




FUNDRAISING SCENARIOS FOR STATE-FOUNDED UNIVERSITIES

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Abstract: The creation of fundraising scenarios for state-founded universities and the selection of the most appropriate scenario is an important factor in the successful attraction of donations. The study will provide an analysis of three possible scenarios for fundraising, which have been evaluated by seven experts: representatives of patrons as private persons and enterprises, patron's fellow, a representative of the municipality, a representative of the Ministry of Education and Science, a representative of a higher education institution and a representative of a foundation. The first scenario consists of activities aimed at maintaining the existing fundraising trends. The second scenario is associated with a greater involvement of the municipality in attracting patrons to universities, whereas the third scenario comprises a greater state involvement in attracting patrons to universities. Expert opinions were processed using the Analytic Hierarchy Process (AHP) method. Choosing the best-case scenario will create an opportunity for philanthropic organizations of 12 state-founded universities to cooperate more fully with patrons in fundraising for their universities, projects and students.

Keywords: philanthropy, university, fundraising, donations, alumni.

JEL code: A10, A20, B10

Introduction

The successful development of Latvian higher education institutions depends on sufficient financial resources, which consist of financial reference amount: state, local government funding, funding for research, various grants for science; tuition fees, as well as service charges and donations of patrons to fund scholarships, the projects for improvement of learning environment and infrastructure. The financial reference amount of higher education institutions is insufficient, and thus attracting donations is recognized as crucial. Most of the patrons' donations are used to support outstanding students, researchers, and infrastructure projects. Cooperation between state-founded higher education institutions and graduates plays an important role, hence, each higher education institution should invest serious effort in building cooperation with its students to motivate them to donate to their higher education institution after graduation. On the other hand, the tax rebate policy enables higher education institution-established foundations and associations who have obtained the public benefit status to ensure tax rebates to both individuals and companies who donate to these foundations and associations. The data obtained in this study consists of 7 expert opinions, which were processed by using the Analytic Hierarchy Process (AHP) – a general theory of measurement (Saaty R.W., 1987). This study is proposing three scenarios for better fundraising tendencies in state-founded universities. The first scenario focuses on maintaining the existing fundraising trends. The second scenario is associated with a greater involvement of the municipality in attracting patrons to universities, whereas the third scenario comprises a greater state involvement in attracting patrons to universities.

Research results and discussion

Availability of tax rebates to donors is a significant factor influencing the decision to donate. The data of the research collected over the period of one year attest to successful application of tax rebates in motivating the prospective supporters to donate to philanthropic organizations (Reece W., Zieschang K., 1985).

It has been found that 9% of the entire amount of donations in the United States is made up of bequests through wills. Motivation to donate through a bequest in a will and possible obstacles for patrons to use this type of donation have also been studied. A survey of eight groups concludes that by donating through

a bequest in a will, the donor can enjoy certain tax rebates during his or her lifetime, and the same applies to the entry into force of a will – the members of the donor's family can also benefit from the tax deductions. Among the obstacles is the interest of the heirs in receiving the entirety of property of an estate (Sargeant A., Hilton T., Wymer W., 2006).

The application of tax rebates is recognized as a sound motive for donations from patrons to philanthropic organizations. Donations are seen as purchases made by consumers – philanthropic organizations. The effect of changes in the application of tax rebates (i.e., donation prices) on donations is also examined. The analysis includes approximately four decades of estimates of donation price elasticity. The impact of changes in application of tax rebates is one of the most widely studied areas in the analysis of philanthropic processes. Researchers conclude that the application of tax rebates significantly affects the willingness to donate. The results obtained by U.S. researchers confirm the hypothesis that the application of tax rebates is beneficial to the Treasury, i.e., if the cost of donation decreases by one dollar, the individual can be expected to donate more than one dollar to charity. State and municipal organizations should delegate public service functions to philanthropic organizations (Peloza J., Steel P., 2005). The authors agree that the application of tax rebates is an effective means of promoting the development of philanthropic processes. The more prestigious, as well as administratively accurate and transparent a philanthropic organization is, the more donations it can attract.

How do tax deductions affect the willingness to donate money or time? The data of the national survey show the household donations in monetary and time terms, arriving at the conclusion that they are equivalent. The tax rebate policy affects both monetary donations and voluntary work donations (Feldman N. E., 2010).

The involvement of patrons in solving the problems of poverty through donation is equated with the obligation to rescue – the attention is focused on rescuing the victims; however, it neglects the task of finding out which institutions or the legislature are not fulfilling their responsibilities to solve the problems of poverty. Rather, these authorities should be held liable for failure to fulfil their duties. The deceptive nature of philanthropy tends to limit discussions of radical alternatives, such as reducing the number of poor people through tools in the hands of public administrations and local governments, rather than encouraging patrons to address these issues through donations (Gomberg P., 2002). The authors agree that the state and local governments have a sufficient power to solve the problems topical to the society as a whole with the budget created by taxpayers' money, since this is the main task of these institutions. However, it cannot be accepted that philanthropy is called a harmful phenomenon. The patrons themselves, or in agreement with a philanthropic organization, with their donation support the goals they feel are important. Donating for a specific purpose is a decision of the patrons. It can be called a civil initiative, which, in addition to the functions performed by the state and the local government and the results achieved, forms the common good of society.

The vast majority of donors are graduates. The following factors are found to affect the relationship between graduates and their *alma mater*: "image of education", "image of communication", satisfaction with the social and academic environment. This set of factors answers the question: "Which factors are important and which are decisive for a successful relationship?" The relationship is considered successful if the graduate answers the question about which place of studies that he/she would choose if he/she should have to make this choice all over again by saying that he/she would select the same higher education institution and the same study programme. A sense of belonging comes from pride in one's university and shared values. The willingness to reimburse one's *alma mater* is confirmed by the graduate's own oral or written statement of readiness to donate to his/her university on a regular basis, or by responding to the

university's request to help meet a certain need. Achieving such a statement or confirmation from a group of graduates or individuals requires a capable and proficient alumni-oriented communication, driven and maintained by the university administration and lecturers. In communication with graduates, the university must be like a "loving mother" and graduates – "beloved children". Likewise, the universities need to engage the potential of graduates to attract future students. Graduates could lead tours, participate in introductory seminars as speakers, and share information about the opportunities of studying in their *alma mater* with family and friends. The university must perceive its graduates as equal partners in the development of the university. When working with graduates, it is also imperative to take into account the fact that the types of mutual cooperation must be varied – diverse, suitable approaches must be found in communication with graduates of different age groups. Attitudes towards one's *alma mater* are radically different among the alumni who graduated from university two years ago and those who completed their studies eight years ago (Pedro I. M., Pereira L. N., Carrasqueira H. B., 2018).

The motivation of graduates to donate depends not only on the quality of the study environment, relations with the administration, but also on the student's own achievements in studies, as well as his/her quality of life and wealth. The study examines the correlations between the quality of the study environment and the quality of life of students, as well as explores the possible correlations between the university's administrative expenses for ensuring the quality of the study environment and the donations received from graduates, their amount and number. Quality variables reflected a positive effect on the average amount and number of graduate donations. The quality of life of students is also related to the amount and number of donations. The development ambitions of the university are an important factor for the graduates to affirm their faith in the development plans of the university with their donation (Baade R. A., Sundberg J. O., 1996).

There is a greater chance of receiving donations from senior executives with higher incomes. These donors attach importance to making their donation known to family and friends. University success stories are also an important criterion. For those in high positions, it is imperative to donate to a successful university that has formulated clear development goals and ambitions to achieve even more. This criterion indicates that the donor wants to be involved in the implementation of a meaningful and successful aspiration. Clearly, the more prosperous regions receive higher donations than the less prosperous regions. The donating graduates attach less importance to receiving university recognition in comparison with the donors who are not the graduates of the university (Okunade A. A., Wunnava P. V., 2013).

The amount of donations from companies depends on the available free financial resources. Those companies whose development strategies include donation guidelines are pursuing a more thought-through financial flow policy. This is "strategic philanthropy". There is a positive relationship between corporate philanthropy and a company's financial performance. The managers of companies particularly are more interested in making donations, thereby strengthening their image of social benefactor in society, whereas the shareholders of companies perceive donations as losses, a decrease in dividend shares (Seifert B., Morris S. A., Bartkus B. R., 2003). The authors agree that the amount of donations depends on the free, planned financial assets. On the other hand, the statement that the shareholders of the companies are not interested in making donations might not be unequivocally true. The shareholders of the companies, who are also the managers of the companies themselves, quite gladly and proudly assume the status of patrons. Moreover, this is a great opportunity to build the self-confidence of employees of companies that have directly contributed to the well-being of shareholders through their daily work, so they can also indirectly assume the esteemed status of patrons.

Relationships with patrons are an important aspect of fundraising. These relationships should invariably aspire to have a long-term perspective. This presents a considerable challenge for philanthropic organizations. Data on donations to a large US public university over a 20-year period show that an opportunity to donate to a variety of projects increases the likelihood that a donor will make a donation, raise the amount of donation, and reduce the impact of adverse macroeconomic shocks on donation. When donating for the first time, most donors support a single initiative, and these decisions are to a greater extent influenced by the motivation of the donor. On the other hand, as the relationship between donors and philanthropic organizations evolves over time, as well as following marketing activities, donors decide to support a number of initiatives (Khodakarami F., Petersen J., Venkatesan R., 2015). The authors agree that the relationship between the donor and the philanthropic organization is extremely important, therefore the philanthropic organization must define the prospective goals of the donation, as well as their diversity clearly and understandably to the donor. There is no doubt that when receiving donations every year and over a long period of time, philanthropic organizations need to ensure a more diverse quality of communication between the donor and these organizations. The amount of donation can be increased if philanthropic organizations take publicity measures to inform the public about the donations received. Philanthropic organizations encourage existing and potential donors to donate by spreading information about the donations received. An example always inspires donation (Clark J., 2002).

Those who spoke to potential patrons directly, in a one-on-one conversation, and those who addressed the potential patrons by telephone obtained similar results. This suggests that the respondents felt special when fulfilling the initial, small request, and thus they would most likely fulfil larger requests later. On the other hand, those who felt that they were only one of many who would comply with this request would not do so. There are certain trends amongst the two groups of donors. The first group was addressed directly and in person by philanthropic practitioners, while the second group was addressed by telephone call. In both cases, donors were invited to donate for the first time to a new project for which no one had so far requested a donation. The amount of donation and the number of donations did not differ between the two groups. Donors who are invited to donate again, donate a larger amount (DeJong W., 1981).

Does the amount of donations received by philanthropic organizations depend on the desire to receive any benefit in return for the donation made? Donors are satisfied with the feeling that by donating, they improve the overall quality of life in society (Kingma B., 1989).

Donation campaigns should start with an invitation from a well-known and respected person to donate, leading by example – informing the public about his or her donation. Following the example of community leaders, donors form associations that their status in society is similar to that of these opinion leaders. The example of community leaders as they make a donation is an important factor related to the amount and number of donations (Kumru C. S., Vesterlund L., 2010).

Various philanthropic organizations compete in the field of fundraising. Philanthropic organizations that more actively involve their board members in fundraising campaigns achieve better results (Lee Adams-Chau L., 1988).

Applying marketing principles to philanthropic organizations helps to raise funds more successfully. This indication forces philanthropic organizations to reassess their investment in public relations and marketing services. The overall budget of any successful philanthropic organization should also include funds for public relations and marketing (Sargeant A., Jay E., 2014).

It is concluded that the "foot-in-the-door" method, derived from the socio-psychological concept, provides a higher probability of successfully attracting donations. In philanthropy, just as when selling a product or service, it is important to set a "price". In the case of philanthropic organizations, these are the

amounts of expected donations, indicating the minimum and maximum amount of expected donations. This technique is related to the theory of self-confidence. Self-confidence can be raised with a larger donation amount (Reingen P., Kernan J., 1977).

The philanthropic policy of each country is determined not only by the various motivations of the society members to donate, but also by the levers of legislation that motivate companies to donate more often and greater amounts. The link between companies and society is also important. Corporate ideology and symbolic giving behaviour can act as a corporate strategy to shape the public opinion in favour of the company. There are 10 multifactorial effects: (1) Larger companies are much more likely to make large donations than small and medium-sized enterprises; (2) Companies whose owners do not themselves participate in the professional management system of the company donate more than those which are managed by the owners themselves; (3) Companies with a virtual product, such as investment portfolio management, usually aligned with banking sector, donate greater amounts and more frequently than companies that produce practical things, such as agricultural and industrial companies; (4) Businesses whose clients are representatives of the local community are more open to donation; (5) Companies with a greater number of customers and a wider coverage area are more generous; (6) In larger cities, corporate donations will be less noticed due to the presence of other donors; (7) In countries with a greater number of independent media, the number of corporate donors will be higher; (8) The cities with better-educated inhabitants have a greater number of donating companies than the cities with a lower level of education; (9) In countries and cities with more prestigious institutions, there are more donor companies; (10) Companies under rigorous owner supervision donate more than others (Kamens D., 1985).

Corporate philanthropy is moving towards strategically well-considered support, which, for example, provides an opportunity to improve the company's reputation and also benefits the recipient. A survey of U.S. company managers shows that the vast majority have a donation programme of at least 5 years, with a total annual donation amount of at least USD 200,000. The data show that company managers believe that their companies are becoming increasingly strategic in philanthropic activities. It is concluded that institutional, corporate, and individual influences combine to sustain strategic philanthropy. These findings confirm the belief that the nature of corporate philanthropy is evolving to fit a more competitive market (Saiia D. H., Carroll A., Buchholtz A., 2003).

When donating to philanthropic organizations, companies expect the philanthropic organization to publicly praise and extol the donor company in gratitude for the donation. Consequently, it is expected that the public will be loyal to the company and purchase its services or goods when it becomes aware of the donation. The identified structural effect of the market on the need for companies to use donation as self-promotion is stronger than the effect of the tax rebates that can be offered by philanthropic organizations with public benefit status. Due to the often-tense relationship between people and companies, in American society corporate philanthropy offers double the satisfaction. Corporate philanthropy, i.e., a donation from corporate charitable activities, yields a direct material benefit that is generated by improving public health, promoting education and well-being. It is even more gratifying to know that corporations, which are considered to be rational for-profit institutions, have not acted solely in their own interests. Corporate philanthropy is a beneficial distribution of corporate income. At the same time, however, it is a social environment wherein the interests of society and companies meet. Thus, the corporate decision to make donations to charity gives companies satisfaction (Burt R., 1983). The authors do not share the view that corporate philanthropy has a win-win nature. The companies should pay for advertising in good faith themselves, rather than obtaining this service by donating to philanthropic organizations and receiving

additional benefits such as tax rebates. The donation must be selfless in nature, it must not require a service in return. The authors believe that corporate philanthropy thus distorts the meaning of philanthropy.

An important factor is the involvement of students in fundraising campaigns as they enter the universities and study. There are also differences between donor graduates who have received patronage scholarships and graduates who have not. Receiving patronage scholarships while studying is a powerful factor in predicting future donation patterns for new graduates. Students who do not participate in donation campaigns donate less often after graduation, despite repeated, personal invitations expressed face-to-face by fellow students (Freeland R. E., Spenner K. I., McCalmon G., 2014). The authors agree that receiving patronage scholarships is a strong motive for a graduate to be successfully encouraged to donate within the available means after graduation. The skills and abilities that students have acquired by collecting donations themselves from university graduates give them confidence that donations are necessary for the development of the university and they gain satisfaction from their accomplishments. The observations confirm that the responsiveness of graduates who used to collect donations themselves is significantly higher than the responsiveness of graduates who have not experienced the feelings generated by collecting donations themselves.

The approach of certain holidays encourages people to donate to particular philanthropic organizations. For example, Christmas encourages Americans to donate to the Salvation Army. Christmas as a holiday of light, love and mercy awakens the sympathy of existing and potential donors, while philanthropic organizations emphasize it and purposefully invite them to donate to a charity project (Jobu R. M., Knowles E. S., 1974). The authors agree that the celebration of various holidays encourages donations. Philanthropic organizations should call for donations as a contribution to anniversaries of the higher education institutions.

The aims of this research are:

- 1) to explore alumni motivation to support universities;
- 2) to analyse the fundraising scenarios with a positive trend;
- 3) to compare scenarios which will provide more effective strategy to improve that municipalities and state institutions will work with foundations as partners.

In order to evaluate the fundraising scenarios with a positive trend, the authors chose the method of Analytical Hierarchy Process (AHP) (Saaty R. W., 2007), inviting the opinions of 7 experts: Marcis Auzins, Professor of the University of Latvia; Ingus Berzins, Editor-in-Chief of JSC "Delfi"; Guntis Berzins, former Member of the *Saeima* of the Republic of Latvia, patron; Anita Straujuma, Director of Riga Technical University Development Fund; Dace Jansone, Deputy Director of the Ministry of Education and Science of the Republic of Latvia in the field of higher education; Inga Elksne, Deputy Executive Director of the Salaspils Municipal Council Administration in the field of education, Head of the Education Department; Ieva Priede, graduate of the Latvia University of Life Sciences and Technologies, the holder Prof. Baiba Rivza anniversary scholarship.

The experts first of all formulated the problem: Promoting fundraising with positive dynamics. Next, three groups of criteria were defined: the interests of students, researchers; the interests of the state and local governments; and the interests of patrons.

For each of these groups of criteria, the experts defined four further criteria.

(1) Interests of students, researchers: opportunity to study and research, higher self-esteem, opportunity to fully focus on the study process and research, opportunity to acquire a specialty and improve research indicators.

(2) Interests of the state and local governments: potential, highly qualified specialists, return of specialists to their places of residence, increase of competitiveness, factors that promote GDP growth.

(3) Interests of patrons: desire to support their university, prestige, internship opportunities in companies that are patrons, a sense of satisfaction and joy brought by donating.

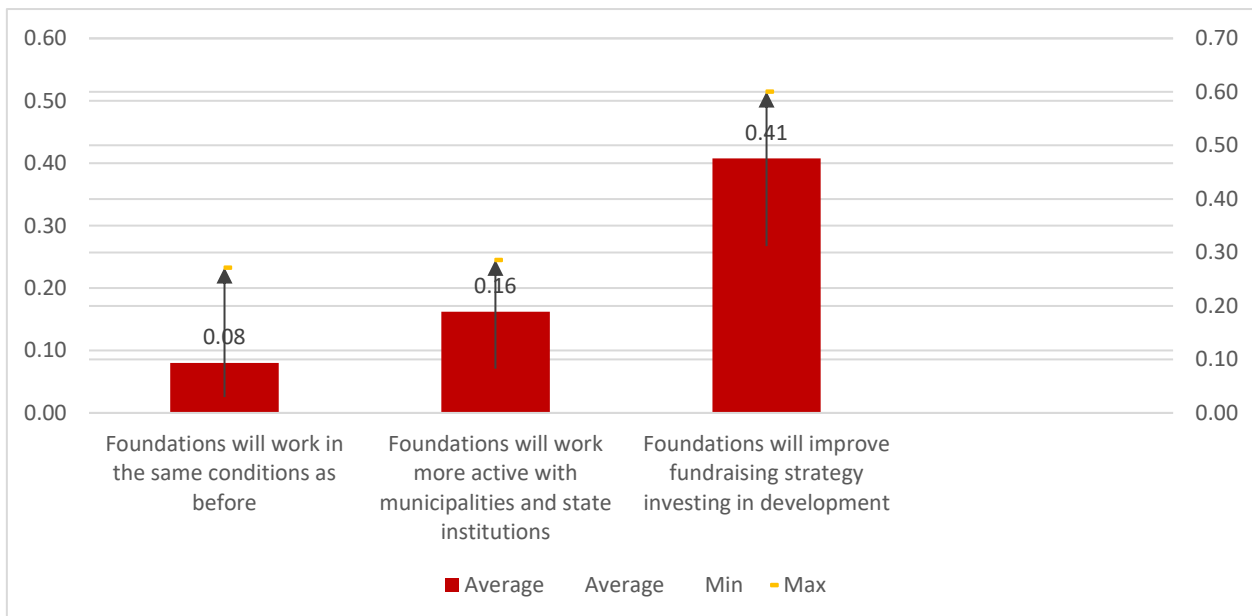
In the next step, the experts assessed three possible scenarios for promoting fundraising with positive dynamics, using all 12 criteria in all groups of criteria.

Three possible scenarios for facilitating fundraising with positive dynamics included:

Scenario 1: The funds of 12 state-founded higher education institutions continue to operate at the current, usual pace, without making additional investments (funds, involvement of new cooperation partners) in improving the dynamics of the foundations' operations.

Scenario 2: 12 state-founded higher education institution foundations actively cooperate with state and local government institutions to promote positive fundraising dynamics.

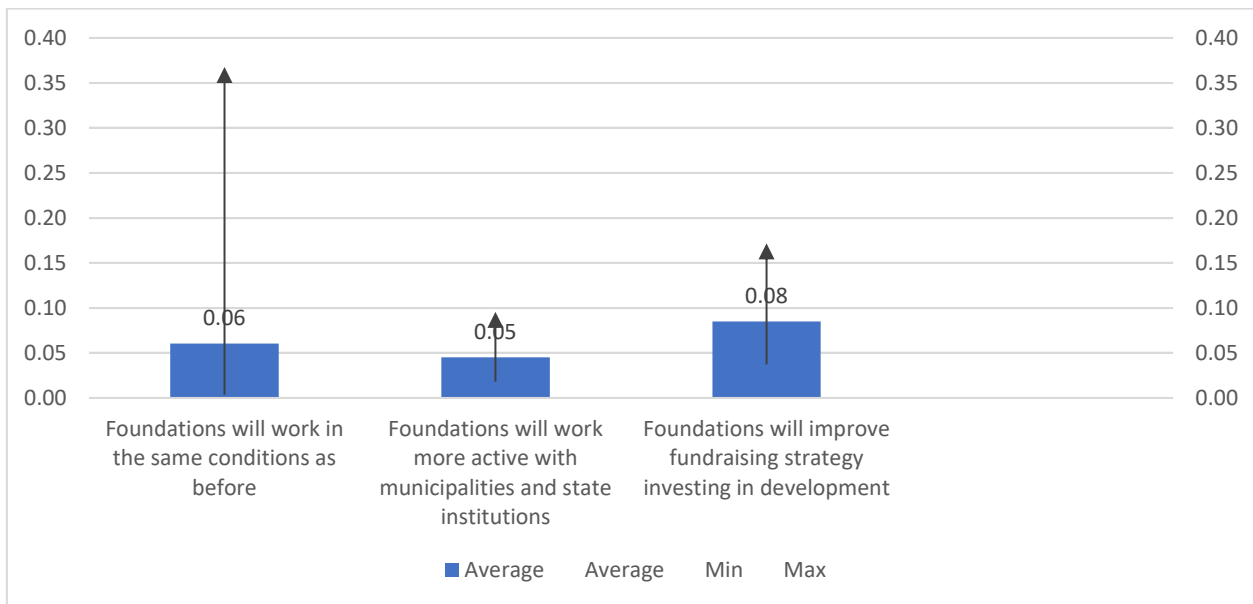
Scenario 3: 12 state-founded higher education institution foundations activate sets of measures with existing and potential patrons, making monetary investments to improve the operation of the foundations and attracting new social partners in fundraising.



Source: author's calculation based on experts' opinion

Fig. 1. Students and researchers receive more possibilities for development of study quality

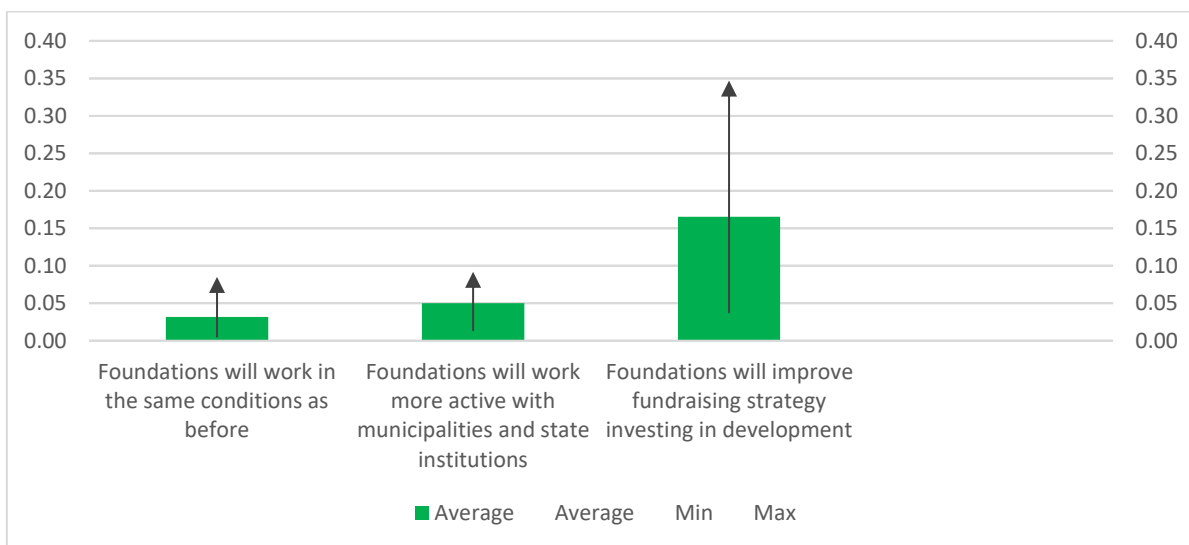
According to Figure 1, students and researchers will receive more possibilities for development of study quality in the third scenario. The third scenario guarantees excellent study environment, which is one of the reasons why alumni are becoming the donors of their own alma mater (Pedro I. M., Pereira L. N., Carrasqueira H.B., 2018). If students are receiving donors' scholarships they will be more open to support their alma mater as alumni, and the third scenario guarantees this option (Freeland R. E., Spenner K. I., McCalmon G., 2014).



Source: author's calculation based on experts' opinion

Fig. 2. **Municipalities and foundations are working with foundations as partners**

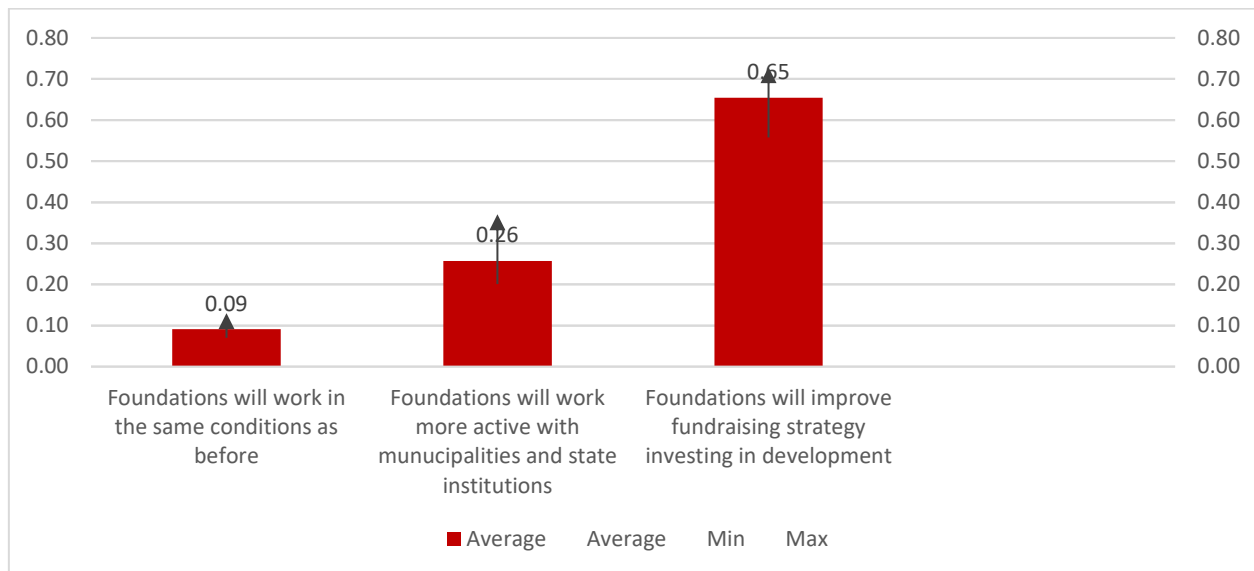
According to Figure 2, there are not so many differences between scenarios which will provide more effective strategy to improve that municipalities and state institutions will work with foundations as partners. It is important that state institutions will support foundations by providing legislation regulations for tax rebate (Kamens D., 1985).



Source: author's calculation based on experts' opinion

Fig. 3. **Donors are more motivated in donations to foundations**

According to Figure 3, there are big difference between scenarios No. 1., No. 2. and No. 3. Scenarion No. 3. for donors satisfaction are most motivating to make donations. Third scenario will provide more stable situation for foundations because working towards this scenario means that foundation will be able to keep public benefit status. Public benefit status is important for business companies because of tax rebates (Reece W., Zieschang K., 1985).



Source: author's calculation based on experts' opinion

Fig. 4. Summary

According to the Figure 4 "Summary", experts are choosing scenario No.3. as a priority for the fundraising scenarios with a positive trend.

Conclusions, proposals, recommendations

- 1) Alumni desire to support their university, prestige, internship opportunities in companies that are patrons, a sense of satisfaction and joy brought by donating are important motivations to make donations.
- 2) It is very important to improve fundraising strategy for fundraising scenarios with a positive trend.
- 3) There are no big differences between scenarios which will provide more effective strategy to improve that municipalities and state institutions for further working with foundations as partners.
- 4) Tax reduction is a motivating factor in the donation process.

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