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# NONPROFIT SECTOR RESEARCH FUND

—— *Working Paper Series* ——

## **Community Foundation Approaches to Effectiveness: Characteristics, Challenges, and Opportunities**

by

Francie Ostrower

2006



THE ASPEN INSTITUTE

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Approaches to Effectiveness:  
Characteristics, Challenges, and Opportunities**

by

Francie Ostrower, Ph.D.  
*The Urban Institute*

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## Introduction

“It puts us in a very unique position – that we're giving money away and that we're raising money, at the same time.” The CEO who said this was speaking of his own community foundation, but the dual role of grantmaker and fundraiser is one that generally characterizes community foundations. Community foundations are legally classified as public charities. As such, they must demonstrate that they enjoy broad public support. Thus, unlike private foundations (which are typically endowed by one source), community foundations must continually raise funds from many donors. Community foundations’ dual role as fundraiser and grantmaker within this legal context is key to understanding how they approach effectiveness and the challenges and opportunities that they face. Study findings indicate that community foundations need to develop and articulate a more specific and realistic definition of effectiveness that is consistent with their mission. The paper suggests community foundations could enhance their effectiveness by focusing more specifically and proactively on bringing different parts of the community together in relation to their particular community’s needs. The paper’s focus on community foundations helps to fill a gap in the foundation effectiveness literature, which has focused primarily on private grantmakers.<sup>1</sup>

A related purpose of this paper is to help expand current conceptualizations of foundation effectiveness to be more attuned to the relative and context-dependent nature of “effectiveness.” Historians have demonstrated that definitions of foundation effectiveness changed dramatically over time with shifting social and economic conditions (Katz 1999; Smith 1999). This discussion complements their work by underscoring that conceptions of effectiveness also vary among contemporary foundations in different contexts. Effectiveness means something quite different for community foundations than independent foundations, as indeed it must given their very different circumstances. Likewise, specific effectiveness measures will not necessarily be the same for all foundations, depending on their models of effectiveness. This paper

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<sup>1</sup> For an overview of the literature see Orosz, Phillips, and Knowlton 2003.

identifies several broad categories of indicators that are relevant to *community* foundations.

The perspective taken by this paper is that for community foundations, effectiveness means balancing the roles of fundraiser and grantmaker within their legal context as public charities in a way that is best-suited to the needs of their specific geographical community. Community foundations are often categorized as either “donor-oriented” or “community oriented,” but in reality the most successful ones combine elements of both models (Grønbjerg 2004; Leonard 1989). Few of the community foundations interviewed in this study would regard themselves as effective if they were only successful in serving donors or only successful in serving community organizations. Balancing and integrating fundraising and grantmaking roles, however, is a difficult task that, as one CEO put it, can be an ongoing “tug of war.”

### **About the Study**

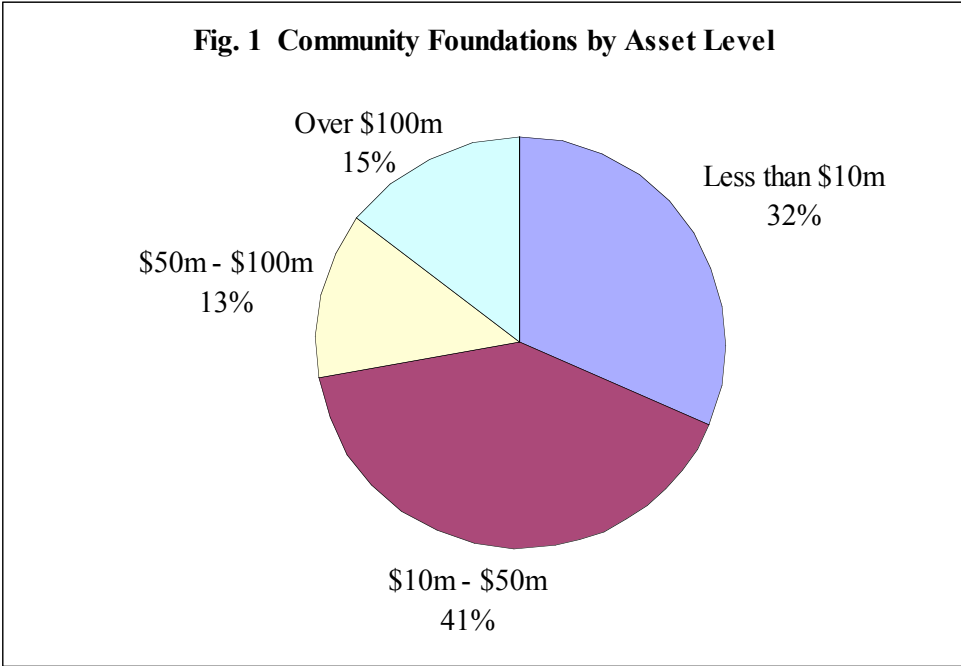
This study relies primarily on survey data from 236 staffed community foundations.<sup>2</sup> This represents a response rate of approximately 58 percent. Seventy-five (32 percent) of these foundations have assets of \$10 million or under, 96 (41 percent) have assets of \$10-50 million, 30 (13 percent) have assets of \$50-100 million, and 35 (15 percent) have assets of over \$100 million (figure 1).<sup>3</sup> Thirty-four (14 percent) are located in the eastern part of the United States, 108 (46 percent) in the Midwest, 51 (22 percent) in the South, and 43 (18 percent) in the West. One hundred and sixty five foundations (70 percent) are located in urban or suburban areas and 71 (30 percent) are in rural locations.<sup>4</sup>

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<sup>2</sup>The Council on Foundations estimates there are a total of 650 community foundations in the United States (see Council on Foundations Annual Report 2004, p. 6). This study, however, was confined to community foundations with at least one paid staff member. The Foundation Center found that 462 of the 580 community foundations (80 percent) in their 2004 survey of foundations with at least \$1 million in assets or grants of \$100,000 have staff (FC Stats: Foundation Staff Positions by Types of Foundation, 2004, [www.fdncenter.org/fc\\_stats](http://www.fdncenter.org/fc_stats)).

<sup>3</sup> Percentages sum to over 100 due to rounding.

<sup>4</sup>Foundations classified as “rural” are those located outside of a Standard Metropolitan Statistical Area. The geographic distribution of community foundations in the sample is comparable to that of the population. The survey sample contains a lower percent of community foundations with under \$10 million in assets (32 percent) than the estimated 50 percent in the population as a whole (Millesen 2006). Note



Survey data were also collected from 853 staffed private independent foundations, and will be used for comparative purposes. For purposes of brevity, the terms “private” and “independent” will be used interchangeably in this paper, but it is important to note that the present analysis does not include corporate grantmakers, which are also private. We also compiled demographic data on community foundations’ local communities using the Census of Population Survey, and merged it with the survey data. In-depth interviews with 21 foundation leaders (CEOs and board heads) from 13 community foundations of varied size and location provide anecdotal material to complement the survey and further insight into how community foundations think about effectiveness.

Taken together, these data offer a rich set of materials. However, most of the data in this report were originally collected for a study that was not focused on community foundations – an earlier Urban Institute survey of attitudes and practices concerning effectiveness among all staffed, grantmaking foundations (Ostrower 2004a and 2004b). The primary advantage of using these data is that they permit extensive comparisons between community and independent foundations. The primary limitation is that since

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however that the 50 percent figure is based on all community foundations. This study only includes staffed foundations, and it is likely that the unstaffed foundations are those in the smallest asset category.



the survey was designed for diverse types of grantmakers, it asked few questions solely applicable to community foundations. To partially compensate, we conducted a brief supplemental survey for the present study to collect data on levels of donations, donor advised funds, and unrestricted funds among the 236 community foundations (59 percent responded). We also conducted additional interviews with community foundation CEOs and trustees. Still, there remain many important issues we cannot examine with the available data that constitute important areas for future research.

### **Categories of Effectiveness Indicators**

This paper identifies several broad categories of indicators that are generally relevant to *community* foundations, and, within these broad categories, offers a number of different individual measures. These broad categories offer a useful way to classify the myriad practices and attitudes examined in this paper, and are as follows:

- Responsiveness
- Fundraising
- Distinctiveness from other charitable vehicles
- Community leadership
- Communications
- Consistency between attitudes and practices

The categories are not mutually exclusive, and some attitudes and practices fall under more than one category. The particular ways that these categories are interpreted and implemented in practice, however, will vary among community foundations depending on their perspective and circumstances. Thus, not all of the individual indicators in a given category will be applicable to all community foundations. For instance, “responsiveness” is an integral component of effectiveness for all community foundations, but community foundations may differ over what “responsiveness” means, to whom they feel they should be more or less responsive, and how they think they can best be responsive in practice. Likewise, whether a foundation ranks high or low on any single indicator of responsiveness does not necessarily mean it ranks high or low on responsiveness overall.

**Responsiveness.** Community foundations need to be responsive and not impose their own agendas was a recurrent theme in the interviews. For instance, one CEO said, “We have to be responsive. If we’re perceived as closed, arrogant – you know, doing just whatever we want to do, not listening, not building relationships, you know – then donors aren’t going to come to us... We have to be service oriented.” Another said, “The community ought to decide what the community needs... If it’s your foundation, if it’s private... you can do whatever you want... But community foundations can’t... This isn’t *our* community foundation.” Attitudes and practices related to responsiveness that are examined in this discussion include:

- Soliciting outside input to inform foundation activities;
- Conducting needs assessments of the community;
- Belief in the importance of adhering to donors’ wishes;
- Willingness to review and fund unsolicited grant applications;
- Belief in the importance of responding to social needs identified by grant applicants;
- Demographic representativeness of the board;
- Attentiveness to the ethnic and gender composition of grant applicants;
- Providing (non-financial) technical assistance to grantees;
- Making grants for operating support and/or management and technical assistance.

**Fundraising.** Since community foundations must raise money, successful fundraising is one element of their effectiveness. “Fundraising effectiveness” can encompass not only the amount, but also the type of donations raised. Unrestricted funds allow community foundations greater discretion over their grantmaking. Many community foundations, though, are actively trying to expand their donor-advised funds. This paper examines whether variations in types of funds (levels of unrestricted and donor advised funds) are associated with differences in foundations’ attitudes and practices.

**Distinctiveness from other charitable vehicles.** One major way this study seeks to understand community foundations’ approach to effectiveness is through comparisons with private, independent foundations. By controlling for other important variables such as asset and staff size, these analyses identify which differences truly reflect community

foundations identity as *community* foundations.<sup>5</sup> At the same time, the extent to which community foundations actually are distinct from other charitable vehicles may itself be considered one component of their effectiveness. Since community foundations increasingly compete with other charitable vehicles, such as commercial gift funds and other nonprofits seeking donors' funds, community foundations need to define and convey their own distinctive role and advantages to prospective donors (see Bernholz, Fulton and Kasper 2005; Foundation Strategy Group 2003; Grønbjerg 2004). Community foundations are acutely aware of the competitive pressures that they face and the importance of distinguishing themselves from other entities in order to attract support. For instance, an association founded by community foundations observes that "competition is increasing all around us" and counsels that "it is increasingly important for community foundations to distinguish and promote our competitive advantage" (Community Foundations of America 2002, p.4). At the same time, the very pressures experienced by community foundations may make it more challenging to focus on effectiveness issues in the face of concerns about basic sustainability.

***Community Leadership.*** Many community foundations stressed the importance of playing a leadership role in raising awareness about community needs and convening groups to address those needs.<sup>6</sup> Convening multiple parties needed to address a problem and collaborating with others are key ways that community foundations can exercise this leadership. One CEO believes,

As a community foundation we're one of the best to work with the city and state and even the federal government to get money for locally launched initiatives...Leadership means analyzing problems and taking risks to call people to action. If you're strategic and consult broadly with the community you come up with [things] that people will do.

For instance, his foundation worked with local employers to help people on welfare and mobilized the community to improve local schools. Some interviewees, however, acknowledged that for their institutions, exercising community leadership is more of an

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<sup>5</sup> Staff size and asset size were highly correlated, at .81 ( $p < .0001$ ) and their influence typically could not be disentangled. Their influence as control variables was examined in separate regression analyses with other independent variables.

<sup>6</sup>Bernholz, Fulton and Kasper (2005) argue that the fundamental measure of success for community foundations has shifted from asset growth to demonstrated leadership in the community

aspiration than a reality. For instance, one said that his organization wants and needs to exercise greater leadership but finds it challenging because, “How do you serve the whole community and be neutral in the sense of serving all donors and agencies, and yet step up and assist in meeting community needs?” As this quote suggests, community foundations can find it difficult to take a public stand on issues because they fear being perceived as partisan.

Variables related to leadership that are examined in this study include:

- Believing that it is important to actively seek out social needs to address;
- Discussing issues in the foundation’s interest areas with government officials;
- Conducting a needs assessment of the foundation’s field of interest or community;
- Participating in a formal co-funding arrangement;
- Funding foundation-designed initiatives;
- Convening grantees and people in the community;
- Believing it is important to engage in activities beyond grantmaking to increase impact;
- Engaging in communications activities.

***Communications.*** Many communications activities have been included under previous categories, but communications is such an important priority for community foundations that it warrants a separate category. Community foundations need to be visible and well-understood in order to successfully fundraise, be responsive to donors and the community, and exercise leadership roles. Various examples of communications activities, such as having a website, seeking press coverage, publishing annual reports, and publishing newsletters are examined.

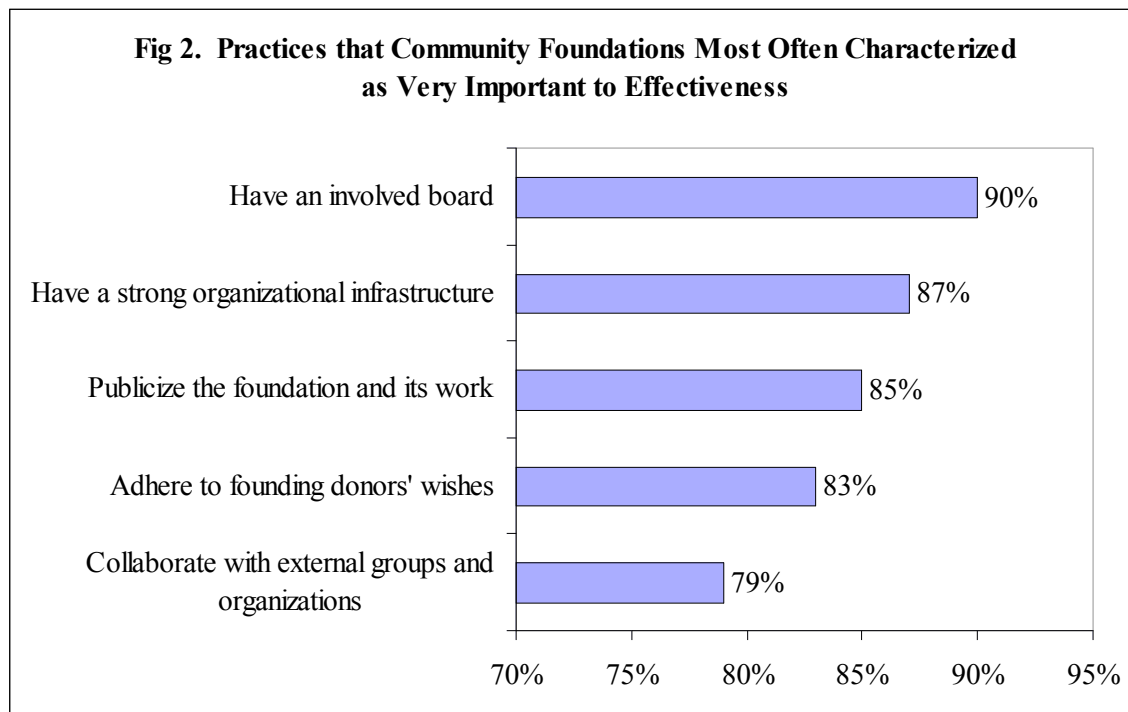
***Consistency between attitudes and practices.*** A basic component of effectiveness is to follow through in practice on stated goals and values. Whatever a foundation’s conception of effectiveness, its practices should be consistent with its own stated attitudes. Our earlier research found that many grantmakers overall did not act in ways that were consistent with their own stated beliefs (Ostrower 2004a and b). This study

breaks out community foundations to examine consistency in their attitudes and practices and to compare them with independent foundations in this regard.

### **How Community Foundations Approach Effectiveness: Commonalities**

Community foundations widely share certain beliefs and practices (figure 2). Over 75 percent said that in order to be effective it is very important for foundations such as theirs to:

- Have an involved board (90 percent);
- Have a strong organizational infrastructure (87 percent);
- Publicize the foundation and its work (85 percent);
- Adhere to founding donors' wishes (83 percent); and
- Collaborate with external groups and organizations (79 percent).



Community foundations are quite different from independent foundations with respect to numerous attitudes and practices. We will examine the differences in greater detail in the next section, but should note here that three of community foundations' most commonly held attitudes about effectiveness are not prominent among private foundations.

Independent foundations were much less likely to believe it is very important to have a strong organizational infrastructure (51 percent), to publicize the foundation and its work (14 percent), and to collaborate (42 percent).<sup>7</sup> Regression analyses with controls for other important characteristics, notably staff and asset size, confirm that being a community foundation per se is associated with a greater belief in the importance of a strong infrastructure, publicizing the foundation and its work, and collaboration.<sup>8</sup>

One item bears mentioning because fewer community foundations viewed it as “very important” than one might expect – namely, responding to social needs identified by grant applicants. Although 57 percent of community foundations said it is very important, it clearly does not enjoy the same widespread emphasis as the other beliefs we have considered. Consistent with this finding is that fully 44 percent of community foundations reported that they had rarely (or never) made grants in response to unsolicited proposals during the previous two years, and 32 percent had rarely or never given such proposals serious consideration. The likelihood of funding or considering unsolicited proposals did not vary by staff size, asset size, urban/rural location, region of the country, or ratio of donor-advised or unrestricted funds to total funds.<sup>9</sup> However, both age and the importance of strengthening social change as a grantmaking goal were positively associated with funding unsolicited proposals.<sup>10</sup>

For those who believe that community foundations have become overly focused on donors at the expense of community needs, such statistics may be cause for concern; so may the fact that 41 percent of community foundations had not conducted a needs assessment of their community or field during the previous two years. Still, the high percentage of community foundations who say they do not fund or consider unsolicited

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<sup>7</sup>Almost 70 percent of independent foundations did believe it is very important to have an involved board and to adhere to founders’ wishes.

<sup>8</sup> Here and elsewhere, all reported statistical associations are significant at the .05 level or higher.

<sup>9</sup> Community foundations were no more or less likely to fund unsolicited proposals than were independent foundations

<sup>10</sup> The correlation of funding unsolicited applications was with age was .17 ( $p < .05$ ) and with having the goal of strengthening social changes was .19 ( $p < .01$ ). Entered together into a regression, both variables remained significant. Funding unsolicited applications was coded on a 4 point scale ranging from never to very often. Giving serious consideration to unsolicited proposals was coded on a 5 point scale ranging from never to always. The importance of social change as a foundation grantmaking goal was coded a 4 point scale ranging from “not at all” to “very”.

proposals may partly be an artifact of how respondents' interpreted "unsolicited proposals," so it would be premature to draw conclusions.<sup>11</sup> We need to know far more about community foundations' grantmaking processes, including their receptivity to needs identified by community organizations and explore further with community foundations how they themselves interpret, determine, and implement responsiveness to community needs.

### **Community Foundations and Independent Foundations Compared**

Community foundations share more attitudes about effectiveness with one another than do independent foundations. In the previous section, we identified five attitudes shared by over 75 percent of community foundations. By contrast, no single attitude concerning effectiveness was shared by that high a percentage of independent foundations. Moreover, considerable differences in attitudes and practices were found among community and independent foundations in the areas of communication, infrastructure, collaboration, and grantmaking.

The marked differences concerning communications and collaboration reflect the impact of contextual factors on conceptions of effectiveness. Community foundations must be outward-looking to attract donations as well as to serve community needs and exercise community leadership. Likewise, sustaining the multiple grantmaking, fundraising, and leadership roles and activities that community foundations view as part of being effective requires a strong infrastructure, including staff. Even after controlling for asset level, community foundations were likely to have more paid staff than independent foundations.

#### ***Communications***

As we have seen, community foundations were far more likely than independent ones to believe it is very important to publicize the foundation and its work. Community

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<sup>11</sup> We examined whether community foundations that encourage or require grantees to submit summary proposals prior to full applications were more likely to say they do not fund or consider unsolicited proposals, but there proved to be no (statistically) significant relationship between these variables.

foundations also differ significantly from independent ones when it comes to communications practices. For instance:

- Ninety-four percent of community foundations publish annual reports, versus 44 percent of independent foundations.
- Ninety-five percent of community foundations actively solicit press coverage, versus 23 percent of independent foundations.
- Eighty-nine percent of community foundations have websites, versus 54 percent of independent foundations.<sup>12</sup>

Community foundations engaged in greater numbers of communications activities than independent ones,<sup>13</sup> and this held true even after differences in staff size, asset level, and age were taken into account.

### ***Infrastructure and Technical Support***

Community foundations were far more likely to believe it is very important to have a strong organizational infrastructure. As noted earlier, even when asset levels are taken into account, community foundations are significantly more likely than independent ones to have more staff. Community foundations were also more likely to make grants for organizational management and development, and to provide non-financial technical assistance such as help with communications and strategy, to grantees. These relationships held even with controls for size. Thus, their stronger emphasis on infrastructure is exhibited both internally and in relation to grantees. On the other hand, community foundations were less likely than independent foundations to make grants for general operating support. Therefore, it may be that community foundations and independent ones make grants that can be used to financially support grantee infrastructure in different ways.

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<sup>12</sup>Corporate foundations might be expected to concentrate more on communications as part of corporate public relations than other private foundations, and one might wonder if they are closer to community foundations in this regard. Basic frequencies indicate that corporate foundations are more likely than independent ones to engage in certain communications activities, but both were far less likely than community foundations: Only in the case of posting applications procedures on the foundation website were corporate foundations within 10 points of community foundations (see Ostrower 2004a, pp. 70-71)

<sup>13</sup> On average community foundations engaged in 6 of the eight communications activities queried, as compared to 2.5 among independent foundations.



## ***Collaboration***

Community foundations (79 percent) were more likely than independent foundations (42 percent) to believe that collaborating with others is very important to being effective. Community foundations were also more likely to engage in higher numbers of collaborative activities, even with controls for asset or staff size. Specific types of collaborative activities that community foundations were more likely to engage in than independent foundations were convening outsiders to inform their activities, discussing areas of interest with government officials, and belonging to local grantmaker associations. They were not significantly more (or less) likely than independent foundations to engage in co-funding with other foundations, exchange information about prospective grantees with other funders, or belong to national grantmaker associations once staff size was taken into account.

## ***Grantmaking Focus and Breadth***

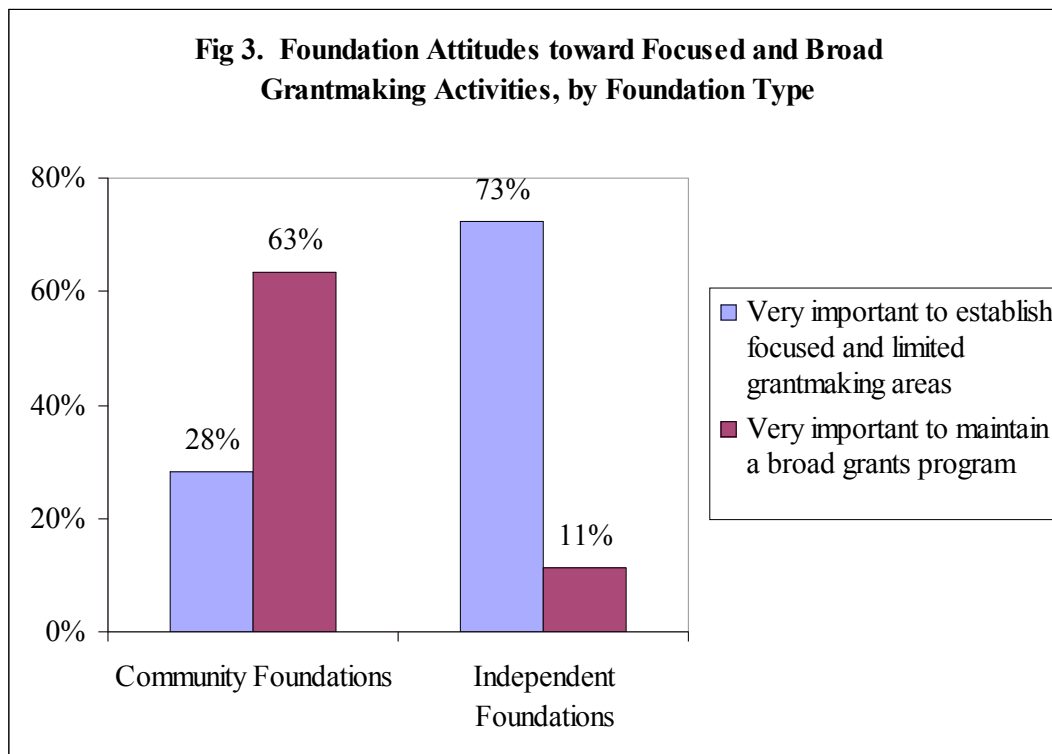
Most independent foundations (73 percent) believe that to be effective, it is very important to establish focused and limited grantmaking areas. This attitude commanded the most widespread agreement among independent foundations. Yet only 28 percent of community foundations hold this view. By contrast, most community foundations (64 percent), but only 11 percent of independent foundations, say it is very important to maintain a broad grants program (figure 3). Foundation type was a significant predictor of attitudes concerning grantmaking breadth and focus even with controls for asset or staff size or age. Community foundations were less likely to use “fit” with existing priorities as an important grantmaking criterion and less likely to review grants they have made for consistency with their priorities.<sup>14</sup>

Community foundation interviewees repeatedly characterized grantmaking breadth as a key difference between community foundations and private grantmakers, explaining that community foundations must fund broadly in order to respond to multiple donors and

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<sup>14</sup> Eighty-eight percent of independent foundations as compared with 61 percent of community foundations said that fit with pre-set priorities was a very important criterion in their grantmaking. Sixty-one percent of independent foundations as compared with 46 percent of community foundations had reviewed grants for consistency with their priorities.

diverse community needs. The CEO of another community foundation explained, “Community foundations have to have a very broad grants program...If you have a community foundation, which has to grow and continue attracting new donors, it's always changing like a kaleidoscope.” He added that community foundations must stay broad or “you can get branded in a way as a special interest group, and that would be very detrimental.” Another said, “If I’m just about the environment, how am I going to serve a donor-advisor whose passion is the arts or the homeless?”



Community foundations find it hard to reduce the scope of their giving even when working with unrestricted funds. One foundation decided it had to reduce the more than twenty areas it funded in, but only after the board “struggled” for a long time with the question of whether “by definition a community foundation should respond to all needs.”

Consistent with their need to respond to multiple interests and donors, community foundations typically gave more grants of smaller size than did independent foundations. During the previous year, community foundations’ median annual giving was \$1,490,970, with a median of 245 grants. Independent foundations gave a median of

\$1,104,243, a fairly close dollar amount – but their median number of grants was only 62. The median community foundation grant amount, \$4,720, was far smaller than the median private foundation grant amount of \$18,989. Even with controls for asset or staff size, being a community foundation was negatively associated with average grant size. One CEO commented on this phenomenon:

While a private foundation can choose the size of its grants, a community foundation is going to take on the characteristics of the amalgamation of all its donors... So we're going to be a mirror – and should be a mirror in our view – of how each of these individuals thinks and acts and writes checks. Which means, unfortunately in my estimation, that we're going to write a lot of small checks.

He elaborated on why it is “unfortunate” by comparing making small grants to bird hunting with a “scatter gun” in the hopes of hitting something to “feed you for an afternoon.” By contrast, he likened making fewer, larger gifts to buffalo hunting with a rifle, where you may only get one shot, but if successful “you gain a buffalo that’ll feed you and clothe you for a long, long time.”

As his comment suggests, community foundations’ broad grantmaking and smaller grant size raises distinct challenges about how their impact should be defined and achieved. Grant size was significantly and positively related to community foundations’ ratio of unrestricted funds to total funds. This indicates that when they have the discretion to do so, many community foundations apparently choose to make larger grants.

Grantmaking focus is one of the most strongly advocated practices in the current literature on foundation effectiveness (see Center for Effective Philanthropy 2003; Porter and Kramer 1999). Whether or not such focus improves private foundations’ effectiveness, this clearly cannot be automatically applied to community foundations, who must satisfy the public support test and who often define their very mission as being responsive to diverse community needs. The contrast underscores the context-dependent character of effectiveness.

## Variations Among Community Foundations

To this point, we have focused on community foundations' distinctiveness from independent foundations. Community foundations are not a homogeneous group, however, and in this section we examine characteristics that are associated with differences in approaches to effectiveness among community foundations.

### *Staff Size*

Staff size is a key variable associated with differences in attitudes and practices among community foundations. Community foundations use additional staff to do more things. Staff size was positively associated with engaging in more communications activities, more collaborative activities, soliciting grantee feedback, funding foundation initiatives, hosting grantee convenings, and offering grantees non-financial technical assistance with board development, strategy and planning, communications, and technology training. Larger staff size was also associated with grant requirements and monitoring, including requiring grantees to submit interim reports and collect information on grant outcomes. Attitudinally, larger staff size was associated with believing it is very important to engage in activities beyond grantmaking to increase impact, to become actively involved in grant implementation, and to influence public policy. Foundations with more staff were also more likely to characterize strengthening social change and/or strategies for change as one of their grantmaking goals.

Community foundations with more staff raised more money, and this held true even after controlling for asset size. Staff size was also associated with fund composition. As staff size increased, so did the ratio of donor advised funds to total funds, and the percentage of grant dollars made from donor advised funds. These findings support the idea that the need to fundraise is one of the factors leading community foundations to employ more staff than independent ones of comparable asset size.

### ***Urban-Rural Location***

Urban-rural differences were considerably less pronounced than those associated with staff size, and often turned out to be attributable to other factors. Community foundations in urban locations were generally larger than rural foundations, and some urban-rural differences actually reflected size differences. Nonetheless, even with controls for assets or staff size, several differences between urban and rural foundations remained. Community foundations in metropolitan areas were more likely than community foundations in rural areas to make grants for general support, host grantee convenings, conduct site visits (as part of their grant review and monitoring process), require a summary proposal prior to a full proposal, solicit anonymous feedback from grantees, and have a higher ratio of donor-advised to total funds. Foundations in metropolitan areas were also more likely to use the ethnic composition of applicants' board and staff as one criterion in grantmaking decisions, and that held true even with controls for board diversity, community demographics, and assets or staff size.

### ***Level of Donor-Advised and Unrestricted Funds***

Given the distinction often made between community foundations that are donor versus community oriented, it was of particular interest to examine whether levels of donor advised funds and unrestricted funds are associated with attitudinal and behavioral differences, including whether dependency on donor-advised funds negatively impacts responsiveness to grantees. The four measures examined were the dollar amount of: unrestricted funds/total funds, donor-advised funds/total funds, grants made from unrestricted funds/total grants, and grants made from donor advised funds/total grants.

These variables bore little relationship to attitudes concerning effectiveness, and what relationships did emerge mostly disappeared once controls were entered for staff or assets.<sup>15</sup> However, level of unrestricted funds was negatively associated with believing it very important to solicit outside advice and believing it very important to collaborate

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<sup>15</sup> For instance, relationships to belief in the importance of keeping staff size small, responding to social needs identified by grant applicants, publicizing the foundation and its work all were no longer significant once assets or staff size were taken into account.

with external groups and organizations. They had no bearing on the willingness to fund unsolicited applications or frequency with which such applications were funded. Interestingly, the percent of grant dollars awarded from donor advised funds and the ratio of donor advised funds to total funds were *positively* associated with making grants for general operating support, a type of support that nonprofits value but find difficult to obtain (and this held even with controls).

Higher levels of giving from donor advised funds (or higher ratios of donor-advised funds to total funds) did not lessen the likelihood of making grants for organizational development, of providing non-financial technical assistance, or of hosting grantee convenings. Nor were these variables significantly related to whether the foundation uses the presence of measurable outcomes as a criterion in its grantmaking decisions.<sup>16</sup> Particularly since data for these analyses are available only for a subset of the foundations, caution should be exercised in drawing conclusions about the impact of donor-advised funds on grantee responsiveness.<sup>17</sup> The results do nonetheless indicate that the impact of fund composition may be fairly complex and subtle, and is an issue that warrants further scrutiny on larger samples.

### ***Board Diversity***

The percent of racial and ethnic minorities on a foundation's board was highly correlated with other important attributes such as staff size. Relationships between the percent of minority board members and foundation attitudes and practices often disappeared with controls for other attributes. However, community foundations whose boards have more minority board members were also more likely to use the ethnic diversity of grant applicants' board and staff as one criterion in grantmaking decisions. The percent of minorities on the board was also significantly associated with considering the gender diversity of applicants' board and staff in grantmaking. The influence of board diversity on considering applicants' diversity persists even when foundation size and community demographics (percent nonwhite population) were taken into account. Community

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<sup>16</sup> Foundations with higher levels of unrestricted funds were less likely to have solicited anonymous grantee feedback, though once controls for staff or asset size are entered the significance level is just above .05.

<sup>17</sup> Available cases for each of the four measures examined range from 129 to 136.

foundations with more minority board members were also more likely to say that influencing public policy is very important to being effective, and this held with controls for staff or asset size.<sup>18</sup>

### **Consistency Between Attitudes and Practices**

Significant numbers of community foundations do not act in ways that are consistent with their own stated beliefs about effectiveness. Attitudes and practices were more consistent in certain areas than others, indicating that community foundations find it easier to follow through on some of their beliefs than others. Often, though by no means always, attitudes and practices were more consistent among the largest community foundations (those with over \$50 million in assets). Overall, community foundations were more consistent than independent foundations, but there were notable exceptions.

#### ***Collaboration***

Among community foundations that say collaboration is very important to effectiveness, significant percentages had not engaged in various collaborative activities:

- Thirty-nine percent had not participated in a co-funding arrangement during the previous two years.
- Thirty-four percent had not discussed issues in the foundation's interest areas with government officials.
- Twenty percent had not convened people from outside the foundation to inform foundation activities.
- Twenty percent had not exchanged information about prospective grantees with other funders.

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<sup>18</sup>Considered alone, the percent of minority board members was positively associated with making grants to support advocacy, but the relationship was no longer significant at the .05 level once staff size was taken into account ( $p < .08$ ).

On the other hand, only 11 percent of community foundations who believe collaboration is very important did not belong to a local or regional grantmakers' association (25 percent did belong to a national one).

Consistency in attitudes and practices concerning collaboration is positively associated with foundation size. For instance, only six percent of community foundations with over \$50 million in assets who say it is very important to collaborate did not convene outsiders to inform their activities. The figure jumps to 25 percent among medium-sized community foundations (\$10-50 million in assets) and to 29 percent among the smallest foundations (\$10 million or less). Likewise, only nine percent of the largest community foundations had not participated in a formal co-funding arrangement, but the percentage rises to 39 among medium-sized foundations, and to 66 among the smallest community foundations. Fewer than 12 percent of the largest community foundations who believe collaboration is very important had not discussed issues of interest with government officials and exchanged information about prospective grantees with other foundations. Size did not influence membership in local grantmakers' associations, but was positively associated with membership in national associations.

Once assets and staff size are taken into account, community foundations that say collaboration is very important are significantly more likely to convene outsiders to inform their activities than independent foundations that also say collaboration is very important. However, they are less likely to exchange information about prospective grantees, and no more or less likely to discuss issues with government officials or belong to grantmakers' associations, or participate in co-funding arrangements.

### ***Solicit Outside Advice***

Among those community foundations that say it is very important to solicit advice from those outside the foundation:

- Twenty percent had not convened people from outside the foundation to inform foundation activities during the previous two years. However the figure was only two percent among the largest community foundations.



- Fifty-five percent had not solicited anonymous or non-anonymous feedback from grantees through surveys, interviews, or focus groups. This was true even among 35 percent of the largest community foundations, and the figure climbs to fully 79 percent among the smallest foundations.

The high percentage that had not solicited grantee feedback is particularly noteworthy because virtually all community foundations say they have good or excellent relations with their grantees. Yet of those who say their grantee relations are good or excellent, fully 58 percent had not actually solicited grantee feedback during the prior two years, raising questions about the basis for that judgment. This figure was highest among the smallest community foundations (74 percent), dropping to 60 percent among medium-sized and 40 percent among the largest community foundations. Community foundations' attitudes and practices were generally more consistent than those of independent foundations concerning solicitation of outside advice. For instance, 37 percent of independent foundations that say it is very important to solicit outside advice had not convened people from outside the foundation to solicit input during the previous two years. Even after controlling for assets or staff size, community foundations that believe it is very important to solicit outside advice were more likely to solicit anonymous grantee feedback and to convene outsiders to inform foundation activities. Community foundations were no more or less likely to solicit non-anonymous grantee feedback.

### ***Having a Strong Organizational Infrastructure***

Among community foundations that say having a strong infrastructure is very important to being effective:

- Thirty-four percent rarely or never provided opportunities for staff management training. The figure drops to 22 percent among the largest foundations.

- Twenty-two percent rarely or never provided opportunities for staff training in grantmaking. There was no statistically significant difference among foundations of different size.
- Seventeen percent rarely or never provided staff training opportunities in computers or technology. This did differ by size – only seven percent of the largest foundations that believe a strong infrastructure is very important had not provided such opportunities.
- Seventeen percent did not do formal reviews of staff. As one would expect this varies substantially by size, and almost all of the very large foundations that believe a strong infrastructure is very important conducted staff reviews.
- Thirty-one percent rarely or never made foundation grants to support organizational and management development among their grantees. The figure was considerably lower (11 percent) among the very largest community foundations, but rises to 50 percent among the smallest.

Community foundations' practices were notably more aligned with attitudes concerning infrastructure than were those of independent foundations. Among those who say a strong infrastructure is very important, community foundations were more likely than independent foundations to provide formal opportunities for staff training in management, grantmaking and computers.<sup>19</sup> They were also more likely to conduct reviews of staff performance and to fund organizational and management development among their grantees. Foundation type remained significant even with controls for staff or asset size.

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<sup>19</sup>Among independent foundations that say it is very important to have a strong infrastructure, 51 percent did not provide opportunities for training in management, 34 percent did not provide opportunities for staff training in grantmaking, and 37 percent did not provide it in computers or technology.

### ***Responding to Social Needs Identified by Grant Applicants***

Among community foundations that said it is very important to respond to social needs identified by grant applicants, fully 61 percent had not solicited either anonymous or non-anonymous grantee feedback during the previous two years through surveys, focus groups, or interviews. This was true of significant numbers of community foundations of all sizes, including 44 percent of those with over \$50 million in assets.<sup>20</sup> While the percentage is considerably higher for independent foundations (75 percent), once staff size was taken into account there was no statistically significant difference between community and independent foundations either in solicitation of anonymous or non-anonymous grantee feedback.

Fifty-three percent of those who do not solicit grantee feedback said they give serious consideration to unsolicited grant applications, and 40 percent said they often made grants for them. Considering such applications may be seen as another route through which they respond to needs identified by grantees. Still, significant percentages did not do either of these things. Forty-one percent of those that said it is very important to respond to social needs identified by grant applicants did not obtain grantee feedback and rarely or never funded unsolicited applications. Twenty-five percent did not obtain grantee feedback and did not give serious consideration to unsolicited proposals.

### ***Strengthening the Foundation's Local Community or Region***

Among community foundations that say that strengthening the foundation's local community or region is a very important grantmaking goal, fully 58 percent had not conducted a needs assessment of their community during the previous two years. There was no significant difference among community foundations of different size. Still, community foundations were more likely to have conducted a needs assessment than were independent foundations that say strengthening their local community is very important, and that holds true with controls for assets or staff size.

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<sup>20</sup> The figure rises to 63 percent among mid-sized, and 72 percent among the largest community foundations.

## *Communications*

Communications was the area in which attitudes and practices of community foundations were most consistently aligned. Attitudes and practices were far more consistent for community foundations than for independent foundations in the area of communications. Among foundations that said publicizing the foundation and its work is very important to effectiveness:

- Only six percent of community foundations, (but 40 percent of independent foundations) had not published an annual report during the past 2 years
- Only four percent of community foundations, (but 43 percent of independent foundations) had not actively solicited press coverage
- Only 12 percent of community foundations, (but 24 percent of independent foundations) did not have a website.

Even among those saying that publicizing the foundation and its work is very important, a significant percentage of community foundations (23 percent) had not posted application procedures on their website and 21 percent did not publish newsletters. The percentages were considerably higher for independent foundations – 37 percent had not posted application procedures on their website and 75 percent had not published a newsletter.

Even after controlling for staff or assets, community foundations' attitudes and practices were more likely to be aligned in the area of communications than those of independent foundations, with the two exceptions of hiring a public relations consultant and publishing reports about foundation-sponsored work. Even among the largest community foundations that say publicizing their work is very important, 49 percent had not hired a public relations consultant, and over half of community foundations of any size had not published reports about work that they sponsored.

### ***Evaluation***

Conducting formal evaluations was one of the few areas where attitudes and practices were less aligned among community foundations than independent ones. This was also one of the practices that a higher percent of independent foundations (45 percent) than community foundations (40 percent) were likely to characterize as very important, although the gap was not large. Among community foundations that said conducting formal evaluations of funded work is very important to effectiveness, 44 percent did not actually conduct formal evaluations (though 13 percent did say they planned to start doing so in the next year). By contrast, only 30 percent of independent foundations that said evaluation is very important did not conduct evaluations. There was considerable variation among community foundations of different size, with percentages ranging from 67 percent among the smallest to 47 percent of medium foundations, and down to 18 percent among the very largest community foundations. Even with controls for assets or staff size, however, independent foundations that say formal evaluation is very important were still more likely than community foundations to actually conduct evaluations.

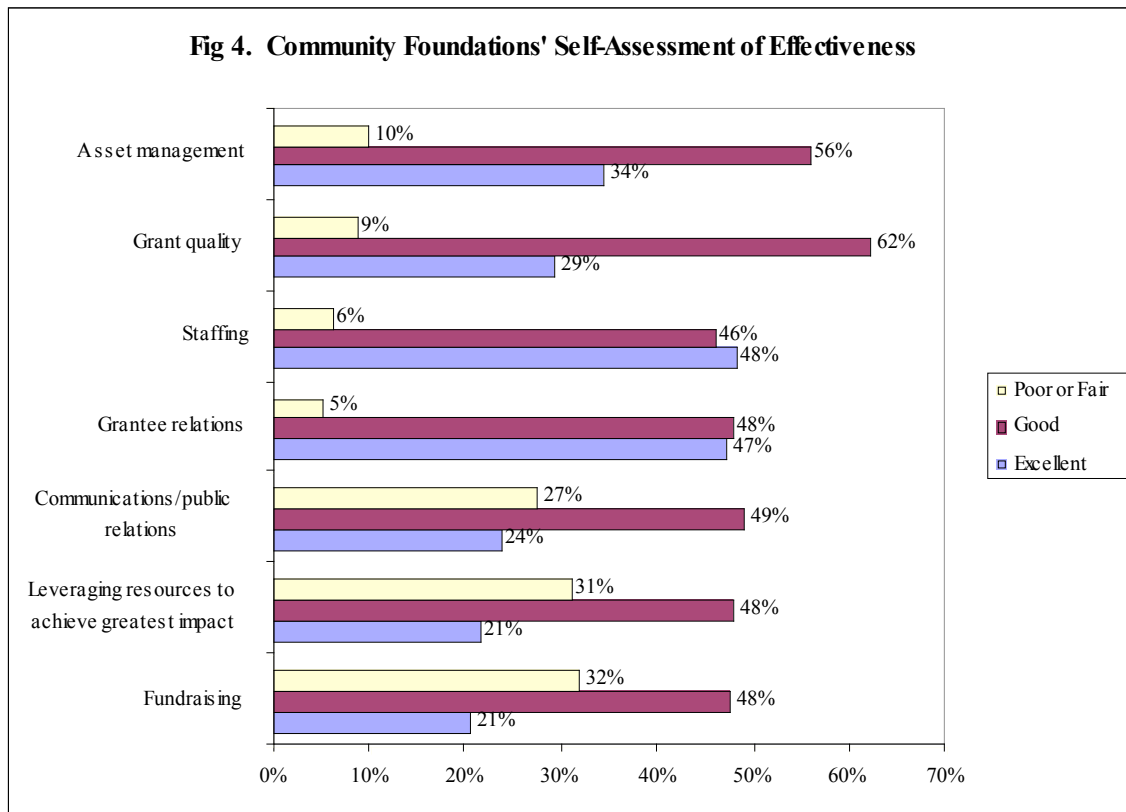
### ***Grantmaking Focus or Breadth***

As we have seen, community foundations are far less likely than independent foundations to say it is very important to establish focused and limited grantmaking areas. Furthermore, those community foundations that do believe this are less likely than independent foundations to follow through in practice. Among community foundations that said it is very important to establish focused and limited grantmaking areas, 63 percent provided major funding in four or more fields of activity. There was no significant difference by size. Even with controls for staff size or assets, community foundations that say focused grantmaking is very important were more likely than independent foundations to fund in over four areas of activity.

Community foundations clearly find it easier to be consistent when they say it is very important to have a broad grants program. Still, 38 percent of these foundations said they only provide significant funding in three or fewer fields of activity. There was no statistically significant difference by size.

## Community Foundations' Self-Assessment of Effectiveness

Community foundations overwhelmingly assessed their effectiveness as good or excellent in the areas of asset management, grant quality, staffing, and grantee relations. Fewer than 10 percent of community foundations rated their performance as only fair or poor in these areas. Community foundations were considerably less confident when it came to their performance in fundraising, communications, and leveraging resources to achieve the greatest impact. Thirty-one percent rated themselves as only fair or poor in fundraising, 27 percent rated themselves fair or poor in communications and public relations, and 31 percent rated themselves fair or poor in leveraging resources for maximum impact (figure 4).



The comparatively high percent rating themselves as only fair or poor in communications is particularly noteworthy since almost all community foundations did actively engage in communications activities. Self-assessment of performance in this area, moreover, was unaffected by foundation asset size, staff size, or age. Thus, many community

foundations apparently feel that the type, quality, or outcomes of their activities require improvement. The issue of communications and fundraising success are related for community foundation leaders, who spoke about the need for successful communications in order to engage additional donors.

Interviews confirm that many community foundations find it difficult to communicate their mission and reach desired audiences. Community foundation leaders often described their institutions as the “best-kept secret” in their community. For instance, one trustee who called his community foundation a “well-kept secret” helped obtain television advertising time in the hopes of heightening his institution’s visibility. Many interviewees felt that community foundations in general are not well understood by the public. As one put it, “I don’t think people – and I probably didn’t either – have a clear understanding about what community foundations do.” The CEO of another foundation said “I don’t think we’ve done a good job of showing the value added (by community foundations).” He and others commented on the need to do this in order to compete successfully against the “tremendous competitive threats” posed by commercial charitable funds. One said “we have to do a better job of communicating to people when they should be working with us, and [that] if they want...to be effective in making something happen in [this community] then [a commercial firm] is not going to do any of that.” When interviewees were asked about changes they had made, or need to make, to improve their effectiveness, answers often involved communications and public relations practices to heighten their visibility.<sup>21</sup> For instance, a smaller foundation said that one of the major changes it had made was to expand their contacts with, and develop informational materials for, local financial advisors and others in proximity to potential donors.

Further research is needed to better understand why community foundations’ communications efforts are less effective than they hope. One possibility that must be considered is that many community foundations have not fully clarified and articulated the message they wish to communicate. For instance, one CEO conceded that her

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<sup>21</sup> Similarly, community foundation board members studied by Millesen and Hedge (2005) “expressed low levels of satisfaction in the area of public relations.”

foundation has had a difficult time strengthening its visibility in part because they have not yet defined what they want to communicate about their mission. The fact that so many community foundation CEOs and trustees define effectiveness in highly general and ambiguous terms suggests that this problem may be considerably more widespread (Ostrower 2004c). Many private foundation leaders also define effectiveness in general and vague terms, but community foundations' need to enlist widespread community support adds further urgency to their need to establish and convey their objectives and mission in a clear and compelling fashion.

### **Conclusion and Implications for Practice**

This analysis underscores the relative and context-dependent nature of effectiveness. If there is one overarching conclusion to extract from this research, it is that community foundations need to develop and articulate a more specific and realistic conception of effectiveness and how to achieve it – one that is consistent with their mission.

Community foundations say that they are hampered by the public's poor understanding of them and say they need to increase their public relations and communications activities. Yet, as we have seen, community foundations do already engage in many communications activities. Study findings point to a more fundamental challenge stemming from community foundations' conception of effectiveness, which underlies the public relations concerns.

Community foundations have embraced a definition of effectiveness that leads them to try to be all things to all people. They believe that they need to be active on so many fronts that it is difficult to see how they can be effective according to their own standards, especially in the case of small and medium foundations. For foundations that are content to function solely as a vehicle for the myriad individual interests of numerous donors, this is less of a problem. Yet few community foundations were satisfied with this self-conception. They want to see themselves as leaders in addressing community needs and feel that they must do more in order to distinguish themselves from competing charitable vehicles.



Rather than trying to be all things to all people and thinking about serving the entire community in the abstract, community foundations could enhance their effectiveness by focusing more specifically and proactively on how to bring together different parts of the community in relation to their particular community's needs. Our survey did not ask about the extent to which community foundations do this, but some material from the survey and interviews suggests that it is a fairly underdeveloped activity. Many community foundations say that being effective means "meeting community needs" and "meeting donor needs," but they do not take the additional step (that some of their peers are already taking) of positioning themselves as a catalyst that actively serves to coordinate these in order to identify and address community needs. While many community foundations said they are in the early stages of trying to exercise community leadership, those who did often felt that it offered them opportunities to greatly enhance their effectiveness. One of the most important areas for future research is to document examples of where and how community foundations have been successful in balancing and coordinating their fundraising and grantmaker roles in relation to the specific needs and characteristics of their communities. It is in this niche that community foundation effectiveness lies, and that offers community foundations a distinctive opportunity to achieve their purpose of strengthening their communities.

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