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**The Relationship between Strategy and Fundraising in Higher Education:  
Toward a New Theoretical Model**

by

Mgr. Jaromír Sedlár, MLS

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## CHAPTER 1 – INTRODUCTION

Fundraising, defined as “the raising of assets and resources from various sources for the support of an organization or a specific project” (Ciconte & Jacob, 2011, p. 567) is a multi-billion phenomenon in American higher education. What started with small gifts of blankets, chickens or “nine bales of hay” to the newly formed colonial colleges in America (Drezner, 2011, p. 19) now resembles arms race as universities and colleges in the United States are raising record amounts of gifts. Numerous institutions of higher education, including public ones, recently finished or are about to finish capital campaigns with totals in billions of dollars. In 2011, Stanford University completed a capital campaign in which it raised \$6.2 billion, “the largest sum ever collected in a single campaign by a higher-education institution” (Roller, 2012). One way to understand the magnitude of the fundraising campaign is this: At the pace of raising a million a day for a year, it would take almost seventeen years to raise that much money.

Why is fundraising so important to American universities and colleges? The obvious answer is that they need the money – and yes, that answer may be right. But what would be a more fine-grained answer to the question of what is the role of fundraising in higher education?

### **Problem Statement**

Fundraising has been one of the fundamental forces that have shaped higher education in the United States. As Peter Dobkin Hall, a scholar of philanthropy, noted in 1992 in a widely cited statement, “no single force is more responsible for the emergence of the modern university in America than giving by individuals and foundations” (Hall, 1992, p. 404). This statement about the importance of private giving is as valid today as it was a generation ago; only this time it is not the emergence but the sustainability (or reinvention) of the modern university in America that is at stake. If private giving were to stop today, higher education institutions in the United States would find themselves in very difficult circumstances.

It may come as a surprise then that despite the crucial role fundraising has played in the American higher education, it remains one of “the least studied aspects of higher education” (Drezner, 2011, p. ix). When fundraising is studied (Drezner, 2011, pp. 47–64), the studies are often atheoretical, and focus heavily on donor motivation and similar *tactical* issues. While it is important to know the answers to the questions like why people give and how to make even more people give even more, both students and practitioners of fundraising should also be concerned with more fundamental questions on the role of fundraising and its mechanisms.

### **Purpose of Study**

Considering the gap between the importance of fundraising on one hand and the inadequate coverage it receives in the academic literature on the other hand, there is both a need and an opportunity to contribute fresh insights and generate new debates on the subject. The author seeks to do so in two ways in this study.

First, the author proposes a new theoretical framework to conceptualize fundraising. In contrast with the existing research, the proposed framework of dynamic capabilities treats fundraising as a *strategic* phenomenon. The underlying belief behind the choice of this approach is that seeing fundraising through the lenses of strategy can help both scholars and practitioners better understand the role and mechanisms of impact that fundraising has in higher education.

Second, the author presents and discusses the findings of an exploratory qualitative study that tested the proposed theoretical framework in an empirical investigation of three cases of major gifts to three academic institutions: a major research university, an emerging research university, and a health institution.

## **Conceptual Framework**

As stated above, it is widely accepted that raising private gifts is important for colleges and universities, and this study makes this importance explicit by choosing to provide a theory-driven explanation for this importance that treats fundraising as a strategic phenomenon. One way to define strategy is “coordination of all means available with fundamental goals” (Gaddis, 2011, p. 169). Adopting this definition for the purposes of this study, fundraising is defined here as a means that helps universities and colleges achieve their strategic goals. To describe more precisely this strategic role of fundraising as well as the mechanisms through which it fulfills the role, this study proposes to conceptualize fundraising as a dynamic capability.

### **Overview of Dynamic Capabilities**

The concept of *dynamic capabilities* comes from the academic field of strategic management. The basic question that strategic management is concerned with is how to achieve and sustain competitive advantage in business environments (Teece, Pisano, & Shuen, 1997). Academic organizations are not exactly like business organizations (see Winston, 1997, 1999); however, they are very much concerned with competition and competitive advantage; they compete constantly for faculty, students, facilities or research grants.

The framework of dynamic capabilities originated from the analyses of how can competitive advantage be achieved and sustained in rapidly changing industries. A recent example of such industry is mobile phone industry. In a matter of years, a market leader (Nokia) and its products (non-smart phones) were substantively replaced by different companies (Apple, Samsung) and their products (iPhone and other smartphones). As a result, the fortunes of the organizations involved changed dramatically.

Studying developments like this, researchers observed that some companies seem to possess certain capabilities that allow them “to continuously create, extend, upgrade, protect, and

keep relevant the enterprise's unique asset base" (Teece, 2007, p. 1319). In other words, some organizations have capabilities to be dynamic (to continuously change) and those capabilities help them stay relevant and successful over time. While originally developed for fast-paced business industries, the concept of dynamic capabilities can be relevant to any organizations that operate in competitive environments. For instance, a dynamic capability to invest in the research of new, promising ideas is as relevant to pharmaceutical companies as it is to universities.

### ***Resources, Routines, and Paths***

Three notions are important in understanding the concept of dynamic capabilities: resources, routines, and paths. These are the broad categories of ways in which organizations can compete, and dynamic capabilities can be present in any of the three. At the same time, resources, routines and paths constitute the capabilities themselves.

In their original article, Teece et al. (1997) identified several illustrative classes of *resources* that constitute dynamic capabilities. They include, among others, technological resources, financial resources (e.g. available cash or cash flow), or reputational resources. For example, companies with exceptional reputation, such as Google or Amazon, enjoy certain advantages over their competitors in the marketplace: from the quality and quantity of job applicants to the amount of tolerance the stock market may have for an unexpected quarterly underperformance of the company. Academic institutions with exceptional reputations enjoy similar advantages, particularly manifested in bigger and/or better pools of job applicants or student applications, in donor interest, and so on.

*Routines* are behaviors that are "learned, highly patterned, repetitious, or quasi-repetitious, founded in part in tacit knowledge" (Winter, 2003, p. 991). An example of a routine that can constitute a dynamic capability is the customer service in the case of the companies such

as Southwest Airlines. Successful fundraising routines are an example of a dynamic capability in the case of academic institutions.

The notion of *paths* refers to a trajectory of an organization. According to Teece et al. (1997, p. 522), “where a firm can go is a function of its current position and the paths ahead. Its current position is often shaped by the path it has traveled.” Thus “a firm’s previous investments and its repertoire of routines (its ‘history’) constrain its future behavior.” The most successful competitors are often those that manage to adjust their paths to the new competitive terrain. Companies such as GE or IBM have managed such path-breaking strategic changes in the recent decades. The current experiments with massive open online courses (MOOCs) are one example of a potential path-breaking change in higher education that some institutions may be better able to respond to than others are.

### **Fundraising as Dynamic Capability**

A crucial insight to note is that dynamic capabilities by themselves may not be the direct source of competitive advantage and superior performance (K. M. Eisenhardt & Martin, 2000). Rather, dynamic capabilities impact the performance of an organization indirectly, by impacting (creating, shaping, destroying) organization’s resources, routines and paths that in turn impact the organization’s products and therefore its performance (Zott, 2003).

To put it in the perspective of higher education, great fundraising by itself does not guarantee a great university; such greatness continues to be defined by excellence in research, teaching and service. However, being a great university without great fundraising is a difficult proposition. And here lies the essence of the strategic importance of fundraising for a university: it is not the core function of a university but it allows the university to manipulate the assets related to its core functions. Those assets include resources, both tangible and intangible

(academic buildings, faculty members, athletic facilities, and so on); routines (such as curriculum); and paths, too, as fundraising allows universities to pursue new ventures.

### **Research Questions**

If fundraising is of strategic importance to higher education institutions, as proposed above, is there a relationship between the strategies of the institutions and their fundraising? The empirical part of the study investigated this potential relationship.

The basic empirical question that this study investigated was: How (if at all) do individuals involved in fundraising decision-making connect university strategy with fundraising activities? This question was translated into the following sub-questions:

1. Are those individuals involved in fundraising decision-making familiar with the university strategy?
2. Do those individuals involved in fundraising decision-making adjust resources they use in fundraising based on the university strategy?
3. Do those individuals involved in fundraising decision-making adjust routines they use in fundraising based on the university strategy?
4. Do those individuals involved in fundraising decision-making adjust their established paths in fundraising based on university strategy?

### **Methodology Summary**

To test the relationship between strategy and fundraising, the author researched behavioral representations of strategy in three case studies of major gifts to three academic institutions of different types. Different types of institutions were selected purposefully to allow for richer, more insightful findings. For both practical and scientific considerations, the research focused on the institutions in the state of Texas.



Data for the study came from three types of sources: first, primary sources, such as strategic plans or speeches; second, semi-structured personal interviews with those involved in the fundraising cases; and third, other sources deemed important to the study by the author.

The case selection as well as the selection of interviewees was primarily driven by the reputation sampling technique.

### **Significance of Study**

By providing a new conceptual model and by conducting, reporting on, and discussing an empirical research informed by the model, this study aims to advance the debate about fundraising in the field of higher education for the benefit of those involved in it or interested in it as researchers or practitioners.

Proposing a new conceptual framework to study fundraising extends the current fundraising research beyond its traditional focus on donor motivation and related issues. Grounding fundraising research in a well-developed theoretical framework also strengthens the foundations of the research. Moreover, positioning fundraising research within the field of strategic management connects this research to voluminous literature in another discipline which opens more opportunities for interdisciplinary research.

It is important to note here that the introduction of the new theoretical concept is not intended to replace previous concepts in fundraising research; rather, it is meant to be complementary to the previous work in the field. The goal of science should be the maximum knowledge generation and innovative discoveries. A new framework may aid in achieving this goal by enlightening and amplifying what previous frameworks may have not articulated. A new framework may also stimulate a conversation that would lead towards a more dynamic, more diverse, and broader understanding of fundraising in higher education.

In the empirical area, the study used the framework to guide and conduct qualitative studies of three successful cases of major giving at the institutions of higher education in the United States. This qualitative study focused on exploring a potential relationship between fundraising and strategy as seen by the individuals involved in fundraising decision-making. The empirical findings and the contributions resulting from them could serve as a launching pad for more empirical research in the area.

Following the maxim that nothing is as useful as good theory, the study also aims to inform and inspire fundraising practitioners to consider the study's theoretical underpinnings and empirical findings in their strategic decisions and actions.

Finally, the significance of this study may go beyond fundraising. At its basic level, this is a study of the character of strategy in higher education, and of how (if at all) do academic institutions turn their strategies into action. The conceptual framework and empirical findings reported in this paper may inform future research in this area.

### **Assumptions**

Several assumptions were made in constructing this study.

1. There are differences among the participating institutions that justify conducting multiple case studies.
2. Individuals will be interested in participating in the proposed research study.
3. Individuals will be available for interviews during the period for data collection.
4. Individuals will answer questions openly, honestly, and truthfully.

Looking back, the first three assumptions proved to be correct. The fourth assumption remains an assumption.

## **Definitions of Terms**

Definitions of some terms are desirable, particularly because the study uses concepts from multiple fields. For the purposes of this study:

Fundraising is “the raising of assets and resources from various sources for the support of an organization or a specific project” (Ciconte & Jacob, 2011, p. 567). This is a definition used by the Association of Fundraising Professionals. Compared to some other definitions, this one is more flexible; it implies that fundraising is not just about raising money.

Strategy is “coordination of all means available with fundamental goals.” The definition is inspired by a definition of grand strategy in policy studies (Gaddis, 2011, p. 169).

Strategic management is “the major intended and emergent initiatives taken by general managers on behalf of owners involving utilization of resources to enhance the performance of organizations in their external environments.” This is an adjusted version of a consensual definition of the field as proposed by Nag, Hambrick, and Chen (2007). The word “organizations” used here replaced the word “firms” in the original definition to better reflect the character of higher education.

Dynamic capabilities are capabilities that allow organizations “to continuously create, extend, upgrade, protect, and keep relevant [their] unique asset base” (Teece, 2007, p. 1319).

## CHAPTER 2 – LITERATURE REVIEW

The goal of the literature review was to identify, present and discuss the most important and relevant works and veins of research related to the topics of the study.

The results of the review are presented in this chapter which has two main parts. The first part outlines the current state of knowledge relevant to this study. It begins with an overview of the historic significance of fundraising in American higher education and continues with a discussion of its current importance. This part of the review then concludes with pointing out the gap between the importance of fundraising in higher education on one hand and the relative lack of robust research and scientific understanding of it on the other hand.

The second part of literature review focuses on the conceptual framework of dynamic capabilities. It provides a thorough overview of the framework: its origins, elements, roles, as well as its criticism. It concludes with a synthesis that provides an argument for using the framework of dynamic capabilities to conceptualize fundraising in American higher education.

### **Literature Review Methods**

The literature search was conducted for the individual terms and various combinations of terms “strategy,” “strategic,” “management,” “dynamic capabilities,” “higher education,” “universities,” “advancement,” “development,” and “fundraising.”

The initial searches for the relevant literature on each topic were conducted using Google Scholar. The search focused on identifying peer-reviewed journal articles published since 1980; however, any articles and other relevant works written pre-1980 that are considered seminal in the field were also included. More searches were done using the Education Resources Information Center (ERIC) website and ProQuest Dissertations & Theses Full Text. The author also identified relevant journal articles and textbooks used in the classes he took. The lists of

references in these initial sources were then searched for additional relevant sources. The search wended down when the same sources kept re-appearing.

## **Importance of Fundraising in American Higher Education**

The importance of fundraising in American higher education has long been recognized in the academic literature. There is a consensus that fundraising has played an important role in shaping of the American higher education (Drezner, 2011). The following pages provide an overview of this role from the very beginning to today.

### **Historic and Current Importance of Fundraising**

A detailed discussion of the historic contribution of fundraising to American higher education is beyond the scope of this study. A reader interested in this topic will be well served by a number of books that covers the subject in more detail (Curti & Nash, 1965; Drezner, 2011; Sears, 1922). However, the following pages provide a brief historic outline in order to understand the phenomenon in a historic perspective.

While the current systematic fundraising might be a product of the twentieth century, private support of colleges and universities is deeply rooted in the history of American higher education (Cutlip, 1965). For private institutions, fundraising has been of a critical importance since the beginning. Many institutions, including Harvard, Stanford, Yale or Duke, owe their names and, to an extent, their fortunes to their donors.

For public universities, the need to raise private funds may be a more recent phenomenon. However, Clark Kerr observed already a generation ago that “private fundraising by both public and private institutions has, in recent times, increasingly become a mechanism for competitive advantage” (Kerr, 1991, p. 15).

While fundraising has always been important and integral part of American higher education, the reasons why American colleges and universities have been turning to private support have changed.

At the beginning, as noted by Drezner (2011, p. 18), based on Ashcraft (1995) and (1992), “the early American economy was not able to support its own charitable activities to found and support colleges.” At that time, colleges and universities needed private help for even the most basic operations, and the help often came from the ‘old world.’ The situation is different today: the American economy is able to and does publicly support its colleges and universities. However, this support is a discretionary budget item. For a variety of reasons, ranging from mandatory spending on other items (such as healthcare) to variations in tax policies and receipts, the level of state and federal support for higher education has been uncertain since at least 1970s and 1980s (Archibald & Feldman, 2006; Orszag & Kane, n.d.; Weerts & Ronca, 2006). At the same time, despite the uncertainty of its budgetary funding, the costs of higher education and the institutional budgets have grown for decades (Blumenstyk, 2012). Not surprisingly, achieving the balance between revenues and expenses have become harder over the years.

Traditionally, colleges and universities balanced their budgets by raising tuition. However, as Satterwhite and Cedja (2005) noted, there is a limit to how much universities can count on raising tuition while maintaining affordability, particularly in the environment where the affordability of higher education is already an issue at both state and federal level. With a limited tuition maneuvering space, institutions are left with few other choices. On the expenses side, they could manage their costs better, and there has been some movement on this front in the recent years. On the revenues side, they must look for income elsewhere – and fundraising is often the first place the institutions turn to. According to the most recent Voluntary Support of

Education survey (“VSE Annual Publication,” n.d.), the total contributions to colleges and universities in the United States in 2015 was \$40.3 billion, the highest ever in the history of the survey that spans over five decades. This increased reliance on fundraising is reinforcing its institutional importance.

It may also reinforce the institutional inequality though. According to Cheslock and Gianneschi (2008, p. 209), declining state appropriations “can substantially alter the distribution of resources across institutions of higher education.” In their empirical study, the authors found that the level of inequality among institutions is dramatically higher for fundraising than it is for state appropriations. This inequality was closely tied to the selectivity of institutions: more selective institutions received more dollars from gifts. Cheslock and Gianneschi also found that while public higher education institutions taken together secured more donations to offset for the decline in state appropriations, this was not the case for all individual institutions.

Such findings suggest that the inequality in raising private money may increase the overall resource inequality among public institutions in a way that is unacceptable in state appropriations that distribute resources more equally. The explanation for this inequality may be what is known as the virtuous circle of higher education: “When seeking the institution that can best perform the activity of interest or the one that maximizes the direct benefits from the gift, a donor will be attracted to those institutions that already possess significant resources (Cheslock & Gianneschi, 2008, p. 214).” Interestingly, “the most selective public institutions, which may have the easiest time generating alternative revenues, could still experience the greatest fiscal stress (Cheslock & Gianneschi, 2008, p. 224).” That is because they compete with the most selective private institutions (Geiger, 2004) which are able to save at much higher rates than other schools (Carbone & Winston, 2004).

## **Gap Between Importance of Fundraising and Understanding of Fundraising**

Despite its importance, academia failed to examine fundraising critically as a phenomenon in a more systematic way. It may be called the paradox of strategic ignorance of fundraising in higher education: even though fundraising is of strategic importance to higher education, higher education does not study fundraising as a strategic phenomenon. The vast majority of academic research on fundraising in academia is “atheoretical and is written almost exclusively for fundraisers” (Drezner, 2011, p. ix).

A plenty of anecdotal evidence suggests the existence of understanding gap at the practice level, too. For instance, while the university presidents see fundraising activities as one of their priorities, fundraising also is, ironically, “the area presidents stated they were least prepared to address when they began their presidency” (Cook, 2012). In private conversations, development professionals will raise a related concern: they see a gap between what university leadership expects from them and what they think they can do.

The problem is not that there is no literature on fundraising in higher education or that the literature ignores strategy. On the contrary, the word strategy itself may be overused in fundraising literature, particularly in the writings for professionals. The problem is that the consideration of strategy in the literature is limited to the notion of strategy as best practices related to a particular fundraising tool or campaign. What is missing is a vigorous debate about fundraising and strategy at the organizational level. A debate like that could and should lead to better understanding of basic questions such as what is fundraising and what it does for universities. The next part of the literature review introduces a conceptual framework that could help spark the needed debate: the framework of dynamic capabilities.



## **Dynamic Capabilities as Conceptual Framework**

The concept of dynamic capabilities comes from the scientific field of strategic management. As stated above, the basic question in strategic management is how to achieve and sustain competitive advantage in business environments (Teece et al., 1997). While academic organizations are not business organizations (Winston, 1997, 1999), they operate in an environment that is often very concerned with competition and competitive advantage: colleges and universities are in constant competition over best faculty, best students, or best facilities. This is a key argument underpinning this study: the strategic importance of fundraising can be better understood by looking at it through the lenses of competition and competitive advantage which is a domain studied by strategic management.

### **Strategic Management Theory Development Leading to Dynamic Capabilities**

The following paragraphs provide a short outline of the major developments in strategic management theory and practice in the last few decades (Hoskisson, Hitt, Wan, & Yiu, 1999). The purpose of this outline is threefold. First, it allows for a better understanding of the concept of dynamic capabilities by showing the theoretical foundations from which it stems. Second, it illustrates the important relationship between strategic management as a field of practice and strategic management as a field of study. Finally, the outline grounds the theoretical and practical developments in strategic management in the context of higher education. Overall, the outline should provide a strong argument for the concept of dynamic capabilities as a valid framework for both description and prescription on the role of fundraising in higher education.

### ***Early Paradigms of Strategic Management***

Up until mid-1980s, strategic management focused in both theory and practice on the industry-wide origins of competitive advantage rather than on individual competitors. Represented by such concepts as Porter's 'five-forces' framework (1980), the dominant

paradigm was that the competitive advantage of a business organization comes from its position in an industry and its ability to use, alter, or defend that position from other competitors. An example of an organization with a strong competitive position under this paradigm was an airline with a large market share in a highly-regulated airline industry characterized by high entry barriers that discouraged new competitors. A higher education analogy would be a well-connected elite university in a highly regulated, well-funded educational sector with only few other institutions around to compete with. According to this paradigm, profits – funding in the case of higher education – were the result of the organization’s (or management’s) ability to pick the right industry and the right position in it.

This paradigm suited well most if not all industries (including higher education) in late 1970s and early to mid-1980s, particularly in the United States, the home of management theory. By late 1980s and early 1990s, however, the field of strategic management – both in theory and practice – started moving in a different direction. The move was by no means an accident; new developments in both practice and research drove and mutually reinforced the change.

### *Origins of Resource-Based View*

The managerial challenges of 1980s were dramatic. Numerous industries in the United States were deregulated and opened for more competition. In some industries, such as air transportation, the decreased regulation and increased competition was mostly domestic. Other industries were becoming more deregulated and competitive even at the international level. The ‘old’ companies like American Airlines or Chrysler were losing to new competitors such as Southwest Airlines or Honda. The ‘old’ management theory focused on industry rather than individual firms was failing to describe and prescribe for this new, more competitive, more

dynamic world. There was a need for a new paradigm, and it soon emerged in the form of the resource-based view of a firm (Barney, 1991; Wernerfelt, 1984).

### ***Resource-Based View***

The new approach strongly suggested that the organization-specific factors, rather than industry effects, were most important in explaining the organization's performance (Cool & Schendel, 1988; Rumelt, 1991). Specifically, the resource-based view argued that the source of the competitive advantage of a firm lied inside the firm: in the resources a firm possessed, rather than outside the firm, in the firm's industry and its position in it.

The view was not concerned with just any resources. Some resources, such as land or unskilled labor, are usually readily available for purchase in markets and as such cannot constitute competitive advantage because competitors can easily buy them. The resources that the resource-based view is concerned with, on the other hand, are those that can constitute competitive advantage. They are known by the acronym VRIN: they are Valuable, Rare, Inimitable and Non-substitutable (Barney, 1991). According to this paradigm, profits are the result of the organization's (or management's) ability to gain, protect, and use such unique resources.

These resources are both tangible (such as equipment or geographic location) and intangible (such as particular expertise), and they are often developed over time. Due to their proprietary character or tacit knowledge involved they are hard to replicate or trade without buying or selling the firm or its subunit as a whole. An example of such resource is the corporate culture in Southwest Airlines. There are many examples in higher education as well. For instance, a reputation that universities such as Harvard have built over the years fits the VRIN character of resources very well.

### *Origins of Dynamic Capabilities*

The resource-based view of competitive advantage was further developed in the late 1990s with the introduction of the new concept of dynamic capabilities. The concept was not proposed to replace the ‘old’ paradigm of the resource-based view. The two views were to become complementary with dynamic capabilities proposed as a more precise concept to explain and advise on the issues of the day.

In the seminal paper that formalized dynamic capabilities, Teece, Pisano and Shuen (1997) recognized the strength of the resource-based view in explaining the nature of the competitive advantage. However, they also pointed out what they saw as a major shortcoming of the paradigm: it did not explain how the competitive advantage was to be sustained, particularly in the environments of rapid technological change.

Writing primarily about and for business organizations in the most dynamic markets of that time (such as semiconductors), the authors observed (1997, p. 515) that “Winners in the global marketplace have been firms that can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences.” They placed this capability of the management to both dynamically respond to and challenge its environment at the core of the concept of dynamic capabilities.

While higher education may not be the most dynamic sector of the economy, one may argue that its dynamism has been increasing. Besides the financial pressures that were outlined above, traditional academic institutions in the United States have faced several other challenges and opportunities in the recent years: changing demographics, the increased competition from for-profit institutions, the rise of new technologies, the calls for more commercialization of

academic research, or strengthening of the international competition. American colleges and universities have demonstrated their ability to innovate in the face of these challenges, from the ways classes are taught to the ways students are financially supported. Behind those innovations are very often the well-known core competences that the institutions already possess like excellent faculty. What is less recognized is that a particular dynamic capability often powers these competences and innovations: fundraising.

### **Dynamic Capabilities and Their Determinants**

Dynamic capabilities are “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997, p. 516). The term ‘dynamic capabilities’ is meant to emphasize the two key aspects of the concept: dynamism and capabilities.

The ‘dynamic’ part of the term refers to “the capacity to renew competences so as to achieve congruence with the changing business environment” (1997, p. 515). It also reflects the concept's intellectual origin in the Schumpeterian worldview of “innovation-based competition, price/performance rivalry increasing returns, and the ‘creative destruction’ of existing competences” (Teece et al., 1997, p. 509). Organizational routines or competences need to change constantly in this paradigm.

The term ‘capabilities’ refers to the ability of the organization’s management to appropriately “adapt, integrate, and reconfigure internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment” (Teece et al., 1997, p. 515).

Dynamic capabilities include and are constituted by organizational *routines* (or *processes*) and *resources* (or *positions*), and are molded by the organization's evolutionary and co-evolutionary *paths* (Teece et al., 1997, p. 518).

### ***Routines***

Organizational routines refer to the “way things are done in the firm” (Teece et al., 1997, p. 518). According to Teece et al., routines have three roles: coordination/integration (a static concept), learning (a dynamic concept), and reconfiguration (a transformational concept).

#### *Coordination/integration.*

Coordination/integration refers to how the organization's activities are coordinated (or managed), both internally and externally. It has been documented that differences in how organization's activities are coordinated/integrated account for a significant variation in performance, for instance in the automobile industry (Clark & Fujimoto, 1991). These findings may translate into the world of fundraising in higher education. Just like factory floors are organized in different ways so are the development offices. Similarly, just like different factories may ask workers to do things in different ways so do fundraising professionals at different universities do things differently. Despite the prevalence of certain fundraising ideas and approaches (Burnett, 2002), there are well documented differences in the execution of ideas (Bossidy, Charan, Burck, & more, 2002; Hrebiniak, 2013).

#### *Learning.*

Learning, both at the individual and organizational level, is another key organizational process that can account for the competitive advantage. It is through learning's repetition and experimentation that existing routines are adjusted (or abandoned) and new routines are created. Moreover, learning is instrumental in identifying new opportunities. A prime example of how

this concept applies in higher education development offices is learning about, implementing, and/or creating the so-called ‘best practices.’

### *Reconfiguration.*

It is imperative that an organization recognizes changes in its environment and adjust – or reconfigure itself – accordingly. Reconfiguration is what development offices and officers allow universities to do by raising resources to transform the institution. It is, however, also what development offices and officers must do themselves: a recent example may be the rise of social media and the need to adjust the routines accordingly.

### *Resources*

Dynamic capabilities of an organization depend on the specific resources (or assets) dedicated to them in an organization. In their original article, Teece et al. (1997) identified several illustrative classes of resources or assets: technological, complementary (e.g. sales force), financial (such as available cash or cash flow), reputational, structural (e.g. degree of hierarchy, or the level of centralization), institutional (such as regulatory environment, governance, or geographic culture), market (market position), and organizational boundaries.

Some of these illustrative resources may be more relevant to fundraising in higher education, while other resources may need to be added. For instance, databases with contact information on alumni, current students, as well as donors and prospective donors are an example of a distinct resource.

### *Paths*

The legacy of the past decisions shapes both practiced routines and available resources of an organization. According to Teece et al. (1997, p. 522) “Where a firm can go is a function of its current position and the paths ahead. Its current position is often shaped by the path it has

traveled.” In other words, “a firm’s previous investments and its repertoire of routines (its ‘history’) constrain its future behavior.”

This constraining property of an organizational path can be illustrated by a statement many have heard at some point of their organizational careers: ‘We have always done it this way.’ It is hard to imagine development offices being immune to this phenomenon; those offices able to overcome it may benefit from their path-breaking activities.

### **Roles of Dynamic Capabilities in Competitive Mechanism**

Dynamic capabilities allow organizations to take strategic steps that can ‘change the game,’ take an organization to ‘a higher level’ (Winter, 2003). They allow enterprise to align its resource base with the strategy it pursues (Bingham & Eisenhardt, 2008), and they do so by allowing the organization (1) to sense (and shape) opportunities and threats, (2) to seize opportunities, and (3) to manage threats and reconfigure (renew) itself (Teece, 2007).

#### ***Sensing (Shaping) Opportunities and Threats***

In a non-competitive, static world, there would be no need to sense opportunities and threats. However, only a few organizations (e.g. a monopolistic government entity like the Internal Revenue Services) might afford this luxury, and even for them the comfort may not be permanent. For any other organization, its well-being is dependent on the organization’s ability to *sense* (if not *shape*) new opportunities and threats.

The microfoundations of such sensing and obstacles to it are well documented in literature (March & Simon, 1958; Nelson & Winter, 1982). Of a particular interest to this study is a recognition that searching and exploring new opportunities and threats should extend beyond the boundaries of the organization: New opportunities (and threats) are often discovered in a relationship with (potential) customers, suppliers or complementors (Teece, 2007). Development



offices might be well positioned to manage such relationships of opportunity sensing and shaping with donors and potential donors.

While the prospect of a development office at the forefront of identifying strategic opportunities may be attractive, it is important to recognize the limits to such search and exploration. These limits include, among others, a need to develop processes to guide the analysis and decisions on opportunities, limited attention within an organization (Cyert & March, 1963), or a need to make sensing new opportunities an organizational activity rather than an activity of a selected few. In other words, a development office capable of identifying new opportunities for the institution is still dependent on the institution to act on those opportunities.

### ***Seizing Opportunities***

Once an opportunity was identified – whether by deploying a dynamic capability or simply by accident – dynamic capabilities can help the organization *seize* this opportunity as well. Seizing an opportunity often involves an investment, often a sizeable one, and this is the area fundraising is perhaps associated the most with.

There are well-documented limitations and obstacles to opportunity seizing that can stack the deck against the new in favor of the old: decision-making rules in organizations, well-established paths, routines, and resources, as well as many biases in decision-making.

### ***Managing Threats and Reconfiguration (Renewal)***

The risk of failing to overcome well-established paths and biases is not relevant to the new opportunities only. As Teece (2007, p. 1335) noted “Profitable growth will lead to the augmentation of enterprise-level resources and assets. Success will cause the enterprise to evolve in a path dependent way.” Examples of successful companies that failed to respond to a rise of a new product or a change in customer’s taste are abundant.

Fundraising may not be a perfect remedy against this risk. In fact, development offices may fail for it themselves, either as a unit or even as part of the status quo culture of the organization. This is important to keep in mind: fundraising is an inherently neutral tool that can be used for different purposes, with different outcomes; it can be a tool of preserving status quo as much as it can be a dynamic capability that facilitates change.

### **Criticism and Evolution of Dynamic Capabilities**

Dynamic capabilities have received its share of criticism despite the success and attention they achieved and generated in strategic management theory as well as practice. Several authors have criticized and challenged the concept for several reasons, including for being vague, for lacking empirical grounding, and for the lack of clarity on boundaries in which the concept applied. The following part of the literature review outlines this critical debate as it informed the study.

#### ***Concept Foundations***

A number of authors (e.g. Priem & Butler, 2001; Williamson, 1999) criticized the concept for its vagueness and tautological nature. However, in their major attempt to explicate dynamic capabilities, Eisenhardt and Martin (2000) argued that dynamic capabilities are neither vague nor tautological; on the contrary, the authors saw them as identifiable, specific processes that focused on such activities as integrating, reconfiguring, gaining, and releasing of resources. This study approaches fundraising as a bundle of such specific processes.

#### ***Rethinking Path Dependence and Idiosyncrasy of Dynamic Capabilities***

While Teece et al. (1997) characterized dynamic capabilities as highly idiosyncratic activities that followed an organization-specific path, Eisenhardt and Martin (2000) offered a more refined perspective: Dynamic capabilities are certainly idiosyncratic in their details but

they share commonalities in key features. The existence of the similarities does not mean that any particular dynamic capability is exactly alike across firms (K. M. Eisenhardt & Martin, 2000, p. 1109). It implies, though, that firms (organizations) can start building their dynamic capabilities at different points, follow their own different paths, and still arrive at the same dynamic capabilities.

Moreover, as Eisenhardt and Martin observed, “while the evolution of dynamic capabilities occurs along a unique path for any given firm, that path is shaped by well-known learning mechanisms” (2000, p. 1117). Repeated practice, codification of such practice, as well as mistakes (particularly small losses) are crucial in this learning. Investments in organizational learning can thus lead to more dynamic capabilities.

This debate is important because it suggests a potential for so called ‘best practices’ in dynamic capabilities, including in fundraising. It also suggests, however, that if there is such thing as widely adopted best practices in a particular capability (like fundraising) then the capability by itself is not likely to create a competitive advantage. The sustainable competitive advantage may lie instead in the reconfiguration of the resources that a particular dynamic capability (such as fundraising) allows for. Using those capabilities sooner, more astutely, or more fortuitously may allow for the edge in reconfiguring those resources (K. M. Eisenhardt & Martin, 2000, p. 1117).

While the previous lines may suggest a relative easiness of building dynamic capabilities over time, there is a caveat to that. A number of studies (e.g. S. L. Brown & Eisenhardt, 1997) found that having common elements of dynamic capabilities is not enough. The order in which they are built (the order in which their sub-routines or capabilities are built) may be equally important. Some elements may be foundational to others and thus must be implemented first (K.

M. Eisenhardt & Martin, 2000, p. 1116). It may be interesting to investigate this proposition in the context of fundraising.

### *Costs of Dynamic Capabilities*

The substantial and long-term investments that are usually needed to build and sustain dynamic capabilities have also been questioned. Winter observed (2003, p. 992) that “It is quite possible to change without having a dynamic capability.” The alternative proposed by him is to use ad hoc problem solving; that approach may be economically superior to investing in and deploying of dynamic capabilities.

For example, if the capabilities are not exercised enough, if they become cost burden, and/or if they are exercised just for the sake of exercising them (since they are available and/or the investment in them was made), they can lead to unnecessary disruptions, more costs, and so on. Moreover, if a number of firms pursue the same dynamic capability, the costs of pursuing them may rise (Winter, 2003, p. 994). The phenomenon might already be present in fundraising: the anecdotal evidence suggests that as colleges and universities pursue significantly more investments in fundraising the costs of finding and employing fundraising professionals (such as salaries) have gone up as well.

### *Boundaries*

There has been a significant debate over the boundaries of dynamic capabilities. A large body of literature suggests that industries with different dynamism (a different pace of change) may call for different strategic processes, including a different pace of organizational change. For example, while linear, comprehensive, ‘learning-before-doing’ decision-making may be appropriate for firms in a slowly evolving industries, such as paint products (Fredrickson & Mitchell, 1984), a more rapidly changing industry like biotech may call for simpler, faster, more

of a 'learning-by-doing' approach (Pisano, 1994). This issue ought to be considered. Depending on one's view of the dynamism of the sector, a different approach to deploying dynamic capabilities in one area or another may be appropriate

### **Dynamic Capabilities in Higher Education Research**

The concept of dynamic capabilities has not been applied to higher education in a significant way. An extensive search of books, journal articles, databases and theses revealed a single article that applied the concept to higher education. Gallardo and Navarro (2003) offered dynamic capabilities as a prescriptive model for managing change in higher education.

### **Conclusion: Fundraising as Dynamic Capability**

Based on the literature outlined in this review, this paper argues that the strategic importance of fundraising can be better understood by looking at it through the lenses of competition and competitive advantage. Specifically, the study proposes to conceptualize fundraising as a dynamic capability.

In accordance with this conceptualization, it is suggested that fundraising allows universities to do what dynamic capabilities allow business organizations to do: to manipulate their unique assets in order to sense opportunities and threats, seize opportunities, and manage threats. This conceptualization permits a much richer view of the strategic role of fundraising, as opposed to the traditional simplification of fundraising as a tool that helps 'balance the books' or pay for the 'margin of excellence.'

In line with the concept, fundraising as a dynamic capability can be conceptualized as a bundle of resources, routines and paths. Also in accordance with the theory, it is important to recognize that great fundraising by itself does not guarantee a great university; such greatness is still defined by excellence in research, teaching and service. Fundraising may 'only' make it easier or more likely for this greatness to happen.

## CHAPTER 3 – METHODOLOGY

The purpose of the empirical part of this study was to investigate a potential relationship between university fundraising and strategy. This study is the first exploratory probe in this uncharted territory of research.

The previous chapter described the theoretical background for the study. This chapter outlines methodological choices made by the author in designing and conducting the research. It is important to understand these choices in the context of the study. With no previous studies to follow, the overarching challenge and ambition was to design and execute a study that would be able to stand on its own as well as to inspire a new research agenda.

### **Research Design**

The author decided to conduct a detailed qualitative study of three cases of major gifts to three major academic institutions.

Multiple case studies approach (Miles & Huberman, 1994, p. 29) seemed to be appropriate considering the lack of previous research in this area and the need for deeper basic understanding of the studied topic. The goal was to collect compelling, robust, and generalizable data (Santos & Eisenhardt, 2004) that could be used for theory building (K. M. Eisenhardt, 1989; K. M. Eisenhardt & Graebner, 2007).

The focus on the major gifts was based on the assumption that more and richer data would be available in those cases, particularly when it comes to the recollections of the interviewees. The logic behind the assumption was that major gifts required more engagement from the interviewees who would then have more memories of them.

What constitutes a ‘major gift’ is a matter of discussion. There is no universal definition of the term in the academic literature. The natural choice for a major gift indicator may be a

dollar value threshold. Many fundraising professionals would consider a donation in tens of thousands to be a major gift. At the same time, only the gifts of \$50-million or more make it to *The Chronicle of Higher Education's* list of major private gifts to higher education (“Major Private Gifts to Higher Education,” 2016). The gift’s monetary value is thus a highly person- and institution-dependent indicator of what a major gift is or is not. Using the gift’s objective as an indicator raises similar concerns. The author decided to consider the gift’s objectives as well as their monetary values in selecting the cases for the study.

### **Sample Selection**

The decision was made to limit the number of the studied cases to three. The logic behind this decision was clear: if chosen wisely, three purposefully selected cases would reveal both enough similarities and differences in the dynamics of the relationship between fundraising and strategy. The same logic drove the decision to focus on a diverse selection of higher education institutions rather than to pick similar cases at similar institutions.

In the earliest stages of the sample selection the author decided to focus on the public institutions in the state of Texas. The decision was very pragmatic. The researcher’s location in the state allowed for the use of an existing network of personal connections to solicit the research participants, and this network proved to be crucial in gaining access to the interviewees. Limiting the study to public institution decreased the number of potential cases. Moreover, it eliminated the need to consider the differences between public and private institutions.

However, it is important to understand that Texas would be a germane environment for a study of this kind regardless of the researcher’s location. The public institutions in the state – both universities and medical institutions – have in the recent years received many large major gifts, including some of the largest gifts in the nation. The state has a big, diverse higher education sector that includes well-established major research universities, several emerging

research universities, as well as many other institutions of higher education, such as major medical centers.

The next stage of the sample selection process focused on identifying the cases of major gifts that would be pursued in this study. The cases were picked using the reputational case selection technique (Miles & Huberman, 1994, p. 28). Three gifts were selected by the author in a discussion with the members of the dissertation committee. The key consideration was to research and report on diverse cases with diverse dynamics of the relationship between strategy and gifts.

The interviewees were identified in the final stage of the sample selection. The objective was to collect data from senior-level individuals involved in strategic decision-making regarding the gifts. A combination of sampling techniques was used to identify these individuals: the reputational approach guided the initial selection which was followed by the snowball selection technique (Miles & Huberman, 1994, p. 28).

Six individuals, two for each gift – a president and a chief development officer at the time of the gift – were initially invited to participate in the research, and all those individuals agreed to participate. In the case of one institution, however, both initial participants suggested interviewing a school gift officer instead of the university's chief development officer. The school gift officer was then invited to – and agreed to – participate in the study. One additional person was suggested in the case of one institution, and the person, a former dean, agreed to participate as well. In total, seven people were interviewed.

The research participants consented to be interviewed under the condition that their identity, as well as the identity of their institutions and the donors who gave the gifts, would remain confidential. In accordance with the confidentiality agreements, this study refers to the



participating institutions as the Health Institution, the Research University, and the Emerging Research University for the purposes of the reporting on research results. This was perhaps the most important tradeoff in designing this study as the decision placed limit on how much of the context of the gifts can the author provide. However, in the author's opinion, the benefits of the access to these decision makers and their willingness to be open in their interviews outweighed the limitations regarding the reporting on the details of the gifts.

### **Data Collection and Management**

The main goal for the data collection process was to collect enough data to ensure the overall data sufficiency and quality. Data were collected from three main sources: primary sources focused on strategies of the selected institutions; secondary sources that would further corroborate primary sources; and elite interviews.

The data collection process was not linear. In general, a review of primary and secondary sources was conducted for each case in preparation for the interviews. More primary and secondary sources were studied based on the information collected in the interviews.

#### **Primary Sources**

The researcher reviewed primary sources such as strategic plans of the institutions, their annual reports, capital campaign documents, major press releases, and speeches of the presidents and chief development officers to discover the intended, articulated strategy of each institution prior to the gifts. There were differences in the availability, format, and comprehensiveness of these sources between the institutions. However, the total amount and quality of information gathered for each institution was comparable.

Landing a major gift can take years and several years can pass between the articulation of a strategy and its execution. Moreover, to pinpoint the exact starting date in the history of a strategy or a major gift is often impossible. Considering these reasons, strategic documents going

back five years from the announcement of each gift were reviewed to account for the potential delay.

Most documents were found on the websites of the institutions. In case of one institution, certain documents had to be requested from the office of a senior administrator. The documents were eventually provided.

### **Secondary Sources**

The author studied secondary sources to see if they corroborate (or not) the evidence of institutional strategies prior to the gifts. These sources included newspapers, magazines, and newsletters. At the national level, it was *The Chronicle of Higher Education* and *Inside Higher Ed* website. At the state level, it was *Texas Monthly* magazine and *The Texas Tribune* website. Finally, at the local level, it was the local newspaper and the institutional publications, such as the university newspaper, website, and alumni magazine.

To get to the relevant results, the publications were searched using the keywords and combination of keywords that included the names of the donors; the names of all the institution's president and the chief development officer during the five-year period prior to the announcement of the gift; the names of the academic disciplines that the gift went to; and the words "fundraising," "development," "strategy," "strategic," "priorities," "vision," "gift," and "president."

Most sources were found in a digital form and online. To preserve the data, links to online documents were saved. Where an online document was not available, a digital copy was saved on the researcher's computer.

## **Elite Interviews**

Personal narratives of the participants in fundraising decision-making were the crucial source of data for this study. These narratives came from the personal interviews. Considering the organizational status of the participants – current or former senior-level decision makers – a particular method of interview, elite interview, was employed to get the narratives.

Elite interviews are recognized as a valid research method to reconstruct an event or a set of events, to establish what a set of people think in order to make inferences about a larger population's characteristics/decision, and/or to corroborate what other methods have uncovered (Tansey, 2007). A number of sources from multiple disciplines and perspectives provided advice on interviewing elites to the researcher (Goldman & Swayze, 2012; Kezar, 2003; Mikecz, 2012; Ostrander, 1993; Welch, Marschan-Piekkari, Penttinen, & Tahvanainen, 2002; Zuckerman, 1972). Some sources were specific to the researchers who are new to this method (Delaney, 2007; Harvey, 2010, 2011; Lilleker, 2003; Richards, 1996).

### ***Access***

Despite the above-mentioned advantage of an existing network of connections, securing access to the elite interviewees was expected to be a challenge based on the advice of some members of the dissertation committee as well as on the insights from the literature (Parsons, Johnson, Warnecke, & Kaluzny, 1993).

The main concerns were two: First, many of the interviewees were in the positions with high demands on their time. Participating in academic research, particularly conducted by a junior researcher, was not expected to be their priority. Second, there are financial and possibly other sensitive information often involved in fundraising, and the interviewees may have been reluctant to share them with an outsider. These concerns proved to be unsubstantiated.

Once contacted by the researcher, the interviewees proved to be very responsive and generous with their time. The author conducted most interviews within a week or two from the initial request by the researcher. This was likely due to the assistance from a member of the dissertation committee who alerted the potential participants to the research. Moreover, in two cases an interviewee provided the initial introduction to other interviewees.

The author also tried to address proactively the potential concerns regarding the interviewees' participation. Each interviewee received a letter inviting her or him to participate in the research. The letter allowed them to make an informed consent to participate. It explained the research idea and its importance, and provided information on data confidentiality, collection, and management. The appreciation and respect for one's time and insights were stressed at each point of the interview scheduling process and during the actual interview.

Each interviewee was interviewed once. Most interviews were conducted over Skype or phone with two interviews conducted in person. The conversation lasted from around 30 minutes to over an hour.

### ***Interview Guide***

The interviews were conducted based on an interview guide. The semi-structured guide allowed for disciplined and organized data-collection without sacrificing the possibility of flexible exploration and probing. The flexibility of open-ended interview guide, however, exacerbated the validity and reliability risks associated with this research method. Suggestions from the academic literature were followed to minimize those risks (Berry, 2002).

### ***Engagement of Interviewees***

The author needed to quickly engage the interviewees to get open, honest and thoughtful answers that would provide data of desired quality. This engagement was expected to be a

challenge because elite interviewees are expected to have short to no time to prepare for the interviews, and the issues of the day may preoccupy their minds during the conversations. Moreover, there was a limit on how much time the author would get with each interviewee.

The introductory letter that explained both the importance of the research and confidentiality of data was the first step in ensuring the engagement of interviewees. The key points from the letter were repeated at the beginning of each interview.

To sustain interviewees' engagement and high quality and relevance of their responses during the interview, the author provided recognition and support responses throughout the interview to assure the interviewee that the conversation was meeting its goal. At the same time, several precautions were made to collect unbiased data of the highest quality. In particular, the author eliminated any leading or loaded questions from the interviews. The questions also focused on the reconstruction of the events rather than remembrance.

### ***Interview Data Collection and Management***

Interviews were audio recorded. Using audio recordings allowed for strategic note taking. This in combination with the interview guide likely enhanced the quality of the collected data. After each interview the author summarized its key findings in the notes.

Collected data were managed using the current standards for responsible data management in scientific research. Data were audio recorded on two devices. Each recording was transferred from a recording device to a computer as soon as possible. The recording was then deleted from the recording device. Once uploaded to a computer, the recordings were stored in a password protected folder, and the stored files were named by encoded identifiers

The author did interview transcripts. While the transcripts will be kept indefinitely, the recordings were deleted once the transcripts were finalized. To protect confidentiality, names of

participants were not used in the transcripts of the interviews. Participants received a transcript of the recordings to ensure the accuracy of the information they provided. They could edit the transcript for any inaccuracies and to remove anything in the transcript that they did not want to be included in the final analysis.

### **Data Analysis**

The study's conceptual framework of dynamic capabilities informed data analysis. The framework provided key categories to look for in data: strategy, resources, routines, paths, sensing (shaping) of opportunities and threats, seizing of opportunities, and managing threats (or renewal) (Teece, 2007). Looking for the representations of these categories was the first step in the process of data analysis.

Once the author identified the representations of these categories in data, the next step was to describe the relationship between strategy and major gifts.

The bulk of analysis was done once all data were collected. Data were analyzed and interpreted first within-cases, then cross-cases, and then going back and forth between the two approaches, always looking for the categories and relationships.

The quality of conclusions (Miles & Huberman, 1994, pp. 277–280) was a major concern at every point of the study, particularly since data were collected and analyzed simultaneously by a single researcher. The researcher made every effort to be as objective as possible. These efforts are summarized below.

### **Reliability**

To ensure as much reliability of the results as possible, data were collected from multiple sources that are routinely used in the research of this type, using the same instruments and approaches in each case. Protocols were created to collect and organize data.

## **Validity**

To a large extent, the cases in this study are socially constructed stories, as told by the documents and interviewees. It is thus appropriate to ask if the same ‘story’ would be told to someone else or again, as the social and cultural contexts of an interview (Willis, 2007, p. 290), speech, or a document can impact what is said and how it is said.

With regards to internal validity, every effort was made to establish and maintain a chain of evidence that led to the conclusions that seem reasonable and well-supported by multiple data sources (triangulation). With regards to external validity, the reporting part of this study outlines both opportunities and threats to generalizability.

## **Human Participants Precautions**

The research met the definition of a human subject research because data were obtained mainly through the interactions with individuals. The study used procedures which were consistent with sound research design and which did not expose the subjects to any unnecessary risks.

The Institutional Review Board (IRB) of the University of Texas at Austin reviewed the proposed study, classified it as exempt, and provided feedback that was accepted. In accordance with the rules governing this type of research, risks and discomforts to the participants were addressed in an informed consent, and each participant gave the consent.

Some data collected may be perceived as sensitive and/or controversial and while any career and similar risks to participants were considered very low, the highest priority was given to protecting the identity of participants and confidentiality of information.

The most likely discomfort that the participants experienced was the loss of time. The total time commitment from the participants was expected to be no more than two hours and this expectation was met.

There was no direct compensation for participation in the research. The author communicated this to the participants as the part of the informed consent. However, an indirect compensation was offered in the form of presenting and discussing the research findings with the participating individuals and/or their institutions.

### **Ethics Precautions**

The author is not aware of any possible conflicts of interests that may have influenced this research. The author is also not aware of any personal biases that may have influenced the study.



## CHAPTER 4 – RESULTS

This chapter reports the results of the empirical part of this study with the objective to present the findings as they relate to the conceptual framework in a way that balances the focus on theory with the desire to provide engaging narratives of the case stories.

### **Introduction**

The basic question that this study tried to answer was: How (if at all) do individuals involved in fundraising decision-making connect university strategy with fundraising activities? The results presented below answer this question in three steps.

First, the answer to the Research Question 1 is outlined: Were the individuals involved in the decisions about the studied gifts familiar with their institutional strategies? Only after knowing the answer to that question can the remaining questions on how (if at all) they connected the strategy with fundraising be answered.

The second part of the chapter that reports on the Research Questions 2, 3 and 4 provides the answers to those questions. It presents behavioral evidence of the connections between strategy and major gifts as it reports on whether those individuals involved in fundraising decision-making adjusted resources, routines, and paths they used in fundraising based on the university strategy.

The third and final part of the chapter presents the narratives of how those individuals involved in fundraising decision-making connected their institutional strategies with fundraising activities in the three studied cases.

### **Notes on Results and Reporting**

The author would like to note two things before the results are presented. First, a reminder about the character of the study: this was a small exploratory study of the topic intended to ‘pilot’ the proposed conceptual framework and methodological approaches in this

area. The objective was to see if the approaches were relevant, and if yes, to prepare the ground for more future research that would refine the concept, methods, and findings. The objective was not to provide an exhaustive study; that is a challenge for the future research.

Second, a note on the reporting of the results: The researcher expected to see some conflict between development professionals and administrators in their opinions and descriptions of the events. However, data collected from interviews did not show any significant traces of that. For that reason, and to enhance the confidentiality of the participants in this study, the paper does not always note whether a quote came from an administrator or a fundraising professional.

### **Research Question 1**

The first research question was: Are those individuals involved in fundraising decision-making familiar with the university strategy? This familiarity is assumed when it comes to university presidents as they are the articulators (if not the creators) of strategy. This study focused on the familiarity among the fundraising professionals.

In the case of the Health Institution, its president noted that the chief development officer “was not involved in designing the strategic plans, but was immediately and actively involved in executing them.” The president added: “Once you set your goals – your scientific and clinical goals – you bring in the development office right away.” The development officer provided a similar account of strategic making process: “The vision of the institution and the priorities of the institution, as they relate to philanthropy, are decided upon by the leadership of the institution, not the development office; that's not the role of the development office.” However, the interviewee noted that the development office understood the strategy; one way to ensure it was to “attend a lot of meetings” where strategy was planned.

The president at the Research University expressed a similar view when commenting on the strategy making process at the institution: “I had a team,” and “the vice president who had

the responsibility for the development would sit in all of our meetings and would be involved in all of the discussions.” The president continued: “I didn't compartmentalize the administration, never have; I've always thought everybody had to be involved, it's everybody's problem.” The experience of the development officer at the Research University was that the chief development officer was to be involved in strategy making “in a nuanced way.” According to the interviewee, the development professionals “do try to influence strategy. Not in a literal way, but in a larger, more strategic kind of way.” The interviewee noted:

“[one] always try to express to the leadership of the institution that in order to attract significant philanthropic investment, the university has to have a strong vision. It has to have a coherent strategy. It has to have a story, a narrative that is marketable in the philanthropic marketplace. (...) We promote (...) very high-level thinking, and we promote the notion of big ideas.”

Perhaps the clearest example of the development officer's knowledge of the strategy came from the development officer at the Emerging Research University: “Matter of fact, when I was hired, the search firm told me they want to name the school. It was something that was communicated to me as the very large goal for fundraising.” The president of the Emerging Research University stressed the importance of fundraising to the institution's strategy: “It encompasses almost everything we do,” for the reasons that range from the tax environment in the state to “the peculiar institutional restrains that impact fundraising.”

### **Research Questions 2, 3, and 4**

Did this knowledge of strategy manifest itself in the use of resources of the development offices, in the routines of the offices (and the institutions), and in the paths the offices (and the institutions) followed? This part of the chapter focuses on answering those questions.

## **Resources**

The answer to the question of whether those involved in fundraising decision-making adjusted fundraising resources according to the institutional strategies differed by the institutions.

The strategic documents of the Research University and the strategic documents and interviews with those involved in fundraising decision-making at the Emerging Research University explicitly mentioned a significant increase of the development staff at both institutions prior to the gifts.

At the Emerging Research University, the gift was also followed with more hiring at the school level. It is not clear though if this would not have happened without the gift as well. A participant from the Research University also noted that the gift had consequences, as the school now had a development office with a staff “of about half a dozen people or more,” and “it wouldn't have happened without the gift because we couldn't afford to hire them.”

Commenting on a link between securing a successful major gift and consequent increases in resources, a participant noted that a successful major gift “does allow the leaders of the institution at all level - from the president to the deans - to think that this is an area if properly invested in could yield significant returns for them.”

In the case of the Health Institution, there was no major bump in resources prior to or as a result of the gift; however, this may be influenced by the context of the gift that happened during a major fundraising campaign. According to a participant, “I think it didn't change it. (...) When you have a campaign to raise [amount] dollars you ramp up for that. And this [the studied gift] was a substantial part of that but certainly a minority of it.” Another participant from the same institution agreed. According to the person, after a major gift is finalized at the institution, “everybody shakes your hand and says ‘good job,’ and then you go on and continue on.”

However, as an interviewee from the institution remarked, the office is “resourced well.” According to the person, “you can always use more resources but the institution understands the importance of development, and they resource us accordingly.”

### **Routines**

The Emerging Research University likely had the least structured fundraising routines prior to the gift. According to one interviewee, it was the gift researched in this study that “pointed the way to good practices in development.” The interviewee added that “it was a great internal example of how to do things well in terms of philanthropy,” in an organization that “had not been this formal structured.” Another participant noted that the gift “was a beginning of professionalizing or at least staffing development going forward; increasing our staff size, more resources, more effort behind development.” The person added “it certainly transformed the fundraising office into one that is more mainstream. It's a best practice abiding fundraising office now.”

Particularly in contrast to the Emerging Research University, the process of fundraising execution (as well as strategy making) at the Health Institution seemed to be the most structured among the institutions. Yet, a participant from the institution noted that learning still happens; “every time you're able to have a good fortune to capture a large gift like this you learn a lot. You learn tactics, you learn strategy, and you learn patience, and you learn to listen carefully. So that all happened during this.”

Commenting on the impact of the major gifts on fundraising processes in general as well as on the Research University in particular, one of the participants noted a way in which a major gift influenced individual, though not necessarily office-wide routines: “It changes the way people think,” the participant stated, and then continued:

“Take, for example, if you got the more junior members of development staff who are just beginning to shape their careers and they’re trying to formulate their own foothold and understanding how to best represent a place like that. An example [of the studied gift] like that (...) what they do is they look underneath the surface of the gift to understand how it actually happened. (...) I know it had a huge impact on the outlook of many of our mid-level or younger fundraisers in terms of what was possible. (...) it’s very important example to young people who are really finding their way in business.”

### **Paths**

While routines are more about day-to-day, regular organizational activities, paths are about the non-routine, individual choices the organization makes. Several participants noted a potential path-breaking impact of a major gift. As one interviewee noted,

“particularly if you are continually conscious of pulling that example [of a successful major gift] back into the discussion as a clear example of really leveraged philanthropy so that presidents and deans and others begin to think in those terms: What are the kinds of sea-changing ideas that I can package in my own area that would have that kind of leverage, that would be, that could be effectively conveyed into philanthropic place?”

In the case of one institution, the gift occurred early in the institution’s fundraising campaign and it was a “tremendous psychological and real boost to the campaign” that “put a point of validation” on the campaign, according to one participant. It gave the campaign a “tremendous sense of credibility.”

### **Relationship between Strategy and Gifts**

The three gifts examined in this study were among the largest in the history of the institutions in terms of the financial value as well as their institutional impact. These are extreme cases, and they were selected purposefully as the author assumed that if there is a relationship to

be found between strategy and fundraising, it should be found in the cases of the gifts of historical proportions. However, did those individuals involved in decision-making regarding the gifts actually connect the gifts with their institutional strategies? The following pages look into this question in more depth.

### **Research University**

The gift to the Research University helped bring several academic and research units – historically separate but within the same discipline – into one administrative unit. Moreover, the endowment created by the gift provided very significant financial resources to the newly created unit, allowing it to pursue hiring, research, and other activities at the pace well above what was possible prior to the gift.

The donor was making his gift late in his life, many decades after graduation from the university. The person had strong ties to the university going back to the person's studies because, as one interviewee put it, "the university had done [the donor] well." According to the interviewee, the donor said that the degree from the university was one of the two best things that ever happened to him (the other one being the marriage to the donor's spouse). Timing and even more the size of the gift were rather unexpected. "No, no, no. I haven't had any idea," responded an interviewee when asked whether the gift was expected.

The match between the institutional strategy and the wishes of the donor was not immediate, according to one interviewee. "I think we brought them into line," the person said. When the talks with the donor began – and they lasted over a long period of time – "[the donor] was very adamant that [the donor] wanted all or at least the overwhelming majority of [the donor's] resources to go to the department." The problem was, according to the participant, that

“money was so large and so vast, with such huge implications, that it was really too much of an investment for one department.” The participant noted that the university

“had to take a very careful approach (...) to explain to [the donor] that [the donor’s] interest and the university strategy would be better served if this financial windfall would spread out over broader array of disciplinary areas.” (...) “We worked to bring it into better alignment with the university's needs and strategy.”

Eventually “it actually turned out to be very closely aligned with what the institution truly wanted to be and to do,” the interviewee said.

However, how strong is the evidence for the claim that the gift served a prior strategic objective? The answer is not clear. On one hand, the strategic considerations behind this step were clearly outlined by the interviewees. According to them, management of the institution had considered bringing the units together for a while; they just had not seen a good mechanism to achieve it. That changed when a possibility of a sizable endowment, funded by the gift, appeared. According to one participant, “Then we decided: ‘Hey, that’s the way we can do that; we can bring all of them together.’” The gift would be “very substantial glue,” according to the interviewee.

On the other hand, no specific evidence that would support the claims made by the interviewees was found either in the strategic documents of the Research University prior to the gift or in the secondary sources. The institution’s strategic plan, annual and special speeches of the president, capital campaign documents, and the university news website contained no direct mention of the goal of creating an administrative unit that would unify the separate academic and research units. In fact, the documents did not mention the academic and research units concerned



at all. While mentioning a specific academic area was not usual in the strategic documents, there were some mentions of other specific academic areas.

There were, however, some broad strategic goals under which the gift may fit. They were articulated in the annual addresses of the institution's president, and they consistently included two items: first, there was a clear focus on the capital campaign – its financial goal and impact – and, second, there was a focus on improving the quality of the institution, particularly as it related to hiring and retaining faculty. The gift fit these foci.

### **Emerging Research University**

The gift to the Emerging Research University provided for significant financial support to one of its schools. In exchange, the deal included naming of the school in honor of the donor. One interviewee noted that the gift was transformational in a sense that it “really was the mark of first major, major gift that has ever been given to the institution.” Moreover, the donation was significant because it came from an alumnus, and as the participant noted, “if you want to call it tipping point, if you want to call it catalyst,” it “began a pattern of giving that other alumni and others in the community have followed.”

The gift to the Emerging Research University was the only gift that was originally driven by the development office; it was a development officer who identified the donor and cultivated the relationship. This was not unusual at the institution. As an interviewee noted, “different kinds of people at different levels can turn out to be your most valued person-to-person contact with the major donor.” The person continued, “we don't have a very highly structured, if you will, protocol in how to manage a major gift process, prospect. Rather, we try to just work with what's most logical and allow the people with the closest relationship to work towards a gift.”

At the time of the initial contact, there had been virtually no prior communication between the donor and the institution since the donor's graduation. That the donor would end up supporting the school in a way the donor did was not expected at that time. "We really weren't thinking that far ahead, really on any level, any administration level that is," noted a participant.

The time between the initial contact and the gift was a matter of a few years. An interviewee noted that the institution was looking for a donor "two or three years in advance of actually securing the gift." They went "from a list with a lot of names down to one name, the ultimate donor." They initially had a different group of donors in mind; however, they could not successfully identify a donor among them. At the beginning, they also knew very little about the person who ended up making the gift.

According to one interviewee, there were two ways to look at the gift as strategic. First, "the university and the [school] in its strategic plan mentioned the need to become a named institution." The school had evolved over the years to be competitive on the national level, and, according to one participant, the next step for the school was "a major endowment gift that would involve putting the individual's name on the school." This was "a very clear objective," according to an interviewee, and it was something that was communicated as "the very large goal for fundraising." The motivation, according to the participant, was to fund faculty chairs and graduate student fellowships. At the same time, "the ability to raise that kind of money almost is viewed as an entry fee to become a major school" in the particular discipline. It is "a necessary step to validate the success and credibility of the school," said the interviewee.

Despite the claims made by one interviewee, the strategic intent of the institution, as expressed by the interviewees, was not explicitly expressed in the primary or the secondary sources studied. In the strategic documents of the Emerging Research University – its strategic

plan, its vision, annual reports, capital campaign documents, and the president's letters to the community – the goal of naming the school was not mentioned. Even when the university president emphasized the success of the school – as the president did in several documents – there was no mention of any strategic goal specific to the school. However, similar to the Research University, there were broad strategic goals under which the gift may fit such as “to increase endowment” and to “increase the number of faculty.”

The institution did not have a clear plan on how to achieve the goal it set to achieve, “other than the fact of growing development, growing fundraising operation.” This is where the other way to look at the gift as a strategic one came in, according to the interviewee: “The second part of strategy would be developing a better and best practice fundraising operation within the school that could go about identifying, cultivating, nourishing a relationship that would ultimately resolve in a successful naming of a school.”

### **Health Institution**

The gift to the Health Institution provided funding for multiple initiatives, from infrastructure to supporting research. The main significance of the gift may have been in its timing and its accelerative effect. As an interviewee noted, “it enabled us to do something that I know we would have done but this allowed us to move on quickly and spend our time focusing on accomplishing the science and the therapeutic goals.” The timing was “perfect,” said another participant. New approaches in a particular area of medicine were developing, and the institution was “just beginning to plan this kind of program and then this gift came alone,” said the interviewee. “It is expensive to start up a program like this both in the terms of space needed, and equipment needed, and the funding for the fair amount of research, which is not reimbursable, it

is not covered by drug companies, and, unfortunately, [a National Research Institute] does not have enough money to cover it,” said a participant.

The gift itself was a work of a team, according to one participant: “I would guess, almost a dozen different people [were] involved because there were number of different doctors, a couple of people from development, [the president], (...) legal people definitely involved.”

“It was patient care that drove the interest” in the possibility of the gift, said an interviewee. The gift “evolved over a period of at least a year because we saw representatives of [the donor] a number of times here and in [location], partly in the context of delivering care for different people and partly in the context of discussing the possibility of fvthis gift,” said the person.

A participant from the development office noted that it was their job then “to marry” the strategic plan and the strategic vision for the institution with the wishes of the donors and their desires to invest.

Unlike the Research University and the Emerging Research University, the strategic plan of the Health Institution explicitly mentioned the area to which the majority of the gift went. The plan contained several strategic goals with a number of steps to achieve them assigned to each goal. Among those steps was one that was later supported by the gift. A capital campaign document released approximately a year before the announcement of the gift also listed the area that the gift eventually supported as one of the priorities of the institution.

No evidence of the prior strategic intent was found in the secondary sources.

## **Summary**

This chapter reported the results of the study. As mentioned in the beginning of the chapter, this was a small exploratory study of the topic intended to ‘pilot’ the proposed conceptual framework and some methodological approaches that could be used in this research

area. This was in accordance with the overarching aim of the study to advance the debate about fundraising in the field of higher education for the benefit of academicians, administrators, and practitioners. The results of the study should be judged against these objectives. Looking at the results these way, several findings emerged that are worth discussing both on their own and, even more importantly, in the context of the future research. That discussion starts in the next chapter.

## CHAPTER 5 – DISCUSSION: TOWARD A NEW THEORETICAL MODEL

This chapter discusses the study results and insights that emerged from the research. The chapter has six parts. In the first part, the author discusses the results of the study in general. In the second part, the discussion centers on the theoretical insights inspired by the results, particularly as they relate to the relationship between strategy of an institution and a major gift, as well as on the practical implications of the theoretical insights. The third part addresses fundraising as a process of reconciliation between strategy and major gifts. The limitations of the study are the topic of part four which is followed by a section on opportunities for future research. The chapter ends with an observation which comprises part six.

### **Study Results**

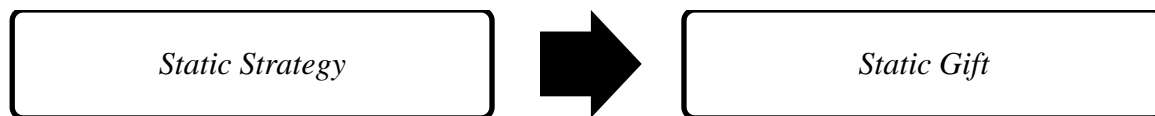
This study was concerned with the basic question how (if at all) do those involved in fundraising connect the strategies of their institutions with their fundraising activities. To answer the question, the study investigated whether those individuals involved in fundraising decision-making were familiar with the strategy of their institution (Research Question 1), and if this familiarity was manifested by actions on resources, routines, or paths (Questions 2, 3, and 4). Data collected in the study painted an inconclusive picture regarding how those individuals involved in fundraising connected the institutional strategies with the major gifts studied.

There were three sources of data for this study: interviews, primary sources, and secondary sources. If one looks at the interviews only, there seems to be a clear link between the strategies and the gifts at all three institutions. However, only in one case out of the three (the Health Institution) can one make a direct, primary document-based, unequivocal connection between the institutional strategy and the gift. In the other two cases, all that the evidence from the primary sources suggests is that there might be a connection (or a relationship) between the institutional strategy and the gift, as long as one is willing and able to see the general strategic

ideas in the particular gifts. The lack of the evidence of the clear strategic intent behind the gifts is surprising, considering that, as mentioned above, the studied major gifts were among the largest in the history of the institutions, and as such, they were among the largest in the history of the state of Texas as well. How can one make sense of this study result?

### **Relationship between Strategy and Major Gifts**

The lack of connection between strategy and gifts in the study findings should not be interpreted as evidence of the non-existence of the connection. Upon further examination of the data and academic literature, the author proposes an alternative explanation: the cause of the failure to find strong evidence might be an implicit assumption of the study that was never questioned. The study assumed a linear, one-way relationship between a strategy and a major gift: a given (static) strategy leads to a given (static) gift (as illustrated in Figure 1).



**Figure 1: Originally Assumed One-Way Relationship between Strategy and Major Gift**

Based on this assumption, the author was looking for the evidence of the strategic intent in the documents created prior to the gifts. The results, however, suggests that the assumption that strategy precedes a gift ought to be questioned. The relationship between strategy and major gifts might not be in this linear order. If this is the case, what can be an alternative model (or models) of the relationship between strategy and major gifts? In order to answer this question, we need to re-examine our expectations about the strategy in higher education first.

## Character of Strategy in Higher Education

The usual way to think about strategy is that it is the declaration of what *should* happen, as decided by the management of the institution. However, as Mintzberg and Waters (1985) noted, there are actually five types of strategy to think of (see Figure 2).

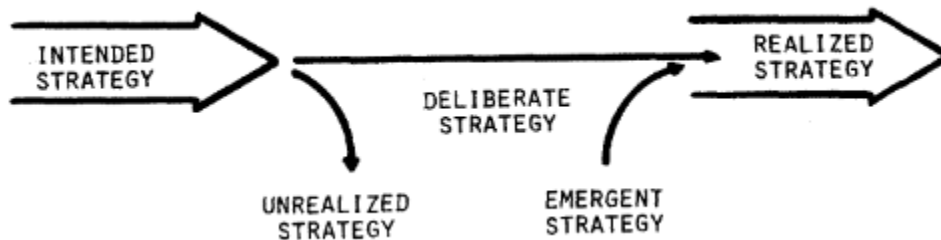


Figure 2: Types of Strategies. Source: Mintzberg & Waters, 1985

Looking at the evolution of strategy depicted in the Figure 2, the strategy of the institution declared at the beginning is called the *intended strategy* (left side of Figure 2). On the other end of the process is the *realized strategy* (right side of Figure 2); it is what one can observe when he or she looks back on what actually happened.

If the realized strategy – the pattern of actions that actually happened – occurred exactly as intended in the intended strategy, it is called the *deliberate strategy*. To use an example of a university to illustrate this case, the institution would decide to achieve A, B, C, D, and E in five years – and then it would achieve those goals. Mintzberg and Waters (1985) note that this can only happen under certain circumstances. First, the intended strategy is clear enough so there are no doubts about what is desired. Second, it is common strategy to all actors responsible for enacting it. Third, the common intentions of the actors are realized exactly as intended – that is, there was no major interference from the environment that would prevent the strategy from happening. The authors recognize that these three conditions constitute a tall order (1985, p. 258).

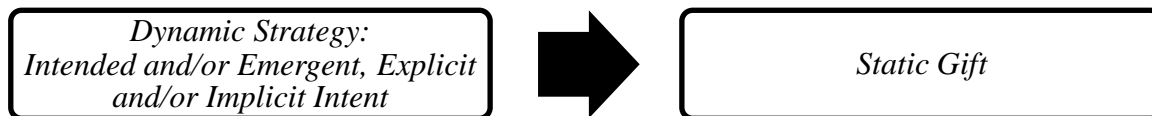


There are two other possible scenarios of what can happen in the strategic process from the beginning to the end. One option for the process to unfold is the *unrealized strategy*. This happens when the original strategic intentions are not met and there is no consistency in the actions of the institution that would account for the realized strategy. This can happen; although, again, not achieving any consistent pattern or patterns of actions is a tall order, too.

A strategic scenario that may be most relevant for this study is the *emergent strategy*. Emergent strategy is, in a way, a perfect opposite of the intended strategy: it is a strategy that “happens:” there are clear patterns in the organizational actions but what is missing are any clear strategic intentions at the beginning. Such strategy in its pure, model-like form is hard to imagine, (Mintzberg & Waters, 1985) as it would require a total absence of prior intentions. What is likely to happen then are “tendencies in the directions of deliberate and emergent strategies rather than perfect forms of either” (Mintzberg & Waters, 1985, p. 258). In other words, a strategy of a given organization is likely to be a non-linear and non-static (dynamic) process.

### **Character of Relationship between Strategy and Gifts**

Accepting a more fine-grained view of strategy as described above, one may propose a more fine-grained logic of the relationship between the institutional strategy and raising major gifts as well. In this proposition, strategy is dynamic and it can change (as illustrated in Figure 3):



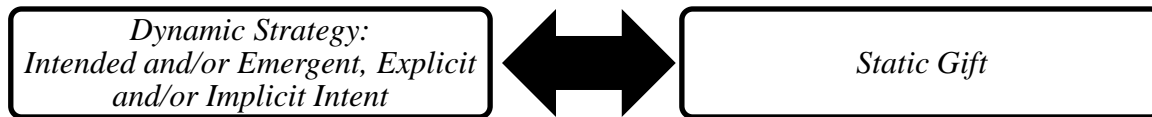
**Figure 3: More Dynamic One-Way Relationship between Strategy and Major Gift where Strategy is Dynamic**

Several considerations would emerge from this proposition. If strategy is dynamic, then an institutional strategy articulated in one point of time (for instance, at the time of publishing a

strategic plan) may differ from the strategy in any given point of time afterwards (for instance, at the time when the negotiations about a major gift starts, ends, or in between). This idea of strategy as a dynamic process was expressed by one of the interviewees, a president of an institution, who in an interview years after leaving the job, cautioned any future president coming to a job with a firm idea of his or her goals. The person noted that the best opportunities for an institution may not be clear until the person assumes the job or that the opportunities may appear over time.

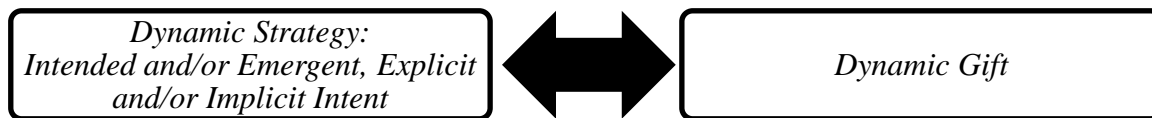
The question that logically follows is: If strategy changes, what is the mechanism of the change of strategy? This question may unlock perhaps the most important insight of this study: that the importance of fundraising may go beyond it being just a dynamic capability intended to help with the execution of strategy. While earlier in the text the author proposed that fundraising helps universities and colleges achieve their strategic goals, we may now propose that fundraising might also help universities and colleges *(re)discover* their strategic goals. The gift to the research university may be a case of this phenomenon.

As mentioned above, the gift to the university brought several academic and research units – historically separate but within the same discipline – into one administrative unit. The fact that no traces of this goal were found in the primary and the secondary documents does not necessarily mean that it was not a strategic goal. It may have been one of the many goals – perhaps an item on a “laundry list” of goals – and it was the “right” gift that brought it to the top of the list. If this is a plausible explanation, then the relationship between a strategy and a gift ought to be revised again to account for the two-way character of the relationship, as illustrated in Figure 4.



**Figure 4: Two-Way Relationship between Strategy and Major Gift where Strategy is Dynamic**

However, this may not be the most accurate model of the relationship yet. As described in the last section of the Results chapter of this study, the results indicated that the gifts studied were also not static but dynamic; they were open to negotiation. As noted above, in the case of one gift, the institution was even convinced that the gift, as intended by donor, would go against the strategic interests of the institution. Eventually, however, the interviewee was able to say: “I think we brought them into line.” This led to the last revision to the model of the relationship between university strategy where both strategy and gift are dynamic and the relationship is a two-way one, as illustrated in Figure 5:



**Figure 5: Two-Way Relationship between Strategy and Major Gift where Both Strategy and Gift are Dynamic**

This proposed model calls for a major revision of the assumed relationship between strategy in higher education on one hand, and major gifts on the other.

### **Fundraising as a Process of Reconciliation between Strategy and Major Gifts**

If the relationship between strategy and a major gift is a dynamic two-way relationship, with both the strategy and the gift being dynamic, then the process of negotiating a major gift may shape not only the gift (as evidenced in the Results) but it may also shape the strategy.

This is fully consistent with the view of dynamic capabilities (Eisenhardt & Martin, 2000) and how they impact performance of an organization indirectly, by impacting (creating, shaping, destroying) the organization’s resources, routines, and paths that in turn impact the organization’s products and therefore its performance (Zott, 2003). The idea of indirect impact is

still valid even if fundraising may significantly influence the paths or even the strategy itself of an institution. A gift needs to be translated into the core activities of the institution, such as research or teaching, to directly impact the institution's performance.

However, the mediating effect of a major gift cannot be underestimated. Any major gift can be an example of a path-altering event. Top institutions in the nation regularly get gifts in tens of millions of dollars; each gift like that may present an opportunity to adjust the institutional strategy or at least a strategy of an important part of the institution, such as a college. The negotiation of a major gift may then serve as a mechanism of reconciliation between the institutional strategy and the donor's strategy where the strategies of both stakeholders are modified. This reality is a crucial extension of the model of the relationship between fundraising and strategy if it describes the reality accurately: those individuals involved in fundraising decision-making would not only be *executing* the strategy, but they also would be engaged in *(re)discovering (if not the creation)* of the strategy.

Data collected in the interviews indicate that this view may be plausible. They also suggest that the extent to which fundraising decision makers have to engage in the discovery of strategy (as opposed to only executing it) may differ by the institution. The extent *seem to be* the lowest in the case of the Health Institution which also had the most specific strategy and the most developed fundraising activities. In regard to the case of the Research University, and in consideration of how general the institutional strategy was and how significant the gift was, those involved in negotiating the gift clearly had to reconcile the strategy of the institution with the intent (if not strategy) of the donor. This case highlights the idea that the gift may shape the strategy as opposed to only strategy shaping the gift, and the results of the process had significant impact on the institution's actions and plans for both research and practice in a major

academic and research arena of the institution. Two examples of the implications of the interrelationships of strategy and major gifts are presented next.

**Implication 1: What Comes First: Strategy or Gift?**

The first crucial implication concerns the impact of a major gift on the institutional strategy (and vice versa). This impact can be outlined in a form of matrix (Figure 6).

The right side of the matrix represents the gifts that would be in accordance with the prior institutional strategy. The difference between a strategy-driven gift and a strategy-gift match may be in the intent or the initiation of the gift. In the first case (a strategy-driven gift), the intent of the institution would generate the gift. In the second case (a strategy-gift match), the intents would overlap. The left side of the matrix represents the gifts that either would alter the institutional strategy (a gift-driven strategy) or would not be in accordance with the strategy nor donor’s intent (a strategy-gift mismatch).

		Accordance with the prior institutional strategy	
		Low	High
Accordance with the prior intent of the donor	Low	<i>Strategy-Gift Mismatch</i>	<i>Strategy-Driven Gift</i>
	High	<i>Gift-Driven Strategy</i>	<i>Strategy-Gift Match</i>

Figure 6: Strategic Impact of Major Gift

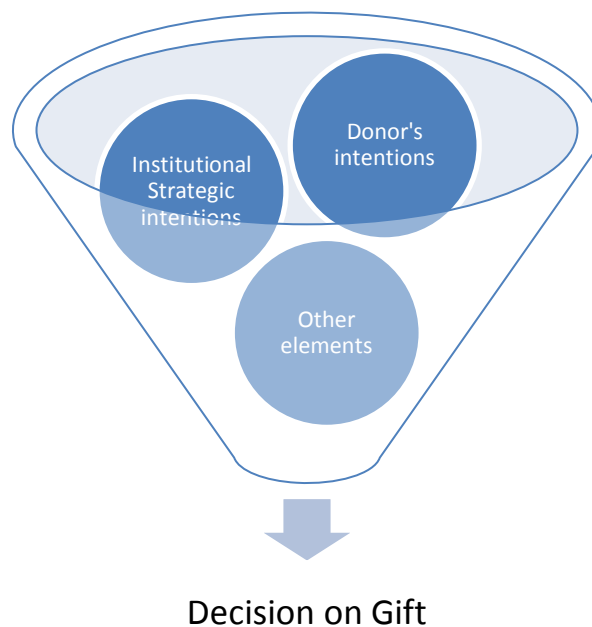
This model is a hypothetical concept based on the limited data from current research that illustrates four extreme cases of the studied relationship. Further research could test this model in a rigorous, quantitative way, either on a sample of major gifts within an institution or across multiple institutions. Conducting research of this nature could advance the understanding of the

relationship between major gifts and strategy. The results could provide information about the influences of institutional strategy and the impacts of donors. As a result, the research could provide indications about the degree that major gifts influence strategy in comparison to the degree strategy influences major gifts.

### **Implication 2: Strategic Decision-Making**

Figure 5 on page 65 illustrates the two-way relationship between the gift and the strategy. The two-way arrow in that model represents the negotiation of the gift. The arrow is a proverbial black box of the decision-making involved in the negotiation of the gift.

A basic graphic representation of the dynamics of the process is depicted in Figure 7 below. The shape of a funnel was selected to illustrate how multiple inputs have to be distilled into a decision. More research is needed to further uncover the dynamics of the process.



**Figure 7: Dynamics of Decision-making Process**

Unknown are the elements or variables of the process: institutional strategic intentions and donor's intentions are likely to be included; however, they are unlikely to be the only

elements. Moreover, the two elements mentioned may be expanded into additional basic elements. Who the decision makers are in this process is not clear as well; but research findings suggest multiple people are involved. Also not clear is if the process of the reconciliation between the strategy (or strategies) and the major gift tend to follow certain stages or patterns; and to what extent do different decision makers get involved in the various stages of the process.

We ought to consider the implications of the proposed idea beyond theory. Following is a discussion of some very practical issues.

### ***Implications for Thinking about Strategy***

Thinking about fundraising strategy in institutions of higher education involves the creation of a theoretical understanding of activity as a “dynamic capability” (as described in Chapter One on page 8). If the role of fundraising in (re)discovering (if not creating) strategy is confirmed, the question becomes: Is fundraising making it easier or harder for the university presidents to propose and execute strategic agenda of the institution? If one assumes that every major gift is an opportunity to adjust strategy, can a president actually have a coherent, long-term deliberate strategy – or is there a more appropriate way for the higher education leaders to think about strategies for their institutions?

There are multiple, well documented approaches to making strategy including methods from the more comprehensive to simpler, nimbler ones. In the case of higher education institutions, publishing strategic plans may be reconsidered and perhaps eliminated, if the idea is to maintain more flexibility in developing and modifying strategy. The result of this reality would imply that institutional leaders should be more cautious regarding the announcement of the strategic intentions of the institution.

The mechanisms through which major gifts impact higher education may extend beyond individual institutions to a sector as a whole. For example, one interviewee noted that the impact of one of the studied gifts extended beyond the particular school and even particular institution. For instance, another school at the university became a named school and another university set up a named school in the same discipline, and “there have been a number of those kinds of changes around” said the interviewee. Another participant seconded the notion that the impact goes beyond a particular goal of the gift.

The answer to what is an appropriate strategy may also depend on the institution. Limited previous research from the business world suggests that there are differences in how comprehensive (Fredrickson & Mitchell, 1984) or specific strategies in different sectors are. Can that finding extend to individual institutions of higher education? For example, the comprehensiveness or the specificity of the strategic documents of the Health Institution was high compared to the Research University and the Emerging Research University. At the same time, the Health Institution faced a narrower set of opportunities or challenges. This is something that may have a range of implications for strategy formation and execution, some more obvious than others. For instance, fundraisers and administrators who transition from one type of the institution to another will want to pay attention to the strategic peculiarities of their new employers.

This research also suggests some important questions that may be considered in the hiring process of the senior level administrators and leaders in higher education. For example, should governing boards judge the current and potential presidents on the total amount of money raised only, or should they look into the integration of the major gifts with the strategy as well? This question may be worth consideration in hiring of the chief development officers as well.



### ***Implications for Chief Development Officers***

This research suggests the need to look more closely at the role of the chief development officer. His or her impact or role in the institutional strategy may extend beyond what is generally assumed. Moreover, it is not just the impact on strategy that should be examined. Data collected in this research suggest that in at least two cases the donors may not have been very familiar with the organization's strategy or expectations for the gift in advance. The development officers then may have had the power not only over the strategy but over the gift as well. Considering this reality the question becomes: What should be the involvement of the chief development officer in strategic discussions and decisions?

### ***Implications for Donors***

The extent of one's strategic knowledge matters not only with regards to the fundraisers but also the donors. The chief development officer of one of the universities noted in a magazine interview studied for this dissertation that while people who give major gifts are occasionally presented with ideas regarding potential gifts, these donors are usually involved with the institution, they are in contact with the institution's leadership, and they understand what the leadership needs. According to the interviewee, if donors buy into the needs of the leadership, they express confidence in leadership or the institution by giving a major gift from time to time. If this portrayal is correct, then the major donors may have a disproportionate access to or understanding of the institutional strategy, if not direct involvement in shaping it.

### ***Implications for Institutional Constituents and the Broader Public***

The importance of this focus on the development effort should include the constituents of the institution as well as the broader public which takes notice of the institution. In this regard the question becomes: Is the public informed well-enough about the importance of major gifts?

Are those who should be communicating with and informing the public, including especially journalists, knowledgeable and informed enough themselves about development activities of the institution? Journalists who write about fundraising need to be aware of and informed about the realities of fundraising beyond the most basic facts. For example, there are some articles written about who gave how much to what institutions; however, most of those articles do not probe more deeply into the “why” of the major gifts.

### **Limitations**

There are limitations to this research that should be taken into account when discussing its results. As mentioned previously, it is important to keep in mind that this study was an exploratory study, an early attempt to investigate issues not covered in the literature.

The most important area of limitations has to do with the question: Was the choice of the study’s research design in general and the research methods in particular a correct one? A limited number of interviews were conducted, and, as it is the case with any sampling technique, there are downsides to the one employed in this study. While the researcher collected rich data from most of the interviews, other sources – from strategic plans to presidential speeches to articles – provided less data than expected. This constitutes a challenge that any individual interested in similar research should expect. There may be alternative ways to collect data that may prove to be more effective, such as observing strategic planning sessions. However, researchers attempting to collect data in that manner should expect to encounter challenges such being able to secure access to planning data as well as the recognition that the time frame for the research could extend to many months and possibly years.

What is clear from the findings is that the linear, strategic plan-then-execute approach to strategy which is common in higher education may not be a faithful description of the reality. This thought raises more questions on the relationship between fundraising and strategy,

including: How can the development officers execute a dynamic strategy in a dynamic environment?

The fact that the author investigated only one gift per institution prevented the researcher from investigating the realized, actual strategies of the institutions, and comparing them to the intended strategies. To investigate a realized strategy, a researcher would need to look for multiple gifts and patterns among them. This idea may indeed be a logical next step for this type of research.

Diversity of participating institutions was important for this study, but some obvious tradeoffs were made to maintain the manageability of the research project. The research was based on only three major cases, all at public universities, in the most prosperous parts of a prosperous state. Considering that this project was a foundational study, this was recognized and accepted as a necessary reality. A study with more institutions and/or multiple types of institutions, including public and private ones, will no doubt provide more robust data.

### **Opportunities for Future Research**

Several additional areas including possible questions for future research related to strategy and fundraising are noted in this section. One such question is: What constitutes resources in fundraising? While one may equate resources with financial resources only, the study results suggest a more expansive view may be appropriate. Money is not the only resource that the development office needs or can take advantage of; other resources include an understanding of the role of the development office by other stakeholders and the willingness of these stakeholders to work with the development office.

An additional question is how does the success of a development office, measured by such metrics as the amount of money raised, influence the resources available to the office. Does success enhance its role (such as by an increase in its budget); help defend its role (ensuring the

budget is not cut); or is there a different (if any) mechanism that drives the relationship between the office's performance and the resources it receives?

Data collected in this study suggested that rather than adjusting their routines prior to landing a major gift, the institutions adjusted their routines either during or after the gift process. Further research could provide a more fine-grained understanding of the formation and adjustment of its routines. In this regard, another area related to organizational routines is socialization (or at least training and development) of the new fundraisers. The study data indicate that major gifts may play an important role in this process.

While more research is needed on the intended impacts of the major gifts, data collected in this study suggested that researchers should pay more attention to unintended or second-order consequences of the major gifts. For instance, can a major gift result in the perception that the organization has 'too many resources' for a department or a school? This was a concern of the administrators at one of the institutions.

An additional question is: Can a major gift discourage the institution from seeking more gifts? One interviewee noted that even a very substantial gift has to be put in context: The gift income is "a significant [percent value] of what we operate on here (...) the margin of it is very important, (...) but it's not a substitute for other funding, such as research grants." One participant echoed this opinion: "this gift came during a campaign (...) there were certainly many other funds being raised." However, the participant also said "with a large gift like that, it sets up a substantially bigger sense of entitlement among the faculty because the more that is there, the more is expected, so there's never an element of satiation in that."

The major area of research into intended and unintended consequences of the major gifts raises the question of what a major gift does "to the institution" as contrasted with "for the

institution”. Can a major gift alter the power balance in an institution? Can it lead to an oversized influence of a donor? Can the institution become a tool for a donor to achieve his or her agenda? An examination of these questions based on research would be revealing and useful.

Worth more attention may be the mechanisms through which fundraising advances the development of the institution. In the case of one institution, the value of the gift seems to be in the acceleration it enabled. The gift enabled the institution “to do something that I know we would have done but this allowed us to move on quickly and spend our time focusing on accomplishing the science and the therapeutic goals.” In the case of another gift, the college/school used a substantial portion of the gift to “recruit additional faculty and staff and things of this sort.” According to another participant, the same gift “was a sea-changing thing. When you think about the broad applicability of all the scope of disciplines (...) and the research that they're doing, that's highly impactful stuff.” The participant added, “These are significant leveraged kinds of philanthropic investments that can change the scenery, truly.”

There may also be interesting research opportunities to explore the impact of a gift among different institutions. It became obvious to the researcher during data collection that a gift of a certain value at one institution, for instance a gift in millions of dollars, might sometimes have a higher impact on that particular institution than a gift in tens of millions of dollars may have at another institution. There was a clear difference between how much the institutions in this study raised in total, year after year, and there is a lesson for donors here. Donors need to understand that a monetary gift of a certain value can have a different impact at different institutions.

Another area of potential value is the future research on higher education institutions focused on the metaphors people use to conceptualize gifts. The terms used by the interviewees

in this research included descriptions of gifts as: ‘catalyst,’ ‘transformational,’ or ‘sea-changing.’ The use of metaphors in management and organizations has received attention in the past (Morgan, 2006) and it may be useful to pay more attention to them in research focused on higher education institutions.

### **Final Note: Ride with the Winners**

“I think it's a natural tendency for human beings and institutions like foundations and corporations” that they “like to ride with the winner,” was a statement of a development officer in one of the interviews. “If you're a demonstrated winner,” the interviewee continued, “they feel more comfortable that they are likely to get the return on the investment, philanthropic investment that they're looking for because they know you've got the horsepower to do it.” This point was repeated by a number of interviewees. “A lot of times donors want to give to winning organizations,” noted one of them. In a way, this captures the essence of fundraising: Success breeds more success. People give to winners, so winners can win more.

This logic may make some people in higher education feel uncomfortable. Perhaps it was this sentiment that led *The Chronicle of Higher Education* to follow a recent historic \$400 million dollar gift to Harvard with an article that asked “What could the rest of higher education do with a gift as large as the one pledged last week to Harvard?” (Mcintire & Murphy, 2015). It is possible that the question was raised to provide for an entertaining ‘what if’ article. However, if the question was meant seriously, it shows a deep misunderstanding of how the major gifts work.

Major gifts – at least those covered in this research – are not charity or welfare. The institutions received them because they succeeded in the philanthropic marketplace. That is a marketplace where universities compete for support among each other and with other causes. One of the interviewees noted:

Philanthropy is a marketplace just like any other marketplace: some things it responds to positively, some things it doesn't. And it behaves like a market. It's a subject to macro-forces, such as the economy. It's subject to micro-forces, such as institutional reputation, vision, the way the institution carries itself, its value proposition.

This research suggests that it may be more appropriate to think about major donors as investors rather than donors. Just like stock-market investors prefer to invest in the successful organizations, so philanthropic investors prefer the successful higher education institutions.

What are the implications of this framing of the issue? The author would argue that the stories of the major gifts – at least those addressed in this paper – are the stories of what is so great about American higher education: that excellence, care for students, or extra effort get rewarded. These gifts were the stories of extraordinary support to the institutions that came as a result of excellent patient care and of excellent curricular and extracurricular experiences of their alumni. Just as higher education institutions depend on fundraising to advance their core activities, data collected in this study indicate that fundraising also depends on the core activities of the institution. The gifts were not a result of “a push by a fundraiser,” although those involved in the gifts are likely very good at what they do. While the gifts may differ in the way they began and occurred, they all happened because the donors saw the positive impact that the institutions made or were making in their lives and in the lives of others. The patient care drove the gift to the Health Institution, and it was the student experience of alumni-donors in case of both Research University and the Emerging Research University. Yes, the development officer initiated the process that led to the gift to the Emerging Research University; however, the donor still gave based on the personal experiences of the donor.

The lesson is clear: The best way to build long-term foundations for the major gifts in the future is to build the excellence in the core activities of the academic institutions today. As written elsewhere in this paper, fundraising as dynamic capability is not the source of competitive advantage by itself; its impact and also its success are dependent on the core activities of the institutions of higher education: research, teaching, and service.

This reality is perhaps the most important practical implication to come from the research reported in this dissertation. Ambitious donors who gave the gifts in this study did not donate because they saw a need; they gave because they recognized ambition. The donors picked the institutions in this study because they believed – based on their personal experience – that these institutions were the places that would deliver the desired return on their philanthropic investments.

One may ask: What should the institutions do that have not yet built the capacity to excel and attract major gifts? The marketplace logic should guide them. Just like venture capitalists or angel investors provide resources for start-ups or small companies with potential to grow, so can the ambitious educational institutions look for those individuals and families willing to bet on them in the philanthropic marketplace. As discussed previously, this philanthropic marketplace is a market like any other, and higher education institutions need to ensure that their “product” is appealing, competitive, and resonates with the “investors.”



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