

# Foundation and Donor Priorities:

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A Search for Synergy in Community Foundations  
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# The Philanthropic Initiative

The Philanthropic Initiative (TPI) is a global philanthropic advisory practice that helps companies, foundations, individuals, and families increase the impact of their giving. In over 26 years, we have worked directly with more than 350 clients, directed more than one billion philanthropic dollars, and influenced billions more.

TPI was founded on the belief that philanthropy has the power to transform. As a distinct operating unit of the Boston Foundation, we continue to fuel the growth of high-impact philanthropy around the world through our philanthropic consulting work as well as through cutting-edge research, philanthropic education programs, and initiatives with key allies.

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## Introduction

There is an oft-cited mantra within the community foundation field that a foundation must choose between being “community centric” and “donor centric,” or between focusing on foundation-driven priorities and donor-driven priorities. Indeed, the diversity of organizational cultures, staff skillsets, external messages, and internal infrastructures needed to support both goals within a single organization can be a challenging balancing act.

Increasingly, this is being perceived as an artificial dichotomy that not only limits new thinking, but also downplays the experimentation and creativity already taking place in many community foundations. Anecdotal evidence suggests that a growing number of community foundations are rejecting this dichotomy and building the capacity to advance foundation-identified priorities while at the same time providing robust support for donors.

As CF Insights relayed in its seminal report, *Do More than Grow*, many community foundations would like to go further, bringing into closer collaboration and alignment their foundation-led and donor-led activities. The report states, “Most community foundations share an aspiration to align DAF [donor-advised fund] grantmaking with priorities identified by the community foundation. However, this is the area with the largest gap between aspirations and today’s reality” (Graves et al. 2012).

The Philanthropic Initiative, a global philanthropic advisory and research practice at the Boston Foundation, set out to explore this question further, conducting interviews with 18 leading community foundations across the United States as well as with thought leaders in the field, including CF Insights, CFLeads, and the Monitor Institute. We found that many community foundations have developed

creative and successful ways to bring these two activities together, facilitating collaboration and knowledge sharing between community impact and donor support activities that significantly strengthen both. There is optimism among many – and promising examples of early successes – that significant synergies exist between foundation leadership and donor leadership that ultimately expand and deepen impact.

What follows is a summary and analysis of what we heard – the challenges, obstacles, and tradeoffs, as well as the successes and innovative models for harnessing the full potential of this multi-faceted approach to philanthropy. We hope this will spark further discussion and sharing of best practices as the community foundation field continues to explore this new terrain, and perhaps begins to codify new models of leadership.

# Historical Overview

Community foundations have become increasingly complex and diverse institutions. The first community foundations established in the early part of the 20th century focused primarily on making grants from unrestricted funds that had been gifted to the foundations through estate plans.

In the 1980s, donor-advised funds (DAFs) began to dominate the field. Under this model, living donors created funds within community foundations and then directed grantmaking through these funds to the nonprofits of their choosing. The number and size of community foundations grew dramatically with the advent of DAFs, and many community foundations focused efforts on facilitating and supporting this donor-driven giving, channeling significant resources from donors to nonprofit organizations in the local community and beyond.

Since the early 2000s, many community foundations have begun to explore playing a more prominent role as leaders in the communities they serve, articulating particular views on how to create change and directing much of their grantmaking and other efforts – such as policymaking, research, and coalition building – toward addressing specific and urgent community issues. In this report, we will refer to this work of advancing priorities identified by a community foundation as “foundation leadership.”

The Monitor Institute, in its *What’s Next for Community Philanthropy* toolkit, says, “The status quo is no longer an option for community foundations.” Innovative community foundations are bucking the status quo by “challenging orthodoxies” and “understanding and prioritizing which roles are core to the organization” (Kasper et al. 2014). One foundation leader we spoke with echoes this point, stressing that the old way of operating is no longer an option as donors seek to become increasingly engaged with their philanthropy.

Is the opportunity to find synergy across both donor-led and foundation-led priorities simply a critical set of tactics for extending community foundation leadership? Or is this the beginning of a new paradigm?

## 1914 - 1980

### Era of the “Dead Donor”

Program officers recommended grants from unrestricted funds left to the foundations through estate plans.

## 1980 - 2000

### Era of the “Living Donor”

Donor-advised funds dominated the field. **Community foundation as a vehicle.**

## 2000 - Today

### Era of “Community Foundation Leadership”

Program officers, donors, foundation executives, and boards are forging solutions to community problems and developing strategies to take advantage of community opportunities. **Community foundation as a change agent.**

## The Future

A new paradigm?

## Methodology

The analysis presented in this report is based on interviews with leaders of 18 community foundations across the country, ranging in staff size from 17 to 85, and in assets from \$300 million to \$4.7 billion. Interviewees were asked to share their thoughts and experiences in a not-for-attribution context, meaning any responses shared in this report are done so anonymously. We primarily spoke with each foundation's CEO/President, or a member of the senior management team in a few cases. We asked each interviewee a series of questions along the dimensions outlined below.

### DONOR SUPPORT

Describe your approach to supporting donors in their priorities. What are your primary goals? What kind of internal staffing and infrastructure do you have to support this work? What kinds of services do you offer? Are there areas where you hope to deepen or expand your services? Do you feel you have the in-house expertise to go there?

### FOUNDATION LEADERSHIP

Does your foundation have strategic grantmaking and/or public policy priorities apart from donor-advised giving? If so, how significant is that aspect of your work? What are your primary goals, and what kind of tools (grantmaking, research, advocacy, etc.) do you use to advance these goals? What kind of internal staffing and infrastructure do you have to support this work?

### STRIKING THE BALANCE

How has your foundation approached the balance between taking the lead on specific strategic initiatives versus supporting donors and facilitating their giving? Has your relative emphasis on these dual activities changed over time, and if so how? What has been the rationale for the balance you have chosen? Do you hope or plan to change the balance going forward?

### CREATING SYNERGY

How much collaboration and synergy exists in these two sets of activities? Do you bring donors into the process of creating and supporting the foundation's strategic priorities? How formalized versus ad hoc is it? Is this driven by donor interest, or by the foundation? Are there particular structures, systems, and activities that have proven effective for facilitating collaboration?

### CHALLENGES & ADVICE

What advice would you share with other community foundations attempting to balance a dual focus on foundation-driven and donor-driven work? Where do you think challenges remain, and where could you use advice from others?

Throughout this report, we share case studies and anecdotes gleaned from our interviews to illustrate the myriad ways community foundations are grappling with challenges and exploring opportunities.

# Facilitating Donor-Led Priorities: “Donor Support”

## Benefits

The rise of DAFs in the 1980s heralded a new era in the community foundation field. Foundations found that when managed properly, DAF fees could provide an important new source of revenue to support foundation operations. Additionally, many foundations we spoke with share a belief that greater DAF giving means more philanthropic dollars flow into the community than otherwise would, thus helping fulfill the mission most community foundations hold in common – to improve the communities in which they operate. One foundation explains its philosophy this way: as long as donors are giving, that is a good thing. It is the foundation’s job to support and facilitate donor giving, not pass judgment on it or steer it.

For many community foundations, increasing DAF giving did not immediately go hand-in-hand with providing a significantly deeper level of support to donors and their interests. Rather, the work of creating and replenishing DAFs could often be fairly transactional in nature, focused primarily on administration and investment activities while leaving donors to make decisions about where and how to direct their giving. However, as competitors arose that offered similar giving vehicles with lower fees, many community foundations report that they found themselves asking how to attract and retain donor-driven giving as a significant component of their foundation’s work. A few foundations considered eliminating DAF giving altogether, but, interestingly, no community foundation in the country has yet to make this move (though several, such as the Hartford Community Foundation, only have endowed DAFs).

Many community foundations respond to this crossroads by identifying a unique value proposition in their deep knowledge of the communities they serve and the ability to use this knowledge to support donors in their interests and priorities. Increasing numbers shift their approach to donor services from fairly “transactional” to more “relational,” beginning to provide more significant support to donors and in many cases expanding and reorganizing staff to do so. Some foundations invest in training staff

to be “philanthropic advisors” through such programs as Excellence in Family Philanthropy and 21/64. Many expand their programming and communications to donors around community needs.

Expanding support for donor interests has therefore been seen by many foundations as necessary for continuing to attract and expand donor giving, which is valuable for both the fee revenue it provides as well as for the overall impact it has on the volume and influence of philanthropic giving in the communities these foundations serve. CF Insights’ *Do More than Grow* supports this hypothesis about the positive effects of strengthening relationships and increasing personalized advice, sharing a robust set of concrete recommendations for community foundations looking to grow the volume and impact of donor-advised giving.

## Fears and Concerns

Despite these advantages, many foundation leaders we spoke with express reservations about providing increased support for donor-led priorities, particularly within the constraints of their current staff and fee structure (though some foundations have implemented additional fees to accommodate increased levels of support). Several foundations that have tried to bill themselves as a place for all donors note this can mean supporting an expansive realm of donor priorities and investing significant staff time and resources to provide the expertise needed. For many foundations, this occurs primarily on the content side, but several note the transactions themselves also require a greater level of expertise and staff time as donors give in increasingly complex ways with non-traditional assets. Additionally, some foundations, in response to donor interest, are beginning to explore new models of giving, such as impact investing, which require expertise that most do not currently have. One foundation executive we spoke with wishes the foundation could say “no” to donors more often, but finds it difficult now that it has established a reputation as a place for all interests.

# Advancing Foundation-Led Priorities: “Foundation Leadership”

In line with the framing of our project, all but one of the foundations we interviewed report increasing interest in advancing foundation-led priorities. This often takes the form of strategic grantmaking focused on specific topics and issues, and activities termed “civic leadership” or “community leadership” that encompass a broad range of efforts beyond grantmaking – from policy advocacy to research, convening, partnering, and mobilizing.

## Benefits

The foundations we spoke with are in varying stages of adopting this new approach to their work. Some made this shift toward more targeted priorities in the early 2000s, while others report it is a major component of their current strategic planning efforts. Foundations report one key benefit of pursuing this work is the ability to concentrate human and financial resources on issues of greatest importance for the community, rather than stretching resources thin across many issues. This approach also builds and makes use of the deep knowledge and connections most community foundations have. Ultimately, these foundations believe that their leadership on a focused set of priorities is the approach that will allow them to have the greatest impact in the community. Even foundations with relatively larger discretionary spending pools note this as a driving factor behind their decision to focus priorities.

Relatedly, many foundations mention that having a concentrated agenda that involves partnership, collaboration, and policy change can enable community foundations to have greater impact by leveraging additional money far beyond the grantmaking resources a single foundation might have.

Lastly, several foundations note they believe staking a claim around key issues has created a more public profile, raising awareness among donors and other civic leaders, and showcasing the foundation’s community knowledge and impact. Several foundations report that over time donors see a value proposition in the community leadership roles played, which differentiates the foundation from its lower cost competition.

## Fears and Concerns

Nevertheless, many community foundations share fears that they – and often their boards – hold about focusing too significantly on certain foundation-led priorities. One oft-cited concern is that the public may react negatively if the foundation takes a stance on particularly contentious issues. Relatedly, many worry about alienating donors, perhaps sending a message that these issues and stances are the only ones the foundation supports. Furthermore, when it comes to the impact on donors, many foundations – even those that have embraced foundation-driven priorities wholeheartedly – remain worried that asking for donor support for this work will turn off donors.

Many foundations also worry about the impact their increased focus may have on the nonprofit community – not only might it strain relationships with organizations that no longer fit into the foundation’s priority areas, but it also might weaken the community by reducing key support for issues that fall outside the foundation’s new focused scope. This concern hits at a core question many community foundations seem to have regarding their identity and mission. How much of a foundation’s role, reputation, and responsibility rests on it serving all causes and needs in the community (seen by many as what it means to be a “true” community foundation), and how much freedom does it have to use knowledge and resources strategically to create significant, focused change?



# Donor Support & Foundation Leadership in a Single Organization: Finding Synergy

## Benefits

The previous sections treat donor support and foundation leadership activities as relatively separate. However, many of the foundations we spoke with emphasize not only the value of doing both for their own sake, but the significant synergies that can exist when both are conducted within a single organization. The majority see donor support and foundation leadership not as “either or,” but as “both and.”

With regards to foundation leadership enhancing donor support, many foundation leaders believe their work on foundation-led priorities enables them to attract new donors by raising public awareness of the foundation and showcasing its community knowledge and expertise. In addition, several foundation leaders say that leading on



### RESPONDING TOGETHER

When one foundation we spoke with decided to begin devoting a greater percentage of its limited discretionary resources towards a small list of foundation-led priorities, they worried what this would mean for the community needs that no longer fell within the foundation's areas of focus. Seizing on interest from donors, the foundation created a collaborative grantmaking program overseen by a committee of fundholders and staff to make awards based on an RFP and competitive application process, with two cycles per year. The foundation contributes a small amount of funding from its discretionary resources, and the remainder is raised from fundholders. Awards typically range in size from \$10,000 - \$50,000. The committee plays a central role in selecting grantees and determining the focus of the program each cycle, which might be broad or focused on a specific issue or population. The foundation sees this as a key way to continue supporting organizations that fall outside its foundation-led priorities, as well as to engage donors to work and learn together about pressing community needs.

key priorities results in better support for donors, given the deeper content expertise and relationships that the foundation can use to support donor-led interests. In turn, many foundations believe donor engagement has the potential to strengthen foundation leadership and amplify impact for the community by bringing together more attention, energy, perspectives, connections, and resources.

**The opportunities for synergy are many, including:**

#### Flexible revenue

If better supporting donors leads to increased fee revenue, this revenue can add to the discretionary funding that foundations have available to support their leadership work. Well-structured DAFs can be the revenue engine that supports program staff salaries behind leadership work. Moreover, many foundations believe donors who feel well-supported are likely to develop a strong loyalty and affinity towards the foundation, thus being more likely to leave a bequest and to support annual fundraising initiatives such as civic leadership funds.

#### Leverage for foundation leadership

If donors can be educated in and become interested in the foundation's priorities, this has the potential to significantly increase the funding available for these initiatives and issues. Many foundations express an interest in co-investment opportunities, where both the foundation and its donors contribute funding to support an organization or project.

#### Leverage for donor leadership

Openness to donor-led activities can result in new projects funded by donors and by the foundation. Several foundations describe instances of a donor approaching them with an idea and the willingness to contribute capital to a project, and the foundation choosing to piggyback on the donor initiative. With the foundation's community knowledge and network, together the foundation and donor were able to create something new that served the community and often attracted additional donors.

## Co-creation

Some foundations have taken their collaboration with donors beyond simply enlisting donor support for foundation-identified priorities or providing foundation support for donor-identified interests, and into the realm of co-creation. Several foundation leaders emphasize the value of engaging donors in creating and advancing initiatives at the start, harnessing the value they bring to the table beyond simply funding. Some foundations are in the early stages of exploring these opportunities, while others have had significant success. We will share examples later in this report to delve deeper into some of the models.

## Diverse ideas

As the concept of co-creation suggests, donors bring much more to the table than funding. Their diverse experiences and wide range of networks, often markedly different from those of foundation staff, can bring new ideas, connections, and perspectives that enhance the quality of the foundation's work and the potential for impact.

## An educated, engaged and inspired community

Bringing donors together with other foundation constituencies around shared interests helps facilitate connections between donors, foundation staff, nonprofits, and residents that can lead to relationships and impact far beyond what the foundation can lead directly. In addition, shared spaces for dialogue and learning have the potential to engage and inform donors well beyond the funding that flows through the foundation.

As foundations experiment more in this space, new language and mental models are emerging along a broad spectrum of activities. For many foundations, it is not a matter of choosing a place on the spectrum, but rather of developing the capacity to work along this spectrum as different moments, opportunities, and issues require. While foundations are using terminology in different ways, below are some of the terms we heard most often as leaders spoke of their work.

## Barriers

While the majority of foundations report they see value in providing both donor support and foundation leadership, and recognize the many opportunities for synergy, there is often a gulf between interest and execution.

### Foundations cite these key challenges:

1. Internal culture and staffing
2. Fear of alienating donors
3. Fear of attracting too much donor interest

Below we explore these barriers as well as advice from foundation leaders who have tackled them.

### Barrier #1: Culture and staffing

One issue raised by almost all foundations interviewed is around internal culture and staffing structure. Leaders describe both a cultural and structural divide that often exists between donor services and community impact staff (often called “program,” “grantmaking,” and/or “community/civic leadership”). At a cultural level, this often comes down to conflicting interpretations of the “real” mission of the foundation, or the relative emphasis within a complex mission: donor services staff see donor support as the central objective; community impact staff see the foundation's community priorities as the heart of the organization's work. Relatedly, concerns that donors do not share the same values and priorities as the foundation can create cultural barriers to seeing donors as leaders.

This cultural divide is often reinforced by staffing structures that place responsibility for donor support with staff members in one department, and responsibility for foundation leadership with an entirely different department. Divisions are further reinforced when staff members have limited exposure to the work of their colleagues in other departments, creating less understanding of other departments' daily work, goals, and challenges, as well as fewer opportunities for sharing ideas and knowledge across functions.



## Advice and Opportunities

Sometimes tactical choices can create sufficient opportunities to connect across departments. Several foundation leaders share approaches for meeting structures where staff members from various departments and at all levels regularly meet to learn about each other's work. One foundation has nonprofits come in monthly to present their work, with staff from all departments joining the meeting. Others hold staff-wide retreats and various opportunities for coming together to share ideas and build connections across departments.

Many foundation leaders stress that meetings can only go so far in bridging departmental divides, and the key to internal collaboration is a strong organizational culture founded on **a clear internal understanding of and alignment around the foundation's priorities**, including an understanding of how each function serves and supports these priorities. Interviewees emphasize this must be explicitly articulated and supported from the very top of the organization. Most foundations that stress this viewpoint have steered toward creating a culture of donor service, even in foundations where community leadership is a key activity. Often this involves foundation leaders articulating the pivotal role donors (and the fees on their accounts) play in making the rest of the foundation's activities possible. However, one foundation leader emphasizes community impact as paramount, with donor support secondary to this primary objective. Regardless of the direction, the lesson appears consistent: clear and explicit priority-setting from the very top of the organization is crucial. Several foundations mention engaging a "culture change consultant" and undertaking a process to help create understanding and alignment throughout the organization.

Additionally, work to redefine the role of donors has been an important component of cultural change for some foundations. Narrow definitions of how donors create impact – limited to writing a check – and concerns about their values and motivations can create a culture that is not open to deep collaboration and partnership. Reinforcing an **organization-wide view of donors as partners and leaders** has been an important element of the institutional culture at many of the foundations that have had the greatest success with bringing donor and foundation leadership together. Sometimes this means developing a

broader definition of the word "donor" to include other private foundations, corporations, and the public sector.

In addition to trying to tackle culture head on, **examining and revising staffing structures** can be a powerful tool in closing the divide between donor support and foundation leadership work. While many foundations retain fairly traditional structures with dedicated and separate donor services and community impact teams, some have always had or recently shifted to having cross-functional structures. One relatively small foundation has a structure whereby everyone in the foundation – regardless of their primary function – has a portfolio of donors based on donor interests. Another foundation of 60 staff, almost three times the size of the previously-mentioned foundation, employs a similar model where everyone maintains responsibility for donor relationships. Other foundations have not gone as far as this complete restructuring, but have created formal systems such as holding monthly foundation-wide meetings to watch presentations by nonprofits, and making community impact staff explicitly responsible for donor meetings when donor services staff suggest that it would be helpful.



### EDUCATING AND ADVISING DONORS

When a donor approached one foundation with an interest in doing something education-related, the foundation pitched the idea of creating a scholarship program focused on adult learners – an area of need and leverage the foundation had identified through its work in the community. The foundation President explained that they did not try to force the idea, but simply asked the donor, "Can we give you something to think about?" They then supported the pitch with data showing the importance and potential impact. Ultimately, the donor decided to create the program.

Relatedly, several foundation leaders emphasize the **importance of intentional hiring**. Regardless of the priorities and staffing model selected, it is important to hire staff who understand and support the values and priorities of the foundation. One foundation, for instance, only hires people with a professional background in highly

collaborative work, since joint foundation-donor initiatives are central to the foundation's approach to impact.

### Barrier #2: Fear of alienating donors

A significant fear among foundations that have begun to engage in foundation leadership activities is that this will alienate donors, particularly if donors are asked to support foundation-driven priorities. There is concern that donors will resent any perceived pressure to give to foundation priorities, and that making these asks can interfere with the ability to build strong, trusting relationships.

#### Advice and Opportunities

All the foundations that have succeeded in engaging donors in the leadership work of the foundation stress the **fundamental importance of knowing its donors**. Many accomplish this in three key ways.

1. Deep relationships they have developed with donors.
2. A staffing model that distributes donor relationships across staff, including those who are doing foundation leadership work.
3. Technology platforms that extend the staff's capacity to let them track donor interests.

Several foundation leaders who have developed fairly robust co-investment and co-creation programs explain that knowing their donors' interests has allowed them to approach donors without risk of offending anyone because opportunities can be specifically targeted. One foundation leader notes he feels there is no risk of resentment in approaching donors about co-investment and co-creation because there is a strong relationship already in place.

Other foundation leaders share **approaches for identifying donors who might be open to collaboration**. For instance, one leader observes that holders of first generation money tend to want to control their giving, whereas subsequent generations are often more open to foundation guidance and advice.

Another leader shares a system the foundation recently developed for segmenting donors not just by fund size, but by level of current (and potential) engagement with foundation priorities. The foundation recognizes that many donors fall along a spectrum, with one end being largely self-sufficient and the other end being interested in supporting and co-creating initiatives with the foundation.

The foundation segments its donors according to both fund size (on the vertical axis) and engagement (on the horizontal axis), and develops unique strategies for donors falling into each of the resulting segments. These strategies are designed to support donors in their current position, and, where the foundation thinks there is potential, move them toward larger fund sizes and/or greater partnership.



### NEW CAPITAL FOR CHANGE

One foundation describes its initiative to establish several impact investing pools that leverage a small amount of foundation discretionary resources and a much larger amount of DAF capital. Recognizing the increased interest among its donors and prospective donors in the growing field of impact investing, the absence of platforms for local, place-based impact investments, and the opportunity to amplify impact through market-based approaches, the foundation held focus groups and meetings with its DAF holders to gauge interest. It successfully raised \$3 million from existing donors for the two pools, which are aligned with the foundation's strategic priorities, and plan to use the funds to attract new resources to the foundation.

### Barrier #3: Fear of attracting too much donor interest

While many foundations worry about alienating donors by asking for their support of foundation priorities, others worry about being *too* successful in attracting interest. They fear they will open the foundation up to more requests for partnership than capacity allows, or to too much unwanted advice or requests that conflict with or distract from its priority values and interests. One foundation leader also talks about the risk of opening up the foundation to critiques of "unfairness" if it responds to some donor requests and not others.

#### Advice and Opportunities

With regards to the fear of relinquishing too much control and managing unwanted advice from donors, the foundations that have had success with co-investment and co-creation programs stress that this has not been a



## FACILITATING COLLECTIVE IMPACT

### Leverage across sectors

One foundation we interviewed has created an innovative environmental sustainability program to support nonprofits, funded primarily by external partners and donors. As of 2014, the program had benefited almost 150 nonprofits, helping them reduce their environmental impact while also lowering bottom line operating expenses in order to leave more funding available for programming. The program is advised by an Advisory Committee that includes nonprofits, donors, foundations, community development corporations, real estate experts, and academics. The program has now been replicated in two other states.

### Pooling resources

Another foundation described a recent community revitalization project costing \$63 million, of which only \$500,000 had been provided by the foundation. By partnering with fundholders, other funders, and government, the foundation was able to shepherd a significant project that would never have been possible with its discretionary resources alone.

### Co-creation

One foundation explained its process for creating new initiatives, each of which involves donors, other funders, and board members from the start. Every initiative has its own Advisory Board that includes donors and others, with each initiative operating almost like an independent organization where Advisory Boards co-hire the staff to support the initiative alongside the foundation. One specific example is their neighborhood development work. A staff member came up with the general idea, and then convened neighborhood leaders, bank partners, private sector entities, and donors to evaluate and define the opportunity further. Ultimately, the foundation contributed \$750,000 to the resulting initiative, with an additional \$900 million of external funding (including public funding).

Another foundation we spoke with has no discretionary resources whatsoever, and has relied on a robust co-creation strategy to support their role as community leaders. Working jointly with donors, they have created several Community Impact Funds over the past several years. A group of donors comes together around a shared interest and, with the staffing support of the foundation, develops a grantmaking agenda for the funds. The structure of the Community Impact Funds all vary from one another and it remains a highly experimental space for the foundation. In one case, a few large donors drive the initiative with the support of additional smaller donors; in other cases there isn't an actual pooled fund but rather a peer network in which donors make their own grantmaking decisions but with the support of one another and the foundation to map the space and share ideas. In all cases, the donors – who are both individuals and other private foundations – not only contribute the grantmaking dollars, but also cover two-thirds of the operating expenses the foundation incurs for staffing the Funds. The foundation leaders stress that everything – in the Community Impact Funds and beyond – is not driven by staff, but rather informed and evaluated by the donor participants.

### Donor challenge

Finally, one foundation leader spoke of an initiative prompted by a donor in response to an international disaster. Working in partnership with the founding donor, the foundation provided staff support for the project, issued a challenge grant that more than tripled the amount of funds offered by the donor, and engaged additional donors and local diaspora residents to oversee a five-year fund to support relief efforts and long-term capacity-building. This initiative introduced the foundation to a growing immigrant community within its geography and established long-term credibility and relationships.



significant issue. **Knowing its donors and approaching them in targeted ways allows a foundation to retain a fair amount of control** over who becomes involved in projects and approach only those who the foundation thinks will contribute most productively. Additionally, several foundation leaders note that most donors do not have odd or demanding perspectives like many people fear. One foundation leader describes a responsive grantmaking program that is guided by a committee of 8-12 fundholders, and emphasizes that generally these donors make thoughtful and terrific decisions – certainly not “kooky” ones like many people expect. Several foundations emphasize that donors can bring valuable new insights and perspectives. As one foundation leader notes, “We have as much to learn from donors as they do from us. They’re smart people, and they’ve done a lot.”

**Donor participation can be managed in strategic and effective ways**, so that strong feelings are channeled into a productive process rather than being allowed to dominate the direction of the initiative. For instance, one foundation’s approach to creating new initiatives begins with a “discovery process” that involves bringing multiple fundholders, private funders, community leaders, civic partners, and experts to the table together to explore the issue and develop an agenda and framework. Because there are multiple donors involved as well as numerous other people with unique expertise, no one donor is able to exert outside influence on the direction of the initiative. Furthermore, this exploratory work is typically funded by the foundation’s discretionary dollars and/or an annual operating budget that is raised from a broad community of donors, so no single donor feels ownership over the process. However, donor involvement in co-creation at early stages creates a sense of engagement and buy-in that typically leads to funding support for the project down the road.

Most community foundations with significant experience engaging donors in co-creation dismiss the concern about managing donor input. However, the risk of opening the foundation to more interest and requests for partnership than it can manage is given more serious weight. Several foundations note that once they developed a reputation for

collaborative projects, people and organizations began bringing them new ideas and opportunities all the time – far beyond what they can reasonably undertake. As one leader notes, “The more we do, the more we get asked to do.”

A central part of this challenge is figuring out how to be strategic while also remaining open to new opportunities that arise along the way. One leader describes this as the challenge of being both “planful and opportunistic.” Another explains that his foundation has remained open to new ideas, but has **developed a firm set of principles that helps the foundation evaluate which opportunities to explore** while being able to articulate a consistent reason for saying “no.” These principles include an explicit plan for how the project will continue once launched, with the expectation that the foundation will play a critical role designing and incubating the initiative and hand it off to another entity or partnership for operation over the long term.



## ADDITIONAL ADVICE

### What other advice did we hear from foundation leaders?

- Every community is different, and you know better than anyone what is right for yours.
- There are many different ways to be a leader. To do this kind of work, you have to be willing to be a “servant leader” – the wind beneath other people’s wings, not always being the vocal lead on every project.
- We can do anything, but we can’t do everything.
- You need to have a very clear understanding of costs, and be clear about what you are willing to subsidize and what you are not – especially if you do not have a lot of unrestricted money.
- Understand your differentiator – what makes your foundation unique. For many community foundations, it is knowing their community better than anyone else, and being neutral change agents that can advocate for the community outside traditional political divides.
- Engaging donors is about inspiring and educating.



## THE ROLE OF ORGANIZATIONAL SCALE IN SUPPORTING SUCCESSFUL SYNERGIES

Small foundations may find it easier to achieve synergies than their larger counterparts, but several large foundation leaders describe creative approaches to overcoming the challenges of size.

### Realizing benefits for small foundations:

1. *Staffing structure and fluidity:* Small staff size allows a more fluid and cross-functional staffing structure where staff across departments can come together more easily to collaborate and share ideas, and even departmental lines are blurred or do not exist.
2. *Tracking donor interests:* A smaller number of donors and funds makes keeping track of donor interests simpler.
3. *The comfort of unrestricted assets:* The lack of unrestricted assets typical at smaller foundations catalyzes "forced creativity." To take on foundation leadership work, foundations must find ways to engage others around creating and funding shared priorities.

### Overcoming challenges for larger foundations:

1. *Staffing structure and fluidity:* One foundation with a staff of 60 has created a cross-functional staffing structure where relationships and responsibilities with donors are spread across all three Executive Vice Presidents – though not evenly – as are responsibilities for running the foundation's leadership initiatives. When asked whether this hybrid structure creates confusion, the President said that it does take a lot of coordination, and sometimes missteps happen. However, through intensive weekly meetings aimed at making sure they are all on the same page, the structure seems to work.
2. *Tracking donor interests:* When the number of donors and funds proliferates, many foundations have found that technology is key to helping track donor interests as well as helping facilitate

communication and connection with donors. One foundation describes an internal website that is accessible to all donors, which shares grantmaking opportunities (including proposals the foundation itself is unable to fund) and communicates about the foundation's leadership priorities.

3. *The comfort of unrestricted assets:* One of the greatest barriers to finding synergies exists when a foundation does not need to engage donors around shared priorities because it has sufficient unrestricted assets to "go it alone." Many foundations recognize significant benefits of bringing together foundation-led and donor-led activities beyond simply leveraging additional resources – but the reality is that financial need often forces creativity. Foundations with larger pools of unrestricted funds that have begun to explore greater donor synergies seem to have done so when they realize that their ambition – and the need – for impact is beyond the reach of their unrestricted funds. Making a change in this direction can be especially hard for a large organization, and interviewees stress the importance of a clear message and call to action from the top, sometimes accompanied by significant staffing structure changes like the cross-functional structure previously discussed. At least one large foundation we interviewed brought in a consultant specializing in culture change to help the foundation orchestrate a concerted shift over an 18-month period.

## Conclusion

As the Monitor Institute has begun to explore in its initiative, *What's Next for Community Philanthropy*, the community foundation field is at a crossroads. The philanthropic and nonprofit landscapes are changing, competition for donor support continues to intensify, technology offers new opportunities but also new threats, and the nature of the problems we seek to solve has evolved significantly as globalization and massive demographic shifts continue. In the midst of this change, how will community foundations respond? Who will lead the next wave of change?

Our interviews made clear that the question of how to balance and support both foundation-led and donor-led priorities plays a key role in imagining the community foundations of the future. Many foundations are creating new models that are not about choosing one over the other, or even about doing both well yet separately, but rather about grappling with the challenge and promise of bringing their foundation-led and donor-led work into closer collaboration and synergy. Some talk about becoming the “philanthropy hub” of their communities, both leading and inspiring the charge, responding to immense donor energy and interest, and forging new connections that could take philanthropy to a new level of impact.

Many questions remain about what exactly this new model looks like, whether it truly is a new paradigm, and how community foundations can move toward it. As we spoke with foundation leaders, many expressed an interest in coming together with other leaders to discuss

these questions further, share case studies, and explore the tactical actions and tools around communication, staff and board buy-in, structure, measurement, and

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project creation needed to do this work successfully. We hope this report is a jumping off point for continued discussion, exploration, and learning together.



# Appendix

## Foundations interviewed:

Baltimore Community Foundation  
The Boston Foundation  
California Community Foundation  
Central Indiana Community Foundation  
The Chicago Community Trust & Affiliates  
The Cleveland Foundation  
The Community Foundation for Greater Atlanta  
Community Foundation of Greater Des Moines  
The Community Foundation for Northeast Florida  
Foundation for the Carolinas  
Greater Houston Community Foundation  
Greater Kansas City Community Foundation  
Hawai'i Community Foundation  
Maine Community Foundation  
New Hampshire Charitable Foundation  
Rhode Island Foundation  
The Seattle Foundation  
Silicon Valley Community Foundation

## Other interviewees:

Deborah Ellwood, CFLeads  
Rebecca Graves, FSG  
Gabriel Kasper, Monitor Institute



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