

IDENTIFYING THE PATTERNS, PROSPECTS, AND PITFALLS IN COMMUNITY FOUNDATION GROWTH AND DEVELOPMENT

Council of Michigan Foundations

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C O U N C I L O F M I C H I G A N F O U N D A T I O N S

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OVERVIEW:

COUNCIL OF MICHIGAN FOUNDATIONS' COMMUNITY FOUNDATION PROJECT

The Council of Michigan Foundations (CMF) serves 300 grant making organizations in the State. As a regional association of grantmakers representing private foundations, corporate foundations, bank trust departments and community foundations, the Council seeks to increase and improve the philanthropic resources of Michigan.

In 1988 the community foundations in Michigan worked together through the leadership of the Council of Michigan Foundations to plan for the future of community foundation development in the State. Three major strategies were initiated; a challenge grant to raise endowment dollars; the involvement of youth in philanthropy; and technical assistance delivered on a statewide basis. These strategies received support from the W. K. Kellogg Foundation and the Charles Stewart Mott Foundation.

A three-year pilot project (1988-1991) proved so successful in assisting the growth of community foundations and the building of a statewide network of organizations that the Council of Michigan Foundations pursued continuing and more substantial funding.

In 1991 CMF, on behalf of the community foundations of Michigan, received a \$35 million challenge grant from the W.K. Kellogg Foundation. The grant provides for each community foundation member to receive up to a \$1 million challenge grant during the next 5 years (1991-1996) as well as provides for technical assistance. A companion grant of \$350,000 from the Charles Stewart Mott Foundation supports the technical assistance array of services.

Project Objectives

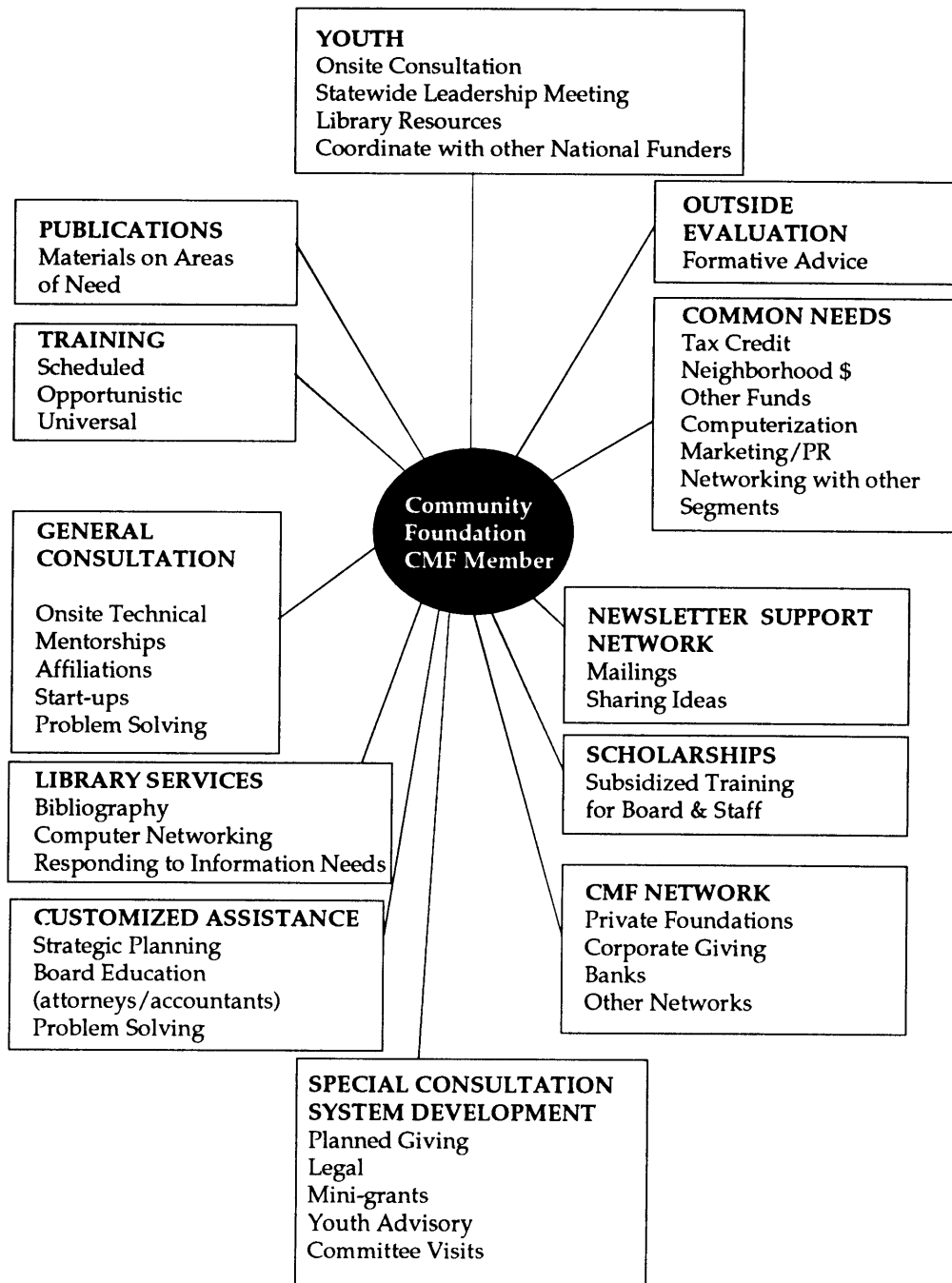
The objectives of the program are to:

1. Assist community foundations in building their unrestricted and field-of-interest endowments;
2. Expand and extend community foundation services to cover the State so that every donor has access to a community foundation vehicle;
3. Provide a permanent youth field-of-interest fund for communities across Michigan from which grants can be made to meet local youth needs;

4. Involve youth in the process of philanthropy: assessing local needs, raising funds, and advising on youth grant making; and to
5. Stimulate the implementation of youth volunteerism across the State.

The array of services offered by CMF to its community foundation members is displayed in the following illustration.

Technical Assistance Activities



The 1991 challenge requires a 2:1 local funding match by the community foundations which will generate almost \$100 million of new assets for Michigan communities.

The community foundation initiative receives enthusiastic support from CMF's private and corporate foundations in Michigan. Their sustained involvement helps to build this critical network of strong independent community resources.

For the continuing enthusiasm and generous assistance of the W.K. Kellogg Foundation and Charles Stewart Mott Foundation, Michigan community foundations extend a deep and public thanks.

Publications

This is the seventh in a series of publications which are tangible products of many related efforts to build the capacity of community foundations in service to Michigan communities. Companion publications are: *How To Help Your Community Foundation Develop An Effective Strategic Plan; Raising Dollars For Community Foundations Through Modern Marketing Techniques; Community Foundation Primer; A Guide to Managing Change for Foundations; Community Foundation Scholarship Guidelines for Membership Clubs, Corporations, and Associations; and Sample Language for Gifts and Bequests to Community Foundations.*

Copies of these publications can be ordered from:

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BACKGROUND AND SUMMARY

Do community foundations follow a predictable series of steps as they grow?

I was having a conversation with a part-time administrative secretary of a community foundation which was rapidly reaching \$5 million in assets. The secretary commented that the foundation was outgrowing both her skills and the time she could commit to the job. The foundation faced a personnel crisis because of success.

Another overworked executive director of a community foundation reaching \$10 million in assets asked the Council of Michigan Foundations at what point a community foundation "normally" adds a second staff person. He said the Board of Trustees wanted to compare their staffing with community foundations of similar size. "*What's the organizational standard?*", was the question.

The Board of Trustees of a large community foundation considered loaning money to build low income housing for the poor. They called similar size foundations around the country trying to determine the effect on the foundation. "Are we large enough to handle a program related investment (PRI)?" they asked. "What organizational components should be in place to manage a PRI?"

Nationwide, community foundation leaders search for a standard of practice that assures quality during a period of rapid growth in the number and size of community foundations. In that search, the foundations need to develop an understanding and appreciation for differences in their operations and character which are related to age, size, and type of community served.

Yet, in the face of such specific questions and needs, little research exists about community foundations. As 75 year-old institutions, they have a long and impressive history of grant making and civic leadership, yet little empirical knowledge exists about them.

This study and monograph seek to shed light on how community foundations develop over time, and increased asset size, through a series of *identifiable* growth stages, that reflect a pattern of related growth cycles.

Several organizational theories provided the basis for the approach to this study. The first describes organizations as "machines," based on variables of specialization of labor, division of labor, span of control, hierarchical development, and the definition of job roles.

A second theory views organizations as social systems emphasizing the roles and numbers of individuals involved, their relationships, and the degree of organizational complexity.

Systems theory says foundation growth strategy should be related to population size of its service area.

"Subsystem analysis" looks at such technical aspects of community foundations as grant making, civic leadership, fund management, and assets.

Life cycle theory provides a model of growth focused on change within the organization over time. Age, size, periods of evolution and revolution, and the environment are important variables.

You will find all of these theories applied to the community foundation field in this monograph.

Specific conclusions flow from a cross-sectional analysis of a random national sample, stratified by asset size, of 89 community foundation members of the Council on Foundations.

Analysis included descriptive and correlational statistics. The statistics draw a picture of the characteristics of community foundations at differing ages and asset sizes. The complete study is available from the Council of Michigan Foundations for those who wish to read about the organizational theory and the study results in more depth.

I should add that it has been both a great challenge, and a tremendously satisfying professional experience, completing this study over the past four years. I am particularly appreciative to the many individual community foundations who provided both information and very thoughtful viewpoints on the issues of growth and change which are the focus of this effort. I owe a great debt and thanks to the support of the W.K. Kellogg Foundation and the Charles Stewart Mott Foundation and the Council of Michigan Foundation in completing this research.

Kathryn A. Agard, Ed.D.
October, 1992

I. INTRODUCTION: HOW DO COMMUNITY FOUNDATIONS GROW AND DEVELOP?

At the heart of this monograph are several questions: "How do community foundations grow and develop?" "Are there patterns which will help community foundations as they move from one growth stage to another?" "Can community foundations identify and adapt modern organizational growth and development concepts and practices to their own specific needs?"

Stages of Growth and Development

Most sophisticated, for-profit organizations have developed a variety of systems which track key financial data for the organization and provide information for management decision making. They let managers — and hopefully the Board of Directors and stockholders — know how well the corporation is doing from a variety of perspectives. These include bottom-line considerations of profit and loss, market share, return on equity, and other financial benchmarks.

In addition, corporations measure product quality through statistical process control methods, and pay close attention to changing management needs and to strategic planning, research and development expenditures and other measurements which target longer term growth considerations.

These types of clear-cut financial benchmarks are lacking in the community foundation field. It is easy to look at the community foundation's year-end financial statements and see whether grants and expenses have increased; and if so, in what proportion to the income generated and growth in foundation assets. But that's usually about as far as the analysis is carried forward.

HOW TO RECOGNIZE AND APPLY ORGANIZATIONAL CONCEPTS AND PRACTICES TO COMMUNITY FOUNDATIONS

No organizational growth model currently exists which shows where a community foundation might be on a continuum of development; or how to effectively relate changing financial, grant making, governance and staffing

issues in a way that helps the Foundation think and act strategically about its future.

Community foundations may, indeed, follow predictable patterns similar to organizations in the business sector. If so, community foundations can benefit from the knowledge available through the efforts of organizational researchers. At the same time, community foundations are a unique type of American charitable institution. They may have some attributes which are very different from other organizations.

SUCCESS BRINGS IMITATORS AND POTENTIAL CALLS FOR REGULATION

In Michigan, and nationwide, the number of community foundations has grown dramatically during the past two decades. Concurrently, existing community foundations have seen a tremendous increase in their assets and grant making. Donors — and the general public — have recognized the capacity of community foundations to serve many charitable interests and needs.

In 1992, community foundations represent the fastest growing segment of organized philanthropy. Success of such magnitude brings with it new challenges, calls for new definitions and the potential for new oversight of community foundations.

EFFORTS MUST BEGIN TO BUILD A COMMON UNDERSTANDING ABOUT COMMUNITY FOUNDATION DEVELOPMENT

This monograph thus recognizes at least three related areas of need.

First, advocates have called for the development of standards and certification for the community foundation field out of a concern about (a) potential abuse, (b) the increasing emergence of organizational “mimics” that call themselves community foundations, and (c) over the community foundations’ continued ability to meet the IRS mandated public support test; and indeed, the very appropriateness of having such a test.

Second, the growth in number and size of community foundations and their need for technical assistance require some paradigm for evaluating success and anticipating a foundation’s growth at differing ages and asset sizes.

Third, the uniqueness of community foundations compared to other organizations suggests that a growth model should be developed specifically for foundations.

II. "LESSONS LEARNED" IN CORPORATE GROWTH AND DEVELOPMENT

From a research standpoint, this monograph seeks to answer two questions: Do community foundations develop over time, and grow in asset size through a series of identifiable stages? If so, what are the characteristics of these stages?

WHAT DOES A FOUNDATION'S AGE AND ASSET SIZE SAY ABOUT ITS STRUCTURE AND GROWTH POTENTIAL

As a starting point, an extensive review of the literature from business, government, and nonprofit organizations regarding organization growth was completed.

Our purpose here is not, however, to delve deeply into such scholarly material. Our goal is to provide an overview on what was found; and then to apply organizational development theory, *in a practical, helpful way*, to stages of community foundation growth.

Academic and Corporate Growth Models

For readers, interested in the "just the facts and findings", you might skip this chapter and move on to the "meat and potatoes" in Chapters III and IV.

As background for others, and as future reference, here is a summary covering some of the related organizational theories and their sources, applied to the community foundation field in later chapters.

Greiner Model

A five-stage organizational growth model has been defined by Dr. Larry Greiner of the Harvard Business School. This model captures the essence of various other growth models. These five broad stages are:

1. **Growth through Creativity** (also identified as craft, primitive collective response and zealot organizations by other academics)

2. Growth through Direction (also described as "go-go stage" and rapid growth stage)

3. Growth through Delegation (also called maturity phase and decentralized growth phase)

4. Growth through Coordination (identified as formalized structure and rules)

5. Growth through Collaboration (described as multi-structure).

Studies have shown that there is predictable organizational turbulence at transition points between these stages. An organization might decline or it might continue in a "steady state" without further maturation. If the organization secedes in moving through the transition crisis, it will progress to the next growth phase.

The model was selected from others because it identifies crisis opportunities, defines growth stages, and pinpoints the development tasks required by an organization -- like a community foundation -- if it is to move from one growth stage to the next.

While business failure or decline can be measured in a profit/loss statement, no such measurement exists for community foundations. There is no easy way to "go out of business" even if the organization virtually ceases to function.

PERMANENT ASSETS TEND TO INSULATE COMMUNITY FOUNDATIONS FROM SOME SHORT TERM MARKET FORCES

In community foundations, the issue of "decline" is unusual since permanently endowed assets provide a stable source of income.

However, it is possible for a community foundation to "fail" its public support test by not generating sufficient new charitable gifts to offset income generated from investments, which is a legal test requirement. This can lead to Internal Revenue Service (IRS) reclassification of a community foundation as a private foundation.

This redesignation, followed by years of asset erosion through taxes, inflation and private foundation pay-out requirements could spell the end of a community foundation. A few small community foundations have gone out of business, usually the result of many factors. Often, in addition to financial constraints, there are clear volunteer, leadership and community problems which contribute to these failures.

The community foundation, unlike private businesses and other nonprofits, is organized with flexibility in its bylaws through the *Cy Pres* power and with relatively stable financial resources. Barring catastrophe it is insulated from the threat of imminent death. A community foundation is more

likely to languish and stagnate than to die.

Defining Stages of Development

Five "key dimensions" to growth have been identified by experts: 1) age, 2) size, 3) stage of evolution, 4) stage of revolution, and 5) growth rate of the "industry."

MANAGEMENT PROBLEMS AND PRINCIPLES ARE ROOTED IN TIME

Life Span

The most obvious and essential dimension for any model of development is the **life span** of an organization. Most organizations, including community foundations, do not follow the same practices through a long span of time. This makes a basic point: **management problems and principles are rooted in time; one which too often gets lost in the flush of immediate, painful organizational and personnel changes.**

There are several theories on organizational learning and the changes that result as an organization successfully adapts to its environment. This learning results in the institutionalization of procedures and practices which aid the organization in its unique environment. Such standardized operating procedures begin the process of building bureaucracy. Initially, standard procedures result in efficiencies for the organization. However, if procedures do not change with the environment, the organization can become rigid.

Community foundations should recognize that their "age" will have an impact on how they "act," which may be quite different from younger or older foundations in neighboring communities.

The next chapters will document and answer such questions as "What different characteristics do community foundations have at different ages? Do these characteristics change in a predictable way over time?"

Organizational Size

A second dimension is **organizational size**. Change as a result of size can be seen in that a typical community foundation's problems and solutions tend to change markedly as the number of employees and assets and special projects increase.

In addition to increased size, however, problems of coordination and communication magnify, new functions emerge, levels of management hierarchy multiply, and jobs become more interrelated.

MANY FORCES CAN IMPACT ON RATE OF GROWTH

Many forces push growth and some of these are either directly related or can be adapted to the community foundation environment.

Studies on the economic growth of the corporate firm show that incentives for growth include **economic incentives** to increase profit, lower costs, and raise revenue.

Psychological incentives include manager self-realization, a need for adventure and risk, the need for prestige and power, and salary growth.

The **strategic needs** are for monopoly power and the organizational stability that comes from size and survival.

Some of these forces are difficult to deal with; but even more so if an organization is operating largely out of ignorance as to their effect and benefit for the future. The need for differentiation and integration within a company or foundation is a case where knowledge of organizational dynamics can assist the manager.

For example, some minimal increase of staff numbers and resources is necessary to provide a safe margin of separation of functions and their institutionalization. Yet at a larger size, the separation of functions may become too wide and new staff positions must be developed to just coordinate functions.

"I DON'T SEE WHY WE NEED ANOTHER FUNDRAISING SPECIALIST," IS A TYPICAL RETORT OVERHEARD IN THE EMERGING COMMUNITY FOUNDATION'S BOARD ROOM

At some point, greater effectiveness and positive return to the organization results from a differentiated structure and can lead to further growth (and additional differentiation) for the foundation.

"You have to spend money, to make money," is the way the business people often put it, in reference to up front dollars leading to long term increase in market share.

Too often, a nonprofit Board of Trustees will fail to understand the cost/benefit nature of such staff differentiation; and why it truly can be in the best interests of the organization, whether its mission might be providing more direct human services or building a permanent pool of charitable capital for many community needs and projects.

For community foundation purposes, the important conclusion is that change is directly related to their size. More on that in the next chapters.

One organizational theory specialist, in making use of the life cycle analogy from the biological sciences to organizations, observed that "A man cannot grow as big as a giant and still have the shape of a man. The size cannot vary completely independently of the shape."

The validity of the relationship between age and size and resulting life stages of an organization have been, with certain cautions, substantiated empirically. It's just that organizations don't necessarily move in a linear direction from one stage to another.

Research shows differences between organizations with the ability to make quantum leaps of change.

Stages of Evolution

"Stages of evolution" can be seen as those "quieter times" when only modest adjustment appears necessary for *maintaining* growth under the same overall pattern of management.

The questions to be answered are: Are there identifiable periods of *stability* in community foundations growth history? If so, what are the characteristics of these stable periods? Is there a pattern to the sequence of stable periods?

Stages of Revolution

The period of evolution ends with the start of a revolutionary phase for a community foundation or other organization.

ALMOST ALL ORGANIZATIONS FACE "NORMAL" POINTS OF CRISES IN THEIR LIFE CYCLES

Smooth evolution is not inevitable. It can't be assumed that a foundation's growth will be linear. In fact, history shows that these turbulent times are more typically periods of revolution, and exhibit a serious upheaval of management and governance practices.

Most of us are all too familiar with these examples from our own lives. "The entrepreneurial CEO" who grows the foundation, but then doesn't know how to manage the growth, work with staff or communicate effectively with a different Board of Trustees.

Questions raised for us in the community foundation field about this period of revolution include: Are there identifiable periods of *instability* in a community foundation's growth history? If so, what are the characteristics of

these periods? Is there a pattern to the sequence of the revolutionary periods?

The growth *rate* of a community foundation will likely also affect the speed at which the organization experiences changes in the life cycle.

Growth Rate of "Industry"

Studies have shown that the speed at which an organization experiences phases of evolution and revolution is clearly related to the market environment of its industry.

Because the community foundation field is experiencing rapid growth both in age and asset size, one would predict that foundations within the field are evolving more rapidly than those which were formed in less supportive times.

Cross sectional data in the following chapters look at individual community foundations relative to their specific environments. Because environmental factors for each of 89 communities in this case study would be extremely difficult to research, population size is used as a gross indicator of environmental complexity.

A key question raised by the issue of growth rate of the industry: Do community foundations serving different size communities have different characteristics?

Transition Characteristics

In this research model, each community foundation faces a crisis which, when solved, has two results.

First, the solution leads to a period of stability.

Second, the solution sows the seeds for the next period of turbulence.

Phase 1: Creativity — growth during this period is dependent upon an entrepreneurial person. As the organization grows, it needs more people to become involved, and there emerges a crisis of leadership. With the appointment of a leader, the organization goes into Phase 2.

GROWTH BRINGS DEMAND FOR STAFF AUTONOMY AND POWER

Phase 2: Direction — the new leader directs the growth and activities of the organization. As it becomes larger, the foundation hires new staff. These new employees want more power and autonomy. Their needs bring on a crisis of autonomy. To solve the crisis, the organization delegates power and authority to the employees.

Phase 3: Delegation — the employees given power and authority begin to assume new directions and to become increasingly autonomous. Eventually the organization begins to disintegrate bringing on a crisis of control.

Phase 4: Coordination — in order to hold the organization together, control is recentralized through systems and channels. There follows development of rules and standard operating procedures.

This development of policies, procedures, forms, and standards leads to immobilization of the organization in "red tape" leading to a system of collaboration rather than operating by rules.

Phase 5: Collaboration — at this stage multi-unit organizations work in teams to accomplish organizational objectives.

The next crisis level has not been developed. The next crisis may relate to loss of ethics or vision about the core values of the organization.

"Systems" Within the Community Foundation Organization

Organizations are said to have four systems. In order to analyze the complexity of the 89 community foundations in this study, each of the four systems was analyzed for each of the foundations.

These systems are: 1) administrative, 2) social, 3) strategic, and 4) technical, with a variety of measurements under each system.

The questions were asked: Does the particular system change over time and asset size? Is there a pattern to the change? The answers to these questions are provided in the next chapter.

SHOWING HOW "SYSTEMS" THEORY APPLIES TO COMMUNITY FOUNDATIONS

Administrative System

The administrative system analysis looks at the positions of people within an organization: jobs become specialized, how work is divided, the supervisory responsibility of the chief executive officer, the depth of the organization and the definition of jobs. Early organizational research looked at these components in order to see if organizations are similar to machines.

This mechanistic theory, taken from other types of organizations, suggests that as community foundations grow, they expand and diversify functions, add staff, and staff becomes more specialized.

The variables are: a) the degree of specialization of labor, b) the division of labor, c) the span of control of the chief executive, d) the number of levels in a hierarchy, and e) the definition of jobs.

The questions to be answered are: Does the administrative system of a community foundation change over time and asset size? Is there a pattern to this change? Thus, age and asset size are the two independent variables.

Social System

The social system analysis looks at the various roles and relationships

of all the component parts of a community foundation, their inter-relationships and the complexity of the foundation.

Organizational researchers suggest what we already know from our daily lives: that the *human* side of the organization affects its functions.

Research on other organizations (typically corporations) reveals that as the organization ages and grows, it becomes more complex by virtue of the expansion of the number of units doing the same work, the diversification of work, and the addition of related activities. Variables for this study of community foundations are: a) the roles and numbers of individuals in these roles, b) relationships, and c) the complexity of the foundation.

Questions to be answered are: Does the foundation's social system change over time and asset size? Is there a pattern to the change?

Strategic System

The strategic system analysis looks at the relationship of the community foundation to its environment and its choice of strategies for development and civic leadership.

We know that some community foundations "act out" their civic role in a fairly narrow context — as a grantmaker and investor of charitable resources. Other community foundations have very visible civic leadership roles which call for a more proactive focus on community coalition building and problem solving.

These strategic decisions can be particularly difficult, and yet crucial, in the early years of a community foundation which is caught in the double bind of having few resources but great need for public recognition.

Systems theory says that an organization interacts with the environment, and is both shaped by and is in turn shaping its outside world.

Jennifer Leonard and others have noted the strategic importance of the choice of mission in terms of growth potential of a community foundation. The pertinent variables are: a) the environment, and b) the community foundation's strategic decisions.

Questions are: Does the strategic system of a community foundation change over age and asset size? Is there a pattern to this change?

Technical System

The technical system for community foundations has four components: (a) asset management including service to donors, (b) grant making, (c) leadership, and (d) fund management.

These are the "tasks" of the foundation. Each component of the technical system is expected to become larger and more complex as the organization becomes older and larger.

In this regard, questions to be answered are: Does the technical system change over time and size? Is there a pattern to the change?

III. A COMMUNITY FOUNDATION GROWTH MODEL

A model for community foundation growth emerges from this cross-sectional study of 89 community foundations located throughout the United States. An overview of this model follows, the data are provided on pages 22 to 38, and a self-assessment checklist is included on pages 39 to 43.

The characteristics of community foundation "systems" at various asset sizes are briefly discussed in the last chapter. Again, the objective is to apply modern organizational theory to the community foundation field.

The study confirms the relationship of multiple variables to age and asset size of the foundation. Asset level was consistently established as the more predictive variable.

Using these data as a base, the following model describes the characteristics of community foundations at various asset levels.

Figure 1 - Community Foundation Characteristics

		1 (\$0 - 4.9 million)	2 (\$5-9.9 million)	3 (\$10-19.9 million)	4 (\$20-49.9 million)	5 (\$50-99.9 million)	6 (\$100-499.9 million)	7 (\$500+ million)
Administrative System Indicators Total Number(s) of staff # of Special Project staff # of Program Officer Specialists # of Program Officer Generalists # of Financial Support Specialists # of General Support Personnel # of Marketing/Donor Relations Specialists # of Communications Specialists # in Office of President # of people supervised by President (Span of Control) # of levels of hierarchy Administrative budget Personnel policies	•An all volunteer or paid staff ranging from 0-5 members with an average of 2 staff members. •Staff members are most likely to be an Executive Director and either a Program Officer serving as a generalist or a General Support/Clerical person. •The Executive Director supervises 1 staff member. •The administrative budget averages \$100,000. •Personnel policies are just starting to be developed. •This period is typified by the establishment of office hours, rudimentary policies and procedures, minutes of Board meetings, and basic administrative systems.	•Paid staff from 1-7 people with an average of 4 staff members per foundation. •Staff members are most likely to be an Executive Director, a Secretary or Assistant, a Program Officer who is a generalist, and a Special Project staff person. •The Executive Director supervises 3 staff members with 2 levels of hierarchy. •The administrative budget averages \$250,000.	•Board of Trustees from 7-37, averaging 23. •One organization, with perhaps a geographic affiliate. •An advisory committee or two composed of approximately 45 people. •Corporate form. •3 banks holding the foundations assets. •6 Board meetings per year. •3 grantmaking meetings per year. •19 page annual report.	•Board of Trustees ranging in size from 7-40 with 21 being average. •One organization with perhaps a geographic affiliate. •An advisory committee or two composed of approximately 45 people. •Corporate form. •3 banks holding the foundations assets. •6 Board meetings per year. •3 grantmaking meetings per year. •19 page annual report.	•Paid staff from 2-9 with an average of 4 staff. •Staff members are most likely to be an Executive Director, a Secretary or Assistant, a Program Officer who is a generalist, and a Special Project staff person. •The Executive Director supervises 3 staff members with 2 levels of hierarchy. •The administrative budget averages \$250,000.	•Paid staff from 4-23 with an average of 11 staff. •Staff members are most likely to be 2 people in the Executive Director's office, a Special Project Staff Person, 2 Program Officer Generalists, 2 Financial Support Staff, and maybe a Marketing/Donor Relations Specialist. •This level begins the first phase of staff specialization after the basic systems have been staffed. •The Executive Director supervises 7 staff members directly with 3 levels of hierarchy. •The administrative budget averages \$700,000.	•Paid staff range from 6 to 31 with an average of 19. •Staff members are most likely to be an Executive Director, a Communications Specialist, a Marketing/Donor Relations Specialist, a Financial Support, 4 Program Officer Generalists, a Program Officer Specialist, and 2 Special Project Staff. •The Executive Director supervises 6 people directly with 4 levels to the hierarchy. •The administrative budget averages over \$1 million.	•Paid staff from 23-45 with an average of 36 members. •Staff members are most likely to be 4 people in the offices of the Executive, 2 Communications Specialists, 3 Donor Relations/Marketing Specialists, 11 Clerical Support, 5 Financial Support, 6 Program Officers who are generalists, 7 Program Officers who are specialists, 6 Special Project staff. •The administrative budget is \$3 million. •Executive Director/President supervises 9 people directly with 4 levels of hierarchy.
Social System # of Board Members # of Board Meetings a year # of Grantmaking meetings # of Organizations # of Geographic Funds/Affiliates # of Supporting Foundations # of Advisory Committees # of people on Advisory Committees # of trustee banks Legal form: corporate, trust, mixed # of pages in annual report	•Board of trustees ranging in size from 7-40 with 21 being average. •One organization with perhaps a geographic affiliate. •An advisory committee or two composed of approximately 45 people. •Corporate form. •3 banks holding the foundations assets. •6 Board meetings per year. •3 grantmaking meetings per year. •19 page annual report.	•Board of Trustees from 7-37, averaging 23. •One organization, with perhaps a geographic affiliate. •6 advisory committees, averaging 37 people involved. •Non-trustee advisors on the committees. •Corporate or trust form. •5 banks or organizations serving as financial trustees. •6 Board meetings per year. •3 grantmaking meetings per year. •30 page annual report.	•Board of Trustees from 7-24, averages 16. •One organization with a geographic affiliate. •Corporate form. •5 organizations providing financial management services. •6 Board meetings per year. •4 grantmaking meetings per year. •24 page annual report. •2 advisory committees with 12 members.	•Board of Trustees averages 11 members. •The foundation is in mixed, trust, or corporate form. •There are 2 organizations in the foundation. •At least 2 geographic affiliates. •5 advisory committees with 45 people on the committees. •6 financial organizations. •7 Board meetings per year. •6 grantmaking meetings per year. •41 pages in the annual report.	•The Board of Trustees ranges from 7-30 with an average of 17. •There are approximately 6 organizations which are part of the system. •A geographic affiliate. •3 supporting organizations are part of the foundation. •8 advisory committees with 68 people involved. •Legally is mixed or corporate form. •5 Board meetings per year. •6 grantmaking meetings per year. •56 pages to the annual report. •5 financial institutions.	•The Board of Trustees ranges from 11-13 people with an average of 12. •The foundation is composed of 4 organizations. •There are 2 geographic funds. •3 supporting organizations are a part of the foundation. •3 advisory committee with 14 advisors. •Mixed corporate/trust form. •9 financial organizations serve as trustees. •61 pages to the annual report. •5 Board Meetings per year. •5 grantmaking meetings per year.	•The Board of Trustees ranges from 11-13 people with an average of 12. •The foundation is composed of 4 organizations. •There are 2 geographic funds. •3 supporting organizations are a part of the foundation. •3 advisory committee with 14 advisors. •Mixed corporate/trust form. •9 financial organizations serve as trustees. •61 pages to the annual report. •5 Board Meetings per year. •5 grantmaking meetings per year.	•The Board of Trustees ranges from 11-13 people with an average of 12. •The foundation is composed of 4 organizations. •There are 2 geographic funds. •3 supporting organizations are a part of the foundation. •3 advisory committee with 14 advisors. •Mixed corporate/trust form. •9 financial organizations serve as trustees. •61 pages to the annual report. •5 Board Meetings per year. •5 grantmaking meetings per year.
Strategic System Population of service area Primary Mission orientation leadership grantmaking donor service leadership & donor services	•Serves a population of under 350,000 people. •Embraces a mission of donor service, grantmaking, and community leadership.	•Serves a population of approximately 1 million. •Embraces all 3 strategic positions: grantmaking, leadership, and donor service.	•Serves a population of approximately 600,000. •Embraces all 3 strategic positions.	•Serves a population of approximately \$1.3 million. •Embraces all 3 strategic positions.	•Serves a population of over 2 million. •Embraces all 3 strategic positions.	•Serves a population of over 6 million. •Embraces all 3 strategic positions.	•Serves a population of over 6 million. •Embraces all 3 strategic positions.	•Serves a population of over 6 million. •Embraces all 3 strategic positions.
Technical System Assets Total assets Donor Service \$ of new gifts Grantmaking special project funds dollar value of grants paid # of grantmaking categories frequency of grantmaking leadership special project funds # of special project staff	•Total assets \$500,000 - 5 million, average 2.5 million. •Donor Service •Annual gifts average approximately \$400,000. •Grantmaking •Number of grants made each year 54.55 •Dollars given in grants under \$176,000 per year. •Number of categories of grantmaking - 4. •Grants made 3 times per year. •Some special project funds. •Fund Management •Provide a full range of funds under management except donor depository and pooled income funds with 33 funds being managed. AGE •16 years.	•Total assets \$5-10 million, average 7 million. •Donor Service •Gifts each year average \$1.7 million. •Grantmaking •Number of grants made per year 120. •Dollars given in grants each year = \$800,000. •Grants given in 5 different categories. •Grants made 3 times per year. •Fund Management •Provide a full range of fund options with 95 funds being managed. AGE •20 years.	•Total assets \$10-20 million, average 14 million. •Donor Service •Gifts received each year \$1 million. •Grantmaking •Number of grants made per year 183. •Dollars given in grants per year \$1.3 million. •Grants given in 4 times per year. •Fund Management •Provide a full range of funds with 89 funds being managed. AGE •37 years.	•Total assets \$20-50 million, average 32 million. •Donor Service •Gifts each year average \$7 million. •Grantmaking •Number of grants made per year over 310. •Dollars given in grants each year \$3.4 million. •Grants given in 6 categories. •Grants made 5 times per year. •Fund Management •Provide a full range of fund options with about 130 funds being managed. AGE •41 years.	•Total assets \$50-100 million, averages 69 million. •Donor Service •Gifts received each year \$15 million. •Grantmaking •Number of grants made each year 942. •Dollars given in grants per year \$9.8 million. •Grants given in 7 categories per year. •Grants made 6 times per year. •Fund Management •Special project funds. •2 special project staff people •Fund Management •Manages 284 funds. AGE •56 years.	•Assets \$520-842 million, averages 621 million. •Donor Service •Gifts average \$19 million per year. •Grantmaking •Number of grants made each year over 1,159. •Dollars given in grants each year \$31 million. •Grants are given in 6 categories. •Grants are made 5 times per year. •Leadership •6 special project staff people. •Fund Management •Manages 539 funds. AGE •73 years.	•Assets \$520-842 million, averages 621 million. •Donor Service •Gifts average \$19 million per year. •Grantmaking •Number of grants made each year over 1,159. •Dollars given in grants each year \$31 million. •Grants are given in 6 categories. •Grants are made 5 times per year. •Leadership •6 special project staff people. •Fund Management •Manages 539 funds. AGE •73 years.	•Assets \$520-842 million, averages 621 million. •Donor Service •Gifts average \$19 million per year. •Grantmaking •Number of grants made each year over 1,159. •Dollars given in grants each year \$31 million. •Grants are given in 6 categories. •Grants are made 5 times per year. •Leadership •6 special project staff people. •Fund Management •Manages 539 funds. AGE •73 years.
Stage of Evolution	Creativity = •Early volunteer organization. •One organization. •Small technical component. •Growing board size. Early Organization = •1/2 time paid or volunteer staff. •Larger board. •All technical components underway.	Direction = •Full-time paid professional staff. •Board begins to shrink. •Increasing technical complexity.	Delegation = •More than one full-time paid professional. •Board continues to shrink in size. •Technical system continues to grow.	Early Specialization = •Continued delegation as staff grows in initial specialty areas. •Specialty areas more organizational components. •Technical system continues to grow.	Refined Specialization = •Support staff positions become specialized. •Board continues to shrink. •More organizations. •Technical system continues to grow.	Early Maturity = •Paid operations and support professionals with more than one per area. •More complex organization. •Technical system complex.	Full Maturity = Collaborations = •More than one professional staff person in specialized areas. Program Officers specialized. •Small board. •Complex technical system.	Full Maturity = Collaborations = •More than one professional staff person in specialized areas. Program Officers specialized. •Small board. •Complex technical system.
Stage of Revolution	Leadership: •Volunteers need help with workload caused by growth and increasing complexity.	Autonomy: •Movement to more than one professional and need to delegate responsibility.	Specialization: •Initial staff specialists require more autonomy.	Replication: •Tasks continue to grow in number but not in complexity.	Organizational Depth: •Organization deepens and Program Officers begin to specialize.	Mature Professionalism: •All tasks with professional specialist. •Large, complex system.	Mature Professionalism: •All tasks with professional specialist. •Large, complex system.	Mature Professionalism: •All tasks with professional specialist. •Large, complex system.

Figure 1 provides an overview of the model. Along the bottom are the **Growth Stages** with concepts from human development. Under those titles are the general periods of steady evolutionary growth and the identified periods of turbulence.

The characteristics of each stage and transition are explained. These model characteristics of stages are taken from the description for each stage described in the last chapter.

The model is divided into periods defined by asset levels and the characteristics are described by one of the four subsystems. Only descriptive characteristics from the data are reported in the model.

The greatest differences appear in contrasting the characteristics of the *emerging* community foundations with the characteristics of the *fully mature* organizations.

Between these two extremes are gradations of change typified by increasing size, complexity and diversification. The names given to these periods reflect these differences.

Growth Stages

The first stage, under \$5 million in assets, includes two phases which can most aptly be called infancy and early childhood. The phase in the model is called Infancy and Early Childhood. Figure 2 on the next page shows how this stage has two parts.

Figure 2 - Infancy and Early Childhood Characteristics

Infancy Assets - (0-499.9 thousand)	Early Childhood Assets - (500,000 - 4.9 million)
<u>Administrative System</u>	

- | | |
|---|--|
| <ul style="list-style-type: none"> • Volunteer group organizing the foundation - no staff. • Initially the group operates as a committee of the whole, organizing into subcommittees after the Bylaws are adopted. • No hierarchy except for the committee structure of the Board. • No personnel policies. • Limited administrative budget (for brochures and legal/accounting fees). | <ul style="list-style-type: none"> • An all volunteer or paid staff ranging from 0-6 members with an average of 2 staff members. • Staff members are most likely to be an Executive Director and either a Program Officer serving as a generalist or a General Support/Clerical person. • The Executive Director supervises 1 staff member. • The administrative budget averages \$100,000. • Personnel policies are just starting to be developed. • This period is typified by the establishment of office, hours, rudimentary policies and procedures, minutes of Board meetings, and basic administrative systems. |
|---|--|

Social System

- | | |
|---|---|
| <ul style="list-style-type: none"> • Small original group expands to about 20 as the Board becomes organized. • One organization. • No advisory committees. • Corporate form. • Board meets at least monthly (if not more frequently) for education and organizing decisions. • No annual report. | <ul style="list-style-type: none"> • Board of trustees ranging in size from 7-40 with 21 being average. • One organization with perhaps a geographic affiliate. • An advisory committee or two composed of approximately 45 people. • Corporate form. • 3 banks holding the foundation's assets. • 6 Board meetings per year. • 3 grantmaking meetings per year. • 19 page annual report. |
|---|---|

Strategic System

- | | |
|--|---|
| <ul style="list-style-type: none"> • Original population to be served is a specific community which may be expanded as trustees learn more about community foundations. • Primary mission is donor service or leadership or grantmaking until the trustees learn more about community foundations. | <ul style="list-style-type: none"> • Serves a population of under 350,000 people. • Embraces a mission of donor service, grantmaking, and community leadership. |
|--|---|

Technical System

Assets

- Assets \$0-500,000.

Donor Service

- Provides basic fund options: unrestricted, field-of-interest, donor-advised, designated
- Gifts under \$500,000.

Grantmaking

- 1-2 grants if any.
- Grantmaking less than \$1,000.
- 5-6 grantmaking categories.
- Grantmaking 1 per year.
- No special project staff or funds.

Fund Management

- Under 10 funds under management.

Age

- under 2 years.

Assets

- Total assets \$500,000 - 5 million, average 2.5 million.

Donor Service

- Annual gifts average approximately \$400,000.

Grantmaking

- Number of grants made each year 55.
- Dollars given in grants under \$176,000 per year.
- Number of categories of grantmaking - 4.
- Grants made 3 times per year.
- Some special project funds.

Fund Management

- Provide a full range of funds under management except donor depository and pooled income funds with 33 funds being managed.

Age

- 16 years.

Infancy

Infancy can be identified as a distinct phase. This is the period when the community foundation has volunteer leadership, high group cohesion, small assets, grants, investments and gifts, minimal formal systems and high energy. This period, while not identified in the data, was clear in preliminary longitudinal case studies of 5 Michigan community foundations.

Childhood/Adolescence

From early childhood (marked by the hiring of the first paid staff person) through late adolescence, the foundation adds formality, staff, and systems. There appears to be a continuum of steadily increasing size and complexity.

Early Maturity

At early maturity a distinct change occurs with increased staff specialization, organizational complexity, and size. The changes can be most clearly observed in the administrative system as the community foundation moves from a single unit of volunteers to a highly professionalized and specialized paid staff.

Evolution

The phases are developed from the described stages and follow an evolutionary growth pattern. Evolutionary change relates most closely to administrative changes within the community foundation because they are so clear. These characteristics are descriptive of the period.

Revolution

The revolutionary periods suggest the task to be accomplished by the community foundation in order to move to the next level of maturity.

Asset levels chosen are based on the theory that community foundations must reach a point where they have \$5 million in assets in order to ensure their viability, stature in the community and "take off" in terms of future asset development. They contrast with the obvious differences found in community foundations with assets over \$500 million. For this analysis, asset level distinctions were drawn between these two extremes forming seven categories of organizations.

Describing the Model in System Development Terms

Each stage of development can be described using research results as the base. Growth and change in each indicator can be graphed against asset size. Not every variable is reported for every stage. For example, the first

donor relations specialist does not emerge as specialized staff of the community foundation until the \$50 million asset level.

Administrative System

Looking at the administrative system, indicators show changes as the organization grows in asset size (the consistently stronger variable). The indicators considered were:

1. total number of staff
2. number of special project staff
3. number of program officer specialists
4. number of program officer generalists
5. number of financial officer specialists
6. number of general support personnel
7. number of marketing/donor relations specialists
8. number of communication specialists
9. number in the office of the president
10. number of people supervised by the president (span of control)
11. number of levels in the hierarchy
12. total administrative budget, and
13. personnel policy sophistication.

Total Number of Staff

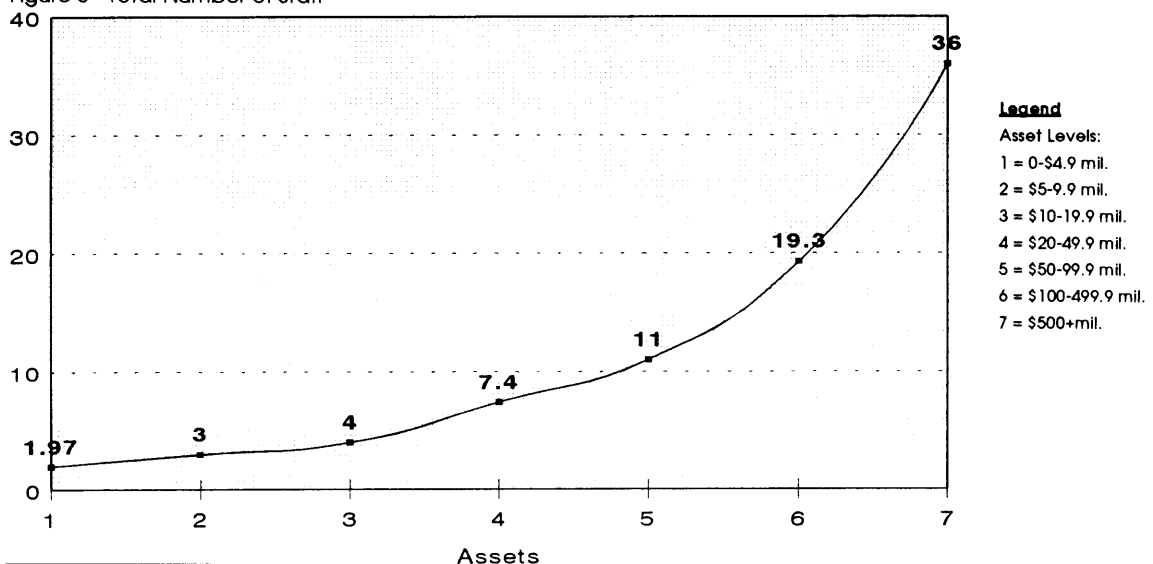
Looking at the mean values for each asset level, it is easy to see that paid staffing changes greatly and in a linear fashion as assets grow.

One repeating theme through all of the indicators is the relatively slow organizational changes between \$10 million and \$49.9 million in assets.

This is followed by rapid change and culminates in a major shift of characteristics for community foundations with assets over \$500 million.

Figure 3 graphs the change in the number of staff by asset size.

Figure 3 - Total Number of Staff



Staff Specialization

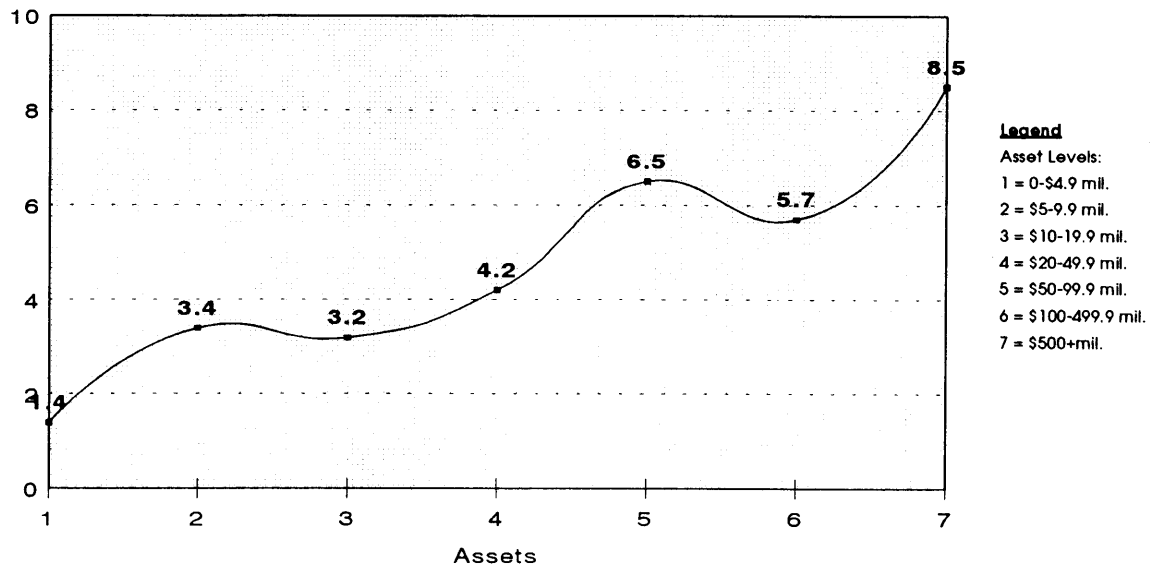
Staff specialization in the paid professional ranks of a community foundation typically begins at the \$5 million asset level when functional specialization occurs (Program Officer - Generalist, Finance, etc.).

Support specialization begins at \$50 million in assets with a Communication/Donor Relations position. Program Officer Specialists (in Health, Education, etc.) begins at \$100 million in assets. Support and Program subspecialization occurs at over \$500 million in community foundation assets.

Span of Control and Growth in Hierarchy

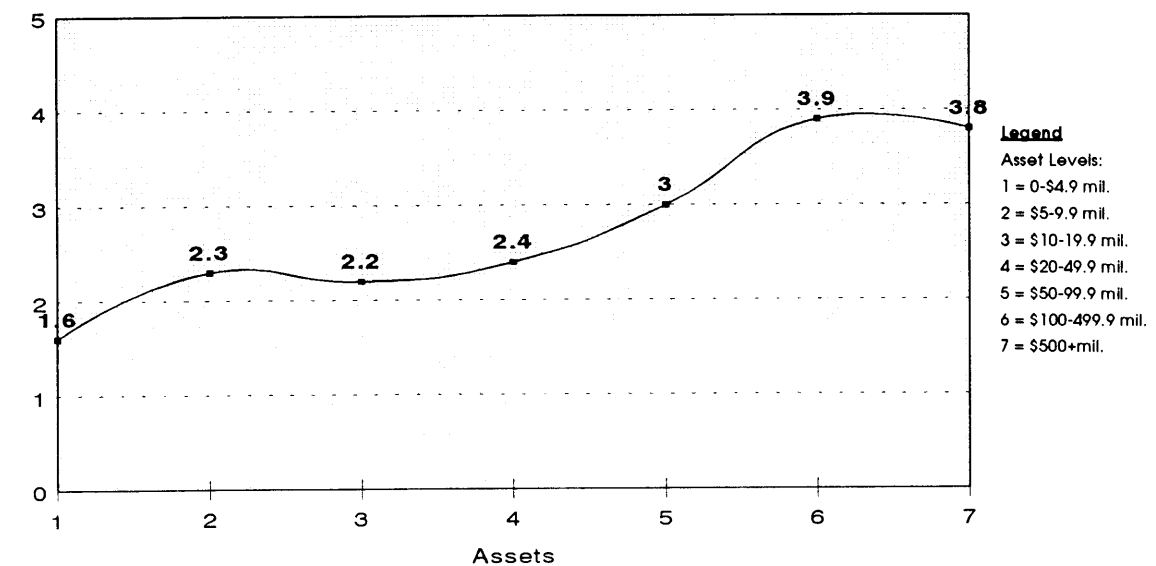
The number of staff supervised by the chief executive (span of control), Figure 4, and the levels of hierarchy, follows a similar pattern of growth.

Figure 4 - Mean Number of Staff Supervised



While the levels of the hierarchy, Figure 5, shows growth, the growth is not as dramatic as other staff indicators. Community foundations are modern organizations with relatively "flat hierarchy".

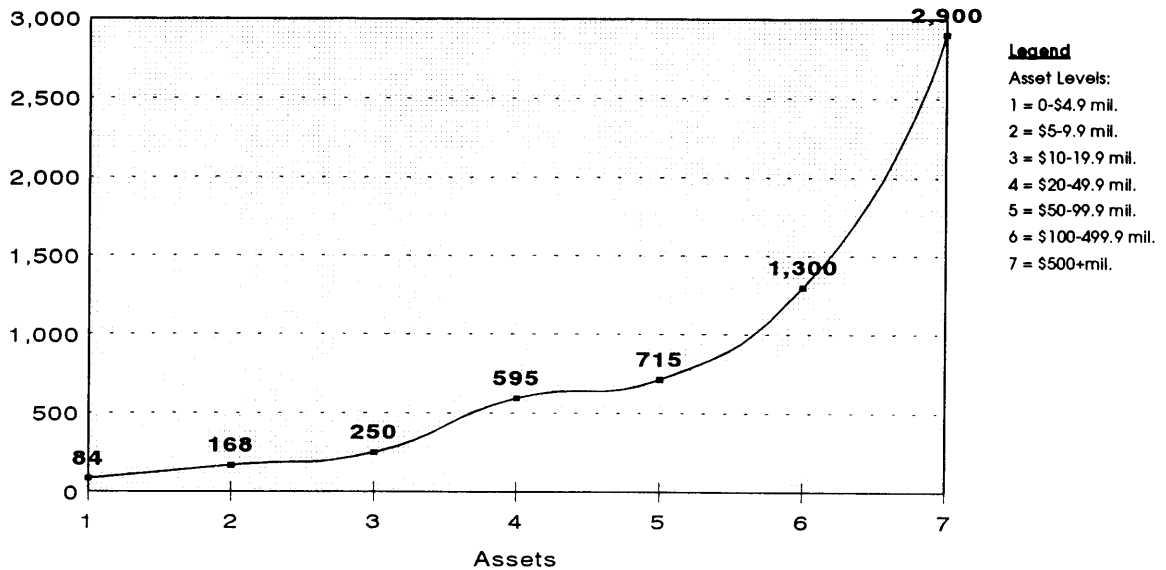
Figure 5 - Mean Number of Level of Hierarchy



Administrative Budget

The administrative budget growth pattern, Figure 6, roughly follows the other administrative indicators showing steady growth consistent with the increase in asset levels.

Figure 6 - Administrative Budget (Thousands)



Personnel Policies

Growth in the sophistication of personnel policies follows a pattern related to growth in staffing. The more people who are employed, the more formal the policies of the community foundation. Figure 7 graphs this change.

Figure 7 - Mean Level of Sophistication of Policies

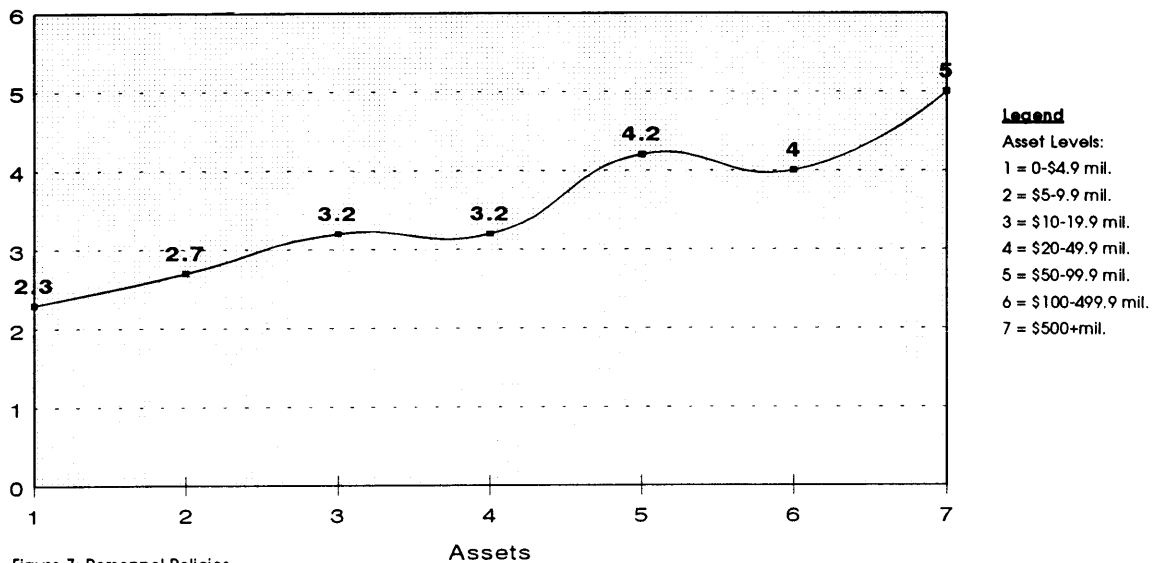


Figure 7: Personnel Policies

- 1 = No policy
- 2 = A letter of agreement
- 3 = Brief and basic policies
- 4 = Formal written and somewhat detailed policies
- 5 = Formal staff handbook

Social System

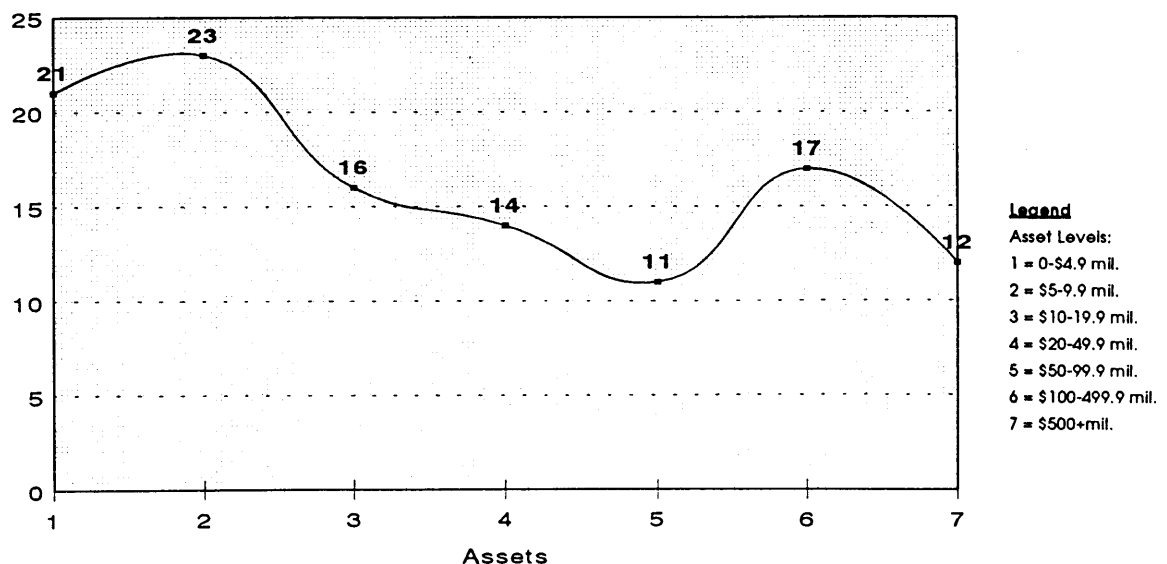
Indicators considered in the social system of a community foundation are:

- 1) the number of Board members,
- 2) the number of times the Board meets each year
- 3) the number of grant making meetings each year
- 4) the total number of organizations
- 5) the number of geographic funds/affiliates
- 6) the number of supporting foundations
- 7) the number of advisory committees
- 8) the number of people on advisory committees
- 9) the number of trustee banks
- 10) the legal form (corporate, trust, or mixed)
- 11) the number of pages of the annual report.

Number of Board Members

The social system indicator of the number of board members, Figure 8, shows the decline in the number of trustees as the foundation grows. This suggests the increased professionalization with staff handling more tasks and the Board moving more to policy making.

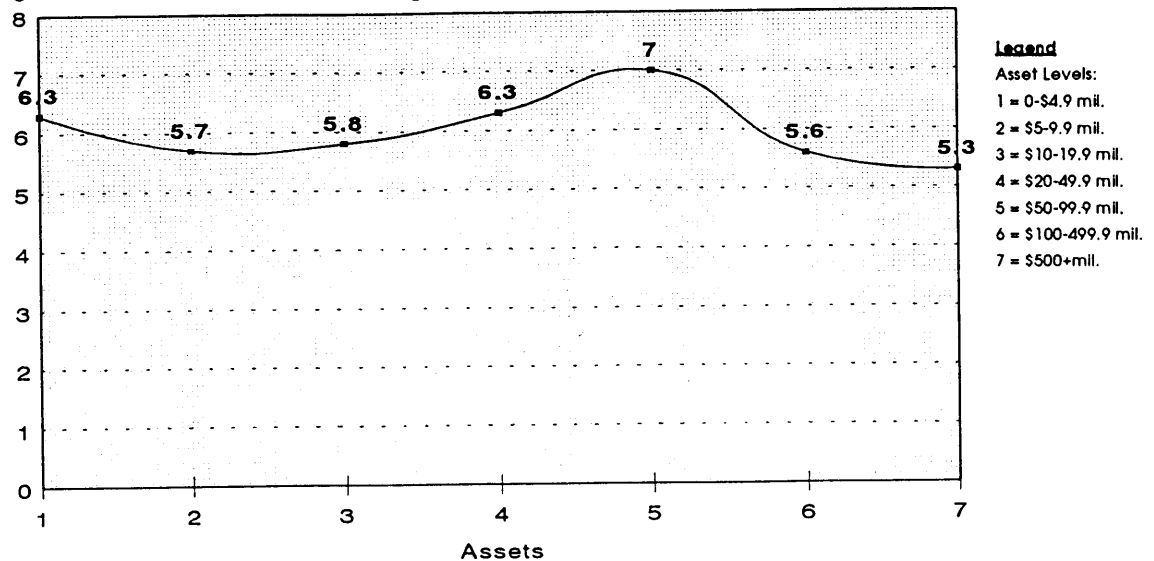
Figure 8 - Total Number of Board Members



Number of Board Meetings Each Year

The number of Board meetings per year, Figure 9, indicates stability across asset sizes in the number of meetings per year.

Figure 9 - Total Number of Board Meetings

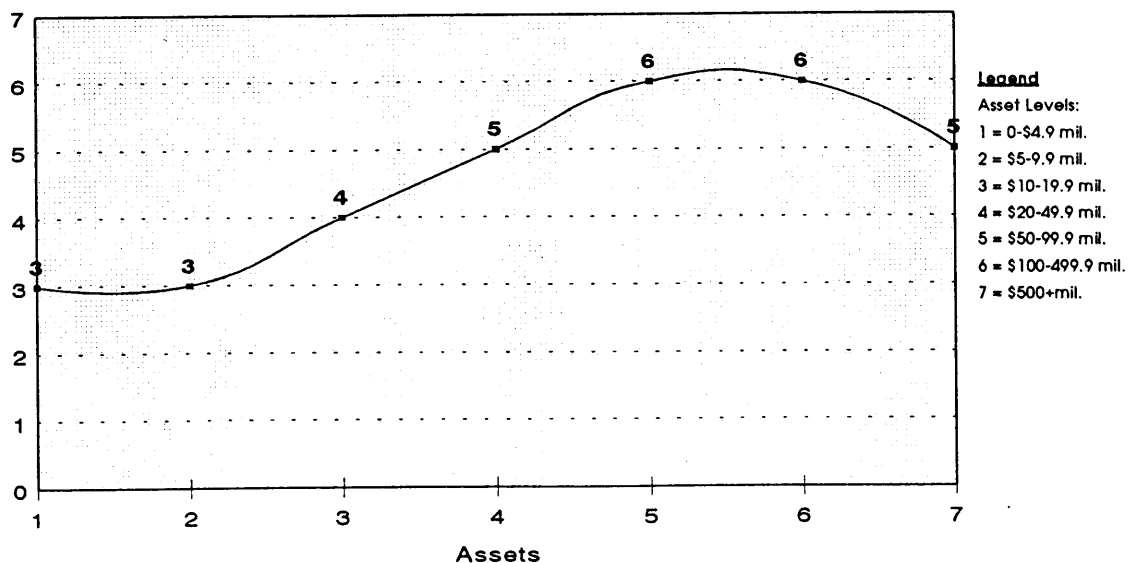


Number of Grant Making Meetings

The number of grant making meetings, Figure 10, is relatively stable once the \$5 million asset level is reached by a community foundation. This indicates some stability to the cycle of grant making, no matter what the size and number of grants awarded.

Interestingly, those community foundations with the largest number of dollars to give away meet for grant making purposes less frequently than community foundations with smaller assets.

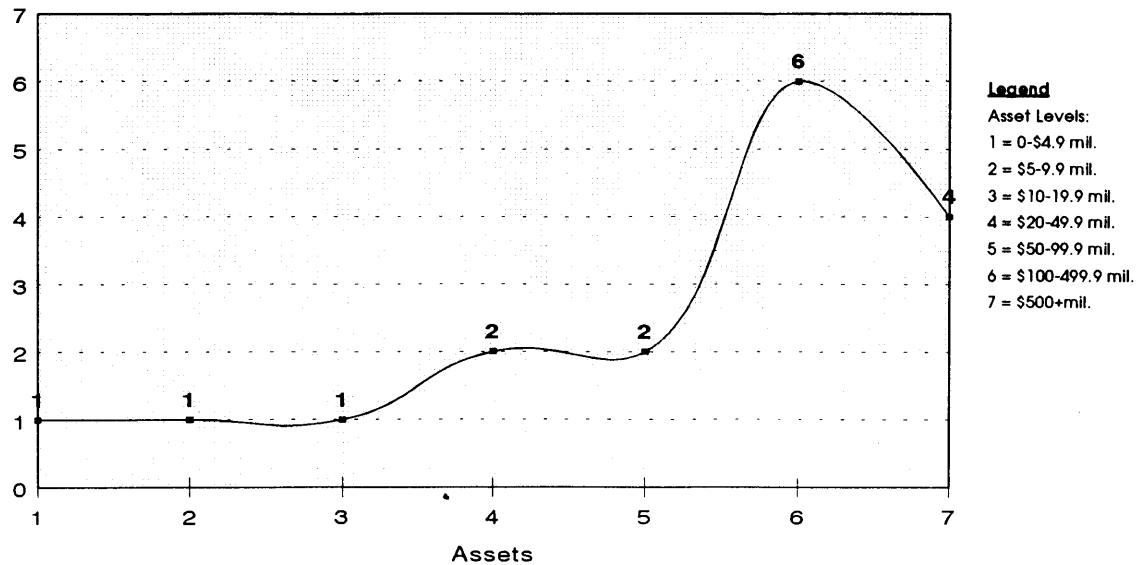
Figure 10 - Total Number of Grantmaking Meetings



Number of Organizations

The number of organizations remains relatively flat until the highest asset level is reached. Figure 11 illustrates the rapid growth in number of organizations.

Figure 11 - Total Number of Organizations

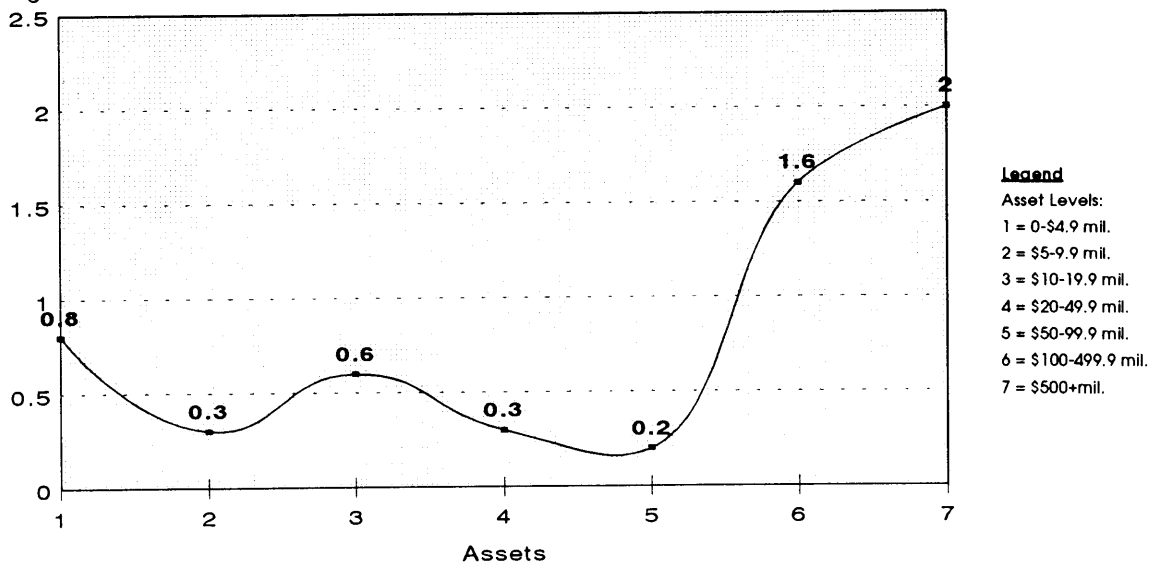


The degree of complexity related to the number of organizations remains constant until the \$50 million asset level where there is sudden growth. This may be the result of private foundations joining with community foundations after 1969 or the addition of a modern corporate arm to the traditional trust form of community foundation.

Geographic Affiliates

The addition of geographic affiliates occurs quite late in the asset development of community foundations. Figure 12 shows this late growth.

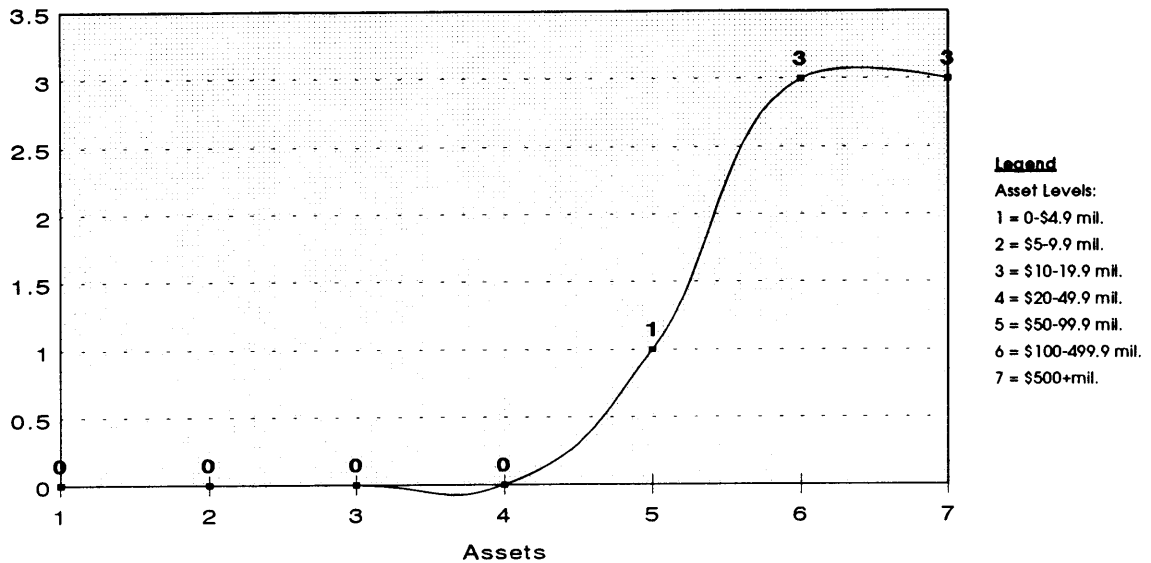
Figure 12 - Mean Number of Affiliates



Supporting Foundations

Supporting foundations do not really emerge as significant additions to community foundations until the more mature asset levels. Figure 13.

Figure 13 - Mean Number of Supporting Foundations



Number of Advisory Committees and Committee Members

The extent and any pattern of how community foundations use advisory committees is less than clear. Such is the case both in the number of committees, Figure 14, and the number of people involved in committees, Figure 15.

During the building of assets in their early years, community foundations use advisory committees, as do their counterparts who have already achieved substantial asset levels. During the asset levels in the middle range, fewer volunteers are involved with community foundations.

Figure 14 - Number of Advisory Committees

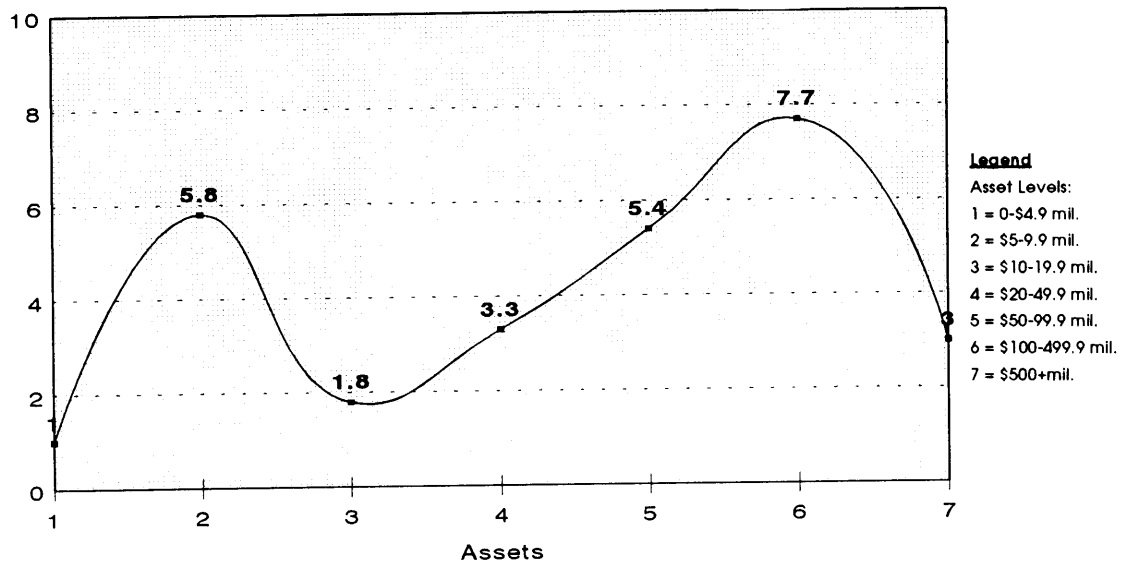
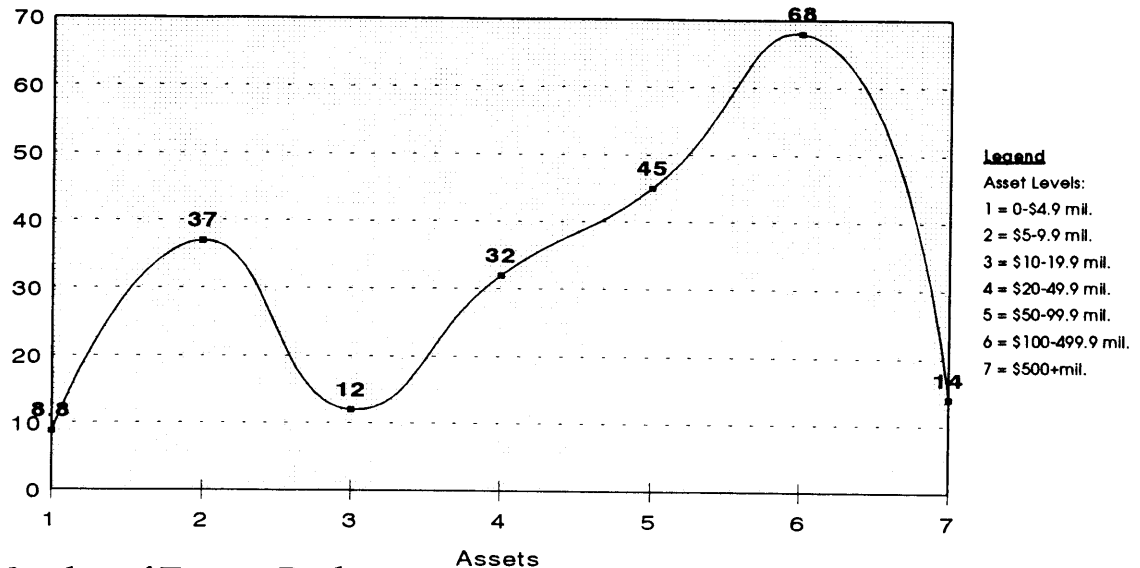


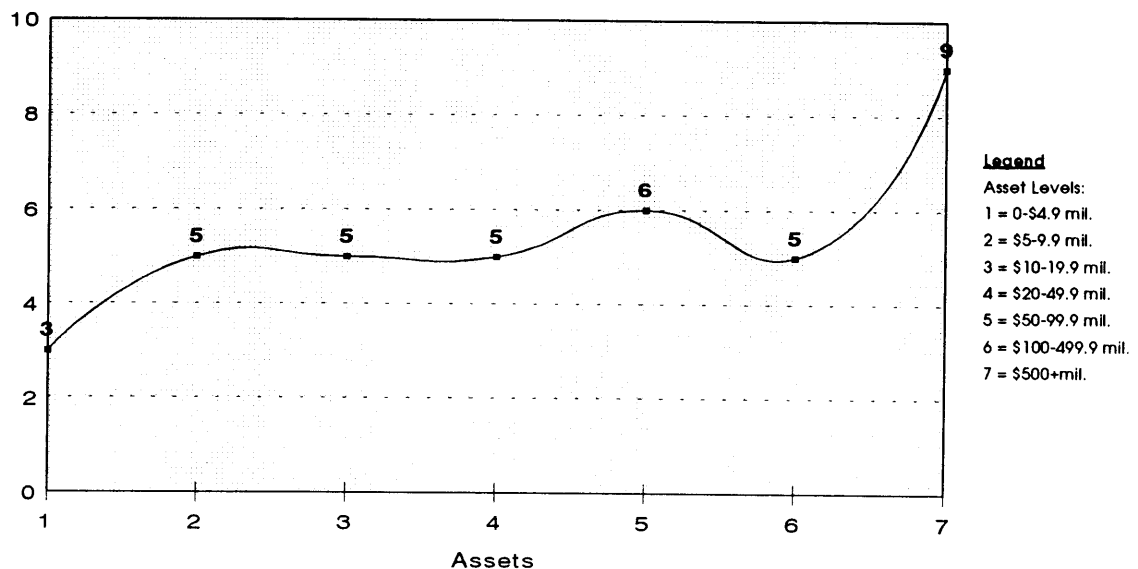
Figure 15 - Number of Advisory Committee Members



Number of Trustee Banks

The number of financial institutions used by a community foundation, Figure 16, increases with asset size of the foundation. Again, the middle period of asset levels shows relative stability on this indicator.

Figure 16 - Number of Advisory Financial Institutions



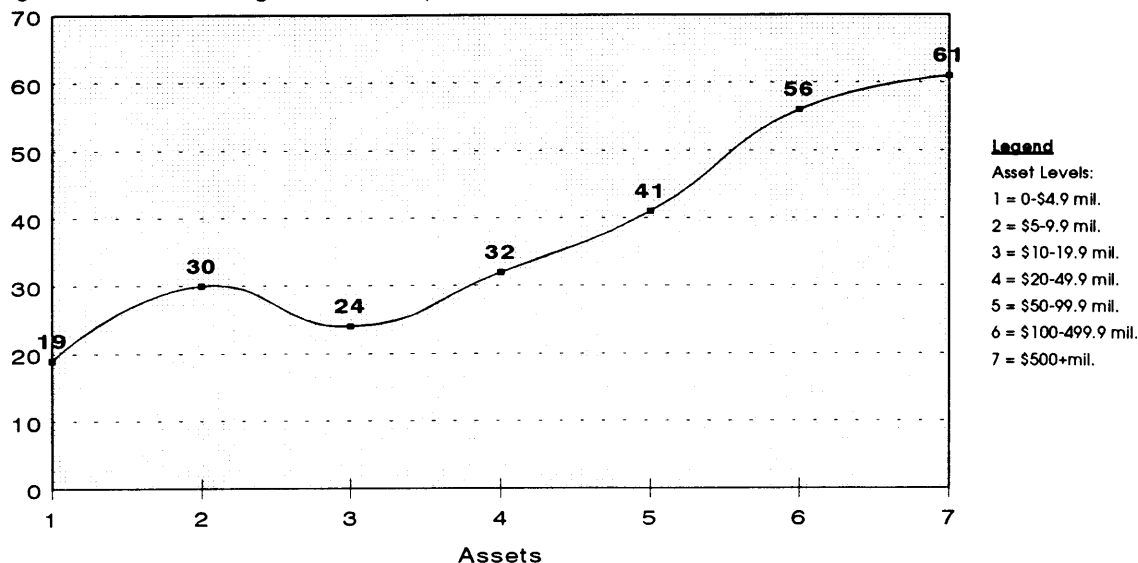
Legal Form (Corporate/Trust/Mixed)

Community foundations with smaller assets are more commonly in corporate form, those with larger assets are more commonly in a mixed form. This may reflect the relatively recent movement to the corporate form of governance; and the fact that many newer (i.e. smaller) community foundation have been established in the past 20 years.

Number of Annual Report Pages

The number of pages in the community foundation's printed annual report, Figure 17, follows relative growth in asset size. There is more activity and complexity to report as a foundation grows, since it is making more grants and typically involved in a broader range of civic leadership activities.

Figure 17 - Number of Pages in Annual Report



Strategic System

Jennifer Leonard in An Agile Servant identified these indicators for the strategic system:

- 1) the environment measured by population size, and
- 2) the mission measured by a choice of:
 - a) leadership
 - b) grant making
 - c) donor service
 - d) leadership and donor service
 - e) leadership and grant making
 - f) donor service and grant making
 - g) leadership, donor service, and grant making.

Environment (Population)

As might be expected, a community foundation's asset size was found to be related to the population of the area served, Figure 18. Access to assets in larger population areas, the historic start of community foundations in metropolitan areas, and the concept of scale may all help to explain this relationship. With the rapid growth in assets currently being experienced by community foundations in smaller communities, this relationship may become less significant over time.

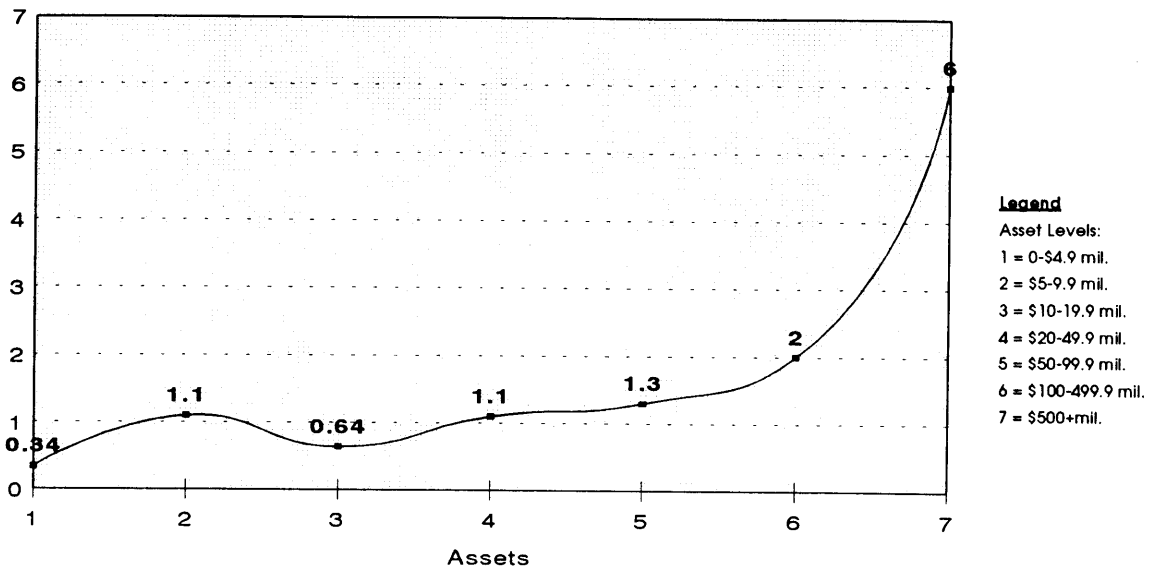
At the same time, there are many exceptions to the general rule that large community foundations are located in large population centers. In the past ten years, the community foundation field have rethought the long held

view that a population density of 250,000 people is necessary to support a thriving community foundation.

Many very successful community foundations in Michigan, for example, have been established in much smaller population areas.

There has also been a movement for community foundations which simply lack the necessary donor or general population density to affiliate with larger, neighboring community foundations. Many attractive, mutually beneficial arrangements of this sort have been structured in recent years.

Figure 18 - Mean Population Size (Millions)



Primary Mission Decision

Community foundations overwhelmingly report a commitment to all three mission positions without regard to their age or asset size. These are asset management and donor service, grant making, and civic leadership.

Technical System

The technical system has indicators under four major categories. These categories and indicators are:

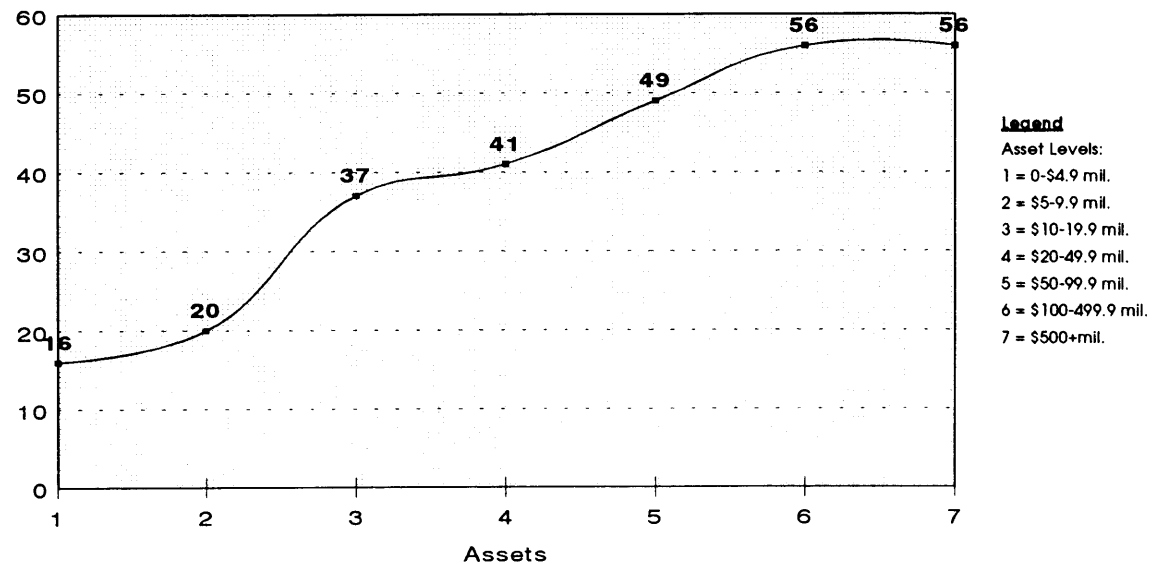
- 1) Assets and Donor Service
 - Total Assets
 - Number of New Gifts
- 2) Grant making
 - Number of Grants Per Year
 - Dollar Value of Grants Paid
 - Number of Grant making Categories
 - Frequency of Grant making
- 3) Leadership
 - Existence of Special Project Funds
 - Number of Special Project Staff

4) Funds under Management Types of Funds Managed Number of Funds

Assets and Donor Service

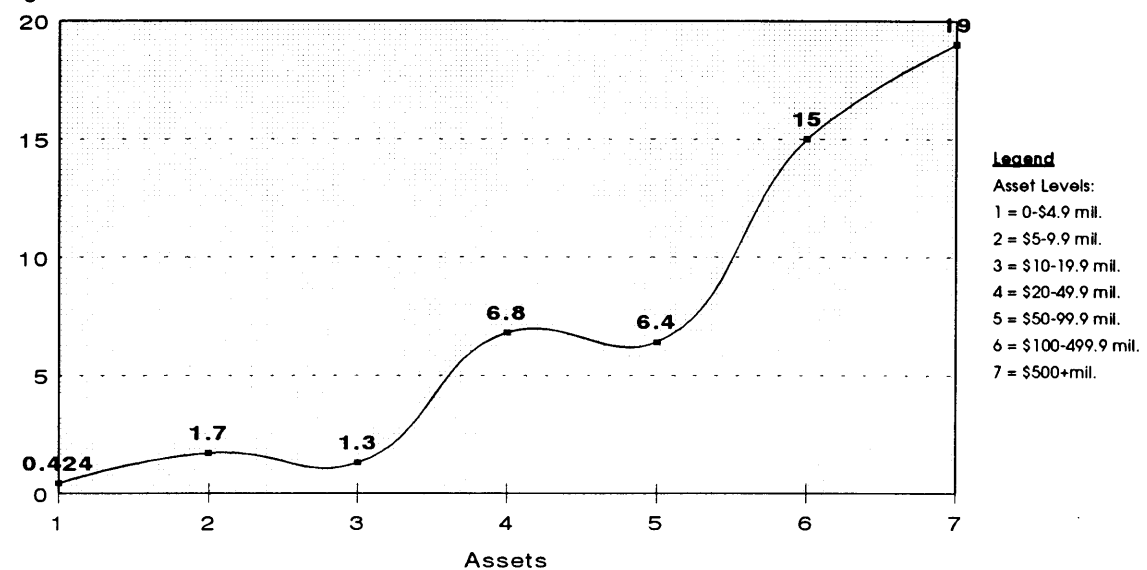
The relationship of a community foundation's age to asset size suggests older foundations accumulate larger assets as a function of time and community size, Figure 19.

Figure 19 - Age



Donor gifts jump dramatically as a community foundation reaches the \$10 million asset mark and again at near the \$50 million mark. These stages need further investigation with particular reference to the specific changes which occur at these points, Figure 20. As mentioned before, the community foundations with larger assets receive larger gifts and grow faster.

Figure 20 - Mean Dollar Value of Gifts Received (Millions)



Grant Making

The associated tasks of grant making increase with asset size both in the number of grants, Figure 21, and the dollar value of these grants, Figure 22.

Figure 21 - Mean Number of Grants Made Annually

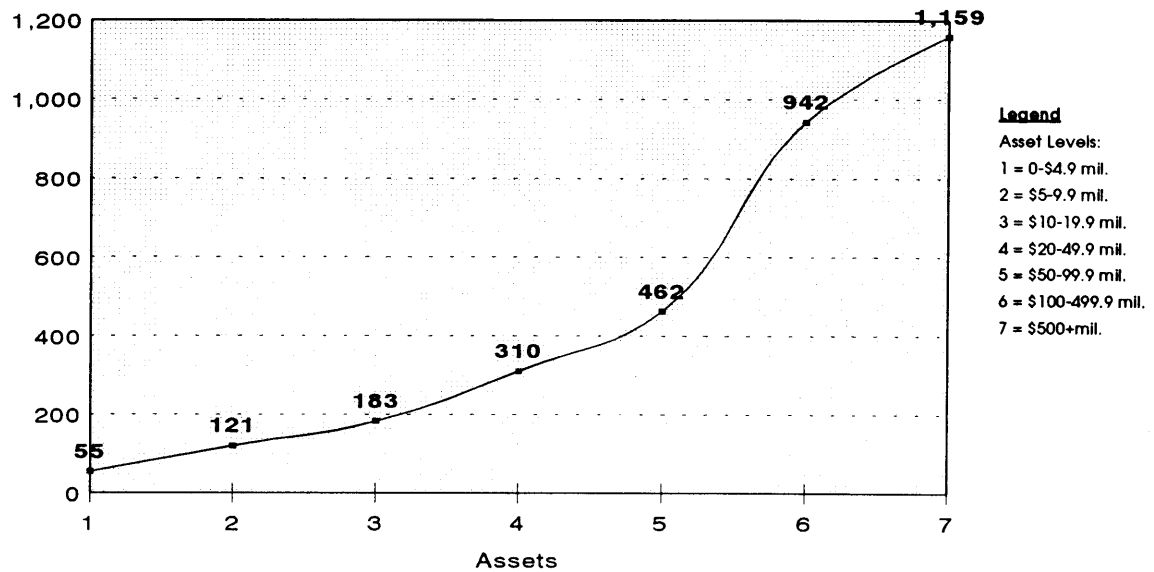
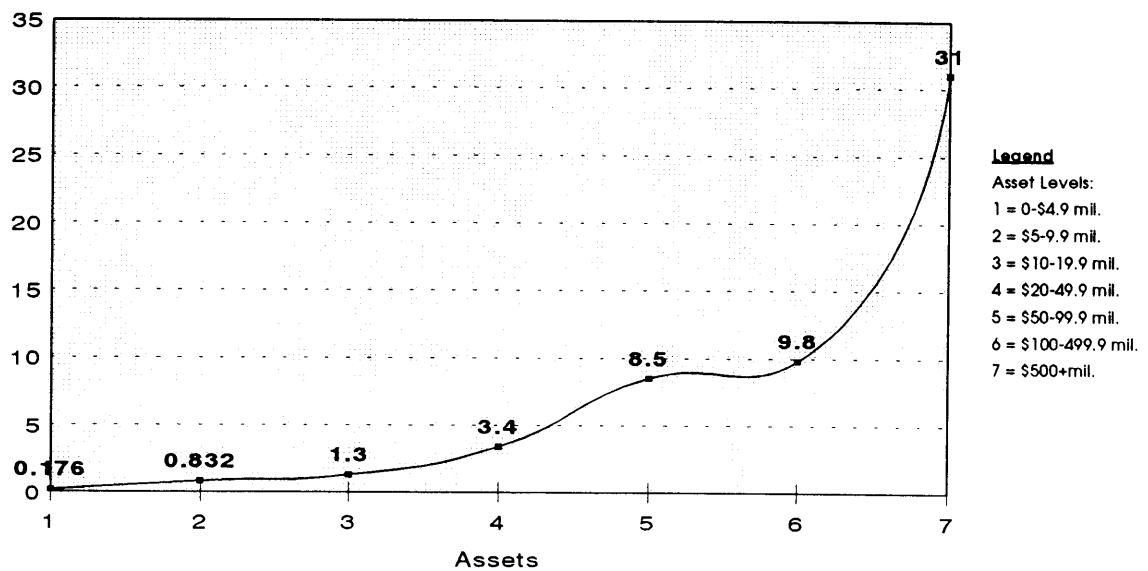


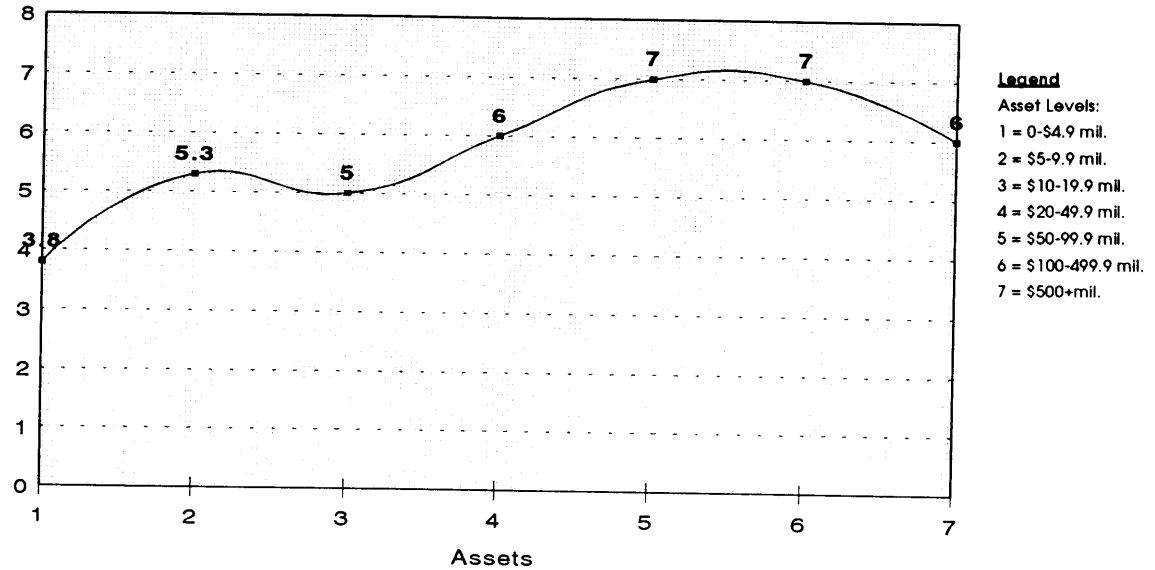
Figure 22 - Mean Dollar Value of Grants Annually (Millions)



Interestingly, the number of grant making categories remains relatively stable across asset sizes, Figure 23. This may reflect a "core vision" for all community foundations regarding the types of projects they support in their geographic areas.

As mentioned when looking at the social indicators (Figure 10), the frequency of grant making meetings is relatively stable across all asset categories.

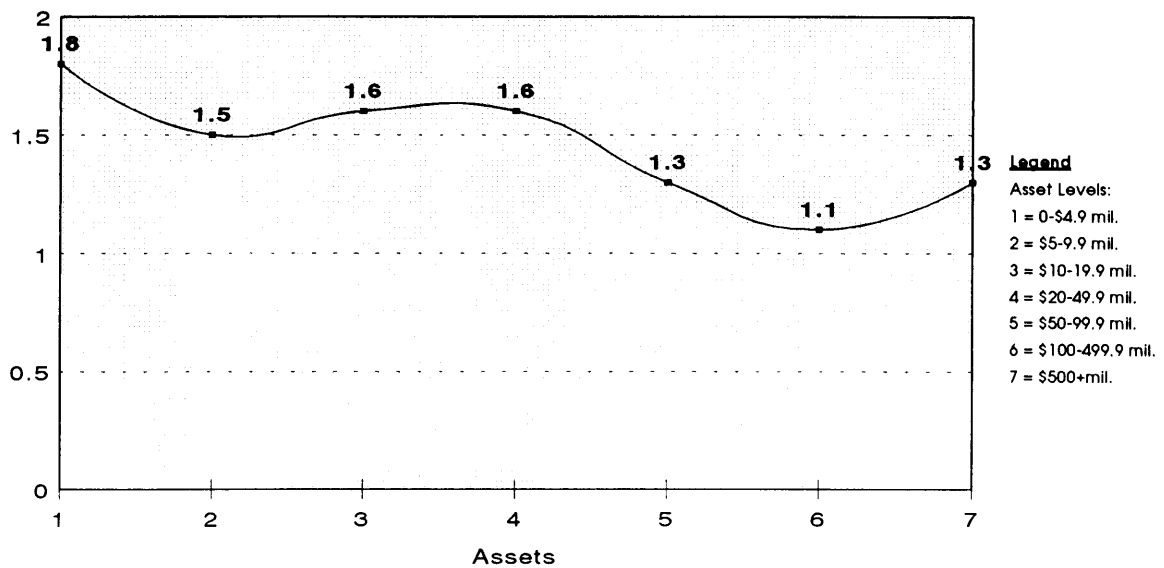
Figure 23 - Number of Grantmaking Categories



Leadership

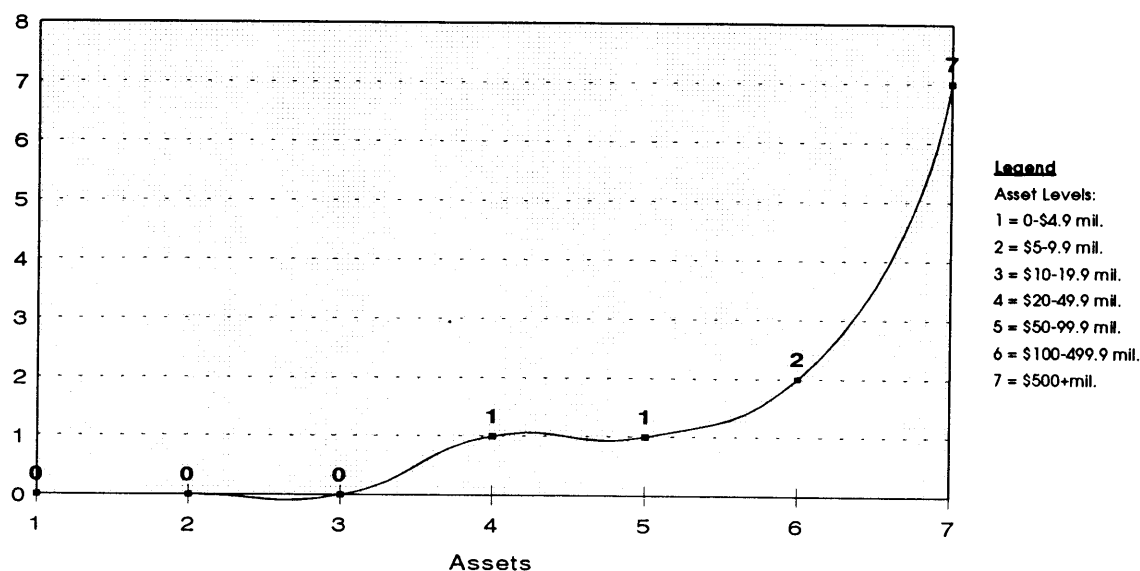
The number of special project funds held by a community foundation was inconclusive. Figure 24 illustrates this data.

Figure 24 - Mean Number of Special Project Funds



However, the development of special project staff and related activities increases at the highest community foundation asset level (Figure 25).

Figure 25 - Mean Number of Special Project Staff



Fund Management

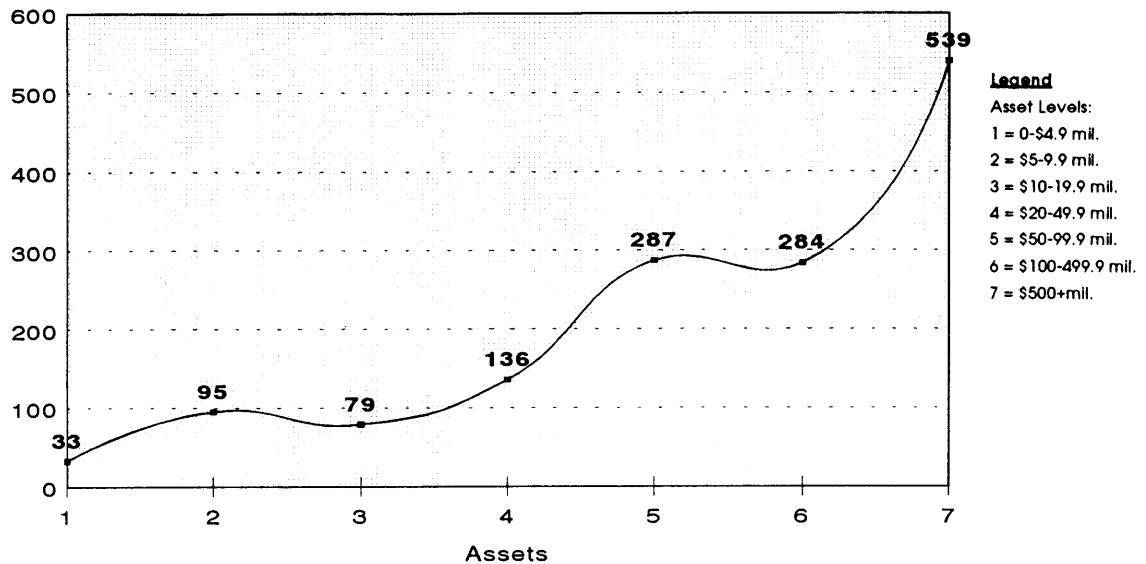
Types of funds managed do not vary greatly based on asset size. Figure 26 reveals the frequency with which a community foundation holds various types of funds.

Figure 26 - Type of Fund

Asset Size	Unrestricted		Field-of-Interest		Donor Advised		Designated		Pooled Income		Agency Endowment		Private Foundation Management		Donor Depository		Scholarship		PRI		Admin.		Emergency Fund	
	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no	yes	no
0-4.9 mil.	18	0	14	4	16	2	16	2	1	17	6	12	0	18	0	18	10	8	1	17	9	9	1	17
5-9.9	15	0	13	2	15	0	15	0	1	14	10	5	1	14	0	15	7	8	1	14	5	10	1	14
10-19.9	13	0	10	3	12	1	12	1	1	12	4	9	0	13	0	13	6	7	1	12	1	12	0	13
20-49.9	13	1	14	1	14	1	14	1	4	11	6	9	1	14	3	12	9	6	4	11	3	12	1	14
50-99.9	12	0	9	3	11	1	10	2	7	5	7	5	2	10	2	10	6	6	5	7	4	8	2	10
100-499.9	12	2	11	1	12	0	12	2	8	4	10	2	4	8	1	11	7	5	5	7	6	6	4	7
500+	4	0	4	0	4	0	4	0	2	2	3	1	0	4	0	4	3	1	3	1	2	2	0	3
Total	88	1	75	14	84	5	83	6	24	65	46	43	8	81	6	83	48	41	20	69	30	59	9	78

The number of different funds managed by community foundations grows in relationship to foundation asset level (Figure 27).

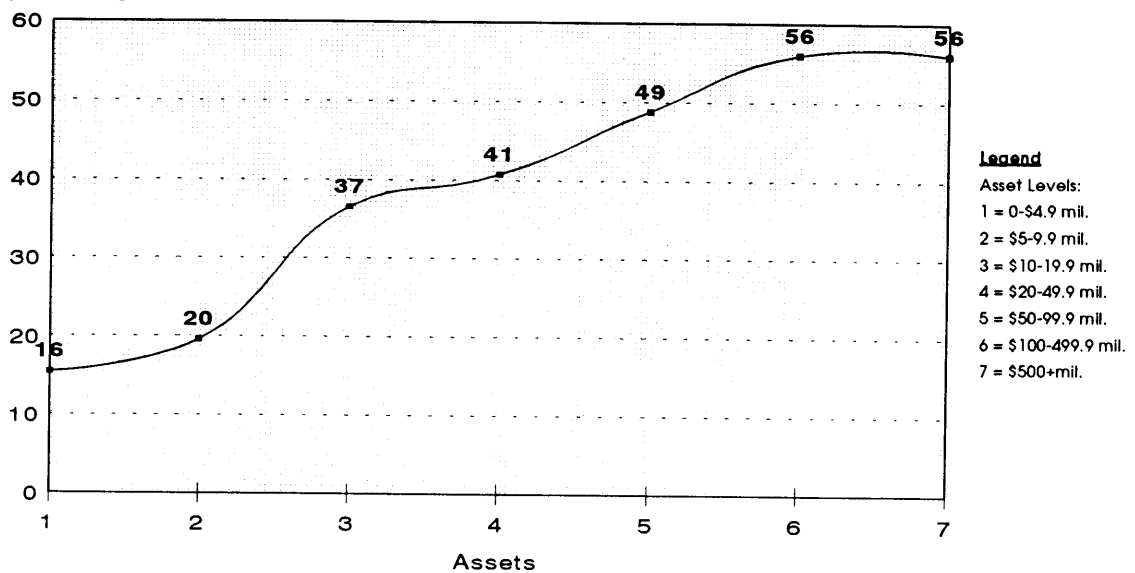
Figure 27 - Mean Number of Funds



Age

As we have noted earlier, the age of an organization is a major factor in its growth cycle. This pattern is evident in the community foundation field, i.e. older community foundations have more assets. Figure 28.

Figure 28 - Age by Assets



In looking at each system within the community foundation there is evident change tied to asset growth.

Of particular note is the dramatic difference between the early years of the community foundation with smaller assets and the older community foundation with major assets.

Self-Assessment Checklist

The following self-assessment checklist, Figure 29, furnishes a guideline for community foundations to use in projecting where they are relative to the characteristics of each subsystem. A description of each stage and the developmental challenges facing each stage are included under the Evolution and Revolution for each stage.

Figure 29 - Self Assessment Checklist

The following is a self assessment checklist. Place a check (✓) in the column next to the box best describing your current status. This provides a picture of your relationship to peer organizations.

SYSTEM	Infancy & Early Childhood (\$0-4.9 mil.)	Middle Childhood (\$5-9.9 mil.)	Late Childhood (\$10-19.9 mil.)	Early Adolescence (\$20-49.9 mil.)	Late Adolescence (\$50-99.9 mil.)	Early Maturity (\$100-499. mil.)	Full Maturity (\$500+ mil.)
Administrative System							
Volunteer or Paid Staff	Range 0-6 Average 2	Range 1-7 Average 3	Range 2-8 Average 4	Range 0-31 Average 7	Range 4-23 Average 11	Range 6-31 Average 19	Range 12-45 Average 36
Special Project Staff	Range 0 Average 0	Range 0-3 Average <1	Range 0-3 Average <1	Range 0-4 Average 1	Range 0-3 Average 1	Range 0-9 Average 2	Range 2-15 Average 7
Program Officer Specialists	Range 0 Average 0	Range 0-4 Average <1	Range 0 Average 0	Range 0-15 Average 1	Range 0-1 Average <1	Range 0-5 Average <1	Range 0-7 Average 3
Program Officer Generalists	Range 0-1 Average <1	Range 0-2 Average 1	Range 0-2 Average 1	Range 0-3 Average 1	Range 0-7 Average 2	Range 1-12 Average 4	Range 1-8 Average 5
Financial Support Staff	Range 0-2 Average <1	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-4 Average 1	Range 0-3 Average 2	Range 1-9 Average 4	Range 3-6 Average 5
General Office Support	Range 0-1 Average <1	Range 0-3 Average 1	Range 0-2 Average 1	Range 0-6 Average 2	Range 1-8 Average 3	Range 1-13 Average 6	Range 1-21 Average 9
Marketing/Donor Relations Specialists	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-2 Average <1	Range 0-2 Average <1	Range 0-2 Average 1	Range 1-5 Average 1	Range 1-7 Average 3
Communication Staff Specialists	Range 0 Average 0	Range 0 Average 0	Range 0 Average 0	Range 0 Average 0	Range 0-1 Average <1	Range 0-2 Average 1	Range 0-3 Average 2
Number of People in the Office of the President, CEO	Range 0-2 Average 1	Range 1-2 Average 1	Range 1-2 Average 1	Range 0-2 Average 1	Range 1-2 Average 2	Range 1-2 Average 1	Range 1-6 Average 4
Number of People Supervised by the President	Range 0-4 Average 1	Range 1-6 Average 3	Range 1-6 Average 3	Range 0-12 Average 4	Range 2-16 Average 7	Range 4-13 Average 6	Range 7-10 Average 9
Personnel Policies	No personnel policies or very simple agreement	Letter of agreement or individual contracts with staff	Brief and basic personnel policies	Brief and basic personnel policies	Formal written and somewhat detailed policies	Formal written and somewhat detailed policies	Formal staff hand-book
Levels of Hierarchy	Range 0-4 Average 2	Range 1-5 Average 2	Range 2-3 Average 2	Range 0-5 Average 2	Range 2-4 Average 3	Range 1-9 Average 4	Range 3-4 Average 4
Administrative Budget	Range \$1,374-216,0 Average \$84,000	Range \$60,000-294,000 Average \$167,580	Range \$79,000-675,000 Average \$250,000	Range \$124,000-2.9 mil. Average \$595,000	Range \$188,266-2.3 mil. Average \$715,000	Range \$310,000-3.2 mil. Average \$1 mil.	Range \$1 mil-4 mil. Average \$3 mil.

SYSTEM	Infancy & Early Childhood (\$0-4.9 mil.)	Middle Childhood (\$5-9.9 mil.)	Late Childhood (\$10-19.9 mil.)	Early Adolescence (\$20-49.9 mil.)	Late Adolescence (\$50-99.9 mil.)	Early Maturity (\$100-499.9 mil.)	Full Maturity (\$500+ mil.)
Social System							
Number of Board members	Range 7-40 Average 21	Range 7-37 Average 23	Range 7-24 Average 16	Range 5-36 Average 14	Range 6-23 Average 11	Range 7-30 Average 17	Range 11-13 Average 12
Number of Organizations	Range 0-2 Average 1	Range 1-3 Average 1	Range 0-2 Average 1	Range 1-7 Average 2	Range 1-5 Average 2	Range 1-17 Average 6	Range 2-6 Average 4
Number of Geographic Affiliates	Range 0-5 Average <1	Range 0-4 Average <1	Range 0-8 Average <1	Range 0-3 Average <1	Range 0-10 Average 2	Range 0-13 Average 2	Range 1-3 Average 2
Supporting Foundations 50%a3	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-3 Average <1	Range 0-6 Average 1	Range 1-10 Average 3	Range 1-7 Average 3
Number of Advisory Committees	Range 0-8 Average 1	Range 0-52 Average 6	Range 0-13 Average 2	Range 0-14 Average 3	Range 0-24 Average 5	Range 0-35 Average 8	Range 8-11 Average 3
Number of Advisory Committee Members	Range 0-85 Average 9	Range 0-236 Average 37	Range 0-94 Average 12	Range 0-170 Average 32	Range 0-178 Average 45	Range 0-202 Average 68	Range 0-53 Average 14
Legal Form	Corporate	Corporate	Corporate	Corporate Trust or Mixed	Corporate Trust or Mixed	Corporate or Mixed	Mixed
Number of Trustee Banks	Range 1-8 Average 3	Range 2-14 Average 5	Range 2-11 Average 5	Range 1-10 Average 5	Range 1-12 Average 6	Range 1-20 Average 5	Range 5-17 Average 9
Number of Board Meetings per Year	Range 2-12 Average 6	Range 2-12 Average 6	Range 4-12 Average 6	Range 4-11 Average 6	Range 4-12 Average 7	Range 4-11 Average 6	Range 4-7 Average 5
Number of Grantmaking Meetings per Year	Range 1-6 Average 3	Range 1-5 Average 3	Range 2-6 Average 4	Range 2-10 Average 5	Range 3-12 Average 6	Range 3-12 Average 6	Range 4-6 Average 5
Pages in Annual Report	Range 0-53 Average 19	Range 3-49 Average 30	Range 2-36 Average 24	Range 6-72 Average 32	Range 0-73 Average 41	Range 25-104 Average 56	Range 24-114 Average 61

SYSTEM		Infancy & Early Childhood (\$0-4.9 mil.)	Middle Childhood (\$5-9.9 mil.)	Late Childhood (\$10-19.9 mil.)	Early Adolescence (\$20-49.9 mil.)	Late Adolescence (\$50-99.9 mil.)	Early Maturity (\$100-499.9 mil.)	Full Maturity (\$500+ mil.)
Strategic System								
Mission, Leadership and Donor Service		Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service
Population of Service Area		Range 14,000-1.1 mil. Average 350,000	Range 150,000-7 mil. Average 1 mil.	Range 100,000-2 mil. Average 1 mil.	Range 200,000-3.7 mil. Average 1.1 mil.	Range 240,000-3.7 mil. Average 1.3 mil.	Range 350,000-8 mil. Average 2 mil.	Range 1.2-13.2 mil. Average 6 mil.
Technical System								
Total Assets		Range \$448,000-5 mil. Average \$2 mil.	Range \$5.2-8.5 mil. Average \$6.9 mil.	Range \$10-19.6 mil. Average \$14.3 mil.	Range \$22.6-45 mil. Average \$32.7 mil.	Range \$50-93 mil. Average \$69 mil.	Range \$101-248 mil. Average \$147 mil.	Range \$520-842 mil. Average \$621 mil.
Number of Grants Made		Range 0-184 Average 55	Range 24-302 Average 121	Range 13-985 Average 183	Range 32-1,517 Average 310	Range 103-1,177 Average 462	Range 58-2,600 Average 942	Range 450-2,749 Average 1,159
Dollars Paid each Year		Range \$0-730,000 Average \$176,863	Range \$326,000-1.1 mil. Average \$832,153	Range \$708-3.5 mil. Average \$1.3 mil.	Range \$596,000-21 mil. Average \$3.4 mil.	Range \$2.5-29 mil. Average \$8.5 mil.	Range \$3.8-17.5 mil. Average \$9.8 mil.	Range \$5-56 mil. Average \$30.6 mil.
Number of Grantmaking Categories		Range 0-8 Average 4	Range 0-7 Average 5	Range 0-8 Average 5	Range 0-11 Average 6	Range 4-9 Average 7	Range 5-9 Average 7	Range 5-6 Average 6
Frequency of Grantmaking each Year		Range 1-6 Average 3	Range 1-5 Average 3	Range 2-6 Average 4	Range 2-10 Average 5	Range 3-12 Average 6	Range 3-12 Average 6	Range 4-6 Average 5
Dollar Value of Gifts Received Annually		Range \$14,000-1.7 mil. Average \$400,000	Range \$245,000-4.5 mil. Average \$1.7 mil.	Range \$25,000-3.4 mil. Average \$1.3 mil.	Range \$621,000-30 mil. Average \$6.8 mil.	Range \$1.4-13 mil. Average \$6.4 mil.	Range \$421,000-28 mil. Average \$15 mil.	Range \$9-36 mil. Average \$19 mil.
Age in Years		Range 3-68 Average 16	Range 5-61 Average 20	Range 11-64 Average 37	Range 8-72 Average 41	Range 4-76 Average 49	Range 14-76 Average 56	Range 18-77 Average 56
Number of Funds Managed		Range 5-110 Average 33	Range 22-200 Average 95	Range 28-161 Average 79	Range 15-442 Average 136	Range 14-529 Average 287	Range 50-540 Average 284	Range 180-976 Average 539

	Infancy & Early Childhood (\$0-4.9 mil.)	Middle Childhood (\$5-9.9 mil.)	Late Childhood (\$10-19.9 mil.)	Early Adolescence (\$20-49.9 mil.)	Late Adolescence (\$50-99.9 mil.)	Early Maturity (\$100-499.9 mil.)	Full Maturity (\$500+mil.)
Stage of Evolution	Infancy This is the organic and highly creative stage of vision, energy and entrepreneurial spirit. The community foundation is composed of volunteers, is technically immature, and needs to begin adding organizational boundaries and differentiating tasks to be accomplished. Early Childhood This is the period of early organization noted by the initiation of a staff role, either paid or unpaid. The basic technical components of the foundation are in place and staff begins to add policies and procedures.	During this period more staff members are hired to fill specialized roles in program, finance and secretarial support. The foundation continues to add more work in the categories initially established by the foundation.	This organization has more than one paid professional for several of the major functions. The Board continues to shrink in size while the staff grows. Functions continue to grow through replication rather than major organization changes.	The organization continues to add more work of the same type - more grants, more funds, etc. The staff grows further, but slowly.	In this stage the staff specialization becomes more refined. Support staff become specialized with, for example, a secretary for each department. The number of trustees continues to decline while the size of the technical system continues to grow. A marketing or donor relations professional is often added.	This is the first stage of the fully mature, professional organization. Many different staff professionals provide leadership and each department employs several people. The trustee members have shrunk, the organization has more component parts and the tasks continue to grow.	This organization is very professional with program officer specialists and a high degree of diversification of staff. Boundary spanning roles (marketing and communication) are common with more than one professional in these roles. The trustees are at the smallest number. Special projects are operated by the foundation and special coordinating functions exist for financial support and management information.

	Infancy & Early Childhood (\$0-4.9 mil.)	Middle Childhood (\$5-9.9 mil.)	Late Childhood (\$10-19.9 mil.)	Early Adolescence (\$20-49.9 mil.)	Late Adolescence (\$50-99.9 mil.)	Early Maturity (\$100-499.9 mil.)	Full Maturity (\$500+ mil.)
Stage of Revolution	Infancy Volunteers will organize the board and committees, elect officers, become legally incorporated and begin raising assets. This activity will continue until the workload becomes too large for the volunteers to handle. The major tasks of the foundation are: self-education, resource development (human and financial), and building credibility. Early Childhood Movement from the casual staff person, half-time or volunteer, requires numerous changes which formalize the organization. These include securing office space, telephone and equipment; early personnel policies and concerns about insurance and staff benefits. A number of significant changes occur clustered around the decision to add the first paid professional staff person.	This period ends when the new staff member's work becomes large enough to require further staff to carry out their roles. The foundation is visible enough to take on its own special projects and staff are hired to accomplish these projects.	Specialized staff continues to request more autonomy. Change is incremental rather than abrupt.	Continued delegation of tasks to staff professionals. More organizational components begin to require further coordination of work.	This period ends as the program officers begin to take on some speciality areas and the departments have multiple staff. The task is to keep the deepened hierarchical structure organized.	The task at this age is to manage staff growth and to appropriately add personnel and coordinate work.	Unknown at this time

Summary of the Model

Characteristics of community foundations at various ages and asset size can be identified. They follow a fairly predictable series of stages. Major differences can be seen in three categories: 1) the under \$5 million asset group, 2) the \$5 million - \$500 million group, and 3) over \$500 million group. Within these major divisions minor changes occur as growth forces change. These changes are more evolutionary.

A quick series of checks on major attributes can provide a community foundation and consultants with some sense of the current status of the foundation; an idea of what might be ahead; and areas where there might be major discontinuities.

IV. CONCLUSIONS AND RECOMMENDATIONS

A community foundation's characteristics change as it grows older and acquires more charitable assets. These characteristics develop in a fairly predictable way. Community foundations experience growth in cycles of stability and instability similar to, but less abrupt than, other organizations.

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CHANGES SEEM TO FOLLOW A PATTERN

Administrative System Changes

The administrative system most vividly changes as the foundation ages and grows larger in asset size.

This pattern resembles the pattern described for other organizations. Starting with a small group of volunteers who believe in the foundation idea, the group organizes into an initial legal structure. Staffing develops predictably with initial growth in number of staff and then with increasing specialization of staff. The administrative budget increases and the organization becomes more hierarchical in structure and reporting relationships.

Community foundations are unique in that they normally have a small number of staff. Even at nearly \$1 billion in assets, in an environment as complex as the New York City metropolitan area, the New York Community Trust employs fewer than 50 staff members. This fact raises considerable speculation regarding how community foundations accomplish their missions and how they operate internally.

As grant makers, smaller numbers of staff may accomplish major societal change through brokering and subcontracting tasks to grantees. Grants may also produce fundamental paradigm shifts in society which facilitate change without requiring large numbers of foundation staff.

While the asset level clearly relates to the growth of every other indicator (except Board of Trustee size, which declines), community foundations of over \$500 million in assets do not appear to be as administratively

complex as a private foundation, a for-profit business or government agency of similar budget size.

COMMUNITY FOUNDATIONS REPRESENT A VERY MODERN ORGANIZATIONAL STRUCTURE

Community foundations represent a very modern organizational structure typified by a small professional staff, a flattened hierarchy, the subcontracting of functions to other organizations, a clear sense of mission, and a collegial environment of specialists.

The limited number of staff provides an environment where small group dynamics prevail. As the organization grows the Board of Trustee group becomes even smaller.

To the extent these large metropolitan community foundations seek to be representative of their communities and have a decreasing number of Board members, the task of representing minority populations becomes even more difficult to achieve.

While the staffing pattern of growth follows other organizational experiences, the impact may not be as great for community foundations in contrast to organizations with greater numbers of staff, a national or international geographic scope, or a wider diversity of functions.

The personnel and administrative related tasks and experiences of the chief executive officer in different size community foundations may depend upon the age and asset size of the foundation.

Social System Changes

The social system changes over time and as the community foundation increases its assets. But the pattern of social system growth does not follow as clearly the pattern suggested by that in other organizations. This may be a function of the small number of staff involved even when the assets of a community foundation are quite large.

THE TRUST FORM OFTEN DID NOT REQUIRE ACTIVE ASSET DEVELOPMENT FROM LIVING DONORS

As community foundations become older and larger, they decrease the size of their Board of Trustees. This may relate to the age of the organization, since the old trust form of community foundation structure did not require active asset development from living donors and did not require as much internal management. Board members are an obvious source of major

charitable contributions. So smaller (and newer) community foundations see larger Boards as a primary source of direct and indirect contributions.

Decreasing size may also be the result of the Board assuming a more policy-oriented role as the organization becomes increasingly professionalized.

If it is true that *volunteer* leadership relates differently to a community than *paid* professional staff, then an all volunteer organization will differ from the highly professionalized one regardless of size. In some respects, the relationships will be more personal and informal and less structured. The important point is that there is a logical "time" for each form of leadership.

The structural elements of the social system (number of organizations, geographic affiliates, supporting organizations, and the role of trustee banks) roughly increase in complexity over age and time.

The clear growth in the number of pages of the annual report, indicates that more complexity is involved in larger and older organizations. These reports typically profile more donors and new charitable funds, describe civic leadership projects and activities of the larger foundation, and require more space for detailed covering of financial statements and investments.

Strategic System Changes

This study included two indicators which measured the strategic system: population size served by the community foundation (as a rough measure of environmental complexity for the organization) and mission orientation.

Population directly correlates to age and size. Large, older community foundations exist mainly in metropolitan areas; medium-sized, "middle-aged" foundations grow in medium-sized communities, and small community foundations usually can be found in smaller communities.

The theory from other organizations is that an open system adapts itself to its external environment. This model relating organization size to the community provides a baseline for future study.

As populations migrate west and south, as younger community foundations build assets over time, the relationship of asset size to community size may weaken.

Answers to the question of mission orientation of the community foundation remain illusive. The majority of community foundations declare a commitment to three primary mission components: grant making, civic leadership, and service to donors.

If this is true, it means that every community foundation - not withstanding its assets, age, environment, or staff resources - commits to the same specific, identifiable role in the community. This requires further analysis in light of the common belief that the primary mission components **given emphasis** affects the rate of a community foundation's growth. Philosophical commitment to all three mission components may not actually get translated into action.

ONLY AT THE VERY HIGHEST ASSET LEVELS

DO NEW FUNCTIONS APPEAR

Sincere commitment to all three mission components, notwithstanding asset size, suggests common agreement in the field regarding the nature of community foundations. In the technical system, grant making categories of all community foundations appear roughly equivalent. Leadership for special projects and the types of managed funds are related. This reinforces the conclusion that core functions flowing from the mission differ in scale but not in diversity.

Only at the very highest asset levels do new functions appear, such as structuring of pooled income funds and pioneering comparatively high-risk and high effort program related investments.

This common core suggests another area of agreement within the field. Not only do the community foundations aspire to achieve the same goals, they also structure themselves in similar ways to accomplish these goals.

Technical System Changes

The technical system covers four areas:

- 1) grant making
- 2) civic leadership
- 3) fund management
- 4) donor services

Research on different corporate and nonprofit organizations shows that mission, strategies and structures are custom-designed to the environment.

As locally focused organizations serving widely divergent communities, one would expect greater disparity in mission, technical functions, and structure among community foundations. Yet, there is consistency in the missions of donor services, leadership and grant making among the community foundations in this survey.

The number of grant making and Board meetings does not change based on the local community. The types of funds managed are consistent across communities.

"Customized" functions may be more closely related to the choice of grant making categories, methods of fund-raising, and areas of community leadership rather than the existence of these three primary mission functions.

Grant Making

The number of grants and the dollar value of grants have a predictable and significant relationship to age, asset size, and population characteristics of the community foundations included in this study.

A CORE OF WORK IN GRANT MAKING REMAINS UNAFFECTED BY ASSET SIZE

However, the number of grant making categories (i.e. arts, neighborhood revitalization, health care, education, etc.) and the frequency of grant making remains unaffected by asset size. Such commonalty could serve as the important framework, or context, for efforts to develop technical assistance, definitions, and early standardization within the community foundation field.

Civic Leadership

In terms of civic leadership, the community foundations uniformly try to manage specially funded projects (projects which have been underwritten by specific donors who are interested in specific civic problems or needs). The larger the foundation, the more likely special staff manages the projects; rather than such management being added to the routine responsibilities of regular foundation staff.

This also suggests the community foundation retains management of the project as opposed to making a grant for another organization to carry out a project.

Smaller community foundation staffs carry greater demands on their time for special projects than those managing larger foundations.

Professionals in the community foundation field frequently debate the "chicken versus egg" relationship between special projects and asset development.

Some believe that managing special projects brings visibility, stature and credibility for small foundations, which often lack significant financial resources for routine grant making. Managing special projects becomes a way to increase their visibility and credibility.

Others believe that managing special projects can divert a small community foundation from the perceived more central need to raise charitable capital.

The Ford Foundation's leadership project for emerging community foundations has provided some very interesting findings about the relationship of asset growth to special project management. Results of the evaluation of this initiative are available in a series of monographs published by the Ford Foundation and Rainbow Research.

Fund Management

Most community foundations offer the same "menu" of funds (i.e. field of interest, donor advised, unrestricted, scholarships) to donors with the exception of pooled income funds, which seem to be more common with the

larger community foundations.

Organizational theory suggests that the diversity of types of funds managed increases with age and size, and as a function of complexity.

Yet — once again — a core set of funds exists in almost every foundation. *The complexity appears in the number and size of the various funds, not their existence.* The commonality suggests another natural place to begin definition, technical assistance and standardization within the community foundation field.

Donor Services

Donor service includes both the number of different types of charitable funds available to a donor through a community foundation (a number which remains basically stable irrespective of age and size) and *the dollar value of new gifts.*

THE BIG GET BIGGER AND THEY GET BIGGER FASTER

The data indicate that the larger and older the community foundation, the greater the value of the gifts it receives each year. The big get bigger, and they get bigger faster.

Such rapid growth may be because older and larger foundations serve areas with larger populations, or possibly, the community foundation has had more time to make an impact with larger grants.

Other possible answers exist: perhaps bequest gifts of larger size are received; or that professional communication and development staff have attracted more gifts; or as the executive director has delegated certain responsibilities to other staff, more time has been spent with donors.

A GAP BETWEEN THE LARGE AND SMALL COMMUNITY FOUNDATIONS CONTINUES TO WIDEN

The data also suggest that a gap between the large and small community foundations continues to widen. To the extent larger foundations perceive differences in "style and operation" of their smaller brethren in a negative light, and to the extent executives of these larger organizations serve as the leaders of the field, such operational differences may drive wedges into an historically cooperative field.

Age and Asset Size

As noted previously, asset size consistently appears a *stronger* indicator of different characteristics than the age of a community foundation. Community foundations of different ages exhibit different characteristics. Community foundations of different sizes also demonstrate different characteristics. But more change is found in relationship to asset size than age.

If the growth rate continues within the field, community foundations may experience growth phases in more rapid succession than their older counterparts since asset size correlates the most significantly with the growth indicators.

Periods of Evolution and Revolution

Our study suggests that community foundations experience periods of stability and periods of turbulence related mainly to changes in the staffing pattern.

The causal relationship remains unclear. Two major shifts occur. One early in the growth cycle (under \$5 million in assets) demands a significant change in operation for the original volunteer board.

The second cycle (over \$500 million in assets) sees the community foundation reach a plateau as a major professionalized organization with multiple legal entities and a variety of internal management positions.

A SURPRISE: COMMUNITY FOUNDATIONS REFLECT STEADY, EVOLUTIONARY GROWTH FROM \$5 MILLION TO REACHING THE \$500 MILLION ASSET LEVEL

We were surprised to identify a "steady" evolutionary growth of the community foundation over a long period of time and asset growth (\$5 million to \$500 million). This growth model reveals more "units of similar work" added within the foundations with only minor adjustments and no major traumatic organizational events.

These patterns of change provide a rough approximation of a model for community foundations.

Recommendations

In a field virtually devoid of scholarly research, this study and monograph bring together the general organizational theory on growth and the unique characteristics of community foundations.

The research results and the proposed model of growth should be taken as beginning points for further research and continued discussion. This especially holds true in light of the movement toward standardization and

certification of community foundations, their ever increasing need for technical assistance, and the uniqueness of these organizations in American society.

There is a need for:

- 1) Standard measurements of the core functions of community foundations based on common definitions, thus providing truly comparable data
- 2) Tested measuring tools which have been proven to measure community foundation phenomenon
- 3) Anthropological case study reports which capture the richness and variety of the foundations under study
- 4) Further exploration of the appropriate relationship of a community foundation to the community it serves (assets per capita, grant making per capita, grant making related to the number and dollar needs of area nonprofit organizations)

Peter Drucker writes about the future of organizations: "The question of the right size for a given task or a given organization will become a central challenge — in an information-based society, bigger becomes a 'function' and dependent, rather than an independent variable."

QUESTIONS FOR FURTHER STUDY

Further research questions arise about the community foundation field. For example in the administrative area, many would find it helpful to know:

1) The similarities and differences in the time allocation, tasks, background, and skills needed for chief executive officers in various size community foundations. Is there an entrepreneurial manager needed for emerging community foundations with skills different from the professional management of a mature organization?

There is speculation by some within the field that relations between Board of Trustees and professional managers change somewhere around the \$20 million in assets level. As noted earlier, the entrepreneurial manager is sometimes perceived as unable to become an institutional manager. This issue is of importance in preserving the limited and critical "human capital" of trained community foundation professionals. They need to learn how to grow and develop along with their organizations.

2) Economies of scale and diseconomies of scale as staffing costs decrease relative to total assets, and increase relative to the addition of internal management functions. Is there a point in asset size and complexity when *coordinating* functions within the foundations are prohibitively expensive in time and resources compared to actual operation of the foundation? Is there a "too big" or a "too small"?

Many community foundation professionals argue that larger organizations are "better" than smaller organizations as a result of economics of scale related to size. They see the growth of smaller, independent community foundations as a threat to the field in terms of efficiency, impact; and, in some cases, their own ability to grow and "annex" neighboring geographical areas. Yet corporate America is discovering "diseconomies" of size with "downsizing" and spinning off smaller corporate entities as new efficiency strategies.

In the social area, it would be helpful to know:

1) What are the stages of Board of Trustees growth? Is there a movement away from staff roles into policy roles as the foundation grows? What lessons need to be learned about such transitions?

2) Do Boards of Trustees of foundations with varying ages/sizes/and communities feel different degrees of ownership and passion about the foundation; do they see the role of the foundation differently?

3) Are community foundations' "general contractors" of the work of the nonprofit community and thus enormously more complicated through their grant making function than they appear structurally?

4) Are older and smaller community foundations (those which do not grow) operated more like community foundations of the same age or the same asset size?

5) Why do community foundations fail to grow? What are the characteristics of failure?

6) Does a rapidly growing community foundation (for example, an organization receiving a windfall bequest of \$50 million) experience growth stages differently than an organization accommodating steady, less radical growth?

A question about the technical service which flows from this study: Why do older and larger community foundations attract larger gifts each year?

A number of questions should be further pursued related to strategy:

1) Is there a strong relationship between community demographics or psychographics and asset development? Which demographic characteristics or psychographic elements have importance?

2) Do community foundations of different ages and size act on their strategic decisions in divergent ways?

As has been noted by various authors, the community foundation is both very old and very young as an organization. With a history spanning 75 years, very little is known about these organizations and with the accelerated growth in number and size, the field is evolving very quickly.

This study and monograph hope to add to the discussion about growth, technical assistance and possible standardization, and provide new information about characteristics of community foundations related to age and size

Through this understanding of differences can develop a celebration of the growth of these marvelous vehicles of localized philanthropy.

APPENDICES:

Foundations Studied

The following community foundations are represented in the cross sectional analysis at the heart of this study and monograph.

Assets Over \$500 Million

1. New York Community Trust
2. Cleveland Foundation
3. Chicago Community Trust
4. Marin Community Foundation

Assets Between \$100 Million and \$499 Million

1. Boston Foundation
2. Communities Foundation of Texas
3. San Francisco Foundation
4. Saint Paul Foundation
5. Columbus Foundation
6. Hartford Foundation for Public Giving
7. Pittsburgh Foundation
8. Minneapolis Foundation
9. Amarillo Area Foundation
10. Rhode Island Foundation

Assets Between \$50 Million and \$99 Million

(Omitting the Kalamazoo Foundation and The Fremont Area Foundation, both from Michigan)

1. California Community Foundation
2. New Haven Foundation
3. Hawaii Foundation
4. Metropolitan Atlanta Community Foundation
5. Milwaukee Foundation
6. Greater Cincinnati Foundation
7. Kansas City Community Foundation and Its Affiliated Trusts
8. Philadelphia Foundation
9. Indianapolis Foundation

10. Oklahoma City Community Foundation
11. Winston-Salem Foundation
12. Foundation for the Carolinas
13. New Hampshire Charitable Fund
14. Oregon Community Foundation

Assets Between \$20 Million and \$49 Million

1. San Diego Community Foundation
2. Peninsula Community Foundation
3. Seattle Foundation
4. Stark County Foundation
5. Dayton Foundation
6. Youngstown Foundation
7. Louisville Community Foundation
8. Greater Kanawha Valley Foundation
9. Buffalo Foundation
10. Santa Barbara Foundation
11. Norfolk Foundation
12. Greater Worcester Community Foundation
13. Baltimore Community Foundation
14. Denver Foundation

Assets Between \$10 Million and \$19 Million

1. Akron Community Foundation
2. Erie County Community Foundation
3. Dade Community Foundation
4. Lincoln Foundation
5. Utica Foundation
6. Central New York Community Foundation
7. Community Foundation of Greater Lorain County
8. East Bay Community Foundation
9. Humboldt Area Foundation
10. Greater Richmond Community Foundation
11. Mobile Community Foundation
12. Northern New York Community Foundation

Assets Between \$5 Million and \$9 Million

1. Community Foundation for Monterey County
2. Greater New Orleans Foundation
3. Bridgeport Area Foundation
4. Central Minnesota Community Foundation
5. Arkansas Community Foundation
6. Community Foundation of New Jersey

7. Tucson Community Foundation
8. Palm Beach County Community Foundation
9. Greater Jacksonville Community Foundation
10. Omaha Community Foundation
11. Delaware Community Foundation
12. Madison Community Foundation
13. Community Foundation of Abilene
14. Aurora Foundation
15. Rockford Community Trust
16. Sacramento Regional Foundation
17. Greater Santa Cruz County Community Foundation
18. La Crosse Community Foundation

Assets Between \$1 Million and \$5 Million

1. Albuquerque Community Foundation
2. Maine Community Foundation
3. Muncie-Delaware County Community Foundation
4. Heritage Fund for Bartholomew County
5. Central Carolina Community Foundation
6. Tri-State Community Foundation
7. Pequot Community Foundation
8. Fort Collins Area Community Foundation
9. Idaho Community Foundation
10. Westfield Foundation
11. Five Town Foundation
12. Parkersburg Community Foundation

Assets Under \$1 Million

1. Topeka Community Foundation
2. Permanent Endowment Fund for Martha's Vineyard
3. Mid-Nebraska Community Foundation
4. Santa Fe Community Foundation
5. Greater Lynchburg Community Trust

Range and Mean for Each Indicator by Community Foundation Asset Size

System Indicator (In million \$)	Type 1 Assets 0-5	Type 2 Assets 5-10	Type 3 Assets 10-20	Type 4 Assets 20-50	Type 5 Assets 50-100	Type 6 Assets 100-500	Type 7 Assets 500+
Number of Cases (N=89)	19	15	12	15	12	12	4
Administrative System							
Total Number of Staff							
Range	0-6	1-7	1.5-8	0-31	4-23	6-31	12-45
Mean	1.97	3.3	4.0	7.37	10.83	19.3	36
Standard Deviation	1.6	1.77	1.98	7.43	4.9	8.1	16
Number of Special Project Staff							
Range	0	0-3	0-3	0-4	0-3	0-9	2-15
Mean	0	.333	.36	.71	.83	2.0	6.5
Standard Deviation	0	.82	.92	1.14	1.1	2.7	6
Number of Program Officer Specialists							
Range	0-1	0-4	0	0-15	0-1	0-5	0-7
Mean	.053	.267	0	1.13	.17	.4	3.3
Standard Deviation	.23	1.03	0	3.85	.4	1.4	4
Number of Program Officer Generalists							
Range	0-1	0-2	0-2	0-2.5	0-7	1-12	1-8
Mean	.316	.667	.73	.90	2.08	3.9	4.5
Standard Deviation	.48	.72	.67	.89	1.9	3.1	4
Financial Support							
Range	0-2	0-1	0-1	0-4.5	0-3	1-9	3-6
Mean	.211	.33	.35	1.20	1.67	3.8	4.8
Standard Deviation	.54	.49	.48	1.46	.9	2.2	1
General Support Personnel							
Range	0-1	0-3	0-2	0-6	1-8	1-13	1-21
Mean	.379	.967	.96	1.93	3.17	6.3	9
Standard Deviation	.49	.81	.59	1.44	1.9	3.5	9
Marketing/Donor Relations							
Range	0-1	0-1	0-1	0-2	0-2	0-5	1-7
Mean	.105	.067	.15	.47	.75	1.1	2.8
Standard Deviation	.32	.26	.38	.74	.9	1.5	3
Communications Specialists							
Range	0	0	0	0	0-1	0-2	0-3
Mean	0	0	0	0	.33	.7	1.8
Standard Deviation	0	0	0	0	.5	.8	1
Office of President							
Range	0-2	1-2	1-2	0-2	1-2	1-2	1-6
Mean	.944	1.2	1.23	1	1.83	1.3	3.5
Standard Deviation	.42	.41	.44	.38	.4	.5	2
Span of Control							
Range	0-4	1-6	1-6	0-12	2-16	4-13	7-10
Mean	1.417	3.38	3.23	4.23	6.5	5.7	8.5
Standard Deviation	1.22	1.79	1.8	2.60	4	2.5	1

(In million \$)	Type A Assets 0-5	Type B Assets 5-10	Type C Assets 10-20	Type D Assets 20-50	Type E Assets 50-100	Type F Assets 100-500	Type G Assets 500+
Hierarchy							
Range	0-4	1-5	2-3	0-5	2-4	1-9	3-4
Mean	1.56	2.33	2.23	2.4	3	3.9	3.8
Standard Deviation	1.04	.90	.44	1.18	.4	1.9	0
Administrative Budget							
Range	1,374- 216,000	60,000- 294,543	79,000- 675,000	124,000- 2.9 mil	188,266- 2.3 mil	310,000- 3.2 mil	1 mil - 4.1 mil
Mean	84,000	167,580	250,413	595,230	715,125	1.3 mil	2.9 mil
Standard Deviation	68,693	65,982	174,079	734,886	593,774	885,885	1.3 mil
Personnel Policies							
1=No policy							
2=A letter of agreement or contract with staff							
3=Brief and basic policies							
4=Formal written and somewhat detailed policies							
5=Formal staff handbook							
Range	1-4	1-5	1-5	1-5	2-5	1-5	3-5
Mean	2.3	2.7	3.2	3.2	4.2	4	5
Standard Deviation	1.2	1.3	1.3	1.6	1	1	1
Social System							
Number of Board Members							
Range	7-40	7-37	7-24	5-36	6-23	7-30	11-13
Mean	21.263	22.5	16.46	14.33	11.08	16.8	12
Standard Deviation	8.58	7.95	4.96	9.45	4.8	9	1
Number of Board Meetings							
Range	2-12	2-12	4-12	4-11	4-12	4-11	4-7
Median	6.33	5.733	5.77	6.33	7	5.6	5.3
Standard Deviation	3.34	2.89	2.74	2.32	3.3	2.3	2
Number of Grantmaking Meetings							
Range	1-6	1-5	2-6	2-10	3-12	3-12	4-6
Mean	2.611	2.786	3.85	5	5.67	5.5	4.5
Standard Deviation	1.5	1.12	.90	2.36	3.3	3	2
Number of Organizations							
Range	0-2	1-3	0-2	1-7	1-5	1-17	2-6
Mean	1	1.2	.85	1.93	1.92	5.5	3.8
Standard Deviation	.58	.56	.55	1.87	1.2	4.3	2
Geographic Funds/Affiliates							
Range	0-5	0-4	0-8	0-3	0-10	0-13	1-3
Mean	.789	.267	.62	.27	1.83	1.6	2
Standard Deviation	1.62	1.03	2.22	.80	3.1	3.8	1
Supporting Foundations (509a3)							
Range	0-1	0-1	0-1	0-3	0-6	0-10	1-7
Mean	0.053	0.133	.17	.47	1	2.8	3.3
Standard Deviation	.23	.35	.39	.99	2.1	3.1	3
Number of Advisory Committees							
Range	0-8	0-52	0-13	0-14	0-24	0-35	0-11
Mean	1	5.8	1.77	3.27	5.42	7.7	3
Standard Deviation	2.52	13.7	4.02	4.35	9.1	10.9	5
Number of Advisory Members							
Range	0-85	0-236	0-94	0-170	0-178	0-202	0-53
Mean	8.789	36.67	12.08	32.13	44.83	67.9	13.5
Standard Deviation	22.29	67.31	28.59	49.62	65	76.7	26

(in million \$)	Type A Assets 0-5	Type B Assets 5-10	Type C Assets 10-20	Type D Assets 20-50	Type E Assets 50-100	Type F Assets 100-500	Type G Assets 500+
Number of Trustee Banks							
Range	1-8	2-14	2-11	1-10	1-12	1-20	5-17
Mean	3.313	4.643	4.77	4.86	6.18	5.1	9.3
Standard Deviation	1.74	3.05	2.89	2.63	2.9	5.2	5
Legal Form							
Mixed (Trust/Corp)	0	1	2	5	5	7	3
Trust	3	2	3	4	3	0	0
Corporate	13	12	8	6	4	5	1
Pages in Annual Report							
Range	0-53	3-49	2-36	6-72	0-73	25-104	24-114
Mean	18.95	29.867	23.92	32.07	40.92	55.7	61.3
Standard Deviation	13.93	12.26	11.05	18.21	19.7	24.6	38
Population							
Range	14,000- 1.1 mil	150,000- 7 mil	100,000- 2 mil	200,000- 3.7 mil	240,000- 3.7 mil	350,000- 8 mil	1.2 mil 13.2 mil
Mean	343,528	1.1 mil	639,615	1.1 mil	1.3 mil	2 mil	6 mil
Standard Deviation	338,498	1.7 mil	640,639	953,395	1 mil	2.1 mil	5.3 mil
Strategic System							
Population							
Range	14,000- 1.1 mil	150,000- 7 mil	100,000- 2 mil	200,000- 3.7 mil	240,000- 3.7 mil	350,000- 8 mil	1.2 mil 13.2 mil
Mean	343,528	1.1 mil	639,615	1.1 mil	1.3 mil	2 mil	6 mil
Standard Deviation	338,498	1.7 mil	640,639	953,395	1 mil	2.1 mil	5.3 mil
Mission Orientation							
1. Leadership			1				
2. Grantmaking	2	3					
3. Donor Services			2		2	1	
4. Leadership/Donor Services		1		1	1		
5. Leadership & Grant	1	1	1		1		
6. Donor Services & Grant	7	1	2	4	1		
7. Lead, Donor Svs & Grant	8	9	7	10	7	11	4
Technical System							
Total Assets							
Range	448,000- 4.9 mil	5.2 - 8.5 mil	10- 19.6 mil	22.6- 45 mil	50- 93 mil	101- 248 mil	520- 842 mil
Mean	2.4 mil	6.9 mil	14.3 mil	32.7 mil	69 mil	147 mil	621 mil
Standard Deviation	1.4 mil	973,213	3.8 mil	7.5 mil	16 mil	46 mil	149 mil
Donor Services (New Gifts)							
Range	14,000- 1.7 mil	245,000- 4.5 mil	25,000- 3.4 mil	621,000- 30 mil	1.4 mil- 13 mil	421,000- 28 mil	9 mil- 36 mil
Mean	424,104	1.7 mil	1.3 mil	6.8 mil	6.4 mil	15 mil	18.6 mil
Standard Deviation	474,552	1.2 mil	934,000	8.6 mil	3.4 mil	8.6 mil	12.7 mil
Number of Grants							
Range	0-184	24-302	13-985	32-1,517	103-1177	58-2600	450-2749
Mean	54.737	121	183	310	462	942	1158.8
Standard Deviation	41.99	85.89	248	359	329	812	1075

(In million \$)		Type 1 Assets 0-5	Type 2 Assets 5-10	Type 3 Assets 10-20	Type 4 Assets 20-50	Type 5 Assets 50-100	Type 6 Assets 100-500	Type 7 Assets 500+
Dollars Paid								
Range		0- 730,000	326,000- 1.8 mil	708,000- 3.5 mil	596,000- 21 mil	2.5 - 29.0 mil	3.8 - 17.5 mil	5- 56 mil
Mean		176,863	832,153	1.3 mil	3.4 mil	8.5 mil	9.8 mil	30.6 mil
Standard Deviation		196,825	467,621	936,360	5.1 mil	8.5 mil	4.3 mil	20.8 mil
Number of Grantmaking Categories								
Range		0-8	0-7	0-8	0-11	4-9	5-9	5-6
Mean		3.842	5.33	4.69	6.29	6.58	6.6	5.5
Standard Deviation		2.57	1.88	1.89	2.55	1.4	1.4	1
Frequency of Grantmaking								
Range		1-6	1-5	2-6	2-10	3-12	3-12	4-6
Mean		2.6	2.8	3.9	5	5.67	5.5	4.5
Standard Deviation		1.5	1.12	.90	2.36	3.3	3	1
Number of Funds								
Range		5-110	22-200	28-161	15-442	14-529	50-540	180-976
Mean		32.765	94.87	79.25	136	286.75	284	539
Standard Deviation		27.08	50.92	48.06	113	152.6	168	391
Age								
Range		3-68	5-61	11-64	8-72	4-76	14-76	18-77
Mean		15.5	19.571	36.54	40.73	48.75	56.3	56
Standard Deviation		14.14	17.18	18.72	23.05	26.3	20.9	

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