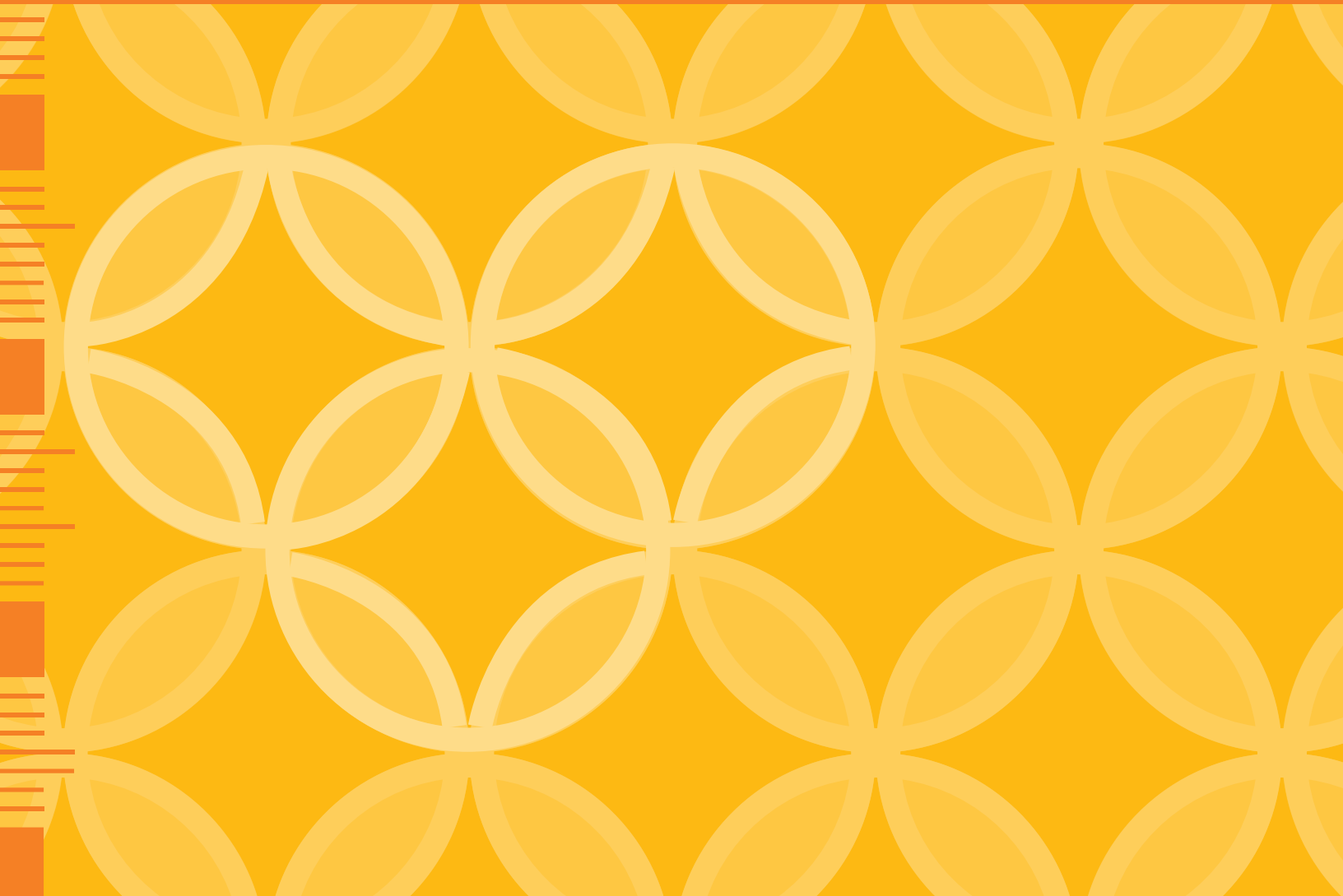




THE CENTER FOR  
EFFECTIVE PHILANTHROPY

RHETORIC VERSUS REALITY:  
A STRATEGIC DISCONNECT  
AT COMMUNITY FOUNDATIONS





**Authors:**  
Ellie Buteau, Ph.D.  
and Andrea Brock

**Foundation  
case studies:**  
Timothy Chu

**Project Team:**  
Andrea Brock,  
Ellie Buteau, Ph.D.,  
Timothy Chu and  
Shahryar Minhas

**For more  
information contact**

**Ellie Buteau, Ph.D**  
**Vice President—Research**  
**617-492-0800 ext. 213**  
**ellieb@effectivephilanthropy.org**

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Better Decisions.  
Better Philanthropy.

## About the Center for Effective Philanthropy

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To provide data and create insight so philanthropic funders can better define, assess and improve their effectiveness—and, as a result, their intended impact.

### Vision

We seek a world in which pressing social needs are more effectively addressed. We believe improved performance of philanthropic funders can have a profoundly positive impact on nonprofit organizations and the people and communities they serve.

CEP seeks to contribute to the achievement of this vision through the data—primarily comparative data—we develop and draw on in our research, our assessment tools and programming and communications. This data help funders understand how they can improve their performance and provide insight on key elements of foundation effectiveness. We recognize that many other institutions and organizations dedicated to improved funder effectiveness must also play a role for the vision we seek to become a reality—and we seek partnerships with these organizations when they will help us to better achieve our shared goals.

Although our work is about measuring results, providing useful data and improving performance, our ultimate goal is improving lives. We believe this can only be achieved through a powerful combination of dispassionate analysis and passionate commitment to creating a better society.

For more information on CEP, please visit [www.effectivephilanthropy.org](http://www.effectivephilanthropy.org).

### Acknowledgments

The Center for Effective Philanthropy is grateful to the foundation CEOs who agreed to be interviewed for this study. For reasons of confidentiality, their names are not listed here. Special thanks to the CEOs who allowed us to profile them and their foundations as exemplars: Spicer Bell of the Community Foundation of the Eastern Shore, Antonia Hernández of California Community Foundation and Shelley Hoss of Orange County Community Foundation. Thank you also to Michael Remaley for his assistance with these profiles.

We are especially grateful to the members of our Community Foundation Strategy Study Advisory Committee, who provided guidance and feedback throughout our research on this topic. Members include Rebecca Arno, Nancy Burd, Maryellen Burke, Robert E. Eckardt, Barbara Grantham, Kathy Merchant, Katie Merrow, Judith Millesen, Kate Nielsen, Alicia Philipp, Lorie Slutsky, Andrew Swinney and Alandra Washington.

This paper is based on CEP's independent data analyses, and CEP is solely responsible for its content.

CEP is a nonprofit organization focused on the development of comparative data to enable higher-performing foundations. For more information on CEP's research and to download or order copies of this and other CEP reports, please visit [www.effectivephilanthropy.org](http://www.effectivephilanthropy.org).

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# Executive Summary

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Leaders of community foundations agree on the importance of strategy, but evidence suggests that few actually use it in the work of their foundations. That finding is the outcome of new research drawing on interviews with 30 community foundation CEOs, whose organizations are representative of the population of larger American community foundations.

The definition of strategy used in the research was the following: *A framework for decision-making that is 1) focused on the external context in which the foundation works, and 2) includes a hypothesized causal connection between use of foundation resources and goal achievement.* The definition was developed by the Center for Effective Philanthropy (CEP) in the course of an earlier qualitative study of strategic decision-making at private foundations.

Key findings of this report are:

- » CEOs of community foundations value the concept of strategy, and they report that they are using strategy. However, few CEOs actually use strategy, as CEP defines it, in their donor or programmatic work.
- » Those CEOs who are strategic in their donor work are guided by a focus on how their work with donors will benefit the community. They pay attention to how donor contributions will be used by seeking to actively engage and understand their donors, and they concentrate resources on bringing new donors to the foundation as well as cultivating relationships with existing donors.

- » Those CEOs who are strategic in their programmatic work build their understanding of community need through research and data. They value input from community stakeholders in the development and execution of programmatic strategy, and make efforts to align donor giving with community needs.

The competition for donor resources may be a leading factor in the gap between the rhetoric and reality of strategy for community foundations, resulting in a focus on donors as an end in itself rather than a means to an end. As a consequence, instead of connecting them to the needs in the community, donor relations are shaped by the personal needs and interests of the donors.

Three profiles included in the report—California Community Foundation, Community Foundation of the Eastern Shore and Orange County Community Foundation—stand as examples of strategic community foundations. Each looks at the issue of strategy in the context of the circumstances of community foundations, poised among constituent groups, including donors, grantees and community stakeholders. Each profile addresses the relationship between resources and impact laid out in CEP’s definition of strategy.

In the case of the Orange County Community Foundation, programmatic work and work with donors are woven together to connect resources to needs in the community. In the words of Shelley Hoss, president of the foundation, “We see our role as helping create experiences with philanthropy that are so rewarding ... that we raise philanthropy up to the top tier of things people are motivated to do with their money. [We do this] by giving people knowledge and experience, and helping them ... see the impact of their giving.”



# Introduction

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**COMMUNITY FOUNDATIONS ARE AN IMPORTANT AND DISTINCT COMPONENT OF THE U.S. PHILANTHROPIC SECTOR.** No other country possesses the number of community foundations—more than 700—that exist in the United States. Collectively, these community foundations control \$49.5 billion in assets, raise approximately \$4.8 billion annually and make grants totaling an estimated \$4.2 billion.<sup>1</sup>

Over the past decade, community foundations have faced increasing competition for donor dollars. The number of giving options available to donors has grown in the form of charitable gift funds and online service vendors—many of which offer lower-cost options for donors. These entrants into the donor market have led to much speculation about how community foundations can remain a preferred option.

There are a variety of perspectives on what it might take for community foundations to thrive in the current context, but one common theme is the concept of strategy. A report published by the James Irvine Foundation argues that a community foundation that acts “strategically” and actively seeks accurate information about community needs will be better able to attract unrestricted funds. It will be seen as a strategic investment vehicle, the report argues, rather than a vehicle for simple transactions that commercial charities can process at a lower cost.<sup>2</sup> Likewise, work supported by the Charles Stewart Mott Foundation argues that strategic decisions made by community foundations can attract donors: “[G]ood grantmaking makes raising money much, much easier.”<sup>3</sup>

But what does it mean for a community foundation to be strategic in its decision making? This question is a particularly complex one in the context of the multiple roles that community foundations play in their communities.<sup>4</sup>

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<sup>1</sup> Foundation Center. “Key Facts on Community Foundations.” April 2011.

<sup>2</sup> The James Irvine Foundation. “Community Catalyst: How Community Foundations Are Acting as Agents for Local Change.” January 2003.

<sup>3</sup> Dorothy Reynolds. “The Balancing Act: The Role of a Community Foundation as a Grantmaker.” Charles Stewart Mott Foundation (August 2008): 2.

<sup>4</sup> Francie Ostrower. “Community Foundation Approaches to Effectiveness: Characteristics, Challenges, and Opportunities.” *Nonprofit Sector Research Fund: Working Papers* (2006): 1; Dorothy Reynolds. “The Balancing Act: The Role of a Community Foundation as a Community Leader.” Charles Stewart Mott Foundation (October 2008).

## The Distinct Challenges of Strategy at Community Foundations

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Community foundations face unique challenges when it comes to strategy.

**Donor work:** Unlike most private foundations, community foundations are not endowed by a single individual or family. They continually seek funding from donors, requiring their CEOs and staff to focus on development as well as grantmaking.

**Role expectation:** The role of community foundations is often seen as addressing the varied and evolving needs of their communities, while private foundations can choose (within the limits of their charter) to focus on a single or few issue areas. As a result, community foundations face external pressures and expectations that private foundations typically do not.

**Mix of funds:** Community foundations typically possess a mix of funds that are directed by donors and funds that staff members have the discretion to allocate. Community foundations vary greatly in the proportion of the funds available to direct at their discretion, and their mix of resources is sometimes cited as a reason why community foundations feel they are unable to pursue more strategic and targeted development

and grantmaking work.<sup>i</sup> One CEO interviewed for this report explained, “We have more than 700 funds here. We have to take account of donor intent with respect to all of those. The basic challenge is how we deploy those resources in a way that’s responsive to what we think, as an institution, are the most important challenges this community faces, consistent with the intent of the donors who created these funds in the first place.”

**Multiple functions:** Community foundations fulfill multiple functions—they work with donors to raise funds, they make grants, they sometimes serve as leadership institutions in their community. Not only must community foundations develop, implement, and assess strategy for each of these functions, but they must also consider the relationships among these various roles. When asked directly, the majority of CEOs we interviewed said their organizations are not siloed by their functions. However, the relationships among their foundations’ various roles and types of work rarely surfaced during their responses in our interviews.<sup>ii</sup> (For an exception see the profile of the Orange County Community Foundation.)

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<sup>i</sup> Lisa Ranghelli et al. “Measuring Community Foundations’ Impact.” Washington, DC: The Aspen Institute, 2006.

<sup>ii</sup> In 2006, Francie Ostrower, then at the Urban Institute, noted that many community foundations say being effective means meeting community needs as well as serving donor interests. But she suggested that they do not necessarily take the additional step of working to coordinate these needs and interests in order to address community needs. From Nonprofit Sector Research Fund Working Paper Series, *Community Foundation Approaches to Effectiveness: Characteristics, Challenges, and Opportunities*. (Washington, DC: The Aspen Institute), 2006: p. 29.

In 2007, the Center for Effective Philanthropy (CEP) published an in-depth qualitative study about strategic decision-making at private foundations.<sup>5</sup> Through interviews with CEOs and program officers at private foundations, CEP developed a definition of strategy:

*A framework for decision-making that is 1) focused on the external context in which the foundation works, and 2) includes a hypothesized causal connection between use of foundation resources and goal achievement.*

That research on private foundations concluded that, while nearly all foundation leaders embrace the concept of “strategy,” many fail to act in a way that is consistent with this definition. After CEP published that research, community foundation leaders asked us whether these findings could also be applied to their work, or whether strategy might look different for community foundations. Based on those conversations, CEP decided to undertake a study focused on decision-making at community foundations.

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<sup>5</sup> Kevin Bolduc, Ellie Buteau, Ph.D., Greg Laughlin, Ron Ragin, and Judith Ross. *Beyond the Rhetoric: Foundation Strategy*. Center for Effective Philanthropy (October 2007).



# Overview of Research Design

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**THE MAIN GOALS OF THIS RESEARCH WERE TO LEARN FROM COMMUNITY FOUNDATION CEOs WHAT THEY ARE TRYING TO ACHIEVE IN THEIR DONOR AND PROGRAMMATIC WORK AND TO UNDERSTAND WHAT GUIDES THEIR DECISIONS ABOUT HOW TO USE THEIR RESOURCES TO ACHIEVE THOSE GOALS.** Given our research objectives, and the lack of empirical research on these topics, a qualitative method was chosen for this project. For this research, we use the term “donor work” to refer to a foundation’s work with donors, including development and donor services work; we use the term “programmatic work” to refer to a range of work at community foundations including grantmaking and other issue-focused initiatives.

We invited CEOs of 60 randomly selected community foundations with \$50 million or more in assets to be interviewed.<sup>6</sup> The foundations at which these CEOs work are representative of the asset size, giving amount, age, and geographic distribution of the population of U.S. community foundations with \$50 million or more in assets.<sup>7</sup> Thirty-three CEOs agreed to be interviewed, and interviews were ultimately completed with 30.

- » The tenure of CEOs participating in this study ranges widely from less than one year to more than 20 years, with a median of six years.
- » Among the 30 foundations at which these CEOs work:
  - The median number of full-time staff equivalents is 15.5 and ranges from as few as five to more than 50.
  - The median asset size is \$101 million, and the median giving amount is \$9 million.<sup>8</sup>
  - The proportion of assets comprised of donor-advised funds ranges from less than 5 percent to more than 75 percent, with a median of 22 percent. The giving from donor-advised funds ranges from less than 15 percent to more than 95 percent, with a median of 50 percent.

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<sup>6</sup>This is according to 2007 990 PF data, which was the most up-to-date publicly available information at the time the sample was selected.

<sup>7</sup> Ibid.

<sup>8</sup> According to 2008 990 PF data.

## Limitations of This Research

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To hear directly from foundation CEOs about how and why they make the decisions they make, a qualitative method was chosen for this research. We asked CEOs open-ended questions, allowing us to learn about, rather than determine *a priori*, what was important to understand about strategy at community foundations.

However, this methodology does have limitations. First, the small sample size, which, while typical for in-depth qualitative research, means our findings are based solely on trends that emerged across 30 CEOs' responses, not on statistical testing. Second, the data we have are limited to what CEOs told us. We relied on their descriptions of their decision-making processes, and the foundations' approaches to developing, implementing and assessing strategy. For more information about the methods used, see Appendix A: Methodology.

Given these limitations, there are naturally questions we cannot finally resolve. Examples include the following:

How does strategy relate to impact? Are the more strategic CEOs helping their foundations create greater impact?

Interviews were conducted over the telephone and were approximately one hour in length. The interview covered a broad range of questions, including the following:

- » What are CEOs trying to achieve in their donor and programmatic work?
- » How do they determine how to use their resources to achieve those goals?
- » What do they consider to be their strategies?
- » Do they believe it is important to have strategy? Why or why not?

Responses to all questions were systematically analyzed to identify themes arising across the interviews. (Please refer to Appendix A: Methodology for more detailed information.)



# Key Findings

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- >> CEOs of community foundations value the concept of strategy, and they report that they are using strategy. However, few CEOs actually use strategy, as CEP defines it, in their donor or programmatic work.
  - >> Those CEOs who are strategic in their donor work are guided by a focus on how their work with donors will benefit the community. They pay attention to how donor contributions will be used by seeking to actively engage and understand their donors, and they concentrate resources on bringing new donors to the foundation as well as cultivating relationships with existing donors.
- >> Those CEOs who are strategic in their programmatic work build their understanding of community need through research and data. They value input from community stakeholders in the development and execution of programmatic strategy, and make efforts to align donor giving with community needs.

# Discussion of Key Findings

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**KEY FINDING:** CEOs of community foundations value the concept of strategy, and they report that they are using strategy. But few CEOs are actually using strategy, as CEP defines it, in their donor or programmatic work.

**IN OUR PREVIOUS RESEARCH,** we learned that private foundation CEOs and program staff place a high value on strategy, as do board members and grantees.<sup>9</sup> They see strategy as essential to creating impact. Community foundation CEOs are no different.

The overwhelming majority of community foundation CEOs believe that there are benefits to having strategy, including helping them to focus their work, facilitating an understanding of impact and helping define the foundation's role in the community.

The overwhelming majority of community foundation CEOs believe that there are benefits to having strategy, including helping them to focus their work, facilitating an understanding of impact and helping define the foundation's role in the community. As one CEO said, "There are so many different ways to deploy the resources of a community foundation that if you don't have a strategy it's going to be very difficult to measure impact and success in terms of what you're trying to achieve." Said another, "Because our resources are limited, our staff is limited and our budget is limited, it's critical to have a strategy to give you focus to make an impact."

Only about one-quarter of CEOs mentioned a drawback to having strategy, and almost all of those CEOs also saw advantages, as well. One drawback described in having a strategy is the possibility that it might limit the flexibility of the foundation. "I think that the more flexibility you have, the more you truly fulfill the needs of the community on an ongoing and changing basis," said one CEO.

Given the overwhelmingly positive sentiments about the utility of having strategy, it is not surprising that most community foundation CEOs report that they are using strategy. All but two of the CEOs interviewed said they have strategies in place for their donor and programmatic work. However, according to CEP's definition, few are actually using strategy.

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<sup>9</sup> See *Essentials of Foundation Strategy* (December 2009), *Beyond the Rhetoric: Foundation Strategy* (October 2007), *Beyond Compliance: The Trustee Viewpoint on Effective Foundation Governance* (November 2005) and *Listening to Grantees: What Nonprofits Value in Their Foundation Funders* (April 2004), published by the Center for Effective Philanthropy.

We asked CEOs to describe what they are working to achieve, and how they determine how to use their foundation’s resources to achieve the goals in their donor work. We asked the same questions regarding the achievement of the goals in their programmatic work. Responses to those questions were then analyzed for the presence or absence of each aspect of CEP’s definition of strategy:

*A framework for decision-making that is 1) focused on the external context in which the foundation works, and 2) includes a hypothesized causal connection between use of foundation resources and goal achievement.*

After analyzing CEO responses, we concluded that our definition is applicable to community foundations as well as private foundations. Our analyses of CEOs’ descriptions resulted in three categories of community foundation CEOs: strategic, partly strategic and not strategic. Each CEO received two categorizations—one according to the responses they provided about their donor work, and one according to the responses they provided about their programmatic work.

The CEOs categorized as not strategic far outnumbered the strategic ones in our sample. Only 27 percent are strategic in their donor work, and just 20 percent of CEOs are strategic in their programmatic work. (See figure 1.) An even smaller number, 10 percent, are strategic in both their donor and programmatic work.

Many of the decision-making processes described by CEOs met the first aspect of CEP’s definition of strategy: They were externally oriented. However, when it came to the second aspect of the definition—hypothesized causal connections—few descriptions of how these CEOs make decisions about using their resources to achieve their goals made the cut. The decision-making processes described were frequently not connected to any kind of theory or hypothesis about how those decisions would lead to the achievement of their goals. Tables 1 and 2 include examples, from CEOs interviewed for this research, of the presence and absence of external orientation and hypothesized connections within donor and programmatic work, respectively.

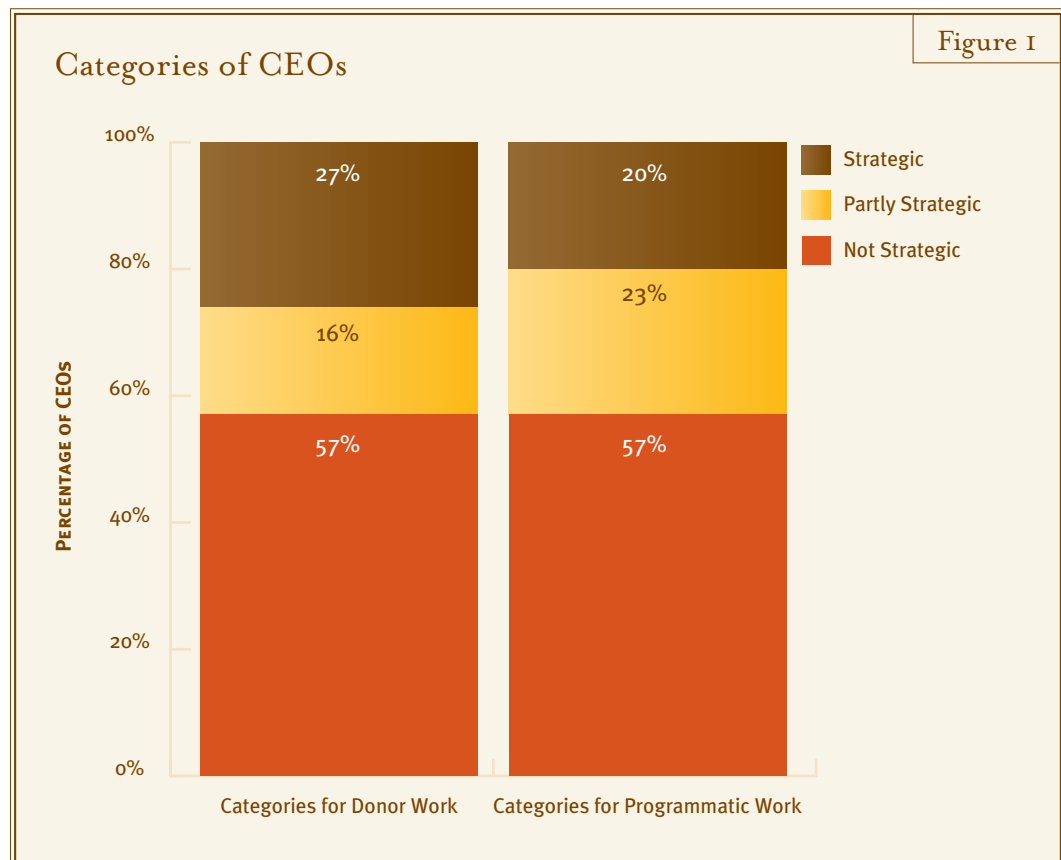


Table 1: Examples of Decision-Making Processes in Donor Work

GOAL	DECISION-MAKING PROCESS	FIT WITH DEFINITION OF STRATEGY
<p>“We spend a great deal of our time planting seeds. Rather than an annual fundraising program, we look much more into the future and perpetuity.”</p>	<p>“The growth in our endowments at this foundation, and I believe in many community foundations, is a function of what I refer to as dumb luck. That may sound really crazy. But, we don’t know when the information we’ve provided, when the contacts that we’ve made, or the educational process that we’ve carried out, brings funding into this foundation, particularly major funding.”</p>	<p>This example does not fit CEP’s definition.</p> <p><b>Does Not Have External Orientation:</b> There is no explanation of how the context or constituents outside the foundation contribute to how this foundation determines how to use its resources to achieve its goal of “planting seeds.”</p> <p><b>Does Not Have a Hypothesized Connection:</b> This response lacks a stated chain of reasoning connecting <i>how</i> the foundation decides how to use its resources to achieve the goal of “planting seeds.” Though there are always unknowns and lag times in fundraising, this response does not include links between specific efforts on the part of the foundation and the intended results of those efforts, beyond the consequences of “dumb luck.”</p>
<p>“One is certainly to encourage everyone in the community to be philanthropic and to provide vehicles that allow anyone that wants to be, to be philanthropic.”</p>	<p>“Basically it’s, ‘how are we going to identify and build relationships with new donors?’ And key to that strategy is working with financial professionals. A lot of our work with the financial professionals ends up being individual, but we’ve focused very heavily on the local bar association. We do a continuing education workshop with them every year. Also, we’ve got a marketing strategy that we do every year. We do newsletters and radio advertising, where we craft our own 30-second ads on stories about the community foundation.”</p>	<p>This example does not fit CEP’s definition.</p> <p><b>Has External Orientation:</b> The focus of using resources is to work through financial professionals (external parties), and to market the foundation to the general public.</p> <p><b>Does Not Have a Hypothesized Connection:</b> While this response highlights key externally oriented activities that the foundation conducts, it does not explain how the work with financial professionals and marketing will encourage philanthropy to the foundation or provide giving vehicles. One could imagine a variety of explanations for how the foundation’s efforts and actions <i>could</i> lead to the achievement of the goal, but the response itself includes none of those. Without specifying a link between how the foundation uses its resources and achieves its goal, the description does not meet our definition of strategy.</p>
<p>“We want to build charitable funds, and we want to build endowments.”</p>	<p>“We’re typically not leading with going to wealthy people and asking them to create donor-advised funds, or support organizations, or something like that. We go at it the other way. We create a call, a cause or a purpose, and then people get engaged in it ... What we find is if you engage people in their communities and you give them a reason to invest back in those communities, it happens. We believe that money follows ideas. And our approach was always ‘come up with really sound ideas that capture the imaginations of people and the money shows up.’”</p>	<p>This example fits CEP’s definition.</p> <p><b>Has External Orientation:</b> The focus of using resources is engaging with, and providing information to, constituents (i.e., donors) in the foundation’s external context.</p> <p><b>Has a Hypothesized Connection:</b> By using its resources to “create a call” the foundation will achieve the goal of “building funds” because it hypothesizes that people who are engaged in the community and motivated to give back and invest in the community will, ultimately, give to the foundation.</p>

Table 2: Examples of Decision-Making Processes in Programmatic Work

GOAL	DECISION-MAKING PROCESS	FIT WITH DEFINITION OF STRATEGY
<p>“We’re trying to achieve a responsiveness to the charitable needs of the community—to improve the community as a place to live.”</p>	<p>“We have a grants committee from our board of directors that does a review on the applications that come in and makes recommendations back to the full board, which then decides, is this really where we want to give money? Our staff generally goes through the applications when they come in, and because we know programs better than other people [we] provide background and, in fact, make preliminary recommendations. But all of the decision-making is made by the board itself, upon the recommendation of that specific committee.”</p>	<p>This example does not fit CEP’s definition.</p> <p><b>Does Not Have External Orientation:</b> The focus is on using internal resources (e.g., staff, grants committees, board of directors). Beyond grant applications, there is no mention of the context or constituents <i>outside of the foundation</i> and how those factor into decisions the foundation makes about how to use its resources to achieve its goal of meeting the needs of the community.</p> <p><b>Does Not Have a Hypothesized Connection:</b> There is no stated chain of reasoning connecting how this internal process will ultimately lead the foundation to achieve its goal of “improving the community as a place to live.”</p>
<p>“The primary focus of our grants right now is education, particularly increasing our graduation rate from high school.”</p>	<p>“We have hired someone to focus solely on improving the graduation rate, and we’ve convened a multidisciplinary group of citizens and other stakeholders to help find ways of combating our dropout rate that we have in this community.”</p>	<p>This example does not fit CEP’s definition.</p> <p><b>Has External Orientation:</b> The focus of using resources is to convene key stakeholders on the issue of high school dropout rates.</p> <p><b>Does Not Have a Hypothesized Connection:</b> While the response illustrates how the foundation tries to find ways of combating dropout rates (i.e., by learning from stakeholders), it does not include a hypothesized explanation of how a meeting of stakeholders ultimately leads to increasing high school graduation rates.</p>
<p>“We’re trying to build the capacity of the nonprofit community to help them become more efficient and more effective at what they do.”</p>	<p>“We maintain an ongoing, very active dialogue with the leaders in the nonprofit community. We have very regular, ongoing contacts with the leadership—in terms of board and some paid staff—within the nonprofit community. And we rely on them a lot to communicate to us their perceptions of the needs of the community, and what they’re doing to make an impact on those needs. We do periodic focus groups of nonprofits or representatives from nonprofit organizations. We do a regular mailed survey ... ask them to evaluate what we’re doing, and tell us what they do. And we use that to inform our decisions when we’re planning new [educational] programs [for nonprofits].”</p>	<p>This example fits CEP’s definition.</p> <p><b>Has External Orientation:</b> The focus of using resources is on collecting information from external constituents about the needs of the nonprofit community.</p> <p><b>Has a Hypothesized Connection:</b> The foundation uses its resources to collect information about its external context, which will help the foundation achieve its goal of “helping nonprofits become more efficient and more effective,” because the foundation uses that information to tailor its programs to the needs of the nonprofits in its community.</p>

**KEY FINDING:** Those CEOs who are strategic in their donor work are guided by a focus on how their work will benefit the community. They place attention on how donor contributions will be used by seeking to actively engage and understand their donors, and they concentrate resources on bringing new donors to the foundation as well as cultivating relationships with existing donors. (See figure 2.)

**OF THE 30 CEOs WHO PARTICIPATED IN THIS STUDY,** only 27 percent are strategic in their donor work. Just how strategic CEOs were determined to be in their donor work did not vary much by the asset size, giving or number of staff working at these foundations. But one difference did emerge across these categories: Those who are strategic in their donor work tend to work at foundations for which donor-advised funds comprise the majority of their giving. The median percentage of giving coming from donor-advised funds for those categorized as strategic is two-thirds, compared to less than one-third for the not-strategic CEOs.

The ultimate focus of decisions made by strategic CEOs in their donor work is what will be of benefit to the community—rather than how the foundation functions and survives.

### *Benefitting the Community is the Stated End Goal*

The ultimate focus of decisions made by strategic CEOs in their donor work is what will be of benefit to the community—rather than how the foundation functions and survives. This is evident in how goals are described. As one strategic CEO said, “We’re trying to change to more of a donor-engagement model, not based on who has the most assets in their fund, but who is most [engaged]. We’d like to have our donors investing in things that we think are important, without twisting their arms.”

CEOs who are partly or not at all strategic in their donor work describe goals that are more removed from community benefit, such as increasing foundation assets. One said, “We want to have a certain number of new funds each year. We want to have a certain number of donors.”

The focus strategic CEOs place on benefitting the community does not come at the expense of engaging donors. In fact, strategic CEOs emphasize the importance of building relationships with their donors to a greater extent than their less-strategic counterparts.

## Donor Engagement

Strategic CEOs engage differently with their donors, focusing attention on how funds are used. One less-strategic CEO explained, “We do want people to think that if they have some specific interest that, in fact, we can accommodate it.” Strategic CEOs, on the other hand, speak directly to how incoming funds will be used. As one put it, “I think, for us, the strategy is, ‘how can we be of service to people of wealth, so that we can connect those who have with those who need?’ That’s really our larger strategy.”

Strategic CEOs use one, or both, of the following methods to guide their work with donors:

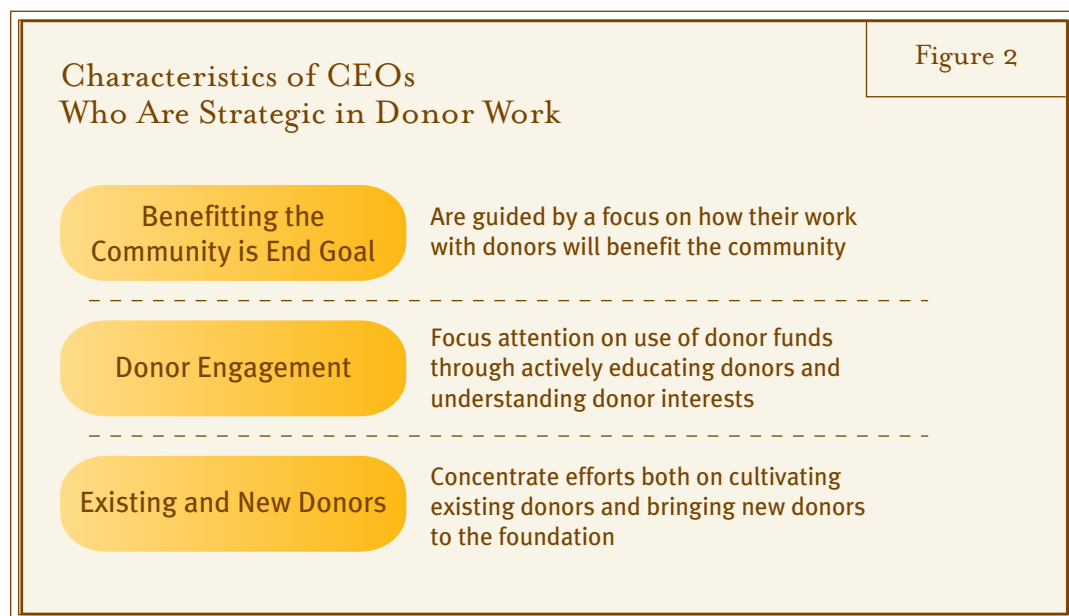
» They make efforts to get donors involved with issues that the foundation sees as important by educating donors about community needs. One strategic CEO explained, “We have a model of making sure donors are informed about what we see as important community needs and, when it is appropriate, making invitations for their participation. But we stop short of having anyone feel we’re knocking on the door, trying to steer them in a direction that’s not consistent with their goals.” Another said, “We want existing philanthropists to think more strategically—in terms of what are some of the really critical needs in this community. So we’re trying to pull existing philanthropists along with us. We are really trying to introduce them to new opportunities that we’re seeing that aren’t on the radar screen.”

» They work to understand clearly areas in which donors have expressed interest and then inform those donors of relevant new giving opportunities. “We have some donors who are very passionate about certain things in the community, certain organizations, and they are not as open-minded to other issues or organizations we’re seeing,” explained one CEO. “However, we work very hard from the very beginning to understand what a donor is trying to accomplish. And every day our donor relations director is taking donors on site visits, introducing them to things that we know about in the community. We see that as a growing strategy and one that is our unique value.”

## Existing Donors and New Donors

Strategic CEOs also tend to focus on bringing new donors to the foundation, in addition to cultivating existing donors. One said, “We have a philanthropic-initiatives class for young philanthropists, and we teach them grantmaking; they choose an interest area, and we match the dollars that they put in and make a grant in the community.” Another strategic CEO said, “We have our own TV show—it is broadcast on local cable television. We interview people in the nonprofit community about the work that they’re doing. In that way, we expose the community viewers to that work, and hopefully inspire people to support that work.”

(For an example of a foundation CEO categorized as strategic, see the profile of California Community Foundation at the end of this report.)





**KEY FINDING:** Those CEOs who are strategic in their programmatic work build their understanding of community need through research and data. They value input from community stakeholders in the development and execution of programmatic strategy and make efforts to align donor giving with community needs. (See figure 3.)

**OF THE 30 CEOs WHO PARTICIPATED IN THIS STUDY**, only 20 percent are categorized as being strategic in their programmatic work. Strategic CEOs do not differ much from other CEOs in terms of the asset size, giving, proportion of giving coming from donor-advised funds or number of staff working at their foundation. Furthermore, CEOs categorized as being strategic in their programmatic work receive a similar proportion of their foundation's giving from donor-advised funds as those who are not strategic, about 40 percent in each case.

Although almost all CEOs raised the issue of community need when describing how they go about achieving their goals, strategic CEOs describe how they form that understanding of community need—emphasizing that they turn to research or data.

### *Research and Data*

CEOs who are strategic in their programmatic work are data-driven. Although almost all CEOs raised the issue of community need when describing how they go about achieving their goals, strategic CEOs describe how they form that understanding of community need—emphasizing that they turn to research or data about issues in the community. They also articulate how that research or data relates to their efforts to achieve their goals.

As one strategic CEO described, “The strategy for improving the community is to continue to research and interact with nonprofits—to be able to have the best possible working knowledge about the community’s needs and challenges, so that we can make sure that our processes and our investments are addressing those.” Another described a report his foundation commissions every two years on the state of its community: “The idea is that we’re constantly assessing and reassessing what the needs of our community are and our discretionary grant dollars are then being earmarked.” The findings from that study inform staff and influence how they use resources.

### *Input from Stakeholders*

Another characteristic that distinguishes strategic CEOs is the extent to which they emphasize seeking input from a variety of stakeholders. One CEO reported that staff, “talk regularly to nonprofits so we can understand what’s going on in the region.” Another CEO described a process of developing strategies that “was informed by a number of stakeholder interviews that involved donors, nonprofits and community leaders that don’t have any direct relationship with us but are in some way knowledgeable about our work.”



## The Leadership Role of Community Foundations

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There has been increasing conversation in recent decades about the leadership role that community foundations can play in their communities. As the Aspen Institute Community Strategies Group states on its website, “[The] leadership role is becoming a defining characteristic of community foundations.”<sup>iii</sup> However, our interviews with CEOs indicate that the role of leadership is not yet established or clearly defined for many community foundations.

Two-thirds of CEOs view their foundation as playing some sort of leadership role. They define this role in a variety of ways, from leading collaborations among nonprofits to convening stakeholders and members of the community around particular issues, to the less frequently mentioned role of being an advocate on key issues. One respondent described it this way: “I think it’s just being at a lot of tables around issues, not just because we might bring some money to it, but we might help build the bridges and connect people.”

But community foundations are facing challenges in their quest to engage in this work. As one CEO said, “We’re learning it takes time for the board to be comfortable in choosing issues that they feel the community foundation should be involved with.” Another said, “I’m of the belief that community foundations, in order to be relevant, need to be leaders in their community. How does community leadership, and how does relevancy of a community foundation, translate to the reality of today?”

Perhaps because of such challenges, only 20 percent have what they describe as *established* leadership work. There is little clarity on how that leadership relates to other work these foundations are doing. “This whole community-leader-

ship thing is an extremely important piece,” said one CEO. “Our board and staff look at our involvement in community-leadership, non-grantmaking activity as a fundamental part of our mission. It’s one of three bullets on our mission statement. But we’re also trying to figure out how we do that, and how do we do it well.”

### Collaborations

One aspect of leadership that did come up consistently in our interviews was collaboration. Nearly all CEOs report that their foundation collaborates with other funders in the community. The types of collaborations vary, but the most common are with local funders, including United Ways, and funders’ forums.

These collaborations are being formed for two main reasons. First, the majority of CEOs say that collaborations enable them to better leverage the foundation’s monetary and other resources for greater impact. As one CEO explained, “The why is because we don’t, alone, have enough to do everything we think is important. We’ve done collaborative grantmaking to allow us to have greater ability to impact needs than our own discretionary resources would allow.”

Second, half of CEOs mention they collaborate because they share a similar geographic focus or interest in particular issues with other funders. “Other funders are participating in their own ways of building community. If we did it in isolation and they did it in isolation, we might find ourselves working against each other,” said one CEO.

There was clear recognition among these funders that collaborating is a way they can use their resources wisely to make a difference in their communities.

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<sup>iii</sup> The Aspen Institute, Community Strategies Group. <http://www.aspeninstitute.org/policy-work/community-strategies/what-we-know>. 2009.

Contrary to the idea that to be strategic is to be top down or isolated and unreceptive to external ideas, CEOs who are strategic in their programmatic work value the ideas and concerns of their stakeholders—nonprofits, community leaders and community members. This finding mirrors what we have learned in our research about strategy at private foundations.<sup>10</sup>

### Building Donor Knowledge

CEOs who are strategic in their programmatic work also differ from other CEOs in how they carry out their work with donors. They make efforts to align donor giving with what is happening in the community by building donor knowledge to address community needs.

When describing how they make decisions to work toward programmatic goals, strategic CEOs mention convening donors, providing them with information, research and educational events about the community and grant opportunities, and assisting donors in their work with nonprofits in the community. As one strategic CEO said, “We provide easy access to answers to donors’ questions about community needs and online access to information and resources that we’ve created. We provide information about grants that we’re making that they might or might not find inspiring and want to work off of.”

(For an example of a CEO categorized as strategic, see the profile of Community Foundation of the Eastern Shore at the end of this report.)



<sup>10</sup> As reported in *Essentials of Foundation Strategy* (December 2009), “More strategic leaders seek input from grantees, stakeholders, beneficiaries, and consultants when developing their strategies. They are not rigid in their approach; they adjust their strategy when new research suggests a different strategy might be more effective.”



# Conclusion

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**IT IS SURELY THE CASE THAT ALL THE CEOs WE INTERVIEWED CARE DEEPLY ABOUT THE COMMUNITIES THEIR FOUNDATIONS SERVE AND ARE MOTIVATED BY A DESIRE TO DO AS MUCH GOOD AS POSSIBLE.** Strategy is seen by these foundation CEOs as essential to achieving impact. Yet most of them are not working in ways that are consistent with our definition of strategy.

When we analyze what is informing day-to-day decision-making, we see that the strategic CEOs place community needs front and center in every important decision.

When we analyze what is informing day-to-day decision-making, we see that the strategic CEOs place community needs front and center in every important decision in a way that the other CEOs do not. Strategic CEOs do more to seek out research, data, and external perspectives to inform their thinking—and they seek to educate and inform donors, rather than being simply responsive to what donors prefer.

Why aren't more community foundation CEOs strategic in their day-to-day work? We cannot answer that question definitively, but it is possible that the competition for donor resources has led some community foundation CEOs to focus on being responsive to donor interests and needs in a way that undermines the foundation's ability to work strategically. The focus on the donor becomes an end in itself, rather than a means to community impact. This approach may not ultimately lead to the most success in donor work because it may erode opportunities for differentiation from other giving vehicles available to donors.

This raises the important question of what donors want in their community foundations. Are they looking for the community foundation to educate them, defining community challenges and strategies for overcoming them? Or are they, instead, seeking simply to pursue their own goals and strategies with help only on the mechanics of the transaction? Or are they looking sometimes for the former and sometimes for the latter? Our research did not address these questions, but future efforts to analyze a new CEP dataset of donor perceptions of community foundations will seek to do so.

For community foundation CEOs who want to consider how they can become more strategic in their decision-making, the findings from this research raise a number of questions:

**How is the foundation's work with donors aligned with the needs of the community in which it works?**

- » How are the foundation's goals for working with its donors currently framed? Is the community directly referenced in these goals?
- » How much of an effort is put into getting donors involved with issues that the foundation sees as important in the community?
  - How often does the foundation talk to donors about community needs, nonprofits in the community or the grants the foundation is making?
  - Are foundation staff members educating donors about the community through information, research and events?

**Who, and what, informs the foundation's programmatic strategy?**

- » How is the foundation seeking research and systematic data collected from outside the organization to inform the foundation's understanding of community need?
- » Are the foundation's decisions about how to use resources to achieve goals informed by those affected by the foundation's work?
  - From which external constituents does the foundation seek input: Experts? Nonprofits? Ultimate beneficiaries of the work nonprofits are engaged in?

## How Is Progress Against Strategy Assessed?

For many years, community foundations have turned to asset size as their main indicator of performance.<sup>iv</sup> Our research indicates that there is a growing variety of indicators being used by community foundations, but the most frequently referenced indicators of progress and impact continue to be monetary.

When it comes to their donor work, the large majority of CEOs report tracking monetary indicators to assess the success of their donor work—dollars, funds and fees. Fewer, 27 percent, reported assessing aspects of relationships, for example with donors, prospects and professional advisors.

There is less consistency in the types of information community foundations are collecting to assess progress against their programmatic goals. A few CEOs reported evaluating individual grants, a few reported tracking outcomes or related information collected by other organizations and a few looked to donor activity and giving allocations.

We were surprised to see that no relationships emerged in the data between how strategic CEOs were categorized as being, and how they assess progress toward their donor and programmatic goals.

<sup>iv</sup> CF Insights. Benchmarking Beyond Asset Size: 2010 Top 100 Lists. June, 2011; Nonprofit Sector Research Fund Working Paper Series: *Measuring Community Foundations' Impact* by Lisa Ranghelli, Andrew Mott, & Elizabeth Banwell. (Washington DC: The Aspen Institute), 2006.

# Profiles

## California Community Foundation

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### Key Facts about the Foundation and its CEO

- » Location: Los Angeles, CA
- » Founding: 1915
- » Assets: \$1.12B
- » Giving: \$129MM
- » Number of Staff: 56 FTEs
- » Donor-Advised Fund Assets as a Percentage of Total Assets: 33%
- » Donor-Advised Fund Giving as a Percentage of Total Giving: 53%
- » Number of DAFs: 614
- » CEO's Tenure at Foundation: 7 years
- » CEO's Previous Experience: President and general counsel of the Mexican American Legal Defense and Educational Fund

Since joining California Community Foundation (CCF) as its president in 2004, Antonia Hernández has overseen the growth of the foundation's assets from \$559 million to \$1.1 billion in 2010. Today, the foundation grants approximately \$129 million annually, which helps support its program areas targeting the arts, education, health care, human development and housing and neighborhoods in Los Angeles.

Achieving and sustaining this level of grantmaking requires a donor strategy capable of competing with commercial gift funds for donors.

"With donors, we compete with the Fidelitys and what the Fidelitys have to offer," said Hernández. "What the big companies have to offer is volume and an existing relationship with donors. What is it that community foundations have to offer that's different? Our knowledge of the needs of our community. That's the value-add that we bring to donors."

While competitive forces influence the environment in which CCF operates, the foundation's development of its donor strategy was ultimately driven by its work in the community. Disciplined implementation of the strategy has allowed the foundation not only to navigate the competitive market for donors, but contribute to the vibrancy of Los Angeles.

### Benefitting the Community

Hernández launched the planning of the foundation's current 10-year strategic plan as soon as she joined CCF. Working with the board, staff and consultants, the foundation knew it needed to be clear about its end goals. "Our focus in our strategic plan was to help the most vulnerable in Los Angeles County," said Hernández.

This focus on benefitting the community provided direction for all areas of the foundation's work, including its donor-development efforts. "I see external relations, which is our fundraising arm [as] our marketing," Hernández said. "What are we marketing? We're marketing more donor funds, yes; but we're also marketing our programs, our initiatives. It's not just about bringing in the money, but bringing in the money for what? [To] achieve our goals and our 10-year strategic plan."

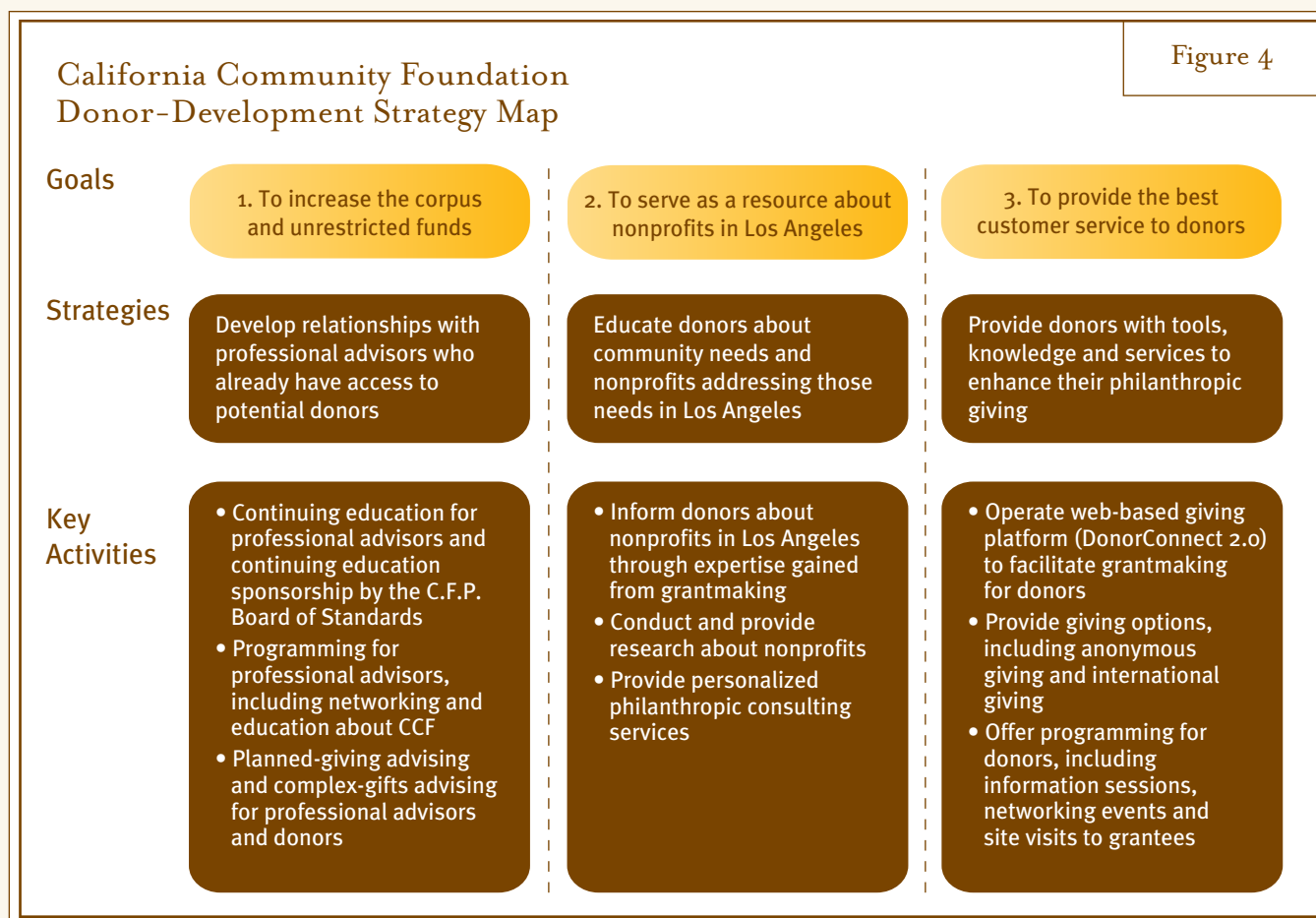
After discussions with a subcommittee of the board and staff, coupled with a community assessment, the foundation set three goals for its development and donor-relations department: increasing the corpus and unrestricted funds, serving as a resource about nonprofits in Los Angeles and providing the best customer service to donors.

To achieve these donor-development goals, the foundation mapped out multiple strategies and key activities that guide how the foundation could use its resources to reach its donor development goals. (See figure 4.)

The foundation's first donor-development goal—targeted efforts to raise discretionary funds—did not always exist. "Up until about five years ago, we were ... tilting more toward the donor funds," said Hernández. "In the last five years it's been a goal ... we've been very mindful of bringing in discretionary money."

As Hernández explained, "From a community foundation's perspective, if all we do is bring in donor money, then all we can focus on is servicing that donor, however you define service. But our goal is not just that. Our goal is to service our donor and to bring in unrestricted funds, because it's through those funds that we're able to make an impact and try to improve the quality of life for the most vulnerable in Los Angeles." By raising unrestricted funds, the foundation's development efforts can support and enhance its grantmaking strategies in its programmatic work.

Figure 4



For CCF, the success of raising unrestricted funds hinges on its goals of building strong donor relationships and on the strategy of connecting donors' charitable objectives with needs in the community. While these are ways in which the foundation distinguishes itself from commercial gift funds, the synergy between these different goals ultimately enables the foundation to increase its total giving and enhance coordination between foundation-directed and donor giving.

#### New and Existing Donors

Developing strong donor relationships is a central part of the foundation's donor-development strategy.

"As far as how I define a relationship, I don't want to give you the impression that it's a superficial nudging and back-slapping," said Hernández. "A relationship is one where you get to know me and you trust me. You trust my judgment and feel that I have something to offer in terms of knowledge or expertise, and therefore you rely on me. That's what I mean by, 'building relationships.'"

CCF expends significant resources working with new donors to cultivate donor relationships. CCF starts small with new donors by sending newsletters and emails. Over time, as CCF staff members work with donors and better understand their charitable objectives,

donors become more engaged with the foundation. The foundation continually monitors progress of donor relationships using Raiser's Edge to track the frequency and outcomes of interactions with donors.<sup>11</sup>

The foundation also works with donors' professional advisors to support its relationships with donors.

Eventually new donors gain greater trust and an understanding of the foundation's capacity, which is when the foundation can leverage its donor relationships to raise funds and direct assets in order to address needs in Los Angeles. "What we find is that the more our donors really, fully engage in their passions, and then understand the needs of the area that we serve, the more responsive they are and the more they feel connected to CCF," said Hernández.

That connection often translates into contributions and builds the trust necessary for donors to buy into the foundation's grantmaking strategies and the advice offered to donors. As Hernández explained, building relationships is "very labor intensive" for the foundation, but, "across the board, it's really [about] focusing on people relations and building that relationship and trust, because people give to people."

<sup>11</sup> Fundraising and donor management software.

### **Development and Distribution: Raising Funds to Make a Difference**

For CCF, the end goal is not just to understand donors' charitable goals and have strong donor relationships, but to connect those goals with the needs of the community. As Hernández explained, "The way we measure service is, 'Have we really determined what their charitable passions are? Have we helped them explore those passions? And, have we connected those passions to the place we serve, which is Los Angeles County?'"

CCF's ability to connect donors with community needs and educate them about funding opportunities stems from knowledge gained through the foundation's discretionary grantmaking program. "The work we do through our discretionary money gives us the hook to really know and understand the not-for-profit world. Then, we transfer that knowledge to the donors that we have," said Hernández.

For example, before the summer of 2009, the foundation learned through its work in human development that many summer enrichment programs were going to close due to the economic recession and cuts in public funding. The foundation's program staff realized this would severely limit the availability of recreational and educational activities, which reduces alternatives to gang participation and jeopardizes low-income, at-risk youth.

Donor-relations staff worked with program staff to develop a strategy to educate donors about this issue and raise funds to

support the YMCA of Metropolitan Los Angeles and Summer Night Lights, two high-performing programs. The foundation's initiative, Summer Youth Fund, committed \$125,000 of its own funds, leveraging that to raise \$172,900 from donors. This funding created opportunities for an additional 3,900 youth to participate in YMCA and Summer Night Lights programming.

### **Positioned for Impact**

As a result of the foundation's disciplined implementation of its donor strategy, the foundation's assets have become more evenly balanced between its donor and discretionary funds. "We're very lucky that we are evenly balanced, so one does not drive the other—they're both equally important," said Hernández.

The foundation's unrestricted assets, donor relationships, and ability to connect donors with the community have enabled CCF to differentiate itself from commercial gift funds. "We are in a competitive environment, and therefore, we have to bring added value to the relationship," said Hernández. "We educate [donors] about Los Angeles and its needs. We see that as our responsibility," she explained.

This responsibility continues to motivate CCF and its donors to catalyze positive change in Los Angeles County.

## Community Foundation of the Eastern Shore

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### **Key Facts about the Foundation and its CEO**

- » Location: Salisbury, MD
- » Founding: 1984
- » Assets: \$81MM
- » Giving: \$4MM
- » Number of Staff: 8 FTEs
- » Donor-Advised Fund Assets as a Percentage of Total Assets: 20%
- » Donor-Advised Fund Giving as a Percentage of Total Giving: 21%
- » Number of DAFs: 96
- » CEO's Tenure at Foundation: 7 years
- » CEO's Previous Experience: Superintendent of schools in Pennsylvania, Ohio and Maryland

### **Introduction**

A three-hour drive from the nearest metropolitan area, the rural counties of the Lower Eastern Shore of Maryland are home to 150,000 residents. "Being rural, we're not a terribly wealthy region," noted Spicer Bell, CEO of the Community Foundation of the Eastern Shore (CFES). But with \$81 million in assets, the foundation is the largest nongovernmental funder of the local nonprofit community.

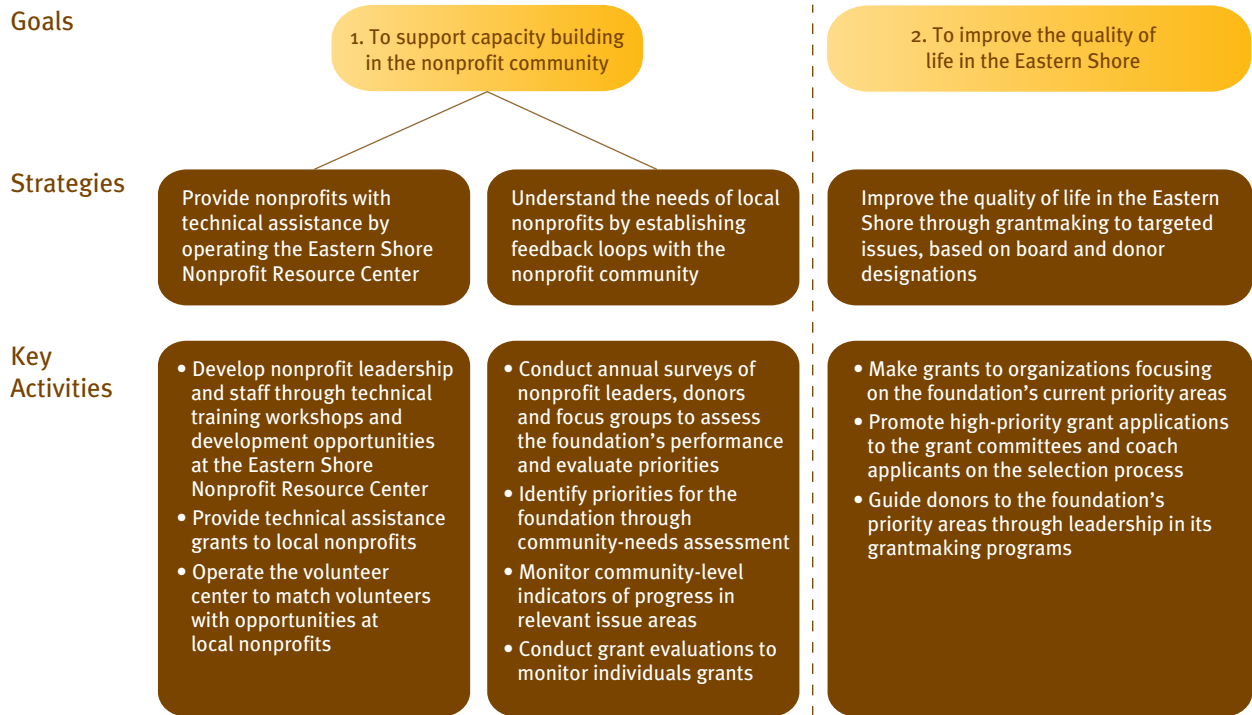
Given the foundation's endowment and the limited size of the donor market, the foundation's programmatic strategy plays an important role in ensuring its funds are effectively mobilized.

"We're always trying to think strategically," said Bell. The foundation has a five-year plan that outlines six goals and strategies that support each goal, and the board and staff revisit those strategies annually. In its grantmaking, the foundation's goals focus on building capacity for the nonprofit community and the general improvement of quality of life. (See figure 5.)



## Community Foundation of the Eastern Shore Programmatic Strategy Map

Figure 5



To advance capacity-building efforts, the foundation operates the Eastern Shore Nonprofit Support Center, which offers support services and resources to local nonprofits. The center hosts 25 to 30 training programs each year on topics such as planned giving and e-marketing. CFES also provides technical-assistance grants and sponsors the local volunteer center, which functions as a clearinghouse for connecting people who want to volunteer with nonprofits that need their help.

The foundation's approach to strategy is reinforced at many levels. Stakeholders, research and data and donors all guide the foundation's work and ensure that the foundation is addressing the right issues at the right time.

### Input from Stakeholders

Having focus is essential for the foundation to target key needs in the community. To help the foundation identify the fields with the most potential to create impact, the foundation works closely with stakeholders in the community. "We're constantly interacting with leaders of the faith-based community, nonprofit community leaders and elected public officials," said Bell.

"Every five years, we do a community needs assessment. It surveys major stakeholders throughout the region and asks them to assess the greatest needs and opportunities in the area," described Bell.

The foundation's current grantmaking strategy targets homelessness, youth and youth programs and hunger, which the foundation identified as high priorities with the aid of its stakeholders.

Working with diverse stakeholders across the three counties that the foundation serves is crucial to the foundation's ability to ensure each county's needs are being addressed. However, working with these stakeholders from different counties can also be a source of tension. As stakeholders vouch for the needs of their own communities, parochialism can pose obstacles to the foundation's ability to move forward on issues.

To help manage these tensions, the foundation has specific policies in place to ensure that representation and feedback loops exist across all three counties. Its bylaws state that the CFES board must be representative of all three counties the foundation serves, so throughout the year, the board holds at least one board meeting in each county. Bell uses board meetings as an opportunity for the board to network with community leaders. The board also connects with donors during this time to "pick their brains" about needs in the community.

The efforts of CFES to work with stakeholders across the three counties allow the foundation to zero in on the most pressing needs in its service area.



## Research and Data

Strategic planning is a “continuous process” for the foundation, which spurs the foundation to keep track of the community’s pulse. As Bell explained, “Every year, we do a survey of a stakeholder group. In alternating years, we survey executives of nonprofit organizations and donors. In both cases, we ask, ‘How are we doing? What do you see as the major needs in the community?’ In essence, ‘What can we as a foundation do to impact these situations?’”

The surveys of nonprofit executives and donors help the foundation monitor issues in the community; however, the surveys sometimes raise more questions than answers. “We’ll sit down as a staff and with my executive committee, and we will see where we still have questions,” said Bell. “Sometimes you read the results and you’re not sure what they’re saying to you.”

To help the foundation analyze and interpret the data, the staff conducts focus groups with stakeholders. “Each time we do a survey, about a month or so later, we will bring in a focus group of between 15 and 20 people who were surveyed,” Bell said. “And we will ask them to tell us what they think the survey results say to us.”

After spending time understanding the data, Bell discusses the results with the board and uses the information to evaluate the foundation’s priorities. “Every year at a board retreat, we will look at the goals and the strategies we adopted. We will revisit them and ask ourselves, ‘Is this what we really need to be focusing on currently?’ And it’s through that type of process that we came to the conclusions that at this point we [should be] working on youth programs, homelessness and hunger,” he said.

The foundation relies on data collected over time and metrics to monitor the progress it is making toward its goals. The foundation uses multiple sources, including grant reports, conversations with stakeholders in the nonprofit community and former board members and the same community needs assessments that it uses to set its priorities.

For example, the foundation supports after-school and out-of-school programs that help keep children off the street, out of trouble and more engaged academically. While the foundation does not have the budget to conduct formal evaluations, it makes the effort to track metrics such as the dropout rate to monitor progress against goals. “If we see that the dropout rate in schools is going down, that is desirable [because it is] something we work on. ... Just because the dropout rate has gone down by 2 percent, I would never be presumptuous enough to say that we caused that, but we track those statistics,” explained Bell.

When Bell thinks about the foundation’s impact, the questions that come to mind are focused on outcomes: “Is what we’re doing improving the quality of life for citizens in our community? Are streets safer? Are kids better educated? Are families housed? Is the environment cleaner?” These types of questions challenge the foundation board and staff to think critically about what they are looking to ultimately achieve.

## Building Donor Knowledge

Only 7 percent of the foundation’s assets are unrestricted, so the foundation must rely on its donors to support the nonprofits in the community financially and to amplify the impact of the foundation’s strategies. “We try to use our leadership position to guide where the designated agency and donor-advised money goes,” said Bell.

Leading the donor community begins with the foundation’s own grantmaking efforts. Bell explained, “We try to give our grantmaking, and the giving of our donors, as high a level of visibility in the community as we can. If they see us giving to an organization or an effort, others will do the same. We try to lead by example.”

The foundation also educates donors and the broader community through public presentations, radio shows, print media, and public service announcements. The foundation even broadcasts two shows a month on local cable. “They are shows where we interview people in the nonprofit community about the work that they’re doing and, in that way, expose the community viewers to that work and hopefully inspire people to support that work,” said Bell. “Again, we’re trying to model what we hope the community will emulate.”

The foundation’s capacity-building strategy and its leadership role complement each other. As Bell explained, “We’re trying to build the capacity of the nonprofit community to help them become more efficient and more effective at what they do. This way, whether we write a check, or a donor writes a check, [to an organization where we have helped increase its capacity,] it has the maximum impact.”

## Continuous Evolution

Bell takes the influence and responsibilities of being a leader in the community extremely seriously. He sees two keys to understanding the foundation’s role in community leadership. First, the foundation staff believe it is incumbent upon them to constantly vet and improve their work. As Bell noted, “One of the ways that I stretch and build capacity in the nonprofits we serve is by stretching and building our capacity as a foundation. We’re always looking for new things that we can do to push at the margins. It’s part of leadership.”

Second, the foundation must be focused on the community and conscious of its role within the community. “We have to be thinking about not just the immediate impact of a decision or an action, but we need to be thinking about the long-term and the ripple effects of that action,” explained Bell. “We are a community leadership organization. As such, we must be thinking beyond our walls in terms of the impact of everything we do.”

# Orange County Community Foundation

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## Key Facts about the Foundation and its CEO

- » Location: Newport Beach, CA
- » Founding: 1989
- » Assets: \$130MM
- » Giving: \$25MM
- » Number of Staff: 17 FTEs
- » Donor-Advised Fund Assets as a Percentage of Total Assets: 60%
- » Donor-Advised Fund Giving as a Percentage of Total Giving: 93%
- » Number of DAFs: 282
- » CEO's Tenure at Foundation: 11 years
- » CEO's Previous Experience: Executive Director of Girls Incorporated of Orange County

As the economic recession continued to unfold in 2009, residents of Orange County, California, increasingly felt the weight of the downturn. Unemployment rates, the percent of children eligible for free- or reduced-priced school meals and enrollment in food assistance programs all saw year-over-year gains in the community.<sup>12</sup> Yet awareness of the severity of the challenges wasn't as high as it needed to be.

"Orange County is not an urban center like Los Angeles, New York or San Francisco, where you see the hungry and the homeless on your way into the office in the morning," said Shelley Hoss, president of Orange County Community Foundation (OCCF). "The issues of poverty, homelessness and hunger are very well hidden in this community."

To uncover the little-known issues afflicting many residents in Orange County, OCCF designed the *See the Need, Seed the Change* initiative. "It was intended largely to raise visibility," Hoss said. "We worked with the media on getting stories out about how this mortgage meltdown that started very early here in Orange County really put so many families in a very vulnerable situation."

While the foundation continued its work in the arts, environment, and other areas, *See the Need, Seed the Change* became the strategic focus of the Foundation in 2009. The Foundation designed a strategy leveraging both its program and donor expertise to implement the initiative.

## Program Strategy

For this initiative, the foundation tailored its programmatic strategy around research and data provided by the Orange County Funders Roundtable, a collaborative the foundation played a key role in creating. Shortly after the recession hit, this group of private, corporate, and public foundations conducted an online survey of nonprofits in Orange County about how they were faring.

"Because [the survey] was promoted and sponsored by all the major local funders, there was a very large response by nonprofits," said Hoss. "So it produced great data on what people were experiencing and all of that was able to feed into our plans. We were really able to build the plan around the world as it was changing and build in a short-term focus on what we felt would be the greatest needs over the next two to three years as we come out of this trough period."

According to the survey, 67 percent of nonprofits reported seeing greater demand for services that year and approximately 58 percent anticipated decreases in revenue.<sup>13</sup> Given the challenging funding and operating environment for nonprofits, the foundation designed an expedited grantmaking program to make grants in less than two months. The program also funded safety-net providers to help residents receive critical aid and targeted organizations serving vulnerable families, children at risk for abuse and neglect and the frail elderly in the community.

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<sup>12</sup> Orange County Business Council, Children and Families Commission of Orange County, and County of Orange. "Orange County 2011 Community Indicators Project." <http://www.ocbc.org/wp-content/uploads/2011-Community-Indicators-Report.pdf>

<sup>13</sup> Orange County Funders Roundtable. "The Economy and Orange County Nonprofit Organizations." Orange County Funders Roundtable (February 23, 2009): [http://ocfunders.org/pdf/Economy%20and%20Orange%20County%20Nonprofits\\_v2.pdf](http://ocfunders.org/pdf/Economy%20and%20Orange%20County%20Nonprofits_v2.pdf)

### **Donor Strategy**

The foundation made an initial \$250,000 investment and asked its existing donors to contribute another \$250,000. To reach out to the broader community, the foundation also offered a two-to-one match from its endowment on donations from the community. While only 18 percent of the foundation's assets are completely discretionary, Hoss viewed it as a way to raise awareness in the community at large. As Hoss explained, "It was a very open-arms strategy to try to educate people about the need."

The foundation used its website, social media, print media, and local television stations to communicate about *See the Need, Seed the Change*. The press coverage and stories informed the community about the needs in Orange County, the matching funds incentive provided by the foundation and how donors could contribute.

"We extended the invitation to the community for people to just learn and participate in any way," Hoss said.

### **Synergy between Programmatic and Donor Strategies**

OCCF's program and donor strategies work hand-in-hand. As Hoss noted, "There's plenty of resources here [in the community], even post-economic meltdown, for there to be a much greater infusion of philanthropy to meet local needs. I really see that being our objective as it relates to donors."

To stimulate philanthropy in the community, the foundation draws on expertise derived from its grantmaking programs. "We see our role as helping create experiences with philanthropy that are so rewarding, inspiring and motivating, that we raise philanthropy up to the top tier of things that people are most motivated to do with their money," she said. "[We do this by] giving people knowledge and experience, and helping them create, and then see, the impact of their giving."

One key to the foundation's ability to educate donors is its staffing structure. "Donor relations and programs are handled by all the same people," said Hoss. "The same people that are making site visits and out there working with nonprofits to help them solve problems on the ground are the same ones that are responding to and advising donors, so that donors all have that shared knowledge base."

As Hoss explained, "The whole purpose of educating and involving donors is so that more resources are flowing." The end result is both more funds and knowledge being applied to address needs in the community.

### **Impact**

Given the immediacy of the need, the foundation's programmatic and donor strategies enabled the foundation to exceed the goals for *See the Need, Seed the Change* in just 30 days. The foundation sought to raise \$750,000 during this time period, but ended up raising enough to make over \$830,000 in grants to 32 nonprofits.

The foundation's impact on the economic situation in Orange County was clear to donors. "OCCF's desire to help nonprofits during these difficult times with the *See the Need, Seed the Change* campaign showed me that the foundation wants to be impactful and has remarkable knowledge about the needs in our community," said one donor.

Another donor commented, "The foundation took leadership during the economic crisis and did some unusual things. ... Although my philanthropic giving is targeted towards specific sectors, I had no problem redirecting funds in this time of need. I am happy to do so and thank the foundation for assuming this important role."

The foundation's successful implementation of *See the Need, Seed the Change* has led to the program's renewal as the *ReachOut* program in 2010 and 2011. It continues to be a key focus of the foundation's overall grantmaking strategy and has made over \$2 million in grants since 2009. As the foundation renews the program each year, it reminds the community that the economic downturn continues to affect Orange County residents and that their work with the foundation is making a profound difference during challenging times.

# Appendix A: Methodology

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In-depth interviews were conducted with community foundation CEOs to better understand how they make decisions regarding the use of their resources to achieve the foundation's goals.

## Sample

A list of foundations with at least \$50 million or more in assets was created, using data from Foundation Center. From this list, 60 foundations were randomly selected and sent invitation letters explaining the purpose and method for this study. Chi-square analyses were conducted to ensure that this random group of 60 foundations was representative of the geographic location, age and asset size of the full sample of foundations in the \$50 million or more asset range.

Within a few weeks, a reminder e-mail was sent to all invitees who had not responded to the original invitation to participate. In total, 33 foundations accepted the invitation to participate and 30 interviews were ultimately completed and included in the final sample.

## Interviews

Little research exists about the concept of strategy within community foundations. With the guidance of CEP's Community Foundation Strategy Study Advisory Committee, CEP created interview questions that helped us to understand decision-making at community foundations and its relationship, if any, to strategy. Questions were carefully worded to minimize leading language, and prompts were used when necessary.

Three pilot interviews were conducted to understand how participants would interpret the questions and to determine whether or not the questions were successful in eliciting information that would answer the research questions. Based on feedback from pilot participants, the interview questions were revised before beginning the actual study. All telephone interviews with CEOs were one hour in length, conducted by CEP staff and recorded and transcribed. Interviewers explained to participants the purpose of this research project, the protection of their confidentiality and the recording and transcription process. (See Appendix B: Interview Questions.)

## Analysis

The transcripts were analyzed using a combination of content analysis and thematic analysis. Subsequently, two coding schemes were developed based on the responses CEOs provided: a question-by-question method across transcripts and a method for coding each interview in its entirety, rather than being broken up question-by-question.

Codebooks were created to ensure that all team members would be coding for the same concepts rather than their individual interpretations of the concepts. Every response to a question was coded by at least two members of the team. After two team members coded responses, they discussed codes for each interviewee's responses before deciding on final codes.

In the 2007 report, *Beyond the Rhetoric: Foundation Strategy*, CEP articulated a definition of foundation strategy based on 42 interviews with CEOs and program staff at private foundations: *A framework for decision-making that is 1) focused on the external context in which the foundation works and 2) includes a hypothesized causal connection between foundation resource use and goal achievement.* In analyzing the responses community foundation CEOs gave about how they use their foundations' resources to achieve their goals, there was no evidence that this definition did not apply to the community foundation field as well. As a result, we used this same definition to understand how many community foundation CEOs were actually using strategy in their work.

## Typology

To determine whether community foundation CEOs were using strategy in their work, we looked to their responses to the questions about their goals (“Can you describe what the Foundation is trying to achieve?”) and how they are trying to achieve them (“How do you determine how to use the Foundation’s various resources to accomplish these goals?”).

Interviewees’ responses to the ways in which resources were used to accomplish goals were analyzed for whether or not they fit the definition of strategy that had been established in previous research. These responses were coded for whether or not they focused on the external context in which their foundations worked, and by whether or not they posited a hypothesized causal connection between goals and how resources are used to achieve those goals.

The extent to which an external orientation combined with a hypothesized causal connection between goals and resource use existed resulted in a typology of strategy consisting of three categories applied separately to the foundation’s programmatic work and donor work. From most to least strategic, the categories are strategic, partly strategic, and not strategic.

CEOs categorized as strategic in an area of their work, programmatic or donor, exhibited both a hypothesized causal connection and an external orientation for at least 50 percent of the ways in which they use their resources to accomplish goals in that area of work.

CEOs categorized as partly strategic in an area of their work, programmatic or donor, exhibited both a hypothesized causal connection and an external orientation for at least one of the ways, but less than 50 percent of all ways, in which they use their resources to accomplish goals in that area of work.

CEOs categorized as not strategic in an area of their work, programmatic or donor, did not exhibit both a hypothesized causal connection and an external orientation for any of the ways in which they use their resources to accomplish goals in that area of work.

Results of content and thematic analyses about topics other than the use of resources to achieve foundation/program goals were analyzed to determine whether or not they differed across the different categories of CEOs for programmatic and donor work. Codes resulting from the content and thematic analyses were totaled into percentages for the presence or absence of content and themes. These percentages were then examined in relation to the three categories of strategy, for donor and programmatic work separately, to understand whether or not trends in content or themes corresponded to the strategy categories. Given the qualitative methodology employed for this study, trends and patterns in percentages for coded variables were examined; statistical testing was not conducted on these percentages.

## Appendix B: Interview Questions

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### Background

- 1. Why don’t we start by having you tell me a little bit about yourself:**
  - » How long have you been the CEO of the XX Foundation?
  - » Have you held any other positions, other than the current one, at the Foundation?
- 2. What is the Foundation’s geographic focus?**
- 3. How many full-time employees does the Foundation have?**
  - » How is the foundation organized—what departments does the Foundation have?
- 4. Can you briefly describe what types of work the Foundation is engaged in?**

### Goals

- 5. Can you describe for me what the Foundation is trying to achieve in each of the types of work you just described? Starting with X? (Make sure each type of work gets covered here)**
  - » Do you have specific goals in X?
- 6. To what extent are all of these types of work connected to or independent of each other?**
  - » Can you give me some examples?

**Strategy: Ask questions 7–10 for each ‘type’ of work mentioned in question 4**

Next, I’m going to ask you a series of questions about how you determine how to use the foundation’s resources to accomplish its goals—I’ll ask the series of questions about your goals in X, then Y, then Z. And I’ll start with X. But if there is anything you’d like to add about Y or Z as you’re answering, please do.

**7. How do you determine how to use the Foundation’s various resources to accomplish the goals in \_\_\_\_\_ (fill in from question 4/5: development/grantmaking/communications, other, etc.)?**

- » Is this what you would consider to be the Foundation’s strategy for achieving these goals—or part of it?
  - *If no:* What is the Foundation’s strategy for achieving these goals? Or does the foundation not have one?
  - *If yes, but only part of it:* Can you explain to me the rest of the Foundation’s strategy for achieving these goals?
- » What are the key activities that the staff engages in to execute this strategy?
- » Have you defined a particular time frame for the Foundation’s strategy?

**8. How did this strategy develop?**

- » What internal and external factors influenced the development of this strategy?
- » What role did various parties have in the development of this strategy?
  - Trustees, CEO, program officers, community advisory committees, donors?

**9. Have there been any changes to the strategy?**

- » *If yes:* tell me about these changes. Why did they occur, and what was changed?

**10. How well do you think the strategy is helping the Foundation achieve its goals?**

- » How do you determine whether or not this strategy is helping the Foundation to achieve its goals?
- » Do you use indicators to measure progress against the Foundation’s goals?
  - Can you give me an example?

**11. So, you’ve just explained to me how the foundation goes about its work to achieve its goals in some of the types of work it carries out. To what extent are the strategies for the different types of work at the foundation connected to, or independent of, one another?**

- » Can you give me an example?

**12. Does the Foundation use a logic model or theory of change for any of the areas of work we’ve been discussing?**

- » How and when is it used?

**13. To what extent does the Foundation’s staff attempt to influence the flow of funds from DAFs to particular program areas, initiatives or organizations?**

- » How? Can you give me an example?

**14. Does the Foundation collaborate with other funders in the community?**

- » *If yes:* why?

**15. Do you have a written strategic plan?**

**Other**

**16. Can you tell me approximately what percentage of the Foundation’s assets is comprised of discretionary versus nondiscretionary funding?**

- *If respondent doesn’t distinguish among different types of nondiscretionary funds:* What percentage of the Foundation’s assets is comprised of DAFs versus other types of nondiscretionary funds?
- » And, also approximately what percentage of the Foundation’s giving is comprised of discretionary versus nondiscretionary funding?

**17. Approximately how much do you think the Foundation will give in 2009?**

- » We’ve been discussing what the Foundation is trying to achieve, and how the Foundation’s work will lead to the achievement of those goals. Has the Foundation changed anything about its goals or strategy in response to, or as a result of, the recent/current economic crisis?

**18. Thinking more generally, beyond your Foundation in particular, I’m interested in your thoughts about benefits or drawbacks of applying a concept of strategy for community foundations.**

**19. How does the Foundation define impact?**

- » *Optional:* Can you be more specific?



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THE CENTER FOR  
EFFECTIVE PHILANTHROPY

675 Massachusetts Avenue  
7th Floor  
Cambridge, MA 02139

T: (617) 492-0800  
F: (617) 492-0888

100 Montgomery Street  
Suite 1700  
San Francisco, CA 94104

T: (415) 391-3070  
F: (415) 956-9916

[www.effectivephilanthropy.org](http://www.effectivephilanthropy.org)

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