



Emmanuel College

# Papers

**Philanthropy in Education**

by

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**Emmanuel College**  
**The University of Queensland**  
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Emmanuel College is Australia's ninth, and with St John's College, The University of Queensland's first residential college to gain affiliation. It was founded by the Presbyterian Church of Queensland in 1911 with the first students taking up residence in Wickham Terrace in 1912. As the Presbyterian Church moved towards partnership with other religious denominations during the 1970s, Emmanuel College also came under the auspices of the Uniting Church. Upon its inauguration, Emmanuel College was an all male residence but this changed in 1975 when women were admitted as collegians. Now, the College numbers around 340 students with half our population being female.

Further change was experienced by the College when it moved in 1956 from its original site in Wickham Terrace to its present location on the main university campus in St Lucia.

Since 1911, Emmanuel has stood for excellence in all round education and has had seven Rhodes Scholars during its history. Its graduates have gone on to make a major contribution to Australia in many areas, including as doctors, scientists, teachers, engineers, lawyers and judges, politicians, ambassadors and diplomats, and church leaders.

## THE AUTHOR

### Sir John Hood

Sir John Hood is the President and Chief Executive Officer of the Robertson Foundation and Chair of the Rhodes Trust. He also serves as a director on the Board of BG Group plc; and as Chairman of Urenco Limited, Matakina Limited, and of Study Group Limited. In January 2014, he joined the Board of WPP plc.

In addition to these appointments, Sir John serves on the Boards of the Mandela Rhodes Foundation, the Kawharu Foundation, and the Said Business School Foundation; he also serves on Advisory Boards for Lund University, Singapore Management University, the African Leadership Academy and the University of Oxford's Medical Sciences Division.

From 2004 to 2009, Sir John served as Vice-Chancellor of the University of Oxford. He served as Vice-Chancellor of the University of Auckland from 1999 to 2004.

Sir John earned a Bachelor of Engineering and a PhD in Civil Engineering from the University of Auckland. Upon completing his doctorate, he was awarded a Rhodes Scholarship to study at the University of Oxford. There he read for an MPhil in Management Studies and was a member of Worcester College.

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## Philanthropy in Education

### 1. Introduction, Background and a little History

Thank you for inviting me to Emmanuel College this evening to speak about Philanthropy and Education. Mr John B Reid AO and Mr Rupert Myer AM, both of whom are distinguished Australian philanthropists, delivered the previous lectures in this series. Unlike them, I cannot be classified as a philanthropist, at least by the laudable standards of its modern definition. Nevertheless, the act of philanthropy is very important to me, as I presume it is to all who consider themselves responsible citizens.

My experiences of engaging with this evening's topic arise from my tenures as Vice-Chancellor of two universities, Auckland and Oxford, from my more recent chairmanship of the Rhodes Trust, and from my work during the past four years leading the Robertson Foundation, a family foundation based in New York. In each of my roles I have been fortunate to meet and to work with great philanthropists and to observe at first hand the many complexities inherent in the processes of philanthropy throughout the education sector.

Prior to those experiences, I enjoyed many interactions with university academics, and taught for a time on a graduate engineering course in parallel with my business roles. During those 20 years' absence in industry, I also was lured, episodically and on a pro bono basis, into the mazes of high performance sports' organisations to review their efficacy and to recommend improvements. I gleaned many helpful insights into how and why organisations fulfil their purposes, and how they might be improved, from those projects too.

The invitation to return full-time to the academy was quite unexpected and, for me, most felicitous. I felt humbled to be asked back to Auckland, one of the two universities that had been responsible for my education, although I had few illusions about the task that lay ahead. As the day I was to begin my new role at Auckland approached, I was overcome by apprehension. I would have to ask people for money! Like many, I had been brought up not to ask for a penny. That I would now be required to do so - though for exponentially larger sums - was a petrifying thought. The task was a complete mystery to me. In earlier days I had even balked at the requests of my cricket club to sell raffle tickets outside pubs.

It was quite impossible, at that time, to conceive how natural and mutually fulfilling a process working with benefactors would eventually become. Little in

professional life compares with that arresting moment of pure, spontaneous joy when a donor discovers his or her interests *and passions* align with an institution's plans or activities. Fortunately for me my reluctance would soon be dissolved by such moments. Since taking the leap, I have not regretted it for a minute.

### **Terms**

Today, philanthropy is a major artery for the *lifeblood* that sustains the *community* of the modern, eminent, research-led university. My intention this evening is to draw on my roles of the past fifteen years to illustrate this assertion. What I mean by *lifeblood* is the money that is essential to fund, to the highest international standards, the work and the aspirations of the scholars, students and other staff of these academies.

By *community*, I mean that which includes and extends well beyond the scholars, students, and other staff members. As an organisational entity, the modern academy has become increasingly porous and tentacular in its texture and form. In part that is because 'membership' of the wider community necessarily involves alumni and friends of the university, whose life-long institutional engagement I believe to be fundamental. In another part it is because a university's primary teaching and research activities, by their very nature, require involvement and collaborations with innumerable individuals and groups from the multifarious communities and organisations of the world.

One example with which I am familiar is Oxford's global health programme that has research centres in several African countries, throughout Asia - Myanmar, Thailand, Cambodia, Vietnam, Laos and Malaysia - and in China. The diverse interactions that result draw their counterparties into the life of the Oxford scholarly community. As a result, for varying periods, they too become associated with that special community of scholars, students and other staff. So, unlike the past, the *lifeblood* of a research-led university must now be sufficient to support a community that is considerably more diffuse and distributed. Necessarily, more and larger arteries are required through which to funnel the demands of the university organism for *more* lifeblood.

### **Definitions**

Our earliest records of the idea of philanthropy are to be found in the writings of Aeschylus, in *Prometheus Bound*. There he refers to Prometheus's *philanthropos tropos* or 'humanity loving' character. Socrates later wrote of *Philanthrôpia*, the 'pouring out of his thoughts freely'. *Philanthrôpia* is

helpfully defined by The Philosophical Dictionary of the Platonic Academy as “A state of well educated habits stemming from love of humanity. A state of being productive of benefit to humans. A state of grace. Mindfulness together with good works.”<sup>1</sup>

Today, by contrast, I suspect we think of philanthropy much as Wikipedia defines it: “private initiatives for public good, focusing on quality of life.”<sup>2</sup> This, however, may have lost the deeper subtlety of Socrates’ idea. In tonight’s context, we would do well to carry in mind his thoughts about ‘well-educated habits’ and ‘love of humanity’. For these values also support the ‘idea of the university’ - so, *Education and Philanthropy*, entwined roots.

### ***The Manner by which Philanthropic Decisions are Made***

Before I turn to our topic of philanthropy and the university, I wish to dwell on the manner by which decisions about ‘private initiatives for public good’ are made - the philanthropic process. In my experience this process most often involves careful research and deliberation, as well as a legitimate expectation that the donor’s giving will produce certain desired outcomes. Accordingly, donors expect to monitor progress towards those outcomes. They would argue that the word ‘philanthropy’ too often has conveyed a notion of ‘gift’ and therefore of freedom of use, when their intent is performance.

Thus the process of what we broadly label philanthropy is, for many, more akin to that of making an investment. Philanthropists perceive their purpose as making *social* investments for wider good. Social investment carries the intended implication of performance. Therefore, throughout this lecture, I shall use ‘philanthropy’ in reference to that broader sense of process - ideas of social investment and grantee performance.

### ***Early Examples of Philanthropists supporting Universities***

Traced back for more than a millennium, the earliest universities often were founded and supported by philanthropists. Examples abound. For reasons of familiarity, I offer two from Oxford: Merton College and Oxford’s Bodleian Library.

Of Oxford’s thirty-eight colleges, some would argue that Merton College is the oldest. I shall not enjoin that enduring, disputatious debate this evening though instead I shall highlight the prescience of its founding benefactor,

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<sup>1</sup> <http://en.wikipedia.org/wiki/Philanthropy>

<sup>2</sup> <http://en.wikipedia.org/wiki/Philanthropy>

Walter de Merton. Chancellor to Henry III and Edward I, de Merton drew up the statutes and established the endowments for the college in the 1260s.<sup>3</sup> In doing so he took care to prescribe an independent and self-governing academic community, whose endowments and other property were vested in the warden and the fellows.

De Merton's foresight about the merits of autonomy to a free scholarly environment remains a useful reminder today - so too do his instincts in establishing the college's endowments, which have benefitted from successive generations of benefactors and remain among the largest among Oxford's colleges'.

Oxford's Bodleian Library contains magnificent and priceless collections, accessible to scholars from throughout the world. The collections owe their existence to the Library's rich and continuing philanthropic tradition. The earliest recorded University library collections date back to the beneficence of Thomas Cobham, Bishop of Worcester in the fourteenth century. In the 1430s, Humphrey, Duke of Gloucester, added an extensive collection of manuscripts and in 1598, arresting a decline in the library's fortunes, the eponymous Thomas Bodley, previously a fellow of Merton College, committed: *"where there hath bin hertofore a publike library in Oxford: which you know is apparent by the rome it self remaining, and by your statute records I will take charge and cost upon me, to reduce it again to its former use."*<sup>4</sup>

The philanthropic tradition has been sustained with the Library's latest development, the comprehensive rebuilding of the New Bodleian Library. In all, approximately 70 per cent of the New Bodleian project's approximate £80 million budget will have been provided by donors. Once completed and reopened in 2014, the Library will be renamed the Weston Library, after the Garfield Weston Foundation, the project's principal donor. The Foundation matched the University's £25 million contribution, which was funded by a subvention from Oxford University Press (OUP).

By way of explanation, OUP is a department of the University that furthers the University's mission through the dissemination of academic and educational publications and related scholarly materials. Its cash surpluses are deployed at the discretion of the OUP Board—The Delegates—to further the aspirations of the rest of the University. The Delegates of OUP comprise among the most distinguished of Oxford's Scholars. In recent times, OUP and Oxford's donors together have significantly supported the collegiate institution's commitment

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<sup>3</sup> <http://www.merton.ox.ac.uk>

<sup>4</sup> <http://www.bodleian.ox.ac.uk/bodley>

to advancing its international standing. Without that support, the new Library never would have been built.

### ***Why Philanthropy has to be a Major Artery***

Universities are evolving in dynamic, unpredictable and exciting ways. New teaching and learning modalities challenge established norms. Our quest to understand what we do not now understand presents ever-new research opportunities; and graduate and postgraduate numbers continue to grow steadily. Very significant funding support is required for anticipating and responding to these dynamics.

As you will be aware, universities' aggressive quests for international eminence have created an intense rivalry for the most talented staff and students. Leading universities covet the best scholars, students and administrators and, unsurprisingly, the most talented exercise their discretion wisely. They are mobile and international. When they make university choice decisions, their considerations include: the culture and standing of a university; the prospect of joining colleagues whom they admire and respect; having ready access to outstanding research students in the case of academic staff members, and to leading academic staff members in the case of students; the quality of the university's facilities; the quality of support and funding they can rely upon; and their assessment of the likelihood of the university meeting their aspirations throughout the entirety of their tenure.

Thus for public research universities to compete with the best they must maintain an internationally respected cadre of academic staff, modern research and teaching infrastructure, attractive student amenities, outstanding undergraduate, graduate and postgraduate bodies, and an enlightened administration. To do so, they require resourcing levels that are well in excess of what public funding systems can ever be expected to deliver. Major additional funding stream - more often in the hundreds, not the tens, of annual millions of dollars - from non-government sources are necessary. Philanthropy *is* a critical artery for that essential additional *lifeblood*.

## **2. Funding of Public Universities**

### ***The Limits of Non-philanthropic Funding Sources***

In substantiating this case for the vitality of university philanthropy, allow me briefly to discuss some of the more recent trends in the funding of public universities. It is important that I should demonstrate just how limited non-



philanthropic funding sources are for satisfying those admirable, nigh-limitless scholarly aspirations of the members of the best institutions. By and large, that funding is barely adequate for business as usual, plus modest institutional development.

### ***Fees and Government Grants for General Operating Funding***

In his elegant, brief book, 'The Rule of the Law', Lord Bingham, who was the UK's Senior Law Lord and Oxford's High Steward, discusses among fundamental rights, the right to education. When contemplating that right at the tertiary level, we generally accept that a university education bestows a significant private benefit and contributes to the public good. This is reflected in the current mixed system of funding for domestic students, where the public good element is recognised by government grants, bursary programmes, and loans schemes, and the private benefit component is invested by students through the fees and living costs they pay and the income they forego. Where the division should be drawn - between public subsidy and private investment - is the subject of a fervent public and institutional debate that, to my mind, is important, even though it is unlikely to find a truly comfortable consensus.

The reality that public funding per student necessarily has reduced as participation levels have risen, however, cannot be escaped. To offset the impact of those real reductions, many governments have been prepared to loosen the constraints on fee setting. In doing so the governments have increased the pressure on universities to improve their schools and their community outreach activities. And they have placed on universities the responsibility to ensure students, who have the capability and the potential to succeed, are encouraged to apply for a place, irrespective of their means.

Universities, themselves, typically have responded to these pressures and responsibilities by expanding and innovating with their outreach programmes - most of which remain a work in progress - and by raising fees. Yet, there are no free rides from tuition increases. Raising fees while maintaining a needs-blind admissions policy requires significant bursary support so that student indebtedness can be contained at reasonable levels. Such support can only be provided from endowments, and/or by 'taxing' the income gain from higher fees. When endowments are small, much of the income gained from an increase of fees will be 'taxed' away to provide for bursaries.

Additionally, the number of full-fee paying private students has increased. More often, the fees for those students are, by a margin, set higher than the combination of the domestic fee plus the publicly funded domestic subsidy per

student. Here at The University of Queensland, for example, the revenue derived from international fees last year was reported to be A\$267m with private domestic students adding a further A\$22m. Those revenues are a significant marginal contribution to the funding of the university, which had total revenues of around A\$1.6bn. I would suggest that ultimately the international 'market' is priced off the fees set by the leading private universities in the United States - which, notably, do not discriminate on a price basis between international and domestic students.

While significant export earners, universities are contributing substantially to the long-term 'soft power' of their host country through, *inter alia*, the education of foreign nationals. Yet, in spite of the benefit of the premium from private fees, there typically is little discretionary surplus over cost to be gained from the high quality provision of undergraduate and graduate education. To the extent a surplus is generated, it typically provides little more than a modest buffer to maintain standards against the long-term trend of falling real per student income.

In terms of their student funding, our 'public' universities evidently are operating an increasingly embedded, mixed, public/private model.

### ***Research Revenues***

Like student funding, research revenues also derive from a mixed model. Income sources typically include a diversified set of funders, among them public funding authorities, businesses, NGOs, individuals and foundations. At Oxford, for example, a little less than 50 per cent of research revenues comes from governments and the remainder from those other sources. On a positive note, many governments have been quite sympathetic to universities' more constructive public good arguments for increased research support. Those monies have been delivered by various mechanisms ranging from conventional competitive grants, to contestable, earmarked pots, to capital grants, to research assessment exercises.

Whatever their source, research grants themselves can only be used to fund the direct costs, and the indirect costs - to the extent these are provided - of the specific project. While new pots of public research monies have been helpful in growing research in some priority areas, little, if any, 'free cash' can be retained for discretionary strategic application. Perhaps the only exception is income derived from research assessment exercises over and above what is needed to maintain the integrity of existing activities.

## ***Government Funding***

Few who live in Australia can be immune to the Canberra-focused pleas of your local research university Vice-Chancellors. With the major tranches of institutions' revenues dependent on government policies, their funding is constantly at risk of change. In consequence, Vice-Chancellors have little option other than to be politically alert and proactive. At best, the revenues they are advocating to protect and to enhance - annual operating grants, student fees and loans policies, research grants, capital grants, and other special grants - will in combination maintain steady state operations and support a modest set of new initiatives. At worst they are inadequate to support relative international standing.

Proportionally, governments may well be approaching, and in some countries be beyond, their limits with current university funding as a proportion of GDP. They face strongly competing claims for their finite public resources, so in many jurisdictions the institutional funding risk is unquestionably on the downside.

At the institutional level there is little margin to be found in government funding and fees, or in research contracts, to fund what I would label 'internally generated, creative, strategic development across the canon', be that new research initiatives, new academic positions, new scholarship and bursary schemes, or new facilities for students and for new academic activities, all of which are permanent priorities. So, the challenge remains: funding the best scholars' aspirations across the breadth of the academy requires more discretionary resources than conventional funding sources can provide - *a greater volume of lifeblood*.

## ***Surpluses from Entrepreneurial Activities and Debt Financing***

What about surpluses from entrepreneurial activities? They certainly are a possible source of more discretionary money for strategic development. They can derive from the sale or licensing of intellectual property (IP) rights, or from more commercially oriented activities such as academic publishing (Oxford), or school examinations (Cambridge), or perhaps entrepreneurial education activities (like EdX for Harvard and MIT).

As the University of Queensland<sup>5</sup> itself has demonstrated, reasonable income streams can be developed from IP sales. This can be an immensely valuable source of discretionary funding though it cannot be universally relied upon by research universities - by its nature, IP success is more serendipitous than

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<sup>5</sup> The University of Queensland IP income = A\$20m+ pa.

certain. While we in universities live in hope of an IP-based spinout 'elephant', or its equivalent in royalty streams, they have been quite rare.

Some universities have raised debt to fund strategic priorities, particularly facilities. When, for a specific project, income is relatively certain and long-term, so that there can be confidence about interest payments and loan repayments, or loan refinancing, debt finance becomes a reasonable option. Its constraint is that today's priorities are not necessarily tomorrow's, and the debt capacity of any public university's balance sheet is finite. As a result, decisions that are taken to debt-finance projects today close out options to debt-finance projects in the future. Successor generations are more likely to find that encumbrance frustrates their aspirations.

### ***Philanthropy***

Other than funds generated from entrepreneurial activities, or from balance sheet leverage, the major, potential, long-term source of discretionary money with which to invest in and to develop the academy continues to be philanthropy - that essential additional *artery*.

Should you remain unconvinced about that, you might take time to reflect on the degrees of freedom a university such as Harvard has with its nigh A\$35bn<sup>6</sup> endowment and full fees regime (which is internationally needs blind, and funded from its endowment resources), plus its A\$600m - \$900m of annual aggregate fund-raising, with a participation rate above 50 per cent. At the recent launch of its new campaign for US\$6.5bn, the University announced it had already secured gifts for US\$2.8bn during the two-year quiet phase.<sup>7</sup>

Contrast the Harvard figures with the best-endowed Australian university, Sydney, that has an endowment of a little over A\$850million<sup>8</sup>, and with the volatile, annual fund-raising levels of the G08 members averaging around A\$30million per annum, with an estimated participation rate of 2 per cent.<sup>9</sup>

Let me hastily add that among the world's public universities, Australian G08 statistics are by no means unimpressive. I make the comparison with Harvard simply to emphasise two points: first, the resource disparity that frames the challenge for research universities aspiring to high international standing; and second, that the universities themselves are responsible for meeting that

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<sup>6</sup> <http://www.businessweek.com/articles/2013-09-27/harvard-does-its-homework-grows-endowment-to-32-dot-7-billion>

<sup>7</sup> <http://news.harvard.edu/gazette/story/2013/09/harvard-kicks-off-fundraising-effort/>

<sup>8</sup> [http://sydney.edu.au/about/publications/annual\\_report/2012/annual\\_report\\_2012\\_volume\\_1.pdf](http://sydney.edu.au/about/publications/annual_report/2012/annual_report_2012_volume_1.pdf)

<sup>9</sup> Correspondence with Clare L Pullar, Pro Vice-Chancellor (Advancement), The University of Queensland

challenge. Governments cannot do it for them. Well-endowed universities with strongly supportive alumni and friends simply have greater competitive strength.

I am mindful that for historical and cultural reasons, national philanthropic cultures and traditions do vary, both generally and in relation to higher education. For example, annual philanthropic giving in the US is approximately US\$300bn-US\$1000 per head of population - of which US\$31bn goes to the university sector<sup>10</sup>; in Australia the aggregate national figure is not reported, although Universities Australia reported in 2011 that A\$365.7m was donated to its members<sup>11</sup>, a little more than one per cent of all university giving in the US. For UK universities, on a population per capita basis, the figure<sup>12</sup> is only a little higher than Australia's. Nonetheless, if leading public universities are to deepen their endowments and to expand annual giving to improve their funding freedom, they have little option other than to work assiduously to develop a committed philanthropic culture among their communities of interest. On the basis of the statistics above, the opportunity for success appears to be very significant indeed.

### **3. Oxford a Case Study**

#### ***Background***

When I returned to Oxford in 2004, the university faced a similar challenge. Oxford is a private charitable corporation, and it operates within the UK public university system. The Oxford 'public: private' debate, which is never far from the surface, is a topic for another time. The university has numerous faculties, departments, institutes and centres. Its thirty-eight 'independent' colleges, almost all of which have their own royal charters, are bound to the university by virtue of the university's statutes, regulations and practices. Because of their history and of the bonds of their old members or alumni, college endowments in the aggregate are significant. The University's endowment is comparatively more modest.

For illustrative purposes, an argument can be constructed that the effective value of the overall 'Oxford' endowment, including the University and colleges, the trusts - like the Rhodes Trust - that sit outside the University and colleges and which benefit them, plus the capitalised value of OUP, might be in the region of £7bn. That of course properly places no value on the priceless

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<sup>10</sup> <http://m.chronicle.com/article/Gifts-to-US-Colleges-Rose/137409/>

<sup>11</sup> Correspondence with Clare L Pullar, Pro Vice-Chancellor (Advancement), The University of Queensland.

<sup>12</sup> <http://www.natcen.ac.uk/media/1099454/ross-case%20survey%202011-12%20report%20final.pdf>

collections and artefacts to be found in the museums, libraries, colleges and halls. Neither, does it place a market value on the historic land holdings to be found in many college endowments.

As my earlier examples illustrated, the University largely had been built on philanthropic support. Towards the middle of last decade its fund-raising momentum had dwindled, a symbol, perhaps, of the University's growing post-war dependence on public funding. As far as we could determine at that time, the proportion of 'alumni' - old members in Oxford parlance - giving annually was at best four per cent of the University's alumni base. At that time, Harvard was achieving figures of more than 50 per cent and Princeton more than 60 per cent. The most common claim I encountered at Oxford was that a post-war, nigh-free university education meant few felt a sense of obligation to support the future standing of their college or the University. An obvious reply was: 'if you have not tested that hypothesis in a deliberate and well-organised manner, how could you be so certain?'

The University's Development Office was small and unobtrusive, housing a thin donor database and few files or records of value. Alumni relations, a traditional strength of the colleges, which laid priority claim to their old members, were under-prioritised at the University level. The University's and a number of college's endowment management reflected the quainter side of their history. Owing to the fierce rivalry among colleges, faculties, departments, clubs, museums and libraries for donors' munificence, irrespective of the donor's personal priorities and loyalties, disputes were not infrequent. I was unsurprised to find many donors and potential donors who had become disaffected.

Early on I visited most departments and faculties for meetings with staff. My intent was to understand their academic priorities. Prior to each meeting I asked that they prepare five points as takeaways, not all of them negative. Several intriguing insights emerged. One was just how much pent-up aspiration for new research programmes, new postgraduate degrees, and new facilities existed, and how much frustration this was generating because mechanisms for academic and funding support were not so apparent. Another was just how many scholars were working from different disciplinary perspectives on the same research themes - for example, climate, cancer, cities, energy, public health, aesthetics, nano-materials, security, water, and so on - and how resolute many were that 'we will not do inter-disciplinary research here'.

Along with attending to a range of serious financial and other administrative, systems and organisational matters in those early months, my colleagues and I set about addressing the fundraising opportunity and, associated with it, the research growth opportunity. It was clear that three key impediments to fundraising success had to be addressed: first, the relationships among colleges and the University's faculties, departments, clubs and services; second, the management of the University's endowment; and third, the creation of a fully-scoped, professional development office, including alumni relations.

### ***Donor Relations: Establishing and Implementing Principles and Protocols***

For the first of these, removing the confusion of multiple approaches to donors, we drafted a set of *Principles and Protocols* based on two principles: first that donors donate to, or 'invest in', what they are passionate about, not what any one of us thinks they *should* support; and second, that each pound that is donated to the collegiate institution helps, because it is largely fungible within the system.

To make this work, every potential donor was ascribed a relationship manager: for example, a former tutor or supervisor, or, for trusts and foundations and other friends of the University, a member of the University's administration. Any approaches to a donor had to be with the 'relationship manager's' consent that should not be unreasonably withheld. A simple decision review system was designed, as were various forums where development professionals could meet regularly to review fundraising progress, opportunities and other issues. Following lengthy consultation, the *Principles and Protocols* were ratified.

### ***Professionalising the Management of the University's Endowment***

The leading US universities have long provided case studies for the investment management of endowments. Many potential donors and alumni had been outspoken in their criticisms of Oxford's past practices and had been explicit that they would not 'give' until the investment management was fully professionalised. An internal review we commissioned recommended Oxford should follow US practice and create an endowment management entity - Oxford University Endowment Management (OUEM) - with its chairman and the majority of the board's membership drawn from leading members of the investment community.<sup>13</sup> It would be their responsibility to hire a CIO and her responsibility to create an investment organisation, recommend investment guidelines and policies to her board, and to manage the endowment.

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<sup>13</sup> <http://www.ouem.co.uk/about-ouem/>

We designed OUEM so it could also manage the investment of college endowments and those of other University affiliated organisations like the Rhodes Trust and university sports clubs. Today, twenty-seven of them have some proportion of their endowments with OUEM. Since its formation, OUEM has performed creditably and, as a result, significantly reduced the University's financial risk.

### ***Building a University Development Organisation***

Moving on to the matter of the development organisation, the first and most obvious point to make is that in a collegiate university like Oxford - and in a partially collegiate university like Queensland - development has to be owned by the Vice-Chancellor, his or her Deputy-VCs and Pro-VCs, and the Deans and Heads of Departments and Faculties, as well as Heads of Colleges, Museums and Libraries.

The second point is that development encompasses many different functions including development management, alumni relations, stewardship of donors, research, information and data management, proposal preparation, tracking of gifts, events management, web management and publications, and so on. Using that as a framework, we set about building a university development organisation, scaled to our aspiration of an initial £1.2bn campaign. Around this time, many colleges also expanded their development capabilities to be able to meet their plans and aspirations.

Typically, development costs run in the range ten to twelve per cent of the annual amount being raised. Using a fully loaded average cost of an employee gives something of a feel for the likely scale of the organisation for any annual fund-raising target. In major universities raising many hundreds of millions of dollars or pounds annually, the development organisation totals literally hundreds of colleagues. Scholars are not necessarily thrilled when they see the creation of more 'administration' on the promise of a brighter future. Oxford was hardly an exception. Allow me to state, therefore: the role of university administrations is to serve the aspirations of the scholars and students, and the institution's communities of interest, always respecting the fundamental values of the academy, whose protection at all times is their first responsibility.

Outside of the US, finding and hiring high-performing development staff remains challenging. Based on my limited experience in the UK, New Zealand and Australia, I would posit that development is still a relatively immature profession, whose time has yet fully to arrive. Unfortunately, our charitable organisations have not been sufficiently serious about development for the



length of time it will take to grow and to develop the deeper cadre of experienced professionals needed to satisfy current demand. Too often, we have had to make *compromise* appointments of insufficiently experienced colleagues resulting in over-expectation and undue stress.

### ***Campaign Priorities, Matched Funding, Events and Volunteer Leadership***

There are four further observations I wish to record about recent Oxford experience: the importance of campaign priorities and the acceptance of some flexibility in their pursuit; the opportunity provided by matched funding; the powerful impact of events on the creation of the community; and the invaluable contributions to campaign success made by volunteer leadership.

It seems self-evident that campaign priorities should derive directly from a university's academic planning. Academic planning, always dynamic in the modern firmament, should capture the aspirations of the scholarly community. At Oxford, we focused on endowing posts and priority research programmes, student support, and the renewal and expansion of the University's built and research infrastructure. So the campaign was designed around those priorities.

The reason I would counsel some flexibility too, is illustrated by the example of Dr James Martin. He was a distinguished old member of Keble College and a prolific author about information technologies and numerous challenges to the survival of our civilisation, as we know it. Already a donor, whose largesse had supported the establishment of the Centre for Science and Civilisation, he approached the University with a new proposition. He believed Oxford, uniquely, had the diverse disciplinary strength to pursue research into the big questions confronting the world in the twenty-first century. If we could design a twenty-first century school capturing Oxford's disciplinary and potential interdisciplinary strengths, he would donate an endowment of US\$100m to fund its creation.

My colleagues were captivated, even though this was not an espoused priority at the time. The School was designed to have a small core, which would act primarily as a granting body, offering to new research centres, many of them inter-disciplinary, contestable seed capital for a maximum of three years. In parallel we created a University fund - The John Fell OUP Research Fund - with £5m per annum being subvented from OUP to leverage the seeding of new research activities.

We also created half-day, interdisciplinary research seminars on 'big issues', each for sixty scholars invited from across the canon. They were held two or

three times a term to help fertilise the process. The James Martin Twenty-first Century School supports over thirty research centres, almost all of which have continued to flourish by using their seed capital to attract longer term funding. Such was his pleasure with the School that several years after it was founded James Martin offered a further US\$50m conditional on it being matched one to one by new donors. That too was achieved. In all, around 50 new centres and institutes were born between 2004 and 2009. The University's research income more than doubled during that period.

As the James Martin example demonstrates, matched funding is a potentially powerful mechanism to boost fundraising opportunities. We quite often use the technique in the US Foundation world to assist the fundraising work of grantees. Leverage of greater than one to one is not unusual. The recent magnificent gift to the Rhodes Trust by trustee John McCall MacBain's family foundation is another intriguing case.

We are seeking to strengthen the Trust's endowment to be sustainable for the current Scholarship load, along with the significantly higher real costs per student the Trust now bears. The McCall MacBain Foundation has most generously donated £25million and committed a further £25million to future matches, for a total of £50million. As well, it has pledged a legacy gift of £25m for the future geographic expansion of the Scholarship - in all £75million. Legacy bequests are an invaluable source of long-term support for academic institutions.

Earlier I discussed the broad *community* of the modern university. Developing and nurturing that *community* is a serious ongoing challenge for any university. In my experience, the US private universities do this best, which is why their alumni are so generous in their support. Outside the US, we remain fledglings at 'institutionalising' our wider membership in ways that are mutually beneficial. I believe that challenge must be tackled systematically if we are to build the financial resources to remain internationally competitive. It begins with the manner by which we engage with our students from first contact and onwards, throughout their degrees, and beyond.

There are so many available mechanisms. Volunteer leadership is critical for guidance and advice. Regular communication is obvious. It is not uncommon in the US for one in ten students to be trained as lifetime institutional 'shepherds' for nine of their colleagues. We have found that regular events are important. In Oxford we lifted the annual giving rate of old members from the estimated 4 per cent to around 14 per cent in five years. The most successful colleges lifted theirs to 30 per cent. In a year one such college hosted thirty-

plus separate events in Oxford, in London, and throughout the world. The active participation of fellows - academic staff members - discussing their research and topical matters of the day, and of the leadership discussing institutional plans and aspirations, was crucial to the success of those events.

The Oxford campaign, now six years from its formal launch, has raised more than £1.5 billion and is a credit to all who have been involved. This campaign is not an event that will end; its momentum must now be maintained and become the new norm. It has already provided a transformational boost to the financing of the University's and the Colleges' more recent priorities, collegially defined by their scholars' aspirations. It has conclusively demonstrated that the wider collegiate university community can be re-engaged in the most positive ways for the benefit of the university, its colleges, its alumni and its friends. Those deep, historic, philanthropic roots of which I earlier spoke are, once more, becoming the conduit for a major and enduring source of the institution's *lifeblood*.

#### 4. Concluding Remarks

In summary, my experience has been that alumni, friends and others who engage with our leading universities do appreciate the significance of their university to society and to their lives. They accept their responsibility to ensure their university's and their college's future success. Yet, above all, they do not appreciate being taken for granted. Engagement involves mutual obligations and benefits. With the respect they are due as life-long members, alumni and friends become phenomenal supporters and university communities are enriched in ways we would never have envisaged.

If we, in publicly funded universities, are to have the chance to draw on the discretionary resources we need to keep pace with the best, our responsibility is to embrace whole-heartedly our institutions' wider communities and their philanthropic goodwill. Indeed, we should make a regular point of reminding ourselves about Socrates and his idea of *Philanthrôpía*: '*Mindfulness together with good works*'<sup>14</sup>.

To that end, I wish UQ and Emmanuel College every success in their development activities.

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<sup>14</sup> <http://en.wikipedia.org/wiki/Philanthropy>



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