

6-13-2012

## Our Universities: Giving

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### Recommended Citation

Wendler, Walter V., "Our Universities: Giving" (2012). *Higher Education Policy Commentary*. Paper 154.  
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# Our Universities: Giving

Fourth in the series *Follow the Money*

Giving is always the result of leadership, from giver and recipient. Private giving's absence results from a lack of university leadership. State funding is critical, but private giving separates the good from the excellent while providing opportunity.

*I was fortunate to get a scholarship when I went to Lehigh University and Princeton. They were both wonderful schools. Somebody was kind enough to spend their money to educate people that they would never get to know. That's what I think philanthropy is about.*

Lee Iacocca

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A 2010 Study of High Net Worth Philanthropy, by the Center of Philanthropy at Indiana University, reveals some compelling truths about people who have high net family worth, and how they give. Of all giving in such households, education is the highest recipient and for the years 2005, 2007, 2009 was 25.8%, 27.1%, and 19.3%, respectively. The fall off has been checked, but causes for peaks and valleys are not all market driven. AWOL integrity in university leaders diminishes confidence in educational institutions, educators, and institutional direction.

Integrity is ours to fritter away.

The good news: The National Association of College and University Business Officers show endowments have grown by 18% in the 2011 fiscal year, bringing the total to over \$400 billion.

The bad news: As various forms of skullduggery and political machination become public, philanthropic interest and investment wane. Count that cost!

Nearly 75% of givers suggested that "*personal experience with an organization*" affects giving, and it is the most significant factor in deciding where to give. "*Organizational connection*" flows closely in second place, and coming in third, of eight factors, is "*personal or public knowledge of the organization.*"

Reputation powers giving. Any university not actively engaged in fundraising to support student and faculty excellence is mismanaged and poorly led.

Persistent pursuit of excellence is ours to fritter away.

A review of the best (biggest and most profitable) online universities and their endowment resources yields an unsurprising result. There is no philanthropic support to speak of. In a May 21, 2012, blog posting on *Online Universities*, "*10 Surprising Facts about University Endowments*," the value of endowments is pooh-poohed. Online institutions can't raise money: Such activity is dismissed as unessential or counterproductive.

A Huffington Post piece of June 4, 2012, by Chris Kirkham, says more students are borrowing to attend college: at for-profit, four-year institutions, 76% borrow, and at four-year traditional publics, 60%. Still, too high for too little in return, in too many cases. Borrowers at for-profit colleges are twice as likely to drop out. And, the dropout rates have increased in the last eight years by 54%: Things are not getting better and won't, for all the posturing suggesting a degree and *pot o' gold* at the other end of the Internet connection.

For-profit universities commoditize the degree-granting process so that giving back is like sending a gift to Sears. You appreciate Sears and trade there through free-market forces. A donation to the Department of Motor Vehicles for receipt of your driver's license, though a state-sponsored monopoly, is equally silly. Excellent universities are neither retail nor service industries; poor ones are an aberration of both.

Universities must increasingly rely on private giving to support the academic enterprise. A review of the largest university endowments indicates three links. First, the size of the endowment is directly proportional to the perceived quality, says investor Craig Shapiro. Second, starting salaries for graduates from universities with large endowments are higher than those who graduate from institutions with small/no endowments. Third, the idea that giving primarily supports athletics and takes away from academic gifts is not always true. James H. Moore, Jr., President and CEO of the University of Arizona Foundation, says athletic giving in 2009 was \$7.8 million, while total giving to the UA was \$141 million. Michigan, Berkeley, Illinois, Texas, North Carolina are similar cases, providing scholarships and fellowships to qualified students, powered by philanthropy.

In a recent Wall Street Journal article, Stanford University President, John Hennessy, suggests that at Stanford, *"We charge less than it costs us to provide education, because we subsidize everybody to some extent. And then if you can't afford it we give you a discount."* Further, he says too many universities rely on tuition to fund their budgets. *"That is not sustainable."* He's right.

Many research universities, especially those categorized as mid-majors, the public non-land-grant, non-flagship, state institutions, can't generate endowment funding because they don't ask, or they neglect the real nurture of students and alumni.

Sound-bites don't work. Too many people pay too much attention to too many indicators of excellence to sneak weak offerings by everyone.

Giving suffers as the law of sowing and reaping rears its persistent, time worn head.

Our universities reduce costs for students with need and merit-based aid when academic quality and philanthropy are present. And they are married, welded together head to heart, via the wallet.