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Degrees of gratitude

Francis Beckett looks at the donation culture that ensures US business schools are better off than their British counterparts.

Goldman Sachs executive Scott Mead discovered his secretary, Joyti De-Laurey, had stolen money from his bank account only when he sat down late one night to make a £1m donation to Harvard Business School.

Business schools are in a highly competitive market. To get into the premier league, they have to attract the best students and the top academics. They need to offer state-of-the-art buildings, IT, lecture theatres and libraries. The top international academic stars want high salaries, dedicated research centres and time for their consultancy work. With the cost of a one-year full-time MBA in the UK and Europe running at up to £30,000 including living expenses - and even more in the US for a two-year course - students are looking at the size and number of scholarships on offer.

All this costs money. Business schools get two types of donations. There is current use money, which may be unrestricted, but is often made for a specific purpose, such as a contribution to a building project. Then there are designated endowments, the annual income that is put to a purpose chosen by the donor, such as a professorship.

Despite recent fundraising successes, European business schools can only look with envy at their US counterparts. Harvard Business School leads the way with an endowment of \$1.4bn (£0.8bn); Stamford's endowment is \$0.5bn (£0.28bn); Wharton's is \$373m (£212m); the University of Chicago's is \$188m (£107m), and Tuck Business School's is \$149m (£84m).

Harvard Business School has 39,000 living MBA alumni, of whom over three-quarters have made a gift to the school during their lifetime. Mead is one of over 75 alumni to donate \$1m (£0.6m) or more to the Campaign for Harvard Business School, which aims to raise \$500m (£284m) in three years. The Tuck Business School boasts that six out of 10 of its alumni sign a cheque to the school every year. That is high even by US standards; other top US schools talk of up to four out of 10. In Britain's top schools, it's fewer than one in 10.

For 25 years, the Wharton School of the University of Pennsylvania has had a partnership with over 175 groups who give \$10,000 (£5,700) annually. Over seven years, Wharton raised \$445m (£253m), from all sources, for improved facilities, MBA and undergraduate scholarships, faculty endowments and new research centres. More than a third of the money came from alumni.

In the UK, fundraising from companies and alumni is a relatively recent phenomenon. None of the European business schools has endowments on the US scale. The London Business School, one of the more wealthy, has an endowment of \$20m (£11.3m) and only 3% of its annual costs come from alumni giving and cash flow from endowment investments. The comparable figure for the top seven US business schools is 20%.

But, as Henrietta Royle, chief operating officer of the Sir John Cass Business School, says: "In the past alumni weren't asked for money."

In the last five years, business schools at City University, Imperial College, Leeds, Lancaster, Exeter and Anglia Polytechnic University have all been able to construct new buildings as a result of major donations.

In the US tradition of alumni donation, American Gary Tanaka gave £27m (£15.2m) to Imperial College's management school. This is the biggest single donation to any European business school. Tanaka, who made his fortune from the venture capitalist company Amerindo, took a PhD in applied mathematics at Imperial College in 1970. Twenty-five million pounds of his money has been spent on a new management school and £2m on IT.

In Chelmsford, one of Anglia Polytechnic University's most successful alumni, Lord Ashcroft, is the main benefactor of the new £6.45m home of the university's business school, now named the Ashcroft International Business School.

In Leeds, major contributions from the family of alumnus Maurice Keyworth, as well as from the Yorkshire Bank and the Wolfson Foundation, helped Leeds University Business School complete a £10.7m new building project. The major donor of City University Business School's new £40m building was the Sir John Cass Foundation, and the "monument principle" came into effect here: they renamed it the Sir John Cass Business School. Lancaster University Management School got £4.5m from the North West Development Agency towards the £9.5m needed to extend and refurbish its existing building.

By offering networking opportunities and continuing professional development, business schools are fostering a culture of alumni giving. The two have a lot in common. After all, the more successful a school becomes, the more marketable are its alumni. As Henrietta Royle points out: "Investing in your business school alma mater means that you are investing in your CV."

Success tends to breed success. Individuals and companies like to be associated with successful schools. That is why Oxford and Cambridge were able to set up the Saïd Business School and the Judge Institute of Management in the 1990s. Oxford started with a £20m donation from Wafic Saïd and Cambridge with £8m from Sir Paul Judge.

Both now feature prominently in the various MBA league tables and both have been successful in attracting more investment. Dotcom millionaire Jeff Skoll, founder of online auction company eBay, has just given a \$7.5m (£4.2m) grant to Saïd to fund the Skoll Centre for Social Entrepreneurship.

But this is still a long way off the \$60m (£34m) that alumnus Frank Batten Sr gave to Darden Graduate School of Business Administration in Virginia. This is believed to be the largest ever single gift to a business school. Batten comes from the US tradition, where the state provides very little to universities and private benefactors provide a great deal.

As the late Lord Jenkins once put it in an Oxford University lecture, does Britain risk being "left uneasily poised, in this respect as in some others, between the US and continental Europe, without the private generosity of the former or the more adequate public funding of the latter"?

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