

The American Council on Education



The Presidency

The American Council on Education's flagship magazine, *The Presidency* focuses on college and university presidents and chancellors. *The Presidency* provides timely and relevant information on critical issues that affect higher education leaders. The magazine is published three times a year: spring, fall, and winter.

Fall 2003, Vol. 6, No.3

Building Endowments: The Basics by Leo I. Higdon, Jr.

The environment for higher education has never been more challenging. An uncertain economy, rising unemployment, and growing deficits have led to unprecedented fiscal problems. Scrutiny of higher education leadership has increased, and accountability is clearly on Congress's agenda as members discuss the upcoming reauthorization of the Higher Education Act (U.S. Department of Education, Public Hearing on Reauthorization, March 7, 2003, <http://www.ed.gov/policy>). At the same time, traditional funding resources are declining. States are making huge appropriations cuts to public education, while all institutions are dealing with three years of negative equity return and shrinking endowments. Add to this the escalating capital intensity of information technology, facilities, and program renewal, and it is no surprise that increasing numbers of colleges and universities falling into crisis mode.

Although tuition increases and reserves have helped alleviate the pain in some cases, they are only temporary fixes. Tuition hikes cannot continue unchecked and reserves are being depleted. Economic growth is tepid and stock market returns for the foreseeable future likely will be modest. Therefore, it's clear that if we wish to further our missions and have the capital for new opportunities, private fund raising is critical, especially to build our permanent endowments.

As leaders in higher education, we must focus on our critical institutional needs and send clear, concise, and simple messages to donors and prospects. We need to communicate frequently and invest in our development operations to position our institutions for soliciting major gifts. To do this, we need to design new strategies and take certain steps to build a strong fund-raising foundation.

Fund-Raising Fundamentals

The first step is to hire and retain the right people and build the infrastructure to support them. Experience is important; seasoned fund raisers know their prospects, including their likely donors' current capacity to give. Implementation of the best research technology is also critical in order to gather and analyze available data.

The second step is to integrate fund raising into the very core of the institution.

Knowledgeable fund raisers are effective fund raisers, and they need to understand the vision and direction of the institution. It's also important to remember that fund raising is a team effort and should involve faculty, friends, alumni, past supporters, and students. Key faculty members know their areas, and friends and alumni who have given can speak to what motivated them. As immediate proof of how a donor's gifts make an impact, current students can be the most successful fund raisers of all.

This team approach to fund-raising is crucial in meeting the changing expectations of prospective donors ("The Impact of Demographics," *New Strategies for Educational Fund Raising*, American Council on Education/Praeger, 2003). For one thing, donors are more demanding: They want to see results and how their gifts will affect the institution. They need to see a compelling case, and they may want to talk directly to the faculty and students who will reap the benefits of their gift. And because most donors recognize that higher education is becoming more of a commodity, they will look for ways in which the institution is seeking to differentiate itself. They also are looking to leverage their gift, so expect donors to insist on more matches and challenges.

Following these fundamentals, the third step is to segment your base by the donors' interests and how the institution can support them. Identify your various audiences and recognize differences in their attitudes toward giving. You can then tailor your communications based on this information. But once you have targeted your message to the different groups, you need to promote a strong sense of community by first building relationships *within* each group, and then building relationships *among* groups.

Technology can be invaluable in this endeavor, especially among segments of your alumni. Alumni view their alma maters as a lifetime resource—they want continuing services and the technology that will give them access to those services (*EDUCAUSE Leadership Strategies*, Jossey-Bass, 2003). For example, young alumni may need mentoring and networking opportunities, while older alumni may be looking for job opportunities or advice regarding possible mid-career shifts. But professional services are important to both groups. Furthermore, the relationship between current students and alumni needs to be carefully fostered. Ideally, you should promote your alumni community as a lifetime resource for both current and prospective students.

The fourth step is to remember your past donors. You may be preoccupied with finding new givers, but stewardship of past donors is critical. In fact, you often will find that past donors make the best prospects. So continue to let them know about the positive impact their gift has made.

Next, reexamine your time and activities with certain fund-raising groups. Many groups eventually become time-consuming and unproductive, so be disciplined about where you spend your time and energy. While these situations need to be handled delicately, try to focus on relationships that yield good public relations or an adequate financial return for the institution.

Finally, emphasize planned giving and the Annual Fund (*Conducting a Successful Major Gifts and Planned Giving Program*, Jossey-Bass, 2002). Planned giving is a significant opportunity, particularly with the "graying of America." If you consider that the largest growing segment of the American population is over age 50 and accounts for the majority of disposable income, you can see why this is a critical

resource. Recognize that growing numbers of older alumni will be in the best position to give, and strengthen your relationships with them.

As for the Annual Fund, consider multi-year pledges tied to reunion giving, as well as instituting challenges to increase past giving levels. For example, reunions give you the opportunity to secure future as well as current gifts. These pledges will, in turn, raise the totals each year to give you a higher Annual Fund base upon which to build. If you then get the classes in competition with each other through challenges, the Annual Fund base level increases proportionately.

An Eye to the Future

Obviously, these strategies require strong relationship-building skills and creative entrepreneurial approaches. But considering how institutions and individuals have been affected by the nation's economy and the decline in the equity market, these approaches are essential if we are to raise private funds and build permanent endowments for our colleges and universities. Without these much-needed resources, we will be unable to further our institutional missions and fund new opportunities, and our primary purpose—to serve our students—will go unfulfilled.