"Scholarship and philanthropy are each, separately, among the most powerful forces at work shaping the future of our society. In combination, they are unsurpassed in their capacity to improve the human condition." - Former University of Oregon President William Beaty Boyd

#### STRATEGIC GOALS

Purdue has a short history of campaigns compared to other institutions, especially private universities. The University has experienced two comprehensive campaigns: *Vision 21* with a goal of \$250 million in the 1990's that raised \$350 million and *The Campaign for Purdue* with a goal of \$1.5 billion that raised \$1.7 billion in the 2000's. These two campaigns doubled the floor of normal fundraising. With the next campaign, we have the opportunity to move from \$200 million to \$400 million, annually and shift giving toward a greater proportion of philanthropic cash, including cash and securities as well as realized bequests.

Today's economy creates new financial challenges for public universities and the debate regarding the future of public higher education rages on. The general agreement is that, as state appropriations and per student appropriations decline, access and excellence are at stake. Concepts for alternative funding sources are varied, leaving great public research universities, such as Purdue University, with immediate needs and looming funding shortfalls. The solution(s) to this challenge, while critical, is not clear, simple or usual.

The development team is focusing on shifting the mix of gifts to emphasize growth in philanthropic cash over the next decade. Although our goal is to raise more gift income for Purdue, this shift does not diminish the importance of deferred gifts, gifts-in-kind or sponsored programs. This shift will build on those strengths and focus on raising outright gifts and philanthropic cash. Success will relieve pressure on the operating budget in the short-term protecting our students and faculty in their pursuit of excellence, as well as assist in filling the gap created by declining revenue sources and protect and strengthen Purdue's position in the long-term by building and expanding its endowment.

As strong as Purdue is philanthropically, given our accomplishments in the previous campaigns, we still are a relatively young development operation. With the strategic direction and counsel of the Board of Trustees (BOT), university leadership and the Foundation Development Council (FDC), we will create a campaign that recognizes the emerging economic dynamics in public higher education and meets the challenge of financing increasing and sustained excellence at Purdue University.

#### REPORTING DEVELOPMENT SUCCESS AND HISTORICAL CONTEXT

To build for the future, university and development leadership must analyze and understand previous philanthropic success and consider the external environment. To assure that reporting is transparent and reflects the business management, development will track and report success with two purposes:

- Track gifts to reflect organizational structure and its efforts will be tracked to consequent growth.
- Align reporting with generally accepted guidelines of the higher education industry, so progress can be benchmarked against other universities.

Going forward, the Governance Report will show three measures: net production, gift income and philanthropic cash.

**Net Production**: Reports fundraising activity and therefore includes:

- Cash, securities, real estate and gifts-in-kind
- New pledges received (less any pledge payments received)
- Irrevocable and revocable deferred gifts
- Payments made on pledges that were booked in previous fiscal years are not counted

Fiscal year 2011 results: \$227.3 million. The highest productivity since close of the previous campaign.

**<u>Gift Income</u>**: Reports assets transferred and includes:

- Cash
- Securities, real estate and gifts-in-kind
- Irrevocable deferred gifts
- Revocable deferred gifts and pledges are **not** counted

Fiscal year 2011 results: \$188.7 million. Since fiscal year 2001, fourth highest productivity year and third highest year excluding exceptional gifts of \$100 million and higher.

<u>Philanthropic Cash</u>: Development will focus on shifting the mix of gift types toward a greater proportion of philanthropic cash as they are fungible, supports other sources of revenue for the operating budget and build the endowment to generate recurring income continually in the future. Includes:

- Cash new gifts and pledge payments
- Securities
- Realized bequests

Fiscal year 2011 results: \$108.8 million. Fiscal year 2011 trends up from fiscal year 2010.

Use of these definitions for reporting alters previous methods only slightly. Of gift income reported from fiscal year 2006 to fiscal year 2010 in private also; these adjustments will result in no change in total gift income, but a reallocation of 4.4 percent of total income among those years. This adjustment reflects productivity in the fiscal year achieved versus reported and moves toward emerging best practice.

#### **PURDUE MEETS THE CHALLEGE - FISCAL YEAR 2011**

The previous three years have been a time of transition and restabilization for the University Development Office due to the economy and leadership and structural changes. Even through this time of uncertainty, Purdue's success in fundraising is due to the effort of extraordinary people and evolution of a maturing development operation. Specifically, the philanthropic momentum continues because of loyal alumni and friends responding to Purdue's vision for the future and the University's growing reliance on philanthropy.

Crucial to the continuation of Purdue's success is building upon its culture of philanthropy, which allows an institution to confidently and boldly reach for its full philanthropic potential. This culture, based on long-term relationship building, enhances the possibility of enlarging and sustaining the philanthropic gift flow required to continually fund an institution's loftiest aspirations.

The characteristics of such a culture involve the following:

• A widely understood and compelling vision for the institution's future

- Board of Trustees and Purdue Foundation Development Council that provide significant leadership to the University and its philanthropic effort
- University president who is actively engaged in the institution's development program
- Academic leadership and development professionals that partner together and are strategically involved in the development and administrative programs
- An institution that is transparent about its reliance on philanthropy and its management of assets
- Sustained financial investment in the development program
- Respected and proactive development professionals who have the confidence, support and cooperation of philanthropic leadership, administration, faculty and staff

University leaders have been dialoging about the impact of philanthropy to support the *New Synergies Strategic Plan*. With the arrival of a new vice president for development in September 2010, senior development leadership engaged in activities to prepare for a significantly more heightened philanthropic effort than the level undertaken in the past. The primary activities from September 2010 to June 2011 include:

- 1. Implement philanthropic impact study
- 2. Restructure development leadership
- 3. Develop and recalibrate proposed three-phased campaign
- **1. Philanthropic Impact Study**: In preparation of this significant philanthropic effort there are three basic fundamentals required for success: bold, fundable ideas; philanthropic capacity; and infrastructure. Each fundamental must be considered and analyzed for today's large and complex business of philanthropy. While fundamentals are basic, strategy development and execution of these strategies is complex, requires specific, measurable outcomes and identification of a flexible and sustainable self-funding model.

During the previous two fiscal years, senior development leadership focused on philanthropic priorities at the college, school and unit levels and screened the alumni and friends database.

From October 2010 to January 2011, senior development leadership reviewed Purdue's history of development performance (30 years of giving and ten years of resources and staffing) and the external environment of higher education. The senior vice president for business services and assistant treasurer and the vice president for human resources allocated their staff to assist with the review of resources and staffing. The collection of this data, from central development, colleges, schools and units, was a first for the University. Also, the development of revenue and forecasting reports are now underway and <u>standardization</u> of the annual budget throughout the central development, schools, colleges and units will allow for informed management decisions.

The vice president for development interviewed 45 major donors, BOT, administration, FDC members and nearly all 132 development staffers. Preliminary findings and recommendations for a three-phased campaign were delivered at the Foundation Development Council meeting on February 12.

During the study, senior development leadership took great care to focus the fundraising staff on securing philanthropic support and achieving the annual goals.

**Philanthropic Capacity:** A recent Harvard University study found that of higher education campaigns \$100 million and higher, the top 500 gifts consistently comprised of 77 percent of the campaign goal. *The Campaign for Purdue* echoed the findings, generating 78 percent of the total campaign from the top 500 gifts. To secure these top 500 gifts, 2,000 confirmed potential donors are required based on seven-year capacity.

In these mega-campaigns, it is crucial to assess and validate the capacity of the alumni base through analysis. The objectives of a capacity analysis are to forecast projections of sources of giving and determine the size and scope of the potential donor pool for a range of potential philanthropic goals.

Internal Review: In 2002, development research staff screened the alumni and friends database and identified 475 potential donors with philanthropic capacity of \$1 million and higher over seven years. During *The Campaign for Purdue*, these potential donors were solicited primarily by the president and the senior vice president for advancement.

In 2009, development research staff screened the alumni and friends database for potential philanthropic capacity. There was more than fourfold the number of individuals identified with a philanthropic capacity of \$1 million and higher over seven years.

External Review: To examine and validate philanthropic capacity that is projected in the billions of dollars, it is prudent to consider a minimum of two different philanthropic capacity methodologies. Senior development leadership conduct a second capacity analysis based on 30 years of philanthropic data and benchmarking against peer and aspirant universities for philanthropic performance.

Internal and External Review Findings: Both capacity analyses identified specific opportunities:

- Increase philanthropic gifts at all levels with a short-term focus on individual leadership gifts and mid-term focus of mid-tier individual gifts and young alumni giving
- Increase and broaden corporate and foundation partnerships in near-term
- Increase from \$200 million to \$400 million annually

To realize the identified philanthropic capacity, there are implications for the structure of the development operation, and its size, including frontline fundraisers and functional support.

**2. Development Leadership Restructure:** Successful philanthropic efforts require the right balance between staff and volunteer leadership to complete the labor-intensive work of qualifying, cultivating, soliciting and stewarding potential donors. The forecast of philanthropic potential will change the productivity of development.

To support the growth in productivity, a sustainable and scalable staffing model was studied and will continue to be studied and recommended for implementation over a period of up to two years. The growth of functional areas within development must be carefully and purposefully structured, and investment paced to assure growth is realized.

The move from the current to the proposed leadership restructure will accomplish the following:

- Move toward best practice staffing model to scale-up a sustainable development program
- Realign resources to philanthropic potential
- New expertise is required to support change in productivity
- Recognize record of success, provide career growth opportunities and incorporate new and innovative methodology to build a strong, flexible and innovative leadership team

- **3. Proposed Three-Phased Campaign:** During the recent challenging economic times, several trends emerged in higher education philanthropy, which impact Purdue's campaign planning.
  - It is about mission: Philanthropic messaging must emphasize and reinforce the University's mission rather than philanthropic goals and timeframes
  - Flexibility and nimbleness: Traditional campaigns are a collection of deferred needs and all universities have needs all the time. The urgency of the Purdue experience and the educational advantage is profoundly beyond periodic renewal of a needs list
  - **Trappings**: Traditional trappings of campaigns are gone. Forget about fundraising talk all messaging should showcase relevance and impact and tie to the mission. Advancement terms such as unrestricted support, annual fund, endowment, etc., create confusion among donors
  - Successful fundraising programs are those that are sustained and built over time, not stopped and started based on current economic conditions or traditional campaign timeframes. Today, universities are moving toward continuous campaigns
  - More discerning donors: With the economic recovery, donors' charitable inclinations are growing yet are more discerning. These philanthropists are focusing their dollars on a smaller number of charities to increase their impact and influence

During President Córdova's 2011 State of the University address, she announced a bold charge to bring together university leaders to assess and propose alternative funding models to sustain the University over the long-term, in the face of declining appropriations. Since the financial challenge is both immediate and impacts the long-term, a non-traditional and innovative philanthropic effort is proposed for consideration and will be refined based on the findings of the Decadal Funding Steering Committee (appointed by the President).

**Concept:** A three-phased campaign will elevate the first phase, the current Access and Success Campaign; provide for a second phase to address the critical short-term funding investment in students and faculty excellence; and then position Purdue to launch bold, fundable initiatives as a third phase. All three phases have a combined potential of more than \$3 billion over 10 years. This will require a significant scale-up of the development unit and continued movement to a best practice advancement program.

**Phase I: Access and Success Campaign -** As part of *New Synergies*, Purdue promotes excellence in student learning, experiences and outcomes. Focusing on student success, higher graduation and retention rates and diversity among students, and diversity and retention of faculty and staff, the plan involves transforming discoveries out of the laboratories, so they can benefit people, society and the economy.

With a goal of raising \$304 million over seven years for programs and scholarships, the plan will help develop students with the global credentials they need for success and leadership in the 21<sup>st</sup> century. As well, the successful fundraising goal of \$32 million for the Mackey Arena renovation will be celebrated when the re-dedication takes place November 11. As of June 30, \$170.6 million has been raised, pacing on schedule.

**Phase II: Elevated Student and Faculty Excellence** - Phase II will protect and assure the forward momentum of Purdue in academic rankings, student success, faculty excellence and sponsored research while a new, innovative and entrepreneurial funding model is created and implemented. Together, development and university leadership will secure philanthropic revenue to fund the cornerstones of

excellence and close the short-term funding gap. The focus of this phase will be endowment gifts. This phase will be announced with a yet-to-be defined transition timeframe to Phase III. Based on the Decadal Funding Steering Committee recommendations, the announcement will be further refined.

During Phase II, development leadership will implement a disciplined and purposeful planning process to create and execute complex strategies and specific resource and staffing plans. The plan will include measurable outcomes and advance the University to the next level of philanthropy.

**Phase III, Bold, Fundable Ideas** - University leadership will continue to identify the opportunities within the strategic plan, and beyond, which translate into the bold, fundable ideas. These ideas will be finalized and tested during Phase II to secure buy-in from 7-, 8- and 9-figure potential donors.

With the success of the second phase – sustained philanthropy funding student and faculty excellence – a platform will be built to enable a third phase – a campaign to provide the "venture capital" for the next level of bold, fundable ideas.

**Recalibrate Phase II based on findings** - From March to May, primarily the Vice President for Development with the support of senior leadership has engaged in dialogue with the FDC, university leadership, Development staff and Development and Alumni Relations Decadal Subcommittee to test philanthropic messaging for scholarships and faculty excellence. Two themes were identified.

- Internal stakeholders expressed the need to closely align Vice Presidents, Deans and
  Department Chairs regarding the importance and impact of scholarship philanthropic funding at
  the university level
- As messaging was created and tested with external stakeholders, the Vice President for Development learned of challenges in previous campaign to raise funds for scholarships.
   Philanthropic messaging is being studied and additional dialogue with internal and external stakeholders is underway

Although communication strategy refinement of phase II is underway, the infrastructure and philanthropic capacity analyses are moving forward without delay.

#### **PURDUE MEETS THE CHALLENGE – FISCAL YEAR 2012**

As the development team moves into fiscal year 2012, staff will focus on strategies to optimize the opportunities identified in the philanthropic capacity analyses. These strategies will be based on best practice methodology to support philanthropic growth from \$200 million to \$400 million annually within a 7- to 10-year period.

When we double the floor of philanthropic gifts, a change will continue to evolve into a sustainable and reliable new floor of fundraising. Primary activities to achieve this strategic goal will be:

- 1. Reorganize and build development teams
- 2. Finalize school and college philanthropic capacity analyses
- 3. Create philanthropic communication strategies
- **1. Reorganize and build development teams:** Today, gift officers are structured in a generalist model which successfully supported the *Vision 21* and *The Campaign for Purdue*. The development research team has identified a significantly larger potential donor base than previous campaigns.

Moving toward best practice requires building gift officers teams by gift bands. Different cultivation, solicitation and stewardship strategies are required for each band. Since fiscal year 2009, all gift officers have spent 25 percent of their time in discovery calls to confirm the identified potential donors affinity and spent less time with our closest and dearest donors. The discovery call program will be restructured to a small team of gift officers and refocus the majority of the gift officers on potential donors with high affinity and capacity.

**Principal Gifts, \$1 million and higher:** The first team to be organized is the principal gifts team. The principal gifts program will serve as a multiplier effect building on the long-term relationships between donors and university leadership along with development professionals.

The principal gifts team will partner with the most seasoned and experienced gift officers and university leadership to create and implement strategies that result in the best possible experience, including developing a partnership with faculty and students. These peer to peer solicitations will mandate engagement of volunteers, such as the FDC as well as university leadership.

**Corporate and Foundations:** The second team to be reorganized and strengthened is corporate and foundation relations. The external capacity analysis of performance compared to best practice peers shows the potential to increase larger gifts. Development leadership is developing a plan to optimize our efficiencies and build an infrastructure to support enhanced success in this area.

The first area of focus is corporate relations. A new model is required that is based on comprehensive and coordinated programs to optimize an environment where deregulation and global competition have driven companies to seek greater value from universities. Large companies are increasingly selective as to which universities they provide investments of time and money. As we work to successfully increase corporate resources, we must focus on providing value to our corporate partners by playing a significant role matching corporate objectives with the University's priorities.

Development will generate corporate gifts that align the company's business interests to their philanthropic goals. We will achieve this in partnership with the Office of the Vice President for Research to increase corporate interactions throughout campus; and will be uniquely positioned to serve as this central hub, working with external and internal partners to overcome barriers to corporate engagement. Discussions are underway to move this forward.

2. School and College Philanthropic Capacity Analyses: In higher education, there are a small number of universities that have implemented more than one \$1 billion and higher campaign. In turn, there is only emerging best practice methodology. The layering of university, school and college philanthropic capacity analyses based on peer data is a new methodology. These analyses have been instrumental to the philanthropic success of Columbia University (\$4 billion goal), Stanford University (\$4 billion goal) and University of Virginia (\$3 billion goal). At Purdue, we are also implementing this emerging best practice methodology as well.

Based on internal and external analyses, an additional external analysis is underway for schools and colleges. The external philanthropic capacity analysis for the University was constructed by comparing Purdue's historic performance within the context of peer institutions that are stronger fundraisers than Purdue. These peers reach beyond the Big Ten and include public universities that have had significant and robust development operations in place longer than Purdue, and raise more, after normalizing for

size, than Purdue. By focusing on best practices peers, areas of potential growth of current strengths are identified.

Each school and college philanthropic capacity analysis will be paced, breaking the overall university forecast in fiscal years through 2020. This part of the analysis adds qualitative, internal Purdue expertise and experience as a means to pace the forecast growth in gifts.

The University and combined school and college philanthropic capacity analyses are used to establish the final philanthropic goal. This straight line forecast of philanthropic gifts by school or college is then "paced" to account for differences in the maturity of the development operation in each school or college. The pacing is determined in discussions with central, school, college and unit-level development leadership and deans. These will determine:

- Current structure and experience level of school and college fundraising teams
- Current capacity of the existing team to increase philanthropic productivity
- Areas where additional staff and/or budget resources will support growth opportunities
- 3. Strategic Philanthropic Communication: Based on findings from ongoing dialogue with university leadership, FDC, Alumni Relations and Development Decadal Subcommittee and the development team about increasing the pipeline of philanthropy, the Vice President for Development is engaged in philanthropic communications counsel to assist in creating messaging to support Purdue's philanthropic goals.

A funding prospectus will be created to compel potential donors to engage in meaningful conversations about Purdue's plans for the future and to consider generously investing in the University. The prospectus will have a distinctive institutional voice that allows the University to stand out in a crowded, competitive marketplace and use communications as an opportunity not just to inform but also engage key stakeholders and broad base support.

This prospectus is one of the pillars of fundraising success, especially in this current economic environment. Donors support institutions not because they are in "campaign mode," but because they have articulated a clear and compelling case for the future that will position the institution to achieve its promise and potential.

#### **SUMMARY**

We live in interesting times, and as a development team, we must recognize that Purdue's constituents are smart, diligent, generous and keenly interested in the University's continued success in achieving its vision. We will clearly communicate the consequences of a changed financial world and expansion of a global marketplace on our University, and outline the role each of us will play in supporting Purdue's navigation through this environment.

We believe in our ability to move Purdue forward philanthropically and will proceed using the analytical tools available to us today, by applying Purdue's legendary problem solving ability to our new challenges, and by working tirelessly with the Purdue community on campus, in Indiana, across the country and around the world. We will succeed because of the generosity of that community and the loyalty of all of the Purdue family, regardless of philanthropic capacity. This is a time for all of us to redefine what it means to support Purdue and acknowledge the continuing legacy of philanthropy.