



**ASSOCIATION FOR
HEALTHCARE
PHILANTHROPY™**

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Characteristics for Sustaining High Performance

*Regression Results
Benchmarking FY 2012*

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Prepared for AHP by:

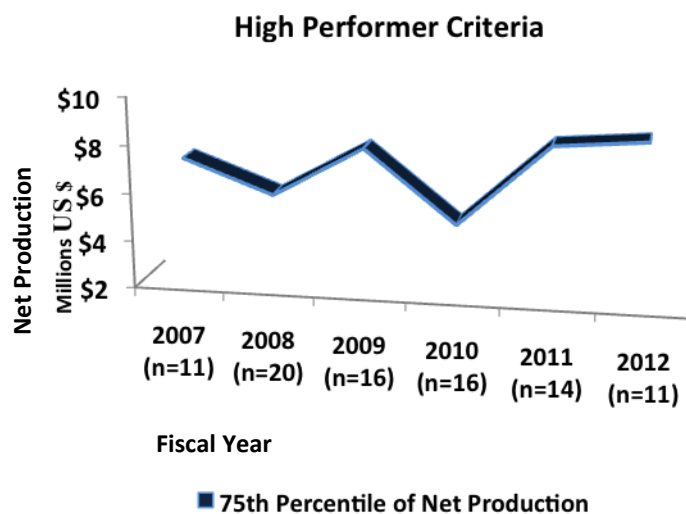
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Introduction

Over the years, AHP has focused on high performing organizations involved in the AHP Performance Benchmarking Service. These hospitals and health care systems have provided rich learning opportunities for their peers and the industry as a whole by completing an annual survey that collects detailed information on organizational performance including fundraising revenue, expenses, and details on specific fundraising programs and staff involvement. Their data also have served as a type of litmus test for the factors that have consistently been linked with stronger returns. The most notable factors being: fundraising investment (budgets), staffing levels, as well as staff compensation and tenure.

Every year AHP analyzes data submitted by those participating in the benchmarking service and defines high performance as those organizations that are in the 75th percentile for net production. For this paper, we examined organizations that consistently were in the 75th percentile within the last six years.

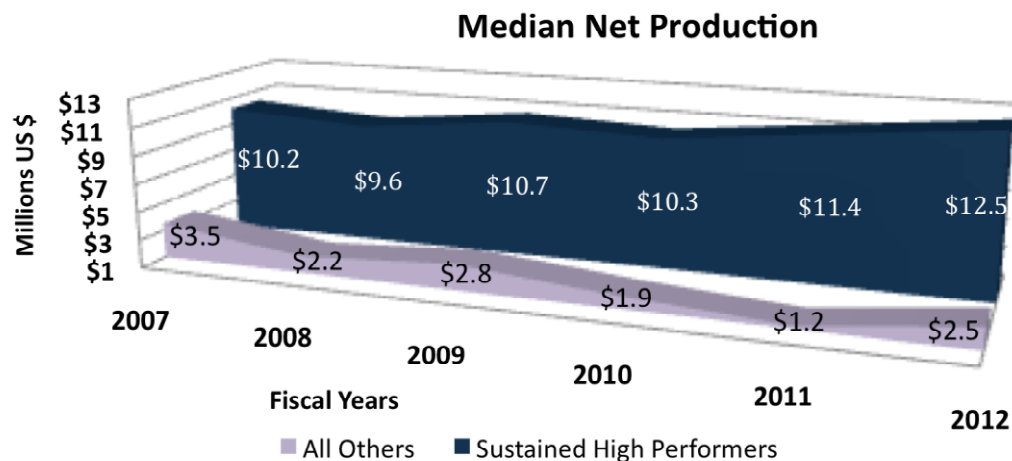
The following graph illustrates that an average of 14 organizations reportedly reached the 75th percentile placing them into the high performer category between the fiscal years of 2007 and 2012. Within that same timeframe, the average qualifying criteria was net production of \$7.2 million or above. Our data show that the qualifying criteria for high performance actually dropped in 2008 and again in 2010. This marked lower overall performance at both the beginning and initial recovery periods of the recession.



Source: AHP Performance Benchmarking Service

Annual analysis has revealed that high performance status can change from year to year. In fact, it has been somewhat unusual to observe the same organizations appearing in the high performer group. Factors related to market conditions, system/hospital initiatives and foundation changes (e.g., staffing, structuring and campaign) can dramatically drive net production returns up or down in any given year. At the same time, the qualifier of high performance has consistently ebbed and flowed along with the general state of the economy.

In spite of all of this, there were 12 organizations that weathered both natural and extreme market conditions between fiscal years 2007 and 2012. During the economic recession, they managed to endure (or avoid) challenges associated with donor attrition, budget and staffing cuts and other “fat trimming” exercises deemed necessary by hospital and system executives. In fact, these organizations were able to achieve high performer status for *three or more years* over the same six year time period.



Sustained High Performance

We refer to this group of 12 organizations as Sustained High Performers because of their ability to remain at the top in challenging times. As a group, their net production returns averaged \$10.8 million between 2007 and 2012. This level is four and a half times that of all others providing data during the same time period. The above chart provides a longitudinal glimpse at median returns from net production reported by Sustained High Performers compared with all others participating in the benchmarking service.

This paper is intended as a learning tool that comes from years of benchmarking analysis. It is devoted to an analysis and interpretation of factors that both propelled and kept these organizations at the top. We will explore statistical results through small sample measures, including segmented descriptive metrics and independent t-tests¹. We will zero

in on comparisons against other participants that submitted surveys over the same six year time period. But more importantly, we will delve into the qualitative factors provided by representatives from these organizations through a recent open-ended survey. We will hear directly from chief development officers about management practices, obstacles faced, tough decisions made and the strategies that these leaders used to maximize results in support of their missions.

Organizational Profile

But first, who are these organizations and is there anything in their inherent nature, or makeup, that drives high performance? Statistical t-test results indicate that Sustained High Performers are significantly larger than their counterparts in terms of bed size.² However, there is no statistical difference between Sustained High Performers and All

¹ T-tests compare means or averages of two or more groups. This test provides a look at sub-group differences and trends that are significantly more likely to be present in the wider population of health care foundations and not occurring by chance alone. For

the purpose of analysis, the error level for establishing statistical significance was set at $p \leq .05$, as is standard in survey research.

² Data from the most recent fiscal year indicate that Sustained High Performers average 792 beds compared to 447 reported by all others.

Others providing data on the measure of net operating revenue. The chart that follows provides a comprehensive overview of

organization, location and number of regions served, along with identity and leading specialty services offered.

| Sustained High Performer Name | Location | Regions Served | Identity/Specialties Offered | | | | | | |
|---|--------------------------|----------------|------------------------------|------------|-------|--------|---------|-----------|----------|
| | | | Academic/ Teaching | Children's | Heart | Cancer | System* | Community | Tertiary |
| Advocate Charitable Foundation | Downers Grove, IL | 6 | X | X | X | X | X | X | X |
| Anne Arundel Medical Center Foundation | Annapolis, MD | 1 | | X | X | X | X | X | X |
| Community Hospital Foundation | Monterrey, CA | 2 | | | X | X | | X | X |
| Moffitt Cancer Center Foundation | Tampa, FL | 5 | X | | | X | | | X |
| Hamilton Health Sciences Foundation | Ontario, Canada | 5 | X | X | X | X | X | X | X |
| Lehigh Valley Health Network | Allentown, PA | 1 | | X | X | X | X | X | X |
| Memorial Medical Center Foundation for the Support of Long Beach Memorial and Miller's Children's Hospital | Long Beach, CA | 2 | | X | X | X | X | X | X |
| Meridian Health Affiliated Foundations | Neptune, NJ | 2 | X | X | X | X | X | X | X |
| Nanaimo & District Medical Foundation | British Columbia, Canada | 1 | | | X | X | X | X | X |
| Orlando Health Foundation | Orlando, FL | 6 | X | X | X | X | X | X | X |
| Sharp HealthCare Foundation | San Diego, CA | 1 | | | X | X | X | X | X |
| University Hospital Foundation | Alberta, Canada | 2 | X | | X | | X | X | X |

*Though organization may be reporting for a single entity on AHP's Benchmarking Survey, they are known to be members of larger health care systems or networks.

As we learned in previous years, size (measured through organizational net revenue or bed size) though relevant, is *not enough* to create or sustain

high performance. In fact, the hospital or system offerings, as well as the strength of the mission, seem to be a more influential part of the equation. In fact,

this year's AHP Report on Giving³ found a connection between high performance and academic, children's and tertiary (offering a full complement of services) hospitals, as well as those providing cancer specialties.

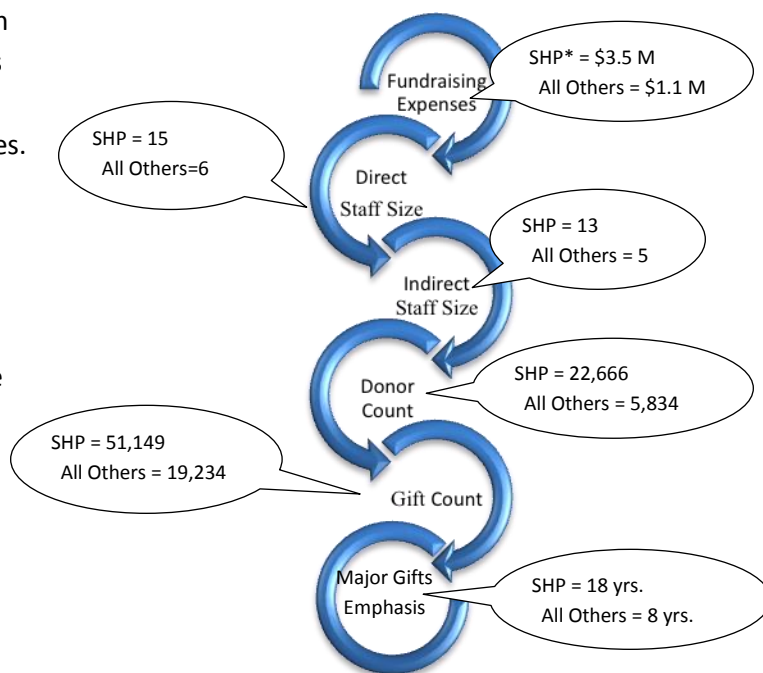
While this group of Sustained High Performers does contain a fair sampling of those, it also contains a diverse array of structures and types, including community hospitals. At the same time, the general benchmarking sample also contains a representative group of entities similar to organizations in this line-up. Therefore, we can conclude that type and offerings alone are not the sole determinants of sustained performance.

STATISTICAL RESULTS

Independent t-tests enabled researchers to pinpoint significant differences between Sustained High Performers and the other survey participants between the fiscal years of 2007 and 2012. Interestingly, the factors that were significant in 2007 remained relatively consistent from year to year. They also have been consistently represented in describing the High Performer Groups throughout each year of analysis.

The following graphic illustrates those enduring factors, along with the segmented averages reported by both groups in the most recent 2012 fiscal year.

These results show a repeat appearance of the most common causal factors including: fundraising expenses, direct staff size and indirect staff size. Interestingly, however, staff compensation and tenure



*Sustained High Performers

Note: Data provided above represent averages from most recent fiscal year

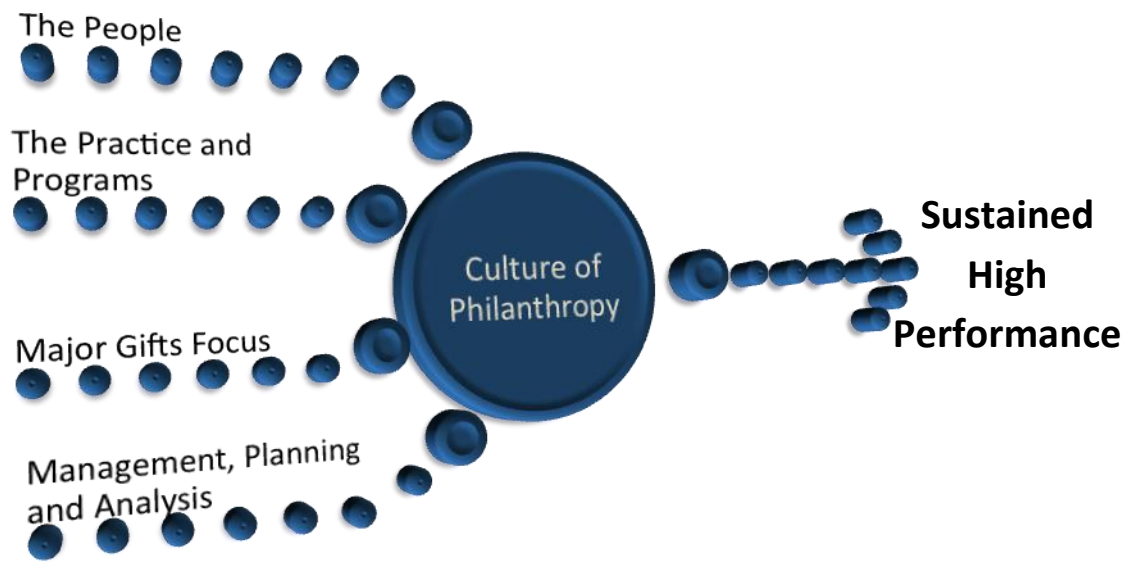
were not significantly different with this analysis. Instead, performance was underscored by both higher donor volume and number of gifts.

Drilling down into the data, differences in the average gift size was most notable in the major giving programs of these organizations.⁴ This is most likely due to a reportedly "long and strong" emphasis on adequate staffing in this area. In fact, several Sustained High Performers referred to their major gifts strategy as being the pinnacle of their mission and operations. The benefit of a major gifts focus is immediately measurable. Data show that continued investment⁵ in these programs yields superior returns that have withstood the test of time and a weak economy.

³ For more information on the AHP Report on Giving, visit www.ahp.org.

⁴ Current data show Sustained High Performers report average major gift sizes of more than twice the others reporting data (\$38,000 compared to \$15,000).

⁵ The most current data show average major gift program expenses for Sustained High Performers at \$907,000 compared to \$291,000 reported by the remaining participants.



QUALITATIVE SUMMARY

Our analysis indicates that there are questions and other contributing factors that lie beyond the limits of AHP's Benchmarking Survey. These questions compelled us to issue a qualitative survey to Sustained High Performers (Appendix A). The questions focused on what kept these organizations rising to the top, year after year, under poor economic conditions and changing criteria. The short answer lies in the organizing principals illustrated in the above graphic

Response trends show that the secret of perpetuating high performance is really no secret at all. In fact, results come from a lot of hard work, focus and a continued commitment to efficiency.

In essence, sustained performance follows a unified focus that emphasizes the team, best practices and a laser-like focus on major gifts. The methods used by a team who are working under sound management that has developed a solid strategic plan (an outlook of five years or longer, typically) creates effectiveness and efficiency.

Leaders emphasize the fact that solid guidance, informed by ongoing analysis of team performance, program outcomes and key constituents, leads to success.

As we will discuss, *both* adhering to a larger plan and maintaining flexibility are key. This is not always easy for large organizations, particularly those with centralized structures serving multiple foundations. Leaders, such as the representative from Lehigh Valley, tell us that doing so requires "*the right people*," with regular team meetings and well-defined communication protocols to "break down silos of information." Most importantly, good management also involves the chief development officer's ability to engage and enlist internal and external leaders, and other constituents, in the ongoing quest to elevate and establish philanthropy as a leading priority of the system or hospital.

The people. Though the budgets of these organizations rank well above those reported as a whole, we were told about resources that were essentially flat-lined during the recession. Several

members of the group including Anne Arundel, Nanaimo, and Lehigh Valley made comments like this one, “*we continue to operate on a very lean budget.*” But instead of staff cuts, most opted instead to get creative by enlisting and maximizing all available resources. In spite of widespread limitations, Sustained High Performers kept their eye on maintaining their team. Each one agreed that, for the money, the *right people* are by far the best return on investment. The tie between the size of the development staff and overall performance is well-documented through benchmarking analysis. However, Sustained High Performers are not focused on volume alone. Listed are the treasured “top ten” characteristics, commonly associated with a solid and high functioning development team:

1. Dedication to the mission
2. Knowledgeable about the work and priorities of the organization
3. Smart and good problem solvers
4. Team-oriented and committed collaborators
5. Donor centered, with focus on sustained relationships
6. Hardworking
7. Good communicators and networkers
8. Creative and resourceful
9. Analytical
10. Closers versus serial cultivators

The practices. We also heard that *how* the team operates is equally important to what they do. As mentioned, lean times have underscored the need to get creative with the use of resources. Solid leadership has increased both the efficiency and productivity of the team. A key part of this work has involved leveraging committed friends and supporters to aid in fundraising processes. Many of these organizations cited the enlistment of both volunteers and donors in helping to upload their donor focus and create efficiencies in historically expensive programs, including:

- Stewardship
- Donor relations
- Campaign assistance
- Special events management and sponsorship enlistment

Sustained High Performers told us that stewardship is a leading priority of a donor-centered organization. This is commonly an area where many organizations drop the ball due to staff shortages and a one-dimensional focus on securing larger gifts. Many of the Sustained High Performers proudly maintain strong community ties by enlisting volunteers and donors to conduct personal visits and telephone calls to thank, recognize, and inform *all* donors, regardless of their gift size. This has had the impact of enhancing engagement and maintaining donor relationships in times of financial turmoil.

Major gifts. Large-gift programming, including gifts from individuals, corporations, foundations and even government grants, is in the DNA of the Sustained High Performers. Sustained High Performers keep the pipeline full with a balanced blend of art and science. Namely, they focus on careful relationship development and utilize research; particularly, wealth screening, data mining, and predictive modeling to target continuous annual gift supporters. This approach helps fulfill the twin goals of increasing both gift volume and size.

A representative from Community Hospital Foundation explains, “Ours is a donor-centered, major gifts strategy...each development officer is assigned a certain number of visits per month. The production metrics I am most interested in relate to the number and quality of visits, not to dollars raised.” Like many of their peers, moves are monitored for their value in building key relationships where donors are fully educated and invested in the organization’s mission. It is a long-

term view that has been very effective since it carefully engages donors while, at the same time, avoiding short-term strategies that can keep fundraisers running to secure the next gift.

Of course, a major gifts focus does not mean that the other programs or their donors are neglected. We heard that sound program integration is the key to keeping the pipeline of prospective donors full for strong results year-after-year. In fact, several organizations credit strong team collaboration along with a well-rounded set of programs, starting with annual giving programming, for their prosperity. For Sharp, this includes “extensive direct response, e-philanthropy, and engagement of [internal] allies, including physicians, staff, and leadership,” to help promote philanthropy.

Working smarter to continually analyze and having the flexibility to react to the performance of various programs and initiatives also have been critical elements of a major gifts focus.

Representatives from Hamilton, Meridian and Lehigh Valley described this process of calculating the return on investment of each initiative to identify and stay with the most effective strategies. The latter describes the effect of ongoing analysis: “Some of our programs, like direct mail, have been significantly downsized. This has been replaced, almost in total, with a more effective telephone calling program.”

Management and planning. As mentioned, Sustained High Performers continue to research and evaluate, while maintaining flexibility to react and make changes based on their findings. This applies not only to programs, but also to team performance, identifying new giving initiatives and outsourcing historically costly and time consuming activities such as special events and direct mail. These efforts help them continually increase revenues while creating efficiencies at every turn.

In their own language, each partner shared the perspective of, *if it doesn't work – stop doing it.*

While it may seem contradictory, analysis and flexibility are clearly tied to a unifying vision shared by the organization. In fact, working under a common strategic plan with a 5 to 10 year horizon is the “glue” that keeps these organizations focused and going strong. *Everyone*, including foundation leadership and employees, organizational executives, physicians, nurses and staff at all levels, share a set of common goals. Active buy-in at all levels promotes the belief that philanthropy supports all current offerings and is at the heart of the organization's future. In difficult times, punctuated by notable decreases in government reimbursements, these organizations discovered that the work of the foundation has been elevated to center stage. New equipment, programs and facilities all became leading priorities of the organization through the work of philanthropy.

Most of the Sustained High Performers agree that total engagement of organizational executives has never been easier. For these organizations, this doesn't simply mean arguing for a bigger budget each year. In fact, foundation leaders commonly emphasize the mutually reinforcing relationships between philanthropy and the organization as a whole. This has included co-branding and fully integrated marketing and communications, as well as the dedication of all organizational resources to pursue larger government and foundation grants and contracts. The representative from Sharp summarized the organizational linkages to philanthropy in this way: “Philanthropy is a *fundamental* [emphasis added] component of Sharp's vision to continue to transform the health care experience in San Diego. Philanthropy is an investment strategy that leverages other investments such as operating income and borrowing, providing an optimal return for

donors—better health care...in good times, and in bad.”

Culture of philanthropy. Total engagement of internal and external constituents around the organizing principals of philanthropy has led to well-defined cultures for these organizations. Many agree that all of their careful planning and activities would be stalled without the environment of collaboration and support they enjoy at all levels. Internally, that also means the deep involvement of various boards, chief executive officers and their members of senior management. For example, at the Community Hospital Foundation, this means a “committed CEO who devotes as much as 15 to 20 percent of his time in support of our efforts.” To say this has been helpful would be an understatement!

Since this concept has been highly touted across the industry, the Sustained High Performers found it easier to describe the way a culture of philanthropy works “in action.” The leading earmarks of such a culture include:

1. The foundation’s commitment to continually educate and engage its various publics about the needs of the organization, the role of philanthropy and the part everyone plays in fueling the mission.
2. The importance of philanthropy is emphasized in all internal and external presentations, marketing, mass communications and branding efforts. Messages are present within waiting rooms, hallways and physicians’ offices.
3. Leadership “gets it!” High executive involvement in the fundraising planning and process. Executives both model giving and encourage organizational engagement.

4. Physicians, nurses and staff model giving and assist with grateful patient education and referral.
5. Organizational commitment to a comprehensive plan for philanthropy to help flatten the year-to-year variability of fundraising returns.
6. Community-level support for the health care organization toward a common goal of maintaining local, personalized and high quality health care.
7. Alignment of foundation activities toward a common goal of raising funds to support and advance the mission.
8. A donor-centered focus maintains the “right approach” for longer-term partnership and donor investment. It shares gratitude and maintains the information cycle, including the benefits and goals achieved through philanthropy.
9. High volunteer and donor engagement. Their roles are deepened as they begin to serve as stewards, networkers, and cultivators.
10. Foundation and corporate sponsor commitment (in lieu of one-time gifts) toward longer-term philanthropy goals.

Internal support paired with *external* engagement forms the foundation of a thriving culture of philanthropy. With a shared focus on “donors not the donation,” Sustained High Performers maintain genuine donor centeredness that permeates every aspect of their cultures. By letting their respective “missions lead the way,” as described by the representative from Moffitt Cancer Center Foundation, Sustained High Performers work hard to sustain the motivation to continue fueling support for the essential work in service to their communities.

Appendix A

AHP Sustained High Performer Survey

1. What is the name of your organization?
2. How do you allocate internal resources to optimize current returns (from net production), while planning for future returns?
3. How did you maintain high levels of fundraising investment (spending, staff, events, etc.) during troubled economic times?
4. What specific strategies do you use to attract the vital support of system/hospital executives to help bolster support for philanthropy?
5. What strategies have you employed to keep gift volume and average gift size consistently high across all of your individual fundraising programs?
6. What type of measures have you taken to build and integrate fundraising programs to increase giving levels (e.g., channeling annual fund donors into major and planned giving programs)?
7. How have you sustained the strength of your message and mission in the minds of all types of donors, even during challenging economic times?
8. What types of strategies do you employ to elevate giving and return on investment from all programs, including more challenging areas such as special events and government grants?
9. Please describe any other factors that may have contributed to your sustained success.

