



Commentary

Philanthropy: A Key Ingredient of Institutional Change

By Jon S. Dellandrea and Hal A. Koblin

Less than 20 years ago, the University of Toronto wrapped up what was then the largest fundraising campaign in Canadian history, some \$8 million above its \$25 million objective. The “Update” Campaign, as it was known, provided important support for the “extras” that were helping to support U of T’s position as Canada’s pre-eminent research university.

Fast forward to today. The University of Toronto is again engaged in the largest campaign in Canadian history, to raise a minimum of \$400 million by the year 2000. Even though the headlines have stayed the same, the stories are different. This campaign isn’t about the extras; it is about the core academic priorities of the University.

While the Province of Ontario remains the University of Toronto’s most important source of funding, the need to develop alternate revenue sources and innovative partnerships has moved from the periphery to the core of the University’s activities. Over the past 20 years, direct operating support from the provincial government has fallen from about 60% of U of T’s operations to approximately 36%. At the same time, income from student fees has increased from 11% to 22% of the University’s operations. During this same period, annual income from donations and endowment has increased from \$6,975,000 or 2.7% of the University’s income to \$135,412,000 or 13.9%. This represents an increase of 500% relative to the University’s overall income, and 1900% in terms of direct income growth.

Donors are responding to this transformation. Today’s ambitious private-funding campaigns require very large gifts from donors with the financial capacity and inclination to support them. Contributors of these large gifts require solid evidence that their investment is a supplement to, and not a replacement for, government investment in higher education. They also want solid evidence that the initiatives we ask them to support are absolutely critical to our institutional mission, and to our ability to meet a shared objective or interest. What is more important is that our leading donors are now prepared to

think in world terms in considering their level of philanthropy.

Our colleagues at other institutions tell us that our experience is not unique to the university sector. A clear and demonstrated need exists for hospital executives to incorporate these considerations into their strategic planning processes, if they wish to maximize the effectiveness of their development programs.

CASE STUDY: UNIVERSITY OF TORONTO

A very intensive academic planning exercise is guiding the current University of Toronto campaign. In 1994, every faculty, college, and division at the University was challenged to make tough choices and to identify areas that could be maintained, curtailed or strengthened. Working with the Provost (the chief academic officer), each division prepared a comprehensive plan to both reduce base spending, while at the same time increasing emphasis on areas of established excellence or special promise. The resulting table of academic priorities became the “menu” for which support is being sought in the current campaign.

The University’s Campaign is also being guided by a commitment to build strong relationships with its key supporters. To prepare for the Campaign, we undertook a stewardship audit that reviewed how well major benefactors had been informed of the results of their gifts. While donors had been thanked appropriately, it seemed that we could and should intensify our communications programs regarding the utility and impact of gifts.

We took two major steps. First, we executed an intensive “thank you campaign” targeting those benefactors whose stewardship could be raised to a new level. We also took the time to build a new kind of volunteer structure, in which campaign leaders could be used on a strategic basis, instead of simply being asked to attend large numbers of cabinet meetings and engage in a predetermined level of activity. The U of T campaign is a “campaign of campaigns” that is focusing both on funding current academic priorities, and on

building long term relationships between donors, and the students and faculty who benefit from their support.

U OF T'S EXPERIENCE: RELEVANCE TO HEALTHCARE PHILANTHROPY

The business of raising private funds in support of healthcare in Canada is a relatively recent phenomenon. Thirty years ago very few hospitals had full time professional development staff. Funds raised were usually for "money at the margin" and, as a result, development offices and institutional foundations were generally on the periphery.

The late 1980s and very early 1990s brought a stark new reality to many healthcare institutions across Canada. This new reality involved increased government scrutiny, less public funding, and a requirement to differentiate and avoid duplication. While the need to devise new strategies to differentiate was driven mainly by government pressure, increased donor sophistication called on institutions to be much more articulate in describing their unique strengths and missions. Hospitals needed not only to develop a plan but also to communicate the plan very broadly to the public and private sectors. These plans brought a focus to institutional aspiration. Private support brought the substance to these aspirations.

The trend toward hospital consolidation and restructuring has brought both significant challenge and opportunity to healthcare philanthropy. While consolidation of community hospitals may broaden the geographic scope of many institutions, substantial cultivation may be required to soothe the feelings of benefactors who have lost "their" hospital.

Increasingly, hospitals will need to tighten the link between their institutional strategic planning, and the planning of their development operations, as Canadians seem no longer satisfied to measure their institutions against the competition across town. Instead, a growing number of Canadians wish to see their institutions ranked on a North American, if not a world scale.

Our experience at the University of Toronto illustrates opportunity at times of adversity. Even in a period of government austerity, public institutions can realize important, strategic aspirations through private support.

The essential ingredients seem to be these:

1. **Presidential/board ownership:** A hospital's president and board must be willing to stand firmly behind each request for support. The development case for support must flow logically from an institutional strategic plan that is aimed at strengthening those unique factors that address the hospital's core strengths. These clear and strategic priorities can then be presented to prospective donors as the most logical means to address shared values.
2. **Attracting and retaining the right development staff:** As presidents, board chairs, and board members become increasingly involved in raising private support, the quality of develop-

ment staff which support them must increase proportionately. As donor relationships become highly personalized, development staff need to be equipped with the prerequisite interpersonal and negotiating skills. Given that these development staff are increasingly becoming the institutional connection for many donors, it is critical to retain staff for longer periods than is currently the case at many institutions.

3. **The importance of stewardship:** When private funding was money at the margin, institutions could mount capital campaigns every decade or so and allow themselves the luxury of "taking the money and running." This was a business of getting on with the next gift rather than building lifelong mutually beneficial relationships. It comes as no surprise that many of the individual philanthropists and families who today are providing the great gifts to many hospitals have enjoyed lifetime relationships with their institutions. The challenge now is to renew for the future by engaging a new generation of philanthropists.

THE IMPORTANCE OF RISING TO THE CHALLENGE

It is clear that for the foreseeable future, the public investment in healthcare and in the health sciences in Canada will be inadequate to fully realize the ambitions of our leading institutions. The same appears to be true for the higher education sector.

In both sectors, institutional leaders are being challenged to build on the core strengths, which sustain us even as our hospitals and universities are forced to make painful decisions. Now that we are emerging from the 1990s with new strategic missions, the time has come to build the private partnerships our institutions require to achieve their true potential.

A new form of public/private partnership is required to bring greater investment to those hospitals that have differentiated themselves in terms of mission and quality at levels sufficient to compete in a North American environment. Hospital development programs must be brought in from the periphery, and challenged to produce ambitious and measurable programs of attracting private support. Without this activity and investment, our institutions seem destined to a future of homogenous mediocrity. Conversely, with an emphasis on building excellence, and a heightened degree of attention from decision-makers, we can build a public infrastructure that can compete with the best the world has to offer. **□**



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