

Keynote speech to 17th International Conference on Higher Education - Luxembourg
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Title: "**Successful Fundraising for Universities - North America compared with Europe**"

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Ladies and Gentleman, it is often customary to begin a speech by saying how honoured one is to be asked but it really is a special honour to be invited here today.

In case by the time I have finished speaking your left wondering why I was asked here to speak at all, let me begin by offering one or two details about myself which in theory at least explain why the organisers asked me here. The first is that I have been involved in major university fundraising campaigns on both sides of the Atlantic, at NYU and now at Aberdeen in Scotland. I'm also a member of several boards of not-for-profit organisations, most notably Scottish Opera, so I have also had some insight of fundraising in cultural organisations.

Let me begin by dispelling a myth - which is that the US has always been ahead of us in private funding- it hasn't. In Europe the idea that the state should pay - for universities but for everything else in the welfare state, for hospitals, for schools, for the opera, for museums is culturally ingrained. But it is really only a historical aberration of 20th century Europe. America never had that welfare state which explains much of why their universities are more adept at private fundraising than we are. Before the rise in the welfare state universities in Britain had to fundraise- my own University was founded in 1495 on private donations. In Britain, we are at a turning point in history - the welfare state is being trimmed back, universities are

recognising that they can't depend on state funds alone, and many - including the state - are looking across the Atlantic and waking up to the fact that its only in the latter half of the last century that our US competitors built up their private wealth. We in the UK are perhaps somewhere in-between America and continental Europe now - but I suspect many of you in continental won't be far behind the trend I describe - and later I will try to suggest that this historical turning point for the welfare state, will also impact significantly on our role and duties as university leaders.

We are all aware that the US has some of the richest - and strongest - universities in the world. They do, of course, have a greater ability to raise their own income via tuition fees than many of us do and we shouldn't lose sight of that. But philanthropy - by which I mean the donation of money to help better the human condition or world around us - is equally important in giving American universities a clear competitive edge. I have already mentioned, implicitly at least, one of the key differences between the US and Europe that explain that advantage - which is that in the absence of a welfare state the culture of giving that characterises US society. The other is the culture of asking within universities themselves.

Let me expand on the 'giving' first. America gives more of its GDP to philanthropy and charity each year – 1.8%¹ – than any other western democracy. In Britain, the figure is 0.7%. After religious institutions, education receives the next biggest share of the \$241 billion given by Americans in 2003, about \$31.6 billion. To put that a little more in context in terms of university funding a good example is to compare endowments - these being gifts of cash, shares, land or property that are then held by

¹ Task Force on Giving Report (Thomas Report)

an institution and from which interest made may be spent by the institution. Whereas five UK universities have endowments of over £100 million, there are over 200 in the US at that level. And on average the top 500 US university has fifteen times the endowment of the average top 100 UK University.² At one extreme you have a private Ivy League institution such as Harvard with an endowment of \$19 billion, but even many public universities in the US like Pennsylvania State, which is in their Top 50, has an endowment of \$900 million.³ Only half of UK institutions have over £1million. I mention all this because it gives an idea of the extent of the gap we have to make up.

As I have said the idea the state can pay for everything is on the retreat somewhat in the UK at least - and perhaps elsewhere too. Unsurprising, then, that the UK government has put in place a number of measures to try and revive generally in society the philanthropic spirit. It has introduced a number of changes to the tax regime to bring Britain closer to America, where for many years it just has been much easier and financially more inviting for the donor to give. These have included making one off-gifts to charity tax-free, promoting payroll giving schemes where employees can give from their gross salary and get tax relief on their income, and making gifts of publicly quoted shares to charities exempt from income and capital-gains tax. I don't want to spend too much time on tax regimes - for one thing they seldom excite an audience -as they will vary from country to country. The key point is that they can make it more financially lucrative to donate and that can help change the culture of giving.

² Source Sutton Trust Report

Government in the UK is also clearly keen to see what difference philanthropy can make specifically to universities. A recently published government sponsored report entitled 'Increasing Voluntary Giving to Higher Education' has identified a number of issues but the key one is the culture within universities themselves, some of whom are still getting used to the idea that we can no longer assume the bulk of our funding will come from the taxpayer. Having said that, it is not true to assume that all our counterparts in the US exist without any public funding. With the exception of the major private Universities like Harvard, most depend on both sources of funding. It is, therefore, important to keep things in perspective. Philanthropy is not an overnight solution to the funding needs of our universities nor is it the sole one. It's only part of the equation - and it won't replace the need for some level of state funding. That is not to say it can't have a transformational effect. An example from Aberdeen is that we have received massive support of almost \$30 million, with about half of that coming from the Bill & Melinda Gates Foundation based in the US, to co-ordinate an international research programme on maternal morbidity in the developing world. That hugely boosts our reputation in that area and will commend us to others with a similar interest if they see that the Gates Foundation are willing to support us - but it does nothing for our core budgets.

For buildings here to it can be a way of doing more than State funding alone would allow. A recent example is that at Queen's University in Belfast I believe they have raised around £36 million to build a new library costing £37 million.

³ Task Force On Giving (Thomas Report)

There are three more general points I wish to make about why private contributions are an attractive funding stream for universities. First, because private donors are not imprisoned by short-term political agendas they can be encouraged to do something government cannot always do – which is to secure the place of areas of non-applied research or the humanities that may not appear to have the kinds of utilitarian appeal to taxpayers that government prefers. Secondly, private money tends to flow towards, and strengthen, whatever is excellent. Donors rarely wish to invest in anything second rate - and that by itself can act as a stimulus to drive up quality within our institutions. Thirdly, private donations need not only come from within our own state boundaries - the potential pool of private funds is wherever in the world your institution has the connections to lever funds from.

That is what it can do for us as institutions but let me turn to the question of how we secure such funds. In simple terms it means we have to be prepared to ask. In practice, of course, it is not anywhere near as simple as merely asking. Effective fundraising requires quite a culture change within the academy before you take any effort to donors outside.

This brings me back to the point I made at the beginning about change to the role of Rectors, Vice-chancellors or Presidents. Engaging the academic community is perhaps the most important role of the Vice-Chancellor or Rector in leading any fundraising campaign. Unlike North American academics, our colleagues are not so familiar with large scale university fundraising campaigns, or why it is important for the future of their institution or, indeed, with the part they play in it. The Vice-Chancellor's role is to demonstrate all of these things and to convince his or her

community that if they wish to be part of a better academic institution they must embrace private fundraising. At the same time the Vice-Chancellor has to remind academics that it is they themselves and not fundraising staff who are crucial to the success of any campaign. It is their work which will ultimately impress potential donors to invest in the university.

It also requires serious front-end investment in professional staff and an approach to alumni relations that is highly sophisticated. Our US counterparts don't just benefit from a different philanthropic environment, they also invest heavily in it. What makes the difference is the return they get on that investment. But for Vice-chancellors or Rectors that will mean persuading often sceptical Governing Boards to provide that funding often against competing demands from other budget areas.

Fundraising also requires a Rector or Vice-Chancellor to spend a great deal of time outwith the academy and for that matter the world of higher education. He or she has to constantly look to open up new contacts and opportunities for his or her institution. That means a highly visible role in flagwaving for the university - and by association it's fundraising efforts - in the wider world. By that I don't just mean being meeting alumni or identified potential donors important though that is. It is much broader conception of who can help the campaign and requires the Vice-Chancellor to dedicate a lot of their time to networking outside of education circles and engaging people with the University's vision. That is, Rector not just outside dealing with state authorities but also dealing with private ones. It means taking all kinds of opportunities that present themselves to build relationships with a wide variety of individuals from the business, charitable and local or national community who might

not necessarily be donors themselves but who can either help your campaign in non-financial ways or open doors to new networks of potential supporters.

It is exactly this kind of approach that I have seen North American university Presidents adopt to great effect. They often spend 50% of their time on such external activities. That is a significant commitment and as the report on university fundraising in the UK I mentioned a moment ago has emphasised it really requires a new conception of the leadership role of the Rector or Vice-chancellor. It means giving a senior deputy much of the operational duties commonly associated with the Rector or Vice-Chancellor as is common in the US.

Before I conclude let me emphasise that fundraising is a realistic option for us. It can be done. In 1999, we launched Aberdeen's Sixth Century Campaign with a target of £150m, at that time the largest in the UK as far as I am aware outside of Oxford and Cambridge. When it was first mooted a few years before many colleagues thought we were being absurd. But in just over three years it had ended its first phase well over its first target of £40 million, and has now got comfortably past £50 million in receipts.

So, with that said, let me repeat what I see the key issues are. The first is that while we can't change societies attitudes to giving ourselves we must go back to the future and relearn what we forgot as far as private fundraising is concerned. We in Britain are regaining the charitable habits of a century ago, and perhaps you will too. If we want our institutions to compete internationally and to move ahead of our competitors then we have little choice but to embrace the income stream that private fundraising offers us. The second point is that has profound implications for university leaders. It

means our external role will be different. We, and even more so our successors, will have to increase the amount of time we dedicate to that area. We already have to do it with our state funders - so its nothing new really - but it will become increasingly important.