

## Leveraging Philanthropy in Higher Education

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**Abstract** Looking at potential sources of funding for education reform, Frederic Fransen outlines the dynamics in play as a pragmatist might calculate the worthiness of a cause for his philanthropy. Preeminent is bang for the buck, of course. And though the way to reinvigorate the insatiable blob of higher education isn't readily apparent to Dr. Fransen, still, he writes, if you're a reformer seeking financial help, you'd better come up with something comprehensive and attractive to put before today's results-driven donor.

**Keywords** Philanthropy · Higher education · NAS · Funding reform

The topic of this symposium is how philanthropy fits into higher education reform. Few members of the NAS are primarily philanthropists. So, whereas you might very well be interested in some of the toolkit-like advice that I generally offer to philanthropists, it would probably be off target for this journal. Therefore, I have decided not to discuss the nuts and bolts of higher education philanthropy, but rather to share with you a few thoughts on the problem of higher education reform from a philanthropist's point of view, and end with a few bits of advice about how you might be more effective in your interactions with philanthropists.

First, so as to assure that we are on the same page, here is a little data about the role of philanthropy in higher education. By way of disclaimer, the statistics I am going to cite are back-of-the-envelope in nature, since their purpose is to paint in broad strokes what it is that philanthropy can do and should do in efforts to change the academy.

We are told that higher education is something like a \$300 billion industry. Of that \$300 billion, about 10 percent, or \$30 billion, comes in the form of charitable

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contributions. Let us stop to think a little about what that means, by way of a thought experiment. Let us suppose that, in their efforts to be new and different and innovative, the new Congress decided to pass a law requiring that all higher education philanthropy be managed through the accounts of the NAS. Suddenly, Steve Balch has a checkbook for \$30 billion, to spend as he and the membership deem best. Although that would be a significant increase in resources, and surely would do a lot of good, even that would not be enough to transform the academy. Even with a 100% market share of the charitable giving to colleges and universities, you would still be outgunned nine to one in funding, and I can assure you that opposition to the mission that you would give to Steve would grow proportionately to the funds available to him.

Clearly, then, for philanthropy to have not just a positive, but a transformative effect on higher education, it cannot simply create a parallel university or a set of parallel programs that it finances from the outside.

Instead, it needs to engage in a concerted effort to see not only that the 10% of the budget that involves philanthropy is better-spent, but that the structures that control the remaining 90% (and for that matter most of the 10% that is philanthropy, as well), is doing so with fundamentally different ends than those of the present academy. When I say this, I in no way mean to criticize current or past efforts to fund programs directly. Outsider strategies and beachhead strategies for reform have been crucial in preserving a remnant of good scholars and good scholarship on university campuses, and truly magnificent work has been done by those foundations and philanthropists who have pursued this strategy. What I mean, however, is that truly systemic change will require a different kind of effort, rather than working away at the problem from the outside. This, very much, is the way that philanthropists who are concerned about higher education are beginning to think, and they are eager for projects and programs that are directed to this end.

To meet the demands of such philanthropists, however, such programs will need to be developed in a businesslike way that the new generation of wealthy individuals can appreciate. In many instances, they have made their fortunes through taking advantage of new technology and innovations in management. They are looking for similar ideas as they turn their attention to higher education. And you should be prepared to sell your ideas to them using a businessman's vocabulary.

Let me give you one example. Recently, I had the opportunity to hear a presentation by the founder of PayPal, the online payment system that is widely used by eBay users, among many others. PayPal started only a few years ago with a user-base of 100 people. The business model for PayPal was built around a compounded 5% increase in the number of users. Five percent seems modest as a rate of increase, until I tell you that PayPal sought not a 5% annual rate of increase, but a 5% *daily* compounded rate of increase. I do not specialize in mathematics, but such growth rates are unbelievable, and it is hard to believe that a serious person could found a business based on that assumption, but the founders of PayPal did, and they managed to sustain that rate of growth for a considerable length of time. Within a few short years PayPal had grown into a billion-dollar company, and transformed the way in which online payments are made around the world.

Let us pursue this example. As I arrived at the 2006 general conference of the NAS, I was pleased to see a pre-registration list with, by my estimate, about 400

attendees. That is a very good turnout, but then I began to ask myself what the market share of the NAS might be.

[First a disclaimer: Please don't misunderstand the following to imply that I believe the solution to the problems found in universities is to increase the number of conservatives or Republicans on campus. It is troubling that the ratios are so lopsided, but I see this more as a symptom of a broader problem, than the problem itself. The problems facing higher education are problems for the country as a whole, and much deeper than any partisan debate. Nevertheless, part of the mission of the NAS is to restore conservative cultural and pedagogical norms to their proper place in the academy, and it is fair to say that conservatives are more likely to share the mission of the NAS than liberals.]

My understanding—again back of the envelop—is that there are approximately 700,000 faculty members in colleges and universities around the country. Party affiliation and ideology are poor proxies for good people and good ideas, of course, but we know from studies of the matter that approximately one in seven faculty members are Republicans, and a recent study of ideology indicates that about one in five faculty members can be identified as conservatives. If we take the lower number, one in seven of 700,000 faculty, we come up with an estimate of about 100,000 conservative or Republic faculty. An entrepreneur and philanthropist who wants to change the academy, and not just nibble around at the edges, would be asking himself today, “Where are the other 99,600 people who should be part of the NAS?” And more importantly, thinking like a PayPal business strategist, what would it take to move the NAS from where it is now to where it needs to be so as to have a major influence on the shape of higher education?

Philanthropists today are looking for individuals with the vision and entrepreneurial ability to propose answers and implement strategies along these lines. To return to the financial side of the equation, supposing we could achieve a 1% market share of philanthropy. That would be \$300 million. Supposing we could get only 10% of that 1%. We are still talking about \$30 million. By my reckoning, \$30 million would be enough to double the budgets of ACTA, NAS, FIRE, and the other organizations working in this area, while probably leaving enough left over to fund half a dozen or more academic centers such as that of John Tomasi at Brown or Michael Gillespie at Duke. These are ambitious, but still very modest numbers.

Finally, let me share with you a few thoughts on what you can do, and what it will be necessary for others to do, to convince this new generation of philanthropists to make higher education reform a priority. By definition, they are results driven people. For this reason, we need to craft programs and projects that demonstrate their effectiveness in a shorter term. Moreover, results are different from output. They think of their philanthropy in terms of investing, not charity. We need to craft strategies that leverage the investments of philanthropy into changes that bite into the 90% of the higher education budget that comes from student tuition, and federal and state aid. Anything else, however useful in its limited context, is going to act more as a Band-Aid than a cure for the problems of higher education as a whole.

When entrepreneurs and philanthropists look at higher education, they see an obese diabetic. And not just an obese diabetic—they see a *hungry*, obese diabetic. It would be possible for them to offer that person some food, and that would probably

help a bit. It might even save his life. They might train all of you in the administration of insulin, and improve marginally the overall health of the person by injecting a much-needed substance directly into the veins. This would be valuable, but it is still setting our sights too low. What the philanthropists of today are looking for is not a treatment, but a cure. They are looking to back the future Nobel Prize winners in medicine who will find a way to eliminate the underlying cause of the disease and eliminate it. If we are to make a major impact on higher education, we need to orient ourselves to such projects, in the hope that we cannot only keep the patient—higher education—from dying, but restore him to a healthy life.