

# Strategic endowment fund management: Elevating quality assurance in higher education - insights from case studies and best practices

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## **Abstract**

*This research explores the pivotal role of strategic endowment fund management in elevating the quality assurance standards within higher education institutions. Quality assurance in higher education is of paramount importance, especially in a global context where educational excellence is a driving force for socioeconomic development. Drawing from an extensive analysis of case studies across diverse geographical regions and institutional types, this research identifies key strategies and best practices that have yielded tangible improvements in educational quality. It explores the innovative ways in which endowment funds are established, managed, and leveraged to address specific quality assurance challenges faced by higher education institutions.*

*Furthermore, it examines the ethical considerations inherent in fund allocation and distribution, ensuring equitable access to resources for quality enhancement. In doing so, this research paper not only underscores the critical association between endowment fund management and higher education quality assurance but also provides a repository of practical insights and best practices that can guide policymakers, educational leaders, and philanthropic organizations in their efforts to sustain and elevate the quality of higher education worldwide. As higher education institutions grapple with the challenges of the 21st century, strategic endowment fund management emerges as a powerful tool in ensuring that educational quality remains at the forefront.*

## **Keywords**

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## 1 Introduction

### 1.1 Background

Institutions accumulate finances to guarantee that next students will have equivalent subsidies and educational prospects as present students (Baum and Lee, 2019), where one such example is the endowment funds in higher education institutions as they offer a reliable and enduring source of financial resources (Phung, 2022). These funds usually consist of contributions, presents, and investments that are overseen to produce revenue, which can be utilized to finance different components of an institution's activities. Specifically, endowment funds can be utilized to provide financial assistance for many endeavors, including but not limited to scholarships, research grants, infrastructure enhancements, and faculty recruiting (Smith, 2022).

With the increased funds comes an increased concern on the part of institutions to be reassured on the quality of the spending of the funds (Seyfried and Pohlenz, 2018). This includes the surety whether the higher education institutes are operating efficiently and effectively, overall labelling the phenomenon as Quality assurance. The function of quality assurance in higher education is crucial in guaranteeing that educational institutions deliver a superior learning experience to students and that degrees and qualifications hold significance in the employment market (Matei & Matei, 2013). Moreover, the quality assurance in higher education is frequently contingent upon the caliber and proficiency of the teachers and staff, where endowment money can be utilized to attract and maintain highly skilled instructors, researchers, and administrators, therefore improving the overall quality of the school.

### 1.2 Problem Statement

Even though, endowment funds play a crucial role in supporting institution's quality assurance by offering them a sustainable and dependable source of financial stability over the long term (ALJehani, 2023), many a times, institutions fail to strategically manage the funds in order to uplift the quality of education that is delivered and end up not effectively utilizing the funds. This not only affects the institution's progress and achievements, but also affects the likelihood of students attaining their academic and professional objectives (Seyfried and Pohlenz, 2018). Moreover, at large this also impacts the institution's future chances of attaining funding from external bodies due to a poor history of mismanagement of endowment funds. Having said that, strategic administration of endowment funds is essential for guaranteeing the long-term financial viability of higher education institutions, where a well administered endowment can offer a consistent revenue stream that institutes can use towards several facets of their operations, such as academic programs, faculty advancement, and infrastructure.

### 1.3 Research Aim and Objectives

In view of this, this research study aims to explore the strategies for effective management of endowment funds which could enhance the quality assurance of the higher education institutes. To achieve this aim, the study has set the following objectives:

- To identify the strategic practices in endowment fund management that have been employed by institutions to support quality assurance in higher education.

- To understand the challenges and obstacles that higher education institutions typically face when managing endowment funds to enhance quality assurance.
- To provide recommendations that can be offered to higher education institutions seeking to improve quality assurance through strategic endowment fund management.

## 2. Research Methodology

This study employs a case study approach to provide a descriptive analysis of the strategic management of endowment funds in higher education institutes and their role in assuring the quality of education. A total of six case studies were conducted, encompassing higher education institutes from both developed and developing regions, thereby providing a balanced perspective on endowment fund management in the higher education sector. In the context of developed countries, case studies were conducted on Harvard University, Stanford University, and The University of Oxford. These institutions were selected based on their established reputation and available online repositories and resources. The strategic plans and fund allocation strategies of these universities were examined through comprehensive analysis of their online documentation.

In contrast, within the context of developing countries, case studies were conducted at Forman Christian College, Lahore; Edwardes College Peshawar; and Christian Educational Endowment Trust, Lahore. In-depth interviews were conducted with key administrative staff of these institutes to gain insights into their approaches to endowment fund management and quality assurance practices. By leveraging both online resources and direct interviews, the study aimed to unveil valuable insights gathered from these diverse institutes.

## 3. Discussion:

### 3.1 Harvard University

Harvard University, an American institution situated in Cambridge, Massachusetts, USA, is renowned worldwide for its extensive campus, research prowess, and substantial financial resources. It is considered one of the most reputable and esteemed educational establishments. The university maintained its place among the top two internationally, as per the U.S. NEWS rating of 2022. It also excelled in terms of its financial resources, with an endowment over 40 billion dollars in the fiscal year 2022. Since 1974, Harvard Management Company (HMC) has successfully managed university endowment money, resulting in the maintenance and expansion of campus infrastructure and amenities. This has eventually had a positive impact on the educational environment and student satisfaction. In addition, HMC's strategic management of endowments is supplying the necessary financial resources for research initiatives and innovation. HMC has traditionally upheld a diverse investment strategy including a range of asset classes, including public stocks, fixed income, alternative investments, and real assets such as real estate and natural resources. Moreover, Harvard's endowment is a fund designated for long-term investments, and the institution generally adopts a deliberate and cautious strategy when it comes to investing. This enables them to withstand short-term market volatility and concentrate on long-term expansion. Despite the strong holding, the institution has traditionally used a proactive investing strategy, aiming to surpass benchmark indexes rather than just mirroring them passively. This entails formulating investment judgments by doing thorough analysis. Most of Harvard University's endowment is allocated to specific initiatives within different departments and is employed in accordance with the terms established by the

donors. The main areas of finance largely provide money for the purpose of funding teaching staff salaries, financial aid and scholarships, alumni fellowships, assistance towards research projects, and funding towards student's activities. Overall, the institute is committed to maintaining the value of its endowments by carefully allocating a limited amount of funds each year and saving any excess for future growth and assistance, which guarantees the perpetual protection of the endowment money and assures equitable treatment throughout successive generations.

### 3.2 Stanford University

Stanford University, established in 1885 and situated in California, is among the top ten institutions worldwide in the domains of education, engineering, law, medicine, and business. The university's endowment, which comprises around 75% of the Merged Pool and other assets like real estate, reached a value of \$36.5 billion on August 31, 2023, marking the end of its fiscal year (Stanford News, 2023). The management of the Stanford University endowment has effectively implemented a diversification strategy in its investment portfolio. It has also established precise and explicit long-term objectives and investment policy statement for the university. Furthermore, it has made investment choices while adhering to a long-term outlook. The management consistently modifies the investment portfolio to maintain the desired asset allocation, ensuring that the endowment remains aligned with its investment objectives. The institute additionally implements and adheres to a sustainable and prudent spending strategy that efficiently oversees the institution's operating budget while simultaneously preserving the purchasing power of the endowment. Moreover, the university hires proficient investment managers who include ethical investing concepts into their administration of the endowment. This ensures that the investments align with the institution's values and goals. Stanford University's primary objective was to uphold openness in the financial performance of its endowment and communicate the outcomes to stakeholders, such as donors, to cultivate trust and confidence in the administration of the fund. In doing so, the institution has cultivated robust connections with donors and actively engaged them in the administration of the endowment, leading to a notable rise in support and generous donations.

### 3.3 The University of Oxford, UK

The University of Oxford, established in the 12th century, is a prestigious institution located in Oxford, England. Renowned for its rich history and academic excellence. Oxford is characterized by its unique collegiate system, with 39 self-governing colleges that offer a wide range of undergraduate and postgraduate programs across various disciplines, including humanities, sciences, social sciences, and more. The endowment fund of Oxford university has grown to over £6 billion in 2022 due to a mix of strong performance and investments from investors. Interestingly, the Oxford Endowment Fund has disbursed worth £1.4 billion and yielded a return of 224.8% since its establishment in 2009 (Endowment Management, 2023). Oxford has a collaborative approach.

Oxford has successfully leveraged endowment monies to improve the quality of academic programs and student outcomes in various ways. The institute provides financial resources to support scholarships and financial assistance initiatives, so enhancing the accessibility of education for students who may lack the means to finance it otherwise. This promotes student diversity and guarantees that academic opportunities are accessible to a wider spectrum of students. Funds at Oxford are kept providing financial assistance for research institutes, labs, and the acquisition of equipment, so enabling advanced research

and fostering innovation that not only improves the caliber of academic programs but also offers students the chance to participate in research endeavors.

Endowment funds at Oxford are also utilized to establish novel academic programs, enhance current ones, and broaden services in regions with significant demand. This facilitates the adjustment of Oxford colleges to changing educational demands and enables them to maintain a competitive edge. Endowment monies are also utilized to augment library holdings and provide resources towards contemporary technological infrastructure. This guarantees that students at Oxford are provided with current materials and digital technologies, hence enhancing the entire learning experience. In addition, Oxford fund initiatives facilitate students' practical learning experiences, internships, and cooperative education possibilities. These encounters bolster their practical aptitudes and equip them for the professional realm. Endowment monies are allocated towards the upkeep and enhancement of campus infrastructure, encompassing classrooms, labs, and communal areas.

### **3.4 Forman Christian College (A Chartered University), Lahore Pakistan**

Forman Christian College (FCC), located in Lahore, Pakistan, is a renowned institution with a rich history dating back to 1864. Initially founded by Dr. Charles W. Forman, a Presbyterian missionary, the university has evolved into a center of academic excellence. FCC offers a diverse range of undergraduate and postgraduate programs, emphasizing a holistic education that blends academics, extracurricular activities, and character development. The campus is a blend of historic and modern architecture, reflecting its commitment to tradition and innovation. Known for liberal arts studies, fostering critical thinking and cultural awareness, FCC continues to shape the future leaders of Pakistan. The University Endowments fund of Rupee 309 million comprises of extremely restricted contributions and attributed net growth. This endowment fund has been established in accordance with Higher Education Commission (HEC) mandatory requirement and in accordance with objective established by the Board of Governors/donors, where the profit of the endowment is primarily given in the form of scholarship to the deserving students. Forman examines the problems and limitations faced in managing endowment money while allocated to financial markets, and economic downturns that resulted in swings in the endowment's value. To tackle this difficulty, Forman has taken steps to diversify their investment portfolios, establish explicit investing objectives, and maintain a long-term outlook. Over time, inflation has gradually diminished the actual worth of endowment money. To address this issue, the University frequently aims to achieve a rate of return on investments that is above the inflation rate, thereby guaranteeing the preservation of the endowment's buying power. The institute aims to remain updated on regulatory modifications and adjust their plans accordingly as tax legislation and rules pertaining to endowments are subject to change, which can have an influence on the administration and utilization of these funds. Moreover, the university intends to establish the optimal drawing rate for endowment funds to sustain their operational budgets while safeguarding the principle as achieving an optimal equilibrium long-term viability must be ensured. Also, Forman aims to frequently engage in growing the endowment fund and bring it to the level that in the next 10-15 years university may be able to decrease fees through investment returns.

### **3.5 Edwardes College, Peshawar, Pakistan**

Edwardes College in Peshawar, Pakistan, stands as a symbol of educational heritage since its establishment in 1900. Named after Sir Herbert Benjamin Edwardes, a prominent British colonial officer, the college has a legacy of providing quality education. Edwardes offers a wide array of academic

disciplines, emphasizing intellectual growth and character development. The campus boasts a blend of historic and modern architecture, creating a conducive environment for learning. With a commitment to nurturing well-rounded individuals, Edwardes College plays a crucial role in shaping the academic landscape of Peshawar and contributing to the nation's intellectual capital. Edwardes College established its functional endowment system in 2015 with a very less amount of less than three million, however, in 2029 reached to Rs 300 million. The institute proficiently conveyed their requirements and accomplishments to local donors, non-governmental organizations, foreign missionary donors and alumni, where the college management used its robust connections for expanding the endowment funds.

The college maintained consistent and effective governance of endowment for responsible stewardship for which the management fostered trust and confidence among contributors that created confidence towards maintaining these resources in accordance with their set objective. Moreover, the college prepared set policies stipulating investment techniques and optimal approaches and got it approved by the Finance Committee, Executive Committee and Board of Governors. These policies clearly define the objectives, risk tolerance, and approaches for handling endowments inside the college. In addition, the college investment portfolio was made for mitigating risk and maximizing long-term gains by effectively navigating market swings and obtaining stable returns by maintaining a long-term investment strategy. The college also prioritize donor interactions, focused fundraising efforts, and alumni involvement as strategies to expand its endowment assets. The management remained focused on implementing efficient risk management methodologies and financial planning to identify and address potential hazards. Effectively conveying the institution's fiscal well-being, endowment progress, and influence on donors and stakeholders that remained crucial for establishing confidence and obtaining backing.

### **3.6 Christian Educational Endowment Trust, Lahore Pakistan**

The Christian Educational Endowment Trust (CEET) located in Lahore, Pakistan, plays a pivotal role in supporting Christian educational initiatives. Established to address the financial challenges faced by Christian educational institutions, CEET focuses on ensuring access to quality education for the Christian community. CEET established its endowment in 1969 and has reached Rs 70 million in 2023. By providing financial aid, scholarships, and resources, CEET aims to uplift and empower students, fostering academic excellence and personal growth. This trust contributes significantly to the sustainability of Christian educational institutions, promoting inclusivity and equal opportunities. Through its dedicated efforts, CEET stands as a beacon of support, enhancing the educational landscape for Christian students in Lahore and beyond.

CEET explores a variety of funding sources, including money from investments, government grants, private donations, corporate sponsorships, and international aid, where specifically it does not rely on a single source to minimize financial vulnerability. The institute has collaborated with other non-governmental organizations (NGOs), governmental agencies, and private sector entities. This partnership has led to shared resources, expertise, and increased visibility, attracting more funding opportunities. The trust has maintained transparent and accountable financial practices, regularly communicating its financial reports to donors, showing how funds are being utilized. This transparency has built confidence and credibility, encouraging continued and increased support. Moreover, the institute developed and executed targeted fundraising campaigns that aligned with the organization's mission and resonated with potential donors. It also utilized online platforms, events, and social media to broaden the reach of fundraising efforts. The trust management developed relationships with individual donors who are

passionate about the organization's cause, regularly engaged with them through personalized communication, updates, and events. Invested in professional grant writing to increase the success rate of securing grants, tailored proposals of funding organizations demonstrating a clear understanding of their goals and how the NGO aligns with them. The institute clearly articulated the impact of the NGO's programs and projects by using data and success stories to show how contributions make a tangible difference knowing that donors are more likely to invest in organizations that can demonstrate positive outcomes. In addition, CEET has continued working with financial experts to explore responsible and sustainable investment options for the endowment, where a well-managed investment portfolio can generate returns that contribute to the long-term financial health of the organization. The trust engaged in advocacy efforts to raise awareness about the NGO's mission and the social issues it addresses to attract support from various stakeholders, including donors. The trust periodically evaluates the effectiveness of fundraising strategies and adjusts as needed. It always stayed informed about changing donor trends and remained adaptive in response to the evolving social and economic landscape.

#### **4. Recommendations to Higher Education Institutions to improve Quality Assurance through Strategic Endowment Fund Management**

The strategic administration of endowment funds in higher education is vital for guaranteeing the long-term financial stability of academic institutions. Financial stability is an essential aspect of quality assurance since it enables universities to sustain and enhance their educational programs. The endowment funds can be utilized to provide financial assistance for many endeavors, including but not limited to scholarships, research grants, infrastructure enhancements, and faculty recruiting. Efficient distribution of these resources can improve the overall caliber of education offered by the school, whereas the effective administration of endowments may support the establishment of novel programs, research institutes, and academic initiatives that enhance the standard of education. From the discussion derived from various case studies, this study has identified several suggestions for strategic management of endowment funds for quality control.

**Comprehensive Strategy:** To enhance quality assurance via strategic management of endowment funds, higher education institutions should establish a comprehensive investment strategy that clearly defines the institution's investment goals, risk tolerance, asset allocation, and spending policy.

**Diversifying the assets:** The research recommends that institutions should diversify their assets across different asset classes to mitigate risk and generate more consistent returns over a period. Consider a combination of stocks, bonds, unconventional investments, and tangible assets. It is imperative to prioritize long-term sustainability and refrain from short-term thinking and market-timing. The focus should be on protecting the true value of the endowment.

**Spending guidelines:** It is crucial to create clear spending rules that strike a balance between supporting the institution's operational budget and preserving the principle of the endowment. The institute should further contemplate integrating ethical concepts into the endowment management plan to synchronize investments with the institution's values and goal.

**Long-term viability:** Creating an endowment committee or board consisting of a diverse group of financial specialists, institutional stakeholders, and independent members to provide efficient governance and supervision. Regularly assess the performance of the investment portfolio and readjust it as needed to

uphold the planned distribution of assets. Reassess the investment strategy of the institution in response to changing market circumstances and objectives. Identify and address several types of risks, such as market risk, inflation risk, and liquidity risk, to safeguard the value of the endowment and assure its long-term viability.

**Connections:** Cultivate robust connections with donors, include them in the administration of the endowment, and showcase the tangible effects of their donations on the institution's excellence and purpose. Create focused fundraising campaigns and alumni engagement activities to expand the endowment, enabling more financial backing for academic programs and improvements in quality.

**Collaborative approach:** Ensure openness in the administration of endowments by effectively communicating the financial performance, investment strategies, and outcomes of the fund to donors, stakeholders, and the public. Ensure that the administration of the endowment fund is in accordance with the strategic objectives of the institution and contributes to the fulfillment of its purpose. Reflect upon the ways in which endowment monies might improve academic programs and positively impact student achievements. Deliver instruction and training to staff, board members, contributors, and other stakeholders engaged in endowment administration to guarantee that all individuals are thoroughly knowledgeable about optimal methodologies and developing plans.

**Knowledge exchange:** Engage in partnerships with other institutions, investment experts, and consultants to acquire valuable knowledge, exchange information, and tap into specialized skills in managing endowments. Consistently evaluate the performance and efficacy of the endowment management plan. Adapt and modify as needed to match evolving conditions and objectives. Ensure the team is well-informed and adhere to the applicable tax rules, regulations, and reporting obligations that regulate the management of endowments.

**Caution:** Institutions and their investment committees are obligated to fulfill their fiduciary obligation by prioritizing the best interests of the endowment and its beneficiaries, who include donors, students, and the school itself. This entails making judicious investment choices and meticulously overseeing the endowment with the utmost caution. Establish unambiguous investment rules and standards to direct investment choices, and periodically assess them to ensure they continue to adhere to the institution's fiduciary obligations. Numerous endowment funds are accompanied by explicit donor limits and objectives. It is of utmost importance to show respect and reverence for the wishes of the donor, and any divergence from the donor's intentions must be approached with extreme caution and legal advice.

**Socially responsible:** Certain organizations give priority to ethical or socially responsible investment while managing their endowments. Striking a balance between ethical beliefs and financial responsibilities may be an intricate undertaking. Establish explicit criteria for ethical and socially responsible investment that are in accordance with the institution's core principles. Convey these instructions to anyone with an interest in the matter and strictly follow them while making investment choices.

**Transparency:** Remain knowledgeable about pertinent laws and regulations and guarantee that the management methods of endowment funds align with these stipulations. Having a legal advisor who specializes in nonprofit and higher education law might be quite beneficial in this situation. Transparent reporting to donors, governing boards, and the public is necessary for endowment funds. Stakeholders require access to comprehensive information about the performance and utilization of the endowment.



Create a resilient system for documenting the performance and utilization of the endowment fund, and consistently and effectively convey this information to relevant parties. Transparency fosters confidence.

Donations: Establish unambiguous gift acceptance policies to provide guidance on the institution's procedures for accepting and handling gifts, particularly those designated for the endowment. Create gift acceptance regulations that clearly define the eligible assets, the specific circumstances for acceptance, and any accompanying limitations or restrictions. These policies serve to guarantee that donations are in accordance with the institution's mission and values. Institutions have an ethical and legal obligation to serve as responsible caretakers of endowment monies. The purpose of these monies is to enhance the institution's mission and ensure the provision of high-quality education. Consistently provide education to endowment managers, board members, and staff on their duties as custodians of endowment assets and highlight the institution's dedication to responsible administration.

## 5. Conclusion

In conclusion, the study on multiple cases of higher education institutes and the strategic administration of endowment fund has proved to be a resultful study where practitioners and academics alike could take idea from these findings and build strategic plan for investing endowment funds and ensuring quality education. The study was descriptive in nature; however, future studies could build around explanatory methods and test the causal effect between management of endowment funds and quality assurance. Moreover, this study focused solely on successful cases of funds management, however future studies could take on board management perspectives from both ends i.e., successful, and non-successful cases and identify the differences in patterns for a strategic plan.

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