The Rise of the Donor Investor

The Donor Investor Imperative Part One
Donor Investor Imperative Webconference Series

Part One of a Four-Part Sequence

1. The Rise of the Donor Investor

2. Sustainably Sourcing Big Ideas
   February 22

3. Communicating the Impact of Big Ideas
   March 8

4. Perfecting the Pitch to Appeal to Today’s Donors
   March 29

Register for forthcoming webconferences at:
Giving to Higher Education at an All-Time High

Driven by the Mega-Campaigns of the Last Decade

How Causes Have Fared Over the Years

In Billions of Dollars

Recent Billion-Dollar Campaigns

Higher Education (All) $6B
Social Services $5B
International
Higher Education (Private)
Higher Education (Public)
Community Foundations

80 $1B+ campaigns completed in last 10 years
50 $1B+ campaigns currently underway

# A Strong Track Record of Million-Dollar Gifts

And Not Just at Elite Colleges and Universities

## $1M+ Gifts Across Higher Education

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Public</th>
<th>Total Value of Gifts$^1$</th>
<th>Average Gift Size$^1$</th>
<th>Largest Gift$^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Baccalaureate Institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td>$56M</td>
<td>$2.5M</td>
<td>$11M</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td>$863M</td>
<td>$5M</td>
<td>$102M</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$919M</td>
<td>$4.7M</td>
<td></td>
</tr>
<tr>
<td><strong>Master’s Institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td>$378M</td>
<td>$3.1M</td>
<td>$45M</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td>$757M</td>
<td>$5M</td>
<td>$20M</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$1.1B</td>
<td>$4.2M</td>
<td></td>
</tr>
<tr>
<td><strong>Research Institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td></td>
<td>$5.6B</td>
<td>$8.4M</td>
<td>$84M</td>
</tr>
<tr>
<td>Private</td>
<td></td>
<td>$8.4B</td>
<td>$21M</td>
<td>$306M</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$14B</td>
<td>$13.1M</td>
<td></td>
</tr>
</tbody>
</table>

1) From a living individual, couple, or family in FY 2010-2014, as reported by the Lilly Family School of Philanthropy.
2) From a living individual in FY 2010-2015 as reported by the Council for Aid to Education.

# Emerging Challenges Impeding Progress

## Three Main Pain Points Keep Us From Realizing Principal Gift Success

<table>
<thead>
<tr>
<th>Strategic Plan Inadequate</th>
<th>Lack of Ideas on a Grand Scale</th>
<th>A New Breed of Donor</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Institutional uniqueness lost in favor of broad priority areas</td>
<td>• Deans prioritize immediate needs over long-term vision</td>
<td>• Donor investors seek long-term sustainable impact</td>
</tr>
<tr>
<td>• Many priorities merit internal funding</td>
<td>• Faculty work in silos and are unwilling to share data</td>
<td>• Expectation of deep relationship with project leaders</td>
</tr>
<tr>
<td>• Statement of priorities too broad for advancement</td>
<td>• Research projects not linked to large-scale impact</td>
<td>• Desire for hands-on engagement and influence</td>
</tr>
</tbody>
</table>

Source: Advancement Forum interviews and analysis.
Challenge #1

What Got Us Here Won’t Get Us There

Reflecting on a Decade of Campaign Priorities

Strategic Plan Goals Become Campaign Priorities

EAB Analysis of Strategic Plans

<table>
<thead>
<tr>
<th>Goal</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Excellence</td>
<td>97%</td>
</tr>
<tr>
<td>Financial Stability</td>
<td>94%</td>
</tr>
<tr>
<td>Student Success</td>
<td>94%</td>
</tr>
<tr>
<td>Student Satisfaction</td>
<td>88%</td>
</tr>
<tr>
<td>Community Impact</td>
<td>78%</td>
</tr>
<tr>
<td>Increasing Research</td>
<td>59%</td>
</tr>
</tbody>
</table>

Higher Education’s Pinnacle Gifts Cross Silos

Johns Hopkins University
Michael Bloomberg pledges $250M for interdisciplinary research

Santa Clara University
Jeff and Karen Miller pledge $25M for center for social entrepreneurship

Swarthmore College
Eugene Lang pledges $50M to foster links between engineering and the liberal arts

University of Oregon
Connie and Steve Ballmer give $20M for human development faculty cluster

Source: EAB interviews and analysis; Advancement Forum interviews and analysis.
What I’m not finding at our institution are enough big ideas that will take the $1M gift and make that next gift $5M. The ideas are very operational. They’re not thinking longer-term or coming to me and saying “if I had a $20M gift, I could do X, Y, and Z.” We’re just not seeing those conversations emerge.”

Vice President, Development
Public Research Institution

Source: Advancement Forum interviews and analysis.
Internal Obstacles Impede Progress

Factors Contributing to Inability to Think Big

Current Academic Culture

• Deans focus on day-to-day operational needs and lack long-term vision
• Deans and department heads actively incentivized to think within their purview
• Scarcity of resources at odds with need for big-picture thinking

Advancement-Faculty Disconnect

• Advancement and academic leadership unaware of ongoing faculty projects
• Faculty don’t understand or trust advancement
• We ask deans and faculty to do something with little previous training

“Faculty are ultimately preservationists of the Academy. They have willingly come along on enrollment because they know that tuition is connected to their success. When faculty start to see that their stability is contingent on our ability to raise funds from alumni, that those are the stakes, they are likely to become more willing to help us.”

Terrence Sawyer
Vice President, Advancement
Loyola University Maryland

“I don’t wait for deans to come to me with ideas. We constantly educate them on what would be a good fundraising opportunity. If you’re not in that dialogue, and you don’t know how to have that conversation, you will be the campus ATM. The line will form at your door.”

Lisa Raiola
Vice President, Institutional Advancement
Roger Williams University

Source: Advancement Forum interviews and analysis.
Challenge #3

A New Breed of Donor

With Heightened Expectations for the Organizations They Support

An Emerging Donor on Everyone’s Mind

The Donor-Investor Seeks

Transformative Impact
Evidence that their gift has led to change that would not otherwise be possible

Compelling Ideas
Innovative, large-scale solutions to local, national, or global problems

Credible Connections
Investment in people who can link big ideas to impact

Donors everywhere are much more strategic and thoughtful about their giving. They want to see data and outcomes. They constantly ask ‘Can you show me the numbers?”

Heidi McCrory
Vice President, College Relations
Kenyon College

Source: Advancement Forum interviews and analysis.
Donors Seek Transformative Impact

Affinity to Issues, Not Institutions

Donors Are Impact-Centric

62%
Want information on how the organization plans to use the gift

75%
Want information on results achieved with their gift

64%
Want stories about people who were helped

How Next Generation Donors Consider Philanthropic Investments

1) Setting Goals
First decide philanthropic goals, then search for potential recipients

2) Evaluating Organizations
Conduct research and due diligence before deciding what to support

3) Solving Problems
Fund efforts that address root causes and attempt systematic solutions

4) Analyzing Results
Prefer information on proven effectiveness or measurable impact

Source:
Donors Seek Compelling Ideas

MacArthur Foundation Sets the Bar

100&Change

Our Strategy

100&Change is a MacArthur Foundation competition for a $100 million grant to fund a single proposal that promises real and measurable progress in solving a critical problem of our time. We will consider proposals from any field or problem area.

Our Approach

Some problems cannot be solved by grants of the size that foundations typically provide. By level far above what is typical in philanthropy, we can address problems and support solutions radically different in scope, scale, and complexity. $100 million is a large enough amount to tackle a serious problem and its solution in a meaningful and lasting way. We hope that 100&Change will change the conversation about solutions, and about how we can solve some of our most significant problems.

The openness of the 100&Change competition is a counterbalance to the Foundation’s big bets that strive for transformational impact in areas identified by the Foundation’s Board and staff. We recognize that we do not know it all and have designed 100&Change to be agnostic with respect to field or problem area.

We are seeking proposals that address both a problem and its solution. Competitive proposals will address a meaningful problem and provide a solution that is verifiable, durable, and feasible.

The Selection Process

We have designed a selection process that is fair, open, and transparent. In the first round, a panel of external judges will review and score proposals using a common rubric. Based on their reviews, up to ten semifinalists will be invited to provide further details about their proposals. The semifinalists will also receive technical assistance from an expert team who will assist and advise plans for implementation of the proposed solution. From this group, a smaller number of finalists will be selected. These finalists will present their solutions at a live event in the fall of 2017. Selection of the final award recipient will be announced in November 2017.

Specific terms and conditions are available on the 100&Change website. The competition closes Thursday, June 2, 2016; applications are due no later than Monday, October 3, 2016, at 11:59:59 CT. However, you must first register by Friday, September 2, 2016, at 11:59 a.m. CT.

Others Follow Suit

By making big bets today, we will dramatically expand opportunities for all.

- Goals: advancing human potential and promoting equal opportunity
- Focus areas: science, education
- Researchers, advocates, engineers, and scientists work together to find breakthroughs and create new technologies

Donors are interested in substance. They are trying to achieve something in the world, and they can use universities to do that. What we have to do is convince them that a university is a good investment for how they want to change the world. That information is only going to come from the academic leaders.”

Provost, Canadian Research Institution

Source: Advancement Forum interviews and analysis.
Donors Seek Credible Connections

Donors Engage with Leaders to Evaluate the Impact of Their Gifts

Direct Engagement Favored as an Evaluation Tool

How High Net Worth Philanthropists Evaluate Organizations

- Direct Engagement with Nonprofit: 79.7%
- Nonprofit Reports (e.g., Charity Navigator, GuideStar): 45.5%
- Annual Reports: 43.7%
- Other: 6.2%

Donors Invest in People

Any nonprofit is only as good as the people who run it. At the end of the day, you’re investing in people… It’s a lot more informative to have a conversation with whoever is carrying out the group’s mission than to read about them online.

Carrie Morgridge
Vice President, Morgridge Family Foundation
Author, Every Gift Matters: How Your Passion Can Change the World

Alumni Invest in Faculty

55%

Of alumni consider relationships with their professors to be a primary source of affinity for their college, university, or school

What Only Our Academic Partners Can Do

Donor Expectations Require Renewed Partnership

Current Challenges

**Compelling Ideas**
- Deans have a scarcity mindset
- Disconnect between deans and faculty activities

**Transformative Impact**
- Faculty unaware of reasons to share results internally
- Deans unaware of importance of bigger-picture impact

**Credible Connections**
- Academic leaders ill-equipped to communicate their expertise to donors
- Advancement leaders ask faculty for the wrong things

Integral Opportunities

- **Sourcing Big Ideas**
- **Communicating the Impact of Big Ideas**
- **Perfecting the Pitch**

Source: Advancement Forum interviews and analysis.
A Tool to Get You Started

Discussion/Self-Reflection and Implementation Guide

- Identify challenges on campus impeding principal gift success
- Determine how you meet the expectations of donor investors
- Decide on next steps for advancement staff members
- Prioritize future webconferences in this series to attend

Evaluating Today’s Session

Please take a minute to complete our survey about today’s webconference.

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Source: Advancement Forum interviews and analysis.