately start tracking the outcome measures—like time to next gift and major gift retention rate—for improved donor engagement and cultivation to establish a baseline. Meaningful improvement on these metrics requires several years to realize.

The proxy and process measures provide a more timely indication that donor investor engagement is improving—even if not tied directly to your intervention or changing retention rates—or an indication that the process intervention is actually occurring (i.e., proof that development staff is executing the strategy).

Measure	Evaluation
Outcomes	
<i>Time to next gift</i>	<ul style="list-style-type: none"> • Most direct measure of donor investor engagement because it measures time between investments • Difficult to measure incremental progress in short period of time
<i>Gift retention rate</i>	<ul style="list-style-type: none"> • Provides insight into financial value of donors retained, not just quantity of donors retained • Difficult to measure incremental progress in short period of time
Proxies	
<i>Donor loyalty score</i>	<ul style="list-style-type: none"> • Indicates donor affinity to institution, satisfaction with giving experience thus far, and likelihood to invest again • Requires regular donor survey to collect data
<i>Number of prospects referred</i>	<ul style="list-style-type: none"> • Donor investors refer others to the foundation to elevate return for the causes they care about • Requires concerted effort from development staff to collect high-quality prospect referrals from current investors; no indication of quality of prospects
Processes	
<i>Percentage of major donors receiving priority reports</i>	<ul style="list-style-type: none"> • Tracks progress toward increasing written communications to donor investors • Does not account for quality of donor investor interactions or impact on relationship
<i>Number of stewardship visits</i>	<ul style="list-style-type: none"> • Tracks progress toward increasing face-to-face communications with donor investors • Does not account for quality of donor investor interactions or impact on relationship

Source: Philanthropy Leadership Council interviews and analysis.

Practice 2: Director FTE

Once investor engagement lives on the foundation's scorecard, CDOs must effectively translate this vision into action on the ground. Put it into action by creating a role or assigning a team member to have direct purview over donor investor engagement.

Development shops must scope this role beyond the traditional stewardship or donor relations officer who typically focuses on transactional communication with donors. This new role should fall to a senior, experienced leader who has strategic—not just operational—oversight for donor engagement and impact communications.

A strong example of this role comes from Cincinnati Children's Hospital Medical Center, where the stewardship director fully grasps the magnitude of her responsibilities and is building a comprehensive engagement program that focuses on cultivating current donors for their next gifts.

Add Strategic Oversight to Typical Stewardship Role

Stewardship Director at Cincinnati Children's



- 1 Strategic focus and oversight on donor engagement
- 2 Fundraising experience to understand what donors want
- 3 Ability to engage MGOs in donor stewardship activities

Stewardship Director Job Description Excerpt

Responsible for implementing a comprehensive stewardship and donor relations system that appropriately and consistently promotes meaningful interaction with and recognition of donors at all levels and strategic cultivation initiatives for high-level donor prospects

Required skills: The Director must be able to think strategically and develop creative methods for stewarding donors in order to advance Cincinnati Children's efforts to maintain and advance high-quality relationships with donors.

At a high level, the stewardship director collaborates with other development staff to ensure that all engagement touches with donors are truly meaningful, rather than just transactional or “check-the-box” stewardship activities.

She also effectively acts as an internal consultant for MGOs by creating streamlined systems and tools to support them in donor engagement and cultivation tasks.

Both small and large shops should consider adding this new position or refocusing a current stewardship—or other—role to reflect these strategic, investor-focused responsibilities.

At Cincinnati Children’s, the CDO did not add a new FTE, but instead replaced the events director position with the new stewardship director role and incorporated events into her responsibilities. The CDO secured buy-in from the CFO and hospital executives by making the case that they were replacing a position with declining responsibilities with a new, growth-oriented role.

Shifting Focus from Transactions to Relationships

Accomplishments To-Date of Stewardship Director at Cincinnati Children’s

Convened **stewardship task force** to critically evaluate current stewardship offerings for major donors, planned donors, corporate and foundation donors, and annual donors

Created **stewardship action track** to streamline, standardize creation of impact reports for major donors \$50K+



Holds regular **evaluation meetings** with key fundraising groups to adjust stewardship strategy and activities for their respective donor groups

Continually supports and strengthens **relationships with MGOs** to involve them more closely with stewardship; provides them with tools and resources



Case in Brief: Department of Development, Cincinnati Children’s Hospital Medical Center

- 52-FTE foundation serving premier children’s hospital in Cincinnati, Ohio; raised \$56.2M in FY14
- Hired new stewardship director to improve donor engagement and retention at all donor giving levels; made the case for new FTE to CFO by consolidating event director position into the new stewardship director position
- New stewardship director hired in fall 2013; came to position with diverse development experience that included major gift fundraising and events

Source: Cincinnati Children’s Hospital Medical Center, Cincinnati, OH; Philanthropy Leadership Council interviews and analysis.

Practice 3: Frontline Accountability

With or without an effective stewardship director, major gift officers are still the face of the organization to donors and hold responsibility for acting on the donor investor agenda. However, most hospital foundations and development offices do not incent MGOs on stewardship and donor engagement activities.

Absent a direct MGO performance measure, development leaders can consider the following two work-arounds.

In one model, development staff have a yearly team goal of achieving a target donor loyalty score, which contributes to MGOs' individual performance incentives. Peer accountability encourages MGOs to keep donor engagement top-of-mind.

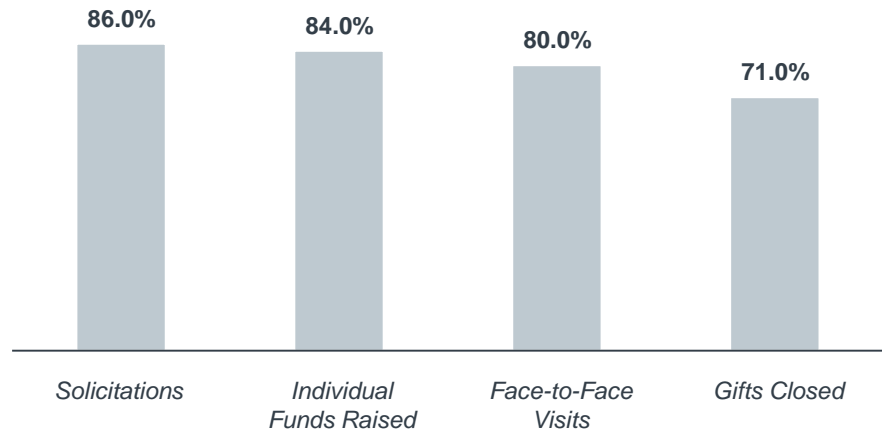
Alternatively, create automatic flags in the donor database that notify individual MGOs about a specific donor engagement or stewardship task they must complete. At Cincinnati Children's, this simple step has improved MGO participation in these activities.

Stewardship Not Included in Most Prevalent MGO Performance Measures

Top MGO Performance Goals¹

Results from 2014 Philanthropy Leadership Council Survey

n=49 MGOs



Ease Investor-Focused Activities into MGO Work Flow

1 Peer Accountability Through Team-Based Incentives at Oakwood Healthcare Foundation

Annual donor survey includes question about donor loyalty



Track donor loyalty and donor retention metrics year-over-year



MGOs incented on annual team goals for donor loyalty, retention targets

2 Automated Reminders for Engagement Activities at Cincinnati Children's

"Stewardship action track" initiated in Raiser's Edge for every major gift



Six months after gift, automatic flag on MGO's dashboard to remind them to prepare impact report



MGO collaborates with communications director, stewardship writer to create impact report

1) Survey participants were asked "Are you held accountable for individual performance goals in the follow areas?" and allowed to check all metrics that apply. Other metrics included contacts (57%), proposals submitted (57%), portfolio size (20%), and conversation rate (10%).

Source: Philanthropy Leadership Council MGO Competency Study, 2014; Cincinnati Children's Hospital Medical Center, Cincinnati, OH; Oakwood Foundation, Dearborn, MI; Philanthropy Leadership Council interviews and analysis.



Build Compelling Business Cases

- Practice 4: Investor Communication Translator
- Practice 5: Philanthropy Mini Business Plan

Finding the Middle Ground for Business Planning

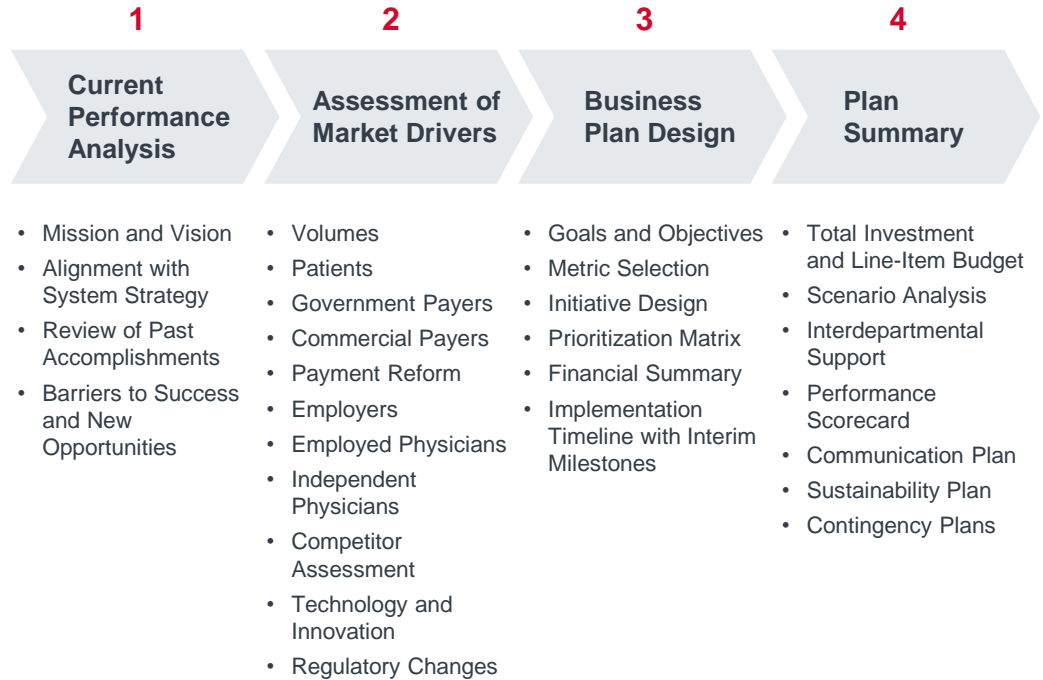
Creating business plans for funding priorities may elicit anxiety and unease among development staff—most people envision the process presented here.

While traditional business planning requires significant time and resources, most donor investors do not need this level of detail.

Development-generated business plans can be very effective without deep financial analysis.

The primary goal of “mini business plans” for philanthropy is to set and manage donor expectations for impact. These plans go beyond the traditional gift agreement by adding components that reflect progression on service line strategy, clearly define metrics and timelines, and profile basic budget categories—without requiring the rigor behind corporate-level pro formas.

Downsizing the Corporate Business Plan Standards



Moderate Due Diligence Attracts Donor Investors



Source: *Strategic Plan Template*, Marketing and Planning Leadership Council, available at www.advisory.com/research/marketing-and-planning-leadership-council/tools/2012/strategic-plan-template; Philanthropy Leadership Council analysis.

Development staff cannot solely rely on existing capital proposals and health system business plans to create donor-facing documents.

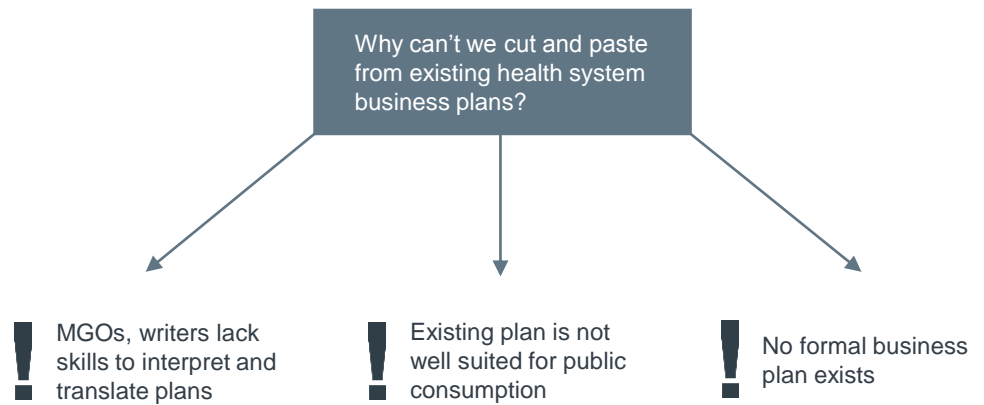
First, interpreting business plans falls outside the skill set of many fundraising staff.

Additionally, most hospital business plans are not designed for public consumption. They are either written for a health care audience—not out-of-industry professionals—or they are overly optimistic in ROI projections when competing for capital. Conservative estimates are better suited for donor audiences.

Finally, formal business plans may not exist for all projects.

Using Business Plans Not as Easy as ‘Cut and Paste’

Primary Reasons Capital Allocation Proposals Fail to Meet Our Needs



Development teams must fend for themselves in this unfamiliar territory—either by helping current staff to create their own business plans or by hiring new staff with the right skill set.

The remainder of this section will provide more practices and resources for the “build” option.

For more details on the “buy” option, please access our study *Integrating Philanthropy into Health System Business Planning*, available at advisory.com.

Development Teams Must ‘Build’ or ‘Buy’ Skill Set

‘Build’ Option:

Tools and Resources Ready for Development Staff



- Abbreviated RFP to vet proposals
- Project sponsor conversation guide to gather important details for case
- Business plan template and sample
- Lessons in the *Fundraiser Virtual Academy* on case making¹



Access these resources at: advisory.com/plc/donorinvestormandate

‘Buy’ Option:

Philanthropy-Funded Business Analyst



- Senior business planning analyst has finance and operations knowledge to develop pro formas for funding priorities
- FTE reports to the director of business planning and is assigned to philanthropy to support its business plan creation process.

1) For more information about the Fundraiser Virtual Academy, please see advisory.com/fva.

Source: Philanthropy Leadership Council, *Integrating Philanthropy into Business Planning*, Washington, DC: The Advisory Board Company, 2014; Philanthropy Leadership Council interviews and analysis.

Practice 4: Investor Communication Translator

To build business plans, development staff must first better understand effective investor language to frame proposals in a more appealing light for donor investors.

Plans should minimize the use of medical and hospital industry jargon and focus instead on terms that convey clinical and financial outcomes, as well as competitive advantages that the funding priority will deliver for the institution.

This table provides a starter set of terms and phrases to convey the value of a given priority to a potential investor.

This type of language is particularly appropriate for the subset of donor investors drawn to seed funding opportunities that pose high risk and high reward.

Convert the Medical Case to Investor Language

Original “Program Overview”

“We will offer an **evidence-based, multi-disciplinary continuum of care** and support that extends from diagnosis and counseling through treatment and follow-up. With a foundation of **evidence-based medicine** and a mind-set to offer **value-based care**, our team is committed to optimizing outcomes for our patients and optimizing the experience for our families.”

Revised “Value Statement” in Investor Terms

“We will be the established **market leader**, offering the only **one-stop, cross-specialty, team-based** approach to diagnosis, counseling, treatment, and follow-up for a **full service patient experience**. Our care protocols match **national best practices**, resulting in the **highest quality care and best financial value**.”

Better Communicate Value Using Their Terms

Value Category	Sample Terms and Phrases for Donor Investors
Innovation	Academic and translational research leader, innovation incubator, technology pioneer, automation, analytics
Competitive Advantage	Attract top talent, impact patient loyalty, improve access to care, promote physician referral business, provide one-stop service
Clinical Outcomes	Reduce costly admissions, higher survival or success rate, lower death rate, cut treatment errors, provide priority service
Growth	Strategically aligned, gain market share, market leader, vertically or horizontally integrated
Financial Performance	Sustainable business, more profitable, lower costs, highly efficient, revenue-generating, reduced wait time
Recognition	National Baldrige Award, Chicago's Top Docs, 100 Top Hospitals, Magnet Nursing Recognition
Progress	Gap to goal, progress milestones, companion funding, new or additional investment
Community Value	Reach underserved communities, charity care, reduced ER use, taxpayer benefits, ensure follow-up services, improve public health

Source: Philanthropy Leadership Council interviews and analysis.

Practice 5: Philanthropy Mini Business Plan

Constructing a Concise Argument for Investment

In addition to conveying your case in investor language, also reduce the scope of traditional business plans to make them more digestible for donors and manageable for staff to execute. Building philanthropy mini business plans—and selecting those projects for which to build plans—breaks down into four major components, detailed and illustrated here.

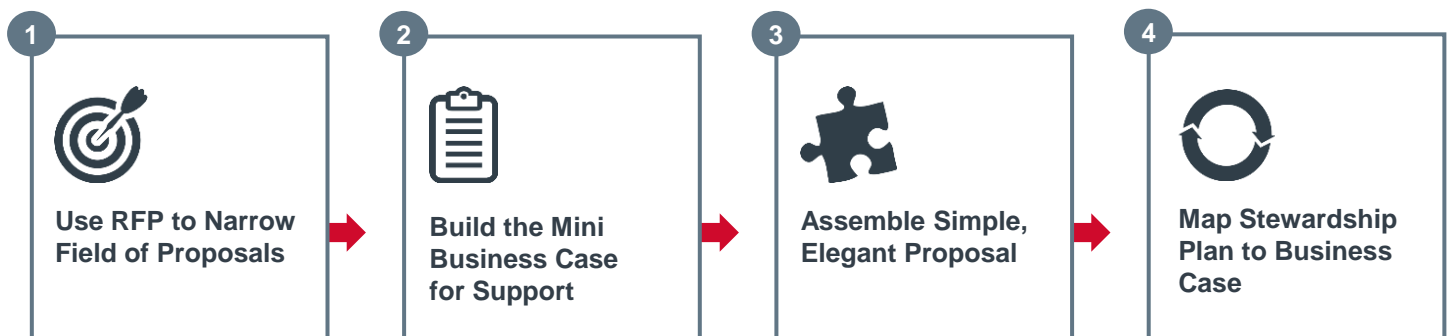
First, development staff should use an abbreviated request for proposal (RFP) to filter out less worthy proposals. In this screen, staff should ensure that funding initiatives align with health system strategic priorities and that there is a serious internal champion who will follow through with stewardship and impact reporting.

Next, staff should return to the project sponsor (i.e., the physician, service line leader, or other potential gift recipient responsible for the funding initiative) for additional information and to confirm impact metrics. The final business case should clearly demonstrate how a philanthropic investment will lead to the desired end-state, and project sponsors should be able to track and easily communicate impact metrics to donors.

After compiling the relevant pieces, development staff should assemble the proposal in a modular, slide-based format. Each slide should profile discrete components of the case proposal, such as a budget overview section or details on impact metrics. Taking this modular approach allows development staff to customize proposals for different prospects interested in the same funding priority. For example, they can include revenue projections for the donor who wants to know the project is financially sustainable, or remove that same slide for the donor who may be put off by indicators of hospital profitability.

Finally, development staff must establish an internal timeline for meaningful post-gift outreach. This plan can even be communicated to prospects upon solicitation to manage their expectations for stewardship and impact reporting.

Road Map to Communicate Business Case



Access our full set of ready-to-use resources at:
advisory.com/plc/donorinvestormandate

By employing this business plan creation process, development staff at St. John Providence Health System Foundations successfully accelerated reinvestments from an existing donor. The donor gave \$500K in 2012 for a combined fitness, spa, and education center for the orthopedics department, and within a year the investment already exceeded business and patient experience targets.

Development staff and service line leaders wanted to sustain and protect these market share gains by elevating St. John's appeal to surgeons through advanced technology. The staff crafted a business plan for the donor that communicated the business and clinical impact of her current investment alongside their new case for investment in advanced imaging technology that would preserve market share via improved physician satisfaction.

Just one week after seeing this combined impact report and business case proposal, the donor decided to reinvest.

Balance Desire for Detail with Ability to Execute

Elements of Advanced Orthopedic Imaging Plan at St. John Providence

Highlight Market Opportunity:

“Orthopedics is the only service line with double-digit projected inpatient and outpatient growth...”

Present High-Level Budget:

Brief description of technology applications in layman's terms and price for each item



Pinpoint Business Objective:

Sustain positive growth of rehab facility; create new appeal for surgeon satisfaction through advanced imaging technology

Project Impact on Target Population:

Minimally invasive techniques reduce post-surgical recovery times; patients experience less pain



\$500K

Donor's initial investment in gym, spa, and education center for orthopedics

\$1M

Donor's additional investment in orthopedic imaging technology



Case in Brief: St. John Providence Health System Foundations

- Two foundations and 26 FTEs support five-hospital, 2,000+ bed system in Michigan; raised \$13.6M in FY14 (cumulative across east and west regions)
- Mini business plan promoted benefit of new advanced imaging technologies as companion to Valade Gym, which was focused on elevating surgeon experience
- Also facilitated a cross-service line conversation, securing a \$4M investment in cardiology from same donor

Source: St. John Providence Health System Foundations, Detroit, MI; Philanthropy Leadership Council interviews and analysis.

Application for Larger or Multiyear Proposals

At NorthShore University HealthSystem Foundation, development staff applied similar steps to a larger, multiyear initiative. They outlined plans for a new cardiovascular institute that would bolster academic research and attract top talent from affiliated universities.

Without a formal business plan from the health system, development staff resourcefully drafted an ideal data set. They then parsed requests to most likely sources—such as securing budgetary information from the cardiovascular leaders—to fill in their desired components.

To help build their case, development staff included documentation of prior investments from other sources and by the health system itself. This information demonstrated that the cardiovascular institute was a health system strategic priority and distinguished philanthropy's specific impact.

Finally, development staff included how the institute's projected clinical impact would differ with and without philanthropic support.

This case proposal included several discrete funding opportunities. Development staff can use the final plan with multiple donors interested in the service area; they can also repurpose the template and creation process for other service line proposals with multiple funding priorities.

Service Line Plan Crosses Priorities and Donors

Steps to Secure Donor Investor Support for Cardiovascular Institute at NorthShore University HealthSystem Foundation

- 1 Translate Goals and Success Criteria:**
Use appealing language for donor investors, e.g., transform cardiovascular program from “good to great,” expand academic appeal, increase research output
- 2 Utilize Resources to Secure Core Data**
Assemble and vet data elements required to build financial and clinical case for expansion; parse requests to appropriate department leader
 -  Community needs assessment
 -  Marketing, finance, planning
 -  Quality department scorecard
 -  Academic and research divisions
- 3 Contextualize Investment**
Describe request relative to overall program strategy and other funding sources; investment accelerates elevated institute-level program growth
- 4 Link Philanthropy to Program Success**
Forecast clinical volume, research capacity, and academic output with and without philanthropic support; visually show program sustainability, impact plan



Case in Brief: NorthShore University HealthSystem Foundation

- 23-FTE foundation serving four-hospital integrated health care delivery system with academic affiliation in Evanston, Illinois; raised \$15.2M in FY13
- Proactively developed cardiovascular institute philanthropic “business plan” proposal at behest of physician leader who personally knew the donor
- Circulated bulleted checklist of information needed for proposal mapped to best source for information

Plan for Stewardship

Interim Milestones Marry Stewardship and Cultivation

As the final stage of creating philanthropy mini business plans for donors, development staff must proactively plan for stewardship. Donor investors seek a clearly outlined timeline with impact milestones and progress updates. Development staff should also create an internal work plan to achieve this demand.

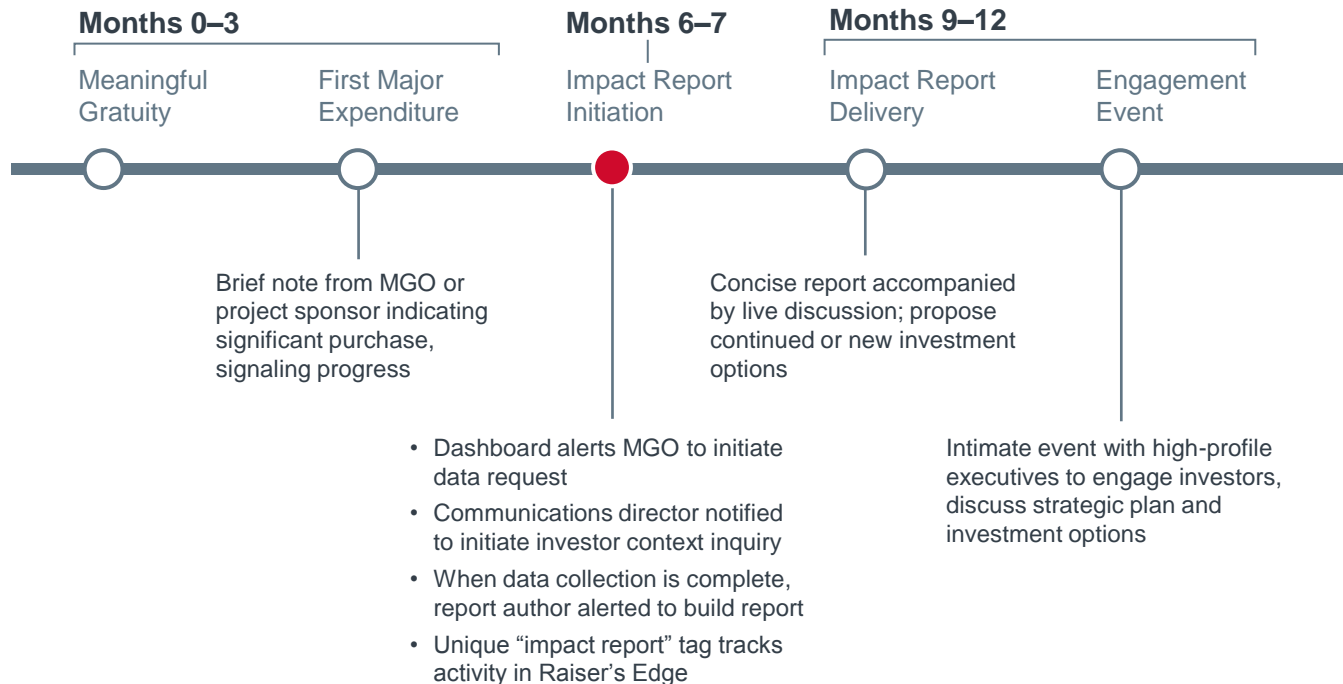
This timeline illustrates how development staff at Cincinnati Children’s Hospital Medical Center—led by their stewardship director, featured in Practice 2—map their stewardship plans to the business case. Upon gift receipt, they communicate the stewardship plan to donors so that staff are held accountable and donors have realistic expectations.

Within the first three months, they inform the donors about some significant use of their investment so far, demonstrating that the hospital is utilizing their gifts.

After six months, an automatic process in their fundraising database notifies relevant MGOs and the stewardship team to begin creating impact reports. This allows for ample time to collect impact information from physicians and hospital administrators. MGOs deliver final impact reports to donors upon the one-year anniversary of their gifts.

Beyond the one-year mark, development staff continue to engage donors in meaningful ways, focusing on their investment, its impact, and new funding initiatives in the same discipline. At Cincinnati Children’s, they opt for small-group donor appreciation events with high-profile leaders and other donors.

Stewardship activities naturally merge into cultivating donors for their next investments.



Source: Cincinnati Children’s Hospital Medical Center, Cincinnati, OH; Philanthropy Leadership Council interviews and analysis.



Scale Data Capture and Impact Reports

- Practice 6: Fund Use Tracker
- Practice 7: Priority Report Template
- Practice 8: Impact Information Worksheet

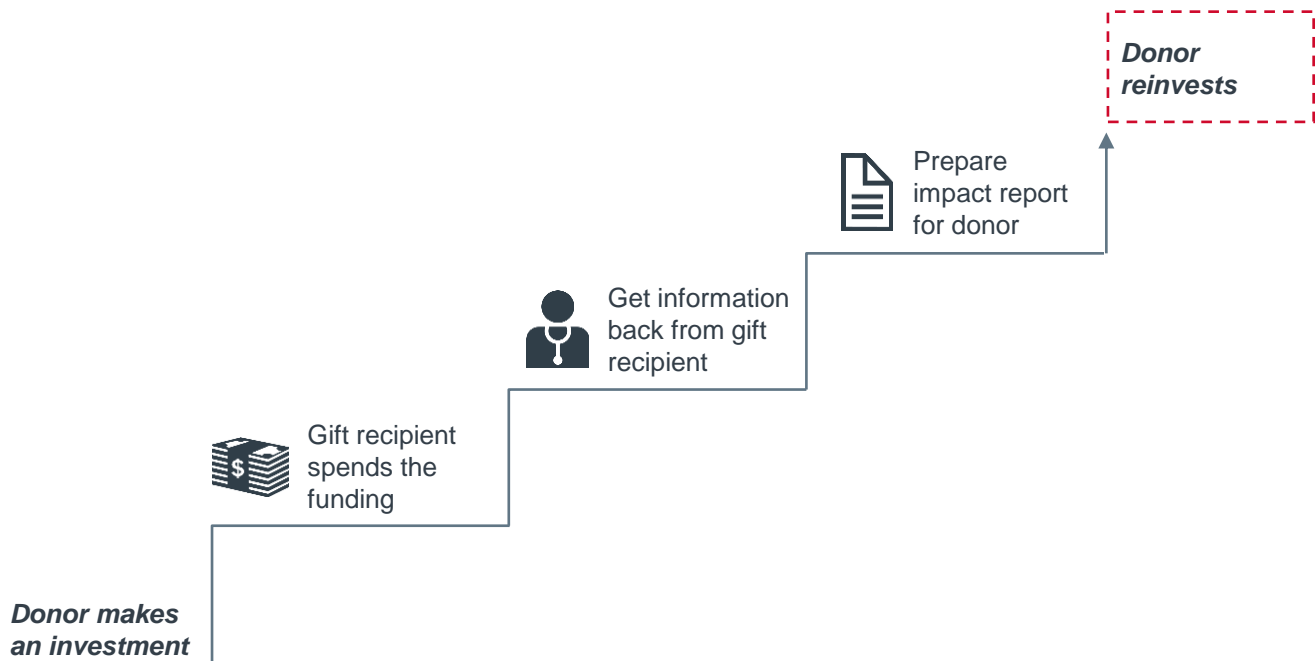
A Reinvestment Path for Donors

Delivering on Promises from Case Proposals

Effective mini business plans for funding priorities create more compelling compacts with donors. On the other end of that compact, donors expect to know how the institution uses their philanthropy dollars to drive positive impact. Only then will donor investors give again.

Development staff must meet three requirements to secure continued investments. First, the institution must spend the money as intended by the donor and in a timely manner—failure to use a donor’s investment makes requesting a reinvestment a non-starter. Development staff must then secure impact data and information from physicians, service line leaders, or other internal parties. Finally, development staff must efficiently prepare and deliver to donors impact reports that communicate the value of their investments.

Three Steps to Donor Reinvestment



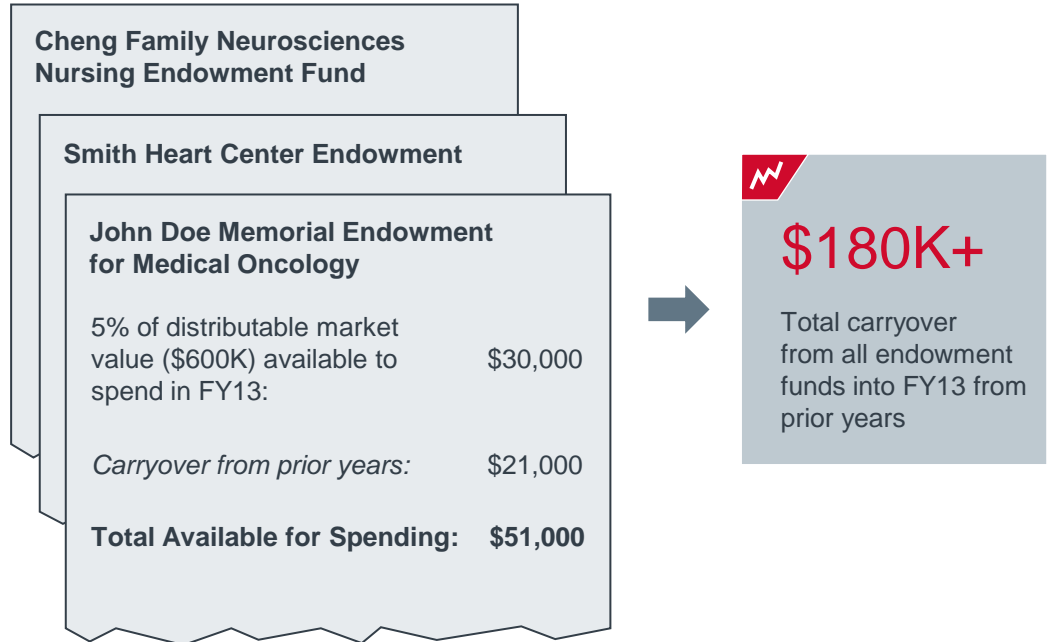
The following practices in this section will address these three requirements and provide ready-to-use resources for implementation.

Practice 6: Fund Use Tracker

Critical to engaging the donor investor is ensuring their investment is actually used. Unfortunately, many development leaders have faced the unpleasant reality of philanthropy funds not being spent. Most donor investors would prefer to withhold pledge payments rather than have their money unused in low-value hospital fund accounts.

Service line leaders and fund managers often fail to spend philanthropy dollars because they do not know about available funding or how to access it. For example, as indicated at right, Martin Health Foundation staff faced unused endowment funds year-after-year.

Impossible to Steward If Funds Never Used



As an organization on their Lean journey, Martin Health Foundation's director of development led a multidisciplinary team involving partners from finance, marketing, materials management, nursing, and development to address the issue of non-utilization of philanthropy dollars.

They created a streamlined system that they are currently piloting for fund managers to view and request available funding on the institution's intranet. This database outlines all current funds, their intent and any restrictions, and the available balance.

Getting Everyone on the Same (Web) Page

Excerpt of Available Funds Database at Martin Health Foundation

Fund Name	Fund Purpose	Restriction	Available Balance	Activity Code	Fund Boss
Breast Health Navigator Program Fund	To support breast cancer research and care	Breast Health Navigator	\$7,499	1REI60	Cancer center administrator
Smith Endowment Fund	To be used for construction and general operation of cancer center	Cancer Center	\$31,288	1REI65	Chief Nursing Officer
Social Work Fund	To help cover non-medical care expenses to alleviate financial burden that a cancer diagnosis can bring	Cancer Center and Social Services	\$37,579	1REI53	Cancer center administrator

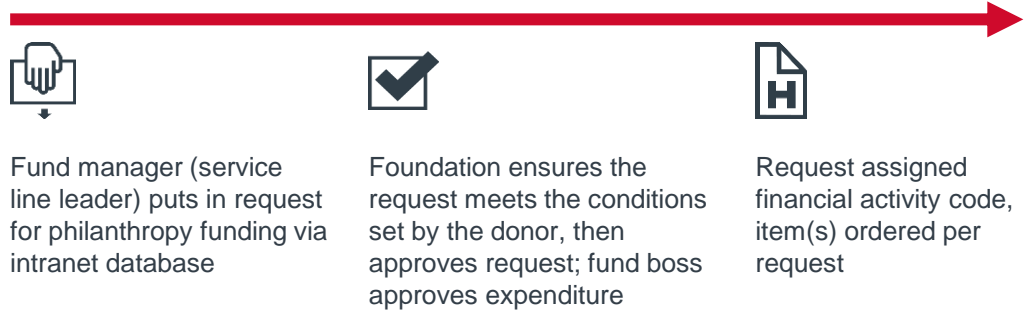
Source: Martin Health Foundation, Stuart, FL; Philanthropy Leadership Council interviews and analysis.

This level of transparency simplifies the fund request process for service line leaders. They can access philanthropy dollars faster and more easily, which also ensures fundraisers can obtain impact data and stories to report back to donors.

Every fund account has a specific finance activity code. With these activity codes, finance and development staff can track any request, transaction, and purchase related to a given fund. Development staff can easily learn how much money was spent and on what it was spent, without needing to directly request information from the service line leader, fund manager, or physician. Development staff can also return to those actually using the funds to request additional impact details for donor-facing reports.

Finance Code Increases Transparency into Fund Use

Fund Request Process at Martin Health Foundation



Projected Benefits

- Ensures that fund managers use available philanthropy funds
- Clear trails for finance, MGOs to know what is spent in each fund
- MGOs know how and where philanthropy dollars are spent without having to directly ask fund managers
- MGOs able to return to service line leader or other project sponsor to request additional impact data and stories
- Standardized process for fund managers to request philanthropy funding
- Builds culture of philanthropy across the health system



Case in Brief: Martin Health Foundation

- 13-FTE foundation supporting Martin Health System, a three-hospital community health system based in Stuart, Florida; raised \$15M in FY13
- All philanthropy requests and spending within an individual fund are now tracked with financial activity code; enables MGOs to prepare impact reports for donors
- Involvement included all stakeholders along the process continuum, thereby improving interdepartmental communication and promoting a broader culture of philanthropy
- Currently piloting this new process; plan to make future adjustments as necessary

Source: Martin Health Foundation, Stuart, FL; Philanthropy Leadership Council interviews and analysis.

Tracking and promoting fund use is also possible without building an intranet database. All development shops—especially those with more limited resources—should consider the essential components of a fund use tracker outlined here.

First, work with the finance department to assign every fund account its own activity code tied to spending and fund utilization.

Development staff can generate a list of available funds in Excel or Word to send regularly to service line leaders and fund managers, instead of maintaining an online database.

Finally, regular service line rounds in which development staff connect with clinical and administrative leaders promote fund use. Development staff can even brainstorm in the moment with fund managers about how to use available funds for current projects.

Track Funds to Ensure Philanthropy Dollars Spent

Replicable Components of Fund Use Tracker

1



Assign Every Fund a Finance Tracking Code

- Collaborate with finance department to ensure that every transaction within a fund is tied to the same activity code

2



Create List of Funds, Restrictions

- List out all available funds, restrictions
- May deliver to service line leaders (or other primary users of philanthropy funding) on monthly or quarterly basis

3



Round on Service Lines

- Educate on currently available funds, map staff projects to available funds
- Requires approximately one hour per week of development staff's time (e.g., CDO, director, MGO)

Practice 7: Priority Report Template

The standard approach to impact reporting for major donors typically involves overly customized and highly time-intensive reports. On the other hand, highly generic and long annual reports hold little value for donor investors because they lack specificity and rigor.

Development staff must find the middle ground between highly customized reports and general institution reports by taking a “mass-customized” approach to impact reporting. They can aim for the level of customization and details that major donors want, but in an efficient and time-sensitive manner.

To achieve this balance, development staff should create priority-focused reports. Top major donors may dictate for which funding priorities development staff create reports, but the final reports are still focused on the *priorities* rather than the individual donors. This enables development staff to zero in on granular impact data while producing a document that can be shared with multiple donors.

To increase efficiency further, fundraisers should also build these reports from a common template. Access the template at advisory.com.

Find Middle Ground Between Customization, Efficiency

The New Normal for Impact Reporting

Highly Customized Reports

- Development staff re-create the wheel for every major donor who wants an impact report
- Unsustainable customization with rise of donor investor; need a more efficient process

General Institution Report

- Large, all-encompassing annual reports provide little value, meaning to donor investors
- Producing only one report saves time, but donor investors want more customized impact reporting than this provides

Donor Reports



Institution Reports

MASS-CUSTOMIZATION
approach to impact reporting via
priority-focused reports

Steps to Creating Priority Report for Donors’ Investments



Clarify Goals of Report

Report communicates impact of philanthropy and sets the stage for reinvestments



Standardize Template

Development staff create priority reports using common template



Customize for Individual Major Donors

MGOs make minor revisions to priority reports for delivery to individual major donors



Download the priority report template at:
advisory.com/plc/donorinvestormandate

Fundraisers know how to best position a case to donors, and they should take that same mentality to “sell” impact to donors with the goal of setting up a case for reinvestment. Remember that impact reporting is not exclusive to stewardship but is actually key to cultivating donors for their next gifts. While impact reports may not always include a direct ask, they should incorporate future opportunities and challenges within the funding area to lay the groundwork for a reinvestment conversation.

Even when using a standard template, reports may require some customization for individual major donors.

At Cincinnati Children’s, the stewardship team drafts reports and then solicits information from MGOs to get a better idea of each major donor’s investment motives. The complete list of questions that MGOs answer is presented [here](#).

Incorporating these details creates more personalized reports despite being built on a template.

Don’t Just Tell the Impact—‘Sell’ It



Goal: Lay the Seeds for Future Investments

- Make the case that the donor has made a worthy investment thus far
- Incorporate lessons, challenges, and future opportunities for the funding priority to prime investors for reinvestment conversations



Goal: Don’t Bury the Lead

- Start by clearly outlining philanthropy’s impact to capture the investor’s attention
- Don’t hesitate to be up-front with the “ask”, if appropriate



Goal: Map Back to Case Making Priorities

- Reflect the program objectives and investor expectations that were established during the initial solicitation
- Reflect actual progress versus expected progress and explain any discrepancies

Customize Reports as Necessary for Tone, Details

Donor-Intel Capture Worksheet at Cincinnati Children’s

MGOs: Answering these questions will help frame the tone of the report.

1. What was the donor’s motivation for making this gift?
2. What would the donor most like to hear in this report?
3. Are there any sensitive issues related to this gift? Topics that should be AVOIDED or concerns that MUST be addressed in this impact report?
4. Do you know what the focus of the next ask will be (amount to be determined based on ongoing conversations with the donor)?
5. Is there anything else we should know regarding this gift or relationship?



Hardwire answers to these questions in your fundraising database to maintain institutional knowledge about donors.

Practice 8: Impact Information Worksheet

Populating impact report templates relies on physicians sharing impact data and stories with fundraisers—a step that challenges many development officers. Physicians or other gift recipients may lack motivation to report back on impact because they have no apparent self-interest in stewardship, or they have unclear expectations about what development needs from them, and when.

As with impact reporting itself, simplifying and standardizing the process for gift recipients will result in more targeted, valuable input for fundraisers. Fundraisers can outline exactly which metrics and data points they need and distill them into a simple worksheet.

After sharing the final impact report with donors and securing reinvestments, fundraisers can strengthen their relations with the fund users by circling back to them. Showing them how impact reporting can lead to increased funding, which positively impacts physicians' own practices and research, gives them self-interest in stewardship. Effectively stewarding internal allies will make impact reporting easier in the long run, while promoting internal awareness and appreciation for philanthropy.

Worksheets Simplify, Standardize the Process for Gift Recipients

Impact Information Worksheet

1. What is your progress on the milestones and/or outcome metrics agreed upon initial receipt of philanthropy funding? (Please see attached list.)

Write answer here.

2. How are you tracking towards desired outcomes of this funding priority?

- On track
- Ahead of schedule
- Behind schedule

3. Of the philanthropy dollars raised for this priority, what were your top three purchases?

Write answer here.

4. Do you have an example of a patient story that has directly benefited or will benefit from this funding? Please also share and attach any photos, quotes, or other anecdotes about this patient and/or family, as appropriate.



Key Considerations

- Share this worksheet with gift recipients upon gift solicitation to set expectations of what they should track and report back on
- Development staff should pre-populate worksheet with specific metrics, milestones for which to ask; refer to case proposal
- Request patient stories, photos, and charts to add color to impact communications
- Ask for more information about future opportunities and challenges to set up reinvestment conversation
- Provide gift recipients sufficient time, prompting to complete worksheets
- Share worksheet via email or use in a live conversation with gift recipient



Download the ready-to-use, customizable worksheet at:
advisory.com/plc/donorinvestormandate

Source: Cincinnati Children's Hospital Medical Center, Cincinnati, OH; Philanthropy Leadership Council interviews and analysis.

If gift recipients still fail to report back on impact, development leaders may consider making funding conditional on impact reporting. At Northwestern Memorial Foundation, physician researchers receive 80% of their allocated money up-front. Remaining funds are conditional on receiving a one-year impact report on how the researcher spent the money, early research findings, and additional funding secured from external grant resources.

This tactic applies only to donor-directed research projects—but physicians receiving other philanthropy funding have also become more amenable to the impact reporting process.

Withhold Funds as a Final Fail-Safe

Conditional Funding Process for Competitive Research Grants

- Physician applies for research grant funded by philanthropy
- Receives 80% of philanthropy funding up-front
- Provides preliminary impact report after one year
- Receives 100% of funding; impact information used for donor-facing stewardship report

100%

compliance from physician researchers completing impact reports



Case in Brief: Northwestern Memorial Foundation

- 35-FTE foundation supporting 848-bed academic medical center hospital and 1,049-bed community hospital in Chicago, Illinois; raised \$42.2M in FY13
- Foundation gives physician researchers 80% of their allocated money up-front; remaining funds conditional on preliminary impact report
- Conditional funding applies to 10% of philanthropy funds that go toward donor-directed competitive research grants

Another tactic to secure impact information is to approach “alternative completers” in the targeted service area.

At GBMC Foundation, development staff send an initial email to the primary gift recipient requesting data for an impact report. If there is no response, they follow up with an alternative completer who has similar access to data and knows patient stories, while still keeping the primary gift recipient in the loop.

After finishing the report with the alternative completer’s help, development staff email the report to the primary gift recipient, at which point he or she easily reviews it and makes final edits.

Seek Alternate Access Points to Impact Information

Potential ‘Alternative Completers’



- Nurses
- Administrative assistants
- Case/care managers
- Budget managers
- Program coordinators
- Other caregivers



Case in Brief: GBMC Foundation

- 8-FTE foundation supporting GBMC HealthCare, including 255-bed hospital in Baltimore, Maryland; raised \$10.3M in FY13
- To create impact reports, director of major gifts reaches out to “alternative completers” who have the same access to information and patient stories as the primary gift recipient

Source: Northwestern Memorial Foundation, Chicago, IL; GBMC Foundation, Baltimore, MD; Philanthropy Leadership Council interviews and analysis.



Activate Donors and Volunteers

- Practice 9: Board Member IDPs
- Practice 10: Hot Topic Workshops
- Practice 11: Donor Investor Volunteer Channels

Considering Your Other Front Line: Board Members

In addition to building the internal infrastructure for more scalable business planning and impact reporting, development leaders must also prepare board members and volunteers for donor investor engagement.

Board members are perfectly positioned to connect with donor investors—they typically have status in the community and share a business-oriented mindset. However, the onus lies with development staff to manage volunteers and their understanding of their development role as conduits to the community. Many board members may also lack confidence to engage other donors in investment-focused conversations, and development staff must empower them.

Additionally, development leaders should assess current volunteer opportunities for their appeal to donor investors. These donors seek experiences where they volunteer their skills and expertise, in addition to giving financial support.

Reset Volunteer Focus on Engaging Donor Investors

1

Prepare Volunteers for Donor Investor Interactions

- ✓ Do volunteers understand their roles and expectations in working with donor investors?
- ✓ Are volunteers ready for investment-focused conversations with peers and prospects?

2

Provide Meaningful Volunteer Opportunities for Donor Investors

- ✓ Do you have structured and manageable volunteer opportunities that appeal to common expertise and skill sets of donor investors?



For more resources on board and volunteer management, please see our study *Re-Envisioning the Alliance*, available at: advisory.com.

Practice 9: Board Member IDPs

Recognizing the potential benefits of improving communication with the board, the CDO at Children’s Hospital of Philadelphia implemented individual development plans (IDPs) for each board member.

The CDO and board members have annual one-on-one meetings to create IDPs, outlining annual giving plans, events to support and attend, and prospects to refer. IDPs assist in the professional growth of board members and explicitly state how they will facilitate fundraising endeavors.

The CDO designed IDPs to be forward-looking, focusing on how individual board members will contribute to development’s forthcoming efforts, rather than serving as a punitive “report card” for their past activities. Furthermore, IDPs effectively serve as a go-to work plan for development staff to best support board members.

In the first year using board IDPs, the CDO has seen early anecdotal and qualitative gains, such as a more energized board, increased board giving, and higher-quality prospect referrals.

Rightsize Expectations with Board Members

Go-To Work Plan for the Year

Status of Current Pledge/Gift: Enrolled 2013

2014 Giving Plans: \$15,000 to oncology

Special Event Attendance/Support:

Parkway Run Buddy Walk

Carousel Ball Holiday Boutique

Prospect Names for Referral

1. Kate Kesh 3. Cody Christ

2. Andrew James 4. Shadia Fitzsimmons

Host Cultivation Event? Yes No



AVP of Development meets with board member to review invitation list for cultivation event at her country club



AVP of Development drafts email template for board member to invite peers, colleagues to event



Development coordinator sends board member the sponsorship package for event she promised to attend



Improving Board Engagement

“I think as a whole, we have seen our board members become much more energized. They really appreciate having the conversation because then there are no misunderstandings or expectations that are not accurate. And there is no guessing from my part.”

*Stuart Sullivan, CDO
Children’s Hospital of Philadelphia*



Case in Brief: Children’s Hospital of Philadelphia

- 70-FTE development office supports a 513-bed children’s hospital located in Philadelphia, Pennsylvania; raised \$130M in FY13
- CHOP also provides inpatient and outpatient services in a network of 55 locations in Philadelphia and New Jersey
- CDO implemented board member individual development plan (IDP) practice in 2013 to better manage board and staff’s expectations of what board members would contribute both financially and non-financially throughout the year
- Board minimum giving requirement is \$10K per year

Source: Children’s Hospital of Philadelphia, Philadelphia, PA; Philanthropy Leadership Council interviews and analysis.

Practice 10: Hot Topic Workshops

Board members must be prepared to speak with donor investors. Unfortunately, all too often, they are not. Their peers and colleagues ask difficult questions about health care—for example, why the hospital needs philanthropy if their medical bills are costly—that the board members are not equipped to answer.

Addressing their board's concerns, development staff at GBMC Foundation created education sessions on "hot topic" health care issues, such as health care finances—a top educational priority identified by their board—or why physicians choose to work at GBMC.

While education sessions are common practice for many foundations and development offices, they are worth reevaluation to ensure they fulfill the donor investor mandate.

All sessions should connect back to the role of philanthropy at the institution (e.g., why philanthropy is still relevant given hospital costs). This perspective provides board members with a framework to initiate the case for a philanthropic investment with peers and prospective donors.

Additionally, select topics that your board members specifically request and that are common concerns or interests of donor investors in your local market.

Prepare Board Members for Donor Investor Conversations

Sample Agenda from GBMC HealthCare

Health Care Finances at GBMC HealthCare

Financial analysis of revenue, expenses, and reimbursement for GBMC

November, 27, 2012, 8-9:30a.m.

Featuring: Executive Vice President and CFO

The business of medicine is complex. Consider the challenges of managing resource allocation, uncertain patient volumes, and varying patient needs combined with the need to have modern facilities and the latest equipment—all while adhering to strict safety and government regulations.

In this revealing discussion, our CFO will address the costs and complexities for GBMC HealthCare. We will learn about various aspects of GBMC operations, popular service lines, and how decisions to acquire new technology are analyzed.

The challenges of insurance reimbursement, the implication of providing care in Maryland, and financial challenges ahead in the changing healthcare environment will be shared to give you a unique perspective on the importance of raising philanthropic dollars to support GBMC.

Practice 11: Donor Investor Volunteer Channels

Donor investors have a deeper interest in non-financial involvement with nonprofits they support than traditional donors. They want to volunteer their time, skills, and expertise to further the mission of their chosen causes. Development teams have an opportunity to leverage donor investors in pro bono-like services at their hospitals.

Investors Desire Direct Involvement, Application of Skills



“[Social Venture Partners] has helped me go from unconnected to the [local] **community** and its challenges to [being] very **connected**. I especially have grown from how you have leveraged my **skills and expertise** for the greater group. Bravo!!”

*Social Venture Partners,
Donor and Volunteer*

“Next-gen major donors highly value volunteering... They want **close relationships** with organizations that allow them to “**see**” their impact... Most simply, these next-gen donors emphasize that giving alone is insufficient and perhaps ineffective.”

*#NEXTGENDONORS, April 2014
Johnson Center for Philanthropy and 21/64*

Opportunities and experiences that donor investors seek are already encompassed within current volunteer opportunities at hospitals and health systems.

Consider the existing volunteer structures outlined along the top of the table presented here. One checkmark indicates a volunteer opportunity that meets each demand of donor investors, and two checkmarks indicate an opportunity that exceeds each demand. A seat on the foundation board may be the best and most achievable option for engaging donor investors—but the other three activities may give volunteers a deeper, more focused experience in specific causes for which they are passionate.

Assess Volunteer Opportunities for Donor Investor Appeal

	Foundation Board	Service Line Advisory Council	Campaign Cabinet	Mini-Campaign Leader
Regular involvement with hospital and health system	✓✓	✓✓	✓	✓
Access to hospital executives, administrators	✓✓		✓✓	✓
Access to clinical leaders, experts	✓	✓✓	✓	✓✓
Participation in community of like-minded volunteers	✓	✓✓	✓	
Focused fundraising initiatives in service areas of great interest		✓✓	✓	✓✓
Opportunity to use professional talents and expertise (e.g., strategic planning, budget analysis, etc.)	✓	✓✓	✓	✓✓

Donor Investor Seeks...

Source: “SVP 2013 Report on Philanthropy Development Outcomes,” April 2014, <http://www.socialventurepartners.org/network-office/2014/04/21/2013-philanthropy-development-outcomes-report/>; “#NEXTGENDONORS: Respecting Legacy, Revolutionizing Philanthropy,” Johnson Center for Philanthropy and 21/64, updated July 2013, <http://www.nextgendonors.org/>; Philanthropy Leadership Council interviews and analysis.

Service line advisory councils provide the greatest depth for donor investors interested in specific causes, with the opportunity for more focused impact. For example, general board membership may not be the ideal outlet for a donor investor whose passion is finding a cure for breast cancer.

Advisory councils also provide direct exposure to clinical leaders and experts, feeding donor investors' desire for access and information.

Lending Time to Causes They Care About

Service Line Advisory Council¹

Overview:

Committee of major donors focused on fundraising for one service line

Appeal to Donor Investors:

- More focused impact on service area and cause of greatest interest to them
- Direct exposure to clinical leaders

Role of Council Members:

- Review, select, and advance fundraising priorities for service area
- Identify and help cultivate major gift prospects

Key Considerations for Effective Non-Board Groups



Source major donors with vested interest in service area, valuable skill set



Use IDPs to establish clear guidelines for volunteer's fundraising role



Educate volunteers on hot topics in health care

Development shops can also leverage these volunteers in new, creative ways. For example, one hospital foundation reported that an advisory council member volunteered to conduct pro forma modeling for an upcoming funding proposal.

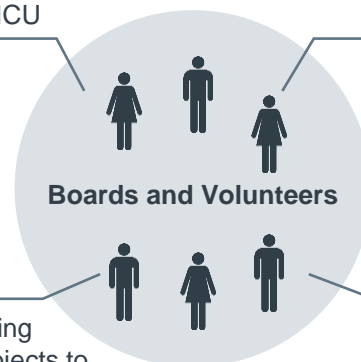
Other institutions found that engaging donor investors this way reduced the need for rigorous impact reporting, because donors both trusted them and could personally witness the impact of their philanthropy. Strong investor volunteer channels can also drive increased and accelerated giving.

Capitalize on Investors' Skills, Expertise

New Universe of Donor Investor Volunteer Options

Donor researched market potential and technology assessment of new NICU

Donor offered to assist with pro forma modeling for donor-facing business case proposals



Donor involved in vetting oncology research projects to receiving philanthropy funding

Donor speaks at press releases upon grand opening of new regenerative medicine institution

1) Composite example.

Source: Philanthropy Leadership Council interviews and analysis.