Fall 2014

GG+A Quarterly Review

GG+A Grenzebach Glier and Associates

Philanthropic News & Analysis

Help Wanted: Visionary, Inspirational Leader, Excellent Command of Names and Numbers, Limitless Stamina; Exemplary Dinner Partners Will Be Given Particular Consideration

The role of the not-for-profit CEO (chancellor, president, director, general manager, head of school) is extraordinarily complex. Donors and potential donors often seek a special relationship with those in command at their chosen philanthropic institutions: warm, direct, and attentive. At the same time, expectations are high, as both internal and external constituents demand that their leaders possess from the first day on the job a deep understanding of institutional history, personnel, and finance; the legislative and regulatory environment; and the competitive position in the marketplace.

What combination of skills and experience best prepares the chief executive to play a successful role in institutional fundraising? Has the typical relationship with donors changed in recent years? And how best can an institution enable a new leader to build connections with potential donors that will be of greatest benefit during his/her tenure? In this issue of the *Grenzebach Glier Quarterly Review*, GG+A speaks with institutional leaders, board members and donors,

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In this Issue

Meeting Your Donors Halfway: Leading by Listening

Institutional search processes often seek candidates who are prepared to represent the institution well, on the podium or in an important discussion.

But success does not lie only in artful public presentations and skillful negotiations. The successful leader will have "the ability to listen, but more importantly, to 'hear' the donor," according to Alison Traub, Executive Director of Development and Alumni Relations at the **University of Cambridge**. Lulu Wang, who serves on the boards of **Asia Society** and the **Metropolitan Museum of Art** and is a Trustee Emerita at **Wellesley College**, concurs, noting that "a new president must convey openness: 'I'm here to listen.'" And listening may not always be easy, according to Jon Gossett, Vice President of Development at the **San Francisco Opera**; CEOs "need to be willing to hear things they don't want to hear," and to resist the urge to contradict

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and senior development officers about the current climate.

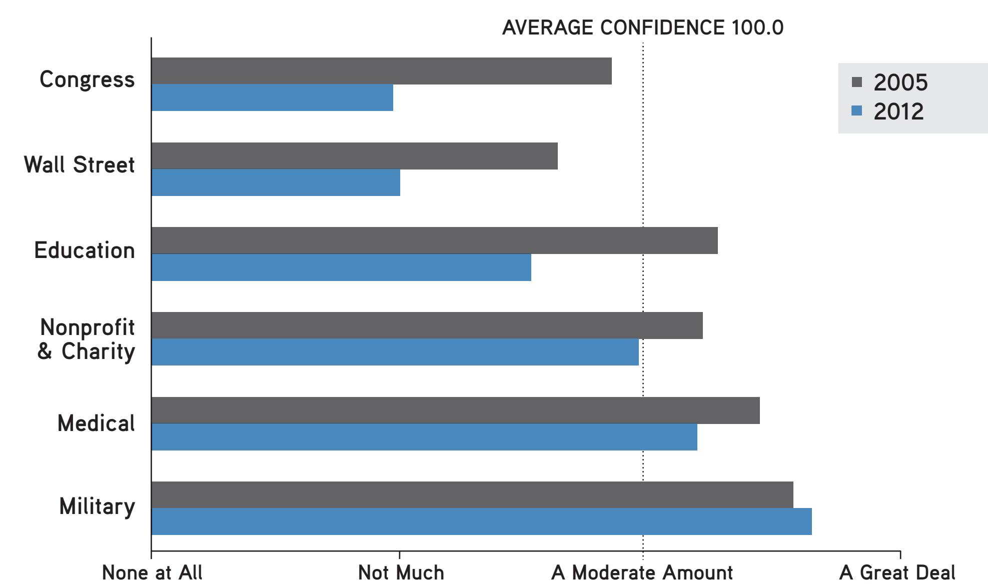
The Challenge to Leaders: Diminished in the Public Eye

Traditionally, leaders of not-for-profits – universities, medical centers, social service organizations – were held in the highest esteem, both personally and on the basis of admiration for their social and civic missions. Yet we now live in a time when leaders across public and private sectors are viewed with more skepticism – the outcome, perhaps, of increasing visibility and the climate of skepticism that has its roots in the post-Vietnam era. An ongoing project at the Center for Public Leadership at the **Harvard Kennedy School** concludes that only leaders in the military and medicine enjoy a level of public confidence that is above average ("a moderate amount of confidence") today; leaders of "nonprofit and charity" institutions fall just below average, while education hovers just above Wall Street and Congress in the "not much confidence" range. More telling, perhaps, is the fact that confidence in all three major not-for-profit sectors has fallen sharply over an eight-year period.

This steady decline in confidence is manifested, to a certain extent, in the ways in which donors today interact with institutional leaders. "Today's donors are a bit more cynical about institutional leadership. They're interested in issues like CEO compensation and potential conflicts of interest; no one used to ask about these things," says Jon Gossett, as he reflects on his thirty years of experience in media, healthcare, and the performing arts. Donors everywhere are more likely to have experience with multiple charitable organizations. In years past, most philanthropists confined their giving to a limited cohort: their schools, universities, places of worship, and/or the leading hospitals, social service, and cultural institutions in their home cities. Now, as national and international social welfare, environmental, and disease-related organizations are gaining traction with donors across the continent and around the world, and as donors develop relationships with institutions whose missions are most aligned with their philanthropic interests, donors are more knowledgeable about internal organizational dynamics – and less hesitant to ask pointed questions.

Darrow Zeidenstein, Vice President for Development and Alumni Relations at **Rice University** in Houston, sums it up this way: "More donors have their own philanthropic agendas; they come to the table not so much as a donor but as a partner. The relationship is less philanthropic in the traditional sense and more of a business partnership." But Zeidenstein, who held earlier management positions at the **University of Texas at Austin** and **New York University**, is quick to add that the desire to play an active role in the process does not mean that donors have abandoned

CONFIDENCE IN SECTOR LEADERSHIP, 2005-2012



Source: National Leadership Index, 2012, Harvard Kennedy School Center for Public Leadership

> “It’s the chief executive’s responsibility to be ever mindful that the relationship is with the institution, and to behave as if that relationship is always primarily with the institution, and secondarily, with the individual.”
>
> Arturo Jacobus

completely their admiration for the institutional leader: “Even highly successful alumni who have been CEOs and have high net worth have expectations of the president as if they were still students, in some ways. They expect the president to be presidential: to talk in fairly bold terms about what the institution can accomplish.”

Many agree today that donors are interested in “impact,” but what does that mean? For some, it will mean measurable return on investment: more qualified students, higher visitorship or ticket buyers, or increased scholarly productivity, for example. Others may have a less tangible objective in mind, as Arturo Jacobus, President and CEO of the **Atlanta Ballet**, who previously led the **San Francisco Ballet** and **Pacific Northwest Ballet**, explains: “What people really want to talk about, and what really moves people, is what is happening artistically, as well as whatever impact the institution is having on bringing prestige to the community.”

It appears that the qualities that characterize effective leadership are enduring: the ability to make decisions, to take responsibility, and to ensure that institutions value the support they receive and manage those gifts, particularly the largest gifts, with integrity and respect for the donor’s wishes. To today’s donors, this is what “being presidential” is all about. “Donors want to be confident that the president will make difficult decisions and act on those decisions,” says Bill Barlow, Vice President of Development and Alumni Affairs at **Oberlin College** and former Director of Development at **Amherst College**. That confidence often grows through tenure: “The leaders of the institutions with which I’ve been involved have served for a long time, which allows the development of deep personal relationships,” comments Missie Rennie Taylor, a former television producer who sits on the boards of the **Asia Foundation, Teachers College (Columbia University)**, the **United States Tennis Association Foundation** and **Vassar College** and is the former board chair at **Miss Porter’s School** in Farmington, CT.

Alison Traub, who previously held senior development positions at the **University of Virginia** and **Johns Hopkins University**, believes that donors expect increased accountability and transparency from institutional leaders: “The donor wants to look the CEO in the eye; what will you do with my gift?” John Fry, President of **Drexel University** and former President of **Franklin and Marshall College** and Executive Vice President of the **University of Pennsylvania**, agrees that donors want to believe that their investments will be well utilized. In conversation about his own fundraising approach, Fry notes, “I tend to keep donors very close to their projects.” And if something goes wrong – for example, if the project strays from the original time table or the promised activity, such as a faculty appointment or introduction of a new program, has not been accomplished, Fry recommends strongly that the CEO must take action: “You go yourself to explain what’s happened, and with a few alternatives in mind.”

Working with the Development Office: A Complicated Partnership

It’s far too often the case that chief executive officers and development officers find themselves somewhat at cross purposes, each worrying that the other misunderstands the nature of fundraising as fundamentally transactional, rather than the inevitable outcome of a strong

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An international leader in philanthropic management consulting, Grenzebach Glier and Associates (GG+A) has more than 50 years of experience with educational, cultural, medical, and other non-profit institutions. The goal of the *Review* is to provide timely information about issues and events that are relevant to philanthropy.

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LARGER GIFTS FROM FEWER DONORS: WHAT'S

College and university fundraisers have lamented for years the apparent slow drift downward in alumni participation rates. Pressures at some institutions to report steady or increasing rates have encouraged choices that may be unwise in the long run, such as removing all non-graduates from the solicitation pool, or ceasing all communications with alumni who fail to make gifts within, say, a ten-year period. Curious about the extent to which the data supports common wisdom, GG+A conducted a thorough analysis of alumni giving (both undergraduates and graduate alumni) at eleven leading research institutions, public and private, taking a closer look at giving by generation (Greatest, Silent, Baby Boomers, Generation X, Millennial). We were able to examine giving patterns of over 3.5 million college-educated donors in the aggregate – a broad enough cohort to enable us to study donor segments in a way that is meaningful for many institutions. We wondered whether donors of a certain age – say, 30 or 40 years old – make gifts at a consistent level (adjusted for inflation), or whether the landscape has changed.

First, we learned that alumni participation does in fact appear to decrease from one generation to the next, when adjusted for age: for example, more than 13% of Baby Boomers made gifts at the age of 45, while only 9% of Generation X alumni were donors at the same age.

At the same time, when we looked at average gift size by age, we found a surprising counter-balance; donors in each successive generation are making larger gifts than their earlier counterparts.

The immediate conclusion to be drawn, it appears, is simple: ever more focus on the small pool of major gift prospects from within the alumni body, supported by proactive prospect research, is essential to the ability to sustain and increase alumni support in the aggregate. But the more challenging aspect of these findings has to do with determining the cause:

- are fewer alumni capable of making gifts than was true in the past (the result, presumably, of lower levels of disposable income)?

- are "traditional" philanthropic choices, including institutions of higher education, falling behind in the face of competition from the ongoing proliferation of regional, national, and international opportunities for donor engagement?

- have major universities maintained and improved core solicitation programs over time, modifying tactics and strategies so as to appeal most successively to their constituencies?

These are complex questions that can only be answered through close analysis of data, both qualitative and quantitative, and through a continuing commitment to test and verify the effectiveness of a range of solicitation plans. GG+A continues to work with clients across the spectrum of educational institutions as they work to achieve best practices in their fundraising programs.

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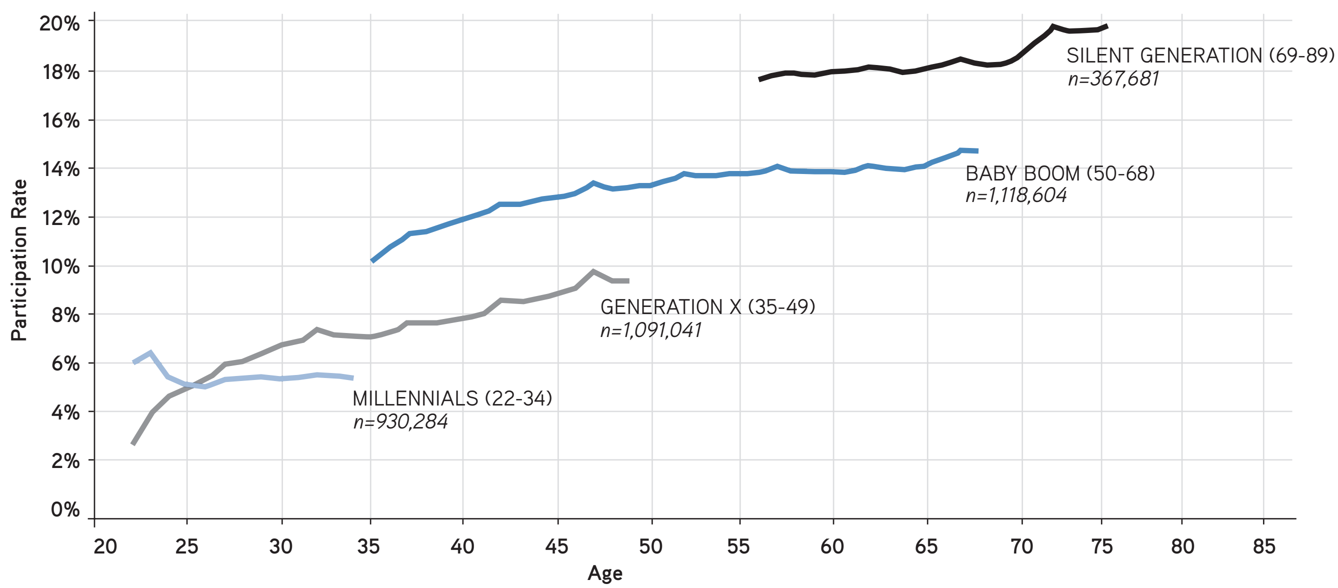
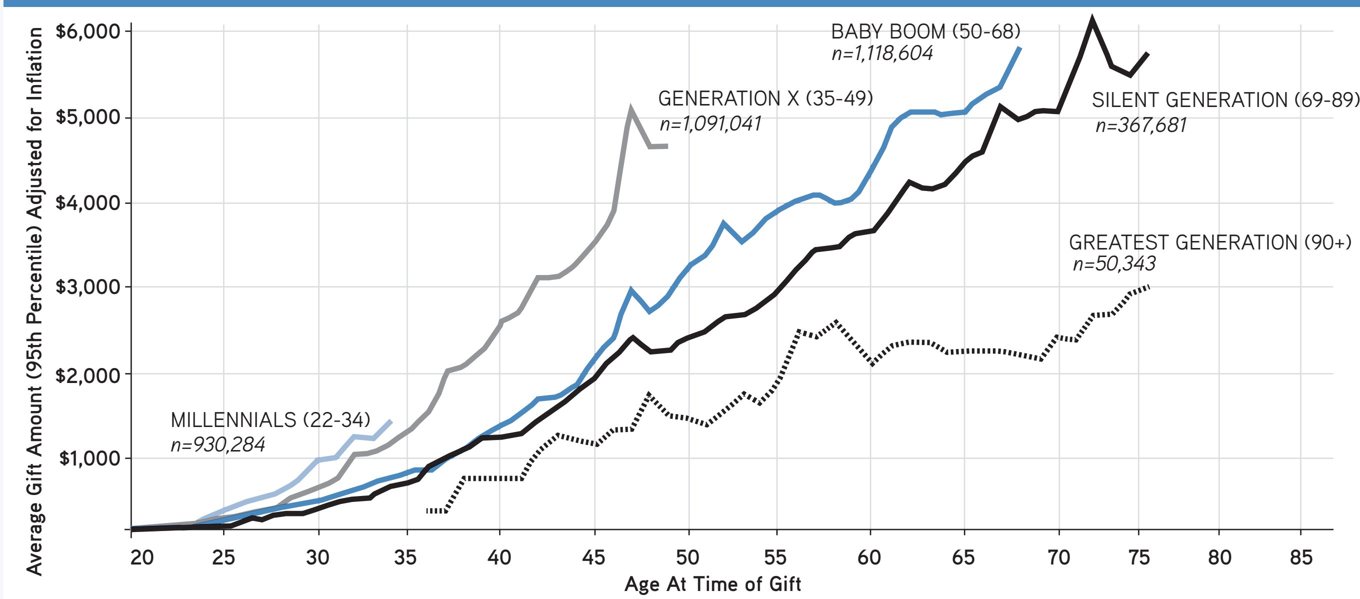
THE TRUTH ABOUT TRENDS IN ALUMNI GIVING?

PARTICIPATION RATE BY AGE (AND GENERATIONAL AGE GROUP)



Source: GG+A PHILANTHROPIC ANALYTICS

AVERAGE GIFT BY AGE AT TIME OF GIFT (AND GENERATIONAL AGE GROUP)



Source: GG+A PHILANTHROPIC ANALYTICS

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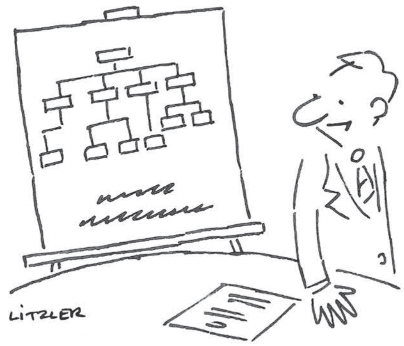
relationship that deepens over time. The pressures are severe, however; Judith Block McLaughlin, who has directed the Harvard Seminar for New Presidents at the **Harvard Graduate School of Education** since its inception in 1990, observes, "Few areas of presidential leadership are as tangible as fundraising, so it's not surprising that boards and presidents point to these results as indicators of presidential success."

Lulu Wang believes that the development office is fundamentally responsible for understanding the nuance of those long-term relationships with donors, by "making sure that the CEO doesn't walk into an awkward situation created by others through poor stewardship or a history of bad encounters." John Fry agrees, noting that it's never good to ask for a gift that's unlikely or not possible and that some development officers with "stars in their eyes" send their leaders on pointless "fishing trips" – trips that end up empty-handed and risk diminishing the image of the CEO with important constituents.

Some CEOs lose confidence in their development offices, choosing to rely exclusively on their own base of knowledge or on the support of a staff member who operates independently and sometimes in competition with the development office. These work-around solutions are typically unwise, as they make



"VICE PRESIDENTS FOR FLAIR, ACCESS, MOMENTUM AND HOPE REPLACE ADMINISTRATION, DEVELOPMENT, LEGAL AND MARKETING."

it difficult to hold development fully accountable for their core areas of responsibility and risk damaging gaps in communication. Not only should the chief executive expect full, up-to-date briefings on a donor's history with the institution and elsewhere, but accomplished development officers can help the CEO understand when he/she is not the right person to deal with certain situations, when that would represent, in Zeidenstein's words, "using a bazooka to deal with an issue that could be dealt with a BB gun." Equally difficult, however, is the situation in which a chief executive avoids difficult encounters with donors at all cost: no way to convey the image of decisiveness and candor that is consistent with the ideal "presidential" behavior.

Trustees Can Help to Smooth the Way

The relationship between not-for-profit leaders and members of the governing board is not simple, as the institutional CEO must simultaneously report to the board, which holds fiduciary and governance responsibility, and cultivate each member as an individual donor to the institution. Volunteer leaders can do much more to support the CEO as a successful fundraiser than their own gifts make possible, no matter how generous they are. Board members can help to position the CEO in the broader community, by using their "ambassadorial skills," as John Fry notes.

By inviting the institutional leader to be a guest at a high-profile event, introducing him/her to "community opinion-shapers," Board members can make a huge difference, notes Arturo Jacobus. Lulu Wang agrees that trustees "must know who the key stakeholders are and take responsibility for introducing the president to influential community leaders." By conveying clearly by their actions the belief that the CEO is interesting in his/her own right as well as in the role of chief spokesperson for the institution, board members can extend the CEO's reach, and, by extension, that of the institution he/she leads, beyond the typical boundaries. ❖

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or dismiss criticism or negative commentary out of hand. "You're not there to win an argument or to let them understand that you're the smartest guy in the room," explains Arturo Jacobus. "Stand by your principles, but do so in a diplomatic way."

> "If you expect trustees to be generous donors, you can't treat them like ATM machines."
>
> Judith McLaughlin

Institutional CEOs must be mindful that many donors and potential donors are treading in relatively unfamiliar territory when considering how best to shape their gifts. They must welcome a somewhat open-ended discussion that may, under some circumstances, be a bit unnerving. Bill Barlow explains, "Donors want the president to value them, not only for their ability to provide funding, but for their ideas." Darrow Zeidenstein adds, "Donors expect to have a really interesting discussion with the institutional leader. They may think what they're proposing is radical or innovative, and they expect to have a meaty discussion about how things can be better or different at the institution, and through the institution in society." For some, conversations about philanthropy represent a welcome change of pace from the financial markets, business competitors, real estate development, or whatever occupies them day to day.

Listening, however, should not translate into a willingness to veer away from the institution's core mission to entertain donor interests or whims. "The president has to accommodate and listen and really engage [the donor], but also has to bend but not break. He/she has to stand firm on institutional values and culture," advises Zeidenstein. And when it comes to style, the CEO can modify behavior to suit the specific situation or donor, but not so much to give the appearance of being disingenuous, cautions Jacobus: "You are who you are, and you can't change that." But whatever your leadership style, "you have to start out with a sincere appreciation for who they [the donors] are. That drives the relationship and the conversation." ❖

Ouch: No Way to Win Their Hearts

Expectations are high for every not-for-profit CEO, each of whom must glide easily from legislative conferences to union negotiations to faculty/curatorial/physician recruitment to elegant fundraising galas – often all in a single day, and sometimes with the same individuals in multiple meetings. The opportunities for unintended blunders are many, and the memories of slighted donors long. With sympathy for the sleep-deprived, GG+A offers this brief catalogue of worst behavior:

- seeming distracted or inattentive
- failing to establish, and retain, eye contact
- misremembering names and family details
- neglecting the donor's spouse, partner, or children in social settings or formal meetings
- talking too much
- saying what he/she thinks the donors want to hear, instead of asking the donors what they think
- expressing frustration
- revealing disappointment, in words or actions
- hoping that donors won't notice when things go wrong

Words to the Wise:
Best Practice at Times of Leadership Transition

Change is more than likely to be the order of the day when it comes to not-for-profit leadership, according to a number of recent studies:

- The average tenure for a hospital or health system CEO is a little more than five and a half years, according to a 2013 report of the American College of Healthcare Executives.
- In 2012, the American Council on Education reported that the average length of service among college and university presidents was seven years, a decrease from eight and a half years in 2006.
- And ARTnews reported in 2008 – even before the onset of the recent recession, which was probably more difficult for cultural institutions than for any other sector of the not-for-profit community – that the average tenure of museum directors had fallen to fewer than five years.

Institutions are as likely to be in some phase of transition as they are to be in a period of stable, continuing leadership – whether it's the search for the next leader, a long period of anticipation before the new CEO arrives, or the challenging period of orientation as institutional constituents vie for the time of the new incumbent. Given that the relationships that lead to extraordinary philanthropy can only be nurtured with time, how can institutions best insulate themselves from the possible setbacks of leadership transition, while taking advantage of some particular opportunities that emerge for fundraising? GG+A's interviewees offer a few points of practical advice for consideration.

"The chief development officer must understand formal and informal governance structures, to help protect the new CEO from internal criticism (from faculty members, physicians, curators, musicians) about a decision that seems inattentive to institutional culture."

~ Alison Traub

"Transition provides a great opportunity for short-term fundraising, and the best outgoing CEOs will recognize that and welcome fundraising that takes place around them."

~ Jon Gossett

"The Development Office must be responsible for basic long-term relationships, especially when it comes to sustaining connections with existing supporters at times of transition."

~ John Fry

"A change in leadership can provide a great opportunity to re-engage or engage key constituents; able leaders use their strengths to appeal to new populations."

~ Missie Rennie Taylor

"I love the ability to have a re-set. New presidents have a golden opportunity to ask the dumb questions and challenge the status quo. I think a lot of value can be created that way."

~ Darrow Zeidenstein

"The new leader should be talking to donors with some sense of an emerging vision for the institution; it may be best to postpone some meetings until the new CEO has something to say."

~ Lulu Wang