

Partners in Philanthropy: The Hospital/Health System CEO and CDO

BY JANET CADY

Look behind the scenes of any significant capital campaign or in the hallways of a high-performing hospital foundation, and you will likely find the hospital or health system chief executive officer (CEO) in lock step with the foundation head or chief development officer (CDO).

We hope you will find valuable insights in this piece, whatever your role. If you're a chief executive officer at a hospital or in a health system, we encourage you to share this with your chief development officer and use it as a springboard for discussion on how you can together forge a successful partnership. And if you're a chief development officer, we encourage you to share this piece with your CEO. Its content—based on substantial real-time experience with top-performing hospital foundations—can be a useful backdrop to conversations about best practices involving both of you.

All high-performing CDOs know that their ability to grow gift revenue relies heavily on an institutional culture of philanthropy. This success depends on effective organizational dynamics, from a dedicated and generous board of trustees to a medical staff that collaborates regularly with foundation staff on grateful family fundraising. At the epicenter stands the CEO, whose grasp of philanthropic tenets and participation in the philanthropic process are essential to success. While this commitment to philanthropy has always been a valued best practice, such dedication is more important than ever in an environment of high turnover at the CDO level and intense competition for philanthropic support.

Too many stories are told these days of a CDO who lasts just a couple of years—or sadly even months—in their new role at a major healthcare institution or system. Much head scratching and wringing of hands follows, and sadly the situation sometimes repeats itself, perhaps multiple times. What's happening? And what's a CEO to do?

The Right Platform for Recruitment and Retention

First, it's imperative for CEOs and boards to recognize several critical factors in CDO recruitment and retention, including the following.

Supply for talent is woefully low. The growth of nonprofits and their development operations over the past 15 years has far outpaced the pipeline for CDOs, particularly candidates ready and able to lead larger and more sophisticated foundations in highly complex healthcare environments. And more recently, the COVID pandemic only intensified this situation, giving rise to The Great Resignation and a shift to teammates working remotely, sometimes in different geographic locations. As nonprofits reshuffled and reconfigured their workforces, desired skillsets changed and expanded, further impacting the talent pool.

Recruitment and retention of development talent is challenging at all levels and in all categories, exacerbated by increasing specialization, larger operations, and continued growth in staff size to meet revenue demands. This means even when the right CDO is in place, the time needed to build bandwidth for success can be longer than ever. Finding the right individual for the number two position, for example, can take as long as two years, time some organizations just don't have.

Setting expectations for a prospective CDO is critical. What is the current state of affairs in development? Is it a turnaround or maintenance situation? How fast is revenue growth expected, and at what level? Have the answers to these and other essential questions been answered and then communicated accurately to the candidates?

Conducting a national search is imperative and using an experienced and trusted search firm is a necessity—one that will facilitate



thoughtful institutional preparation, gather input from stakeholders, and carefully match the right candidates to the hospital and its needs.

Given the perils of finding the right CDO match for your institution, **combining independent outside fundraising counsel with the formal search process can be the secret ingredient that can help make the right hire.** Extra interviews from an outside expert, a national perspective on the market and what works, and insights into the matchmaking process based on client experience can all be greatly beneficial to the process.

The more donor-centered the development program, the higher the ROI from philanthropic revenue

Don't underestimate the complexities of your institution for a CDO. Effective CDOs are master networkers and relationship builders whose focus should be highly external—that is, meeting with prospective and current benefactors and trustees and representing the philanthropic needs and opportunities for the foundation/hospital in the community. Doing this while also nurturing inside connections with senior hospital leadership and medical staff is no small challenge. The balancing act between an internal hospital focus and an external donor focus can be a difficult one. The consummate CDO knows how to navigate complex institutional alignment (and internal politics) while keeping the external focus front and center.

Springboard for Success

Once the best CDO candidate has been hired, it is up to the CEO to ensure that everyone across the enterprise understands this person's role. As most hospitals/systems have foundation models, this means viewing the CDO as foundation president, first and foremost. This is not about status—it is about positioning for success. This role in turn opens high-level, C-suite doors externally, facilitating maximum exposure and access for the CDO. Internally, the foundation "president" is also better positioned to lead and collaborate with boards, senior hospital management, and medical staff leadership. The effective CDO must play these roles magnanimously and with enormous respect for the "powers that be," as well as be seen as a top decision-maker and sometimes change agent.

The internal leadership role can be seen best in the visioning and case-statement-building process. Basic as this is to successful annual and longer-term fundraising, case statements are the conundrum of many an institution that otherwise ranks high on the clinical and scientific charts.

Gathering input at the highest levels of the enterprise and synthesizing it for donor consumption is one of the most perplexing of development leadership endeavors. Outside counsel can help, and seasoned writers are an asset, but it falls to the CDO to inspire clinical and research leaders to brainstorm and articulate bold and compelling plans. The CEO can play a pivotal role by supporting and inspiring this process, adding accountability and heft to the exercise. The CEO can also ensure that incentives and recognition for leadership are aligned with visioning, making it "the thing to do" for the best caregivers and scientists.



ROI and the Power of Partnership



A wise CEO at one of our clients once said, “Money is money. If you raise it for neuroscience or for genomics, all philanthropy builds the funding pie that is so important for our missions.”

The context of this quote was a discussion around an RFP that offered potential funding for a highly specific focus of medicine/science that did not ideally fit the currently stated hospital priorities. The question was, if they could secure this multi-million-dollar gift, would it be worth pulling together a group of researchers to help conceive a new project and write a grant request? The answer was a resounding yes, and the result—several months later—was a significant gift that propelled a new scientific pathway. Was it “aligned”? Not in the traditional sense. But did it result in a return on investment?

Yes! The ROI was a new infusion of cash for research, which ultimately triggered numerous additional gifts for the new cutting-edge research project.

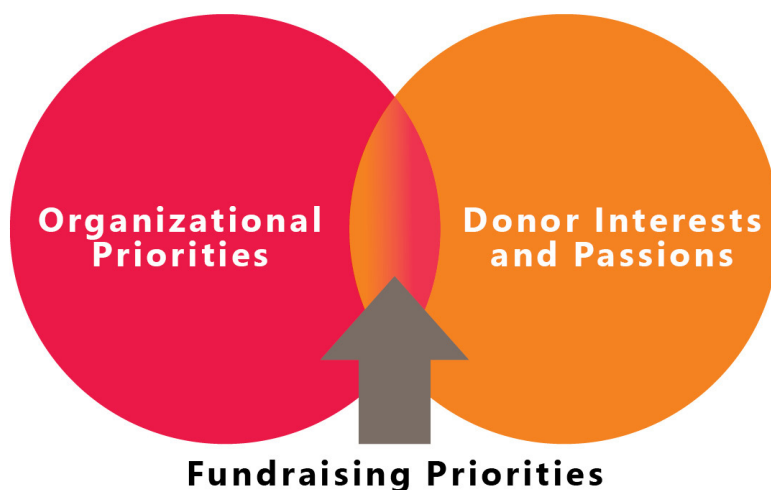
The CEO in this case not only broke out of the proverbial comfort zone (and did so quickly), but in the process showed deep support for a concept—that of “donor centeredness”—a concept held dear by development executives. While no CEO or senior manager should ever consider a gift that is misaligned with mission or goals, there are times when thinking out of the box makes sense and can challenge the status quo in positive ways.

Behind this example was also a strong and highly cultivated CEO/CDO partnership. Long before the RFP was discussed, the CEO and CDO had worked together consistently to map out annual and campaign funding priorities and featured objectives. Together, they had also forged positive and productive relationships with the board and medical/scientific leaders at the highest levels of the enterprise. Funding priorities were rolled up through countless one-to-one and group discussions with senior leaders as well as star caregivers and scientists. And featured

objectives were tested against potential donor intent with the CDO and the foundation's major/principal gifts team to ensure they were ready for communication with donors and prospects. Against this backdrop, the occasional one-off funding opportunity could also be navigated for the best outcome.

By now you might be asking where does unrestricted support fit? What about budget relief or facilities and equipment funding? Here again the CEO/CDO partnership is pivotal. There are no easy answers to the balancing of donor-designated versus unrestricted funding—and one of the best ways a CEO can facilitate top ROI is to stress this with anyone pushing for unrestricted support. The CEO should avoid quick-fix proposals such as across-the-board mandates for unrestricted support, gift “taxes” on designated contributions (this needs careful vetting), and anything else that misses the important filter of “donor-centered philanthropy.” The more donor-centered the development program, the higher the ROI from philanthropic revenue.

There is a place for unrestricted support, primarily through direct response, digital, and special events revenue as well as downstream from planned gifts. But major/principal donors are best approached on their own terms, welcoming their interest in specific disease pathways or particular programs and looking to maximize their related giving. The CEO must support this premise and continually remind leadership of the growth that happens over time when “alignment” means much more than “unrestricted.” In fact, alignment should mean developing a philanthropic agenda that reflects



the intersection between organizational priorities and donor interests and passions.

“Budget relief” can also be a ball and chain for a foundation, if not considered carefully in the context of growing overall philanthropy. Hospitals sometimes look to philanthropy as the answer to declining clinical revenues, or as the answer to a poorly performing hospital program. Instituting a policy that budget relief must be included in any philanthropic opportunity can be a death knell to the CDO and development team. Rather, the wise CEO will guide the senior management team to look at the larger funding picture—from philanthropy and government funding to operating margin—and whenever possible focus the flow on the most appealing funding opportunities for the foundation team. In turn, the CDO and team must look for creative ways to include budget relief in gift agreements where possible. Aligning philanthropy with funding “needs” is a highly sophisticated and complex process, and any attempts to make it simple can derail the best intentions.

Facilities and equipment funding represent another challenging area of focus for development offices and their CDOs. The traditional “capital” campaign is a dinosaur, now nearly always replaced by the “comprehensive” campaign. More than mere nomenclature, this

reflects a change in philanthropic focus from the institutional donor to a new breed of philanthropic investors who demand exciting opportunities and impact-producing outcomes. While these philanthropists will sometimes support facilities, the associated gift opportunity must be tied to a compelling vision and clear objectives. Today's 21st-century donors will also ask tough questions such as "what's the bond financing?" or "has the hospital maxed out all other funding sources?" when considering a capital gift. Another strategy for capital funding is to include a sampling of facilities or equipment in larger gift requests under a more compelling banner of life-changing medicine or science. Here again, a strong CEO/CDO partnership will be able to identify the most effective funding approaches and match them to donors.

Philanthropy at the Table

One important place where all of the above comes to light is "at the table" in hospital and foundation board meetings, finance committee meetings, and the myriad hospital senior management and physician-leader sessions that every hospital or system holds. All too often philanthropy is an afterthought at these meetings of top decision-makers.

The CEO should ask, "Is philanthropy getting the right measure of attention?" Why does it matter? Because philanthropy is often the single most valuable source of revenue for mission advancement. In parallel, philanthropy is often not well understood by leadership as it is not their number one concern, nor does it fit into the customary business discussion.

The CEO can best facilitate philanthropic vitality and growth by:

1. Ensuring philanthropic progress is reported at every hospital and foundation board meeting (even if in brief).
2. Working with the CDO and CFO to be certain philanthropic revenue is accurately

and clearly reflected in all financial statements and related reports. Far more than just a detail or footnote, portraying philanthropic revenue appropriately in hospital or system financials is imperative to supporting strategic decisions at the highest levels.

3. Welcoming the CDO's attendance at hospital board meetings and affording the CDO and foundation chair regular airtime for communication at these meetings.
4. Attending foundation board meetings regularly, supporting the CDO, and showing high regard for foundation trustees and their work.
5. Inviting the CDO to participate in all senior-level discussions where philanthropy could play a role.
6. Deferring discussions around philanthropy until the CDO can be present.

Finally, one of the best reflections of a high-performing CEO/ CDO partnership is principal gifts participation. The right CDO will carefully define and nourish the CEO's role in engaging principal gift donors and prospects. Close collaboration between the CEO and the CDO/ principal gifts team is essential to growing revenue from top donors. And there's no better way for the CEO and CDO to become joined at the hip than through regular joint meetings with philanthropists. The wise CEO will take cues from the CDO on this front, and the similarly wise CDO will reserve only the top echelon of donors/ prospects for use of the CEO's valuable time. When the CEO is engaged in the philanthropic process and sees results, deeper understanding of philanthropy and its value follow naturally. And when institutional decisions need to be made, the CEO has firsthand knowledge of the parallel donor landscape that must be considered.

The Essential Competitive Edge

The CDO's value to the institution's bottom line goes without saying. Getting and keeping the right CDO for your hospital or health system can represent enormous ROI. Conversely, a hiring misstep resulting in premature CDO turnover can be extremely costly in the form of lost revenue, degraded (or even demoralized) development staff, disrupted board and donor relationships, and more.

Adding outside counsel to serve as a development coach can be the critical difference, giving the CDO philanthropy-focused support and advice. For the first-time CDO, counsel can augment onboarding, offering best practices from other successful CDOs around the country. For the experienced CDO, counsel can help navigate hospital politics, talk through complex strategies, and be a sounding board for issues not easily shared with others who don't know the field as intimately. While executive coaches are the norm these days, in many cases a

development leadership coach can be added to the mix for the extra edge that can make or break a CDO whose job can be overwhelming at times.

Development counsel can also help the hospital CEO determine best ways to support the CDO and implement best practices for governance and strategy that can build optimal philanthropy. Even better, a development coach can crosswalk the CEO and the CDO to maximize their partnership and accelerate the progress they can realize together.

John Quincy Adams said, "If your actions inspire others to dream more, learn more, do more, and become more, you are a leader." For a hospital or health system, the best possible CEO and CDO are each accomplished and high-performing leaders. Together, they must believe in forging a partnership that maximizes their collective efforts and results in philanthropic success for their organization, which in turn means achieving strategic goals and delivering on their mission.

ABOUT THE AUTHOR



Janet Cady, an executive partner at BWF, has been a leader in healthcare philanthropy for more than 25 years. She is best known for creating and launching successful foundations for two premiere children's hospitals. Janet's expertise encompasses board development and engagement, major gift and campaign strategy, foundation modeling, and executive coaching for chief development officers. No one better than Janet navigates the complex medical center and academic/scientific landscape, facilitating a positive institutional culture of philanthropy with faculty clinicians/scientists and hospital senior management and converting challenges to opportunities.

WHO WE ARE BWF is an international fundraising consulting and services company headquartered in North America. As both experts in complex philanthropy and the leading innovator in the field, we bring both a global perspective and local know-how, providing deep cross-sector strategic and tactical solutions to advance our clients fundraising abilities. It's why clients turn to us as their trusted partner, expanding their knowledge and abilities through our panoramic view of philanthropy. Not only do we stimulate the industry through thought leadership, but we are an incubator of multidisciplinary "next practices," always testing new ideas and exploring innovative ways of doing things.

For nearly 40 years, nonprofits throughout the United States and across the globe have turned to BWF to empower philanthropy for their organizations. BWF associates experienced in CEO/CDO coaching are available to help you build the best possible partnerships for your institution. **800.921.0111** **bwf.com**