To speak of an institution’s fund-raising “program” in the singular is to oversimplify the reality. Development offices manage a variety of programs, each having somewhat different objectives and each using a particular set of fund-raising tools and techniques.

These various fund-raising programs can look quite different. The excitement and bustle of a phone center contacting alumni for gifts to the annual fund bear little resemblance to the patient, quiet conversation of a planned giving officer working with a donor’s tax adviser. The foundation support specialist sitting at a PC crafting a detailed proposal is engaged in work quite different from that of a major gifts officer rushing to catch a plane on the way to visit a donor prospect. But these apparently diverse efforts must relate to each other and to the institution’s particular needs and circumstances.

This chapter provides a brief overview of the elements of a development program. Later chapters discuss each of these elements in greater detail. While the information in this chapter may seem basic to the experienced development officer, newcomers may find it a useful framework for the more focused chapters that follow.

**THE FUND-RAISING PYRAMID**

The development program can be represented by a pyramid, as shown in Figure 2.1. The base of the pyramid is the institution’s *total constituency*, including all those individuals and organizations that might logically be interested in providing support. The constituency of most colleges and universities includes alumni, faculty and staff, parents of students, corporations, foundations, “friends,” and other individuals and groups. In universities with medical centers, patients served by an affiliated hospital or faculty practice also would be members of the institution’s constituency.
Some observers argue that today’s donors respond more to ideas and opportunities than to institutional loyalties, and that the institution’s constituency thus extends beyond traditional groups to all individuals who may have interests related to its programs. However, the prevailing view remains that those with some natural linkage to the institution, such as parents and alumni, comprise its most obvious and promising constituents.

Some percentage of this constituency supports the “annual giving” program, providing gifts to support the institution’s current operating budget. Individuals who participate in annual giving may also be prospects for higher levels of support.

A smaller percentage of donors make “major gifts,” usually toward important capital needs of the college or university, such as facilities or endowment. There is no uniform standard for what constitutes a “major” gift. The definition must be relative to the institution and the capacity of its
constituency. Some may consider a gift of $10,000 to be major for them, while others may define it as $50,000, $100,000, or more.

A relative few individuals reach the top of the giving pyramid and make what have come to be called “principal gifts.” A principal gift is of such magnitude that it has a significant impact on the institution, or at least one of its programs or departments. The definition of a principal gift is also relative, but the $5 million or $10 million level is sometimes a defining point. In the 1990s and early 2000s, some institutions have received gifts of more than $100 million. Some refer to these as “mega gifts,” but no standardized terminology has developed. Such gifts are large principal gifts.

The pyramid depicted in Figure 2.1 also shows another set of terms at each level: “regular,” “special,” and “ultimate” gifts. These are terms introduced by David Dunlop in his earlier writings. He also explains them in Chapter 8 of this book.

Dunlop’s terms take the perspective of the donor. They do not necessarily relate to the terms “annual,” “major,” and “principal,” defined by the level or amount of gifts, although in many cases there is a correspondence. According to Dunlop, a regular gift is one made on a “regular,” usually annual, basis, to support the current operating budget of the institution. A “special gift,” as the term implies, is made to meet some nonrecurring need of the institution, such as construction of a new building. Many special gifts are large enough to be considered major gifts. Dunlop defines an “ultimate gift” as the largest gift of which the individual is capable, in essence the gift of a lifetime. An individual’s ultimate gift might not be large enough to be considered a principal gift from the perspective of the college or university, but many principal gifts likely are ultimate gifts from the perspective of those who give them.

Some writers and practitioners tend not to make a clear distinction between “ultimate gifts” and “principal gifts,” but rather use the terms synonymously. While the two may coincide in many actual situations, there is a distinction in the terms, as explained above.

Some major and many ultimate gifts are “planned gifts.” These are long-term commitments established with any of a wide range of financial planning techniques—and are thus arranged in light of the individual’s overall financial and estate considerations. Some argue that all major gifts are “planned,” as contrasted with “unplanned,” but the term is most commonly used to mean gifts made by will or through some type of life-income arrangement. The college or university gains access to the gift only after the death of the donor or some other beneficiary. Such gifts used to be called “deferred gifts,” and some still make a distinction between gifts that are “outright” and those that are “deferred,” the latter received after the death of the donor or another individual. But the term “planned” has generally
replaced “deferred” to refer to all gifts that are a part of the donor’s financial and estate plan and mature after an individual’s death. For simplicity, this book generally uses the word in that way.

Planned giving is not depicted here as a separate element of the fund-raising pyramid. It is more properly viewed as a tool that is used with increasing frequency in major and principal gift fund raising. Some institutions feel that the relationship between major gifts and planned gifts is so strong that they organize their programs to combine both specialties, for example, by establishing an “Office of Major and Planned Gifts.” Others continue to see them as somewhat distinct and maintain separate but coordinated programs and staffs for raising major gifts and planned gifts. Similarly, some larger colleges and universities have separate staffs and offices with responsibility for principal gift fund raising. However, in most institutions, principal gift programs are a part of the major gift function or are handled directly by the chief advancement officer.

Planned giving has become an increasingly important area of fund raising in the past decade, reflecting growth of wealth in the form of appreciated property and the aging of the population. Such gifts grew at an astonishing rate of 40.5 percent annually between 1993 and 1997, coinciding with a strong stock market. Development officers who specialize in planned giving have grown in number and in the sophistication of their skills. Moreover, at least some knowledge of planned giving is an essential skill for any development officer who works with individual donors.

The shape of the fund-raising pyramid represents the number of donors participating in each category, which declines with each successively higher level. But if the pyramid were drawn to represent dollars resulting from gifts at each level, it would be inverted—that is, upside down with the broad part at the top and the narrow part at the bottom. An old fund-raising axiom stated that 80 percent of the dollars come from 20 percent of the donors. More recent literature has revised this to say that 90 percent of the dollars come from 10 percent of the donors, and some say there is a need to revise the formula further (perhaps to 95 percent or more from 5 percent or fewer), reflecting the increasing dependence of colleges and universities on larger and larger gifts from relatively few, very major donors.

Some observe that the pyramid has become “steeper” in recent years because of the increased impact of a few very large gifts at the top. Others, such as Judith Nichols in Chapter 14 of this book, argue that changing demographics and lifestyles have made the fund-raising pyramid obsolete. However, most practitioners still subscribe to its usefulness, at least as a conceptual tool.

Comprehensive development programs aggressively solicit all constituencies and at all levels of the fund-raising pyramid. But the most successful are those that focus on the higher levels of the
pyramid, on those major gifts and principal gifts that will produce the largest share of overall support and that have the greatest potential impact on the institution.

CAMPAIGNS

Among the most visible of today’s educational fund-raising efforts are the major comprehensive campaigns, many having goals in the hundreds of millions or billions of dollars and extending over a period of five years or longer.

In earlier decades, colleges and universities mounted “capital campaigns” to raise money for specific facilities or endowment needs. Ongoing annual giving and planned gift programs were often run concurrently with, but separately from, the capital campaign. Although institutions still sometimes undertake traditional capital campaigns for specific purposes, in the 1970s, 1980s, and 1990s it became increasingly common practice to combine goals for annual, capital, and planned giving under an overall “comprehensive campaign” umbrella.

By the 1990s, campaigns became a subject of debate within the development profession, with some arguing that lack of common accounting and varied campaign lengths were making comparisons among institutions difficult and undermining the credibility of goals. The Council for Advancement and Support of Education (CASE) responded by publishing the CASE Campaign Standards in 1994, intended to standardize the reporting of campaign results. Today, there is debate within the development profession about whether campaigns are still appropriate and effective strategies at all in an era when major gift fund raising has become a continuous process at many colleges and universities. Some of these issues are considered further in Part IV of this book.

The campaign itself does not appear in the fund-raising pyramid; it is more accurately described as a fund-raising strategy than as a distinct element of the development program. Today’s comprehensive campaigns are designed to enhance the visibility of the institution’s needs and increase the urgency for all types and levels of support.

ADVANCEMENT SERVICES

Some aspects of a development program remain behind the scenes, carried out by development professionals who may never contact a donor or ask for a gift. The “back room” functions of research, records, gift administration, and information systems management have become increasingly important as development programs have become more comprehensive and intense. Today’s development offices
include highly specialized, skilled professionals in all of these “support” areas, which are often subsumed under the overall term of “advancement services.” Perhaps no aspect of fund raising has been as changed by the explosion of technology over the past decade. Today’s development offices include positions for computer programmers, network managers, and other specialists with highly technical skills. Public university foundations, which have responsibility for the management of gift funds as well as for fund raising, also employ professionals trained in managing investment funds. In most private institutions, these responsibilities are in separate offices and the investment professionals are not a part of the development office staff.

Research is essential to identify those individuals who have the capacity and interest to provide major gifts so that development officers can focus their attention on the best prospects. Because the best prospects for new gifts are often past donors, programs that provide careful stewardship and provide donors with timely information on the impact of their gifts also can pay significant dividends in continued support.

Until the past decade, stewardship was a neglected activity in many development programs. Too many donors made gifts only to hear nothing from the institution until the next solicitation. Stewardship should be a responsibility of all development officers who have continuing relationships with donors. But many development offices also have specialized staff to help manage and monitor stewardship activity, assisting development officers with such tasks as the preparation of reports and the planning of events.

Systematizing and regularizing communication with donors about their past gifts is more than good fund-raising practice. It should be viewed as part of the responsibility that development officers and their institutions incur when they accept a gift for some purpose. This is a dual responsibility, which includes careful efforts to use the gift as the donor intended as well as keeping the donor informed. Continuing attention to stewardship can improve not only fund-raising performance but also the sense of trust and confidence upon which the donor’s relationship to an institution must be built.

**THE FUND-RAISING TOOLBOX**

The fund-raising techniques employed at any particular time depend upon the level of the anticipated gift and the nature of the prospective donor. Annual giving programs, which focus on relatively small gifts from a large number of donors, rely on the devices of mass communication, such as the mail and the telephone. Modern annual giving programs are as much science as art, using the latest in computer systems and marketing technology. The Internet has become an increasingly important tool, and it is
clear that its role will continue to grow as access becomes ever more pervasive and more and more
donors become accustomed to online transactions. Many institutions provide the opportunity to make a
gift via their web sites, and an increasing number employ e-mail in soliciting gifts. The most successful
annual giving programs also use personal solicitation, some involving organized cadres of volunteers
managed by an annual giving professional.

Annual giving programs often emphasize “the numbers,” aiming for increases in revenues and
donor participation. Some annual giving programs downplay specific needs, focusing instead on
unrestricted general support. In contrast, the solicitation of a major gift is more art than science. It is
almost always face to face and requires a commitment to the long-term process of communication,
education, and relationship building. Few major gifts are unrestricted or directed to current operating
needs. They usually are designated for a specific endowment or facility, reflecting the interests and
experiences of the donors. The effective major gift solicitor is therefore well-prepared with a knowledge
of both the institution’s programs and the prospect. Gifts involving some aspect of planned giving
demand that the development officer be an expert in not only the art of fund raising but also the science
of financial, tax, and estate planning.

FOUNDATION AND CORPORATE SUPPORT

Foundation and corporate donors may participate at any level of the pyramid, although obviously they
do not make planned gifts. In practice, while local businesses may support the annual fund, few large
corporations or foundations participate in annual giving programs except through employee matching
gift programs.

Foundations and corporations also tend to be reluctant to make major gifts to endowments,
preferring instead to support specific programs or projects. That is because they are generally less
interested in the welfare of a particular institution than they are in how that institution can help advance
their own broader philanthropic goals. While individual donors may have an emotional commitment to
the college or university and wish to support it for its own sake, most corporations and foundations are
committed first to their particular areas of interest. For corporations, these interests often relate to the
firm’s business—for instance, computer engineering. Foundation interests usually reflect the concerns
of the founding donor or the foundation’s traditional mission—say, saving the environment.

During the 1990s, corporate giving became even more focused on areas related to business
interests. Many corporate giving officers are required to demonstrate that the company’s giving program
in fact has a measurable impact and contributes to the bottom line of profit. Many relationships between
corporations and universities have become complex, involving research and training partnerships, cause-related marketing and sponsorships, and other arrangements quite distinct from philanthropy. Over the past decade, many foundations have shifted their priorities away from higher education toward elementary and secondary education and toward organizations that serve children, the environment, and other social concerns.

Fund raising from corporations and foundations requires a sophisticated understanding of the institution’s educational and research strengths, and solicitations often include a written proposal that relates the institution’s program to the donor’s interests. Because many corporations and foundations establish detailed procedures and deadlines for requests for support, corporate and foundation solicitation requires highly specialized fund-raising skills and knowledge.

The increasing focus of corporate and foundation giving has blurred the line between fund raising and “grantsmanship.” Debates have arisen on some campuses as to which activities properly belong to the development office and which should be handled by a separate office of sponsored research or sponsored programs. Many partnerships and joint ventures blur the line between what is a gift and what is a business relationship. Some involve elements of both philanthropy and business, while others are purely business relationships. Other relationships may include contracts between corporations and higher education institutions for the training of company employees. Because contacts between the corporation and the campus may be many and varied, a development officer working in this area must have a wide knowledge and understanding of the institution’s academic and research strengths.

Recognizing the growing complexity of relationships between the campus and the business world, some institutions have reorganized their corporate relations programs such that professionals in this area report jointly to the chief development officer and another campus officer—for example, the provost. Such a structure acknowledges the close link between academic programs and the interests of these donors, and the need for the institution to present a coordinated and consistent approach to companies that may be their donors as well as their partners and their “customers.”

THE FUND-RAISING LIFE CYCLE

An old theory in biology proposed that the development of an individual organism reflects the stages in evolution of the species to which it belongs. For example, early in its development, the human embryo has features that resemble gills, which evoke an image of the early forms of life from which we all descend. The growth of other features—and eventually consciousness—come later in the development
of the individual fetus, echoing the appearance of these features in the evolutionary history of the human species.

Although this theory has been discredited as a principle of biological science, the concept nevertheless provides a convenient model for analysis of the fund-raising pyramid depicted in Figure 2.1. The growth of an individual donor’s giving relationship to an institution parallels the evolution of the institution’s overall fund-raising program. Most individuals begin their support of a college or university through participation in the annual fund. As their interest and financial means increase over the years, they may make major gifts in support of particular purposes or campaigns. And in the end, they may designate the institution in their wills to receive the substantial fruits of a lifetime’s work.

An institution with a new development program might well follow the same pattern, beginning with an annual giving program, in order to identify those among its total constituency who have the ability and proclivity to give. Only when the annual giving program has produced a sufficient group of such individuals would the institution begin to consider seeking major gifts from them. And only after these individuals have had the time to develop deeper feelings for the institution would the college introduce a planned giving program to address their estate planning needs.

Robert Stuhr recommends this step-at-a-time approach:

If an institution is to have a well-rounded program, it is not necessary that it immediately build up an enormous development staff and start going in all directions at once. Instead, the institution should decide what is required to have a complete program, and then move toward its development in an orderly fashion. Each institution can grow into its program, just as has been the case with the field of development itself.4

Some argue that the process described above is outdated in light of the new wealth rapidly acquired by young technology entrepreneurs during the 1990s and their philosophy of giving. This group of “new philanthropists” may find unrestricted support to an annual giving program to be of little interest and may begin their giving careers well up the pyramid, responding to exciting opportunities for philanthropic “investment.” Some say that younger donors make decisions quickly, without prolonged involvement and cultivation by the institution. They are said to respond more to ideas and to have less loyalty to particular institutions, thus making traditional linkages less important. However, most practitioners continue to advocate building relationships over the long term, in respect of the life cycle of the individual’s giving, especially when a principal or ultimate gift is the eventual goal.
DESIGNING THE FUND-RAISING PROGRAM

As explained above, the most successful development programs are those that emphasize principal and major gifts, because the few donors at the top of the pyramid provide the largest portion of total support. However, the overall design of the institution’s development program should reflect its particular characteristics and needs as well as the realities of its constituency. Despite its desire for major gifts, a young institution with most of its alumni under age 50 might find it futile to invest all of its resources in a sophisticated planned giving program while ignoring the annual fund. At the same time, a venerable college or university that put all its efforts into the annual fund would deprive itself of those resources most likely to make a long-term difference in its strength and security.

A small liberal arts college located in a rural setting far from corporate offices and with little research activity among its faculty might be wise to downplay efforts with national corporations and foundations. This does not mean that it should totally ignore these sources, but rather that it should allocate proportionately less effort toward them than it directs toward alumni, parents, and friends.

The fund-raising program should reflect what the institution needs most. As architects say, “Form should follow function.” Thomas Broce explains:

When a development program is being started, those persons responsible must determine the kinds of gifts needed to meet the institution’s objectives and the kind of program that will best attract these kinds of gifts. . . . Institutions should not spend hard-earned dollars on nonproductive programs. Therefore, an institution with a small endowment but a great need for additional operating support should place its prime emphasis on aggressive annual gifts programs. It also should be active in corporate-support programs with a continuing interest in planned giving programs, but its primary staff and dollar concentration should be on securing operating funds. . . . The institution should also be attracting endowment funds, but that should remain a secondary activity. On the other hand, a research-oriented organization should focus on fund raising from foundations.5

Despite this logic, colleges and universities too often strive to replicate programs they observe and admire at very different types of institutions. Stretching their resources to try to do everything results in insufficient effort devoted to those elements of the program most likely to produce revenue or those most relevant to the institution’s real needs. Trustees, presidents, and faculty are sometimes culprits in this phenomenon, encouraging development staff to implement programs that they have seen succeed elsewhere, without stopping to consider their appropriateness in a highly different situation.
Some institutions may undervalue annual gifts, which often comprise just a small percentage of the current operating budget. They may be tempted to confine their fund-raising efforts to obtaining the “big hit” that will capture headlines and transform the college or university quickly. But pursuing that approach exclusively shortchanges the future by failing to build the tradition of giving and the broad base of donors from which tomorrow’s major gifts may emerge. Other institutions may tend to overemphasize annual giving, with its immediate and tangible returns, at the expense of more long-term efforts to cultivate major gifts. Presidents and deans sometimes prefer outright gifts that can help them increase their spending now, while discounting the importance of planned gifts that will benefit their successors.

The practice of “benchmarking” has become widespread in higher education in recent years. Properly applied, it involves comparing an institution to that of similar or “peer” institutions to identify best practices that may be most usefully adopted. Misused, benchmarking can exacerbate the tendency to implement programs that are effective elsewhere but that may not fit a particular institution’s unique situation. As Barbara Taylor and William Massey warn, “Critical success factors will not be the same for all institutions but will vary depending on size, control, location, history, mission, goals, and other factors.”

The risk is especially great when the college’s academic “aspirational peers” are used as the reference group for a comparison of fund-raising programs. Aspirational peers are institutions seen as “higher” in the academic pecking order, institutions that the college or university conducting the benchmarking study hopes to eventually match in academic quality and prestige. But differences in current academic standing may reflect, among other variables, significant historical and cultural differences. Because history and culture are relevant to fund raising, the development programs of such institutions may or may not provide the best model for another college or university facing very different realities.

Again, no element of the development program should be ignored; the keys are timing and emphasis. Allocation of staff and budget among the various elements of the program should reflect a careful analysis of the institution’s academic programs, needs, and history, as well as the capacities and inclinations of its constituency. The strategic allocation of effort and resources will become even more important in the years ahead, as budgetary pressures and demands for accountability continue to increase.
NOTES


3. Ibid.

