Policy Discussion 1:

University Advancement

Other Info:

There are also two articles attached, *"Cultivating a Culture of Philanthropy: New Approaches to New Realities"* and *"Cultivating a Culture of Philanthropy: How Boards Can Make a Difference"* that will help set the context of our Advancement discussion.

UNIVERSITY ADVANCEMENT UPDATE

BOG Policy Discussion

Timothy A. Minor
Associate Vice President
University Advancement

September 11, 2014

Presentation Outline

- **Charting the Course**
- **Strategic Plan Recommendations**
- **Action Plan**
  - **Shared Services**
  - **Gift Planning**
  - **Talent Acquisition and Management**
- **Increased Transparency and Accountability**
- **FY 2012-13 Metrics**
- **Leadership Panel Discussion**

Charting the Course

- **2012 Joint UNC-GA and OSBM Efficiency Review:**
  - Seven campuses produce annual gifts in the 50th percentile or greater as compared to their peers.
  - Eight campuses have endowments with market values in the 50th percentile or greater as compared to their peers.
  - Twelve different vendors provide direct mail services to institutions, but only 60% of all UNC alumni receive direct solicitations each year.
  - Thirteen campuses have one or fewer staff engaged in cultivating planned gifts.
  - The return on development investment ($$ raised per $ invested) at campuses varied greatly.

Charting the Course

■ ## Key Recommendations:

- Strengthen prospect research and management capabilities across the system

- Provide additional capacity in annual, major, and planned giving to institutions with demonstrated need and readiness

- Establish and administer preferred vendors that support Advancement programming

Incorporated into "Our Time, Our Future" five-year strategic plan

"Our Time, Our Future" key goals:

Goal 4: Maximizing Efficiencies

Goal 5-C: Enhance Private Fundraising

The Strategic Plan stated that a "targeted deployment of a common pool of fundraising resources would assist the underperforming campuses and strengthen the overall profile of every UNC institution.

Over the next five years, the UNC System will increase gifts, improve campus performance as compared to their peers, and ensure the most efficient use of personnel and vendors to increase return on investment."

"Our Time, Our Future" *(*Goal 5-C)

- **Enhancing private fundraising was established as a strategy in support of this goal with two very aggressive outcome measures:**

  - **Increase UNC total gifts by a minimum of 25% ($125 million); and**

  - **Move all campuses to at least the 50th percentile in key performance metrics as compared to their peers.**

Action Plan

Shared Services

- **Centralized prospect research analysis focused on donor discovery for emerging campuses**

- **System-wide master contracts to reduce costs for common services, software and communication**

- **Web-based resources and analytic solutions that identify new prospective donors, assess philanthropic capability, and increase potential for fundraising success**

Gift Planning

Centralized resource that provides strategy, training, and solicitation of lifetime and testamentary gifts such as:

- **Bequests**
- **Retirement plan beneficiary designations**
- **Irrevocable life income planned gifts**
- **Real Estate**
- **Insurance**
- **Gift acceptance policies and procedures**

Action Plan

Talent Acquisition and Management

- **Capitalize on UNC System brand to identify and retain individuals who will transform Advancement teams**

- **Key initiatives include:**
  - **Executive Search**
  - **Résumé Repository**
  - **Consulting Services**
  - **Training and Development**

Increased Transparency and Accountability

1. **BOG-Approved Efficiency and Effectiveness Metrics**
   - **Private Fundraising Index is one of the ten approved in August 2014**

2. **UNC-GA more closely involved in goal setting and forecasting**

3. **Consistent practices around gift acceptance, counting, etc.**

	Fiscal Data					Staff
Constituent Institution	**Development Budget**	**% Dev. Budget State Funded**	**Total Gift Receipts**	**ROI: Based on State Funding**	**ROI: Total Cash Received**	**Total Dev. FTE**
ASU	$4,103,441	51%	$12,045,776	$5.77	$2.94	35
ECU	5,603,510	75%	15,351,912	3.65	2.74	41
ECSU	723,409	100%	1,353,554	1.87	1.87	7
FSU	306,267	84%	1,230,566	4.80	4.02	10
NCA&T	1,681,437	93%	6,896,636	4.43	4.10	15
NCCU	1,854,379	97%	3,780,529	2.11	2.04	14
NCSU	11,486,786	59%	131,377,842	19.39	11.44	105
UNCA	1,073,529	95%	4,128,570	4.05	3.85	15
UNC-CH	25,503,872	10%	272,767,187	106.95	10.70	210
UNCC	2,406,039	87%	11,168,340	5.34	4.64	23
UNCG	4,812,589	86%	13,072,905	3.18	2.72	47
UNCP	1,150,373	94%	1,227,412	1.14	1.07	9
UNCW	1,467,786	98%	5,559,097	3.85	3.79	15
UNCSA	1,436,325	68%	6,838,447	7.03	4.76	7
WCU	1,028,912	64%	3,662,051	5.54	3.56	14
WSSU	1,230,464	94%	4,953,540	4.28	4.03	11
NCSSM	257,817	35%	1,096,190	12.18	4.25	3

Source: Voluntary Support of Education (VSE)

FY 2012-13 Metrics
Total Gifts vs. Peers*

Constituent Campus	FY 2013	25th	50th	75th
ASU	$12,045,776	$4,935,195	$7,180,512	$12,428,366
ECU	15,351,912	14,589,727	24,706,048	59,237,551
ECSU	1,353,554	1,432,160	2,168,971	4,609,940
FSU	1,230,566	1,329,807	2,513,388	3,735,458
NCA&T	6,896,636	8,716,238	14,023,324	20,880,288
NCCU	3,780,529	2,859,909	4,050,004	6,426,844
NCSU	131,377,840	94,843,307	130,963,715	190,249,831
UNCA	4,199,642	2,186,747	2,703,773	4,582,194
UNC-CH	272,767,187	152,029,618	279,991,936	355,746,301
UNCC	11,168,340	13,446,357	17,741,768	33,841,781
UNCG	13,072,905	13,712,095	18,700,686	38,839,139
UNCP	1,227,412	1,447,695	2,929,596	5,113,618
UNCW	5,559,097	5,587,515	10,094,181	19,674,716
UNCSA	6,838,447	6,284,148	105,036,812	355,316,896
WCU	3,662,051	3,190,377	3,702,458	4,643,376
WSSU	4,953,540	1,085,296	1,329,807	2,447,793

*Includes public peers only

Source: Voluntary Support of Education (VSE)

FY 2012-13 Metrics
Endowment Value/Peer Comparison*

Endowment Market Value		Peer Comparison
Constituent Campus	FY 2013	50th Percentile
ASU	$78,587,419	$78,587,419
ECU	144,701,141	259,388,015
ECSU	8,681,231	13,126,938
FSU	15,835,498	15,835,498
NCA&T	37,315,006	129,671,947
NCCU	33,824,086	36,207,718
NCSU	769,404,000	790,059,683
UNCA	33,934,472	19,240,232
UNC-CH	2,344,279,691	2,810,585,859
UNCC	148,330,987	148,857,369
UNCG	217,855,116	149,383,750
UNCP	18,212,007	22,404,442
UNCW	76,025,968	66,977,946
UNCSA	37,261,467	1,044,900,000
WCU	46,184,404	36,376,648
WSSU	29,542,542	23,081,708
NCSSM	6,143,424	N/A

* Includes public peers only
Source: Voluntary Support of Education (VSE)

What Do Private Gifts Support?

■ **In a time of declining state support for higher education, fundraising provides our margin of excellence in areas like:**

- ● **Endowments**
- ● **Scholarships/Fellowships**
- ● **Graduate Assistants/Faculty Support**
- ● **Academic programs/Libraries/Fine Arts**
- ● **Fundraising Campaigns for facilities, outreach programs and research**

State of UNC Advancement – Leadership Panel Discussion

Getchel L. Caldwell, II – FSU

Wendy Lowery – UNCP

Susan H. Pettyjohn – ASU

Eddie Stuart – UNCW

BOG Discussion

Questions?

Trusteeship

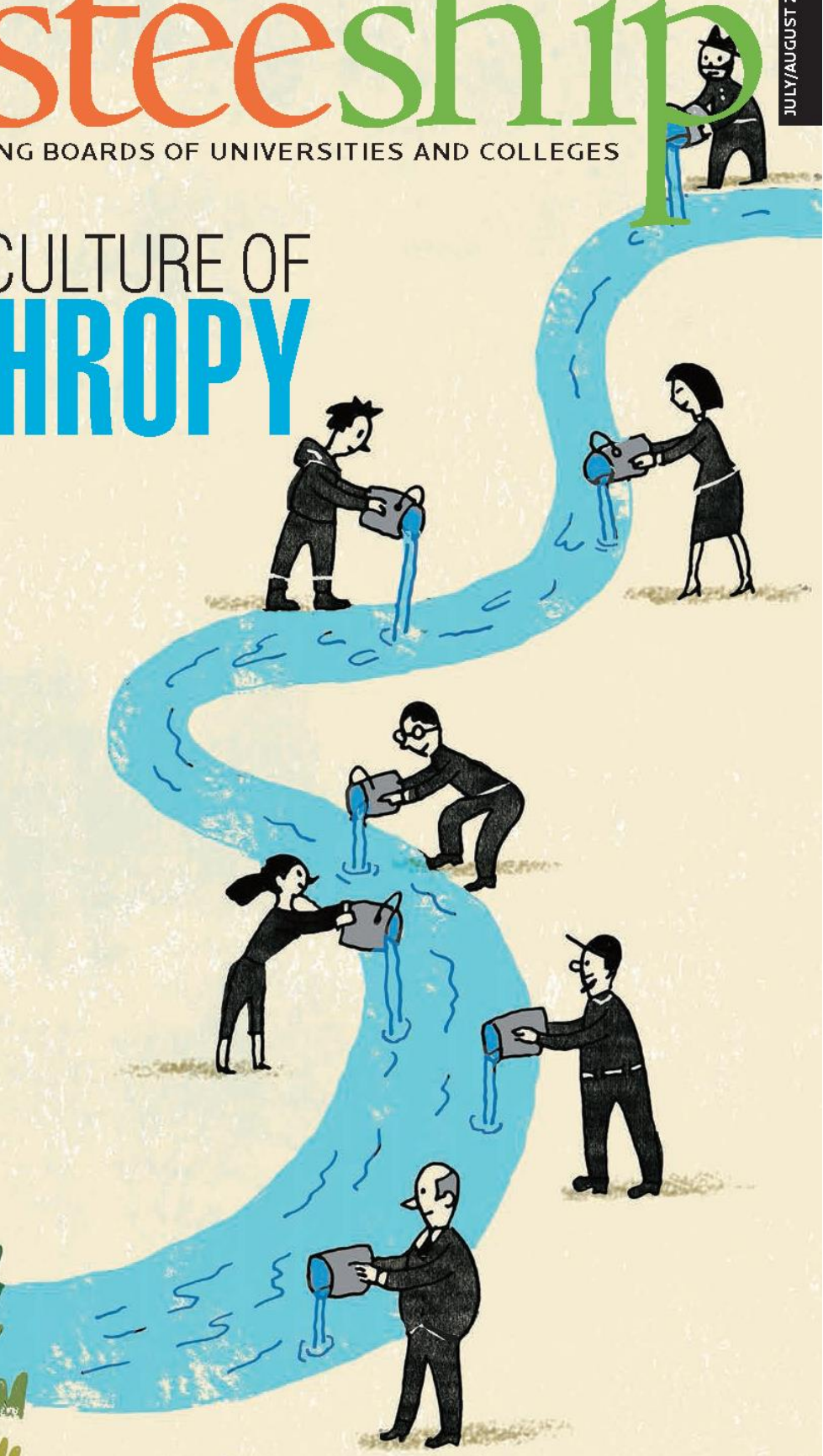**ASSOCIATION OF GOVERNING BOARDS OF UNIVERSITIES AND COLLEGES**

CULTIVATING A CULTURE OF
PHILANTHROPY

Lessons in Socially
Responsible Investing

Innovation and Successful
Presidents

Ethical Standards for
Executive Searches

A Picture of Variable Pay

Cultivating a Culture of Philanthropy: New Approaches to New Realities
By: James Michael Langley

It's hard to imagine any college or university where top administrators and board members aren't hoping against hope for a broader or more enduring culture of philanthropy. After all, who wouldn't want a deep and ready reserve of more-generous and loyal donors, especially in these times when other sources of support are so constrained?

The means and methods by which most institutions pursue that goal, however, are based on a flawed assumption—that fundraising in itself engenders philanthropy. It doesn't. Fundraising harvests philanthropic goodwill; it doesn't produce it. In fact, in some cases, certain fundraising tactics are even depleting what traditionally has been higher education's greatest philanthropic reserve: the loyal alumnus.

For example, many advancement leaders, when asked, "What are you doing to cultivate a culture of philanthropy?" point to their student philanthropy programs. Most of those programs are predicated on the notion that a lifetime of philanthropy begins with the first gift. Just get students to let loose with a few bucks in the name of philanthropy, the theory goes, and the high will be so high they won't be able to quit. In that belief, all manner of tactics have been tried, including having an alumnus hand out dollar bills to seniors during commencement exercises and then ask for them to be given back immediately. The notion is that even ceremonial transactions involving giving back other people's money will cause you to want to do the same with your money.

Some senior gift campaigns appear to work, but the philanthropic effect is short lived. A large number of colleges and universities, for example, can point to significant dollars secured or high rates of donor participation resulting from their student philanthropy efforts. Yet compare those donations given by seniors in the name of student philanthropy, either by amount or rate of participation, to those given by that very same cohort, now young alumni, one year later. The numbers drop, hard. The hoped-for habit hasn't been instilled.

So, if fundraising in itself doesn't create and cultivate philanthropy, what does? We can find the answers in the enormous amount of data at our disposal in the form of donor records kept by most advancement operations for many decades. I've had access to such data through my more than 30 years in the field—including serving as vice president for advancement at three major institutions and as a consultant to more than 50 colleges and universities. Throughout that time, I've reviewed, conservatively, more than 10,000 donor records.

We can gather and compare that data across institutions and see a remarkably clear and consistent philanthropic pattern emerge. Add that to the testimony of loyal, generous alumni who have graduated in the past seven decades, and we can isolate the major factors and forces that shape lifelong philanthropy.

The Sustaining Alumni Donor

First, a bit of context: Of the more than $300 billion given in recent years in the name of philanthropy, according to *Giving USA 2014*, 72 percent comes from individuals, 15 percent from foundations (including family foundations), and 5 percent from corporations.

The sustaining alumni donor is, and has been, the heart and soul of the most remarkable philanthropic cultures created to date. When we look at the anatomy of a magnificent gift given by such donors to any institution of higher learning—say, of $1 million or more—we see that it is preceded, on average, by 15 to 20 years of previous and more modest giving to the institution by the same alumnus. Further, when an alum makes his or her 15th annual gift, the probability of him or her leaving a large portion of his or her estate to an alma mater, according to our analyses, increases by 80 percent.

The evidence is overwhelming: A culture of philanthropy cannot be built without attracting and retaining, over two or more decades, a significant quotient of loyal alumni donors. You can't just chase dollars, unmindful of whence they come. You have to build enduring relationships and be particularly alert to the lapsing of loyal donors. Board members, therefore, need to ask more than just how much money has been raised this quarter or this year, and how that compares to last quarter or last year. The far better questions to ask are, "How many donors have given for 10 or more years? How many of those did we retain last year and how many did we lose?"

The fact is that philanthropy, as an act of individual expression, evolves slowly yet certainly, but not in everyone. About 70 to 75 percent of us will make at least one gift at some point in our lifetime. Of that percentage, about 30 percent will give consistently, year in and year out, to one or more organizations.

Three Main Gateways

While the mystery of why generosity grows in the hearts of only some of us is beyond the ken of this article, we can identify conditions that cause the innately generous to become loyally affiliated with certain institutions of higher learning. Once again by studying the records and patterns of those who have given for four decades or more, we can see three powerful elements at work—appreciation, affiliation, and agency.

Appreciation, according to the testimony of consistently generous alumni, is predicated on the broad belief that the value of their education greatly exceeded the price of tuition. It is also founded on an undying gratitude to a few professors (and sometimes coaches) who caused them to realize that they were capable of more than they had once thought. Such alumni cite most often or speak of most appreciatively even demanding and exacting professors, sometimes ones who issued failing grades, because of the competencies they inculcated—and the difference those competencies made over time.

Fascinatingly enough, those alumni who have worked on a campus when they were students are far more apt to express philanthropic appreciation than those who received high-end scholarships or "full rides." Indeed, the recipients of particularly prestigious scholarships are far less likely to give back, even to the scholarship programs that once sponsored them. Other factors that deepened their appreciation, such generous alumni say, included rituals that moved them emotionally (primarily freshman convocation and commencement), traditions that spanned the generations, and the feeling of being a member of a distinct or distinguished community.

Affiliation, or remaining actively engaged with one's alma mater after graduation, when added to appreciation, greatly increases the likelihood of an alumnus giving over the decades. Early affiliation in the years immediately following graduation is especially influential in shaping longer philanthropic patterns. The ardor of even the most appreciative alums can dim with the passing of time and in the absence of affiliation.

And, as we have learned in an extensive study of thousands of alumni across about 100 institutions, conducted by the Collaborative Innovation Network for Engagement and Giving, even appreciative alumni fall away when they begin to feel that their alma mater "does little to reach out to me beyond asking for money." What generous alumni want from their colleges and universities is similar to what students want—the ability to continue to learn from and with exceptional faculty members and talented peers. In the main, they are not interested in affiliating with their alumni association if it does not meet those desires.

Agency, one of the most overlooked elements of enduring philanthropic compacts, is in the mind of a sustaining donor. It is the belief that he or she is not just giving *to* his or her college or university, but also *through* it to create a better world. That better world can be broadly conceived, such as believing that one's alma mater serves the purposes of democracy by widening the circle of opportunity or serving as an engine of upward mobility. Or it can be narrowly interpreted, as is the case of an accounting alumnae, who, let's say, believes her alma mater is having a disproportionately positive impact on professional practice in that field.

That element of agency, generally in combination with appreciation and affiliation, explains why alumni give remarkably generous gifts to colleges and universities with the largest endowments. We often hear the incredulous outside observer of this phenomenon ask, "Why on earth would anyone give so much to a university that has billions of dollars in endowment? They don't need the money!" The reality is that need is not a driving factor in the most significant philanthropic commitments. If, for instance, you lost a loved one to a terrible disease and, as a result, became passionately motivated to exercise your full philanthropic resources to help others so afflicted, you would not give to the medical center or research institution that most needed the money, but rather to the one that had the greatest potential to rid the world of that dreaded disease.

In fact, over-emphasizing basic needs—such as a college charging more than $35,000 in tuition while arguing it requires contributions to its annual fund "to keep the lights on"—undercuts an institution's larger philanthropic appeal. Agency is not about the margin of survival, but instead about the margin of excellence. It is about demonstrating how philanthropic investment can take an institution, or some critical part of it, "from good to great."

Growing Challenges

Ironically, in the past few decades, the actions and decisions of much of higher education have had an adverse effect on alumni appreciation and affiliation. The most significant was increasing tuition over the past 30 years by 440 percent (the average for four-year institutions), according to the National Center for Public Policy and Higher Education. Whether or not those increases were warranted is not the issue here. The unsettling truth is that those increases, and the ensuing student debts, have caused alumni, in increasingly larger numbers with every passing year, to rebuff the institution's plea to "give back" by saying, "I gave enough already in tuition."

Indeed, many of these alumni will attest to receiving an excellent or very good education while adding that they paid handsomely for it. Fewer and fewer say the value of their education greatly

exceeds the cost. The net effect is a 20-year decline in alumni participation (the percentage giving annually), resulting in less than one in 10 alumni giving regularly to their alma maters.

The degree to which alumni calculate the cost-value proposition of their education is difficult to measure, but their giving behaviors are not. Knowing that major gift commitments are preceded by 15 or more years of loyal giving, we can begin to predict major gift productivity well into the future by counting the number of alumni in any given institution who have given for 10 or more years by the decade of their graduation. For example, Table 1, below, shows that the number of alumni giving to a respected, mid-sized liberal-arts college for 10 years or more rose in the 1960s and 1970s, but has significantly declined ever since.

Table 1.

The following is representative of a pattern we see at many respected, mid-sized liberal-arts colleges.

DECADE OF GRADUATION	NUMBER OF ALUMNI GIVING FOR 10+ YEARS
1950s	377
1960s	415
1970s	433
1980s	209
1990s	130
2000s	44

At larger or less distinguished institutions, the rate of decline in loyal giving is even more precipitous. The virtually ubiquitous hope of cultivating a greater, grander culture of philanthropy is slipping away from many institutions of higher learning. And it is not because the graduates of the 1980s and beyond are less philanthropic than their predecessors. It is because they are directing their philanthropic resources to organizations for which they feel a greater sense of appreciation and stronger affiliation and that they believe have a greater ability to convert whatever they might give to larger societal gain.

Board members should request the same data set for their college or university. If the pattern is similar, they must ask what is being done to build loyalty over time and, perhaps more important, what sort of research has been conducted to understand why otherwise generous graduates are giving more to other causes than to their institution.

Affiliation, the second most important element of philanthropic cultures, is also on the wane. Where this has been the case, the contributing factors have included an increasing emphasis on producing annual fundraising results, an underinvestment in alumni relations, and alumni relations programs that have not reflected or built on the sources of alumni appreciation or are perceived to be nothing more than stalking horses for an impersonal fundraising machine. Unrelenting fundraising, in this context, without substantive programmatic outreach to alumni, is more endangering to than engendering of philanthropy.

Board members should ask, "What is the proportion of fundraising to non-fundraising messages that our alumni receive yearly? If board members themselves are alumni, all they need to do is create a file for all the mail and e-mail they receive from their alma mater and do their own tally at the end of the year.

The decline of appreciation and affiliation means that institutions of higher learning must become increasingly more effective at demonstrating agency if they are to excite the philanthropic instincts of their migrating alumni. Is it possible to make such a powerful case for agency, to so convincingly demonstrate how private investment in an institution of higher learning is effectively converted to some specific societal gain, that it will create a new kind of appreciation—not about what *was*, but what *will* be? Can the case for agency be so powerful that it induces cause-oriented or outcome-driven alumni to affiliate with their alma maters? Perhaps. And we need to try.

But this we know: Cultures of philanthropy can no longer be cultivated by asking alumni to merely "come back, look back, and give back." They will need to be built on agency-oriented cases for support and will require institutions to demonstrate that they are willing to listen to and learn from their most successful alumni. They will require higher education institutions to identify and seek out alumni possessed of specific talents that, when coupled with institutional competencies, can be massed around projects and initiatives that are most likely to produce relevant and difference-making outcomes and impacts. Before asking for financial support, they will need to demonstrate, if not prove, to alumni that their talents matter and that their voices are valued.

Agency also requires each institution to speak to what it hopes to contribute to society from its distinct assets and specific core competencies. The vast majority of four-year institutions are defining themselves with the same three descriptors: green, global, and interdisciplinary. Board members would be wise to ask, "What is it that we can do that no one else can?" The answer doesn't in itself have to be world changing. If everyone focused on delivering something of great value to their immediate community, we'd have a better overall society.

What Boards Can Do

Adapting to the new realities and developing new means of securing "time, talent, and treasure" from alumni does seem to hold a larger promise of making colleges and universities more service-oriented and less status-oriented; more humble and therefore more willing and capable of learning; more strategic by aligning with alumni who are on the cusp of change and the frontiers of new knowledge and innovation; and more cost-effective by incorporating more labor-saving, opportunity-realizing volunteer talent. But, in the main, the promise of such things is far greater than the practice.

The other and complementary alternative is to base our strategies for the future on what we know about the formation of philanthropic behaviors. Might we dare to create or re-create institutions of higher learning that have a more organic ability to develop ever greater and self-sustaining cultures of philanthropy? Board members who are interested in converting all that we know about philanthropic patterns of the past into strategies for cultivating more philanthropic cultures in the future should advocate for:

- Thoughtfully designed rites of passage and rituals that cause students to feel as if they have been admitted into a distinct and distinguished community of higher purpose;
- Incentives and rewards for faculty members who see their essential purpose as setting high bars for student learning and providing the tools, including their time and personal encouragement, that ensure those bars can be reached;

- Student affairs practices and policies that are attentive to the emotional uncertainties experienced by many young adults and that seek to make sure that the making of a loyal, generous alumnus does not falter or fail in the first semester of the freshman year;
- Admissions policies that show a preference, assuming all criteria are relatively equal, for the applicant who demonstrates altruistic tendencies;
- Financial-aid policies that are not driven by narrow and statistically insignificant measures of cognitive ability but on broader measures of human potential;
- Fiscal practices that support these imperatives and operate in more transparent and accountable environments in which honest, impassioned dialogue can take place about the most important cost centers, particularly enhancing faculty-student interactions, and about what constitutes extraneous costs or even waste; and
- Larger institutional outlooks and practices—not just those delegated to the alumni affairs office—that afford respectful, reciprocal, multidimensional relationships with alumni and engage them in substantive activities that advance the college or university's mission.

The role of a governing board should not be limited to only the mechanics of fundraising—be it expressed with that awful philanthropic obscenity "give, get, or get out," or the more benign requests to give, host events, or play representational roles, or even evaluate annual fundraising metrics. The more essential responsibility of the board is to ensure that the institution that it passes on to its successors is more distinctive and sustainable than that which it inherited from its predecessors.

And, so, while boards have been traditionally seen as an intricate element of fundraising—as givers, stewards, and evaluators—there is an opportunity to play an even greater role. Boards can, and should, not only ask, "How much money have we raised this year?" but also, "What is the state of our culture of philanthropy, and how might we better create the institutional conditions to make it stronger?

Cultivating a Culture of Philanthropy: How Boards Can Make a Difference
By: Jim Lanier and Peter N. Smits

When he was a boy, the great philanthropist Andrew Carnegie made his first penny by reciting Robert Burns's long poem, "Man Was Made to Mourn." Once in a Sunday school class, he is said to have remarked, "Look after the pence, and the pounds will take care of themselves."

This man, who set new standards for philanthropy and trusteeship, and who tried to give away all of his money and die penniless, would be astonished by research by the Boston College Center on Wealth and Philanthropy that reveals that, between 2007 and 2061, an estimated $59 trillion—divided among heirs, charities, estate taxes, and estate closing costs—will be passed on from 116 million American households in the greatest wealth transfer in our nation's history.

According to *Giving USA 2014*, philanthropy in this country is on the rebound from the recent recession, if modestly. Total charitable giving in 2013 was up an estimated 4.4 percent, to $335 billion, the fourth consecutive year of growth. Giving by individuals was up 4.2 percent, and by foundations, a solid 5.7 percent. Corporate giving decreased 1.9 percent, but giving by bequest was up 8.7 percent. The single largest influence on these increases was gifts made by wealthy donors.

After the staggering effects of the Great Recession, that is welcome news for boards. Board members have historically played a distinct role in helping to foster an effective environment for fundraising. And today, more and more institutions are beginning to pay greater attention to how boards can help cultivate a culture of philanthropy on their campuses.

In fact, a small but growing body of literature has started to examine exactly what constitutes a culture of philanthropy. It is commonly recognized that cultures of philanthropy are most prevalent in nonprofit organizations, and that everyone in the organization bears some responsibility for improving the organization's attitude toward philanthropy. Simone Joyaux, a consultant for nonprofits on fundraising and board development, has written that a culture of philanthropy embodies attitudes, understanding, and behavior—and that only when a healthy culture is established can fundraising be truly effective.

Too often we translate "culture of philanthropy" to mean how much money a donor or group of donors gives. But the concept is much bigger. Pentagon planners use the term "force multiplier" to describe creative and nontraditional ways a particular weapon system or strategy can be used to multiply its normal effectiveness by powers of two, five, or even 10. That's what a culture of philanthropy surrounding an organization becomes: the "X" in multiplying the normally expected capacity.

In such a culture, mission matters. James Gregory Lord has proclaimed in *The Raising of Money: Thirty-five Essentials Every Trustee Should Know* (Philanthropic Quest International, 1983) that "organizations have no needs." Rather, as he explains it, people have needs. Society has needs. Successful institutions solve their problems by focusing their unique resources and talents toward solving the needs of people and society. Laura Arrillaga-Andreessen, founder and chair of the Stanford Center on Philanthropy and Civil Society, reminds us that a "philanthropist is anybody

who wants to give their time, energy, or resources to help others." With that in mind, in active cultures of philanthropy, the focus is on the outcomes from the gift and not the money. Contributions, however big or small, count and have an impact on lives and society.

Colleges, universities, and charitable organizations all sprang up around noble missions to assist people in need or to improve the human condition within society. Yet, over the years, staff members, buildings, and programs were added at many institutions to the point that presidential and board conversations began to focus on the needs of the institution rather than the noble mission upon which it was founded. Almost unnoticed, presidents and boards became managers of large complex corporate entities with multiple layers of staff, unions, and fiduciary responsibilities. The development program was often looked upon as another revenue stream to close the income gap for ever-expanding budgets.

As the old saying goes, however, bigger (and more complex) does not always mean better, nor does it necessarily attract philanthropy. The fact is, institutions that are most successful in attracting gift investments are those that can articulate the nobility of their mission and demonstrate their ability to deliver upon that mission in a caring and efficient manner.

Consistently high-performing philanthropic entities of any size are mission-focused and steeped in an environment of openness and trust. The organization has a spirit that is shared by leaders, by staff at all levels, and by volunteers—not just by a strong president or an affluent board. Each member of the enterprise understands that he or she owns the mission and delivers on it every day. From the grounds crew to senior managers, everyone recognizes that their responsibilities are about more than a paycheck.

Questions about Culture for Boards

If board members want to address the culture-of-philanthropy issue more specifically on their own campuses, they might start with questions like these:

1.   If leadership really begins at the top, what would a culture of philanthropy look and feel like for our board? How can we discuss the answers candidly and create a strategy for change?

2.   What type of process should we initiate to examine and assess our institutional culture and to define changes we want to consider?

3.   Do the actions and priorities demonstrated by our senior staff provide a model of collaborative and engaging styles that aligns well with the institution's vision and mission?

4.   Are we transparent, and do we effectively steward gifts and encourage genuine engagement among volunteers and donors?

5.   What would a culture of philanthropy look and feel like for our staff, our volunteers, and our donors?

Much of the value of questions is not simply the answers. It is also the dialogue that the questions engender among boards and key campus stakeholders.

The Vital Importance of Storytelling

Today, one cannot take for granted that internal or external constituencies understand the relationships among mission, performance, and philanthropy—and their combined impact on individual lives and the community. Research suggests that, increasingly, donors see themselves as "value investors rather than just doing good." They want to see the direct impact and results of their gifts. Thus, colleges and universities that are especially high-performing in the philanthropic arena pay attention to good storytelling.

AGB President Richard D. Legon suggests that "learning to be a good storyteller should be a highly valued attribute to which every trustee should aspire." The best stories are not scripted by the communications department. They are genuine narratives based on conversations with various stakeholders. Good storytelling depends on good listening. Well-told stories are today's equivalent of the biblical parables of old, connecting the dots of mission, performance, and impact. The stories add a human touch, credibility, and sometimes even magic.

A few years ago, leaders at the University of Iowa Foundation challenged themselves to better engage students, faculty members, and staff members in the philanthropic process. After many conversations with stakeholders, it became clear that the process had to become more personalized. They found that even those members of the university family who benefit directly from philanthropy—in the form of scholarships, new buildings and labs, arenas, faculty enrichment, and travel funds—generally did not associate those items with gifts or donors.

Those discussions led to the creation of "Phil the Philanthropist," a fictional character who began to tell the story about the value of gifts around the Iowa campus through the "Phil Was Here" project. As Lynette Marshall, president of the University of Iowa Foundation and the university's chief development officer, describes, "The Student Philanthropy Group took a leadership role and added such energy and fun to 'Phil Was Here.'" Phil's stories and the success of the concept led to an annual philanthropy day where Phil's images show up all around the campus, sharing the stories of how individual donors and gifts have benefited and provided opportunities for current and future students and staff members. And, according to Marshall, "Phil is making an impact. Engagement, storytelling, and giving among students, faculty members, and staff members have all risen significantly since Phil joined the team."

Phil the Philanthropist spotlights another component for high-performing institutions. They treat internal constituencies as insiders and partners in the process. A culture of philanthropy is embedded when the members of the internal and the extended family of the institution—trustees, faculty and staff members, students, and volunteers—understand and articulate the enriching stories that reflect the mission and values of the college or university.

Guilford College, founded by Quakers in Greensboro, N.C., has a different slant on philanthropy day. Based on the prior year's fundraising success, Kent John Chabotar, who just retired in June as president, describes it: "We single out this special day in early March to tell our students that the rest of the academic year has been paid for by donors. We put up signs all over campus about the importance of gifts and how they built the building next to the sign. We host our scholarship luncheon for scholars and donors and other events for the college community to celebrate philanthropy and to showcase the incredible imprint that the generosity of our donors makes upon the lives of our students, our faculty members, and the various communities we serve."

Who would be number one in the "culture of philanthropy" category among American colleges and universities if we ranked them for it? One could get a large number of nominations for the title. Fortunately, many institutions are mission-focused and add great value to the lives they touch. Historically, private colleges and universities have been more effective at promoting and sustaining cultures of philanthropy. But the publics are gaining. If the 40-year pattern continues, by the end of 2015, over one-half of all philanthropic gifts going to American higher education institutions will be directed toward public colleges and universities.

However, if you want to learn about creating and sustaining a culture of philanthropy from an institution that has spent many decades perfecting the model, find a friend who is a University of Notre Dame graduate. Ask her to share with you some stories about why Notre Dame remains so relevant in her life. Ask her why she always makes her annual gift to her college. Ask her why she always takes calls from young alumni in her community to offer advice, and why as a successful business professional, she feels called to shout across the street, even in strange cities, to anyone wearing a Notre Dame shirt or cap, "Go Irish!"

Some higher education leaders suggest that a "culture of philanthropy" is synonymous with a "culture of engagement." Internal and external constituencies respond best when they see a clarity of purpose and evidence that demonstrates the mission is being delivered on in meaningful ways. Armed with information, confident in the direction of the organization, and treated as a partner, staff members and volunteers become increasingly engaged. They share the stories.

In their book, *Leading with Soul: An Uncommon Journey of Spirit* (Jossey-Bass, 2011), Lee G. Bolman and Terrence E. Deal note, "The stories become truer than true." They suggest it is not the written rules of the organization that define it; rather, the real culture is defined by how the majority of the "insiders act and feel about the place every day and the stories they share about their experiences." We know that people are drawn to passion and enthusiasm. Where the idealized narrative of an institution is supported on a daily basis by the way people act in carrying out their individual responsibilities, that environment becomes increasingly supportive of a culture of philanthropy.

Some Specific Board Responsibilities

In order to contribute to an environment that encourages philanthropy, boards have a responsibility to help shape the institution's overall fundraising direction and activities. They should:

- *Request appropriate planning.* Fundraising must be based upon the institution's prior history and specific plans. The board should help to shape, approve, and monitor the institution's long-range plan and priorities and be a full partner in setting institutional goals and direction. From those goals and that direction, fundraising priorities become clear.
- *Confirm the importance of fundraising as part of the institution's financial model.* The institution's internal and external constituencies must clearly understand the need for fundraising and philanthropic support. Governing and foundation boards play vital roles in conveying to various constituencies the link between the institution's mission and its fundraising priorities.

- *Ensure an adequate budget.* The board must ensure that the budget contains sufficient human and programmatic resources to support continuing development activities as well as periodic comprehensive campaigns.

Other board roles include:

Monitoring Fundraising Success. The board, primarily through the work of the development committee, should:

- *Establish and review metrics.* Each institution's board, in conjunction with advancement staff, should develop metrics that seek to measure specific development priorities and that are appropriate to the situation, goals, and mission of that particular college or university.
- *Understand the cost of fundraising and its return on investment.* It is important when comparing costs to make sure the comparison is as close to "apples to apples" as possible. Specific ways to calculate overhead and expenses can vary significantly from one institution to the next. Moreover, boards should consider fundraising and its costs as an investment that requires time and resources to grow.

Evaluating Leadership. The president of the institution or the institutionally related foundation is the "chief fundraiser." He or she is ultimately responsible for ensuring that an organization's fundraising efforts are appropriately aligned with institutional priorities; that advancement offices are adequately and ably staffed by competent professionals; and that board members have the research, information, and staff support they need to be effective advocates and fundraisers. In addition, at most institutions, the president participates directly in soliciting key donors.

Advocating for Support. Boards must have a good understanding of their institution's history, mission, priorities, needs, and values in order to advocate for and secure financial support. Well-informed board members are better able to interpret an institution's needs and values to a wide range of current and potential donors.

Individual board members also can help build a culture of philanthropy by identifying and cultivating potential supporters, soliciting gifts, and making personal donations.

—excerpted and adapted from The Board's Role in Fundraising*, by Patricia P. Jackson (AGB Press, 2013).*

Key Characteristics of a Philanthropic Culture

Perhaps the most intriguing questions for today's boards are: 1) What exactly are the characteristics of a healthy culture of philanthropy? and 2) Which of those characteristics can boards help to identify and grow?

As part of a dissertation literature review, Kevin Reeds, a doctoral student at Northeastern University, catalogued 28 characteristics of a campus culture of philanthropy. Understanding the need to determine the relative importance and ranking of those characteristics, the Council for Advancement and Support of Education (CASE) then commissioned a worldwide survey of chief advancement officers. The survey results were published in the April 2013 issue of *Currents* magazine. Respondents were asked to rank the characteristics in the order of their importance to

a healthy culture of philanthropy. They identified the following as the 10 most important characteristics:

1. Leadership of the organization;
2. Fundraising goals that are aligned with the institution's mission;
3. A commitment to stewarding gifts;
4. Engaged volunteers and donors;
5. Clear and concise mission and vision statements;
6. Donors with capacity and interest in major gifts;
7. Quality of academic programs;
8. Opportunities for alumni to engage with the institution;
9. Quality and reputation of the faculty; and
10. Demonstrated need for philanthropic support.

From that array of characteristics, boards are best able to positively shape a campus culture of philanthropy by focusing their energy on:

- **Mission and vision.** Boards are responsible for partnering with the CEO to shape, approve, and periodically review the institution's vision, mission, and values to ensure they remain relevant. The commitment to fulfilling and modeling those enabling statements drives the institutional agenda. Leaders that allow an institution to stray, even temporarily, from the strategic alignment declared by its vision, mission, and values are destined to lose the trust and support of its stakeholders, including its donors.
- **Leadership.** The role of the board in selecting and evaluating the campus chief executive officer is paramount. In addition, a philanthropic organization has absolutely no room for even the appearance of unethical behavior, and the board must consistently set the bar high. Conflicts of interest at the board or officer level must be addressed immediately. The best board members are invested stakeholders who would never expect or use their position as an entitlement for special treatment. The bottom line: A culture of philanthropy cannot exist without strong, trusted leadership at all levels.
- **Aligned advancement goals.** For the board, president, and the advancement committee, this alignment of advancement goals with the strategic direction of the institution is crucial. To engender credibility from stakeholders, the institution's multiyear priorities and annual fundraising goals must clearly line up with the strategic plan laid out by institutional leaders.
- **Engagement.** Trustees set the standard for committed engagement by all volunteers. And volunteers are most happy and productive when they are treated as insiders and partners. Resourceful volunteers can help philanthropic organizations reach unimaginable heights when the goals are clear and they have a shared vision and shared responsibilities for achieving it. High-performing campus communities demonstrate a visible commitment to serving others and a spirit that champions not simply the success of a project, but also the impact of its achievement on the institution's ability to fulfill its mission. In today's environment, with the spotlight focused more than ever on cost and efficiency in higher education, the role of the board in identifying, measuring, and building a campus culture of philanthropy is vitally important. In its approach and actions, the board can demonstrate the value of Carnegie's words: "Wealth produces the greatest net benefit when it is administered carefully."

Should Your Board Have a Giving Policy?

By T. Grant Callery

Boards often struggle with whether or not to adopt a formal giving policy for their members. The development of such a policy will generally fall to the committee on governance or trusteeship.

That institutions follow no universal pattern when it comes to having a policy and the nature of such a policy is evidenced by the data in AGB's 2010 publication, *Policies, Practices, and Composition of Governing Boards of Independent Colleges and Universities*. It reported that institutions are evenly split between those that require annual contributions of their board members and those without such a requirement and that, of those that choose to have a requirement, about two-thirds designate no "minimum give."

How, then, should boards determine whether a formal policy on giving is appropriate for their institution? While it is axiomatic that trustees are generally expected to support their institutions financially, several factors must be balanced in determining whether to put that expectation into the form of a written policy. On its face, it would seem that having a giving policy has no significant downside. As boards work through the issue, however, they usually find it to be more complicated than it might first appear and that tradeoffs must be considered.

The purpose of a giving policy should be to enhance, or at least stabilize, contributions on the part of board members and to set clear expectations. That, however, must be balanced with the fact that, almost universally, boards are seeking to increase their diversity by recruiting members of different ages, occupations, and racial and ethnic backgrounds. The creation of a giving policy can add challenges to that effort. The analysis that the board should undertake is whether the return on investment resulting from the policy outweighs the possible loss of recruiting flexibility.

Once the board decides that a policy should be adopted, it can take a number of approaches, but it should consider a few key questions.

Should board members be required to give a certain amount? Some boards simply choose to state in a written policy that each board member will contribute to the best of his or her ability to annual funds and campaigns during his or her term of board membership. Other boards try to ensure that the institution will be at the top of each board member's charitable-giving hierarchy by including a statement in the policy to the effect that the institution will be among his or her top two or three philanthropic priorities. That approach works well for some institutions, but it assumes that board members will be philanthropic enough to ensure that, if the institution is among the top tier of their overall giving, it will generate contributions at the level of board expectations.

Similarly, some policies include a required "minimum give." Such a minimum required amount can subject the institution to the law of unintended consequences if it is not properly articulated and explained to prospective board members. A minimum giving amount can be seen as constituting a "safe harbor" amount for certain board members whose financial capabilities are greater.

Will the policy apply to all board members or only to those in certain categories? For example, should it apply to student, faculty, or young alumni trustees? Should it apply to

members who do not have personal relationships with the institution but have been recruited for expertise strategically important to the board?

Some boards, in adopting policies, specifically allow for limited exceptions where a particular candidate brings to the table vital skills or qualities. Some also place a numerical or percentage cap on the exceptions that can be granted. Further, some boards allow their members either to "give or get" their contributions, which can provide a level of relief for members without the wherewithal to make cash contributions.

Boards must, therefore, attempt to balance the positive and negative aspects of the answers to each of these questions and determine the best course of action for their particular situation.

Whatever approach a board decides to pursue, it is important to ensure that the president and board chair engage in frank conversations with potential board members as a part of the recruitment process, based upon their knowledge of a candidate's giving history and ability to contribute. They should establish realistic expectations and commitments on the part of the candidate.

That is true whether a formal policy is adopted or not. Such discussions can mitigate the unintended consequences previously described, and they are central to good board administration and establishing a level of clarity that will benefit both the institution and individual board members.

T. Grant Callery is a board member of Marietta College and a former executive vice president and general counsel of the Financial Industry Regulatory Authority.

References
- T'Ship Links: David Bass, "College Fundraising: Is There a 'New Normal'?" November/December 2009.
- Other Resources: Patricia P. Jackson, *The Board's Role in Fundraising* (AGB Press, 2013).
- Lee G. Bolman and Terrence E. Deal, *Leading with Soul: An Uncommon Journey of Spirit* (Wiley, John & Sons, 1995).
- James Gregory Lord, *The Raising of Money: Thirty-five Essentials Every Trustee Should Know (Philanthropic Quest International, 1983).*

About the Author
James L. Lanier, a senior fellow and consultant at AGB, is former vice chancellor for institutional advancement and president and CEO of the East Carolina University Foundation. Peter N. Smits is vice president emeritus at California State University at Fresno and a senior fellow at CASE.