



### **Caution. Careful strategy. Courage!**

**What you can do to position for foundation success both now and longer term in the face of the COVID-19 crisis, particularly if cost containment is demanded.**

#### **CAUTION**

As COVID-19 continues to dominate life as we know it, and pressures on hospitals increases by the millisecond, foundation leaders must be prepared for an array of internal and external challenges—some perhaps more daunting than in any past time.

Still, those of us who weathered 9/11 and the Great Recession can remember what actions worked and which organizations prospered during and—perhaps more important—after, those catastrophic events. COVID-19 feels and is disastrous, and so did previous crises feel unsurmountable at times. Yet we know our great hospitals matter now more than ever. And perhaps one silver lining is the attention caregivers are receiving, and the possibility that community leaders and the general public will understand better the critical importance of resourcing the nation’s healthcare system and supporting its healthcare providers in bigger and better ways. History shows nonprofit organizations who show the most relevance to a crisis fare the best during these times, particularly if they deploy the right strategies around messaging and outreach.

#### **CAREFUL STRATEGY**

Considering this background, would it seem strategic to reduce foundation expenses? What if the hospital is cutting costs due to changes in payor mix, reductions in higher-paying volumes, threats to endowment earnings, and more? Will your hospital senior leaders ask for foundation expense reductions?

Experience suggests the likelihood you will be asked to cut fundraising expenses. Even though philanthropy may be one of the best hopes for revenue production in such times.

What to do?

First, be as relevant and supportive as possible to your hospital. Can you aim your current fundraising toward your hospital’s specific needs related to COVID-19? This will help internally, as well as externally as you message to donors. Doing this well may require you to deploy

writers, gift officers and other staff to initiate conversations and document needs and goals—just the way you would approach a campaign case.

Think about starting a special fund for these needs. Communicate giving opportunities externally to be sure, but also share your messages with hospital staff and senior leaders so they know you are there for them.

Consider mounting a challenge to drive giving toward the hospital's most critical priorities. This is not new—but you can spin it as laser-focused on the virus, and make your fundraising directly relevant to the crisis. Your own board/s could give the challenge gift as a group (\$100,000?, \$1M?) enabling you to leverage new or increased gifts from other donors. Again, you can share this internally too, as a backdrop for budget discussions (see next section).

Second, get ready for internal strategy and messaging *now*, well before you are asked to cut. Think about where you can reduce expenses without impacting revenue. Revenue is your number one responsibility, and sustaining it means everything now and always. And that means revenue net of expenses. From the get-go, if you focus on expenses net of revenue, you will make it clear your costs relate directly to your revenues. This is strangely not the case in many hospital departments; or at least it is not portrayed as such. By presenting your data and plans with a consistent “net revenue to the enterprise” mantra—that is, revenue to advance missions—you will be doing your authentic best for your institution. And you'll be able to frame fundraising expenses in support of attendant revenue in nearly every illustration.

Although you could clearly make the case that all your expenses relate to revenue in some way, here are some possibilities expense improvements you can consider:

- 1) Vacancies—can you hold *select* recruits? New positions that could be delayed 6 months to a year? But take care not to strap your team when outreach is most important.
- 2) Non-essential travel (conferences, seminars). None of this is happening with social distancing, but when mobility resumes you will likely still be in cost containment mode. But be sure to distinguish donor travel from staff development travel. Both are critical, but you can make a distinct case for the value of donor travel—and it's quite different from staff attendance at seminars (likely frozen at the hospital). Why? Because donor travel directly influences giving.
- 3) Ask each staff leader to compile a list of potential cuts that they believe will least impact revenue. Message that you will only cut strategically—no across-the-board reductions. Compile the list and rank in terms of revenue potential, choosing a few to offer up.

## COURAGE

Refresh your messaging around the foundation's distinct lines of business and how they differ from hospital departments and programs. For example, when the virus dissipates and the economy turns around, patients will likely be admitted and volumes will increase without large expenditures for outreach. In contrast, when markets improve, you will need all pistons firing in the foundation to maximize your access to available philanthropic dollars.

In some cases, your ability to recruit staff when the crisis is over will be far more challenging than the hospital's. You'll need information about the hospital marketplace to compare and contrast, but unfortunately there's no question your foundation will have difficulty finding high performing gift officers and senior leaders and experience costly delays if you are trying to recoup staffing when times improve. Therefore retaining top talent—and the resources they need to stay and thrive—is imperative if you are to retain/advance philanthropic revenue.

Document these distinctions, chart them where possible, and enlist help from hospital finance and HR to get the facts you need. Involving hospital staff in the process will help set the stage as you move your case for *“advancement in the face of challenge”* to the senior management table.

Throughout your time “at the table” as a senior leader in these times, keep in mind you might be the one leader who can inspire forward motion and even a bit of risk—in an environment that may lean toward a “sky is falling” mentality that can't see potential for growth. While some may criticize your fortitude or call you an outlier, others will thank you for your courage and fearless commitment to mission; especially when you come out of this with more philanthropy than anyone expected.