Cultivating a Culture of Philanthropy: How Boards Can Make a Difference

By Peter N. Smits   //   Volume 22, Number 4   //   July/August 2014

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.

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