Guest Editorial

Fundraising in a Time of economic downturn: Theory, practice and implications – An editorial call to action

International Journal of Educational Advancement (2010) 9, 191–195.
doi:10.1057/ijea.2009.40

Global markets are down significantly and many economists, at one point, feared the current global recession could become an economic depression. As personal wealth disappeared, corporate profits shrank, states curtailed and reclaimed education-spending as tax revenues fell, and institutional endowments succumbed to the deterioration of the markets, how did institutions fair in terms of fundraising for the future, or perhaps more pressing, in fulfilling their current obligations?

According to the annual National Association of College and University Business Officers (NACUBO) Endowment Study of US institutions of higher education, the average rate of return in the fiscal year ending 30 June 2008 was a loss of 3 per cent. In the first 5 months of the 2008 fiscal year, returns fell by an additional 23 per cent. The conditions of the market have led to budget cuts, hiring freezes, layoffs, massive furloughs of staff and faculty at many state institutions, and other substantial reductions in non-mission critical expenditures.

As the markets began to decline in fiscal year 2008, private giving did as

well. The data were grim. According to the Voluntary Support of Education survey, when removing the top 20 performing institutions, who by far outperformed the rest of US institutions, private giving fell 4.2 per cent – before the large market collapsed in the fall and winter of 2008/2009. *Giving USA* predicted the steepest decline in overall philanthropic giving in 50 years would take place this year – a decrease in 5.7 per cent after adjusting for inflation. While the Council for the Advancement and Support of Education (CASE) estimated fiscal year 2009s giving to education falling 3.9 per cent (CASE did not adjust their prediction for inflation). The predicted decline in giving to education is less than the decrease in donations to the entire third-sector even when adjusting for inflation. It is notable that US inflation decreased this recession. This difference in decline in giving is consistent with the influence of past recessions on voluntary support of education. Typically, the impact of a recession on giving to education is not as strong, nor as consistent, as overall giving (Drezner, 2006).

With the importance of institutional advancement programs growing from providing a margin of excellence in the past to supporting budget essentials today, the effects of global recessions on fundraising and philanthropy towards higher education are more critical to understand than ever before. This special issue of the *International Journal of Educational Advancement* is devoted to the examination, discussion, and illustration of the effects of economic downturns on fundraising and philanthropy towards higher education in the United States and around the world.

With economies in shambles, markets down, institutional endowments in free fall, once-strong businesses declaring bankruptcy, and individual giving in decline, how did institutions, alumni and corporations react to the latest economic downturn? What can past economic downturns tell us about what to expect regarding philanthropic giving towards higher education? The articles in this issue address these questions from various viewpoints. Philanthropy scholars and scholar-practitioners use the lens of economic downturns to examine: fundraising strategies at a public historically Black college and a private predominantly White research institution; business leaders' perspectives on corporate giving and trends across sectors; the effect of a university's neighborhood and 'town-gown relations' on alumni giving; and how consistent giving to education before a recession may inform fundraising strategies during an economic downturn. The articles represent diverse methods including: quantitative analysis, case study, historical methods and interviews.

Wu and Brown, using the Center on Philanthropy Panel Study explore the characteristics of donors to all-levels of education. Their research adds significantly to the literature by looking at giving persistence rather than one-time gifts to education. The vast majority of philanthropic research looks at one-time gift transactions owing to limited access to longitudinal data sets. Wu and Brown add to our understanding of the 6 per cent of the population that give persistently to all-levels of education and the 15 per cent of the population that supports higher education on a regular basis.

Michael Gottfried, in 'School urbanicity and financial generosity: Predicting the effect of neighborhood context on donative behavior during an economic downturn', examines the empirical relationship between the institutional neighborhood context and private giving. His article examines the extent of this relationship and applies the findings to times of economic downturn. Gottfried finds that while alumni giving is not significantly related to the neighborhood in which the school is located, corporate and foundation giving to higher education has significant relationships with the context of the university campus.

Justin W. van Fleet, in his article, looks at corporate giving to education during economic downturns. Using data from *Giving USA*, *The Chronicle of Philanthropy Annual Survey of Corporate Data* and *the Committee for Encouraging Corporate Philanthropy's Corporate Giving Standard*, van Fleet examines general trends in corporate giving over the past 40 years and utilizes industry and corporation-level financial data to illustrate the nuances of projecting

corporate support for education during the current recession. His findings suggest that corporate giving patterns from past recessions are applicable in predicting giving in the current recession; however, he finds that corporate giving is more closely matched to current profit performance and giving philosophy than with past giving patterns.

Nicely paired with van Fleet's article Kirstin McCarthy, Jeanne Contardo, and Leila Eckert's contribution, building off the Business-Higher Education Forum's project *Lessons in Education Philanthropy* (2008), examines how corporate and private foundations utilize high-impact grant-making strategies to fund education during economic downturns. They found that grant-makers prioritize a return on investment and closely align funding choices to company or foundation bottom lines during economic slumps. Additionally, their article provides recommendations for practitioners to ensure productive relationships with funders in difficult economic times.

The perspective of scholar-practitioner, Nelson Bowman, III, from historically Black Prairie View A&M University, shares the various approaches used by Historically Black Colleges and Universities (HBCUs) to weather the economic storm, including increased alumni engagement, outcomes fundraising (instead of crisis fundraising), faculty involvement and proactive public relations. Analyzing strategies implemented at his intuition, Bowman provides a lesson for all minority serving institutions and predominantly White colleges and universities as well.

From a team of practitioners at the University of Rochester, we learn about a new approach to the annual fund – 'An annual fund without an annual ask'. An approach that was started before the economic downturn to identify and cultivate donors for future campaigns, they asked for multi-year commitments to the annual fund and often secured 5-year commitments ranging from US\$1500 to \$50 000 per year to join a newly creating giving society. An outcome of this approach was that renewals during the recession did not drop as much as expected – showing that donors maintained existing commitments through the downturn – where in past recessions researchers and practitioners, alike, reported new commitments difficult to secure.

The research throughout this issue will help both scholars and practitioners better understand the nature of philanthropic actions of individuals, institutions, corporations and foundations during economic downturns. The research adds new perspectives to a nascent field of inquiry, making it possible for education institutions to better prepare for future recessions. This understanding will help institutions better estimate philanthropic revenue during the slower economic cycles in order to budget in these situations. Additionally, a number of these articles suggest how institutions might structure giving programs when economic downturn causes decreased fundraising budgets.

As news of recovery and economic expansion begin to emerge in the early fall of 2009, it is valuable to have a cautionary note based on past philanthropic giving to education in and immediately after economic

downturns are recessions. In equivalent economic downturns between 1971 and 2000, educational philanthropy grew an average of 5.8 per cent or reduced by 2.2 per cent, when adjusted for inflation (Drezner, 2006). When looking at giving to higher education, losses in giving occurred only in recessions or within 1-year of a recession, where philanthropic giving might have lagged behind the economic recovery (Drezner, 2006).

There was one notable exception to this 'rule', fiscal year 1988–1989. Understanding that individual giving is tied to the stock market, this anomaly is explained by Black Monday, 19 October 1987, the second largest 1-day percentage decline in the US stock market (22.6 per cent). While the stock market began to recover after this massive correction, the decline of giving to higher education in the following year is associated with a phenomenon fundraising professionals allude to among the largest donors called 'psychic poverty' (Drezner, 2006).

While the decline in the economy was not as quick as that of Black Monday, the over 'fall' in the US economy was greater in this recession. Additionally, with the current and prolonged recession and the media-talk of it being 'the great recession', we will likely see larger donors be more cautious and claim 'psychic poverty' even after the market shows some long-term-sustained recovery. Therefore, based on past experience, giving will not recover as quickly as many institutions might hope.

In closing, in a call for continued research, Peter Dobkin Hall (1992) noted philanthropic giving is the 'single force ... responsible for the

emergence' of American higher education (p. 403). For far too long the majority of the philanthropic research has been atheoretical (Brittingham and Pezzullo, 1990) and members of the higher education scholarly community have claimed that the study of philanthropy and fundraising in higher education is not central to the understanding of post-secondary education. At major education research conferences few philanthropy articles are accepted and the few of us that are given time to present our research are often marginalized to the first or last session of the conference and in out-of-the-way locations in the hotels.

As scholars, we must make a strong case for the centralization of our study within the education community. Philanthropy was once used exclusively as a margin of excellence for American higher education. Today, it is central to the mere existence and daily function of academe. Where would we be if all current voluntary support and funds derived from past philanthropic giving were all removed from our institutions? As a community of scholars, we must continue to expand our knowledge and understanding of philanthropy so that our institutions, and others, can continue to benefit from its power. The way to do this is through encouraging and supporting both scholarly and scholar-practitioner research that bridges theory and practice.

Perhaps the upside of an economic downturn – save program reduction, furloughs and retrenchment – is that scholars, administrators, and legislators are more likely to think about the centrality of philanthropy and

fundraising to academe. Let's heed the call and increase our impact.

REFERENCES

Brittingham, B.E. and Pezzullo, T.R. (1990) *The Campus Green: Fund Raising in Higher Education*. ASHE-ERIC Higher Education Report No. 1. Washington DC: The George Washington University, School of Education and Human Development.

Drezner, N.D. (2006) Recessions & tax-cuts: The impact of economic cycles on individual giving, philanthropy, and higher education. *International Journal of Educational Advancement* 6(4): 289–305.

Hall, P.D. (1992) Teaching and research on philanthropy, voluntarism, and nonprofit organizations: A case study of academic innovation. *Teachers College Record* 93(3): 403–436.

Noah D. Drezner

Guest Editor

Education Leadership, Higher
Education, & International Education,
University of Maryland,
Maryland, USA

E-mail: ndrezner@umd.edu

Dr Drezner is an assistant professor of higher education at the University of Maryland, College Park. His research interests include philanthropy and fundraising as it pertains to colleges and universities, including higher education's role in the cultivation of prosocial behaviors. Dr Drezner has published numerous articles and given several presentations on these topics. His dissertation, *Cultivating a Culture of Giving: An Exploration of Institutional Strategies to Enhance African American Young Alumni Giving*, was chosen as the Outstanding Doctoral Dissertation winner for the 2009 Council for the Advancement and Support of Education (CASE) H.S. Warwick Award for Outstanding Research in Alumni Relations for Educational Advancement. Additionally, Dr Drezner is an associate editor of an ASHE reader on *Philanthropy, Fundraising, and Volunteerism in Higher Education* (2007), which was named the 2009 CASE John Grenzebach Award for Outstanding Research in Philanthropy for Educational Advancement.