



#### **Who Should Read**

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# Scaling and Sustaining Principal Gifts Success

Competing in Advancement's Era of Big Bets

## **Ways to Use This Research**

- Learn how to realign principal gifts staffing to deliver high-touch donor experiences sustainably over the long term and seize new opportunities for transformative giving.

# Advancement Forum

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# Principal Gifts at the Center

## Recession's Aftermath Yields Hyper-Focus on the Top

Principal gifts have grown more and more important to advancement across the past decade due to rapid post-recession growth at the top of the wealth spectrum. In fact, the number of households with a net worth of \$25 million or more grew by 64.8% between 2010 and 2018, far outpacing growth at lower levels of wealth.

In the past 10 years, advancement organizations have realized that opportunity. Just 56% of institutions received at least one gift of \$1 million or more in 2010, but by 2018 that number had risen to 67%.

To further illustrate this trend, the number of institutions receiving \$5M gifts has also skyrocketed, from 15% to 23%. An expanding number of high net worth households means more opportunities for higher education institutions to raise large, transformative gifts from the wealthiest philanthropists.

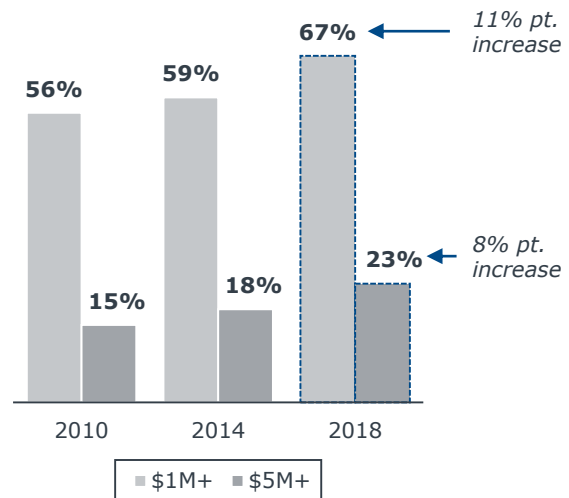
### Wealthy Gain Even More Wealth

Total Number of Wealthy Households in U.S.

Net Worth	2010	2018	Growth
\$100K-1M	27.8M	31.2M	+12.2%
\$1M-25M	8.3M	11.6M	+39.8%
<b>\$25M+</b>	<b>105K</b>	<b>173K</b>	<b>+64.8%</b>

### Doubling Down Here Pays Off

Institutions With at Least One 7-Figure Gift



Source: Voluntary Support of Education ; Alexandre Tanzi, "The U.S. Now Has More Millionaires Than Sweden Has People," *Bloomberg*, March 13, 2019; "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility", *Opportunity Insights*, June 18, 2019, <https://opportunityinsights.org/data/>; Advancement Forum interviews and analysis.

# Engineering Sustainable Growth

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## Advancement Bets on New Prospects—and the Staff to Scale Cultivation

Given the overabundance of opportunities at the top, there is concern with how to manage and capitalize on that growth, especially given that most principal gift operations in higher education advancement were built decades ago to cultivate a small group of families very deeply.

For this reason, scale and sustainability in principal gift programs have proven to be elusive. To engineer growth that will be sustainable for the decade to come, institutions must reimagine the structure and strategy surrounding principal gifts operations.

To build principal gift programs suited to the vast array of opportunities available in today's principal giving landscape, best practice institutions identified in our research have begun reimagining their programs in two ways: scaling the reach of the CAO and enfranchising early-career gift officers to cultivate "cold" principal gift donors.

### Two Strategy Shifts for the Decade Ahead

#### 1 | Scale the CAO's Reach

*Staffing strategically to find economies of scale*

*Profiled Institutions*



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#### 2 | Flip the Talent Paradigm

*Enfranchising new gift officers to cultivate the pipeline*

*Profiled Institutions*





# Scale the CAO's Reach

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STRATEGY

1


# The Donor Management Conundrum

## Centralizing Top Prospects With Leadership Risks Relationship Quality

Advancement leaders at many institutions have been forced to deal with a paradox when it comes to principal gift donor management. Our most complicated and precious relationships are managed by the busiest people on campus, including the CAO.

Principal gift donors are highly involved and require high-touch cultivation. However, the CAO, the president, the engineering dean, or whoever else is owning the relationship all have minimal time to devote to each of their prospects. In the previous era of small-scale principal gift operations, this donor management model got the job done, but it is now reaching its breaking point.

### Our Most Complicated Relationships—Managed by Our Busiest Leaders



**A Profile of the Principal Gift Donor**

- Driven towards bold projects that cross departments
- Data-driven, always hungry for more numbers
- Sits on the board, well-connected among donors
- High touch, high involvement



#### VP for Advancement

- Has a portfolio of 100 prospects
- Manages a 30-person team



#### President

- On the road 21 days last month
- Currently the point person for 20 principal gift donors



#### Engineering Dean

- Stewarding 20 donors
- Hiring three new faculty

# Shifting the CAO's Focus Outward

## Dalhousie's Strategy Manager Handles Principal Gift Pre-Work

Dalhousie University in Nova Scotia, Canada has taken a smart approach to ensure that their CAO can broaden his reach to maximize impact with donors. Previously, internal-facing, pre-work tasks such as drafting communications or formalizing stewardship plans took an outsized portion of the CAO's time. This work limited the time he could spend engaging donors and constrained the number of relationships he could reasonably manage at one time.

After hiring a principal gift strategy manager, much of the pre-work necessary for principal gift cultivation has been taken off the CAO's plate, allowing him to spend more of his time with donors.

The new strategy manager ensures that internal work for principal gift cultivation and stewardship is executed effectively and consistently so that the CAO can shift his time externally. In doing so, the strategy manager has taken on something of an "air traffic controller" role for principal gifts.

### Redistributing the Principal Gift To-Do List

	Task	CAO	Strategy Manager	
<b>External</b>	Cultivates new prospects	✓		} CAO focuses on high-ROI <b>donor interactions</b>
	Presents principal gift proposals	✓		
	Stewards existing donors	✓		
<b>Internal</b>	Drafts donor communications		✓	} Strategy manager <b>puts internal pieces in place,</b> sets CAO up for success
	Develops cultivation strategies		✓	
	Briefs campus partners	✓	✓	
	Identifies gift opportunities		✓	
	Drafts gift agreements		✓	
	Manages cultivation timelines		✓	
	Formalizes stewardship plans		✓	

Source: Advancement Forum interviews and analysis.

# Shifting the CAO's Focus Outward

## Dalhousie's Strategy Manager Handles Principal Gift Pre-Work

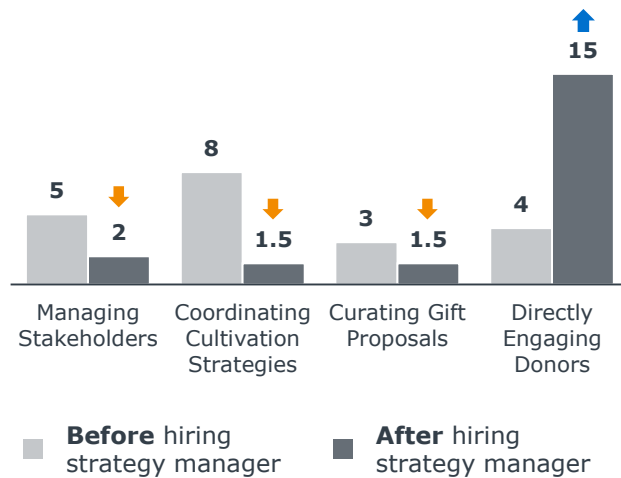
The impact of this strategic hire has been swift at Dalhousie. Before hiring the principal gift strategy manager, the CAO spent a slim segment of his overall principal gift time directly engaging donors. After filling this position, he now spends a majority of it with donors—upwards of 15 hours a week.

The focus that the strategy manager has enabled in the CAO has helped cure “side of desk syndrome,” in which the highest-ROI use of one's time is relegated to a secondary responsibility.

Today, Dalhousie's CAO is able to put principal gift cultivation, solicitation, and stewardship firmly at the center of his responsibilities because he has robust support for all of the work that must go into principal gifts before he ever meets with a donor.

### Less Time Spent Preparing... And More Time Spent Cultivating

Hours per Week Spent on Principal Gift Activities



### Curing 'Side of Desk Syndrome'

“ I wanted to build a principal gift practice that wasn't just on the side of my desk. With this new position, when I sit down and spend time on principal gifts, I'm not trying to figure out what I should be doing. I'm doing it. That's allowing us to **build the Vice-President's office largely around the stewardship and pursuit of principal gifts.**”

*Peter Fardy,  
Vice-President, Advancement  
Dalhousie University*





# Flip the Talent Paradigm

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STRATEGY

2

# A Noticeable Shift in Principal Gifts

## The Status Quo Starts to Crumble

A growing number of institutions are starting to flip the traditionally CAO-centric talent paradigm and put early-career fundraisers or recent hires in front of principal gift prospects. That's happening because who we identify as a prospect is starting to grow.

Whereas the principal gift relationships of the past—our deepest, longest-standing relationships—always merited a senior executive's touch, many of today's prospects are "cold", having little to no engagement with or giving to the university. At present, these prospects don't merit the CAO spending much time trying to land a discovery visit.

These high-net-worth, unengaged donors don't fit into our traditional principal gift staffing paradigm, and they're starting to break the model.

The principal gift staffing challenge CAOs face today is how to build a program that can steward the most important relationships while simultaneously developing a pipeline of new principal gift prospects who could quickly move towards a transformative gift without decades of cultivation.

### Expanding Opportunity Complicates the Model

“When principal gift programs were first established in the 80's they typically focused on 20-30 couples and individuals whose interest and devotion to an organization made them stand out among other supporters... Thirty years later **that focus seems impossible given the number of wealthy individuals** we are in a position to know. Most principal gift programs have expanded to meet that new reality seeking to work with upwards of 200 individuals in some cases.”

*Rebecca Tseng Smith, Senior Executive Director of Development  
University of California, San Diego*

#### Moving From Core Supporters...



- Consistent gift history
- Deep, decades-long relationships
- Managed by the VP, president, deans

#### ...To Working With Emerging Prospects



- Inconsistent giving
- Nascent or non-existent relationships
- Managed by MGOs

# A New Hire for the Coldest Prospects

## UC Davis Builds Portfolio Focused on Those with Low Engagement

UC Davis solved that staffing challenge not by turning to a high-ranking senior executive, but rather by hiring an early-career fundraiser into a principal gift discovery role.

When Davis uncovered 800 unassigned prospects with principal gift potential, they had their executive director of principal gifts take on the top 100 warmest prospects. The remaining 700 who scored a 2 or lower in engagement—those with “cold” relationships—fell to the principal gift discovery officer.

The newly hired principal gift discovery officer’s persistence, focus, and lack of management responsibilities meant that they could ably navigate through gatekeepers, meet principal gift prospects in person, build affinity, and quickly move them toward high-level giving.

Three years after creating the position, the team is seeing positive results. In fact, the executive director of principal gifts at UC Davis estimates that, based on current projections, they are on track to bring in \$20M in FY2020.



Source: Advancement Forum interviews and analysis.

# Hiding in Plain Sight

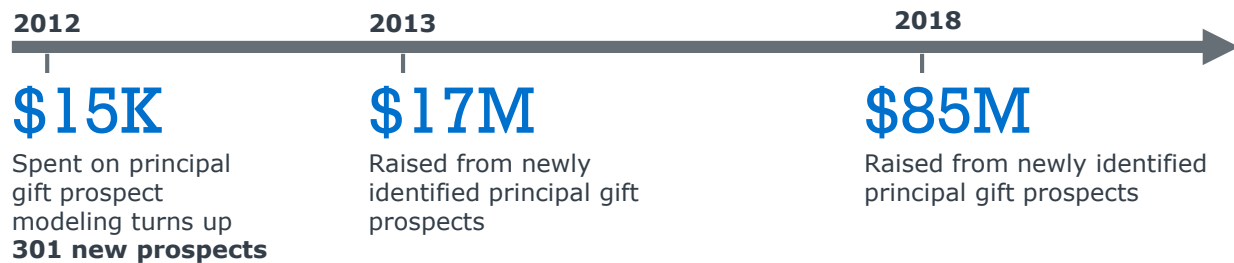
## University of South Dakota Jump-Starts Principal Gift Relationships

The University of South Dakota had a similar experience when a prospect model found 301 unassigned prospects whom they didn't even know had principal gift potential. One year later USD had brought in \$17M from those prospects. Just six years later the total funds raised from these prospects had risen to \$85M.

Contrary to popular belief, these principal gifts did not come into the institution as the culmination of lifelong relationships. Many of these donors wanted to move quickly. Half of those who ended up giving at transformational levels gave almost immediately.

This behavior aligns with the rise of the donor-investor highlighted in our past research. Donor investors move quickly, and analytically, to evaluate the potential benefits of philanthropic investments and make their decisions to give in a short time frame.

### Small Investment, Big Reward



#### From Zero to Principal Gift

“About 50% of these prospects **wanted to immediately start giving transformational gifts to the university**. The other 50% gave us a small gift to see what we could do. Within a year we'd ask for a gift to their full capacity. If we stewarded them well, they said yes.”

*Margaret Williams, Director of Prospect Research  
University of South Dakota*

# Betting on Nontraditional Principal Gift Staffing

## Early Career Fundraisers Take the Lead

While UC Davis hired a dedicated principal gift discovery officer to manage their newly identified prospects, the University of South Dakota enfranchised their entire team of fundraisers to own these relationships, even though many of them had little or no experience in fundraising. Of the 14 fundraisers engaged in this principal gift discovery blitz, 1 in 3 had less than one year of fundraising experience.

In this case, their lack of experience was a benefit rather than a hindrance. While more tenured fundraisers may be better at managing complex relationships, early-career fundraisers still managed these relationships well. But unlike the more tenured MGOs on staff, the new hires were hungrier cold callers and more tenacious in their attempts to get through gatekeepers. Additionally, these early-career fundraisers didn't have any preconceived notions about how long it should take a principal gift prospect to get to a proposal, allowing them to better meet the needs of today's donor investors.




In effect, their inexperience made them more proactive, fearless, and ambitious, which translated into significant revenue for the university.

### Principal Gift Discovery Officers at the University of South Dakota

**14** Fundraisers

**1 in 3** Had **zero years of experience**

**57%** Of **gifts closed by early career staff** in year one

Principal Gift Discovery Skills	Young Staff	Seasoned Staff
 Responsible, able to <b>manage a complex relationship</b>	✓	✓
 <b>Willing to cold call</b> prospects regardless of previous contact	✓	✗
 Willing to bet against <b>historical cultivation cycles</b> and timelines	✓	✗

Source: Advancement Forum interviews and analysis.



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