

Episode 12

Hello, and welcome to Mission and Markets, a podcast by CAPTRUST, where we explore trends and best practices for endowments and foundations related to mission engagement, fiduciary governance, and investment management, hosted by CAPTRUST. It's Heather Shanahan.

Each episode shares research, resources, and recommendations from industry insiders so your nonprofit can focus on what's most important: the mission.

Heather: Hello and welcome to Mission and Markets. I'm your host Heather Shanahan with CAPTRUST and I am joined today by Pete Lasher of Grinzbach Gleer and Associates, an expert in higher education. So thank you so much Pete for joining us. If you would, first just tell us a little bit about you and your firm and your background as we get started.

Pete: Sure. Well, first of all, thank you for inviting me to participate. I think it's great. This a great service that you're doing for your clients and I'm happy to participate in the dialogue. My name's Pete Lasher. I'm the head of the Higher Education Practice at Grins Butler. We're a global philanthropic consultancy, and we advise institutions, ranging from universities who are raising hundreds of millions of dollars a year to small arts nonprofits that raise less than a million dollars a year.

So we feel like we touch all of the nonprofit world. And we think the work that we do to help raise private support is crucial to these institutions advancing their missions.

Heather: Well, I agree. We've had the opportunity to mention that we have this upcoming discussion with both some current clients and prospective clients, and it's such an important topic, and folks are always interested. So we're delighted that you're joining us today. Let's start with what you're seeing trending with higher ed campaigns.

How are things looking? How are things different from maybe years past?

Pete: Yeah, so there's some real interesting things that are happening on the philanthropic landscape that I think are worth pointing out. The first is that while donors are giving increasing amounts of money every year, they are limiting the number of philanthropies that they're choosing to support.

So it used to be that donors would support five or six charities. And now they've narrowed it down to two or three in part because they want to see greater impact instead of spreading their money around. They really say, what are those institutions that are really going to make the most of my investment?

And I think that's an important part of this, and I work in the higher education space. So it used to be that donors gave out of a sense of charitable obligation. I went to Wake Forest, so therefore I feel obligated to give back to Wake Forest. But now what we're seeing is that because there's such competition for philanthropy, it is really viewed as a philanthropic investment. And so it's really incumbent on those institutions who are the

recipients of philanthropy to demonstrate that it's a worthy investment. So things like unrestricted dollars are a thing of the past. People really want to make sure that they're targeting their money or earmarking the money where they can see the greatest impact.

Another is that institutions or donors are giving through institutions rather than to institutions, in part because they feel less affinity to institutions in general, higher education being one of them. And instead they are really interested in addressing issues or solving the kind of great problems that our society faces.

And they're looking for those institutions or organizations that allow them to do that. And so it starts to change how, particularly in higher education, our academic leaders view the propositions that we're putting in front of these prospective donors because it can't be about "give to us because we're special." It has to be "give to us because we are doing groundbreaking research or we're able to provide access to first-generation students" or whatever it might be so that these donors can see by giving to the institution that they're going to be able to really align with their own personal interests, values, and passions.

Heather: That's interesting. It does seem like a shift because historically we've been told these types of gifts are emotional, you know. You play on the memories that a donor had, your being, you know, at the school or you know that time in their lives and that seems to be a departure from where it's been.

Pete: Qualifiers and order winners. And so all of this kind of goes in. But at the end of the day, I think there's two motivators for donors. One is do they feel a sort of trust and confidence in the leadership of these institutions so that they feel like the mission is something that they can get behind.

And then the second is do they feel a sense of connection with the place. And that can be, it's my alma mater and I go to basketball games, but more importantly, it is do we share the same values around what is important? So I think that's really what changes.

Heather: How do you guide or caution universities or our institutions to make sure that they're honoring donor intent.

Pete: Yeah. So we enter into agreements with donors, and I think if we're doing some projects that really require a firm commitment, like a big capital project, then there's some more codified language. But for the most part, we just want to make sure that we know that we're entering into a compact or our clients are entering into a compact with these donors.

And so we do have to ensure that our expectations are aligned with their expectations, and sometimes that does not happen. And so you end up having unhappy donors. But for the most part, if we can articulate here's how your dollars are going to strategically advance the mission, then it's much easier for us to demonstrate to a donor that their money is being used as they intended.

Heather: That makes sense. Are you seeing anything different with scholarship?

Pete: Yes, we are. So scholarships are the easiest thing to raise money for, right? And part is, most of the donors, particularly in higher education, appreciate what that undergraduate experience was like. And many of us went to school on scholarship. And so philanthropy touched us individually.

So it's not a hard case to make. And then, of course, if you can engage students during the engagement process and expose these donors to them, then they sell it more than competitive fundraisers do. But one of the things that we're really seeing is where student enrollment and our ability to attract the kinds of students we want is so vital to not just our excelling as an institution, but literal survival of an institution that we're seeing more of a business case being made. And so there's the emotional heartstrings that we continue to want to pull, but if we can say to a donor, this is the population of students that we feel like we should be attracting but are not attracting. This is how targeted philanthropy around students can really make a difference. So the obvious example is providing access and how do we ensure that we're able to attract these kids who may not have the same socioeconomic opportunities that others have, and therefore couldn't afford to come to college, if we can make that case.

And so it's a combination of kind of the business case and this, we want to give to these students because we've had exposure to them and they're fantastic. And that's a pretty powerful combination.

Heather: That's interesting. So it seems the data piece, the research and having, you know, being armed with all of that for discussions.

Pete: Particularly those who can make really large gifts. And I think that's going back to your question around trends. That's another thing that we're seeing is that so much of the money that's coming in and so much of the key to these large comprehensive campaigns is attracting gifts of, let's say, a million dollars or more.

And so those folks will think about it. If you were to give away 10 million dollars, you'd want to have a business case for how that money was going to be spent. And so it's more than just the acknowledgment and recognition. It's really showing them the business plan that will allow us to achieve what we set out to do.

I think that's an important consideration particularly for our clients to consider.

Heather: When you first begin a consulting relationship, where do you often see trouble spots?

Pete: It's playing such an increasingly important part in the financial models of these institutions as the state appropriations have declined and how tuition levels have staggered that it changes the way institutions need to think about. And we've talked about impact, and I think where institutions often have a hard time is, they sort of say, well, we need to increase the amount of money that we need to raise.

And so there's this increasing pressure on advancement programs and development programs to raise more money, but are they making this compelling proposition for why donors should give and that's something that our academic leaders just aren't accustomed to—that level of prioritization.

I mean, I was interviewing a CEO of a fortune 500 company not all that long ago, and he said, "You know, P, I want to ultimately look someone in the eye and say, are you the one spending my money?" And often our academic partners don't like the fact that there's going to be that level of interest. I think the other thing is that advancement programs aren't cost centers. I think sometimes when institutions look at their budget models, they are thinking about where they are going to make investments. And often we have to help them realize that advancement is really a revenue generator for the institution, both in terms of the level of private support we attract but also the impact that it has on endowments, which I know you guys are quite interested in, which is to say, we're here to grow the principle of the endowment. And so it requires additional investment for us to be able to support. And, there's a direct correlation.

I mean, our studies or our data show that there's a direct correlation between the amount of investment for your advancement programs and the amount of money that you raise. And I think this is part of the shift that they often have. They want to raise money, but they don't necessarily know just how much investment is going to be required to attract that level of support.

Heather: What do you do? How do you coach maybe smaller colleges and universities where, if I were to Google distinguished alums, the list is skinny. So, you know, you don't necessarily have a track record of graduating people that go out to become billionaires, but that database may be more limited.

Pete: Well, first of all, there's a number of different sources of private support. So in higher education, we always target alumni as a main group, but as you pointed out, there's alumni with greater capacity, but there are other sources, including foundations, more corporate support. We're seeing more parent giving showing up, where we're not looking to the alums necessarily but to the parents. This is particularly important in our independent school practice. And so I think that each of them, though, requires a different message, a different case for support. I think that as we work with institutions to figure out what's the best approach that they should take to their prospective donor community, it's also about how do we position you to be able to make the greatest return.

So I'll give you an example. There may be an individual who has no relationship to an institution, but they are in the same community. And so the case that you would make to a non-alum in the community is look at what we do in the community. Look at the impact we have in the community. And as a community member, you should want to support us. And it just changes the way we make the case, but it also often changes the way we think about, you know, where philanthropy can make the greatest difference.

Heather: Yeah, that makes sense. Are these conversations...how are they different for private K through 12 institutions versus higher ed?

Pete: Right. So, I mean, it's just the scale is so much different. So you can see how, with independent schools, it's really about creating kind of an intimate student experience. And so the things that you raise money for, in addition to financial aid, are really about enhancing whether it's the residence halls or whether it's the co-curricular opportunities that support it or just the teaching mission, whereas in big universities so much of it is the research agenda. And so we see a lot in academic medicine, for instance, as a source of philanthropic support.

Then the kinds of faculty that we're looking to attract, the good ones, are those who are not only great teachers but are great researchers as well. So the research mission is I think an important aspect of higher education. We just think in a much larger scale than these other institutions. The challenge we have to our academic and administrative leaders is talk to us about the big ideas. Where can philanthropy be able to really move the needle? And that's something that's hard. That's a challenge that particularly in, you know, we saw it during financial challenges in 08 and 09 and during the pandemic, where they just have their heads down just trying to make sure that it serves our students, that having them think of some of the bigger ideas or some of the bigger issues that universities are particularly well placed to address is sometimes hard for them to do. So that's part of what we do as a firm, as we come in and, frankly, help them to dream a little bit.

Heather: Yeah. Yeah. How do you navigate that? What does that process look like in terms of coaching clients to articulate their vision? To kind of get to that blue sky thinking?

Pete: Yeah. Yeah. So it's, I mean, the questions that we are really asking are: What is it that makes you distinctive? What is it that differentiates you from other institutions? Every university has the same strategic plan, if you will, where we have a teaching mission, we have a service mission, we have a research mission.

And so often the priorities that are articulated sound the same at every institution. You can just take one name off of the strategic plan and replace it with another. So what we really want to push on is what is unique to what you all do. And so I'll give you an example. I was talking with a director of a cancer institute, and he was saying, well, everybody should support me because, you know, we're a cancer center and everybody, simply, you know, has been touched by cancer. And I was like, well, there's a bunch of cancer centers out there. What is it? Why should a donor support your cancer center as opposed to another cancer center? And then his response was much better. He was able to say, here's what we're really well known for. It's like, well, that's you. It's going to be the place where donors are going to want to support.

So they've cut, they've fought, they just haven't used those muscles before. Heather, it's a part of the challenge. And I think that we just have to help them to think about that.

Heather: What role do deans and professors play in these conversations and how is that changing over time?

Pete: Yeah. So in the past, if you think about these campaigns, first of all, they used to be just around one project. So we needed to build a building. And so we would just come

together as a community and try and raise money. Which, by the way, if you go all the way back in our culture, and when we wanted to build a barn, we came together as a community to build that barn, right?

So it's kind of the same idea as in the past, where we had a project. And so how do we kind of engage all of our stakeholders to make it happen? So then what you saw is as more and more dollars were raised, and as we saw the impact that philanthropy could have, it began to scale. And so, in earlier campaigns, the president and a competent advancement program were able to raise all the money for these campaigns.

But then as we started to scale and we realized that philanthropy could eat, talk, could touch even more parts of our institution, that's when we realized how important deans and other academic leaders and program directors are, in part because they're the ones who can articulate the ambitions and the priorities within their own business school or engineering school or athletic department, whatever it may be. And so they've required in order for them to get comfortable, they've required having support from advancement programs. So that's really where a big, at least in universities, that's where a big part of the investment is made is to sort of say, well, how do we build out? Fundraising in these different units so that we can help our academic leaders to be more effective.

Now, what we're seeing is, because of the importance of the research agenda of these institutions, now we're engaging more and more faculty in the discussion, and particularly those faculty who are working across boundaries. That's one of the things that's hardest for universities to do because we're kind of siloed, right?

We have a business school, an engineering school, a medical school. But really, the problems in society can't be solved in those silos. We actually started this as a way for faculty who were already doing things in these areas and are collaborating together to engage them more.

And so we can define solutions to problems that just couldn't be solved at the decanal or even administrative level. And that's exciting because those faculty are often young and dynamic. They have a lot of ambition and so donors really feel for them. And again, it goes back to that point, who's going to be spending my money? And when they can see that they can invest in faculty like that, they get all fired up.

Heather: So there seems to be a need for innovation and change in higher ed. Costs continue to increase and many students are graduating with a significant amount of student line debt. What kind of pressure is this placing on your clients and how are they navigating that?

Pete: Yeah. I mean, you can see it with some of the cuts that are being made or some of the real restructurings that are happening at some of these institutions where there is quite a demand, to ensure that there are programs in place that are going to allow graduating students the opportunity to find jobs right out of college so that they can address the debt issue. And you know, as a history graduate, history major, like that, I mean, I feel like the liberal arts education really set me up for my entire career, not just for my first job. I mean, we think about it from the philanthropic side.

You know, what we see is donors are less interested in funding operations. So they say, look, your tuition dollars should cover that or your state appropriations should cover that. And so really what philanthropy can do more than anything else is help to provide a margin of excellence.

Heather: What are some of the most important considerations that schools need to consider before embarking on a capital campaign? We run into this both with capital campaigns, but also schools that don't have those. What are some of the considerations?

Pete: I mean, we kind of use a set of critical success factors that we usually use as diagnostic tool for these institutions. It starts with talking about the commitment of institutional leadership, both in terms of the time that they're dedicating and so this isn't something that they can just offload on the fundraisers. They have to be actively involved in the process. And that begins by a creating a rationale for why the campaign should happen. And it can't just be, we want to raise, you know, a billion dollars.

It has to be about how the institution will be changed, how the university will be fundamentally different as a result of this multiyear campaign. Obviously, we need professional staff and there is such extraordinary competition for talent across all sectors, but these people don't come out of school with a fundraising degree. I mean, when I was growing up, it was, you know, astronaut and cowboy. I don't remember fundraiser being on the list of things that I aspired to be. And so, you know, how do we find experienced fundraisers who can be part of a team. Ensuring the success of these campaigns is increasingly a challenge for them.

But we need to make sure in part because, particularly with these big universities, there's so many people who have the capacity and the affinity to support us, but we just have to be building these relationships and it's not a transactional affair. It's very much a relationship business. And if we don't have the quality of staff, or even the depth of staff, to be able to engage those prospective donors, then we won't raise as much.

And then the last thing that we look at is the level of involvement of volunteers. We know that volunteers give 10 times more than other donors to the institution. And so their involvement is critical. Volunteers are another key component as we look at the success of these campaigns, and they just become a very vital force in helping us to attract particularly large-scale donors to support these campaigns.

What we know is in these large comprehensive campaigns, 60 percent of the total will come from gifts of a million dollars or more, and those are the folks that benefit from volunteers helping to build their confidence that their gifts can have the kind of impact that they require when giving gifts at that level.

Heather: It's interesting. I don't think about volunteers in conjunction or connection to, yeah, university or college. You think about it more, public nonprofit, like a boys and girls club or arts organization or something. So that's an interesting dynamic to incorporate.

Wow. Well, great conversation. Thank you. It was super interesting and obviously extremely relevant and important for organizations that aren't engaging a firm like yours.

Obviously, they should be. There's just a lot to think about and different considerations maybe that have been present historically.

Heather: As we close, we always like to ask our guests to answer the question: mission impact. What does that mean to you?

Pete: So we've been talking about an impact throughout the entire conversation. I hope I've given you a sense for that, but you know, our tagline as a firm is our mission is advancing yours, and the people who we attract to our firm are values-driven people. We're a private firm, but what really motivates me, and I speak for myself but I know my other colleagues would agree, is that we think that these institutions are doing extremely important work.

And I just, in my own experience, if it hadn't been for philanthropy, I never would have gone to college and would never have been put on the career trajectory that I am. And I know that's the case for so many people. And also the impact that we have with respect to research. When I was a fundraiser, the first million-dollar gift I received was for a chair in breast cancer research, and I remember talking to my mom about it, who was a breast cancer survivor. And I told her that, look Mom, look what I did, and she started crying. So when you see that kind of emotional impact, in addition to the kind of impact that we've been talking about, it makes it all worthwhile.

Heather: Absolutely. Well, thank you for sharing that and for sharing your personal story too. So Pete, thank you, Grinspot, Glear, and Associates. We are certainly grateful for your time in the conversation today.

Pete: My pleasure. Great to spend time with you.

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