

UNIVERSITIES

The art of best practice

Phillip Cenere considers the role of the board and its directors in balancing university governance and philanthropic donations.



You may not have heard of him but in China everybody has. When Sir Run Run Shaw GBM CBE (Shao Yifu) died in 2014 aged 107, *China Daily* reported that more than 5,000 buildings on the nation's college campuses bore his name. "Students are so accustomed to seeing 'Yifu' that many believe it to be a generic name for a building," it wrote.

During his life, the media mogul donated an estimated HK\$4.75 billion to universities in China, funding more than 6,000 education-related projects and gave billions more to healthcare initiatives. In the US, Harvard University announced in June this year that alumnus John A. Paulson, founder and president of investment management company, Paulson & Co, made the largest gift in the university's history – a US\$400 million endowment to support the School of Engineering and Applied Sciences. To honour his generosity, the school will be renamed the Harvard John A. Paulson School of Engineering and Applied Sciences.

Such philanthropy is not just found in China and the US. Australia has recently seen its own share of generous donations. Mining magnate Andrew Forrest and his wife Nicola gave \$65 million to the University of Western Australia (the largest single donation of its kind in Australia) to fund 25 international PhD students and six postgraduate researchers a year, and build on-campus accommodation.

Graham Tuckwell (an Australian National University (ANU) economics and law alumnus) and his wife Louise gave \$50 million to ANU to fund 25 undergraduate students each year at a value of \$20,000 per annum for up to five years, for expenses such as accommodation and living costs.

Count Financial founder, Barry Lambert with his wife Joy gifted \$33.7 million to the University of Sydney to establish the Lambert Initiative to explore the potential of

compounds from the cannabis plant in treating a range of diseases.

While philanthropic donations are not a substitute for government funding, fundraising may be used by universities to provide new buildings and facilities, a campus and an environment more conducive to learning, scholarships and prizes and fund research projects. With millions of dollars from private sources flowing into institutions, university boards face growing challenges in ensuring proper oversight and governance in maintaining their university's independence.

Philanthropic criticism

Many universities around the world have been caught off-balance in recent years when philanthropic donations have resulted in public criticism. Take the endowment by Paulson to Harvard University. Author Malcolm Gladwell tweeted: "It came down to helping the poor or giving the world's richest university \$400 million it doesn't need. Wise choice John!" and "if billionaires don't step up, Harvard will be down to its last \$30 billion." His tweets were republished by many news channels, causing Harvard to publicly defend its fundraising and the size of its endowment fund (US\$36 billion).

The source of a donation can also spark criticism, as was the case with Durham University's decision to accept a £2.5 million endowment from a former Kuwaiti Prime Minister who resigned in a corruption row, and also in the fallout from sexual assault accusations surrounding comedian Bill Cosby, who had donated millions to various colleges.

Universities have also come under fire for giving (not just receiving) money. Earlier this year, the NSW auditor-general reported that three universities indicated they had paid money to attend political party functions and events. The report auditing New South Wales universities described the use of

university finances for political donations as "inappropriate for public entities".

So how can university boards ensure that staff behave ethically when dealing with donors and that their university maintains academic freedom and neutrality? To answer this question, givers and receivers must first understand the difference between sponsorship and philanthropy. Sponsorship is a form of marketing in which a person or organisation provides monetary or in-kind support in exchange for brand recognition and association. It's a business transaction. Philanthropy, on the other hand, is a gift given willingly to benefit others without expectation of reciprocation. It is when these two concepts are confused or used interchangeably that problems arise.

The role of the board is to ensure that the university has distinctive policies and operational guidelines regarding sponsorship and philanthropic donations. That is not to say that donors cannot be recognised (in a newsletter or a plaque on a building) and that donations cannot come with individually negotiated terms and conditions (nominating which faculty or type of student receives their money). However, boards need to ensure that the values and mission of their university are upheld and reflected as core principles in policies and guidelines and that there are appropriate standards, levels of accountability, transparency as well as confidentiality, due process and fairness.

A higher degree of scrutiny should also be applied where fundraising activities are outsourced to external agents. While it's perfectly healthy for universities to have KPIs and targets for fundraising, boards should be wary of paying employees and agents commissions or placing too much pressure on staff to hook big donors.

Directors of university boards

can also play an important role in helping to influence how donated money is used. Research published in *Philanthropy and governance* by A. M. Eikenberry in 2006 shows that people tend to give to causes with which they can identify and are physically or emotionally attached, particularly wealthy philanthropists who tend to give to organisations from which they or their family directly benefit, such as their alma mater.

Boards can work with philanthropists to help set social policy. A great example is the Bill and Melinda Gates Foundation, which has donated grants to more than a thousand universities and colleges. The Gates are "giving beyond their own self-interest, being very strategic in their funding to try to get at deep-seated problems around the world".

A few years ago the Business/Higher Education Round Table released a position paper on increasing private support for Australian universities. The report made the following recommendations:

- Build the case for public support.
- Involve beneficiaries of university education, research and outreach, including alumni, captains of industry, heads of public and private sector organisations, and politicians of all persuasions.
- Recognise and celebrate philanthropic contributions.
- Include development in the university's strategic plan and make annual budget allocations for development.
- Review progress against fundraising targets.
- Sponsor conferences and training for staff involved in fundraising and alumni relations.
- Seek to identify examples of best practice in university development and fundraising.

The report's cover page featured the biblical quote "Ask and ye shall receive. Ye have not, because ye ask not." ■

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