

Interview with Gerald Fischer

**Interviewed by Professor Clarke A. Chambers
University of Minnesota**

**Interviewed on October 22, 1997
University of Minnesota Campus**

Gerald Fischer - GF
Clarke A. Chambers - CAC

CAC: This is Clarke Chambers. I am interviewing this morning Gerald Fischer, Gerry Fischer, who is president of the University of Minnesota Foundation. He came to this position in 1990. Listeners to this tape or persons who are reading the typed transcript will probably wish to go to an earlier interview I had with Robert Odegard, who was the first executive director, I think starting in 1970. That interview was three or four years ago. He really took it through his responsibility and up until your coming; so, we can pick up the story there.

Sometimes, I begin with autobiography, not extensively. Listeners kind of like to know where you came from, how you got interested in fund raising and philanthropy, and how you happened to come to this position in 1990. It's your story; you go ahead.

GF: After growing up mostly in Michigan, going to the College of Wooster in Ohio, then to Yale Divinity School on a Rockefeller Fellowship for a trial year, and then to the University of Michigan Graduate School of Business where I received an MBA in 1968, I went to work for the auto industry. Ford Motor Company was where I worked including summers all through college.

CAC: With what kind of portfolios or were you just working on the line?

GF: No, no. I was a financial analyst and worked for the financial staff in both the controller's office and, then, the treasurer's office managing the cash investment portfolios for Ford. Then, I was assistant treasurer at Ford of Europe for a couple of years in the late 1970s and, then, assistant treasurer at Ford Motor Credit Company from 1980 to early 1985, leading their capital

structure planning, most of their borrowing operations, and their investment strategies for their four captive insurance companies.

CAC: You were a young man to take on that responsibility. You were in your mid-twenties, right?

GF: I joined them right out of business school so I was in the mid-twenties. I came here in early 1985. I was recruited to become the chief financial officer of the First Bank System, one of the local/regional banks where I was for almost five years. I resigned one day in 1989 and took what I call my "self-elected sabbatical." I lived out a few fantasies . . . sailing in the Caribbean. I spent a wonderful afternoon with John Templeton, the founder of the Templeton Funds, the dean of international investing. I had been an exchange student in 1960 in Berlin and my German mother passed away shortly after the Berlin Wall came down; so, I went over to support my German brother and chip away at the Wall—which I never could have done if I'd been fully working.

CAC: Ah! What a great story.

GF: I told my wife that I was, for seven months, in rehearsal for retirement. Based on the rehearsal, the final performance is going to be fun. My name was submitted by three or four people, is my understanding, to the search committee.

CAC: Who knew you through the First Bank primarily?

GF: Yes, right, and I think knew my values. During the seven months, I developed some business plans to support non-profits in their investment management. I had become part of the search process through the nomination and Bob Odegard and Dale Olseth, who was chair and one of our trustees, sought me out for lunch one day. I think they felt I had some qualities even though I had never been a professional fund raiser . . . that I had some other qualities that would be good for the position and my values were a good fit. They kept narrowing the field. I kept making the cut as the non-traditional candidate. The more I interviewed with the president, and several deans, and the development officers, the more I could see myself doing the job. Of course, I had been in big institutions; so, the bigness and complexity of the university was not a problem. It was more of a challenge and stimulation. I have been here now for seven and a half years and enjoy it very much.

CAC: In your case, the values and the experience were more important than the techniques. You could learn that on the job . . . the specifics.

GF: I had been on several non-profit boards and had been aware of fund raising strategies and participated in it but had not really done any direct fund raising.

CAC: Had you known Bob Odegard before?

GF: No, only by reputation. Everybody knows Bob Odegard. [laughter] He's a walking encyclopedia of Minnesota. He's been a valued colleague. I've been thrilled that he's agreed to stay on and work sort of on a quarter-time basis. Ever since I've been here, he's just been an enormous . . .

CAC: He came with something of the same background. He was a minister. He was a politician. He was in business. He combined the two just as, apparently, you did. Very good. You come into the position as president in 1990?

GF: Yes.

CAC: Describe the foundation as it was then when you came aboard.

GF: It had, I would guess, about fifty to sixty employees housed in the foundation. There were about twenty organized development efforts throughout the university with a development officer supporting a dean, or a chancellor, or a department head.

CAC: I would guess the Medical School most notably, right?

GF: The Medical School was supported by the Minnesota Medical Foundation, which had ten or twenty staff.

CAC: They were autonomous?

GF: Yes. They are legally independent but work closely and collaboratively with the University of Minnesota Foundation. We were raising annually gifts in the mid \$40 million . . . \$44 million is in my memory . . . \$45 million, maybe \$47 million. We had about 50,000 donors and about 90,000 gifts a year. The investment portfolios—I didn't bring my charts for this—our endowment was in the range of \$150 million. There's been a significant growth.

CAC: How did that stack up against comparable state universities in the Big Ten, for example?

GF: I'd say for the last twenty years, we are fairly consistently among the top five public universities for annual voluntary support.

CAC: That was true when you came aboard in 1990?

GF: Yes. Some years, we're second or third or fourth. Typically, we are somewhere between maybe eighth and twelfth among all universities, public and private, on voluntary support. This is a function of, I think, Minnesota values which put education as a high priority and giving back as a high priority. We're very generous.

CAC: If it's Minnesota, where does that come from, Gerry?

GF: In my judgment, it comes from the northern European liberalism toward social causes, a genuine extension and caring for others, and a fiscal conservatism . . . being very intentional about how you spend your money, and how you prioritize, and a discipline about it. But, it's also enlightened leadership in the institutional community with those entrepreneurs who built up very sizable wealth in their companies: the Daytons, the Pillsburys, the major banks, the 3M. There are three or four major foundations that have come out of the founding of 3M from the Ordways, to the Ellis Foundation, the Bush Foundation, the McKnight Foundation, and 3M itself, all of which have been generous to the community generally and to higher education specifically and the University of Minnesota. Five-eighths of our gifts come from institutions. I would think for an average major university you would get half your gifts from alumni, one-fourth from institutions, and one-fourth from non-alumni individuals, parents and others who are close friends of the institution. In our case, we get about five-eighths from institutional donors, corporations, foundations, associations, and so forth. In many years, as I look back—although, this has been changing recently—20,000 non-alumni individuals give more in aggregate than 30,000 or 35,000 alumni. The 30,000 or 35,000 alumni would put us at, say today, 8 percent of living graduates who made a gift in the last year. The average in the Big Ten is about 18 percent, maybe 20 percent . . .

CAC: With private schools undoubtedly higher.

GF: Usually that's the case. They've been actively cultivating their alumni from freshman orientation all the way through. You get some Ivy League schools that I think are up around 60 percent. Even Michigan and Northwestern in the Big Ten are above 30 [percent]. We may be at the bottom there. We lead the Big Ten in non-alumni giving by individuals and in institutional giving. We're often first in the nation in corporate support of this university. Let me just comment. I've already mentioned the enlightened leadership of corporations.

CAC: I'm going to interpose. Was the Daytons Five Percent Club already in place?

GF: Oh, yes. That's fifty years ago.

CAC: Fifty years ago! So that tradition is a long one.

GF: Fifty years ago, Daytons began a conscious, disciplined effort to support the community. The precise date of the Five Percent Club, which is now called the Keystone Club . . . when that came about, I'm sorry I don't have that in my mind right now.

CAC: But that's part of the climate you start here.

GF: It was here. It was started here in Minnesota and has been a model for the nation . . . corporate matching gift programs where the corporations match the gifts of their employees to charitable organizations . . . sometimes one for one, sometimes two for one, and, occasionally, three for one. Minnesota has always been in a leadership position of those programs. We are

extraordinarily benefitted in this community by this philanthropic value system which, for many years, had been articulated by the corporate leaders in the community. I think we lead the Big Ten in non-alumni individual support, frankly, because the university's programs touch so many individuals . . . the outreach: the Raptor Center, the library, the hospital and clinic, the Weisman Art Museum, the men's and women's intercollegiate athletics. I could go on and on. To place this great research Land-Grant university in the middle of an urban area where hundreds of thousands of people can access it . . . Our Continuing Education program is the largest in the country and it's larger than UCLA's, who is number two, by 50 percent. These are great sources of strength: corporate and non-alumni individuals. I do see, as we look ahead now, the alumni giving to be a major source of potential growth. In fact, in the last couple of years, we are seeing significant and major gifts from alumni.

CAC: What happens when the traditional families, the Daytons, and the Cowles, and the McKnights, and so forth are no longer attached to their corporation and there are executives coming in, presumably, from the outside and not socialized to the Minnesota system? What happens then? What has happened? This has been going on the last fifteen years.

GF: It's something we've been concerned about because the boards of directors of these companies as they become more internationalized and national in scope come in and wonder about this disproportionate commitment to the University of Minnesota and are eager to diversify and recognize other markets and manufacturing locations in other parts of the country. The strategy that we developed some time ago has been to (1) not take our major historic donors for granted, (2) in a major way, improve the stewardship of their gifts of five years ago, ten years ago, fifteen years ago, (3) and to think much more strategically about the relationship so that an IBM, a 3M, a Honeywell, and others are not just scatter shot receiving multiple proposals a year for \$30,000 here, or \$40,000 there, or \$50,000 there. But, that we sit down and we've had site visits with many of these major corporations where I bring together the top executives of the company with the top leadership of the university. Every format differs because we try to customize it to the interests and needs of the donor.

CAC: How many of the donors are focused when you go to them and already know their site project?

GF: Should I just finish this format on the site visit?

CAC: Yes.

GF: I think it's helping us maintain our leadership and improve it. First of all, we talk about the relationship, the depth and breadth, which many people have never thought about. How many contractual research grants are underway at the university, not just the non-contractual? What is the historic giving? How many executives from those companies are on advisory boards throughout the university? How many alumni do they have within the company? What sort of matching gift programs do they have? In what other ways do they interact with the university?

For example, IBM has a family night at women's volleyball for their employees and so forth. This is a way of saying, "Thank you," and a reporting back of the extent, and depth, and breadth of the relationship. But, then, we also bring in faculty, deans, and others to demonstrate what difference the gift made, not just the gift of last year but the gift made five years ago and ten years ago . . . how it changed the world for the better. Then, we dialog about what are the company's needs looking ahead in terms of new recruits, students . . . the kind of skills and competencies they have, and what sort of research opportunities are out there that are important to the company, and where can we fit with cutting-edge ideas, and themes at the university where we have established excellence so that those companies can think more strategically and more on a longer term relationship and, hopefully in the process, we are deepening the connections between our faculty and students and the company, thereby, learning a lot more about what's going on in the real world. Some of those discussions have led to wonderful thoughts and ideas about cross-curricular themes on ethics, and international global thinking, and diversity, not just at the Business School but in CLA [College of Liberal Arts], and IT [Institute of Technology] . . . new degree programs in soft engineering and manufacturing technology. The beauty, I think, of this university since I've been here is that the Land-Grant mission has created a culture in the faculty that research largely is done to make a difference, to solve a problem. We almost start, sometimes, with what are the problems as opposed to knowledge creation for knowledge sake. There's a relevancy here that's very impressive to me.

CAC: Which makes it difficult for the humanities to get in on this, right?

GF: That was the beauty of the McKnight gift in the last campaign: \$10 million unrestricted to the president. One of the things I discovered when I first arrived was that we hadn't fully designated the use of the McKnight gift. I brought this up with Nils [Hasselmo] and we did some work and designated the McKnight gift to the arts and humanities endowment—\$5½ million of the \$10 million—so that the arts and humanities would feel some support to do special studies and creative activities. I think that has helped; but, there's nothing equivalent to NSF [National Science Foundation] or NIH [National Institutes for Health] that supports basic sciences for the arts and humanities.

CAC: I would imagine that there are high executive officers with tenure in their own corporation who are educated to this kind of a negotiation and begin to think of things that they'd be interested in as well in the conversation?

GF: Oh, yes.

CAC: What you're describing is a flow between the university and those who are giving.

GF: Yes. I'd like to say another thing about how amazing this community is. When David Kidwell, the dean of the Carlson School [of Management] arrived and did a strategic re-think of the MBA curriculum and their other curriculum, he developed the strategy for the school and then had focus groups where, I think, he connected with 600 to 800 business people.

CAC: Good grief. This was in alliance with you or on his own?

GF: I may have had some indirect input because of my view as a former business executive of the university and the kind of students that we saw when we were recruiting MBA's and so forth. Experiential learning became a major theme and David announced that we'd have mentoring programs on the one side and we'd send groups of students out to companies to problem solve. We have various teams that go out to 3M and other companies . . . they're ready to launch a program. What other school in this country do you think could end up with more mentors than mentees—volunteering to do it?

CAC: [laughter]

GF: That's an extraordinary thing.

CAC: Yes, it is.

GF: We have a strategic advantage, I think, of where we are in that we have the opportunity for convenient and close relationships with major institutions.

CAC: Because they are geographically located here and have that experience and value.

GF: Yes. It doesn't happen as easily in Champaign-Urbana, or Iowa City, or Madison, or Ann Arbor, or State College [Pennsylvania State University]. Maybe, in Columbus some of that is happening in a similar way. We are so ideally positioned for the models of effective universities in the next century because of our location.

CAC: Many faculty I've talked to from any number of disciplines say that our laboratory is right out there, half a mile from the campus.

GF: Yes.

CAC: I think of John Borchert and his work in geography. He reached farther out into greater Minnesota. What you're describing, many faculty are very sensitive to and know that.

GF: Yes. One of the interesting things I've noticed—back to, almost, the question you started out with about what I discovered here—is that this is a very complex university. We are a University of Michigan, and a Michigan State, and a Wayne State University all in one. We have the elitism, if you will, the excellence of the research and graduate and professional programs, and we have the egalitarian culture of the Land-Grant mission that is a little distrustful of all of this excellence. In fact, one of the things that Nils and I used to talk about was how often we'd use the word *excellence* and our audience would hear *elitism*.

CAC: Ah ha!

GF: One of the issues was differentiating between excellence and elitism. We talk about excellence for everyone. Then, you plop this in the middle of an urban culture and all the cultural dynamics of not being on a pedestal, not being in a remote location, where we are the main game in town. Our athletics' programs have to compete with professional athletic teams.

CAC: The same thing with the music?

GF: Yes, and many other things . . . hospital. In many ways, it's a tough culture that requires an unusually sophisticated and mature mind and heart to survive here. That excellence—slash, quote—"elitism" is often an intention with the egalitarianism and the others. These countervailing, sometimes, value systems really require . . . I'm just amazed at how a president can maneuver this ship.

CAC: Particularly, when the regents have, at various times, been divided on this very issue. regents can make it more difficult for a president than any other constituency.

GF: Yes; but, as Mark Yudof said last week, "I think we have found a pretty good balance between the access and quality issues."

CAC: Your donors are sensitive to this? They're informed and they're aboard in basic perception?

GF: What motivates donors? The first thing is to change the world for the better. To save the world in some way, by far, is the most important motivator. The second most important is virtually equal to the third and that's confidence: confidence in the leadership of the institution and confidence that your money will be handled professionally and spent the way you intended it. Fourth is, usually, asked by a peer. Fifth is to pay a sense of indebtedness. In the context of higher education that can be from a scholarship, or a faculty mentor, or just the experience of having a college education which added a power boost to someone's life or the world opened up to them in their college days. It's interesting that taxes are ninth or tenth on the list . . . tax considerations. My feeling is that, once you listen to a donor prospect and develop the kind of relationship with high trust, they will share their innermost dreams, and passions, and connections, and commitments, and values. Then, the beauty of the Land-Grant research university is that if I can't figure out a proposal that has the highest chance of putting the donor's square peg into a square hole, not trying to force it into a round hole, then, I haven't been resourceful enough or organization hasn't been resourceful enough.

CAC: How much of this falls on the president of the university and the president of the foundation directly? It seems to me that a large corporation expects you and whoever is president of the university to play a part in that negotiation, right?

GF: Yes. We're planning a major campaign right now, as you know. It's been ten years since the last campaign. We've spent the last two to three years getting ready for this. We're now

essentially in the quiet phase. The recommendation from our campaign planning consultant, who is Burr Gibson from Martz and Lundy, who has been the consultant on over half of the \$1 billion plus campaigns that have been successful in higher education in America, is that those top 200 to 300 prospects who are capable of gifts of \$1 million or more are managed by the president of the foundation or the university.

[break in the interview]

CAC: We're back on tape again after a break for business of Mr. Fischer. When we recessed, we were talking about the larger strategy of gathering and making real the support that the foundation has in the community and with corporations. You would know better than I where to pick up on that. One of my questions was, however, that I have a sense that there must be a lot of large corporate givers or individual givers who really want the president of the foundation and the president of the university to be personally involved.

GF: Yes, that leads to that confidence and leadership motivator I mentioned. The normal situation for the top 200 or 300 prospects to the university who would be capable of a gift of over, say, \$1 million would be that they would expect a relationship with the president of the university or the president of the foundation, not in every case but in most cases. In many of those cases, they would have multiple interests across the university as a focus of their giving; so, it's important that the cultivation of those donors be coordinated. Usually, it's important from the donor's perspective to have the president involved.

CAC: That puts a lot of pressure on your office to do all the liaison . . .

GF: I'll be going to a calendar meeting with the president later this afternoon.

CAC: [laughter] Any president . . . Mr Yudof knows right away how central the foundation is to the success of the university.

GF: I would say that—back to what we were talking about earlier—every gift to a public institution at some level is motivated by a desire to create excellence at the university and to supplement the core funding that would come from the state or tuition and to supplement that core funding in order to have a qualitative improvement in the program so we don't have just an adequate university or an average university but a great university. That's the thrust behind the endowed chairs, behind scholarships, behind research support, behind programmatic support. It's to do supplement not substitute for core funding. My argument has been, when the university has gone through this retrenchment period over the last few years, that if the state were to show a decline in its support, this will demotivate donors. We will not raise as much money. Donors want to be on a winning team. I think it's interesting that this year our gifts so far are running about 80 percent of last year, which was an all-time record year. It's largely the function of the incredible stock market which has doubled in the last two and a half years . . .

CAC: Ah!

GF: . . . and a healthy economy and just a general feeling of expansiveness. But, it's also, I think, a function that the state is rededicating itself, or appears to be, to higher education and, of course, we have a new leader that's getting along well with the governor and with the legislative leadership by all apparent signs so far. I don't think we've had a better time, a better environment for philanthropy than what we're experiencing.

CAC: Strike fast, Gerry. A honeymoon is short.

GF: I was going to say earlier—we started out with where was the foundation seven years ago—that today we have about seventy-five employees compared to those fifty, fifty-five before as the central foundation staff. There are probably thirty, now, development officers throughout the colleges and programs of the university. There are still another twenty or thirty in the medical foundation. Our budget has gone from . . . it was \$4 million when I first came with \$3 million of it being provided by the university. Today, the core operating budget is about \$5.8 million and I think the university provides about 35 percent of that \$5.8 million, rather than the 75 percent seven years ago. On top of that, we're spending about \$2 million incrementally per year now for a six- or a seven- year period in order to fund an incremental effort to launch and carry out a major capital campaign. I think the returns on this money, which had been running ten to twenty times what we spend in development, is coming back in gifts. That's a pretty good investment. I think there's enormous potential—in fact, the potential as we look at this campaign is extraordinary. Last year, we went through two milestones. The \$44 million we were raising several years ago went over \$100 million in new gifts produced last year—\$107 million—and that was 25 percent better than the all-time previous best year. We had roughly 56,000 or 60,000 donors. The other milestone was that the foundation itself as an independent legal entity . . . its assets went through \$500 million for the first time. That's quite a record. We're only thirty-five years old. At our tenth anniversary, we had \$8 million; at our twentieth anniversary, \$66 million of assets; at our thirtieth anniversary, \$321 million; and now, we're approaching our thirty-fifth in December and, I think, our assets are now over \$600 million.

CAC: These are undedicated funds?

GF: No.

CAC: These include the endowed chairs and everything?

GF: Yes.

CAC: So, a lot of it is dedicated?

GF: Ninety-nine percent of our gifts are designated by the donor to a specific purpose within the university. I think in a typical year, what used to be \$70 million the last couple years,

\$100,000 the last year, of new gifts produced, maybe \$600,000 to \$800,000, less than 1 percent, would be unrestricted, available to the trustees of the foundation.

CAC: You mentioned a moment ago that a large part of the staff are located in colleges and programs. When did that take place and what was the logic behind that?

GF: I wasn't here then; but, I think up to 1988, the professional development staff of the university [unclear], with the exception of the medical foundation, held joint appointments with the foundation and with the college. So, a development officer in CLA or any of the colleges or campuses would report both to the dean, or chancellor, or director and to the foundation. In 1988, when, I'm told, David Lilly was vice-president of Finance and there was an effort in this decentralized environment to put more power and authority in budget into the hands of deans, one of the decisions was that the all the external relations functions, including development, would be decentralized and that the hard-line reporting would occur between the collegiate development officer and the dean and a dotted line to the foundation where we provide the central services, training, but also gift receipting and acknowledgement, and donor recognition, and president's club events, prospect research, the annual giving campaign, the direct mail, and telemarketing, plan giving consultation, and doing bequests and trusts, annuities. All of that is here. So trying to run this operation . . .

[break in the interview]

CAC: We're talking about the decentralizing that took place. That initiative came from the vice-president from Morrill Hall and not from the foundation?

GF: Yes.

CAC: How does that work out? What kind of coordination . . . ?

GF: As I said before, with your top prospects, a lot of coordination is required. They would expect their primary development contact to be at the foundation.

CAC: I see.

GF: You want to coordinate your approach to a major donor so that you don't appear to be competing with yourself. One of the large donors to the university told me in the early days when I joined the foundation that he had been solicited four times in the prior two weeks by different parts of the university and he was flattered to be asked and he has no problem saying, "No," in a nice way; but, he said, "Gerry, you have got to be there. You've got to be my screen."

CAC: Flattered and dismayed.

GF: "I want to talk to you about my priorities and then I expect you to be sure that I'm not getting besieged by all of these people. You can manage expectations on my behalf."

CAC: It's not easy to manage a *confederation*.

GF: No. This coordination is a crucial success factor in every successful development activity. There are models from A to Z in terms of where you are on the scale of the relative amount of decentralization and centralization; but, most of the highly successful fund raising activities are highly centralized, particularly with these large donor prospects. We accept the decentralized organization of the University of Minnesota. I think we are blessed by having deans, and department heads, and chancellors, and directors who are very involved and superb visionaries and communicators. One of the things I can't stress enough is the high quality of the deans, generally, here. That's been an area of substantial improvement in the last several years. Their commitment is crucial. Probably 90 percent of the actual development activity day-to-day is going on in a decentralized way.

CAC: I interviewed one of the provosts who is now withdrawn and he said the most important job is the dean's job in any university, that you have more leverage, that it was the most fun, the most successful contribution for people to make.

GF: The deans are implementing the strategies of the university. Under their watch is the stewardship of both the public monies that flow to them and the private monies. They are in the position of knowing how to achieve excellence, and guiding me and the arrows I've got in my quiver, and guiding donors on how they can most effectively leverage their money. I have thought as the private support has increased at the university that donors are as tough in their demands for accountability as any other constituency of the university.

CAC: Good! They should be. Right.

GF: That's one of the reasons why a major theme for the foundation the last few years has been stewardship and strengthening the university's capabilities in stewardship. Many universities and other charities feel stewardship is a thank you for the gift and appropriate donor recognition. I believe that stewardship carries on with periodic reports on assuring the donor the money was spent the way they intended and here is how it made a difference. Here is how it touched lives. Here is how it enabled excellence to happen. Here is the research breakthrough that occurred because of your generosity, etcetera. If you can connect the faculty member with the donor or the scholarship recipient directly with the donor and strengthen the emotional connection . . .

CAC: So, it reaches down to that level?

GF: Oh! absolutely. Absolutely.

CAC: Good.

GF: Gift decisions are made out of someone's emotional makeup as opposed to any intellectual or ideological kind of commitment, in most cases. So, whatever we can do to strengthen the emotional connections to the university . . . Frankly, one of the things I've discovered since I came here was how underappreciated the university is. I've been on kind of a campaign to figure out how we can improve the public relation strategies of the university. This Gateway project we're moving on will have a heritage gallery celebrating the great achievements of the university faculty, the discoveries, the companies that have been invented out of university discovery, the technology transfer element, the achievements of alumni, athletes, artists. I had a rare privilege the other day when I listened to [C.] Walt[on] Lillehei and Earl Bakken tell the story on video tape of their inventing the pacemaker. At the last . . .

[End of Tape 1, Side 1]

[Tape 1, Side 2]

GF: I was talking about the Earl Bakken/Walt Lillehei taping for the Minnesota Historical Society, the story of inventing the pacemaker. It was wonderful to listen to.

CAC: That was done by the Minnesota Historical Society?

GF: Yes.

CAC: They've got a wonderful program.

GF: Yes. It was beautiful. Earl and Walt were just playing off one another so the interviewer didn't have to ask any questions. Finally, it was clear that they were getting near the end and the interviewer said, "Now, that there are 5 million people in the world with pacemakers implanted, living longer and better lives than they would have, do you feel some sense of satisfaction?" Earl Bakken answered, "Yes, it's nice to know that you've helped someone." Then, Walt Lillehei said that about ten years or so ago, the National Association of Professional Engineers, for their fiftieth anniversary, surveyed all their membership on what the top ten inventions have been that have advanced humanity. That's an impressive list. It includes television, and the laser, and the transistor, and the telephone, and the computer, and open heart surgery, and the pacemaker. So, he said, "To be involved in one the top ten inventions of all time that have advanced humanity is absolutely a great source of pride." Earl said, "But Walt, you've been involved in two: open heart surgery and the pacemaker."

CAC: Ahhh.

GF: I was sitting there thinking the University of Minnesota has been involved in at least three with the computer in those early days with Control Data, and Bill Norris, and Seymour Cray. The University of Minnesota has been either *the* source or in a principal leadership position in at least three of those top ten. It occurred to me that if you had a survey done today, maybe, the

Internet would be one of the top inventions of all time and the Gopher, I think, was one of the first viable forms of the Internet . . . still exists today right here out of the University of Minnesota. We don't think . . . I learned this. I've been here for seven and half years. I'd never heard that before and I don't think very many people thought of it as what role did the University of Minnesota play in these developments? I don't know if we played a role in laser, or television, or some of those other things. I haven't heard about it if we did. It makes me very proud. In the Gateway [project], one of my hopes in going forward is that we can help people feel this deserved pride in the history of this university and the difference it has made in the world. It's profound.

CAC: It's a lesser contribution but I have an interview with one chap who was at Crookston who really started the sunflower seed industry for the whole country. That was out of an experiment station.

GF: And the arrow wheat.

CAC: Yes.

GF: Norman Borlaug . . . that's now a source of food for much of the third world . . . apples and winter hardy soybeans, the retractable seat belt, and the black box flight recorder, and taconite.

CAC: Apparently, a lot of things in rocketry came out of Minnesota. They were so technical I couldn't understand what was being said.

GF: The first successful bone marrow transplant was here. The heart lung machine was here. MRI [Magnetic Resonance Imaging] . . . we were a very important contributor and are now in the next generation of MRI.

CAC: This is the kind of subject we usually get to in my interviews at end when we can go out with a blaze of glory.

GF: [laughter]

CAC: I'm reluctant to pull you back; but, I'm still interested in how this outfit works. I'm glad you talked about the decentralization because that clarifies questions a lot of people have. They don't know what those relationships are—I mean faculty and so forth. How does one create a board of trustees for the foundation? How is that done in practical terms, tactical terms?

GF: We follow our bylaws and articles. Our fore-founders were wise people. I'll say this. First of all, one-fourth of the board is officially appointed by the regents. Our board can be from thirty to forty-five people.

CAC: They must not do that out of scratch?

GF: Up to one-fourth are appointed by the regents and we can have up to five standing regents, including the president of the university and four others. The reality of that element is important because some foundations with a board that perpetuates itself, which our does through a nominating committee and a process, has over time attracted the top community . . . An extraordinary group of influence leaders as well as people of capacity to make major gifts can influence others and companies to make major gifts. It's self-perpetuating, unlike the Board of Regents which has been a politically appointed board. In some cases, in public education across the country, the regents or governing board of the university has developed a jealousy toward the foundation board which is more strategic, longer term. The president can go off the record sometimes dealing with strategic options in a way that's more difficult in public meetings. We've avoided that here because we've always wanted to work closely with the regents, and support the regents, and support the university. That's part of our mission. The regents are there in our committee meetings and in our board meetings and are fully aware of what our strategies are and we are fully aware of what the vision for the university is and what the strategic priorities of the university are. In fact, the President's Development Committee, which establishes fund raising priorities within the university, has a couple of the foundation trustees on that group and the foundation takes as its priorities what the fund raising priorities are of the university. So, when they say, "Mechanical Engineering . . . a new building," or "the Weisman Art Museum," or "the Carlson School of Management," or "Chemical Engineering," or "the humanities, the dance building . . ." Whatever the university identifies as among their highest priorities, that's where we will dedicate our resources and focus in an intentional way.

CAC: How do the regents decide among themselves who will serve on the trustees?

GF: Every year, the chair of the nominating committee for the foundation board talks to the chair of the Board of Regents and says, "Here are the openings that are occurring. Would you like to suggest any names for the committee to consider or are you willing to let the committee deliberate and suggest names back to you?" That dialog occurs. The nominating committee goes forth. It looks at what openings have occurred among the one-fourth of the board that are regents' appointees. Most times, the committee then has favored either current regents or former regents and, then, makes those suggestions to the regents and the regents vote and endorse their . . . They have the opportunity for input if there are regents who want to serve or they know of other people who would to serve on our board. Most of the time, they're happy to have the nominating committee deliberate that and suggest names.

CAC: I'm trying to picture a table of organization. It wouldn't be an easy one to draw on a chart . . . lots of dotted lines and lots of networking.

GF: Yes. The other element I'd wanted to mention is that the bylaws provide for two three-year terms, up to two three-year terms, unless you're elected an officer. If you're an officer of the foundation, then you can serve beyond the six years on a year-to-year basis. In the development

field where long term relationship building is crucial, our board probably has out of forty-four of forty-five members . . . we have a chair, a vice-chair, secretary/treasurer and, then, probably fifteen or so senior vice-presidents who, as officers, are there year-to-year beyond the six years.

CAC: I see.

GF: In effect, we end up with about, in the last few years, two to three to four openings per year to bring on new blood. Right now, we're going through a re-think. The foundation has come through its adolescence. It's in its early adulthood. We want to re-think our board structure and the most appropriate elements of governance and re-think what should a board like this . . . how should its performance be measured? What are the keys to its effectiveness? The reality of a major capital campaign that will be far more comprehensive in scope than the last campaign will help guide us in determining what kinds of skills, and competencies, and networks we want represented on that board to help the university as best we can.

CAC: Then, you have to get up to speed if you are doing a major campaign.

GF: Yes.

CAC: The chairman of a major campaign may be drawn from the trustees but not necessarily?

GF: Yes. That's common sense that the trustees know so much about the university. They've had a relatively intimate engagement. They've expressed their own, through their membership on the board, advocacy for the university, their desire to support the mission of the foundation which is to create excellence at the University of Minnesota. That's a very short version. It's to develop the kinds of relationships that will lead to financial commitments that will create excellence at the university and, then, steward those donors so that they're likely to be donors again. The dollars are interesting to talk about and the number of donors and that sort of thing. I think the value of the foundation board is also in having these leaders in our society, informed advocates of the university supporting the president and this university not just by visits to the legislature and visits to major donor prospects, and corporate leaders, and foundation leaders but also among their friends and colleagues at cocktail parties, at church, at synagog, at United Way, at the various places they come together.

CAC: I must say, Gerry, that I'm not surprised by the complexity of the operation but I'm staggered. Could you share a typical week or month? You have so many constituencies, and you have boards, and you have the network and, then, you have the college coordinate. Good grief! How do you spend your days? What kind of priorities do you set in your calendar? How often are you on the road or in the air?

GF: Last year, which was a year of presidential transition, of the first twenty weekends of the year, I was home six—and that wasn't enough just for personal balance and so forth. [laughter] A lot of it was so stimulating. You can't imagine how great it is to meet these people. We had

probably eight, or ten, or twelve different regional events that the foundation in cooperation with the Alumni Association sponsored for Nils, where local groups of alumni in Seattle, Portland, San Francisco, Los Angeles, Tucson, Scottsdale, Dallas . . .

CAC: To say nothing of the Pacific Rim?

GF: Yes. They were all here to say "Farewell" and honor Nils and Pat. We were happy to do that. We did take a trip last November . . . in fact, we've taken two trips in the last two years to east Asia. Amazing. I was included because I think there is long term development potential . . .

CAC: Enormous.

GF: . . . among those incredibly devoted and successful alumni.

CAC: Japan, Taiwan, China . . .

GF: Yes. Korea. I could tell you some great stories.

CAC: Tell me one in way of illustration.

GF: Okay. We were in Beijing. We invited local alumni to come to a meeting to meet the president. I think there were 155 people there. We had three, or four, or five regents' certificates. We had discovered through the work of the China Center that of the 200 top academicians in mainland China, which is the top position in China—these are scholars; it's like the National Academy of Science—at that time, nine were University of Minnesota grads. I think now we find out it's thirteen. One of them was Tong Psong, the father of plant physiology for China . . . ninety-three, in a wheel chair.

CAC: Heavens!

GF: He had learned about the meeting the day before. He'd been traveling. He wanted to come. He came. We honored him with this certificate. He wanted to respond in English. Because he was in his wheel chair, I had to kneel down and hold the microphone. He was reading these two pages of handwritten notes. It took him ten minutes because he wanted every word to be pronounced correctly—he had a lot of trouble with "Hasselmo."

CAC: [laughter]

GF: He told a story. He named the address of the home he lived in on Midway [Parkway]. He said that every morning he would leave and go to Raymond [Avenue], and turn up to Commonwealth [Avenue] and turn right, and that he'd climb this long hill up to his labs. He said he learned to appreciate the Minnesota winter because it taught him how to think clearly. Then,

he named his professors and he named his mentors. Then, he named four families from Minneapolis and St. Paul who had invited him for holiday meals so he wouldn't have to be alone in his room on a holiday. Now, this is 1995 . . . November. He was a student in 1925 to 1927. This is a memory going back seventy years.

CAC: Oh!

GF: I was blown away. We decided we should nominate him for an honorary degree. Then, that honorary degree was presented in his hospital room the following year. Because he was declared a national treasure by China, they wouldn't let him come with his health to the United States to receive it so we presented it. I actually didn't attend that. I had to leave Beijing. Nils and our colleagues presented it to him in his hospital room and with tears flowing down his eyes—everyone's eyes—he said that this was the proudest, best day of his life that his university would recognize him with an honorary degree.

CAC: That is remarkable.

GF: Incredible. There are a lot more stories.

CAC: You're on the road or in the air a great deal?

GF: Yes. Actually, other than these focused periods when we try to connect with a lot of the Minnesota snowbirds in Florida, and Arizona, and southern California, and Texas, as well as local residents, my travel schedule has not been that hectic. This year, I think, was unusual. I think in the campaign, it will become more so. One of the things that I've thought about recently is that I probably have spent 60 to 70 percent of my time on internal matters, leading the foundation, participating in university councils, and meeting with the deans, and the development officers, and so forth. My goal is to shift from the 25 to 30 percent of my time that I am focused on the board and donors . . . I'd like to shift that to 50 to 60 percent of my time in the campaign. I think that's going to be a success factor.

CAC: Yes.

GF: I love it. We're now searching for a vice-president of development. Bob Hanley who has been here ever since I have recently left to become the executive director of development for the Smithsonian Institution; so, we're in a search. We've had a very high standard for the quality of the staff. I think that's the key really to . . .

CAC: It has to be.

GF: Yes. We're blessed with a wonderful, wonderful staff here at the foundation and throughout the university.

CAC: One imagines you had a good partner in Mr. Hasselmo.

GF: Yes, Nils was excellent as a fund raiser.

CAC: Do you have any kind of a guess—I will interview him in Tucson this winter, I hope—how much of his time was spent in this kind of work with you, or with the foundation, or with development?

GF: That's hard. I would say 10 percent to 15 percent of his time.

CAC: I suspect it was time that was more enjoyable than many other things he had to do.

GF: He said over and over again how much he loved interacting with alumni and donors because their values are so solid. They're so interested in excellence of the university and proud of their university. I think relative to the tenure battles, the academic misconduct issues in research, the retrenchment that he went through, closing a campus, eliminating 1,000 administrative jobs, reallocating \$132 million of the annual state appropriation from weaker to stronger programs, and so forth . . . he went through a really, really tough period from that standpoint. Yet, he engendered trust of the external community very quickly. He is just a man of uncommon integrity. That would mean a lot to donors and prospective donors. We set records in a lot of these years.

CAC: I've asked some others what resources Nils had to do all these things that he had to do, many of them very disagreeable. You know him very well because you've been out in the country and out in world with him. What is your perception? You've described him in terms that others have and it would match my description, certainly. There's something beyond that; you have to have some kind of good genes, or good body chemistry, or something.

GF: First of all, I think he knows himself and has a healthy self-esteem and can differentiate institutional attacks from personal attacks; although, that was very difficult at times.

CAC: I'm sure.

GF: Some of it was focused very personally. He once told me that leading a university is like a ship acquiring barnacles. This goes back to all these conflicting cultures and the ultra-decentralization of the university that starts with kind of a distrust toward anything central or any assertive leadership. He said that you would analyze the situation. You would make a decision that you believed was right for the university knowing, going into it, that you were going to have a very significant opposition that would be vocal, emotional, and so forth, and it would hold that decision against you forever. That would be a barnacle that would attach to the ship.

CAC: Ah! I see.

GF: For most college presidents, I guess today, the average tenure is four years or 3.9 years; so, Nils—we had him for eight and a half years, almost nine years—outlived the average. [laughter] You get to a point where you just feel you're losing your effectiveness to lead because of all the special interests that have been alienated along the way and hold a grudge. I think he has a very strong faith not just in a spiritual, religious sense but a faith in the goodness of creation and the goodness of his colleagues. He loved the university, everything it was about, and I think donors would be a regular reminder of the core values of this institution and its worth. He was a very articulate leader in compelling ways.

CAC: He's the only president that you have worked with?

GF: Yes. I've had now nine months with Mark Yudof.

CAC: That will be for another interview.

GF: Okay. [laughter]

CAC: Are there things that we haven't touched upon that we should? You would know much better than I. The kinds of questions I had, we've covered.

GF: At times, a mild source of frustration in the job has been the decentralization. While we provide a financial subsidy to the colleges for their development, their localized development effort and we do have an incentive plan for development officers to help keep them focused on major gift activity, really, all you've got is moral suasion to keep the team together and rowing in the same direction. It's incredible, I think, for any central administrator at this university when you've got, in our case, twenty-six or twenty-seven entities with organized development activity. Many of them, by the time you go to the hospital, the MMF, the Weisman, men's athletics . . .

CAC: What's MMF?

GF: Minnesota Medical Foundation, supporting the medical school.

CAC: Okay.

GF: You've got major donors who have interest in all these places—plus the college of their degree. It absorbs an enormous amount of energy to be sure we keep pulling in the same direction and that you value these and stay donor directed. I guess that would be the other thing. I'm very proud of the history of this foundation. It's accomplished a lot. I think one of the things that was built into our culture early on was the primacy of the donor and respecting donor desire; so, our whole effort has been to try to develop things that really fit with the donor, as long as it's within the mission of the university. Not many people know how many times we say, "No," to gifts that don't fit the mission.

CAC: Do you have a for instance of that?

GF: Sure. We were offered farmland immediately across the street from the Crookston campus and in doing our due diligence, we found out there was an old tire dealership and warehouse there and a toxic waste problem. I said to the donor, "We couldn't take on a gift of that sort that involves an ongoing, uncertain major liability." If the donor would indemnify us against that, we would be happy to accept it. The donor said that he had another university that was thrilled to get it. I said, "That's fine." We've been offered a fraternity house. "Ideal for international students," said the donor, because it had two or three kitchens. They had talked to people inside the university. They would love it. It would be just great to have it. I said, "It sounds like a great idea. We need to ask a few questions." Of course, we discovered unpaid tax liens. We discovered a mortgage of significant amount. I had to say, "No." One of our mottoes is, "We don't accept gifts that eat."

CAC: [laughter]

GF: I think over the years, there's been a culture here to respect and prioritize donor desire. Donor desire and university needs will always be intention; but, donors do not like to refurbish buildings. The university has an enormous need to refurbish; but, endowing the janitor is not a high priority for most donors. They want to build. They want to create new things. There's always that tension. I think we've been able to resolve it pretty well. Then, I think that we've been blessed with strong management of our operating environment and our budget. We have an informal goal here every year to achieve a 5 percent productivity gain—at least. Every year, we've exceeded that. I've been able to redeploy money out of gift receipting, and postage bills, and things like that into more direct development activity. I'm very proud of that because I always want the donor to know that we are committed to cost control and we're not out there driving Lincolns. When we rent a car on the road, I like to rent a Ford. We try to stay at budget hotels. I want our donor community to know that we're trying to be as efficient and as effective and quality oriented as we possibly can be.

CAC: You have no control over a winning football team?

GF: [laughter]

CAC: Does that make any difference? I've asked so many people.

GF: I think it does in the long term. I can't say that I can point to any single gift that came from us going to the Final Four. My colleagues at Northwestern and Wisconsin tell me that they cannot point to any single gift that came out of their visits to the Rose Bowl. Yet, because giving comes, in most cases, from the emotional element in life for an individual, these are very important shared experiences . . . to win the national championship, to go to the Rose Bowl. I think that over time, in that culture of winning and excellence, unfortunately football becomes *the* standard by which your total athletic programs are viewed and a lot of people translate it into

their view of the university. I think part of the aura of Michigan . . . their tag line is, "The University of Michigan - the leaders and best." I think part of that comes from the last couple of decades of consistent quality football programs that gather 105,000 people into Ann Arbor every other Saturday in the fall and they have a pageantry experience and, most of the time, it's a winning one. They go feeling robust about their university.

CAC: It's legendary that Donna Shalala sought this for Wisconsin when she was president.

GF: I think it will help in reengaging alumni and strengthening the bonds from which giving will occur in the long term. But, other than increased memberships in the Alumni Association so you can get a discounted ticket on that tour to Pasadena or to Indianapolis last year, I'm not seeing any direct instant impact on giving. I think the stock market has been a far more important factor in the increase in giving the last few years than our Final Four appearance.

CAC: It led Ted Turner to give away \$1 billion he'd made just in one year from sitting on stock.

GF: Yes, in nine months.

CAC: What else do we need to cover, Gerry?

GF: The foundation has developed on its board in its investment committee an excellent record in the management of the endowment. For the ten years, ending last November, Vern Heath was the chair of that committee. In preparing a little tribute for him at the ten years, one of the things that amazed me was that because of the investment performance on the endowment, we had generated as many dollars in the appreciation of the portfolio as we had in new gifts. Now, that was very important. We've typically been in the top quartile of the top 300 to 400 colleges and university endowments in this country in our performance. That incremental performance over our goal . . . our goal is that we would raise five points over inflation and, thereby, always maintain the ability to payout the 5 to 5½ percent to the faculty and the students and still maintain the permanent value. But, because of our investment performance being so far above inflation and the 5 percent . . . in fact, that 7½ percent, I think, is the goal for the last five years. I think our actual return was—I can get you the facts later—either 15 or 17 plus percent where the goal was 7½. The result of that is that a \$1 million gift to the endowment in 1987 has grown to be worth something like \$2 million today, even though we've paid out 5½ percent every year of that endowment. So, what was a \$55,000 payout in 1987 was like \$85,000 last year—don't call me wrong for a few thousand. From a faculty member's point of view, let's say the beneficiary of an endowed chair, over that ten years, the payout from that endowment has increased at something like 6½ to 7 percent where inflation has averaged 2½ to 3 percent. So, the rate of increase in that source of funding for the faculty and the student scholarships has been running at more than double inflation. I'm very proud of that.

CAC: This is good judgment but it's also good luck on the stock market as it's gone the last four, five, six years?

GF: Oh, absolutely. The stock market performance has been extraordinary; but, don't forget that in 1994, when the stock market was flat, we had a negative .9 percent return. We still paid out 5½ percent to every beneficiary. We are in this for the long term. We look at our returns over three and five years. I think the performance of our investment committee in the foundation is one that represents good stewardship. Those assets have been handled professionally, and responsibly, and very effectively; and it's made a big difference in the quality of the faculty we have. We had, at the start of the Minnesota Campaign, seventeen endowed chairs.

CAC: Not counting the regential chairs?

GF: That's counted as one endowment.

CAC: All right.

GF: There are twenty Regents' professors. When that campaign ended—the goal was to create 100 new—we created 121 new; so, that would have left us at 138 at the end of that campaign in 1988. The interesting thing and under Nils' leadership in the last nine years, we've created another 104 when we haven't even been in the campaign. So, the seeds that were planted in the mid 1980s . . . some of them have taken a longer time to harvest. Also, our standards have been \$500,000 for a professorship and \$2 million for a chair and those, with the help of the Puff match initially but more recently just outright gifts . . . I think this puts us in a very strong position to compete, to either retain our best faculty as we go forward or to attract some of the top minds in the world to come here. There's both the economic reality of the endowed chair but also the intangible recognition of excellence that a named endowed chair represents. Also, when I look back over the last few years and we look at a new hockey arena, a renovated Williams arena, a conversion of the old hockey arena into a sports pavilion for women's athletics and non-revenue sports, the Weisman Art Museum, the Ted Mann Concert Hall—the Basic Sciences Building doesn't really have a meaningful component of private money—the Carlson School of Management . . . these wouldn't be here without private gifts. Modern, well-equipped facilities are important not only for the substantive impact they can have on the program but also to recruit top faculty and top students.

CAC: And for moral.

GF: I feel great about those tangible ways we've helped the university.

CAC: Let me play devil's advocate. I imagine that you must be occasionally frustrated by the lack of understanding and response of many of the working faculty to the things you been talking about this whole morning.

GF: [laughter] Yes.

CAC: It's just a frightening problem of communication. I bet your donors know better than the faculty—unless one is sitting on a chair.

GF: Actually, mostly, I feel great about the faculty. It's not their job to raise money and to be close to it. Their job is to teach and do excellent research and outreach.

CAC: That can be narrow in . . .

GF: Yes. The only frustrations that I've experienced are—I think they are reasonably minor—is when we have promised a donor to give a report on the activity on this endowed chair or this endowment and all I need is one paragraph, or two paragraphs, or a page from the department head or the faculty member that we can include in a letter to the donor. There are some who just don't regard that as important and a priority. Years ago, more than now, we missed some key deadlines with some major foundations who had been extraordinarily generous. Against my stewardship goal and the priority of stewardship, that's about the only source of frustration. Generally, the faculty are very generous. Twenty-eight hundred and eighty-five, I think, in 1996—I'm still waiting for the number from 1997—faculty and staff made gifts to this university and they totalled \$1.3 million in one year. In the Minnesota Campaign in the mid-1980s, the faculty had a goal of \$3½ million. The result was \$11½ million and it was done in every way, from payroll deduction to outright gifts. Again, the main thrust of that campaign was faculty support through the creation of endowed chairs; but I was blown away. When I meet faculty, I am so impressed with their sense of mission and their dedication to excellence. They care deeply about their students. They care deeply about their research and its ability to make a difference in the world and they do outreach. When I read these bios [biographies] and little reports on the endowed chair holders, I'm blown away. I just can't believe what I'm seeing, it's so good. The people that I've met . . . their character and their genuine commitment to students. You go through a tenure debate and the way it gets played out on the public . . . that the faculty are lazy and this is the last bastion of Communism or however it gets cynically twisted against what I see in *most* faculty that I interact with . . . it's really sad. It's part of how the university is underappreciated.

I've been talking to Tom Swain about whether or not we couldn't create an ad campaign that would feature faculty like we did in our endowed chair brochure. I guess that's one other thing I would say. We've tried to create events for donors in the last few years that connect donors to the beneficiaries of their gifts. Last October, we had the endowed chair event for 450 people. In the program part, we featured four of the endowed chair holders. We had a student for one. We had Mayor [Norman] Coleman from St. Paul. We had dance students perform. We had a business leader from Medtronic talk about the holder of the Earl Bakken chair, Matt Terrell, and the incredible fruitful research that's being done as sort of testimonies. We honored new chair

donors that night. But, at the tables during the dinner, we connected the donor with the chair holder, and the dean, and the department head.

CAC: Good.

GF: Wherever we can bring together donors . . . this year, we're trying to figure out how to bring student scholarship award recipients together with donors to scholarships. It probably won't be a big single event but events going on throughout the colleges. I think that will really help us steward the gift so the donor understands more intimately, more knowledgeably what the impact of the gift has been and also to look into the . . .

[End of Tape 1, Side 2]

[End of the Interview]

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