

The Use of Capital Campaigns to Facilitate Successful Healthcare Philanthropy

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ABSTRACT: Due to financial constraints, urgent investments or even cutting-edge medical research projects with high financial requirements cannot be realized. The acquisition of major donations as an additional source of funding can contribute to this. Crucial here is the knowledge of the most potent donor target group - the high-net-worth individuals (HNWIs = financial assets of at least \$1 million, UHNWIs = financial assets of at least \$30 million) as major donors. However, there are hardly any comprehensive empirical data on wealthy individuals as donors to cutting-edge medical projects in Germany. This study, therefore, examines for the first time the functionality of major-donor fundraising explicitly for hospitals from two different perspectives - of hospital directors and high-net-worth individuals themselves. The study follows a mixed-methods approach, combining the three sub-studies. The study clarifies that UHNWIs and HNWIs in Germany are willing to become socially involved and that hospitals represent an attractive object of donation for them in terms of a large donation not only during their lifetime but also after their death. However, hospitals do not approach high-net-worth individuals consistently, effectively, and sustainably. This is because German hospitals are not appropriately structured and staffed to meet the wishes and needs of the target group adequately. For the future, a major rethink is coming to hospitals because major gift fundraising cannot be established as an additional funding source without first making a significant investment.

KEYWORDS: Fundraising, funding, cutting-edge medicine, High-Net-Worth donors, Ultra-High-Net-Worth-Individuals (UHNWI), High-Net-Worth-Individuals (HNWIs)

Introduction

The economic situation of hospitals and clinics in Germany is increasingly deteriorating. Problems are coming to a head - more than half of the clinics will continue to be in the red in the future. As a result, urgently needed investments or even projects in cutting-edge medicine cannot be realized due to financial bottlenecks (Berger 2020). Acquiring donations as an additional funding source to reduce the ever-widening financial gap of hospitals in the healthcare sector can contribute to this. Furthermore, it can be essential to implement specific funding projects in cutting-edge medicine and research with high financial requirements. Income from donations is already an additional funding source for many hospitals, as both the donor potential and the volume of donations are high in Germany. In recent years, the volume of donations in Germany has been between 5 and 10 billion euros (Deutscher Spendenrat e.V. & GfK 2021; Gricevic, Schulz-sandhof, and Schupp 2020a; 2020b). However, compared to the American fundraising market, the donation volume has not yet been fully exploited (Probst 2019). Crucial here is the knowledge of the most potential donor target group - the high-net-worth individuals (UHNWIs & HNWIs) as major donors. However, there has been no comprehensive research on either the donor potential or the donor behavior of this specific target group in the medical field. This is precisely where the study comes in to fill the existing research gap.

The objective of the study

The study explicitly examines the functionality of major-donor fundraising for German hospitals with high-net-worth individuals as major donors. The focus is on the analysis of the donation potential of (U)HNIWs on the one hand, for the realization of specific medical funding projects in

cutting-edge medicine and research, with a very high financial requirement, and on the other hand, the donation potential of this target group for closing existing funding gaps. In addition, it is questioned and scientifically evaluated whether and how German hospitals/clinics have so far dealt with the topic of fundraising among high-net-worth individuals at all. Accordingly, the following research question arises for the study:

What is the donation potential of high-net-worth individuals as the most potential donor target group, on the one hand, to realize medical funding projects of cutting-edge medicine and research in German hospitals and clinics, and on the other hand, to reduce the annual funding gap of the bilingual financing system?

This results in the following research objectives of the paper:

- Review the status quo of German hospitals and clinics concerning major gift fundraising
- Examine the potential willingness of German UHNWIs and HNWIs to provide financial support to German hospitals and clinics, mainly to provide financial support to specific medical grant projects with high financial needs.
- Derive normative recommendations for action for German hospitals and clinics that want to use wealthy individuals as donors to implement specific funding projects with high financial requirements or to reduce the annual funding gap

Research Design

In this study, the different data are systematically integrated and linked to meet the complexity of the research question. Accordingly, the author uses the mixed-methods approach, as the methodological approach is considered appropriate to answer the research question. The first and second sub-studies follow the classic pre-study model. Accordingly, a preliminary qualitative study was conducted with hospital directors as experts, and building on this, a quantitative study was applied to test hypotheses. In the third sub-study, only a qualitative study was conducted. This is because a qualitative study can generate the most important and relevant findings about high-net-worth individuals as a donor target group. In addition, access to this target group is a challenge that makes quantitative hypothesis testing of the qualitative findings obtained impossible due to an insufficient sample. All results of the three sub-studies will be interpreted and analyzed together at the end to derive recommendations for action. The following figure graphically represents the methodological structure of the study.

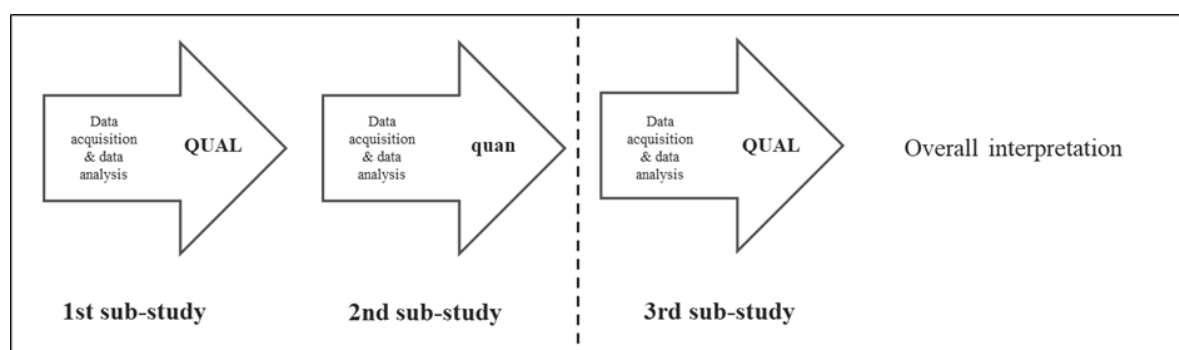


Figure 1: Methodological structure of the overall study (Own representation)

Research Methods

The research object of the first sub-study is to examine the status quo of German hospitals and clinics concerning major gift fundraising with high-net-worth individuals and to analyze its potential. Qualitative expert interviews were chosen for the data collection. For this purpose, a quota plan was drawn up with the criteria of the federal state and the position or profession of the

probands. Quota sampling as a purposive sampling strategy was used, since a targeted and deliberate search for defined characteristics is considered most suitable for generating hypotheses and, thus, for answering the research question. A total of 16 semi-structured guided interviews were conducted as expert interviews. The guideline was scientifically developed using the S-P-S method, according to Helfferich (2019). Qualitative content analysis, according to Mayring (2019), was used as the evaluation method.

The quantitative study (2nd sub-study), which builds on the first sub-study, has as its research object the verification of the findings from the preliminary qualitative study on the status quo. Various pretests were conducted for the standardized online questionnaire study for quality assurance purposes. In total, the 10-page questionnaire comprises 40 questions with different questionnaire types. A total of 287 participants took part. The researchers used the descriptive evaluation method because the focus was on mapping the status quo and not on forecasts or predictions of a possible relationship between variables.

Qualitative expert interviews were also conducted to examine the potential willingness of German UHNWIs and HNWIs to provide financial support to German hospitals and clinics (3rd sub-study). In this sub-study, the creation of the interview guide was also realized with the S-P-S-S method, and the structuring content analysis, according to Mayring, was applied as an evaluation method. A total of 10 qualitative expert interviews were conducted with 5 UHNWIs and 5 HNWIs, with access to this target group posing the most significant challenge, which in turn is reflected in the sample size.

Results

Through the expert interviews with hospitals throughout Germany, it became apparent that hospitals have general knowledge of fundraising. However, most hospitals have limited experience and knowledge in major gift fundraising with high-net-worth individuals. Only a few hospitals are already actively addressing the issue and can thus report initial practical experience with the donor target group. However, implementing active major-donor fundraising with the target group of high-net-worth individuals represents an explicit exception in the hospital landscape. This, in turn, highlights the untapped potential still to be found in hospitals, as only about 10% of the hospitals surveyed in the questionnaire study (2nd sub-study) indicated that they were actively doing so. Interestingly, the small proportion of hospitals with active major-donor fund-raising have, for the most part, only been carrying this out for one to two years, and it is, therefore, still in its infancy.

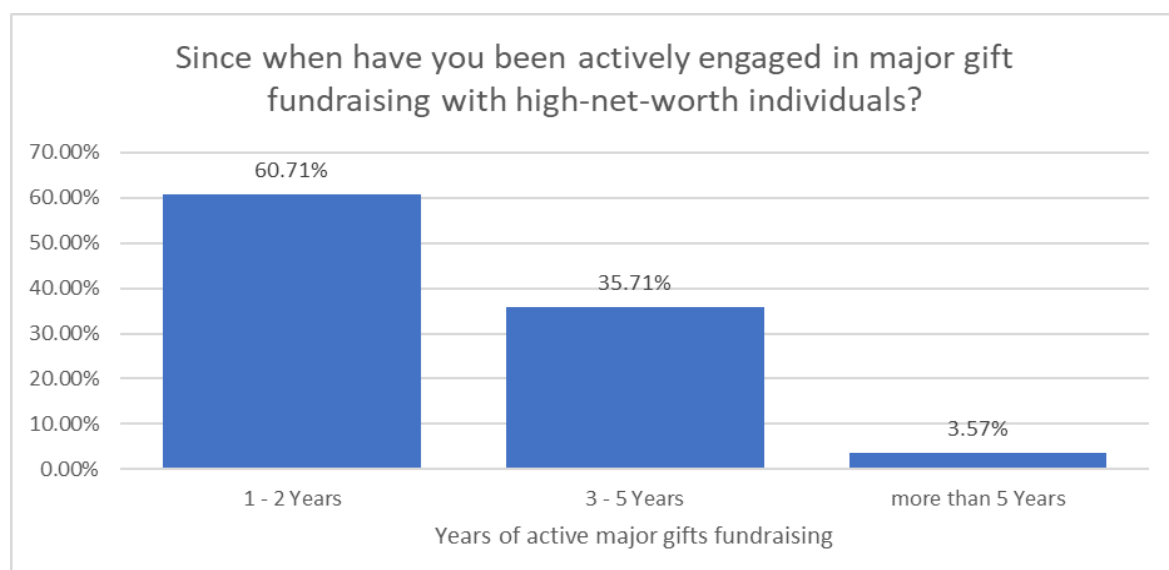


Figure 2: Results of the second sub-study - Active major gifts fundraising classified by year (n=28)
(Own representation)

The most frequently cited reason hospitals have not yet addressed the issue of major gift fundraising or the donor target group of high-net-worth individuals is the financially tricky situation in which hospitals have found themselves for years. The Corona situation has exacerbated this, as the study's literature analysis results show. The financial situation is bringing hospitals to their knees and leaving no room for maneuvering to focus on the issue.



*Figure 3: Results of the second sub-study - Reasons against major gift fundraising
(Own representation)*

Not only did the interviews make it clear, but the quantitative survey also confirmed the result that fundraising in general in German hospitals is predominantly "incidental" and is thus hardly institutionally anchored in the organization. There are only isolated examples of professionally run fundraising in German hospitals. The majority of hospitals are not adequately staffed or structured to focus on high-net-worth individuals as significant donors. The following prerequisites are not present in German hospitals, which repeatedly present the hospitals with challenges in terms of professionalizing fundraising:

- Low status of fundraising within the organization
- There is hardly any separate fundraising department of its own
- Trained major gift fundraisers are a rarity
- There is hardly any strategically oriented fundraising planning
- A convincing and motivating fundraising target image is often missing
- Parts of the communication are hardly targeted at UHNWs and HNWs
- Lack of support from the management level or the board of directors
- Hardly any potential sponsors in the donor portfolio
- Conducting an analysis of the potential of high-net-worth individuals is hardly ever done
- Realistic funding projects are often available, but there are difficulties in presenting a plausible investment need to funders
- Cooperation with consultants and agencies is seen as difficult

Overall, this shows that hospitals in Germany have a low level of institutional readiness. This may be a key reason hospitals have not yet addressed the donor target group of high-net-worth individuals. As the results of the qualitative and quantitative study show, the structural and personnel prerequisites are hardly present in most hospitals, which represents a central challenge

concerning major-donor fundraising. The majority of hospitals also have little to no UHNWIs or HWNIs due to a lack of institutional readiness, as they are unable to adequately serve this target group at all due to a lack of foundation in fundraising or awareness of the target group. Even though the potential that the hospitals see concerning high-net-worth individuals as major donors is high, the vast majority of hospitals currently have neither concrete plans for focusing on the donor target group nor for establishing professional major-donor fundraising in the future, as the following graphs illustrate.

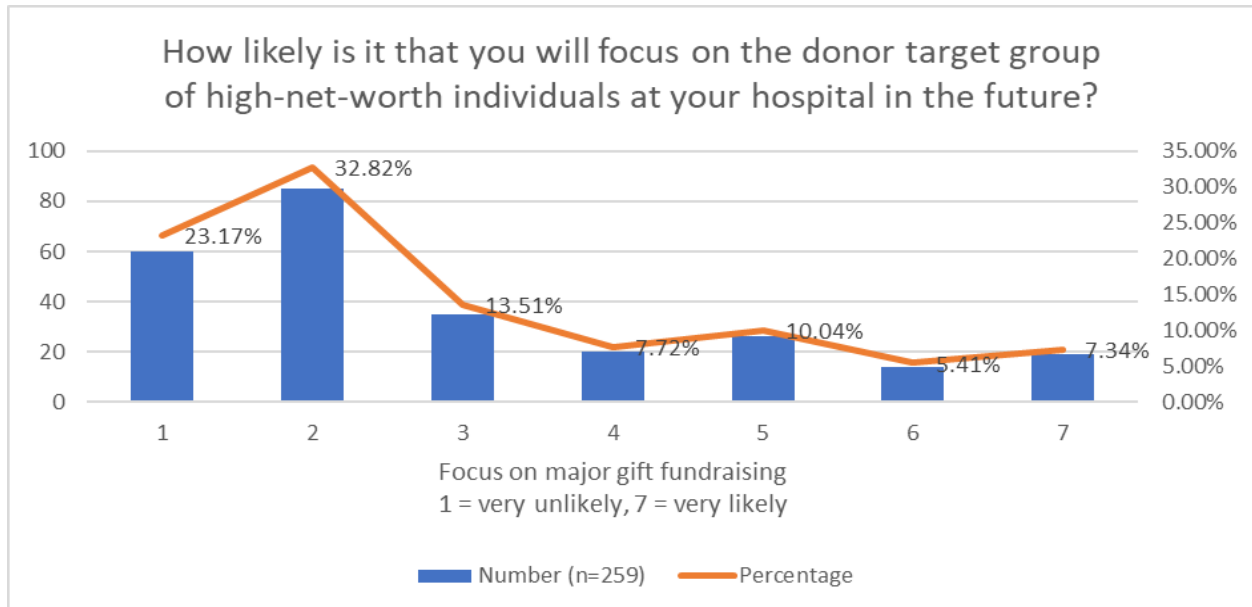


Figure 4: Results of the second sub-study - Focus on major gift fundraising (Own representation)

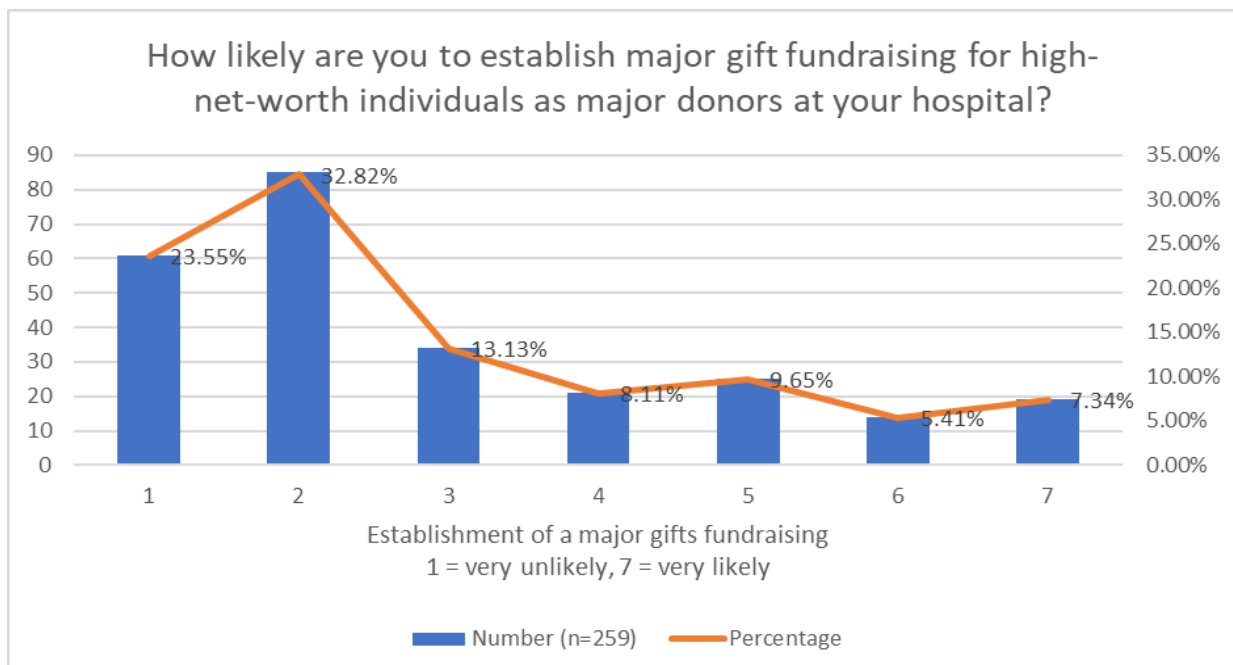


Figure 5: Results of the second sub-study - Establishment of a major gifts fundraising (Own representation)

They are also somewhat reluctant to engage in major-donor fundraising with high-net-worth individuals in the future. This may be because hospitals face financial bottlenecks, and the institutional willingness to deal with the issue is too low. Nevertheless, a few hospitals would be willing to invest in major-donor fundraising. According to the survey, about half of the

hospitals are willing to invest a specific budget in major-donor fundraising. However, the budget to be invested amounts to an average of around 54,000€ per year, which was only explicitly answered by 93 hospitals surveyed (Fig. 6).

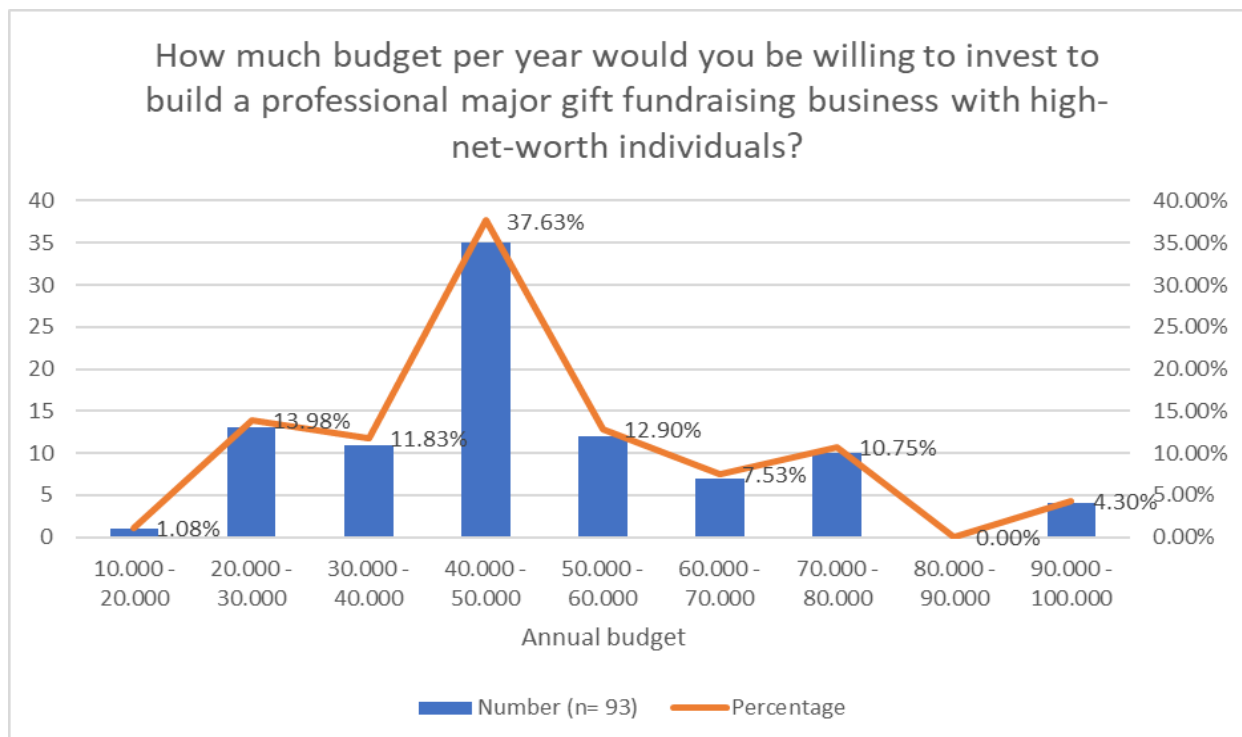


Figure 6: Results of the second sub-study - Annual budget for major gifts fundraising investment (Own representation)

From a business point of view, this budget is not even close to sufficient for setting up a major-donor fundraising operation, considering that, in addition to the structural requirements, human and technical resources are also necessary.

As the results clearly show, a change in thinking must occur, especially among hospitals, because this is the only way to create the conditions for major-donor fundraising. High investment costs deter many hospitals, but the understanding must be created that the high donation income significantly increases the return on investment with major-donor fundraising. Because on the other hand, high-net-worth individuals are particularly interested in contributing to the well-being of society and could well imagine fulfilling their social obligation and supporting hospitals with a significant donation. Health is also relevant for the wealthy, who would like to commit. However, the problem is that the wealthy are not approached consistently, effectively, and sustainably. Accordingly, many high-net-worth individuals have had little experience with hospitals regarding donations due to the lack of a correct approach, but there is a great deal of interest. In this context, as the results show, wealthy people often do not feel addressed on the one hand. On the other hand, the expectations of these people towards the organization, projects, and fundraisers are not met according to their wishes and needs. Anonymity is a relevant aspect that hospitals should take into account. Wealthy people want to act in the background as much as possible. The issue of influence is somewhat secondary. Only a say in projects and a general update on the supporting projects should be granted by hospitals to strengthen the donor relationship positively. The concern of the hospitals on this point is, therefore, unfounded.

In summary, there is a high level of willingness on the part of high-net-worth individuals to act as potential major donors for future projects in German hospitals. On the other hand, however, hospitals are not yet in a position to adequately serve this potential. Hospitals should

be aware that this is the largest growth area in the German donations market and that working with high-net-worth individuals is an excellent financial resource for securing cutting-edge medical projects in the future.

Implication for research and practice

Implications for practice could be derived from the core results of the study. The most important finding is that the *framework conditions must be right*. Major donation fundraising is lucrative, but it is not a task that can be done on the side. Awareness must change in hospitals, starting with leadership across all employees, and fundraising must be recognized as a relevant task within organizational structures. The following prerequisites should therefore be created:

- Major donation fundraising is anchored as a central management task and actively supported by management.
- It is integrated into the overall strategy.
- Adequate staffing with trained major donation fundraisers is available.
- Financial resources are adequately provided by the management.
- Major donation fundraising projects are well presented, and investment needs are clearly defined as a goal and regularly monitored.
- Proactive internal and external communication takes place.

Finding suitable partners is another recommended action. Approaching potential significant donors must be carefully prepared. An analysis of potential in the immediate and broader environment of the hospital is indispensable.

In addition, *realistic goals should be set*. After all, in order to pursue and achieve fundraising goals, hospitals must develop and implement a suitable strategy. Your major donation fundraising goals should be done in coordination with other organizational units and consistent with the organization's purpose.

Furthermore, hospitals should *not shy away from acquiring legacies*, as the results of the study show that high-net-worth individuals are willing to make part of their inheritance available to hospitals.

In addition, it is advisable *not to stir up unfounded fears*. Sub-studies 1 and 2 have shown that many responsible employees are afraid that (U)HNWIS will use large donations to obtain management positions or a say in the respective clinics. However, this fear is unfounded.

It is also important that *hospitals managers should be aware of the value of major gift fundraising through (U)HNWIS*. New hospital managers, board members, etc. should be aware that major donation fundraising through (U)HNWIS is a funding source of the future, as it is already today in the USA. This requires hospital managers with entrepreneurial know-how and an essential attitude. Hospital executives of the future should be aware that major gift fundraising is part of the business management toolkit of the future.

(U)HNWIS not to be perceived as "exotic" but as legitimate hospital supporters is another recommendation for action to the hospitals. The results of the present work have shown that (U)HNWIS do not act aloof and far from reality, but that most of them would care to donate to a hospital.

Use of fundraising consulting services can serve as further assistance. Hospitals should, in many cases, use fundraising consulting for top executives. Even though this is difficult in times of low budgets, it must be clear that the ROI here is high. Hospital managers must be aware that institutionalized major gift fundraising through (U)HNWIS will be a business milestone in the future of hospitals.

Equip staff involved in major gift fundraising with decision-making authority is another step in the right direction. The third sub-study showed that high-net-worth individuals are used

to discussing and debating with decision-makers. Hospitals in Germany should also meet this basic requirement.

Discussion

A closer look at the scientific penetration achieved in the literature to date on the topic complex of "donation potential of high-net-worth individuals as major donors for the hospital sector" revealed the necessity and relevance of the present work. That is because a comprehensive joint empirical investigation of the two constructs of hospitals and high-net-worth individuals as major donors and practical recommendations for action for the hospital sector derived from this has yet to take place within the framework of previous research achievements. It was found that only general fundraising or major donation fundraising was the subject of the analyses. Still, a joint study of the German hospital landscape and the donor target group of high-net-worth individuals as significant donors was lacking. Against this background, the motivation to close the research gap arose. Moreover, the central purpose of the present work was to expand the scientific knowledge of the targeted research area.

The thesis fulfills its underlying objective by first presenting the status quo in German hospitals on the topic of major-donor fundraising with high-net-worth individuals based on an appropriate theoretical foundation with the help of a comprehensive literature review, as well as by using a mixed-methods approach in a preliminary qualitative study (16 interviews) and a building quantitative empirical study with a sample of 287 subjects. In addition, the objective can be considered fulfilled since the views of UHNWIs, and HNWIs in Germany on the donation potential for German hospitals were also recorded with the help of a further qualitative study (10 subjects). This helped to identify well-founded implications for the hospital sector in dealing with high-net-worth significant donors based on the three sub-studies.

The empirical study revealed a clear picture of the German hospital landscape regarding major donation fundraising with high-net-worth individuals. The lack of institutional readiness not only structurally but also technically and in terms of personnel puts hospitals in Germany in a difficult situation that makes focusing on major donation fundraising much more difficult. Above all, the financial aspect must not be disregarded because financial bottlenecks make it almost impossible to establish major-donor fundraising. These effects directly influence the success of major-donor fundraising with the target group of high-net-worth individuals because, without these aspects, major donation fundraising in German hospitals is not possible.

Hospitals see great potential in this area, and high-net-worth individuals are convinced that they can give something back to society and contribute to social welfare by making large donations. The purpose of the donation is relevant from the point of view of hospitals and for UHNWIs and HNWIs as significant donors. Support for funding projects in cutting-edge medicine, which involve an enormous amount of financing, is seen as positive. However, high-net-worth individuals do not want to use their money to reduce debt.

Overall, the objective of this work is concretized in the successful completion of the two research objectives, which were to map the status quo in German hospitals on the topic of major-donor fundraising with high-net-worth individuals for the first time (1st research objective). Additionally to include the perspective of high-net-worth individuals as potential major donors for the hospital sector (2nd research objective) as well as to derive recommendations for action, based on the findings, for the hospital sector in dealing with UHNWIs and HNWIs (3rd research objective). The work thus fulfills the demand of the practice, a first-time presentation of the situation of hospitals in Germany on the topic of major-donor fundraising, particularly with the specific donor target group of high-net-worth individuals. Also, showing concrete measures for the hospital sector that contribute to successful major-donor fund-raising with high-net-worth individuals. The work thus provides

a comprehensive understanding of major gift fundraising with UHNWIs and HNWIS specifically for the hospital sector.

However, the work provides exciting results for researchers and managers in the healthcare sector and contributes to a better general understanding of major gift fundraising for other sectors that may also want to deal with the donor target group of high-net-worth individuals. All researchers and managers involved in major gift fundraising with this target group can gain valuable insights into how high-net-worth individuals view the topic of giving through this work.

Like any scientific work, the present study also has certain restrictions, which at the same time offer starting points for a need for further research. Without question, further and, above all, more in-depth research into major-donor fundraising for German hospitals appears necessary. An initial picture of the current situation in the hospital sector concerning major donation fundraising with high-net-worth individuals remains a first start and, thus, an auxiliary construct used to approach the subject matter in its complexity and to gain an overview of the field. The knowledge gained through the study can thus serve as a basis but cannot fully capture the complex structures.

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