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"You never want a serious crisis to go to waste. And what I mean by that is it's an opportunity to do things that you think you could not do before."

Quoting recent comments made by Rahm Emanuel, President Obama's Chief of Staff, this concept summarizes our March 2009 edition of *Philanthropic Trends Quarterly*.

The recent global economic uncertainty has resulted in unprecedented challenges for all sectors, including the not-for-profit sector. The silver lining, however, may lie in the opportunities that frequently accompany times of crisis. Often, crises are catalysts for review, reflection and assessment that commonly lead to positive change and innovation. They force us to reevaluate priorities, question assumptions and deconstruct processes. And, those who seize the opportunity and do it well generally emerge stronger and wiser as a result.

Much information has been shared over the last several months about how to best respond to the current economic situation, including some sound advice: remain focused and avoid distraction; communicate often with external stakeholders such as donors and prospects; stay on mission and don't lose sight of who you are and the value you provide; and finally, don't forsake the long term for the short term.

This guidance provides an excellent roadmap for navigating activities with external stakeholders. But what about inside the organization? What are the opportunities? How do we capitalize on them? And perhaps, most importantly, how do we stay afloat in order to be able to see the positive effects of these changes? In this edition of *Philanthropic Trends Quarterly*, we focus the lens internally and explore how organizations are and could be responding from the perspective of their operations.

We identify a number of the characteristics that organizations should be cultivating in order to



remain healthy and viable. We explore the concept of mind-shifting, which involves redefining some of the paradigms under which we work. We learn about the diversification and retooling activities that a number of leading organizations are undertaking. And finally, we gain insight into how to make good decisions under conditions of great uncertainty.

As always, our thoughts are based not only on our own experience here at KCI, but also on the insights of the members of our National Advisory Board. Their input is invaluable and we extend a special thank you to them all. For a list of our Advisory Board, please visit www.kciphilanthropy.com/advisoryboard

We also had the opportunity to interview two specialists in the field of organizational behaviour; Dr. Glen Whyte, CCMF Chair in Integrative Thinking, Rotman School of Management, University of Toronto and Dr. Jerry Gray, Dean

Emeritus, I. H. Asper School of Business at the University of Manitoba. Their insights were most valuable and we are pleased to be able to share their thoughts with you.

Finally, I am delighted to present the first edition of our new format, which we are calling *Philanthropic Trends Quarterly*. By publishing four times a year, we will be able to share thoughts on issues as they emerge and are relevant to you. And, in an effort to be more environmentally friendly, we will now be distributing electronically. We hope you enjoy!

Marnie Spears
President and CEO



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Rx for Survival



Strong leadership, energy, fortitude, commitment, composure and even a sense of humour! These were some of the characteristics that our Advisory Board members cited when we asked them what organizations need in order to remain resilient during tough economic times.

While all these characteristics are valid and important, an additional two stood out for our Advisory Board as being particularly critical at times like these - *agility* and *integration*. In addition, they told us about the need to diversify, retool and look at planning differently.

Float like a butterfly...

Muhammad Ali was considered by many to be the greatest boxer of all time. He possessed numerous qualities that contributed to his phenomenal success, but one of the most important was his agility. His speed and quickness not only enabled him to respond to whatever his opponents threw at him, it also allowed him to capitalize on opportunities as they became apparent. In an organizational context, we happily don't have to dodge punches. But, being able to adapt quickly goes a long way to facilitating success in both good times and bad.

The ability to respond rapidly and cost efficiently to both challenges and opportunities is the hallmark of organizational agility, and a truly agile organization is one that can make the necessary adaptations at both the strategic and operational levels. Strategic agility involves being able to

change course or direction in response to events as they are presented, while operational agility allows the organization to reallocate its resources to accommodate the updated direction.

Trillium Health Centre Foundation in Mississauga is an example of an organization with both forms of agility. In response to the economic situation, the Foundation refined its plan for a major fundraising initiative. "Rather than going out with a major fundraising initiative at this point in time, we are developing a number of "bridge" priorities in consultation with the Hospital for presentation to our prospective donors," says Steve Hoscheit, President and CEO. "These bridge projects represent a strategic adaptation and we plan to use them as opportunities to seed a more major initiative down the road supporting the long-term priorities of the Health Centre." In addition, the Foundation sees the current economy as the opportunity to redirect energies at the operational level and enhance its focus and resources around the middle band of donors.



Notwithstanding the very real need for organizational agility, Gary Durbeniuk, Vice-President (Development) at the University of Calgary provides an important cautionary note. "Regardless of the circumstances in which we find ourselves, we have a set of core values that guide our interactions with donors and prospects. So no matter how we adapt strategically or operationally from an internal perspective, nothing changes about how we build and maintain our relationships with friends and stakeholders."

We're in this together...

United we stand, divided we fall.

Aesop's famous quotation summarizes the concept of organizational integration and the strength that is derived through it. Being integrated is critical at any time, but its importance is magnified during times of challenge. The concept of integration applies at the level of the Foundation/Department and the institution it supports, as well as at the operational level of units within the Department or Foundation itself.

At the Université de Montréal, Don Taddeo, Vice Rector of Advancement and Alumni Affairs, is making the current situation an opportunity to further enhance an already good relationship with the University's administration. In response to questions related to the endowment, he is involving representatives from the University's finance department in meetings with donors and prospects. "Involving our colleagues from Finance enables us to respond to technical questions that, without the expertise of this team, we would not be able to answer." By doing so, the University is able to provide superior service and stewardship to its donors. It also further integrates the work of Development with the rest of the University and fosters a sense of interconnection and alliance.

At the operational level, it is also important to create a sense of collaboration and union. In times of uncertainty, staff may feel threatened and concerned, which can result in an overly competitive and unhealthy work environment. As a result, it is crucial to create a setting wherein employees feel valued and also understand the connection between their work and the success of the organization as a whole.

As an example, Cathy Daminato, Vice President,



Advancement at Simon Fraser University is making team building a priority. "We are planning to have a full staff retreat. Not only will this retreat enable everyone in the room to talk about the same issues and hear the same messages, it will give them a chance to be involved in setting the strategy for the department." She believes this exercise will foster a feeling of interconnection and create an environment characterized by shared understanding, responsibility and accountability.

Dr. Jerry Gray, Dean Emeritus of the I.H. Asper School of Business at the University of Manitoba in Winnipeg and expert in the field of organizational behaviour, is a proponent of this type of activity. He says that in the same way that regular communication with external stakeholders is critical, frequent and ongoing communication with employees is also critical. Internal stakeholders are generally eager for information and during times of uncertainty, this inclination is magnified. And it is when they don't get it that trouble can start. "What we often see happening in situations where people don't get adequate information is that they tend to make it up themselves, resulting in rumour and misinformation," says Dr. Gray. "This is obviously not a healthy organizational backdrop upon which to conduct business."



Diversification and Retooling

Many organizations are making this a time to look at their operations and make some changes. The changes they are making fall into two general categories – diversification of revenue streams and retooling of programs.

The old adage "don't put all your eggs in one basket" sums up the concept of diversification, which has long been held as a good strategy for the mitigation of risk. Currently, most organizations are reporting that although major and special event revenues have experienced some softening, their annual and planned giving programs have held up quite well. Time will tell if this resiliency is a function of the nature of the programs or simply a question of delayed reaction, but many organizations are still taking the time to review and revamp particular revenue lines.

Decision making in uncertain times

The only thing that can be said with much certainty at the moment is that the foreseeable future will continue to be filled with much uncertainty. At best, uncertainty can make navigation difficult and, at worst, can leave organizations and their leadership lost in the fog.

Dr. Glen Whyte, CCMF Chair in Integrative Thinking and Professor of Organizational Behaviour and Human Resource Management at the Rotman School of Management, agrees that during times of uncertainty, decision making can be a challenging and anxiety provoking exercise. "When the incentives for making good choices are high and getting higher, which is currently the case, our tendency is often to become less rational," asserts Dr. Whyte. "And unfortunately, this tendency can increase the propensity for making poor decisions."

As a result, Dr. Whyte provides some advice regarding how to make high-quality decisions in environments filled with uncertainty.

Gather Information and Opinions Broadly – Organizations that are successful in good times and bad utilize a decision making process that is systematic and characterized by an "Obama-esque" approach. The hallmark of this type of decision making is consultation. It invites and takes into account diverse perspectives. The degree of diversity depends on the size of the organization, but the key is to search widely for information and delve

deeply enough to ensure that you are not dealing with a false image of reality. The more levels you have, the further down the hierarchical chain you will need to go.

Root Decisions in Reality – At the best of times, emotions play a constructive role in decision making. In times of crisis and uncertainty, however, when information tends to be vivid, dramatic and overwhelmingly negative, emotions can become too influential. As a result, it is critical to make decisions based on data and reasoned analysis. Gather and focus on information that is relevant to your particular organization and/or situation and try to block out the "noise" caused by salient but extraneous events.

Think it Through – The consultation and data gathering process should generate a multitude of ideas and solutions, which must then be thoughtfully evaluated and ultimately selected or rejected. Good strategic decisions are rarely made quickly or based on gut instinct, so take sufficient time to carefully consider all viable options.

Model Appropriate Decision Making Processes – The decision making behaviour of the organization's senior management team tends to be modeled by others within the organization. As a result, one way to achieve better decisions throughout the organization is to ensure transparent and sound decision making practices at the top and at the centre of the organization.

The annual fund is one program on which a number of organizations are looking to focus over the next little while. Mount Sinai Hospital Foundation is one such organization. "We are planning to make a fairly significant investment in our annual fund over the next several months," says Susan Horvath, President of the Mount Sinai Hospital Foundation. "Although we have been planning changes to our annual program for some time, we believe now is the time to be looking for opportunities to further engage people at this level and provide them with a multitude of ways to support us. We are looking to ramp up our stewardship, reinvigorate our giving clubs and develop some more robust donor reactivation strategies."

Paul Marcus, President & CEO of York University Foundation believes that even in these difficult

times, there continue to be opportunities to find prospects in sectors that are still performing well. But it takes good research to find them. "At York University Foundation, we are conducting research that takes into consideration the opportunities and strengths that continue to exist, coupled with valuable insights from our volunteers," says Marcus. "These efforts, along with the careful analysis of data that sheds light on where a potential supporter's affinity to York University may lie, helps direct the focus of our fundraising efforts and energy."

Many leaders are also looking to retool a number of their programs. Gary Durbeniuk at the University of Calgary sees the current economic situation as an opportunity to improve the fundraising toolkit used at U of C. One strategy they



are testing is the use of a portfolio approach with their major donors and prospects, which involves working with the prospect to create a giving strategy that will enable both the donor and the institution to accomplish short and long term goals. As a result, the approach includes discussions regarding immediate gifts of cash and shares as well as future gifts of life insurance and estate planning.

A lot of organizations are also looking to retool and refocus their performance measurement activities in an effort to monitor what matters most during these tough economic times. Although all our interviewees noted that they planned to set financial targets and work hard to achieve them, greater focus and emphasis will be put on activities. Bill Bean, President & CEO of the QEII Health Sciences Centre Foundation in Halifax, says that they have streamlined their performance management. "We are focusing primarily on leading indicators, which are activity focused measures like number of quality visits, solicitations and proposals as opposed to lagging metrics like dollars in the door," Bean says. "In times like this, we feel we are better off measuring processes, because under these conditions, good processes will lead to good outcomes."

"Mind-shifting"

Some of these thoughts and concepts may require "mind-shifting", which involves changing some of the paradigms under which we work. We may need to shift our mindsets in order to survive and thrive in these tough times:

- Change from a mindset of *risk management* to one of *measured risk*
- Shift from annual *strategic planning* to ongoing *scenario planning*
- Involve more staff in the process of decision making and planning activities rather than a select few
- Engage and empower employees in the implementation of decisions
- Address employee concerns candidly in individual meetings as well as collectively

What about the Board?

Although maintaining a high level of engagement with your Board is always critical, it is even more crucial now. Follow the example of some of Canada's leading charities to work effectively with your Board during this period of time.

1. Keep them fully informed. Trillium Health Centre Foundation in Mississauga has engaged their Board in developing creative solutions resulting in programs like the I ♥ Hazel program to honour a health care champion with a gift to the Hazel McCallion Centre for Heart Health. I ♥ Hazel has presented an upbeat marketing and fundraising campaign that has garnered significant positive media exposure and support. The Campaign has also served to increase the frequency of contact with Directors to engage them and to spin-off other strategies.

2. Have the Board participate in your scenario planning exercises and help them understand the consequences of their decisions. For instance, if the Board is suggesting a change to the revenue generation strategy, run the numbers to demonstrate the impact that has on the bottom line. United Way Toronto involved its Board in its contingency planning and even developed a set of principles that will guide its decision making as different scenarios present themselves.

3. Use the professional expertise of Board members to help develop strategy. The QEII Health Sciences Centre Foundation in Halifax has begun to create small group discussion involving Board members as issues of concern arise. For instance, the Foundation recently brought together a small group that included board members to discuss how to respond to a particular issue of concern for the Foundation.

At United Way Toronto, a major area of focus during this year's campaign will be the metric of donor retention. "We are expecting that donors will be impacted by the economy," says Susan McIsaac, Chief Development Officer. "We will obviously be monitoring the overall amount of money raised. But we will also be very focused on retaining donors, regardless of the size of their gift, in an effort to maintain our relationships with donors and friends for the long term."

Strategies and scenarios

Times like these require a flexible approach to planning and call for periodic revisiting of the organization's strategic plan. If your organization is in the middle of a multi-year plan, it may be time for a revisit to ensure its ongoing validity. If your plan is coming to an end, the timing is right to renew organizational strategic directions, based ideally on a shorter time frame.

KCI has recently been suggesting that organizations start to think about "what if's" – a scenario based approach to planning. This type of plan-

ning involves the development of several multi-pronged strategic-action plans based and built on different scenarios.

Although difficult economic times often prompt organizations to take a "cut and retreat" strategy, this approach can have very negative ramifications in the long term. More prudent is to undertake planning activities with the philosophy of measured risk. In addition, a "just-in-time" approach to strategy setting and resource allocation is advisable. As a result, senior management of the organization may want to have weekly or even daily "all hands on deck" meetings to exchange information and make fast operational decisions.

> Next issue:

Watch for our next edition in June 2009, which will take a pan-Canadian look at corporate giving trends during tough economic times

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