AHP International Conference Presentation
Friday, October 26 2012
3:45 – 5:00 p.m.
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PLANNING IMPLICATIONS FROM COMMUNITY CAPACITY ASSESSMENT

Description: *Assessing your community's giving capacity is important, but it's only half the story. Understand how to scale and manage your foundation program to attract and pursue that assessed capacity. Interact with professionals who designed and executed a foundation program growth plan that doubled net revenue over five years.*

PRESENTATION OUTLINE

I. **Intro - Our Intent: Learning Framework for this Presentation**
   a. Foundation leadership requires taking a long view
   b. Multiple methods of assessing capacity
   c. Our intent – review the methods, their advantages/disadvantages, optimal use conditions
   d. Present a case study of CentraCare Health Foundation's use of several methods, resulting in a doubling of income (and improvement of ROI) in 5 years.

II. **Community Capacity Assessment Options**
   a. Fundraising Feasibility Study - Personal interviews with selected constituents leaders and donors about interest in and willingness to financially support one or more planned undertakings of the institution.
      i. Optimal Use Conditions:
         ▪ Campaign planning
         ▪ Where institutional fundraising experience is less sophisticated
         ▪ When project financing is vulnerable/tight
      ii. Advantages:
         ▪ Familiar approach
         ▪ Guides goal setting and project financing planning
         ▪ Can be done by experienced staff and/or outside counsel,(recommended)
      iii. Disadvantages:
         ▪ Time intensive for staff to arrange interviews
         ▪ Increasing reticence of donors to disclose intentions
         ▪ Results are not representative of larger audience

   b. Predictive Modeling - Database Analysis/Data Mining/Wealth Screening Methods of closely examining your existing database to find patterns and to "predict" behavior based on data—demographic, behavioral, attitudinal, transactional, geographic, & interest. Segments prospects by variables (e.g., gender, age, organizational relationship, event attendance) and by previous giving behavior (e.g., total and

frequency of giving), and appends publicly available variables to measure capacity and interest in giving (e.g., household income, wealth indicators, past charitable behavior). Uses regression modeling to identify factors that statistically influence lifetime giving. Models "rate" prospects based on their profile fit with significant predictors, thereby enabling better targeting.

    i. Optimal Use Conditions:
- Campaign planning – (e.g., CentraCare)
- Supporting staff portfolio assignments
- Staff deployment decision making
- When integrated with individual prospect research

    ii. Advantages:
- Provides focus for communication & cultivation
- Qualifies portfolios
- Fosters data discovery discipline

    iii. Disadvantages:
- Imperfect information frustrates seekers of absolute certainty
- Results can feel overwhelming (volume of prospects)
- Highly analytical approach

c. Marketplace Giving Analysis Projection of an area's macro level giving capacity to health care that extrapolates from national (US Census Bureau and AAFRC Trust for Philanthropy) data and uses calculations based on local level data on: a) area wealth (personal income); b) the total value of goods and services (gross local product); and c) purchasing trends through population, sales, and expenditures (area buying power).

    i. Optimal Use Conditions:
- Start-up programs
- Outside view of potential
- Programs that want to grow the number of fund raising staff

    ii. Advantages:
- Useful in planning and summary goal setting
- Augments other capacity assessment methods
- Provides useful data to justify increasing the number of fund raising staff. Helps the C-suite and board quickly understand the global potential, especially if they are conservative about adding major gift officers or other development staff

    iii. Disadvantages:
- Can't tell you about the intervening variables that influence the likelihood of actually securing gifts (e.g., strength of the case, donor attitudes, and community relationships).
- Requires consultant's proprietary calculation formulas

d. Attitudinal Research (Qualitative and Quantitative) Focus groups and discussion forums yield qualitative data around case elements and help discern major donor and other constituent segment characteristics. Quantitative primary research of

current and lapsed donors to understand donor & constituent values, interests, perceptions, community engagement, sources of information, and experiences with your organization.

    i. Optimal Use Conditions:
- In environments deemed "feasibility saturated"
- Preparing for comprehensive marketing plan
- When lacking knowledge of constituency motivations, needs, and behavior
- When new constituent segments and generational personalities appear to be emerging
- CentraCare example: When your board or c-suite says "people don't know who you are; you just need to do more ads."

    ii. Advantages:
- Surveys provide statistically valid sampling of entire service area
- Telephone surveys can test sensitive concepts (i.e., donor activity, reasons why one chooses to not support the foundation, and disclosure of sensitive demographic information, like income)
- Tests case resonance and brand characteristics
- Helps develop behavioral and interest profiles of constituent segments for cultivation strategy
- Enables deeper understanding of market segment differences
- Fosters tailored marketing, branding, and communication efforts

    iii. Disadvantages:
- Attitudinal research often viewed as indirect expense to foundation
- Territoriality of hospital/system marketing team

e. Peer Network Mapping Key constituent interviews and/or survey to identify professional, philanthropic and social connections, as well as their identification of mentors, protégés, and significant community connectors. Data used to identify and visually map the key connections of board members and other key leaders to the web of well- and little-known networks to which they are connected.

    i. Optimal Use Conditions:
- When needing to penetrate new networks
- In support of a leadership cultivation strategy
- Board composition planning
- For campaign planning

    ii. Advantages:
- Visually reflects the foundation's relationship assets
- Provides an aggregate social network map of leadership and donor prospects.
- Depicts the strength of your connections to power and influence, which positions you to tap community capacity
- Identifies emerging leaders and mentoring relationships, which fosters foundation's ability to cultivate "up-and-comers"

      iii. Disadvantages:
- Time and relationship intensive up front for interviews/survey
- Doesn't capture the content or strength of the relationship, only the context in which it takes place.
- Can't substitute for face to face relationship building.

III. **Case Study in Applying Assessment Results to Foundation Planning**
  a. WHY we wanted to assess community capacity
     i. We were raising $3.5M per year and the CEO wanted $20 million per year
     ii. Visionary volunteer leaders wanted to explore this challenge:
- Board wanted and we needed giving potential data
- Knew more staff = more dollars raised
- Wanted to build a model based on regional capacity and staff size
- 2-3 board members really drove the discussion. Believed and shared their experiences of growing a business

     iii. Demographic reality
- Population: Flagship hospital community 150,000 people. Rest of the Counties served are rural; Communities of 3,500 to 15,000 people
- Lower affluence of the CentraCare market compared to the national stage (census data: regional area was below the 25th percentile for density of millions per household)

  b. Results after 5 years

	FY 2003-2005 Averages Growth Decision Point		FY 2009-2011Averages Results from Investment
Funds Raised	$ 3,580,000		$ 7,340,000
ROI	$ 5.67		$ 4.53
CTRD	$ 0.18		$0.22
Total FTEs	7.33		14.92
Direct FTEs	4.17		8.42
Net Returns	$ 2.95		$ 5.72
FR Expense Budget	$ 635,000		$1,620,000
			Not Included: Expectancies $12,100,000

  c. HOW we assessed our capacity
     i. Clearly demonstrated that fund raising can be just as predictive as any other business and is sophisticated enough to figure it out how to grow.
     ii. Kept CEO closely fully informed and engaged
     iii. Held a board planning session to develop a BHAG – used outside counsel.
     iv. Had a frank discussion with the Board we could possibly reach the BHAG but we need more data and resources.
- The key big thinkers agreed and directed CDO to develop a budget, interview outside counsel and begin process

    d. WHAT assessment methods we used:
        i. Marketplace Giving Analysis
        ii. Qualitative and Quantitative Attitudinal Research
        iii. Predictive Modeling - Database Analysis/Data Mining/Wealth Screening ($15K) not part of the 65K budget

    e. What we did with the information, which improved sophistication
        i. Planning/Financial modeling
        ii. Multi-year goal setting and tracking progress
        iii. Staffing investments
        iv. Key message development
        v. Developed strategic questions for interviews with benefactors and potential donors
        vi. Performance metrics/score card
        vii. Lasting outcomes:
            ▪ Took our planning to a more sophisticated level
            ▪ Fostered confidence among the business skeptics
            ▪ Enhanced our shared vocabulary with business scorekeepers

IV.   **Lessons Learned – 20/20 Hindsight**
    a. Research is just a tool; like any, it can be used well or poorly
    b. Understand the client's comfort and familiarity with research methods
        i. Background in research methods (personally and institutionally)
        ii. Speak the client's language (novice to expert)

    c. Produce actionable reports that prescribe next steps explicitly
        i. Go beyond interpreting the data
        ii. Convert the interpretation to a plan of action
        iii. Engage the client in co-designing the action steps even before finalizing the report…in order to allow the client to present the report with ownership and conviction.

    d. Engage key board members and admin allies early and often to avoid being left on "an island"
        i. Get key volunteers champions that the CEO respects to help you make the case for a planning process and to invest in outside counsel
        ii. Then expand to a small group of key volunteer leaders, CEO and other influencers within the C-Suite.
        iii. Bring in the full volunteer board, committee and C-Suite influencers early and often as the planning process progresses.

e. When and why use outside counsel
   i. With good outside counsel and strong implementation, the ROI is outstanding. We invested with outside counsel $65,000 in a planning process in 2005 and 06, and since that time have generated nearly $35 million in revenue or increased revenue of 17 million dollars.
   ii. My job is to focus on signature gifts and lead my staff to close more gifts. I do not have enough hours in the day to pull this type of research together. I know I need it but getting it myself comes at too high an opportunity cost.
   iii. Use counsel to help deliver difficult key messages to leadership:
      - CDO needs to be a part of the C-Suite planning
      - With good data the fund raising department can deliver on the organization's aspirations and plans
   iv. Need help setting up monitoring systems that can be maintained after the research consultant leaves

V.   Q & A

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Community Capacity Assessment Options

	FUNDRAISING FEASIBILITY STUDY	PREDICTIVE MODELING - DATABASE ANALYSIS, DATA MINING, WEALTH SCREENING, ANALYTICS	MARKETPLACE GIVING ANALYSIS	QUALITATIVE AND QUANTITATIVE ATTITUDINAL RESEARCH	PEER NETWORK MAPPING
DESCRIPTION	Personal interviews with selected constituents leaders and donors about interest in and willingness to financially support one or more planned undertakings of the institution.	Methods of closely examining your existing database to find patterns and to "predict" behavior based on data—demographic, behavioral, attitudinal, transactional, geographic, & interest. Segments prospects by variables (e.g., gender, age, organizational relationship, event attendance) and by previous giving behavior (e.g., total and frequency of giving), and appends publicly available variables to measure capacity and interest in giving (e.g., household income, wealth indicators, past charitable behavior). Uses regression modeling to identify factors that statistically influence lifetime giving. Models "rate" prospects based on their profile fit with significant predictors, thereby enabling better targeting.	Projection of an area's macro level giving capacity to health care that extrapolates from national (US Census Bureau and AAFRC Trust for Philanthropy) data and uses calculations based on local level data on area wealth (personal income), the total value of goods and services (gross local product), and purchasing trends through population, sales, and expenditures (area buying power).	Focus groups and discussion forums yield qualitative data around case elements and helps discern major donor and other constituent segment characteristics. Quantitative primary research of current and lapsed donors to understand donor & constituent values, interests, perceptions, community engagement, sources of information, and experiences with your organization.	Key constituent interviews and/or survey to identify professional, philanthropic and social connections, as well as their identification of mentors, protégés, and significant community connectors. Data used to identify and visually map the key connections of board members and other key leaders to the web of well-known and little known networks to which they are connected.
ADVANTAGES	▪ Familiar approach ▪ Guides goal setting and project financing planning ▪ Can be done by experienced staff and/or outside counsel	▪ Provides focus for communication & cultivation ▪ Qualifies field staff portfolios ▪ Fosters data discovery discipline	▪ Useful in planning and summary goal setting ▪ Augments other capacity assessment methods ▪ Helps your scorekeepers understand the global potential, especially if they are conservative about adding major gift officers or other development staff	▪ Provides statistically valid sampling of entire service area ▪ Telephone surveys can test sensitive concepts, such as donor activity, reasons why participants choose to not support you, and disclosure of demographic information (e.g., income) ▪ Tests strength of case. Helps develop behavioral and interest profiles of constituent segments for cultivation strategy ▪ Feeds tailored marketing and communication efforts ▪ Enables deeper understanding of market segment differences	▪ Provides an aggregate social network map of leadership and donor prospects. ▪ Depicts the strength of your connections to power and influence, which position you to tap community capacity
DISADVANTAGES	1. Large time demands on staff to arrange interviews 2. Increasing reticence of donors to disclose intentions 3. Results are not representative of larger audience	1. Highly analytical approach is often unfamiliar and can be disconcerting 2. Results are often overwhelming; fosters decision paralysis 3. Provides imperfect information	1. Can't tell you about the intervening variables that influence the likelihood of actually securing gifts (e.g., strength of the case, donor attitudes, and community relationships) 2. Requires consultant's proprietary calculation formulas	1. Seen as indirect expense to fundraisers. 2. Territoriality of marketing team.	1. Time and relationship intensive up front for interviews/survey
OPTIMAL USE CONDITIONS	▪ Campaign planning ▪ Where institutional fundraising experience is less sophisticated ▪ When project financing is vulnerable/tight	▪ Campaign planning ▪ Portfolio assignment ▪ Staff deployment ▪ Tied to individual prospect research	▪ Start-up programs ▪ Outside view of potential ▪ Validation for expanding staff	▪ Fundraising program planning ▪ Noting generational personality differences ▪ Tied to broader marketing efforts	▪ When needing to penetrate new networks ▪ Campaign planning ▪ Board composition planning