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CHARACTERISTICS OF COMMUNITY FOUNDATIONS  
AT DIFFERENT AGES AND ASSET SIZES

by

Kathryn Ann Agard

A Dissertation  
Submitted to the  
Faculty of The Graduate College  
in partial fulfillment of the  
requirements for the  
Degree of Doctor of Education  
Department of Educational Leadership

Western Michigan University  
Kalamazoo, Michigan  
December 1992

# CHARACTERISTICS OF COMMUNITY FOUNDATIONS AT DIFFERENT AGES AND ASSET SIZES

Kathryn Ann Agard, Ed.D.

Western Michigan University, 1992

This dissertation identifies a growth pattern for community foundations. The study is based on a comparative review of 89 community foundations selected on a stratified random sample basis from the membership of the Council on Foundations. Changes in the administrative, social, strategic, and technical systems were studied. Measurements were taken on 35 indicators and analyzed through descriptive and correlational statistics.

The findings of this study indicate that there is a pattern to the change in each of the administrative, social, strategic, and technical systems in the foundations studied. The pattern of change is correlated to the two independent variables of age and growth in assets of the community foundations. Of the two independent variables, asset level was found to be a more significant predictor of change than age.

The two independent variables, age and asset size, were also correlated as were age, asset size, and the size of the population of the community foundation's service area. Older foundations appear to be larger and serve large communities.

In addition, there are several core community foundation functions which are not affected by age or asset size. No change was

found based on the independent variables studied in the basic types of funds managed by a community foundation, the number of times the board of trustees meet, and the number of times grants are made.

The dissertation presents a model of the characteristics of community foundations at different ages and asset sizes. This model is used to develop a self-assessment checklist which will be useful to current efforts to develop standards and certification criteria, to design technical assistance interventions, and to assist leaders in further understanding the similarities and differences between community foundations and other types of organizations.



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Kathryn Ann Agard

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## CHAPTER I

### INTRODUCTION

Do community foundations follow a predictable series of steps as they grow? During a conversation between a Council of Michigan Foundations staff member and a part-time administrative secretary of a community foundation rapidly reaching \$5 million in assets, the secretary commented that the foundation is outgrowing both her skills and the time she can commit to the job. The foundation faces a personnel crisis because of success.

An overworked executive director of a community foundation reaching \$10 million in assets asked the Council of Michigan Foundations at what point a community foundation "normally" adds a second staff person. The board of trustees wanted to compare their staffing with community foundations of similar size. What's the organizational standard?

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

In private interviews prior to the National Council on Foundations Community Foundation Fall Conference in 1990, researchers

asked participants their views on the future of the field. Questions asked were: Should we have standards? What is the mission of a community foundation? What about organizations too small to be viable? Can we control the growth? Should we?

Nationwide community foundation leaders search for a standard of practice that assures quality during a period of rapid growth in the number and size of community foundations (Magat, 1989b). In that search, the foundations need to develop an understanding and appreciation for differences in their operations and character which are related to age, size, and type of community served. Guidelines must be developed for judging the appropriateness of organizational operations and tasks at various stages of growth. There is a need for a model of the characteristics of community foundations as they grow.

Community foundations are a specific form of public charity which require further definition. Community foundations are only briefly described in the Internal Revenue Service Regulations (Hoyt, 1991). No national definition has been accepted by professionals in the field. The Committee on Community Foundations of the Council on Foundations in December of 1991 decided to begin to develop a definition for the field.

The Council of Michigan Foundations (1991) developed a lengthy definition for use by its Membership Committee. Scanlan and Scanlan (1988), in A Lexicon for Community Foundations, stated briefly:

A community foundation is a publicly supported philanthropic institution governed by a board of private citizens chosen to be representative of the public interest

and for their knowledge of the community. It administers individual funds contributed or bequeathed to it by individuals, other agencies, governments, corporations, and other sources. Community foundations uniquely serve three publics: donors, the nonprofit sector, and the community as a whole. (p. 3)

### Statement of the Problem

What are the characteristics of community foundations at different ages and sizes? Do community foundations grow in predictable patterns?

Community foundation professionals need a model delineating the characteristics of the successful community foundation organization at each stage in its development. Until a working model describing the characteristics of community foundations at various stages of growth is developed, each community foundation policy maker, leader, and consultant will be limited to his or her own experience in guiding the foundation's growth. Variations in practice due to size and/or age may be viewed as "problems" rather than natural growth stages.

These defined growth characteristics are needed for three reasons:

1. There is a call for the development of national standards and possible certification. These standards may be written by mature, organizationally complex community foundations serving metropolitan areas which appear to be very different from small and new organizations serving towns and rural areas.

2. There is enormous, continuing growth in the number and size of community foundations with a related increase in calls for technical assistance.

3. Community foundations are unique organizations which may or may not follow the developmental patterns of other organizations. The standard body of organizational knowledge cannot be applied to community foundations without some reflection. These three forces raise questions about the characteristics of community foundations at different ages and sizes.

Differences in organizations of various ages and sizes have been studied by organizational researchers as part of a "life cycle" theory.

An organizational life cycle model is a biological analogy comparing the development of an organization to animal development including birth, growth, maturity, decline, and death. The analogy also includes the concept of an optimal size based on the tasks to be accomplished (Haire, 1965). The life cycle model described by Greiner in a Harvard Business Review article in 1972 provides a substantial part of the theory used as a basis for this research. Defining and exploring the organizational life cycle theory is covered in Chapter II.

If community foundation growth and maturity follow a pattern similar to the experiences of business and government, insight into appropriate standards, technical assistance efforts, and lessons learned by other organizations can assist the community foundation field during this period of rapid growth.

## Background of the Problem

### Proposed Development of Standards and Certification

Community foundations grow independently without any formal written guidelines. Though they are defined broadly in United States Treasury Regulations, Section 170(b)(1)(A) and (B) (cited in Hoyt, 1991; Tarnacki, 1989), no specific definition, standard organizational structures, operating procedures, personnel systems, or other codified rules exist.

The Handbook for Community Foundations (Struckhoff, 1977), the primary resource for community foundations, is out of print. While the Handbook provides guidance based on Struckhoff's considerable experience, it has not resulted in a complete or unified theory for the profession.

A Lexicon for Community Foundations (Scanlan & Scanlan, 1988) makes a step toward a unified body of practice. The Lexicon provides definitions for commonly used terms. Other steps toward uniformity include the review of all financial systems with a fledgling attempt to move the foundations to a standard functional accounting system (Stevens, 1989); a movement toward the common coding and cross referencing of grants (Foundation Center, 1990); a self-study assessment tool for professional development, the Community Foundation Competency Guide (Council on Foundations, 1988); and lobbying for a national "Common Fund" (H.R. 1733 and S588, Common Investment Fund for Private and Community Foundations, U.S. House of Representatives, 1991), to provide for a joint nationwide investment pool.

Several recent publications developed by the Council on Foundations enrich the discussion about community foundation practice and begin to develop common themes and mythology. In 1989, community foundation leaders called for a discussion of the development of standards for community foundations and possible nationwide certification (Minter, 1989). This process began with a discussion about the development of a national definition of a community foundation.

At least three broad concerns generated this call for standardization: (1) potential abuse, (2) organizational mimics, and (3) public support.

#### Potential Abuse

Community foundation leaders concerned about potential abuses believe the field should be self-regulating (Minter, 1989). Other charitable organizations, such as Planned Parenthood Federation of America, the Boy Scouts, and the Girl Scouts, have standard operating procedures and guidelines which form a base of practice nationwide: a floor of competency.

As financial institutions with trustee responsibility for millions of dollars, advocates for standards argue community foundations should consider requiring minimum guidelines for their operations. Such minimum guidelines would benefit all of the community foundations and would provide donor security. Although no scandalous behavior has occurred, the potential exists and they argue prevention is preferable to treatment.



Community foundations perform many highly technical tasks which provide an opportunity for error or abuse (Council on Foundations, 1988): (a) asset management, (b) donor service, (c) grant-making, (d) community leadership, (e) collaboration, and (f) management functions.

There is also concern about Congressional oversight (Magat, 1989b; Roisman, 1982; Struckhoff, 1977). Advocates for standards believe a certification process would assure quality implementation of these functions and preempt Congressional regulation.

Asset Management. The first area of potential abuse or error is in the management of assets. The management of permanent endowments of substantial size requires a working understanding of the principles and legal requirements involved in the fields of banking, accounting, estate planning, and securities management. For example, community foundations place funds in permanent endowments and use the interest in a manner similar to the trust functions of banks. Conversations with donors require an understanding of the ramifications of capital gains, estate, business, and personal tax policy related to charitable contributions of highly appreciated assets, cash, securities, and personal property.

Similarly, charitably inclined donors discuss with community foundations financial vehicles for estate planning including bequests, charitable remainder and charitable lead trusts, life estates, and pooled income funds. Appropriate use of the community foundation for economic development, scholarships, donor advisor

funds, donor depositories, and special community projects requires a careful understanding of Treasury Department rulings.

Donor Service. A second area for potential abuse is service to donors. Service to donors requires an understanding of the various types of funds that can be managed: unrestricted, restricted, donor advisor, agency endowment, named funds, scholarship, special projects, field-of-interest, pooled income funds, unitrusts, and annuities, to review the most common. Donors often state a variety of expectations related to their gifts. For example, a donor might designate half of a gift for the local hospital, one-quarter of the gift for the unrestricted fund, and one-quarter of the gift as a donor advisor fund.

Some of Michigan's community foundations manage in excess of 100 of these funds. At the national level, the New York Community Trust managed almost 1,000 in 1989. Managing the multiple fiduciary responsibilities to so many donors in perpetuity can become complicated, yet this function is one of the primary roles of a community foundation.

Grantmaking. Grantmaking is a third area where abuse might occur. Grantmaking requires an understanding of the Treasury Department Revenue Rulings and the establishment of policies and procedures. The host of issues involved include developing requests for proposals, focusing grantmaking, implementing various levels of evaluation, designing and implementing the grant application process, setting standards for grant decisions, and the use of

consultants and advisory panels.

Evaluation of programs funded by grants can range from minimum oversight to sophisticated, longitudinal studies measuring the outcome. Special programs such as scholarships (which are treated more carefully because they provide funds to individuals) demand intensive staff time and management. When community foundations develop multiple grant cycles, making grants three to four times per year, and when grants cover several years or require matching funds, such as a challenge grant, the management of the grantmaking becomes complex.

Leadership. Leadership is a fourth major area of community foundation functions where abuse may occur. Community leadership requires vision, skill in negotiation, problem-solving, and a broad understanding of community issues. Because community foundations make grants in a wide variety of areas--the arts, education, the environment, community development, health, human services, and scholarships--the managers need a working knowledge of the issues involved in each area and their interaction. For example, attempts to assist the academic achievement of children living in poverty quickly raises issues of teen parenting, substance abuse, economic development, housing deterioration, school reform and financing, public welfare policy, and even lead paint concerns.

Often these interlocking needs demand service by competing and underfunded private and public agencies. The wise community foundation manager can lead cooperative ventures to solve complex problems

through the funding of programs and the collaboration of resources on many aspects of a problem at once. In the same manner, leadership opportunities can be wasted and community issues can be exacerbated rather than solved without skilled leadership.

Collaboration. A fifth area with the potential for negative consequences from abuse is the collaborative efforts with national funders. The opportunity to work with national funders (large private foundations and government) requires the ability to assess local needs and opportunities and to translate these appropriately. For example, the Charles Stewart Mott Foundation works with community foundations as the implementation vehicle for neighborhood development. The W. K. Kellogg Foundation funds Michigan community foundations as an implementation vehicle for localized youth programs. The Rockefeller Foundation works with selected metropolitan community foundations as advocates for children.

Similarly, the National Endowment for the Arts and the Department of Health and Human Services have funded special projects in collaboration with community foundations. Poorly executed collaborations could jeopardize these relationships and waste valuable resources.

Management. A sixth potential area for abuse exists in all of the staff functions of the organization. These support functions continue similar to the general management issues of all organizations: good personnel policy and practice, public relations, purchasing, the management of information, finance, board relations,

and governance. Each of these functional and management areas provides an opportunity for abuse or error that could reflect on all community foundations.

Potential Congressional Oversight. Finally, professionals in community foundations observed the stringent measures taken by Congress when they reacted to the abuses and errors in a small number of private foundations. In 1969, Congressional concern led to requirements that private foundations pay a 4% excise tax on their endowments (which has since been reduced to 2% and, in some cases, 1%) that a minimum of at least 5% of the endowment be paid in grants annually, and that restrictions be placed on administrative costs, gifts to individuals, and political activities (Hopkins, 1987; Tarnacki, 1989).

The community foundation leaders continue to believe that the technical nature of the field invites intended or unintended error or abuse. They fear that the lack of formal training for the boards and staff (particularly in emerging community foundations) exacerbates the potential for error. They express concern that legislation will be imposed to regulate foundations if members of Congress perceive a need for oversight and control. Standardization and certification would be a self-regulating mechanism to head-off outside regulation.

The six areas: asset management, donor service, grantmaking, leadership, collaboration, and management are places where there is potential for abuse. There is also concern about Congressional

oversight as a reaction to any potential abuse. This potential for abuse is the first reason for a call for standards and certification.

### Organizational Mimics

A second major reason for the call for standards and certification is the growth and popularity of the community foundation vehicle. This growth encourages other public charities to use the name without the mission and traditional characteristics developed by the community foundations in their 75-year history. In Michigan, there are several such organizations which: (a) do not build endowment, (b) have a narrow grantmaking interest, and (c) do not serve a specific geographic area. Yet they call themselves community foundations. An environmental action group simply wanted to add the title community foundation to its name in order to "become" a community foundation.

The number of community foundations continues to grow rapidly in the 1990s (Magat, 1989b). As community foundations gain in popularity, other organizations sometimes adopt the name without knowing that they do not have the substance. Public charities find both financial and psychological incentives to add the phrase "community foundation" to their name.

Financial Incentives. Special project funds provided by private foundations, government, and corporations offer financial incentives to community foundations. As previously described, the

major national private foundations support community foundations through grants. The Ford Foundation, the Lilly Endowment, the W. K. Kellogg Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the Rockefeller Foundation, the Gannett Foundation, and other major national and local private foundations all have funded community foundation development and special projects. The private funders trust the integrity of community foundations to translate their initiatives to local conditions. Community foundations bring new sources of funds to their communities through these partnerships.

Government also shows an interest in working through community foundations. For example, \$3 million of Exxon over-charge fines were returned to the people of the state of Michigan through the local community foundations. The foundations raised a matching \$3 million and gave grants to local nonprofit organizations for energy saving audits and projects such as studies of the energy efficiency of buildings.

Corporations develop relationships with community foundations. For example, in Michigan, the Consumers Power Company matches gifts to community foundations from Consumers' employees. Other corporations set up advised funds within the community foundation in order to achieve their specific corporate giving objectives and to stabilize their giving across the peaks and valleys of the business cycle. These financial incentives attract other public charities seeking funds.

In December of 1988, the state of Michigan also approved a tax credit for community foundations (Senate Bill 299 and Senate Bill 300 sponsored by Virgil Clark Smith, Christopher D. Dingell, Nick Smith, Jack Welborn, Debbie Stabenow, Fred Dillingham, Dick Posthumus, and Joe Conroy). This credit intensifies the need for a clear definition of a community foundation. The credit transfers funds from state operations to permanent endowments in communities and stimulates private giving for community needs.

The Michigan State Department of Treasury has reported that several organizations, including United Ways and arms of city government, had applied to be certified.

There is no clear definition under state law as to what constitutes a "community foundation" or a "community trust." The only state that has squarely addressed the issue is Michigan, which enacted a tax credit for contributors to a community foundation.

There is not much further guidance from federal tax laws. Although the Internal Revenue Code makes several references to a "community chest, fund or foundation" it never describes what constitutes such an organization. (Hoyt, 1991, p. 1)

For the first time, a direct and distinct benefit accrues to public charities known as community foundations. The law requires organizations that receive the credit to be certified by the Michigan Department of Treasury. Several organizations which do not operate as community foundations, but use the name, applied for certification. This problem motivated the Council of Michigan Foundations to examine its criteria for community foundation membership, and to clarify and characterize activities exhibited by community



foundations eligible for membership in the Council.

The State Department of Treasury encouraged this attempt to define community foundations, noting their difficulty in distinguishing a generic public charity from a community foundation during the early stages of development (Karcis, 1989). New community foundations must build endowed assets through fund-raising which appears similar to other public charities. They do not yet have endowed assets to prove their endowment commitment, and they have no funds to demonstrate their grant-making orientation.

National leaders expressed concern that the process of state certification involved the government in developing a definition of a community foundation, before the community foundations even have agreed upon a definition. As organizations applied, received denials, and worked through the Department of Treasury appellate process, precedents developed regarding the characteristics of community foundations. The process results in at least one state government defining these organizations. The government, potentially under political pressure, might include organizations in this definition that philanthropies would not normally accept as community foundations.

While the Council of Michigan Foundations' working definition helps in this area, defining the characteristics of community foundations at various life cycle stages would assist the process of distinguishing community foundations from other public charities at all stages.

For example, the definition of a community foundation is of an organization which manages an endowment. In order to demonstrate that it is managing an endowment, the organization must have one. In the early years, both community foundations and other public charities are raising funds. Neither demonstrates the defining characteristic of managing endowment.

The same is true for grantmaking. The community foundation must have an endowment for a time substantial enough to generate income in order to make grants. Determining characteristics of the community foundation and its subsystems at various ages and sizes, such as endowment management or grantmaking, could show the point in age and/or size or time of operation when a community foundation becomes distinguishable from other public charities based on measurable behaviors rather than just intent.

Such a model will assist the State Department of Treasury and reassure the community foundation field that only organizations operating as community foundations will be certified as community foundations.

Psychological Incentives. In addition, a psychological reason may exist for public charities to use the name community foundation. Community organizations that raise funds appear to like the connotation of the word foundation. Thus, schools, nonprofit organizations, and hospitals establish fund-raising efforts that use the name foundation to appeal to donors. Their organizations are not usually endowment-based and do not engage in broad-based

grantmaking. Furthermore, they usually support a specific public charity. Without a copyright, the phrase community foundation can be attached to any charitable organization.

The term community foundation may provide credibility to the public charity which wants to raise funds for community projects. Municipalities often use the term to raise funds for city projects, such as new baseball fields. But these organizations function differently than community foundations and do not possess the characteristics normally exhibited by such organizations.

Private foundations and governments use the term community foundation in a specific not generic sense when looking for local partners. These efforts require that an organization named a community foundation truly functions as one. Such distinctions demand clarification of the characteristics of a community foundation at various ages and sizes.

In summary, the second major reason for the call for standards and certification is the development of organizational mimics, which find financial incentives, such as special funds and the tax credit, and psychological incentives to use the name without the substance.

### Public Support

The third reason for the consideration of standards and certification is the continuing threat of failing the public support test. In the Tax Reform Act of 1969, the government subcategorized the universe of nonprofit organizations, 501(c)(3)s. Five categories of 501(c)(3) organizations were identified. Because the

concern at the time was the private foundations, they were first carefully defined and restrictions were placed on their operations. Hopkins (1987) wrote "Prior to enactment of the Tax Reform Act of 1969, there was no statutory definition of the term 'private foundation'" (p. 436).

Figure 1 shows this first major classification of nonprofit organizations. Private foundations, while 501(c)(3) organizations, are defined by the Internal Revenue Service and are separated from other 501(c)(3) organizations. In fact, the standard letter determining public charity status for nonprofit organizations received from the Internal Revenue Service explicitly states the organization is defined as "not a private foundation."

Private Foundations	Not Private Foundations
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Figure 1. 501(c)(3) Organizations/Private Foundations and Other Nonprofit Organizations.

Source: Information for this figure taken from Establishing a Charitable Foundation in Michigan (2nd ed.) by D. L. Tarnacki, 1989, Grand Haven, MI: Council of Michigan Foundations; Legal Compendium for Community Foundations by C. R. Hoyt, 1991, Washington, DC: Council on Foundations; U.S. Department of Treasury Revenue Ruling: Section 509(a).

The government then stated that some organizations can be readily identified as worthy of tax exemption, and donations should qualify for a tax deduction since they serve the public good without profit. These organizations were named and included; for example,

hospitals, schools, and churches. Figure 2 shows this second categorization which carves out the named charities from the total universe of nonprofits which are not private foundations.

Private Foundations	Named Charities
Private Nonoperating	Churches
Private Passthrough	Education, etc.
Private Operating	509(a)(1)
Company Sponsored	Section 170(b)(1)(A)(i)-(v)

Figure 2. Named Charities/Other Nonprofit Organizations.

Source: Information for this figure taken from Establishing a Charitable Foundation in Michigan (2nd ed.) by D. L. Tarnacki, 1989, Grand Haven, MI: Council of Michigan Foundations; Legal Compendium for Community Foundations by C. R. Hoyt, 1991, Washington, DC: Council on Foundations.

After first defining a private foundation, and then naming specific public charities as eligible for tax deductible gifts and tax exemption, there were still a large number of nonprofit organizations. In order to assure that other nonprofits are not private foundations in disguise, the Internal Revenue Service (IRS) established a public support test for the third type of 501(c)(3) public charity.<sup>1</sup> (See Figure 3.)

Hoyt (1991) wrote:

Congress and the Treasury Department concluded that the abuses that may have existed with some private foundations

<sup>1</sup>Two other types of 501(c)(3) organizations, 509(a)(2) and 509(a)(3), are also defined in the IRS Treasury Regulations. They do not pertain to this discussion.

Private Foundations Private Nonoperating Private Passthrough Private Operating Company Sponsored	Named Charities Churches Education, etc. 509(a)(1) Section 170(b)(1)(A)(i)-(v)
	Publicly Supported Charities 509(a)(1) Section 170(b)(1)(A)(vi)
	Income from Admissions/Fees 509(a)(2)
	Supporting Organizations 509(a)(3)

Figure 3. 501(c)(3) Organizations/Publicly Supported Charities and Other Nonprofit Organizations.

Source: Information for this figure taken from Establishing a Charitable Foundation in Michigan (2nd ed.) by D. L. Tarnacki, 1989, Grand Haven, MI: Council of Michigan Foundations; Legal Compendium for Community Foundations by C. R. Hoyt, 1991, Washington, DC: Council on Foundations.

would be less likely to occur with public charities (including community foundations) because they were subject to more public scrutiny and were dependent on public support. (p. 11)

Briefly, the test states that on a rolling 5-year average, a nonprofit must receive one-third of its income each year from the general public with no more than 2% of the income to be counted as support coming from any single donor. If the organization fails the one-third test, it can fall back as far as having 10% of its income donated from the general public if other characteristics establish

that the organization is operating as a public charity. Below the level of 10%, however, the organization automatically becomes a private foundation (Edie, 1989). Community foundations are legally Section 509(a)(1) publicly supported charities, a legal status similar to other charitable organizations.

This test is not usually a problem for any other organization except a community foundation. Other nonprofits raise money from many donors and give it away. Since so much of the income to a community foundation comes from the endowment, rather than from the general public, "public support" is a continuing concern for many of these organizations. As the endowment grows and generates more income, the foundation must raise more money, which is then endowed, and generates more money, etc.

Unlike most public charities a primary objective of a community foundation is to become an endowed grantmaking organization. Ironically, the more successful a community foundation is at meeting this objective, the more likely that its investment income will threaten its public charity status. In this respect community foundations are unique among public charities. (Hoyt, 1991, p. 15)

With some of the older and larger community foundations managing assets of hundreds of millions of dollars, the public support problem takes on new importance. One solution would be a definition and certification process which would distinguish community foundations from the other nonprofits clearly enough to move them into the "named" category of 501(c)(3) and outside of the public support requirements such as those described in Figure 2.

A definition, however, which characterizes the large, mature, and often metropolitan community foundation for the purpose of

distinguishing it from other nonprofits may not represent the characteristics of less mature, small town, and rural community foundations with fewer assets. The latter often are simply less mature versions of the same organizations working in different environments.

A model which describes the characteristics of community foundations at various ages and sizes would go far to begin the process of defining community foundation organizations.

The third major reason, then, for a call for standards and certification is the need to identify community foundation characteristics in enough detail to move them into the named charity status.

#### Summary of the Call for Standards and Certification

In summary, the call for standards and certification rests on concern that emerging community foundations might make mistakes in the six major areas of their functions that would jeopardize the field and encourage Congressional oversight; that organizations which clearly do not function as community foundations will use the name and further undercut the profession because of the financial and psychological incentives to do so; and that public support is becoming a problem for some larger foundations.

If standards and criteria are developed, a model which identifies the attributes of community foundations at different ages and asset sizes will provide a developmentally oriented point of view to the discussion.



## Growth in Number and Size and the Need for Technical Assistance

The need for a model of growth comes not only from the call for standardization and certification, but also from the sheer dynamism of the field. Growing organizations, more new organizations, and the demands for technical assistance drive the need for a model.

### Organization Growth

Community foundations in the 1980s experienced unprecedented growth both in numbers and in asset size. Figure 4 depicts the growth of community foundation assets nationally from 1921 through 1987.

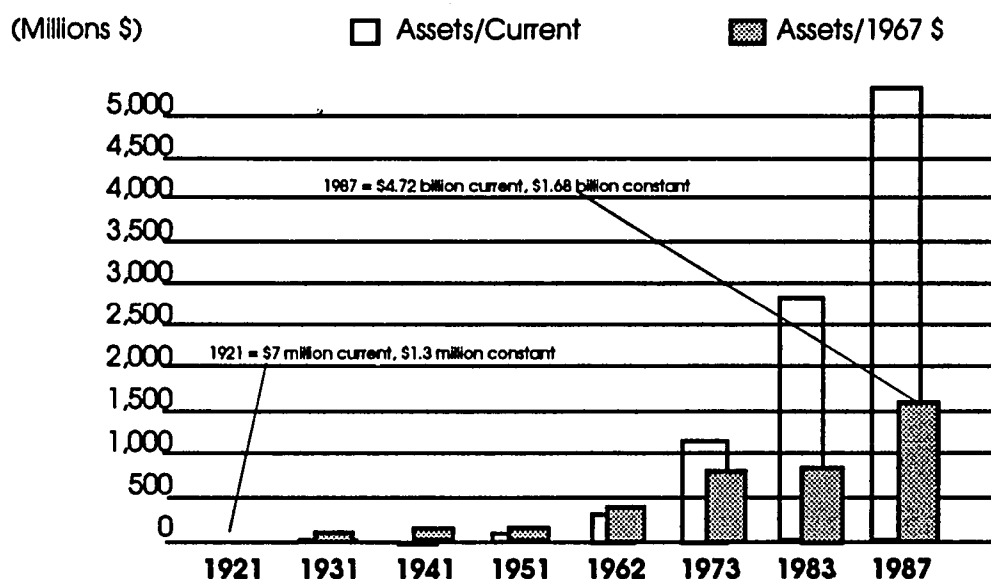


Figure 4. Growth in Community Foundation Assets: 1921-1987.

Source: From "Community Foundations: The Delicate Question of Purpose," by D. C. Hammack, in *An Agile Servant* (p. 40), by R. Magat, 1989, New York: Foundation Center. Reprinted with permission from the Council on Foundations, Washington, DC.

The graph (Figure 4) shows that the increase in assets in current dollars over the 66-year history of community foundations has been from a total of \$7 million in 1921 to a total of \$4.72 billion in 1987. If dollars are held constant at 1967 values, the assets have grown from \$1.3 million in 1921 to \$1.68 billion in 1987 (Magat, 1989). Total assets have become substantial.

Figure 5 focuses on asset growth from 1981 to 1987. In particular, assets have grown rapidly since 1981. Struckhoff (1991) attributed the rapid growth to the Tax Reform Act of 1969 which influenced many private foundations to terminate their assets into the community foundation, and a new strategy by community foundations to aggressively raise assets rather than to wait for bequests.

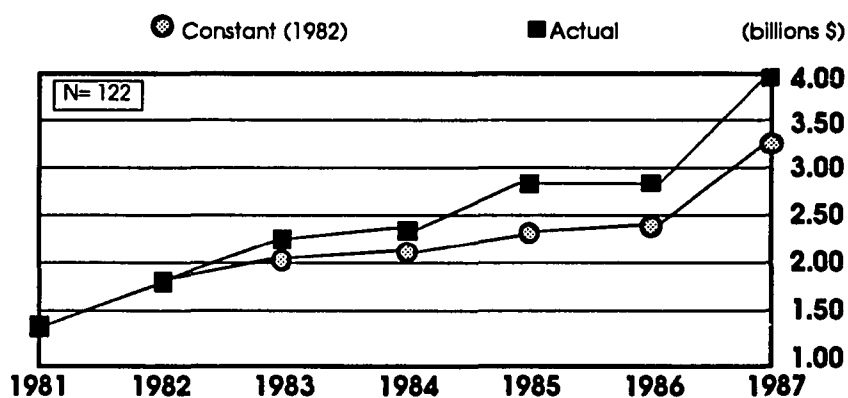


Figure 5. Community Foundation Assets Growth: 1981-1987.

Source: From "Community Foundations: The Delicate Question of Purpose," by D. C. Hammack, in *An Agile Servant* (p. 40), by R. Magat, 1989, New York: Foundation Center. Reprinted with permission from the Council on Foundations, Washington, DC.

Figure 6 charts the growth in the number of community foundations by decade in Michigan since 1920. This growth in number

occurred following the organization of the Council of Michigan Foundations (CMF) and after the 1969 Tax Act.

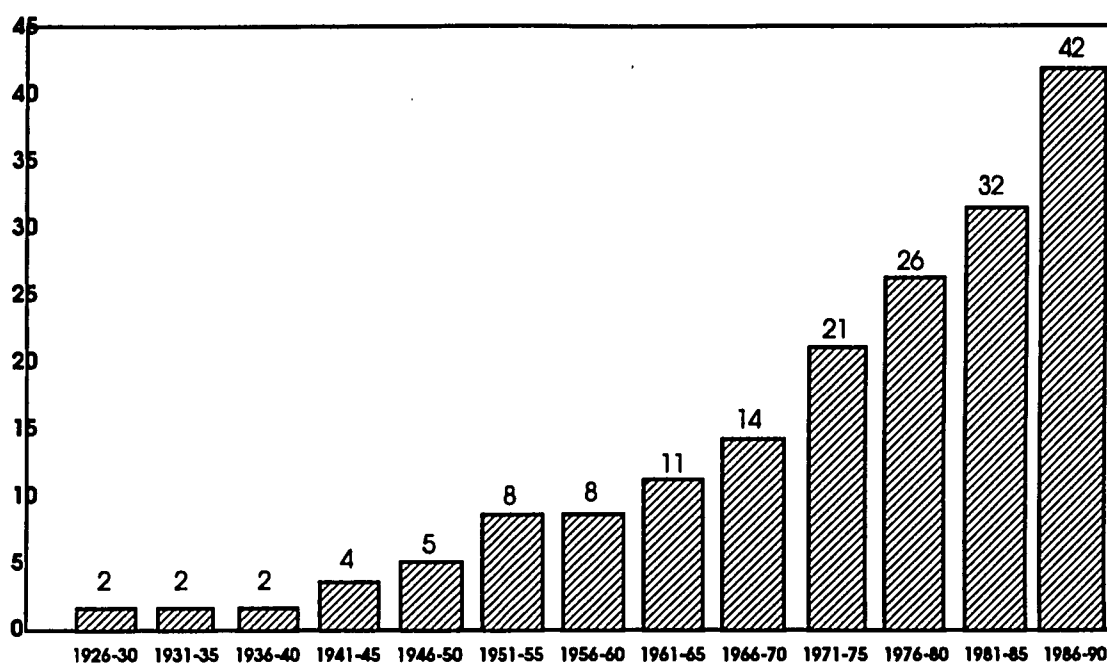


Figure 6. Growth in the Number of Michigan Community Foundations by Decade: 1920-1990.

Source: Unpublished data from Council of Michigan Foundations, 1991, Grand Haven, MI.

This total growth may potentially attract regulatory attention from Congress as community foundations become large, more diverse, and more visible.

Ylvisaker (cited in Magat, 1989b) of Harvard University wrote that the "community foundations will be inviting targets for public attention and increased regulation" (p. 59).

The central justification for nonprofit and charitable status flows from the community foundation's contribution to the "public good" through the private philanthropic sector (Tarnacki, 1989).

Since philanthropy, a uniquely American concept until recently, predates not only the income tax system, but also the federal government, Congress has exhibited reluctance to regulate or tax such organizations. As the community foundations begin to control large and visible assets, this reluctance may be tested. If their tax status is challenged, the community foundations need to stand together as an identifiable set of strong organizations demonstrating their benefit for the public good.

The number of community foundations in the country continues to grow rapidly. Over half of the existing community foundations have organized since 1960--roughly 20% in the 1980s (Scanlan, 1989). Community foundation leaders expect to continue this rate of growth (Magat, 1989b; Struckhoff, 1977, 1991b). These new foundations expand both the potential for abuse or error and the visibility of the community foundations.

In response to this dynamic growth in the number and size of community foundations, a model describing changes during growth and differences between organizations of various ages and sizes would help these young and growing organizations in several ways:

1. It would establish a base for tools for assisting the organizations' growth built on a common understanding of the community foundations' growth challenges (organizational development).

2. Such a model would recognize the characteristics of a "good" community foundation at each stage of development. This would help to develop standards for the field that recognize that new foundations do not operate as mature foundations. The field

could say in effect, "This is a very successful emerging foundation" (development tools).

3. It would identify opportunities and pitfalls as the community foundation grows so that they might be anticipated and either utilized or avoided for the next generation of foundations (success defined).

Organizational Development. Despite the complexity of a community foundation as an organization, they are almost always managed by personnel without formal training. Rarely does a manager have formal academic preparation for foundation management.<sup>2</sup> Because very few community foundations grow large enough for internal career paths and because many community foundation personnel are committed to their specific communities, the national pool of experienced community foundation personnel remains small.

Little formal in-service staff or board development and training exists. Community foundations lack professional development organizations, such as the American Management Association or the National Association of Hospital Executives, which serve this function in other organizational systems. The small pool of professionals and the small administrative budgets discourage such organizations.

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<sup>2</sup>The Program on Nonprofit Organizations at Yale University was the first formal school of higher education to initiate education in nonprofit and foundation management. Graduates of the few formal programs of study in the country are very scarce.

The Council on Foundations, the Council of Michigan Foundations, and other regional associations of grantmakers provide continuing education and on-site consultation. These efforts differ based on the size and sophistication of the regional association. Only within the past 5 years have intensive and individualized organizational efforts been instituted at the state and national levels.<sup>3</sup>

During the early phases of community foundation development, both governance and operations depend upon volunteers. While these very sophisticated community leaders may be outstanding in their individual professions, their experience with the laws pertaining to community foundations is usually limited.

The organizational development efforts of the Council on Foundations, the Council of Michigan Foundations, and other associations and consultants would be assisted through a greater understanding of common community foundation functions and procedures and how they evolve. For example, community foundations are often asked for a comparison of administrative costs as a percentage of assets, grants, or donations. Because most of the community foundations do not yet use a functional accounting system with common definitions, the data provided are not comparable. Some organizations fund depreciation; others do not. Some allocate expenses involved in working with a donor, for example, legal costs, to the development

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<sup>3</sup>Although the Council of Michigan Foundations has been providing training and support for 15 years, this is an exceptional regional service and is not the rule.

budget. Others lump fund-raising costs into general administration. Because of these differences, no standard exists against which to judge the appropriateness of administrative expenses.

The Council on Foundations institutionalized organizational development efforts with programs for training, research, publications, media relations, and on-site consultation in 1990.

The Council of Michigan Foundations also provides training and assistance to member community foundations. Provision of services intensified in response to the growth of community foundations. Since 1988, the Council of Michigan Foundations has offered organized programs to develop community foundations through scholarships, library services, training, consultation, and publications. The program, funded by the Charles Stewart Mott Foundation and enhanced by a \$2 million challenge grant for Michigan community foundations from the W. K. Kellogg Foundation, ends in December of 1993.

In March 1991, the Council of Michigan Foundations received a \$35 million challenge grant from the W. K. Kellogg Foundation to continue to develop community foundation organizations. Two million dollars will be used to provide technical assistance. Each community foundation is eligible for up to \$1 million from the W. K. Kellogg Foundation. In all, the challenge will add \$99 million to the permanent assets of Michigan's community foundations.

Community foundations in Indiana are eligible to receive grants from the Lilly Endowment under a 15-year program to develop that state's community foundations. The Lilly Endowment committed \$47 million to the foundations through Project GIFT. This effort

includes challenge grant funds, publications, training, and consultation.

The Council on Foundations also is playing a leadership role in the development of community foundations in Canada, the United Kingdom, the Commonwealth of Independent States (the former Union of Soviet Socialist Republics), Japan, and Costa Rica. International interest in philanthropy appears to be a by-product of the spreading influence of capitalism and democratization.

These organizational development efforts are occurring without growth models, a tested body of knowledge, or even agreement on the characteristics of community foundations. As a result, development efforts remain idiosyncratic rather than generic. They rely on the expertise of a few experienced community foundation directors. The directors operate their own large organizations, and also consult, write, and develop the theory. They come with a variety of experiences and often represent large, mature, metropolitan community foundations. Few emergent, small, or rural community foundations develop the resources to participate at the national level.

A life cycle model describing community foundation characteristics at various ages and stages might be used by the consultants as a common assessment tool for evaluating progress, analyzing problems, and anticipating next steps. The model might provide a common framework for understanding the normal issues of growth.

Development Tools. If community foundations do move through a discernible pattern of growth, more specific publications, training,



consultation, scholarship opportunities, challenge grants, and research at each stage could be developed.

Training, for example, might be stratified by organizational stage to increase its applicability. Currently, training suffers as a result of organizational diversity. Some executives within each training group are very sophisticated. Others have a little experience. The majority have no background. Information on the characteristics of community foundations at different ages and sizes would identify topics, strategies, and the appropriate levels for training. Training levels could be identified in self-assessments; video training and publications could be disseminated appropriate to each set of characteristics of organizations of this age and size.

Identification of the characteristics of community foundations at various ages and sizes would help consultants diagnose organizational problems and would help in the development of common and effective consulting interventions. Instead of consultants relying only on their own experiences in each situation, the common experiences of all the consultants could be organized into a paradigm and shared. A model of characteristics would help the advisors gauge the effectiveness of their consultation. As organizations move from one set of problems to the next, consultants would perceive this as growth, rather than as a series of continuing problems.

Success Defined. A model of characteristics at various ages and sizes would also help the smaller and newer community foundations develop a sense of pride and accomplishment. Rather than

adversely comparing themselves to the mature foundations, they could view themselves in comparison to where a community foundation of their age or size should be. The field could take pride in the development of emerging foundations and feel confident in their progress.

Community foundations might look to such a model to anticipate what steps need to be taken next to move toward maturity. An initial conceptual model would assist foundations in documenting the issues related to their growth. This documentation begins the development of a body of knowledge, the identification of critical variables, and the generation of hypotheses that could be tested further through longitudinal research.

#### Lack of Models

Community foundations serve a specific community. Isolated from one another and, for the most part, not competitive, the local emphasis leads to community foundations custom tailored to their communities. Local ownership, autonomy, and the willingness to assume the responsibility to fill leadership voids results in organizational success. Technical assistance without adequate models sensitive to this customization and the age and size of the organization could destroy the local ownership characteristic of and vital to these organizations. The custom and local nature of the community foundation is exacerbated by the lack of research on these organizations.

Little research exists relative to the world of nonprofits, in general, or the world of philanthropy; there is virtually none at all regarding community foundations (Magat, 1989b). In 1987 Layton compiled the first annotated bibliography on philanthropy and volunteerism for the Foundation Center in New York. Katz (cited in Layton, 1987) noted that no comprehensive bibliography existed on philanthropy and volunteerism until 1987. Only 3 of the 2,212 entries in the bibliography refer to work on community foundations (Magat, 1989b).

O'Neil (cited in Magat, 1989b), a principal author on the non-profit sector, wrote:

It was not until the last twenty years that the sector began to be discussed seriously by scholars and policy makers. . . . The immense size and impact of the sector is only starting to be recognized, and serious theorizing about the dynamics of the sector has only begun. (p. xii)

Magat (1989b) wrote: "If research on philanthropy and volunteerism is thin, it is threadbare with respect to community foundations. For example, of 130 Working Papers that have emerged from PONPO (Program on NonProfit Organizations) at Yale, only one deals with community foundations" (p. 5).

A review of the 88 publications of the Council on Foundations in 1991 finds 20 are related to community foundations. Of these 20, only 3 reflect any research data regarding community foundations. These three report on the current status assets, grants, etc. Only one reflects research on community foundation functions (Struckhoff,

1991b).<sup>4</sup>

In fact the study of nonprofits and, in particular, philanthropy is a very recent phenomenon. Even a "generally accepted comprehensive definition of philanthropy does not exist and many leading scholars in the field doubt one can be developed" (VanTil, 1990, p. 3). VanTil continued that while a growing body of literature has been developing since the Filer Commission Report,<sup>5</sup> most of the research is dedicated to "the world of donors" (p. 67).

A single author, Struckhoff (1977), continues as the principal author in the community foundation field. For the purpose of community consideration, Struckhoff created general guidelines for developing a community foundation based on his extensive experience. These include the suggestion that a community be at least 250,000 in population before it even considers starting a community foundation, that it strives to rapidly accumulate assets of at least \$5 million, and that professional staff be hired from the very start.

These guidelines, if taken as standards, would eliminate 37 of Michigan's 40 community foundations, including 5 of the 8 with assets over \$10 million, on the community size issue alone.

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<sup>4</sup>Rainbow Research of Minnesota is engaged in continuing evaluation of the community foundations involved in the Ford/McArthur Leadership Challenge. This evaluative effort, currently underway, provides the first case study information on community foundation growth. Results, to-date, from the study are included as background to this dissertation.

<sup>5</sup>The Filer Commission Report assisted the development of the 1969 Tax Act.

This discrepancy in Michigan led to further research by the Council on Foundations. Theories on potential success now focus on a series of qualitative variables. Struckhoff (1991b) wrote that issues such as philanthropic spirit, volunteer leadership, and a core of wealthy families may be more important to community foundation development. This evolution in theory, based on case study and survey research, demonstrates the need for further investigation on community foundation growth.

If standards and technical assistance efforts develop without such further information on growth, the mature, metropolitan, community foundations may persist as the model. The broader literature about organizations already faces this concern. Little research exists on any emergent organizations even though growing organizations are different from mature ones (Kimberly & Miles, 1987).

If the mature models become the basis for standards, the emerging community foundations may fail because they operate so differently as a result of their age and size. By failing to meet the standards, the emerging community foundations might be eliminated from participation in the very developmental programs that could help them grow to maturity.

If the mature community foundation model is used solely to define the community foundation, the field risks aborting the innovation and growth that comes through new entrepreneurial organizations. Potential donors would also lose access to the community foundation vehicle for their communities. Similarly, smaller or

growing communities would lose the benefits of a community foundation.

In summary, the second major reason for the need to study the characteristics of community foundations at various ages and sizes is the recent enormous and continuing growth in the number and size of community foundations, and the need to support the technical assistance efforts planned and underway.

### Community Foundations Are Unique

The third and final reason a model of growth is needed relates to the uniqueness of community foundations as organizations. They have a combination of functions different from for profit business, government, other nonprofits, and private foundations. Yet, there appears to be a pattern to the growth of community foundations which may be very similar to the patterns developed for other organizations.

A model of community foundation growth will be useful to community foundations whether or not it matches the model from business or government.

No models exist for the growth of private foundations. Private foundations grow in substantially different ways due to the requirements of the tax law and the single source of the endowment funds. A wealthy individual frequently uses a private foundation to pass through giving during his or her lifetime and then endows the foundation with a major gift of assets upon death (Tarnacki, 1989). A gift to a private foundation by a living donor does not receive as

favorable a tax treatment as the same gift given by bequest.

There are, also, major differences in the operations of private foundations still controlled by the donor and those with professional staff and a nonfamily board of trustees. While a model of private foundation growth would be useful to other philanthropic development efforts, such a model--if it existed--would not necessarily apply to community foundations.

The theories developed on organization growth for government and for profit organizations may not be valid for community foundations since the community foundations have unique organizational functions and processes distinct enough to be a separate category of organization--yet they might. This study uses the research from other organizational types in order to describe the characteristics of community foundations at different ages and sizes and to see if there is a pattern to their growth.

The major schools of thought on organizations: the classical mechanistic view, the humanistic school, systems theory, and a portion of mathematical modeling are reviewed in this study as they identify variables of the organization requiring analysis.

Life cycle theory, a component of the humanistic view, provides a useful theoretic construct for understanding organizations as they change over time. In Chapter II, a review of the related literature, this theory is defined and the strengths and weaknesses of using a life cycle analogy as one organizing paradigm for the study is discussed.

Life cycle theory has been helpful to organizational development researchers in describing differences between and within other organizations over the passage of time (Kimberly & Miles, 1987). If a pattern of characteristics at regular ages and sizes can be identified, the resulting model will be extremely useful to community foundation professionals.

### Organizational Typology

Organizations in the United States can be divided into two categories, economic and noneconomic (Katz & Kahn, 1978). Economic organizations process objects; noneconomic organizations render a service to people or mold people.

Within the noneconomic set of organizations, one researcher identified 11 categories. Grantmaking organizations are one such category (O'Neil & Young, 1988). Grantmaking organizations further divide into four types of foundations. One type, the community foundation (Bank & Turnell, 1983; Hoyt, 1991; Odendahl, 1987), includes an estimated 400 organizations in the United States, which is a very small segment of all of the organizations in the nation (Magat, 1989b). Figure 7 identifies the community foundation within the categories of organizations found in the United States.

Another view commonly divides organizations in the United States into three major economic groups: business, government, and the nonprofit sector. VanTil (1990) wrote:

The term nonprofit sector as a category encompassing the complex domain of voluntary philanthropism and charitable organizations was coined barely two decades ago.



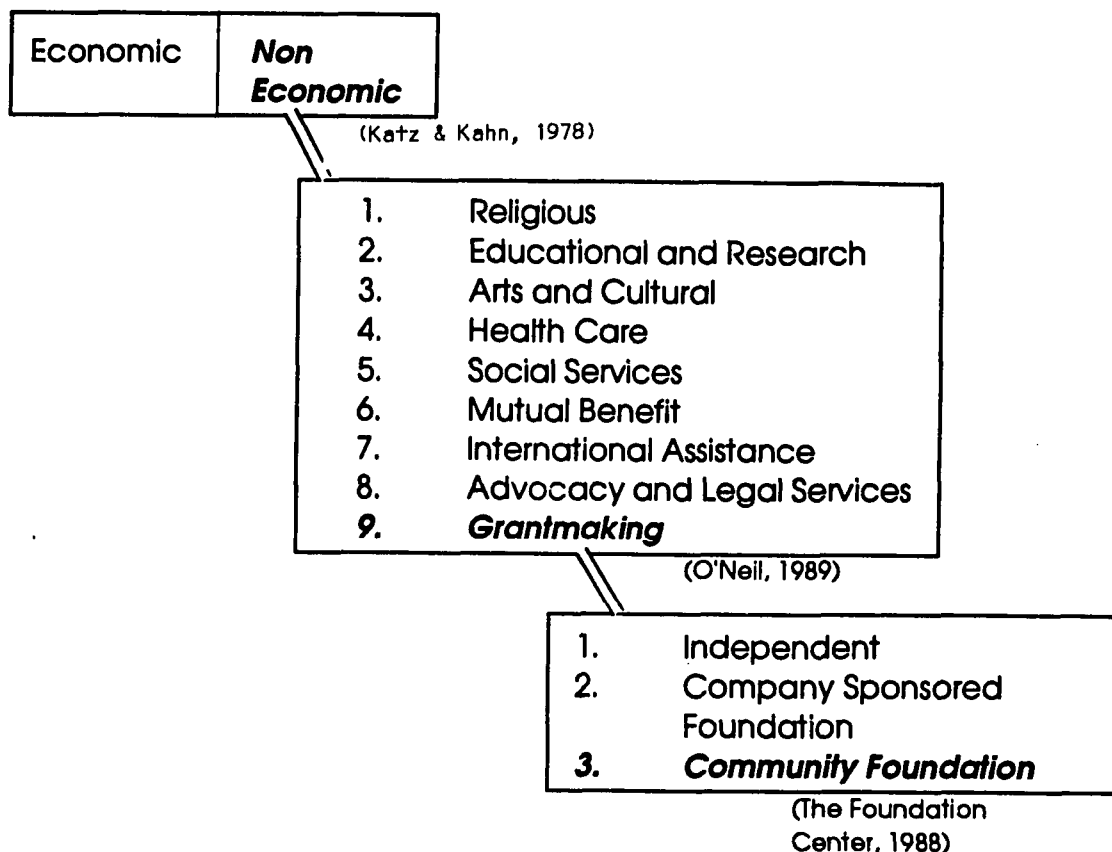


Figure 7. Typology of Organizations.

Source: Adapted from The Social Psychology of Organizations (2nd ed., p. 148) by D. Katz & R. L. Kahn, 1978, New York: Wiley; The Third American: The Emergence of the Non-profit Sector in the United States (p. 4) by M. O'Neil, 1989, San Francisco, CA: Jossey-Bass; Foundation Directory (p. vi), by Foundation Center, 1988, New York, Author.

The terms "nonprofit," "third," and "independent sector" entered scholarly usage in the 1970's and their appearance is specifically linked to organized philanthropy's efforts to defend itself from government regulations and oversight. (p. 243)

These third sector organizations are those listed by O'Neil (1989) in Figure 7.

### Unique Characteristics

Community foundation characteristics affect basic organizational systems in ways that make them unique compared to government, business, other nonprofit charities, and other types of foundations (Bank & Turnell, 1983). Six initial major differences appear which are summarized in Table 1. These differences cast doubt about whether the organizational characteristics of business and government can be applied without reflection to community foundations. Community foundations may have their own unique patterns which will be developed in this model.

Raise Annual Funds/Public Support Test. Community foundations raise annual contributions from donors. This need to raise funds from individual donors on a voluntary basis arises from the U.S. Treasury Department Revenue Rulings, Treasury Regulations Section 170(b)(1)(A)(vi) and Section 509(a)(1), regarding the public support test for charities (Edie, 1989; Hoyt, 1991; Tarnacki, 1989).

The public support test distinguishes public charities from government, business, and other foundations but is the same requirement as that of other public charities. The community foundations, while similar in this respect to other nonprofit organizations, experience the impact of the public support test in a totally different way (Bank & Turnell, 1983; Hoyt, 1991).

Endowment income is a major part of the income to community foundations which is unusual within the field of nonprofit organizations. Other nonprofits usually raise their income annually from

Table 1  
Community Foundations Compared to Other Organizations

Characteristic	Community foundation	For profit business	Government	Other charities	Private foundation
Raise annual \$ from public voluntarily	X		X	X	
Must meet a public support test	X		X	X	
Makes grants/broad interests	X		X		X
Cy Pres power	X				
Manage variety of funds	X				
Build endowment from many donors	X				
No resource requirements (eventually)					X
Geographic limitations	X		X	X	
Full disclosure	X		X	X	
Subcontract charitable work	X		X		X
Management tasks:					
Personnel					
Finance					
Public relations	X	X	X	X	X
Information processing					
Planning					
Governance					

the public--community foundations, especially the larger ones, receive income through gifts and the endowment. While all 509(a)(1) nonprofits must meet the public support test, community foundations are unusual because they exist for the purpose of using endowment income to make grants rather than pursuing annual giving. Thus, this IRS regulation affects community foundations in a different, more negative way than it does other nonprofits (Bank & Turnell, 1983; Hoyt, 1991; Tarnacki, 1989).

Make Grants. Community foundations make grants. In this way they differ from business or other nonprofit organizations and resemble other philanthropic organizations and the government (when it makes grants for specific activities). The grantmaking function is a line, technical function of the community foundation (Council on Foundations, 1988; Magat, 1989b). Yet, community foundations differ from other foundations because the policymaking remains in the hands of a community board rather than a family, individual, or corporation (Hammack, 1989).

Since the grantmaking occurs for a specified geographic area, most community foundations define this community in their names. Grantmaking, typically, occurs in several areas of interest. These areas include the arts, education, community development, health and human services, the environment, scholarships, and the humanities.

Private and corporate foundations and government usually specify their grantmaking objectives more narrowly due to the vision and interests of the founding donors, the business interests of the

company, or the enabling legislation.

Cy Pres Power. Community foundations uniquely contain in their Articles of Incorporation and/or Bylaws a Cy Pres power that allows the trustees to change the stipulations of a restricted fund if the reason for the restriction no longer makes sense. For example, a restricted gift for the funding of smallpox vaccines could be changed to a fund for AIDS by the board of trustees.

Variety of Funds. Community foundations also manage a variety of grantmaking funds including: restricted, unrestricted, agency endowment, special projects, designated, donor advised, and field of interest funds. Community foundations uniquely manage the endowments of other nonprofit organizations. Private, corporate, and operating foundations do not manage such a variety of funds (Struckhoff, 1977).

Many Donors. Community foundations build an endowment from many donors (Minter, 1989). Community foundations sometimes define themselves as a collection of donor interests, reflecting the philosophy that everyone in a community, no matter what their means, can be a philanthropist by giving to the community foundation. The investment of an endowed asset with only the interest used for grantmaking distinguishes community foundations from business, government, and other nonprofit organizations.

While private foundations, corporate foundations, and operating foundations handle endowments, the funds usually come from one

family or company. The community foundation uniquely pools the gifts of many donors into an endowment for the specific geographic area served (Magat, 1989b; Struckhoff, 1977).

This characteristic allows the community foundation to grow through many gifts. The combination of service to donor interests and service to community needs are distinguishing characteristics of community foundations (Magat, 1989b).

Resource Requirements. The use of endowed funds also eventually releases the community foundation from the resource generating requirements of business, government, and other nonprofits (except to meet the public support test).

Specific Geographic Area. Community foundations promote the public good of a specific geographic area. The grantmaking of community foundations to specific geographic areas differs from businesses, other nonprofits, and some other philanthropic organizations. Geographic limits to service means that the community foundation acts more like a service of local government than other foundations (Minter, 1989). This promotes a different relationship to grantees for the community foundation than for other funders, because the community foundation must live with the funding decisions it makes (Noland, 1989).

Full Disclosure. Community foundations represent a public trust for the community. As a result, community foundations believe in and are required by law to provide full disclosure of foundation

activities. This makes the foundation different from businesses, and more like other foundations, other nonprofits, and local government (Magat, 1989b).

Subcontract Charitable Work. Finally, community foundations serve as general contractors for the philanthropic work of a community. Community foundations, surprisingly, employ a small number of staff in light of the enormous assets they manage. In Michigan, the largest community foundation in 1991 had almost \$100 million in assets. Yet, it only had a staff of seven: four professionals and three support staff.

Community foundations achieve their missions largely by funding the activities of smaller community nonprofit organizations. As community foundations increase in size, they may become increasingly proactive in their grantmaking. The foundation chooses an area of interest and then sends a request for proposals to nonprofit agencies whose missions fall within that area of interest. The foundation gives funds to the nonprofit to achieve stated goals; it has thus subcontracted its work. This allows the community foundation to act as a large organization in setting a vision and exhibiting community leadership while retaining the operating qualities of a small organization.

#### Management Similarities

Community foundations require the same management and administrative leadership tasks as other organizations. These tasks

include personnel management, general management, finance, public relations, information processing, planning, and governance. While the operational components of a community foundation remain distinctive, these support functions resemble those of other organizations.

Kaufman (1985) wrote that organizations develop from specific environments and they constantly interact with that unique environment. Yet, like other living systems, organizations may reasonably have similar systems and processes.

One of the organizational theories, life cycle theory, describes the growth of the organization's structure and support, rather than the technical and line areas. These structural elements for community foundations may follow the same theory of life cycle growth as other organizations despite the differences in the technical tasks that are performed.

While the specifics of some of these management processes may differ, the purposes remain the same. For example, a nonprofit organization may use a fund accounting system different from business, but both systems track key financial data for the organization and provide information for management decision making.

No organizational growth model exists specifically for community foundations. They may follow predictable patterns similar to the other sectors. If so, community foundations can benefit from the knowledge available through the efforts of organizational researchers in the other sectors.

In summary, the third reason for studying the growth characteristics of community foundations is because they have some attributes



which are the same as other organizations, and some which are very different.

### Summary of the Problem

There is a need to develop a model on the characteristics of community foundations of differing ages and asset sizes. The need for a model is a result of three major concerns.

First, the proposed development of standards and certification for the field is based on a concern about (a) potential abuse, (b) the development of organizational mimics, and (c) concern about the public support test.

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

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

### Research Questions

The major research questions to be answered are: Do community foundations develop over time and size through a series of identifiable growth stages? If so, what are the characteristics of these stages?

### Outline of the Study

The literature from business, government, and nonprofit organizations regarding organization growth and the scant literature available on community foundation growth is reviewed in Chapter II. Justification for the selection of indicators and elaboration on the research questions are provided.

Described in Chapter III are the steps of the research. Issues of validity and reliability of the data are discussed.

The findings of the study are presented in Chapter IV. In Chapter V, these findings are developed into a model of community foundation characteristics at differing stages of growth. Each identified stage is described by indicators which characterize that stage.

In Chapter VI, the research is summarized, the conclusions that can be drawn are discussed, recommendations are made, and areas for further research are suggested.

## CHAPTER II

### REVIEW OF THE LITERATURE

Described in this dissertation is a model of the characteristics of community foundations at differing ages and asset sizes.

The literature review is organized into six major categories based on the overall research design. These categories are: (1) the supporting theories used to organize the study and the questions generated by these theories, (2) the organizational components/subsystems reviewed by the study as defined by the literature, (3) literature regarding organizational growth and life cycle theory, (4) identification of variables, (5) support for the study indicators, and (6) a discussion of the statistics.

The main research questions are: Do community foundations develop over time and size through a series of predictable growth stages? If so, what are the characteristics of these stages?

#### Supporting Theories

Four organizational theories support the research. Each represents a major "school of thought" which was popular at a different point in time. These four theories are represented in Figure 8. They are: (1) the mechanistic school, which believes in scientific management; (2) the behavioral relations school, which focuses on the human side of the organization; (3) a systems approach,


<i>School</i>	<i>Some important assumptions</i>	<i>Primary Focus</i>	<i>General contributions to management</i>
Classical Scientific management 	<ul style="list-style-type: none"> <li>• People motivated by economics alone</li> <li>• Managerial rationality</li> <li>• Organization a closed system (certainty)</li> </ul>	<ul style="list-style-type: none"> <li>• Economic efficiency</li> <li>• Physical aspects of environment</li> <li>• Scientific analysis of work tasks</li> <li>• Applications of techniques to work tasks</li> <li>• Management process</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrations of benefits from specialization of labor, job analysis, separation of planning and doing</li> </ul>
Process orientation			<ul style="list-style-type: none"> <li>• Identification of principles and function of management</li> </ul>
Behavioral Human relations Behavioral science	<ul style="list-style-type: none"> <li>• People complex: posses multiple needs</li> <li>• Human beings social creatures</li> </ul>	<ul style="list-style-type: none"> <li>• Behavior of individual in work environment</li> <li>• Interpersonal and social aspects of work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness of individuals</li> <li>• Identification of behavioral variables that relate to organizational behavior</li> </ul>
Social systems	<ul style="list-style-type: none"> <li>• Organization an open system</li> </ul>	<ul style="list-style-type: none"> <li>• Interactive relationship of organization with its environment</li> </ul>	<ul style="list-style-type: none"> <li>• Development of theories relating organizational behavior to human characteristics and organizational variables</li> </ul>
Modeling Decision making	<ul style="list-style-type: none"> <li>• Decision making processes are the primary managerial behaviors</li> </ul>	<ul style="list-style-type: none"> <li>• Information acquisitions, utilization, and choice processes</li> </ul>	<ul style="list-style-type: none"> <li>• Development of guides for improving decision making</li> </ul>
Systems theory	<ul style="list-style-type: none"> <li>• Organization an open system</li> <li>• Organization a complex of interrelated subcomponents</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of organization boundaries, interrelationships among subsystems, and relationships between organization and larger environment</li> </ul>	<ul style="list-style-type: none"> <li>• Development of approaches for predicting and explaining system behavior</li> </ul>
Mathematical	<ul style="list-style-type: none"> <li>• Main elements of organizations can be abstracted, interrelated, and expressed mathematically</li> </ul>	<ul style="list-style-type: none"> <li>• Qualification of decision problems and systems</li> <li>• Optimization of small set of situations</li> </ul>	<ul style="list-style-type: none"> <li>• Development of explicit rules for management decisions</li> <li>• Development of methods for analyzing organization systems or subsystems</li> </ul>

Figure 8: Overview of Schools of Management of Thought.

Source: Untitled, unpublished handout (p. 1) by Wharton School of Management, 1982, University of Pennsylvania, Philadelphia.

including contingency theory and the life cycle model; and (4) mathematical modeling, which includes the identification of an organization's subsystems, in particular, the technical functions.

These ideas are both theories about organizations and metaphors. From each theory the research questions were drawn and individual, measurable variables were identified.

The review of these four theories is presented first by describing the specifics of each theory, second by noting the research questions extrapolated from the theory, and third by showing the variables identified by each theory. At the end of the discussion about each theory is a section providing support for the subsystem approach, the life cycle approach, and for the selection of these theories as organizing principles.

Taking these theories, specific supporting questions were developed and individual variables were identified.

### Classic Scientific Management Theory

The classic scientific management theory stressed process and efficiency. These early thinkers wrote about the specialization of labor, the division of labor, and the concepts of chain of command and span of control (Fayol, 1949). These theories identify the importance of the structure of an organization related to its functions. For example, the concept that a manager can only effectively supervise a set number of employees (span of control) becomes apparent when new management positions are added once the span of control becomes too broad.

These theories describe the administrative system, which is reviewed here to see how it changes over time and/or by asset size or organizational complexity. This theory contains the mechanistic paradigm that organizations are like machines with identifiable, isolated parts.

The administrative system, according to Albrecht (1983), contains the organization's formal structure, the top manager's style, the administrative control systems, and the management rewards "the information flow, policies, procedures, instructions" (p. 50) and the focus of the manager. The concepts involved in the administrative system follow the theories originally developed in the scientific school of management.

Penrose (1950) noted that "the differences in the administration structure of the very small and the very large firms are so great that in many ways it is hard to see that the two species are of the same genus" (p. 19). For community foundations, these administrative systems include such factors as the existence of paid staff, or the role of the staff; the degree of professional specialization; the number of staff, personnel policies, and procedures; and the degree of hierarchy in the governance structure.

Variables considered by this study regarding the administrative system are the specialization of labor, division of labor, span of control, hierarchical development, and job definition.

These variables are used to answer the research questions about the administrative system.

The questions to be answered are: Does the administrative

system of community foundations change over time and size? Is there a pattern to the change?

#### Behavioral Human Relations School

The scientific theory evolved into a behavioral human relations school after studies at the Hawthorne plant of General Electric, cited in Morgan (1986, p. 41), demonstrated that efficiency relates to human interaction as much as it does to scientific principles. This awareness of the social side of an organization develops the social system. For example, the cultural differences in an organization managed by the initial entrepreneur versus one managed by a professional manager indicate different growth stages which will be reviewed as they relate to community foundation growth.

The social system represents the informal and personal side of the organization. Albrecht (1983) described this as "the people and activities they engage in, roles, relationships, authority and status, values, views, rewards and punishments" (p. 50). The concepts involved in the social system follow the theories originally developed in the human relations school of management. In community foundations this would include such characteristics as the volunteer and staff roles and the frequency of meetings.

Areas considered by this study regarding the social system are the roles and the number of individuals involved.

The research questions to be answered are: Does the social system of community foundations change over time and size? Is there a pattern to the change?

## Systems Theory

The behavioral human relations school evolved into the theory of modeling decision making which includes systems theory. Systems theory observes the interaction of the organization with the environment, the strategic system. These insights play an important role in understanding organization structure. The theory suggests that the organization's complexity relates to the task demands of the environment, the speed of environmental change, the degree of environmental hostility or opportunity, and the resources available to the organization from the environment.

The strategic system covers the organization's role relative to the environment. The marketing literature would call it positioning; the planning literature calls it strategy.

Albrecht (1983) described this system as "the management relationship to the President and the plans, planning process, power and values of the leaders" (p. 50). The concepts involved in the strategic system follow the theories originally developed in the systems theory of management with its concern for the effect of the environment on the organization and the need for the organization to develop strategy to cope with or modify the environment.

Areas considered by this study regarding systems theory and the strategic system are the organizational environment and mission. The environment is judged by the population size served. The mission orientation comes from Leonard's (1989) taxonomy described later in this chapter.



The research questions to be answered are: Does the strategic system of community foundations change over time and size? Is there a pattern to the change?

### Mathematical Modeling

The theory of modeling decision making includes mathematical modeling. This theory specifies explicit rules for management decisions. Of most use to this study is the mathematical modeling concept of the importance of looking at the subsystems of organizations as a way to understand how they function (Filley, House, & Karr, 1976). These computer based methods form a part of the organization's technical system.

In community foundations the technical systems are: (a) service to donors through a variety of funds, (b) grantmaking, (c) leadership, and (d) total assets managed (Magat, 1989b).

The research questions to be answered are: Does the technical system of community foundations change over time and size? Is there a pattern to the change?

### Summary of Supporting Theories

These four theories: (1) classic management/scientific, (2) human relations/behavioral, (3) systems theory, and (4) mathematical modeling/subsystem analysis, provide the theoretical support for the questions and systems observed by this research. Each theory identifies a subsystem of the organization: the administrative, the

social, the strategic, and the technical. Each theory raises sub-questions supporting the major research questions.

### Subsystems as Observed Units of the Study

Because this study analyzes the categories of administrative, social, strategic, and technical systems, their selection requires further description. The work of Lawrence and Lorsch (1967), who identified the four subsystems of organizations as administrative, social, strategic, and technical, will serve as the representative model for the unit of analysis which was observed.

Figure 9 compares Lawrence and Lorsch's (1967) model to that of other researchers looking at organizations. Each researcher selected or developed categories (units) within the organization to observe. These four subsystems appear to encompass other categories used. They provide a structure to the observations.

These subsystems and their characteristics form the side of a grid used to develop a model of the characteristics of community foundations at various ages and asset sizes.

Across the top of the grid, shown in Figure 10, are the organizational life stages as defined by Greiner (1972) which will be described.

The four systems to be reviewed, shown in Figure 11, can then be placed down the side of the model forming a grid of subsystems described by stage of organizational development (Lawrence & Lorsch, 1967), shown in Figure 12.

	Research Questions	Variables	Lawrence and Lorsch/Albrecht	Greiner	
ADMINISTRATIVE SYSTEM	Does the administrative system of the community foundation change over time and size?	*Specialization of labor *Division of Labor *Span of Control *Hierachial Development *Job Definition	Administrative System	Top Management Focus/Management Rewards Emphasis	Struc
SOCIAL SYSTEM	Does the social system of the community foundation change over time and size? Is there a pattern to that change?	*Awareness of Individuals *Roles and Numbers *Interpersonal and Interactive Relationships *Complexity	Social System	Top Management Style/Organizat- lional Structure	Socic
STRATEGIC SYSTEM	Does the strategic system of the community foundation change over time and size? Is there a pattern to the change?	*Organizational Environment (population) *Growth Related to Mission	Strategic System	Control System	
TECHNICAL SYSTEM	Does the technical system of the community foundation change over time and size? Is there a pattern to the change?	*Asset Size *Grantmaking *Leadership *Management	Technical System		
			(1967, p. 50) (1983, p. 50)	(1972, p. 45)	(1967,

Figure 9. Comparison of Analytical Approaches to Organizational Systems.



<b>Lawrence and Lorsch/Albrecht</b>	<b>Greiner</b>	<b>Downs</b>	<b>Miller and Friesen</b>	<b>Peters and Waterman</b>	<b>Council on Foundations Competency Guide</b>	
<b>Administrative System</b>	Top Management Focus/Management Rewards Emphasis	Structural Functions	Decision Making Structure	Skills Structure	Management Structure/Finance/ Personnel	
<b>System</b>	Top Management Style/Organizational Structure	Social Functions		Shared value	Governance/ Committent	Political process
<b>Organizational System</b>	Control System		Strategy/Situation	Style Strategy	Mission and History Planning	Ideological values
<b>Technical System</b>				Systems	Asset Development Grantmaking	Technical approach process
<b>(p. 50) (p. 50)</b>	<b>(1972, p. 45)</b>	<b>(1967, p. 42 &amp; 43)</b>	<b>(1984, p. 1164)</b>	<b>(1984, p. 10)</b>	<b>(1988, p. iii &amp; iv)</b>	<b>(cite &amp; M p. 1</b>

onal Systems.



<b>Downs</b>	<b>Miller and Friesen</b>	<b>Peters and Waterman</b>	<b>Council on Foundations Competency Guide</b>	<b>Tichy</b>
Structural Functions	Decision Making Structure	Skills Structure	Management Structure/Finance/Personnel	
Social Functions		Shared value	Governance/Committent	Political allocation problems -- power and resources
	Strategy/Situation	Style Strategy	Mission and History Planning	Ideologies and cultural mix -- shared values and beliefs
		Systems	Asset Development Grantmaking	Technical design problem -- arranging things for productive output
(1967, p. 42 & 43)	(1984, p. 1164)	(1984, p. 10)	(1988, p. iii & iv)	(cited in Kimberly & Miles 1987, p. 164-183)

<b>Evolutionary</b>	1	•	2	•	3	•	4	•	5
<b>Phase</b>	Creativity	•	Direction	•	Delegation	•	Coordination	•	Collaboration
		•		•		•		•	
<b>Revolutionary</b>									
<b>Phase</b>	Leadership		Autonomy		Control		Red Tape		

Figure 10. Life Cycle Stages.

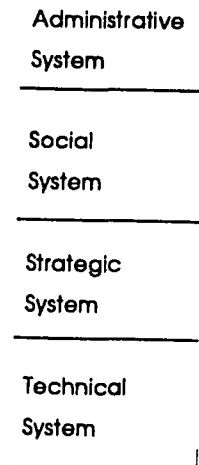


Figure 11. Subsystems Analyzed.

### Organizational Growth/Life Cycle Stages

The primary goal of this dissertation is to identify the characteristics of community foundations at various ages and asset sizes. Implicit in the research is the need to look at organization growth or change over time. One theory supporting the investigation of growth issues is life cycle theory. While the subsystem theories point to what will be viewed in each organization, the life cycle theory describes what changes might take place in each system over time and because of growth.



<b>Evolutionary Phase</b>	1 Creativity	2 Direction	3 Delegation	4 Coordination	5 Collaboration
<b>Revolutionary Phase</b>	Leadership	Autonomy	Control	Red Tape	
Administrative System					
Social System					
Strategic System					
Technical System					

Figure 12. Life Cycle Stages by Organizational Subsystem Structure of the Model.

Several life cycle theories exist. Yet, a surprising degree of consensus emerges regarding the stages. Friesen and Miller (1984) wrote: "Five crude life stages seemed implicit in the conceptual literature" (p. 1162) (regarding organization life cycles). The earliest referenced work, a study by Mooney and Reiley in 1931 (cited in Child & Kieser, 1981), reportedly asserts that "certain common principles" (p. 46) apply to the growth of organizations.

Haire (1965) drew the first analogy of biological life cycles to organizations. Kimberly and Miles (1987) stated that the analogy has come under dispute at various times, but is useful in describing the dynamic nature of organizations. Most organizational research

is cross-sectional and does not explain differences in organizations as they grow. Greiner (1972) reflected that "the critical dimension of time has been missing far too long from our management theories and practices" (p. 46). Friesen and Miller (1984) echoed this sentiment when they stated that "there has been too little research done on how corporations develop over time" (p. 1161). In particular, organizational research focuses on mature organizations. Very little research exists on the birth and early growth of organizations. Kimberly and Miles (1987) noted that most organizational research is carried out in mature organizations and the life cycle is overlooked.

Friesen and Miller (1984) provided an overview of some of the studies of life cycle theory categorized by the stage of development (Appendix A).

#### Greiner Model

The five stages generally used by the researchers were delineated by Greiner of the Harvard Business School in 1972. While each researcher defined what happens in the life cycle somewhat differently, Greiner was able to classify them within five broad stages. These categories, and supportive concepts by other authors, are:

1. Growth through creativity (also identified as craft [Filley et al., 1976], primitive collective response [Katz & Kahn, 1978], and zealot organizations [Downs, 1967]).
2. Growth through direction (also identified as go-go stage [Adizes, 1979] and rapid growth stage [Downs, 1967]).

3. Growth through delegation (also identified as maturity phase [Friesen & Miller, 1980] and decentralized growth [Handy, 1979]).

4. Growth through coordination (also identified as formalized structure [Handy, 1979] and rules [Albrecht, 1983]).

5. Growth through collaboration (also identified as multi-structure [Handy, 1979]).

Greiner (1972) identified the growth phases in Figure 13. Handy (1979) provided a very similar model included in Appendix B. Other authors have identified these stages by other names, as indicated in Figure 14.

At the transition points between stages, the organization might decline or it might continue without further maturation (Friesen & Miller, 1984; Robey, 1986). If the organization succeeds in moving through the transition crisis, it will progress to the next growth phase. The model was selected by this researcher from others in the field because: (a) The model is clear, (b) the model identifies crisis opportunities and defines growth stages, (c) the model generally reflects the research in the field, and (d) the model identifies the developmental tasks required by the organization to move from one stage to the next.

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

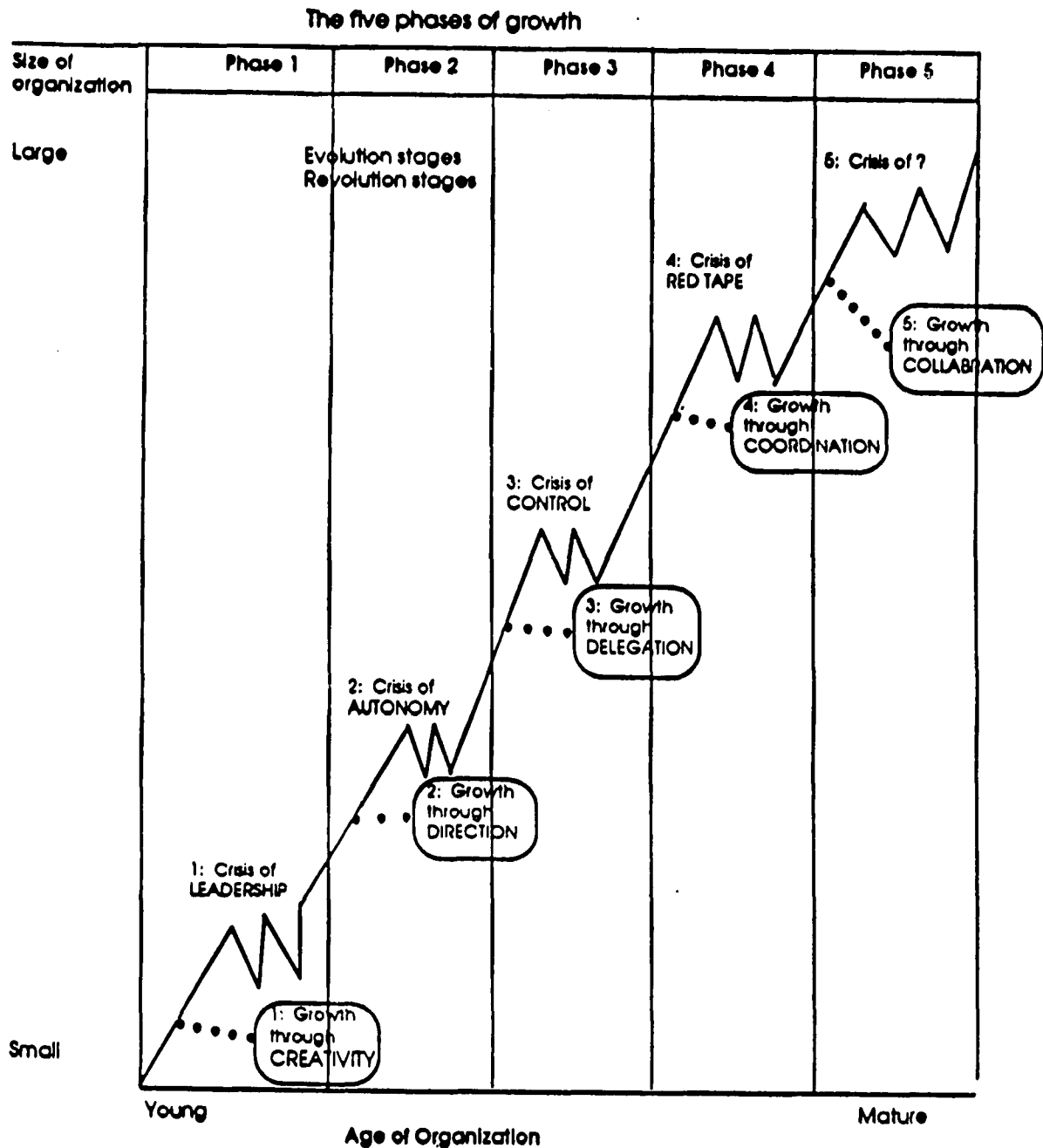


Figure 13. Greiner Model of Organizational Growth.

Source: From "Evolution and Revolution As Organizations Grow" by L. E. Greiner, 1972, July-August, Harvard Business Review, p. 41. Reprinted by permission of Harvard Business Review. Copyright © 1972 by the President and Fellows of Harvard College; all rights reserved.

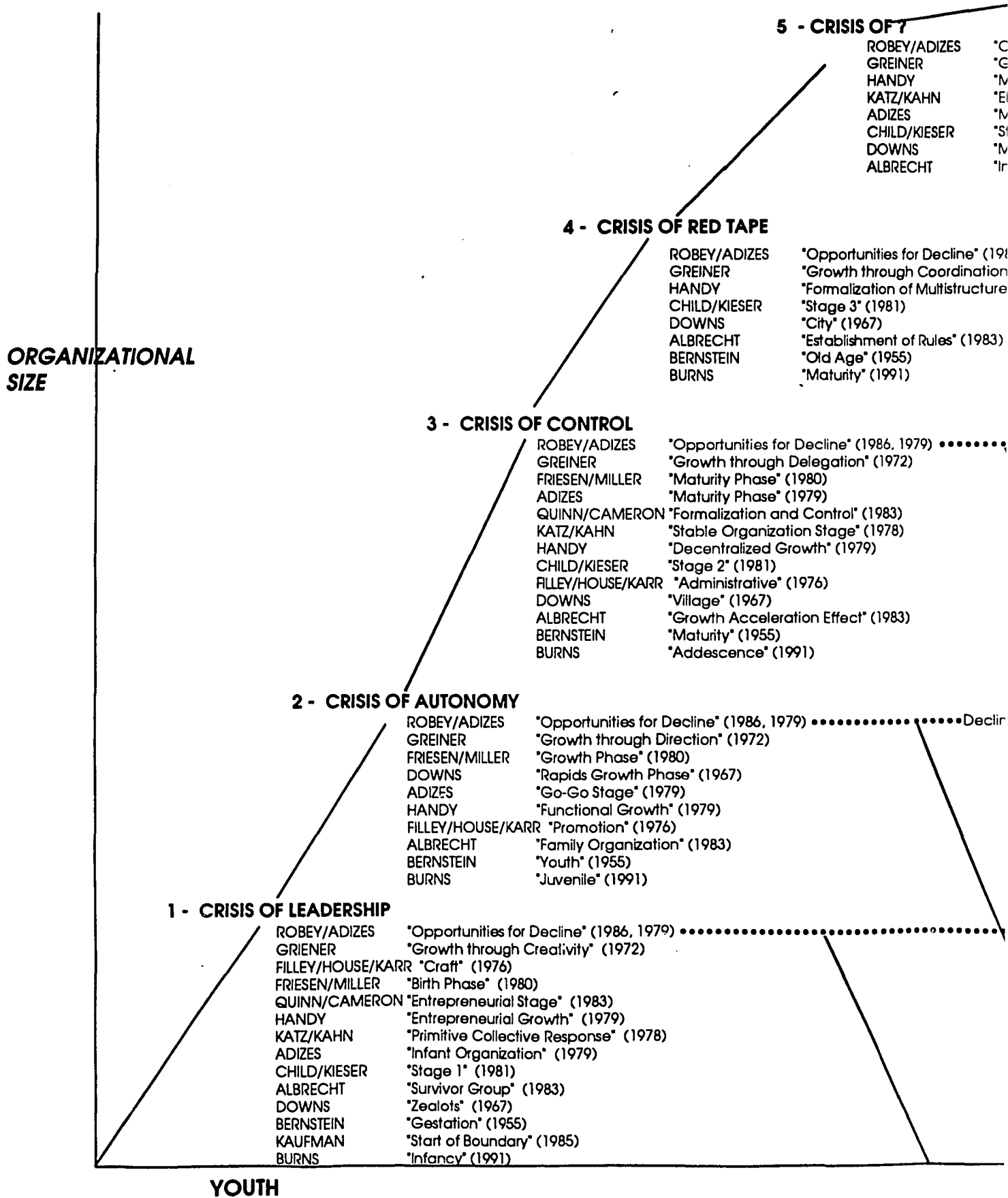


Figure 14. Modified Organizational Life Cycle Diagram.



## 5 - CRISIS OF ?

ROBEY/ADIZES  
GREINER  
HANDY  
KATZ/KAHN  
ADIZES  
CHILD/KIESER  
DOWNS  
ALBRECHT

"Opportunities for Decline" (1986, 1979)  
"Growth through Collaboration" (1972)  
"Multistucture Growth" (1979)  
"Elaborated Supportive Structure" (1978)  
"Mature Organization" (1979)  
"Stage 4" (1981)  
"Metropolitan" (1967)  
"Increasing Conservatism" (1983)

## CRISIS OF RED TAPE

ROBEY/ADIZES  
GREINER  
HANDY  
CHILD/KIESER  
DOWNS  
ALBRECHT  
BERNSTEIN  
BURNS

"Opportunities for Decline" (1986, 1979)  
"Growth through Coordination" (1972)  
"Formalization of Multistucture" (1979)  
"Stage 3" (1981)  
"City" (1967)  
"Establishment of Rules" (1983)  
"Old Age" (1955)  
"Maturity" (1991)

Decline for a ..... ADIZES "Aristocracy" (1979)  
Community ..... DOWNS "Stable and Viable" (1981)  
Foundation may be languish

## OL

ADIZES "Opportunities for Decline" (1986, 1979)  
"Growth through Delegation" (1972)  
ILLER "Maturity Phase" (1980)  
"Maturity Phase" (1979)  
AMERON "Formalization and Control" (1983)  
"Stable Organization Stage" (1978)  
"Decentralized Growth" (1979)  
SER "Stage 2" (1981)  
SE/KARR "Administrative" (1976)  
"Village" (1967)  
"Growth Acceleration Effect" (1983)  
"Maturity" (1955)  
"Addescence" (1991)

Decline for a .....  
Community Foundation .....  
may be languish

ADIZES "Early Bureaucracy" (1979)  
DOWNS "Minor Decline" (1981)

"Opportunities for Decline" (1986, 1979)  
"Growth through Direction" (1972)  
"Phase" (1980)  
"Growth Phase" (1967)  
"Age" (1979)  
"Stable Growth" (1979)  
"Growth" (1976)  
"Organization" (1983)  
"Maturity" (1955)  
"Addescence" (1991)

Decline for a .....  
Community Foundation .....  
may be languish

ADIZES "Bureaucracy" (1979)  
DOWNS "Clear Decline" (1981)

"Opportunities for Decline" (1986, 1979)  
"Growth through Direction" (1972)

Decline for a .....  
Community Foundation .....  
may be languish

ADIZES "Bureaucracy" (1979)  
DOWNS "Clear Decline" (1981)

"Opportunities for Decline" (1986, 1979)  
"Growth through Direction" (1972)

ADIZES "Bureaucracy" (1979)

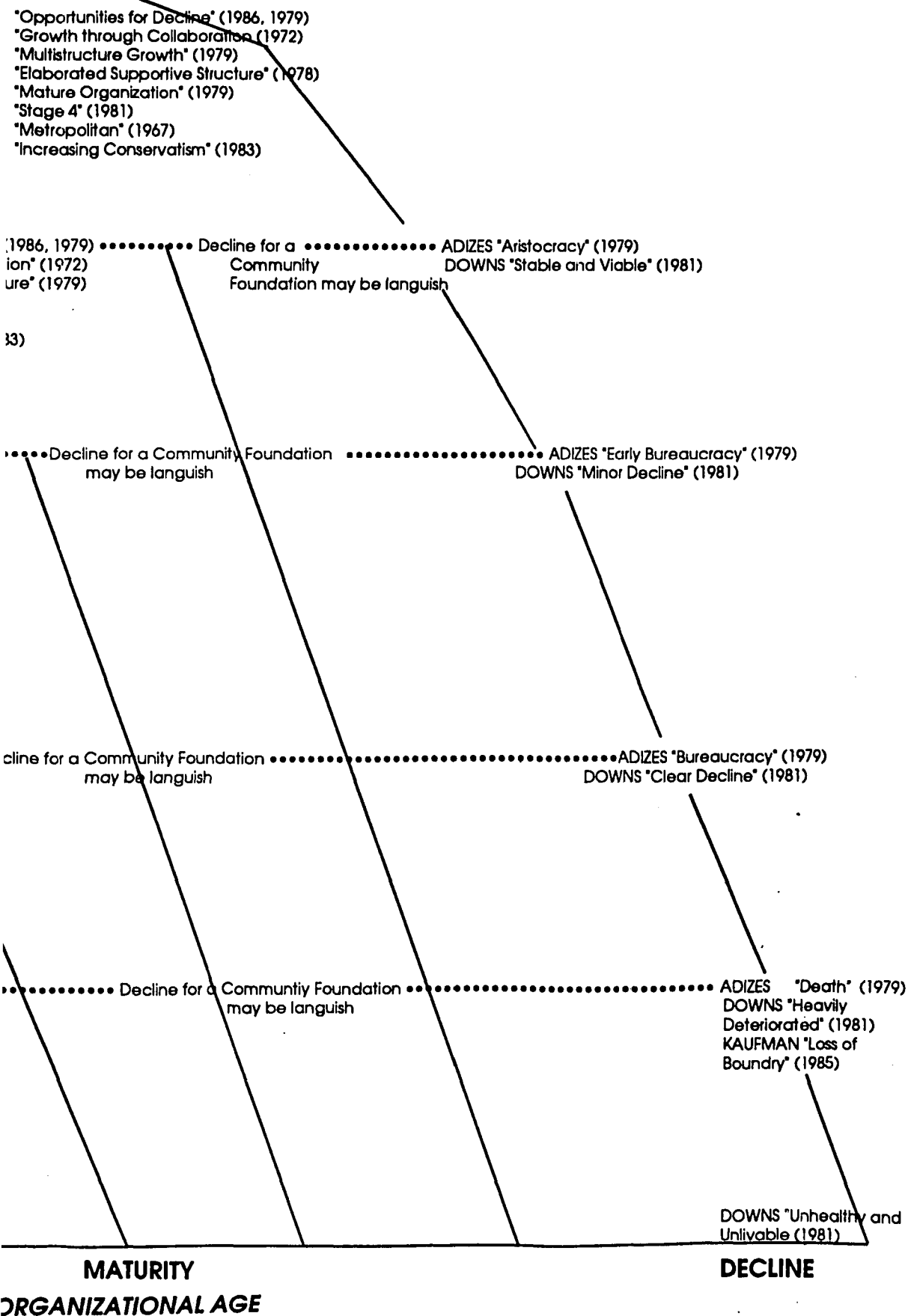
MATURITY

ORGANIZATIONAL AGE

DE  
Unli









In community foundations, the issue of "decline" is unusual since the permanently endowed asset provides a stable source of income. Failure of the public support test leading to Internal Revenue Service (IRS) classification as a private foundation followed by years of asset erosion through taxes and pay-out requirements could end a community foundation. Also rampant inflation, in the absence of high interest rates, or a dramatic decline in the stock market which would destroy the value of AAA rated companies in which the foundations have investments could end a community foundation. Neither scenario is likely to happen.

Kaufman (1985) noted that the need for resources is a critical factor in the death of an organization. He commented that organizations have difficulty with change in environments which are increasingly turbulent.

The community foundation, organized with flexibility in its bylaws through the Cy Pres power and with stable resources, barring catastrophe, is insulated from the threat of imminent death. It is more likely to languish and stagnate than to die.

In his model development, Greiner (1972) identified five "key dimensions" to growth: (a) age, (2) size, (3) stage of evolution, (4) stage of revolution, and (5) growth rate of the industry. He described these domains in the following ways.

#### Age

The most obvious and essential dimension for any model of development is the life span of an organization--it is evident that the same organization practices are not

maintained through a long span of time. This makes a most basic point: management problems and principles are rooted in time. (Greiner, 1972, p. 39)

A separate group of theories exists regarding organizational learning and the changes that result as an organization learns over time to successfully adapt to its environment (Kimberly & Miles, 1987; Child, cited in Nystrom & Starbuck, 1981; Starbuck, 1971). This learning results in the institutionalization of procedures and practices which successfully aid the organization in its unique environment. These standardized operating procedures begin the process of building bureaucracy. Initially standard procedures result in efficiencies for the organization.

However, if the procedures do not change with the environment, the organization may become too rigid to adapt. For this study, the important conclusions are that change in organizations over time results in organizations of different ages operating differently from one another and organizations adapting to various environments will be different from one another. The age of the organization is one of the characteristics used to observe differences between community foundations. Questions to be answered in this study are: Do community foundations of different ages have different characteristics? If so, do these characteristics change in a predictable way over time?

### Size

A second dimension to observe is organizational size. Change as a result of size has been described as:

A company's problems and solutions tend to change markedly as the number of employees and sales volume increase. In addition to increased size, however, problems of coordination and communication magnify, new functions emerge, levels of management hierarchy multiply, and jobs become more interrelated. (Greiner, 1972, p. 40)

Many forces push growth. Studies on the economic growth of the firm show that incentives for growth include economic incentives to increase profit, lower costs, and raise revenue. Psychological incentives include manager self-realization, a need for adventure and risk, the need for prestige and power, and salary growth. The strategic needs are for monopoly power and the organizational stability that comes from size and survival (Starbuck, 1971).

Other research describes the ways in which organizations grow. Katz and Kahn (1978) wrote:

The development of organizational structure can be conceptualized as differentiation and integration.

Some minimal increase of numbers and resources is necessary to provide a safe margin of separation of functions and their institutionalization. Once past the critical point, the greater effectiveness and return to the organization resulting from a differentiated structure leads to further growth and differentiation. (p. 104)

Managers may increase the size of existing units, the number of units doing identical work, the differentiation of work, and the specialization of tasks. They may also manage to grow through merger with other organizations (Katz & Kahn, 1978; Starbuck, 1971). Thus, time is not the only determinant of structure; in fact, organizations that do not grow in size can retain many of the same management issues and practices over lengthy periods. For this study, the important conclusion is that change in organizations is related

to size.

Haire (1965), in making the first use of the life cycle analogy from the biological sciences to organizations, noted that "a man cannot grow as big as a giant and still have the shape of a man. The size cannot vary completely independently of the shape" (p. 274). Cook (cited in O'Neil & Young, 1988) wrote, "Almost by definition, there are major short-term operational differences between managing a large organization and managing a small one" (p. 101).

The validity of the relationship between age and size and the resulting life cycle stages of the organization have been discussed theoretically by several researchers and, with certain cautions, substantiated empirically by Friesen and Miller (1984). They cautioned that while organizations of differing ages and sizes demonstrate substantial differences, they did not validate that organizations must necessarily move in a linear direction from one stage to another. Their research shows differences between organizations with the ability to make quantum leaps of change. The variable of size is defined by community foundations as asset size.

The research questions to be answered are: Do community foundations of different asset sizes have different characteristics? If so, do these characteristics change in a predictable way as the foundation grows?

Life cycle models demonstrate a relationship between organizational age and size. This relationship has also been observed in community foundations.

### Stages of Evolutions

Greiner (1972) wrote about the stages of evolution, that they are "quieter times when only modest adjustment appears necessary for maintaining growth under the same overall pattern of management" (p. 40).

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

### Stages of Revolution

The period of evolution ends with the start of a revolutionary phase. Greiner (1972) wrote: "Smooth evolution is not inevitable, it cannot be assumed that organization growth is linear, these turbulent times, the periods of revolution, typically exhibit a serious upheaval of management practices" (p. 40).

The questions raised for this study on periods of revolution include: Are there identifiable periods of instability in a community foundation's growth history? If so, what are the characteristics of these periods? Is there a pattern to the sequence of the revolutionary periods?

Finally, Greiner (1972) addressed the growth rate of the industry as a domain affecting the speed at which an organization experiences the changes in the life cycle.

### Growth Rate of Industry

Greiner (1972) wrote that "the speed at which an organization experiences phases of evolution and revolution is clearly related to the market environment of its industry" (p. 40). Because the community foundation field is experiencing rapid growth both in age and asset size (Figures 3, 4, and 5), Greiner's model would predict that the organizations within the field are evolving more rapidly than those which were formed in less supportive times.

The cross-sectional data look at individual community foundations related to their specific environments. Because the environmental factors for each of 89 communities in the case study would be extremely difficult to research, population size is used as a gross indicator of environmental complexity. The question raised by the issue of the growth rate of the industry is: Do community foundations serving different size communities have different characteristics?

### Transition Characteristics

In Greiner's (1972) model, each organization faces a crisis which, when solved, has two results. First, the solution leads to a period of stability. Second, the solution sows the seeds for the next period of turbulence.

Phase 1: Creativity--the growth during this period is dependent upon an entrepreneurial person. As the organization grows, it needs more people to become involved, and there emerges a crisis of



leadership. With the appointment of a leader, the organization goes into Phase 2.

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

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

Phase 4: Coordination--in order to hold the organization together, control is recentralized through systems and channels. There follows development of rules and standard operating procedures. This development of policies, procedures, forms, and standards leads to immobilization of the organization in "red tape" leading to a system of collaboration rather than operating by rules.

Phase 5: Collaboration--at this stage, multi-unit organizations work in teams to accomplish organizational objectives. The next crisis level has not been developed. Greiner (1972) suggested it may be the loss of ethics or vision about the core values of the organization. The strong interpersonal nature of the team concept may also lead to "psychological saturation" (Greiner, 1972, p. 44) requiring the development of "reflective groups" (p. 44).

### Other Models

Many other observers have identified similar life cycle stages (Adizes, 1979; Albrecht, 1983; Child & Kieser, 1981; Filley et al., 1976; Friesen & Miller, 1980; Handy, 1979; Quinn & Cameron, 1983; Robey, 1986). A compilation of their titles for each growth phase is provided in Figure 14.

After reviewing various approaches to a life cycle metaphor, the concept developed by Greiner (1972) was selected as the organizing viewpoint for observing the changes in community foundations over time and by asset size. Greiner's model contains the same elements--structural design, age, size, technology, and environment--as the elements described by other prominent researchers using a growth oriented research approach.

### Validity of the Life Cycle Model

Although the life cycle analogy comes from the biological sciences, at least one research study confirms its validity. Friesen and Miller (1984), in their study of organizational change, provided empirical substantiation of the life cycle model. These researchers identified the stages as birth, growth, maturity, revival, and decline.

Birth organizations are described by Friesen and Miller (1984) as "firms that are young, dominated by their owners, and have simple and informal structures" (p. 1162). Growth organizations have "a functionally-based structure, some authority is delegated to middle

managers and procedures are formalized" (p. 1162). In the maturity phase, "the goal becomes smooth and efficient functioning" (p. 1162). The revival phase "shows firms adopting divisionalized structures for the first time in order to cope with more complex and heterogeneous markets" (p. 1162). Finally, the decline phase "reveals encroaching stagnation as markets dry up and firms begin to decline with them" (p. 1162).

Friesen and Miller (1984) concluded with two major findings: (1) "There is something of a 'gestalt' or configural nature of the life cycle," and (2) "periods of the life cycle differ from one another in very pervasive and multifaceted ways. Each of the phases is in many ways unique" (p. 1162).

#### Life Cycle Theory Related to Bureaucracies

Much of the research on organizational growth in the business literature finds root in the theory and research on the growth of bureaucracy in government. In 1947, Weber (cited in Morgan, 1986) wrote the seminal work on bureaucratic development. Morgan wrote:

[Max Weber] noted that the bureaucratic form routinizes the process of administration exactly as the machine routines production. In his work we find the first comprehensive definition of bureaucracy as a form of organization which emphasizes precision; speed, clarity, regularity; reliability and efficiency achieved through the creation of a fixed division of tasks, hierarchical supervision, and detailed rules and regulations. (p. 24)

Downs (1967), in Inside Bureaucracy, elaborated on Weber's (cited in Morgan, 1986) model but in language descriptive of the organizational life cycle.

The first stage of a bureaucracy begins as: "the result of aggressive agitation and action by a small group of zealots who have a specific idea they want to put into practice on a large scale" (Downs, 1967, p. 5). This sounds very much like Greiner's (1972) description of the growth through creativity stage.

Greiner (1972) wrote, "The company's founders are usually technically or entrepreneurally oriented, they have disdain for management activities; their physical and mental energies are absorbed entirely in working and selling a new product" (p. 42).

Downs (1967) supported this when he observed that "the organization may be deliberately created almost out of nothing by one or more groups in society in order to carry out a specific function for which they perceive a need" (p. 5).

The second stage begins with "a small group of disciples who eventually need to support themselves. This need tends to modify the original group into some more formal organization" (Downs, 1967, p. 6). This early need to organize sounds much like Greiner's (1972) description of the growth through direction stage. He wrote: "A functional organization structure is introduced to separate manufacturing from marketing activities, and job assignments become more specialized" (p. 42).

Downs (1967) described the basic need of the fledgling bureau to meet "minimal size and age levels" (p. 7) to insure survival. Once these minimal thresholds are reached, the bureau tends to attract climbers rather than conservers, and contributes to a "growth accelerator effect" (p. 11), which subsequently pushes the

organization into a rapid growth stage. This sounds very much like Greiner's (1972) description of the growth through delegation stage. He contended that "the delegation stage proves useful for gaining expansion through heightened motivation at lower levels. Decentralized managers with greater authority and incentive are able to penetrate larger markets, respond faster to customers, and develop new products" (p. 43).

As the bureau grows, increases in efficiency allow it to expand even if resources stabilize (Downs, 1967). This phenomenon, as described by the business researchers, relates to economies attained through early entry into a new market. The bureaucracy grows and learns. Experience codifies into standard procedures. The procedures help to improve performance when the bureau engages in routine work. The business and marketing literature refer to this as the learning curve.

But standard procedures also decrease the flexibility to meet emergent situations (Downs, 1967). This sounds very much like Greiner's (1972) description of growth through coordination phase. He wrote: "The evolutionary period is characterized by the use of formal systems for achieving greater coordination" (p. 43).

As the bureau reaches maturity, it tends to diversify in order to insulate itself from changes in the environment. This diversification results in bureaus structured like conglomerates in private firms (Downs, 1967) or much like Greiner (1972) described his stage of growth through collaboration at the peak of maturity. He wrote of the management system, that it operates "through team action" and

that "teams are combined across functions for task group activity" (p. 43).

Downs (1967) addressed the decline of bureaucracy when he cited the law of increasing conservatism: "All organizations tend to become more conservative as they get older. This principle is especially applicable to bureaus because they are relatively insulated from competition" (p. 20).

The growth of bureaucracy and the organizational life cycle theory in other organizations appears virtually the same. This means that two of the three sectors of American society, private enterprise and government, demonstrate parallel experiences regarding organization growth when an analogy to biological growth is drawn. The third sector of society, the nonprofit sector, contains the organizations under study here, the community foundations.

#### Overview on the Growth of Nonprofit Organizations

In comparison to the research and literature describing business and government, very little research exists regarding the third sector, the nonprofit organizations.

In the brief literature on nonprofit development, changes in the governance structure have been identified by Ingram (1986). These shifts present two ends of a continuum as shown in Table 2.

Mathiasen (1990) described a life cycle model for a part of the organization--the nonprofit boards of trustees. Mathiasen identified three stages. The first stage is organizing a board of volunteers. This stage can be either a board which follows the leader or

Table 2  
Nonprofit Organization Growth Model

<b><i>"A Paradigm: The Evolution of Non-profit Organization Governance"</i></b>		
Founding	(to)	Regional or National Significance
Small Number of Members (Constituents)	(to)	Extensive Number of Members (Constituents)
Small Budget and Staff	(to)	Extensive Budget and Staff
Small Board	(to)	Large Board
"Executive Director" (CEO)	(to)	"President" (CEO)
"President" (Board Chair)	(to)	"Chair" (Board Chair)
Board = Committee of Whole	(to)	Board with Effective Standing Committees
Founders = Board (No Turnover)	(to)	Directors Selected on Merit (Scheduled turn-over)
Directors serve as volunteers	(to)	Directors do not serve as volunteers
Directors represent constituencies	(to)	Directors serve at-large
Strong emotional commitment by Directors	(to)	Less emotional investment and more reliance on Directors expertise, skills, and influence
Directors neither raise funds nor give regularly	(to)	Directors give annually and raise funds

Source: From *The Basic Responsibility of Nonprofit Boards* (pp. 18-19) by R. T. Ingram, 1986, Washington, DC: National Center for Nonprofit Boards. Available from the National Center for Nonprofit Boards, 2000 L Street, NW, Washington, DC 20036. Tel: 202-452-6262. Copyright © 1986 by the National Center for Nonprofit Boards. Used by permission.

a board that leads or controls the organization. In the former board, the number of trustees is small and provides a cheerleading role to a visionary leader. The second type of board is composed of a "determined band of warriors who join together to give their time and energy to a cause to which they share a passionate commitment" (pp. 5-6).

Mathiasen (1990) noted that both of these organizing boards tend to be "small, quite homogeneous, rather informal in operational style, and very committed to the purpose of the organization" (p. 7).

The second stage identified is the volunteer governing board. At this state, Ingram (1986) described the changes in the governing board. "What perhaps most characterizes the governing board is the shift from performing operational, staff like tasks or a shift from relative inactivity and cheerleading to the gradual assumption of responsibility for the organization's well-being and its longevity" (p. 9).

A final mature stage is identified as the institutional and fund-raising board. This board is "usually very large and, while diverse, generally include(s) more people who have the capacity to give or have access to funders and donors" (p. 13). This board "accepts the role of fund-raising and often delegates governance of the institution to an executive" (p. 13).

The Development and Technical Assistance Center in Connecticut uses four stages of development as the basis for individual strategies for nonprofits. These stages are: (1) infancy--where the



board members are staff; (2) juvenile--where the board members are staff, but the organization also has paid staff; (3) adolescence--where the board members and paid staff are in the process of defining roles and responsibilities; and (4) maturity--where the board members and staff have established roles (Burns, 1991).

This recent literature suggests an interest in and some common principles related to the growth literature from business and government.

### Overview of Life Cycle Models

Figure 13 depicts Greiner's (1972) model of organizational growth. The model shows periods of smooth growth leading to periods of crisis. Each crisis situation is embedded in the practice of the organization preceding the crisis and sows the seeds for the future crisis. The growth model is defined by growth in size and the aging of the organization. Greiner's model is used for this study as the representative for all of the models on life cycle maturation.

Figure 14 depicts an expanded version of Greiner's (1972) model clustering similar theories from various authors. In addition to the growth factors, the concept of decline has been added by Adizes (1979). A line showing how a community foundation might languish, instead of decline, has been added. Decline or stagnation can occur when the organization is not successful in solving the growth crisis.

Greiner's (1972) model is used as the outline for the growth curve up to the peak which is the fifth stage, and as yet not

identified crisis stage. Adizes's (1979) interest in the process of decline is given on the downward side of the curve. The process of decline is not a part of this study but the concept is provided in order to offer as complete a model as possible.

Inside the figure next to each growth stage there is a listing of the author and his or her concept related to that stage of growth. Across from Adizes's (1979) concept for that period is a dotted line showing that a failure to resolve the crisis may lead to rapid decline. Continuation across that dotted line suggests that because of the endowment nature of community foundation assets, they are more likely to languish than to rapidly decline.

The life cycle stages result from the interaction of the growth in size of an organization and its age. The literature review provides support for the existence of a life cycle theory for organizations generally. This study is interested in developing a similar life cycle model specifically for community foundations. In order to see if there are patterns, or clusters of characteristics, and to develop a model, the attributes to be researched must be identified. Some of these attributes are embedded in the life cycle model: (a) age, (b) size (total assets), and (c) growth rate of the organization.

To determine the stage of evolution or revolution, it is necessary to define the organizational characteristics which will be observed as either in a state of evolution or revolution.

For this study, the characteristics to be observed are those defined in four subsystems: (1) administrative, (2) social,

(3) strategic, and (4) technical. These four subsystems, identified by Lawrence and Lorsch (1967), represent the structural characteristics identified by other organizational researchers.

Figure 15 fills in the grid of subsystem characteristics by life cycle stage with attributes as described by various authors. Figure 16 presents the same description of attributes without the identification of specific authors. This type of model, describing the attributes of community foundations at various stages by system is developed by this research.

#### Selection of Metaphors as an Organizational Approach to the Study

Organizations are extremely complex. Approaching a set of organizations, such as community foundations, requires reflection on the models undergirding the analysis. Morgan (1986) pointed out this need for reflection when he wrote:

Our theories and explanations of organizational life are based on metaphors that lead us to see and understand organizations in distinctive yet partial ways. The use of metaphor implies a way of thinking and a way of seeing that pervade how we understand our world generally.  
(p. 12)

This study draws on several metaphors in building the descriptive base of indicators which will be used to characterize community foundations. Morgan (1986) suggested this multiple use of metaphors as a way to overcome the limitations of a preconceived paradigm. He wrote that "by using different metaphors to understand the complex character of organizational life, we are able to manage and design

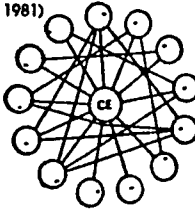
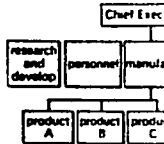
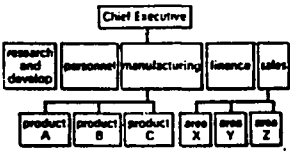
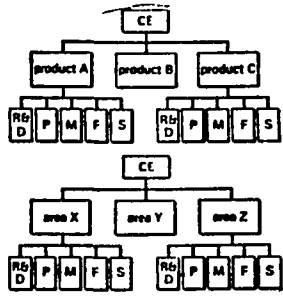
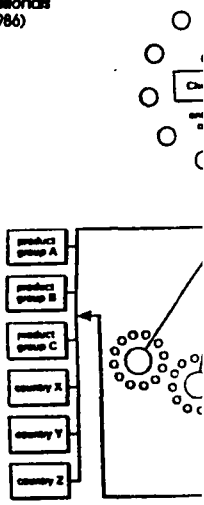
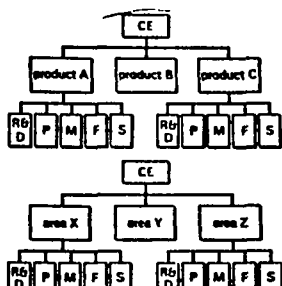
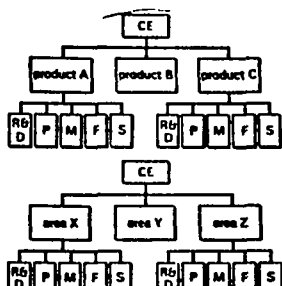
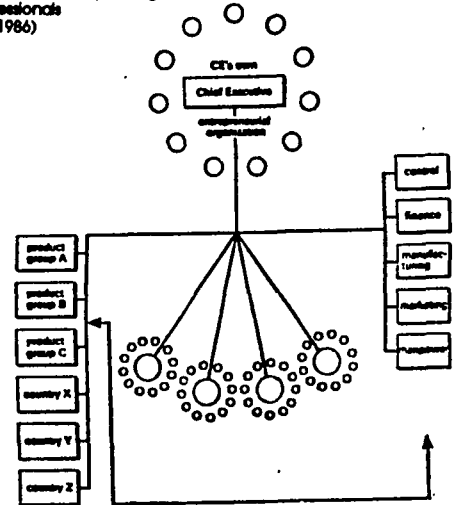
	Growth through Creativity 1	Growth through Direction 2	Growth through 3
SYSTEM	Adaptive crisis of resources, \$, and people (Albrecht, 1983)	Adaptive crisis of control (Albrecht, 1983)	A (A)
<b>Admin- istrative System</b>	<p>Entrepreneurial, informal, centralized (Hardy, 1979) Primitive collective response to common problems (Katz, 1978) Simple and centralized (Robey, 1986) Entrepreneur holds power (Robey, 1986) Simple administrative tasks (Robey, 1986) Small/young (Friesen in Robey, 1986) Little Structure (Child, 1981) Small/top management power (Mintzberg in Robey, 1986) Entrepreneur (Robey, 1986) Few policies, procedures or budgets (Adizes, 1979) Informal/centralized/informal/small (Friesen, 1989) "Slack" is a requirement for learning (Kimberly, 1980) High stress since learning from failure (Child in Nystrom, 1981) No differentiation within the organization structure (Child in Nystrom, 1981)</p>  <p>(Handy, 1979)</p>	<p>Delegate responsibility (Dale, 1952) Informal leadership (Albrecht, 1983) Middle level support staff with operating core (Mintzberg in Robey, 1986) Specialized departments develop (Child in Nystrom, 1981) One leader emerges (Robey, 1986) Staff tied to markets (Child in Nystrom, 1981) Managed through budget (Gluck, 1980) Policies/procedures develop/ administration takes some energy from production (Adizes, 1979) Management functional/centralized (Handy, 1979) Older/larger/more monitoring/team approach needed (Friesen, 1984; Greiner, 1972)</p>	<p>Building formal structures and systems (Albrecht, 1983) Delegate management/span of control issues (Dale, 1952) Insure stable structure (Katz, 1978) More complex administrative staff (Robey, 1986) Structure more complex/less centralized (Robey, 1986) Power still relatively central (Robey, 1986) Larger/departmentalized (Friesen in Robey, 1986) Operating Core - heavy emphasis on technostucture middle level staff regulate (Mintzberg in Robey, 1986) Rules enforced added to values and tasks (Katz, 1978) Experience become rules (Downs, 1967) Decentralized structure (Katz, 1966) Organization specialized by product line or by geographic area (Child in Nystrom, 1981)</p> 
<b>Social System</b>	<p>Survivor Groups=small band of entrepreneurs (Albrecht, 1983) Little delegation (Friesen, 1989) Informal (Handy, 1979) Cooperative/common needs (Katz, 1978) Everyone doing/few meetings (Adizes, 1979) Organizing Board of Volunteers (Mathiasen, 1990) Infancy-Board are staff (Burns, 1991)</p>	<p>Family like (Albrecht, 1983) Accomodate Personalities (Dale, 1952) Manager/key supervisors direct lower level supervisors are functional specialists (Greiner, 1972) Rule enforcement added to shared values to develop stable social organization (Katz, 1978) Cliques may develop (Adizes, 1979) Job assignments more specialized (Adizes, 1979; Katz, 1978) Organization based on specialized</p>	<p>Village like (Albrecht, 1983) More staff (Robey, 1986) Formal structure (Friesen in Robey, 1986) Regional leadership (Ingram, 1986) Volunteer Governing Board (Mathiasen, 1990) Adolecents - Board and staff defining roles (Burns, 1991)</p>
<b>Strategic System</b>	<p>Goal = formulate objectives/divide work (Dale, 1952) Niche marketing (Friesen, 1984) Entrepreneurs values provide direction (Gluck, 1980) Learn by doing (Kimberly, 1980) Tactical planning to meet task demands (Adizes, 1979) Risk taking not detailed analysis (Friesen, 1989) Early choices (later effect)=organizational imprinting (Kimberly, 1980) High uncertainty in decision making (Kimberly, 1980)</p>	<p>Organization growth depends on a surplus (Katz, 1978) Single products/or closely related to original (Child in Nystrom, 1981; Friesen, 1989) Basic financial planning with annual functional basis. Goal=meet budget (Gluck, 1980) Conscious decision to "cool" growth in order to get organized (Adizes, 1979) Markets begin to segment/incremental rather than bold changes (Friesen, 1989)</p>	<p>Rapidly growing (Friesen in Robey, 1986) More effort in information gathering/control/coordination (Robey, 1986) Forecast based planning (Gluck, 1980)</p>
<b>Technical System (Lawrence, 1976)</b>	<p>Product innovation (Friesen in Robey, 1986) One customer/one product Technical system follows tasks (Katz, 1978) # of product lines = 1 (Child in Nystrom, 1981)</p>	<p># of product lines = single or closely related (Child in Nystrom, 1981)</p>	<p>Multiple product lines or geographic markets (Child in Nystrom, 1981)</p>

Figure 15. Life Cycle Stages by Subsystem.



Direction	Growth through Delegation 3	Growth through Coordination 4	Growth through Collaboration 5
Adaptive crisis of control (Albrecht, 1983)	Adaptive crisis of structure (Albrecht, 1983)	Adaptive crisis of strategy (Albrecht, 1983)	May face crisis of (Albrecht, 1983)
	<p>Building formal structures and systems (Albrecht, 1983)            Delegate management/span of control issues (Dale, 1952)            Insure stable structure (Katz, 1978)            More complex administrative staff (Robey, 1986)            Structure more complex/less centralized (Robey, 1986)            Power still relatively central (Robey, 1986)            Larger/departmentalized (Friesen in Robey, 1986)            Operating Core - heavy emphasis on technostucture middle level staff regulate (Mintzberg in Robey, 1986)            Rules enforced added to values and tasks (Katz, 1978)            Experience become rules (Downs, 1967)            Decentralized structure (Katz, 1966)            Organization specialized by product line or by geographic area (Child in Nystrom, 1981)</p>  <p>(Handy, 1979)</p>	<p>Reduce Executive Burden/staff assistant (Dale, 1952)            New function/staff specialist (Dale, 1952)            Fully formalized with departments (Albrecht, 1983)            Technostucture Divisions develop (Mintzberg in Robey, 1986)            Grid or matrix structure based on product lines and geographic areas (Child in Nystrom, 1981)            Formal, decentralized (Handy, 1979)</p>  <p>(Handy, 1979)</p>	<p>Coordinate management/group decision making (Dale, 1952)            Determine degree of delegation/centralization (Dale, 1952)            Elaborate support structures (Katz, 1978)            Stable, bureaucratic (Friesen in Robey, 1986)            Support staff eliminates staff and operating core of cadre of professionals (Mintzberg in Robey, 1986)            Suborganizations (Handy, 1979)</p> 
	<p>Village like (Albrecht, 1983)            More staff (Robey, 1986)            Formal structure (Friesen in Robey, 1986)            Regional leadership (Ingram, 1986)            Volunteer Governing Board (Mathiason, 1990)            Adolescents - Board and staff defining roles (Burns, 1991)</p>	<p>City like (Albrecht, 1983)            Founders removed from product (Albrecht, 1983)            Maturity - Board and staff have established roles (Burns, 1991)</p>	<p>Metropolis (Albrecht, 1983)            Institutional and Fund Raising Board (Mathiason, 1990)</p>
plus iginal nt	<p>Rapidly growing (Friesen in Robey, 1986)            More effort in information gathering/control/coordination (Robey, 1986)            Forecast based planning (Gluck, 1980)</p>		<p>Innovative less (Friesen in Robey, 1986)            Becoming more conservative (Robey, 1986)</p>
	<p>Multiple product lines or geographic markets (Child in Nystrom, 1981)</p>	<p>Multiple product lines and geographic markets (Child in Nystrom, 1981)</p>	<p>Information systems become important (Robey, 1986)</p>



Delegation	Growth through Coordination 4	Growth through Collaboration (Greiner, 1972) 5
Adaptive crisis of structure (Albrecht, 1983)	Adaptive crisis of strategy (Albrecht, 1983)	May face crisis of values (Albrecht, 1983)
<p>Reduce Executive Burden/staff assistant (Dale, 1952) New function/staff specialist (Dale, 1952) Fully formalized with departments (Albrecht, 1983) Technostructure Divisions develop (Mintzberg in Robey, 1986) Grid or matrix structure based on product lines and geographic areas (Child in Nystrom, 1981) Formal, decentralized (Handy, 1979)</p>  <p>(Handy, 1979)</p>	<p>Coordinate management/group decision making (Dale, 1952) Determine degree of delegation/centralization (Dale, 1952) Elaborate support structures (Katz, 1978) Stable, bureaucratic (Friesen in Robey, 1986) Support staff eliminates staff and operating core of cadre of professionals (Mintzberg in Robey, 1986) Suborganizations (Handy, 1979)</p>  <p>(Handy, 1979)</p>	<p>Coordinate management/group decision making (Dale, 1952) Determine degree of delegation/centralization (Dale, 1952) Elaborate support structures (Katz, 1978) Stable, bureaucratic (Friesen in Robey, 1986) Support staff eliminates staff and operating core of cadre of professionals (Mintzberg in Robey, 1986) Suborganizations (Handy, 1979)</p>  <p>(Handy, 1979)</p>
<p>City like (Albrecht, 1983) Founders removed from product (Albrecht, 1983) Maturity - Board and staff have established roles (Burns, 1991)</p>	<p>Metropolis (Albrecht, 1983) Institutional and Fund Raising Board (Mathiasen, 1990)</p>	
		<p>Innovative less (Friesen in Robey, 1986) Becoming more conservative (Robey, 1986)</p>
<p>Multiple product lines and geographic markets (Child in Nystrom, 1981)</p>		<p>Information systems become important (Robey, 1986)</p>





Evolutionary Phase		1 Creativity	2 Direction	3 Delegation
Revolutionary Phase		Leadership		Autonomy
Administrative System	<ul style="list-style-type: none"><li>• Collective response to a problem - members of the group have equal status</li><li>• Simple and centralized power - one entrepreneur or visionary leader</li><li>• Simple administrative tasks</li><li>• Few policies or procedures and simple budget</li><li>• Small group</li><li>• No differentiation of functions</li><li>• Founders technically oriented</li></ul>	<ul style="list-style-type: none"><li>• Specialized departments develop</li><li>• One leader emerges</li><li>• Budget manages the organization</li><li>• Policies and procedures develop</li><li>• Management functional and centralized</li></ul>	<ul style="list-style-type: none"><li>• Formal structures and system</li><li>• Power is delegated</li><li>• Managers feel 'span of control'</li><li>• Rule enforcement added to tasks</li><li>• Experience becomes transferable</li><li>• Organized by product or geographic area</li></ul>	
Social System	<ul style="list-style-type: none"><li>• Small band of entrepreneurs</li><li>• Little delegation</li><li>• Cooperative spirit</li><li>• Small "in-group"</li></ul>	<ul style="list-style-type: none"><li>• Systems accommodate personalities</li><li>• Managers are functional specialists</li><li>• Job assignments more specialized</li></ul>	<ul style="list-style-type: none"><li>• More staff</li><li>• Meetings in halls, conferences</li><li>• Regional leadership</li></ul>	
Strategic System	<ul style="list-style-type: none"><li>• Objective survival</li><li>• Niche marketing</li><li>• Tactical planning to meet task demands</li><li>• Early choices affect organizational imprinting</li><li>• Learn by doing</li></ul>	<ul style="list-style-type: none"><li>• Single product or closely related products</li><li>• Short term goals</li><li>• Incremental rather than bold changes</li><li>• Accelerated growth</li></ul>	<ul style="list-style-type: none"><li>• Growing rapidly</li><li>• Simple plans, some forecasts</li><li>• Systematic growth</li></ul>	
Technical System	<ul style="list-style-type: none"><li>• One customer/one product</li><li>• Systems follow tasks that arise</li></ul>	<ul style="list-style-type: none"><li>• Closely related product lines</li></ul>	<ul style="list-style-type: none"><li>• Multiple products</li></ul>	
Crisis	<ul style="list-style-type: none"><li>• Must garner enough "extra" in people and financial resources to expand</li><li>• Must pass through a "leadership" crisis, founders must allow a manager to become involved</li></ul>		<ul style="list-style-type: none"><li>• Crisis of control of delegated authority, must be willing to delegate</li><li>• Specialists demand more autonomy</li></ul>	

Figure 16. Life Cycle Stages by Organizational System: Outline of Characteristics.



	3 Delegation	4 Coordination	5 Collaboration
	Autonomy	Control	Red Tape
Develop Specialization Develop and centralized	<ul style="list-style-type: none"> <li>Formal structures and systems are built</li> <li>Power is delegated</li> <li>Managers feel "span of control" issues</li> <li>Rule enforcement added to values and tasks</li> <li>Experience becomes translated into rules</li> <li>Organized by product or geography</li> </ul>	<ul style="list-style-type: none"> <li>Staff assistant relieves administrative burden</li> <li>Fully formalized departments</li> <li>Specialized product lines or geography</li> </ul>	<ul style="list-style-type: none"> <li>Group decision-making</li> <li>Elaborate support structures</li> <li>Stable bureaucracy</li> <li>Collegial style</li> </ul>
Personalities Specialists Specialized	<ul style="list-style-type: none"> <li>More staff</li> <li>Meetings in halls, conference rooms</li> <li>Regional leadership</li> </ul>	<ul style="list-style-type: none"> <li>Founders become removed from product</li> <li>Potential for manager to have more time</li> </ul>	<ul style="list-style-type: none"> <li>Very little conflict</li> <li>Sense of urgency lost</li> <li>Special meeting room for Board m</li> </ul>
Related products Old changes	<ul style="list-style-type: none"> <li>Growing rapidly</li> <li>Simple plans, some forecasting</li> <li>Systematic growth</li> </ul>	<ul style="list-style-type: none"> <li>Externally oriented planning</li> </ul>	<ul style="list-style-type: none"> <li>Innovating less</li> <li>Planning is a way of life</li> <li>Information systems become impo</li> </ul>
ies	<ul style="list-style-type: none"> <li>Multiple products</li> </ul>	<ul style="list-style-type: none"> <li>Multiple product lines or geography</li> <li>Systems oriented</li> </ul>	<ul style="list-style-type: none"> <li>Little research and development</li> <li>Statesman approach</li> </ul>
<ul style="list-style-type: none"> <li>Crisis of control of delegated authority, must be willing to delegate</li> <li>Specialists demand more autonomy</li> </ul>	<ul style="list-style-type: none"> <li>Need for more control as delegated authority runs too far afield</li> <li>Need for more structure and team work</li> </ul>	<ul style="list-style-type: none"> <li>Need to decide on strategy</li> <li>Crisis of red-tape as procedures used to control become rigid systems</li> </ul>	

Outline of Characteristics.



	4 Coordination	5 Collaboration
Control	Red Tape	
<p>Systems are built</p> <p>Control issues to values and</p> <p>Translated into rules geography</p>	<ul style="list-style-type: none"> <li>• Staff assistant relieves administrative burden</li> <li>• Fully formalized departments</li> <li>• Specialized product lines or geography</li> </ul>	<ul style="list-style-type: none"> <li>• Group decision-making</li> <li>• Elaborate support structures</li> <li>• Stable bureaucracy</li> <li>• Collegial style</li> </ul>
<p>Office rooms</p>	<ul style="list-style-type: none"> <li>• Founders become removed from product</li> <li>• Potential for manager to have more time</li> </ul>	<ul style="list-style-type: none"> <li>• Very little conflict</li> <li>• Sense of urgency lost</li> <li>• Special meeting room for Board members</li> </ul>
<p>Planning</p>	<ul style="list-style-type: none"> <li>• Externally oriented planning</li> </ul>	<ul style="list-style-type: none"> <li>• Innovating less</li> <li>• Planning is a way of life</li> <li>• Information systems become important</li> </ul>
	<ul style="list-style-type: none"> <li>• Multiple product lines or geography</li> <li>• Systems oriented</li> </ul>	<ul style="list-style-type: none"> <li>• Little research and development</li> <li>• Statesman approach</li> </ul>
<ul style="list-style-type: none"> <li>• Need for more control as delegated authority runs too far afield</li> <li>• Need for more structure and team work</li> </ul>	<ul style="list-style-type: none"> <li>• Need to decide on strategy</li> <li>• Crisis of red-tape as procedures used to control become rigid systems</li> </ul>	<ul style="list-style-type: none"> <li>• Bureaucracy may feel crisis of values</li> <li>• Emotional exhaustion due to emphasis on group decision making</li> </ul>



organizations in ways that we may not have thought possible before" (p. 13).

Historically, the mechanistic metaphor comes first. This metaphor has been used to describe various types of organizations, especially for profit businesses and government.

The metaphor describes organizations as like machines. Principles emerging from this metaphor are used in this study to observe the structural components of community foundations, in particular, the administration system.

Following the mechanistic theory was the concept of looking at organizations as life systems. Morgan (1986) wrote: "Let's think about organizations as if they were organisms. In this simple line of inquiry we find the crux of many of the most important developments in organization theory over the last fifty years" (p. 39).

Under the heading of the life systems paradigm, Morgan (1986) included open systems theory and the subsystem approaches often included with recent mathematical modeling. Other authors categorize these ideas as the four schools of thought described in Figure 8 (Wharton School of Management, 1982).

The life systems metaphor is used in this study from several perspectives. First and most critical is the life cycle model. This metaphor was further described by Morgan (1986) as follows:

The thrust of his [Henry Mintzberg] work, which has been extended and refined in many ways by his colleagues Danny Miller and Peter Friesen, is to show that effective organization depends on developing a cohesive set of relations between structural design, the age, size and technology of the firm, and the conditions of the industry in which it is operating. (p. 56)



These same attributes, age, size, technology, the structure design (using the subsystem as the unit of structure as defined by the mechanistic metaphor), and the environment, are observed in this analysis.

These two metaphors, the mechanistic and life systems, were viewed by Morgan (1986) as the two most common and useful metaphors. While he explored other possible metaphors, the others emerge untested from outside the fields of organizational study, such as psychology and corrections. Virtually an unlimited number of metaphors are available. These other metaphors stimulate creative thinking but may not be as helpful in providing structure to this research. Other metaphors do not have the same body of literature supporting their legitimate use as viable metaphors for organizing future research efforts.

#### Strengths and Weaknesses of the Biological Metaphor

Morgan (1986) provided a listing of six strengths for the biological metaphor and four weaknesses. Kaufman (1985) added another four weaknesses. These are shown in Figure 17.

#### Assessing the Weaknesses of the Biological Metaphor

While the biological metaphor may have some limitations if used alone, these possible limitations are modified by the use of other analogies in this dissertation.

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### Strengths

- Emphasis on understanding relations between the organization and the environment
  - Management can often be improved by seeing "needs important to survival"
  - Identifying different "species" alerts us to the range of organizational options
  - Stresses the virtue of organic forms in the process of innovation
  - Contributes to the theory and practice of organizational development especially through the "contingency approach"
  - Important contributions related to the "ecology" of interorganizational relations
- 

### Weaknesses

- Undermines power of organizations to help make their own futures
  - Most organizations are not functionally unified as organisms (Kaufman and Morgan)
  - Emphasis on unity rather than conflict may be an inherent weakness
  - Danger of the metaphor becoming an ideology
  - Organizations share components (i.e. people) - living systems do no (Kaufman)
  - Organizations do not have the same sense of offspring (Kaufman)
  - Organizations can be replicated but without genetic precision (Kaufman, 1985)
- 

Figure 17. Biological Metaphor: Strengths and Weaknesses.

Sources: Extrapolated from Images of Organization by G. Morgan, 1986, Newberry Park, CA: Sage; and Time, Chance, and Organizations by H. Kaufman, 1985, Chatham, NJ: Chatham House.

Power of the Organization to Make Its Own Future. One noted weakness of the life cycle analogy is the possible omission of the fact that organizations can affect their own futures by acting on the external environment. The concept of organizational action is

captured in this study related to strategy. By using the mechanistic metaphor as a part of the analysis, a subsystem analysis of strategy can be included. This strategy component also is supported by systems theory (Katz & Kahn, 1978). Wharton School of Management (1982) described this as a separate metaphor, with its concern about the environment. A part of the literature review covers theories related to community foundation strategy and these strategies include proactive actions by the community foundations to shape the environment, that is, the power to help make its own future. The life cycle analogy has not limited this view of the organization in this research.

Thus the model weakness, an undermining of the power of the organization to be proactive, is buffered by an analysis step which specifically addresses the ability of community foundations to act on their environments. Specifically, mission analysis and the ability of the foundation to lead special projects deal with this issue.

Functional Unification. Another weakness to the life cycle analogy is that living organisms must be functionally unified to live. This means the heart cannot live without the brain and the brain cannot live without oxygen. Organizations do not typically require such close interaction to survive.

Because this study is looking at a very coarse outline of clusters of characteristics at various ages and asset sizes, close functional unification of the sort needed for a living organism to survive is not as important.

This study is not designed to test if, for example, donor advised funds are interdependent with geographic funds.

Unity Rather Than Conflict. A possible weakness of the life cycle paradigm is that life analogies focus on unity rather than potential conflict situations.

This study does not look at process issues such as conflict, but focuses on structure. Potential conflict situations may surface though, as a result of the analysis of the characteristics between subsystems; for example, a very small community with a very large and complex foundation. Logic would support that a complex organization would require a large community base.

The life cycle model will not falsely cover up potential conflicts. Potential conflicts may be seen because of the second analogy which is used, the mechanistic model, which defines the subsystems that may be in conflict.

Danger of Ideology. Critics of the life cycle analogy describe the potential danger of the model becoming an ideology. This concern has no impact on this dissertation.

One ameliorating factor is the use of several metaphors (mechanistic, life cycle, and systems theory) in this study. Morgan (1986) suggested the use of multiple metaphors helps to buffer the weaknesses of viewing an organization from only one perspective. Life cycle theory becomes merely one analogous way of looking at organization characteristics.

Living Systems Do Not Share Components (People). A limitation of the life cycle analogy may be the fact that living systems don't share components--organizations might. One could argue that some living systems do share components--Siamese twins, various fungi, and termites and the bacteria which live in their gut and allow them to digest cellulose, for example.

But assuming this criticism of the life cycle analogy is true, this is not a concern of this study which is looking solely at structure. This is not an in-depth case study or individual consulting intervention where the interplay of people by name would be important. Because community foundations serve distinct, geographically defined communities, one could project that there is a minimal overlapping of people involved.

Organizations Do Not Have the Same Relationship to Offspring. The argument is made that organizations differ from living systems because they don't have the same sense of offspring. Again, one could argue that living systems have very different orientations to offspring. Male cats will kill their kittens, mother sea turtles abandon their young, flowers and trees have no sense of offspring.

But assuming this criticism is true, this is not a current problem since community foundations have rarely given birth to new organizations. This factor may become more important in the future as mature organizations develop and spin off large satellite organizations.

Organizations Do Not Have Genetically Related Offspring. A final limitation of the life cycle model is said to be the fact that organizations do not have genetically related offspring such as people do. Again, in an age of donor gametes and surrogate parents, the life systems may not be typified by genetically related offspring. But assuming this criticism to be true, this is not an issue for this study since replication is not of concern. In fact, the uniqueness and customized design of the community foundations are part of their strength.

#### Summary of the Selection of an Organizational Metaphor

The metaphors used by an observer of an organization may affect the selection of information and the observations made. One strategy to overcome this human trait is the selection of several metaphors to observe the same organization.

This study uses two common metaphors: the mechanistic and the life cycle metaphor as a part of systems theory as concepts for identifying what to observe. Other metaphors, while interesting, do not have the support of prior organizational research.

#### Support for Community Foundation Indicators/ Measurements of Variables

Developing measurable indicators of the variables selected to represent each system and the growth changes is based on common sense more than published research. There are no tested measures of community foundation indicators.

The research dealing with the philanthropic sector is extremely thin. Community foundations have received even less attention. As was noted previously, Layton's (1987) annotated bibliography, Philanthropy and Volunteerism, contains only 166 citations on community foundations out of 2,212 references on philanthropy and the nonprofit sector (Magat, 1989b).

VanTil (1990) noted that an accepted definition of philanthropy does not exist. He concluded:

Philanthropy at this stage in its development, is not a discipline. It may be thought of as parallel and analogous to politics and economics, but it does not yet have a clear conceptual shape. It is less defined, more like esthetics. As a field of study, philanthropy is already moving toward status as a profession. Applied philanthropy has put down its roots in business, in law, in social work, in public policy, and environmental and public affairs. (p. 177)

VanTil (1990) noted that the majority of the research on philanthropy studies donors. He wrote:

In the decade since the Filer Commission Report, a growing body of research and theory has sought to clarify the nature of philanthropy, the institutional boundaries of the nonprofit sector, and the giving behavior of individuals and organizations. Most of this research conceptualizes and studies the philanthropic world as a world of donors. (p. 67)

Preliminary reflections about community foundation growth are being developed by Rainbow Research, an evaluation firm studying the effects of the Ford/McArthur Foundation Leadership Challenge. Mayer (1989) of Rainbow Research wrote: "The premise of these evaluation efforts is that each community foundation develops in response to local conditions. There could be as many 'paths to effectiveness' as there are participating foundations" (p. 4).

Mayer verbally described at the 1991 Council of Michigan Foundation's annual meeting how after 2 years in the leadership project, most of the community foundations have turned their attention to "solidifying their organizational infrastructure." These efforts included: (a) developing investment policies, (b) computerizing, (c) developing staffing plans and personnel policies, and (d) sorting out the kind of organization they wanted to be.

Mayer (1991) reported that the organizational growth pattern appears to be a dynamic of asset growth followed by attention to infrastructure development, then asset growth-infrastructure, in a repetitious pattern of growth and stabilization. This pattern parallels the Greiner (1972) model and Katz and Khan's (1978) insights regarding the tension in organizations between diversification and integration which accompanies growth.

Results of the 1991 study by Struckhoff (1991b) determined that no relationship exists between community size and asset size, community wealth and asset size; the economic base and asset size, or the ethnic mix and asset size.

However, a relationship was established between age and asset size. Particularly because community foundations are designed for the purpose of building permanent endowments, their age and assets should be related. As they get older they attract new gifts which are invested and grow over time. The initial study of the Council of Michigan Foundations was replicated both in the southeastern region of the country and the southwestern region of the country, and was extended by personal interviews and case studies by



Struckhoff (1991a). It provides similar results.

Struckhoff's (1977) theory on a \$5 million "take-off" stage will be under study in 1992. Leaders in community foundations do not doubt that there is a take-off phenomenon similar to Downs's (1967) growth accelerator effect, but leaders of community foundations in small towns and rural areas believe the number may be smaller for their communities. Struckhoff has also raised the possibility that the threshold figure may be a smaller number in his most recent writing.

Throughout Struckhoff's (1977) work, and with his guidance (institutionalized in the Council on Foundation's Onsite Technical Assistance program) is the concept of three types of community foundations: the old style, the new style, and the revitalizing. Old style foundations are those which are created as a shell and then wait for a few large gifts usually by bequest. New style foundations move aggressively to build assets through fund raising. Revitalizing foundations are those which have languished and have recently decided to grow through aggressive fund raising.

A second author, Leonard, (1989), proposed a model describing how a decision about the community foundation's mission affects the growth of community foundations. In her model, a community foundation chooses a strategic position from one of seven alternatives. A community foundation may place emphasis on: (1) donor service, (2) grantmaking, (3) community leadership, (4) donor service and grantmaking, (5) donor service and community leadership, (6) grantmaking and community leadership, and (7) donor service and grantmaking and

community leadership.

She asserted that the positioning on these mission options affects the growth of the foundation. These patterns are shown in Table 3. These strategic positions provide the indicators used to measure community foundation strategy differences. This is the only theory regarding the strategic decisions of a community foundation.

In a second publication, Leonard (1991) reported on the growth of community foundations through the addition of affiliated structures. The number of affiliated relationships is one of the indicators of organizational complexity for this study. This growth strategy is similar to business and government.

While research on community foundations is very sparse, the work of three authors, Leonard (1989), Struckhoff (1977, 1991b), and Mayer (1991), suggests that a life cycle model for community foundations may be developed which relates to the life cycle theory of other organizations.

Struckhoff's (1991b) work and the research of the Council of Michigan Foundations (Agard, 1989) argue that age and asset size are related. These two variables and their relationship are critical dimensions of the life cycle model which holds true for community foundations. Struckhoff identified a growth accelerator phenomenon and the concept of organizational failure. His work also indicates that a cluster of environmental variables affect community foundations.

Leonard's (1989) model regarding growth and mission identified the technical functions of the community foundation--grantmaking,

Table 3

## Community Foundation Asset Development by Choice of Mission

	Stage I: Characteristic of new, revitalizing, and first-generation foundations			Stage II: Characteristic of maturing foundations			Stage III: Mature
	Grantmaking	Donor services	Community leadership	Community leadership & grantmaking	Grantmaking & donor services	Community leadership & donor services	Community leadership, grantmaking & donor services
Unrestricted/ designated funds	Prefers unrestricted; may suggest broader terms	Allows donor to choose; tends to draw designated	Actively seeks unrestricted	Prefers unrestricted; agency endowments OK	Accommodates donor but seeks flexibility; suggests options	Suggests unrestricted; accepts all	Promotes unrestricted; accepts others
Permanent/ Pass-through	Prefers permanent but may seek program grants	Allows donor to choose	Seeks permanent though may hold community-wide temporary funds; may require pass-through to benefit endowment	Prefers permanent; may require pass-through to benefit endowment	Accepts both	Accepts both; may request that pass-through benefit endowment	Accepts both but limits pass-through
Advised funds	If accepts, may restrict payout from principal; tries to influence grants	Actively encourages, including funds from companies, foundations, supporting organizations	Does not actively encourage; requires benefit to unrestricted endowment	Does not encourage; restricts payout and heritability of advisor role	Actively encourages, then educates about grantmaking	Encourages, especially endowments with broad purposes	Encourages but restricts principal payout and heritability of advisor role
Growth rate	Slow	Rapid	Moderate	Moderate	Rapid	Moderate to rapid	Moderate to rapid
Principal marketing targets	Attorneys, bankers, financial planners ("intermediaries")	Diverse	Living donors, intermediaries, other grantmakers	Living donors, intermediaries, other grantmakers	Diverse	Diverse	Diverse
Administrative costs	Low, unless offers technical assistance	Moderate to high	Can be high relative to assets	Depends on project costs	High	Moderate to high	High
Visibility	Grantees	Attorneys, bankers, financial planners	Community leaders	Community leaders/grantees	Intermediaries/grantees	Intermediaries/ community	Widespread

Source: "Creating Community Capital: Birth and Growth of Community Foundations" by J. Leonard, in *An Agile Servant* (p. 97) by R. Magat (Ed.), 1989, New York: Foundation Center. Reprinted with permission from the Council on Foundations, Washington, DC.

donor service, and leadership--and suggests that strategic positions emphasizing various missions have different ramifications at different ages. Her second paper (Leonard, 1991) demonstrated that community foundations grow through acquisition and merger, similar to other organizations.

Mayer's (1991) evaluative work pointed to periods of growth followed by periods of internal organization. Thus, the tension between integration and disintegration discussed by researchers from other fields holds true for community foundations as well.

The general nonprofit literature, reviewed in the section describing the life cycle model, contends that there are life cycles for nonprofit organizations and changes in functions as they age and grow.

#### Administrative System Variables

The classic management school of thought describes the functions of the administrative system. The attributes (or variables) of this system are: specialization of labor, division of labor, span of control, hierarchical development, and job definition.

##### Specialization of Labor

Specialization of labor refers to employees engaging in narrow functions rather than general management. The indicators measure specialization by identifying the number of employees who are: (a) special project staff, (b) program officer specialists, (c) program officer generalists, (d) general support personnel,

(e) marketing/donor relations specialists, (f) communication specialists, and (g) in the office of the president. These categories of staff were developed during the review of the community foundation annual reports.

#### Division of Labor

Division of labor refers to the way work is carved up among employees. While specialization of labor refers to employees doing different tasks, division of labor simply refers to how work is divided--even the same work. The indicator for division of work is the number of people in each employee function of the organization.

#### Span of Control

Span of control is concerned about the number of people being supervised by one person. The indicator used is the number of people supervised by the chief executive officer.

#### Hierarchical Development

Hierarchical development looks at the number of levels of supervisory relationships in the organization. The indicator used is the number of supervisory levels in each community foundation.

These indicators provide measurable criteria for viewing changes over time in the administrative system. They help answer the questions: Does the administrative system of a community foundation change over age and size? Is there a pattern to the change.

## Social System Variables

The behavioral relations theorists looked at the social side of the organization. The attributes (or variables) selected to represent the system are: the awareness of individuals/roles and numbers, interpersonal and interactive relationships, and complexity.

### Awareness of Individuals/Roles and Numbers

Looking at the people in organizations and what they do includes, for community foundations, the board, advisory committees, and staff. The indicators used are the number of trustees, the number of advisors, and the number of staff.

### Interpersonal and Interactive Relationships

This area includes the relationships in the organization. The numbers of board, staff, and advisors were developed by reviewing community foundation annual reports.

### Complexity

Social complexity involves both the total number of people involved and the variety of forms of the relationships. Indicators of complexity include the total number of people: board members, advisory committee members, and staff; the total number of organizations involved; organizational structures, geographic funds, supporting foundations, advisory committees, and trustee banks; the complexity of legal forms (corporate, trust, or both); and the

number of meetings of the board of trustees.

These indicators provide measurable criteria for viewing changes in the social system over time. They help answer the questions: Does the social system of a community foundation change over age and size? Is there a pattern to the change?

### Strategic System Variables

The systems theorists were interested in the adjustment of the organization to its environment and the view of an organization as a system. The attributes (or variables) of this system are the organization's environment and the mission of the organization.

#### Organization's Environment

In order to judge the organization's environment, the population size of the community served is used as the primary indicator. This provides a gross measure of the complexity of the environment and allows for stratification of organizations serving small towns or rural areas, midsize cities, or major metropolitan areas.

#### Mission

The only published theory on the relationship of a community foundation's mission to its growth rate is used as the basis for the indicators used to judge mission orientation.

These indicators provide measurable criteria for viewing changes over time in the strategic system. They help answer the

questions: Does the strategic system of a community foundation change over age and size? Is there a pattern to the change?

### Technical System Variables

Mathematical modeling defines subsystems and the technical functions of the organization. These technical functions (variables) for community foundations are asset size, grantmaking, leadership, and the management of funds.

#### Assets

Assets are measured by total size in dollars. This is how financial auditors measure assets. For this study total assets as printed in the annual report are used.

#### Grantmaking

Grantmaking is measured four ways: the number of grants made, the dollar value of the grants paid, the number of grantmaking categories, and the frequency of grantmaking.

#### Leadership

Leadership is measured by the existence of special project funds and staff who specialize in projects.

#### Fund Management

Those funds in the organization under management are measured based on the number of funds and the type of funds.



The indicators provide measurable criteria for viewing changes over time in the technical system of community foundations. They help answer the questions: Does the technical system of community foundations change over time and size? Is there a pattern to the change?

### Life Cycle Theory Variables

Variables related to the life cycle theory are age, size, the relationship of age and asset size, the stage of evolution, the stage of revolution, and the environment (service to communities of different sizes).

#### Age

Organizational age is measured by the number of years of the foundation's existence computed by subtracting the date of the organization's founding from the date of the information provided.

#### Size

Size is measured by the total asset size of the community foundation.

#### Age and Asset Size Relationship

Greiner's (1972) life cycle theory relates age and the organization size. Similar research on community foundations shows there is a relationship between age and asset size. Measurements are the

relationship between age in years and asset size in total assets measured in dollars.

### Evolution

Evolutionary periods are times in the organization of relative stability. These periods are identified through analysis of the changes in the individual subsystem characteristics. Five preliminary case studies of the history of Michigan community foundations of different sizes, and an analysis of an old and large foundation's functions, provide support for the life cycle stages.

### Revolution

Revolutionary periods are times of crisis or great change. These periods are also identified through analysis of the changes in the individual subsystem characteristics.

### Environment/Community Size

Measurement of community size is based on the population of the community served.

These indicators provide measurable criteria for viewing changes related to life cycle theory.

Since no verified indicators exist, the scope of potential indicators is almost unlimited. These indicators are related to the subsystems under scrutiny and are commonly reported by the community foundations. The indicators flow from the variables which come from

various organizational theories. They help answer the major research questions and the subquestions.

### Statistics Used

The statistics used to determine the growth characteristics of community foundations are a series of tests of relationships between the indicator and the variables of age, asset size, and community size. These three variables are identified by Greiner (1972) as key elements of the life cycle theory.

A Pearson product-moment correlation coefficient ( $r$ ) was the test used for all of the variables. This test shows the relationships of the variables in order to identify the clusters of relationships which might characterize community foundations at various ages and asset sizes.

### Summary of the Literature Review

Drawing from a wide variety of literature, this review looks at the theoretical underpinnings of this dissertation, including support for the subsystem analysis of organizations and the life cycle analysis of organizations over time. Variables were identified in relationship to the indicators to be measured in answer to the questions regarding organization change.

## CHAPTER III

### RESEARCH METHODOLOGY AND PROCEDURES

Described in this study are the characteristics of community foundations as they change over time and in asset size. The research is descriptive based on a cross-sectional analysis of 89 community foundations selected on a stratified random sample basis by asset size from the membership of the Council on Foundations. A review of the history of five Michigan community foundations of different asset sizes and ages, and an old and large community foundation's current functions, provided insight into changes in the subsystems over time.

#### Sample Selection

The study identifies the multiple characteristics of a relatively large number of community foundations at a single point in time. From these data, descriptive statistics were used to determine the relationships between variables. Particular attention was devoted to describing the characteristics of community foundations at various ages and asset sizes.

The Council on Foundations (COF) estimates there were 400 community foundations in the United States in 1989 (Magat, 1989b). Of these 400 organizations, 219 were members of the Council on Foundations at the time of the random sampling process (Appendix C).

Those community foundations which are not members of the Council on Foundations or the Council of Michigan Foundations are extremely difficult to locate and so are not a part of the pool from which the random sample was selected.

The membership of COF was listed in alphabetical order based on the name of the community. The 14 Michigan community foundations which are members of the Council on Foundations were removed from the pool because sample background studies had been completed on five Michigan foundations. In addition, the community foundation serving Puerto Rico was removed from the list of members due to concern that the environmental differences between this protectorate and the mainland states might affect the results. This provided a base pool of alphabetized names of 204 community foundations from across the nation.

This alphabetized list of 204 was used for an initial random selection. Every fourth name on the list was selected. The initial random sample list is provided in Appendix D. The sampling procedure resulted in a list of 72 organizations contacted as a part of the study. Of the 72 organizations contacted, 43 participated in the study.

Review of the asset sizes of the organizations participating by random selection showed major gaps in information and inconsistencies in the numbers of cases. There was not a sufficiently broad representation for the development of research looking comprehensively at community foundation growth. For example, the four largest community foundations in the country, with assets over \$500

million, were not a part of the sample. The largest community foundation in the initial sample selected had assets of \$248 million and was the only organization listed with assets over \$200 million. The list of randomly selected community foundations stratified by asset size is provided in Appendix D.

In order to fill in the stratified levels, the membership of the Council on Foundations was again consulted. First, the largest 50 community foundations in the country, by asset size, were added to the sample. These cases are 100% of the known community foundation organizations with assets ranging from \$43 million to \$635 million.

The out-state annual reports available in the Council of Michigan Foundations (CMF) files were then scanned to fill in. The final list is a stratified set of cases with the number of cases in various asset sizes being of roughly an equivalent number. The final number of cases analyzed was 89. This final list of cases by asset size is in Appendix E.

#### Research Factors Related to Sampling

The cases were initially selected randomly and then filled in by drawing a stratified sample. Ary (1985) viewed the sampling process as one of the weaknesses of a cross-sectional approach. He stated:

A major disadvantage of the cross-sectional method is that chance differences between samples may seriously bias results. . . .

However it is usually possible to obtain larger samples for cross-sectional studies than can be obtained for longitudinal studies, and the advantages of these large

samples may in many cases outweigh the disadvantages of the cross-sectional approach. (p. 325)

#### Random Selection and Generalizability

Of the 89 cases, 50 represent 100% of the known universe of organizations of their size. Sampling error would not come into play for these data and the results are generalizable. Of the other 39 cases (assets under \$44 million), 21 were selected through the original random sampling process, leaving 18 cases which were culled from the CMF files in a random manner.

#### Data Collection/Reliability and Validity

The data used are mainly empirical. Included are such variables as age, asset size, and grants paid. A few questions require some judgment on the part of the responder as, for example, when the question of the foundation's primary mission was raised. These items were a matter of forced choice among given options.

The data were collected using three methodologies: (1) review of the most recently available printed annual report, (2) a brief written survey, and (3) telephone interviews when necessary. Community foundations are required by the Internal Revenue Service to provide for public reporting. Almost all community foundations produce a printed annual report, similar to a corporate annual report to shareholders, to the public. The financial data are almost always audited by an outside public accounting firm.

The most recently available annual report for each community

foundation was read and the data for each variable noted on a spreadsheet. While not every foundation prints exactly the same information, there is generally consistent reporting and these reports provided the bulk of the data. In instances of uncertainty, the foundation was called directly for clarification.

Some of the variables are not normally reported in the annual reports. For example, take the case of the reporting relationships of staff. Many annual reports only list the names and titles of the professional staff but not the formal relationships. This makes it difficult to measure the span of control of the chief executive or the number of hierarchical levels. In addition, some variables were difficult to judge from the report information, such as primary mission.

For these variables a brief questionnaire was sent to each participating foundation. The survey instrument is in Appendix F. Of the 89 cases, 78 participating organizations returned the written survey; the other 11 were called by telephone.

In some cases either the annual report did not provide a piece of data, or the survey responder forgot to fill in a line (or did not respond), or the information in the annual report was unclear. For these cases the foundation was called to clarify the data.

Some of the indicators were normally reported in the annual reports. For the following indicators, it is assumed that omissions from the annual reports means the community foundation does not have any of the following: (a) organizations: more than one organization, (b) geographic component funds or affiliates, (c) 509(a)(3)



supporting foundations, (d) advisory committees, or (e) a number of people on advisory committees.

#### Data Collection

The data were prepared for computer processing and analyzed using descriptive statistics. The Direction Center in Grand Rapids, Michigan, working with Grand Valley State University, provided computer input services and ran the statistics.

Data taken from annual reports were: (a) foundation name; (b) founding date; (c) year being reported; (d) total assets; (e) total grants paid; (f) number of grants made; (g) number of trustees; (h) total amount of gifts received; (i) number of funds under management; (j) administrative budget; (k) staffing component numbers, that is, total staff, special project staff, program officer generalists, program officer specialists, financial support specialists, general support, marketing/donor relations, annual report/communications, office of the president; (l) number of categories of grants being made; and (m) number of pages of annual report.

These data are empirical, with the exception of the set of staffing questions. Some judgment was used in classifying the staffing component; for example, a secretary in finance was counted as a financial staff person rather than general support. The receptionist for the organization was counted as general support.

Eight indicators were not reported in annual reports; yet, they add to an understanding of the organization's environment, strategy, and complexity. A brief questionnaire was then sent to each

community foundation to obtain this information (Survey in Appendix F).

The questions asked relate to: (a) size of the population served; (b) formality of the personnel policies rated 1-5; (c) primary mission of the organization; (d) levels of the hierarchy; (e) span of control of the chief executive; (f) number of times per year the board meets; (g) number of times grants are made each year; and (h) corporate, trust, or mixed corporate/trust form.

Six of these eight variables are valid and reliable. The questions on the formality of personnel policies and the primary mission of the organization are the only questions requiring judgment. They are, therefore, somewhat less precise and unvalidated.

## Statistics

### Descriptive Statistics

Descriptive statistics were used to review the data and to look for patterns. Graphic presentation for a number of the relationships aided interpretation of the data. Pearson product-moment correlation coefficients provided analysis of the relationships found between each indicator and age and asset size.

As an early attempt to describe patterns in the community foundation field, a relationship was considered for inclusion if it is over  $\pm .25$ . Levels of confidence were reported  $\pm .05$ . Because the computer provides the exact confidence level for each correlation, the exact number is reported.

The results of the data analysis are presented in Chapter IV. A model descriptive of community foundation characteristics by age and size is presented in Chapter V.

#### Overall Reliability, Validity, and Generalizability

The reliability of most of the measurements is quite strong due to the empirical nature of much of the information. For example, assets are dollars and the figures were audited by independent audit. The numbers, though, may be somewhat imprecise in the comparative sense because community foundations are not standardized in their definitions of the types of numbers to be included in each piece of data. There is no immediate solution to this problem.

The validity of the measurement as an indicator of the phenomenon being studied is more questionable. In Chapter II, the specific research questions were developed out of the literature and research which exists concerning for profit and government organizations, nonprofit organizations, and community foundations. The indicators were identified from the literature which describes organization structure, growth, and about community foundations. No validated measuring tools exist in the community foundation field.

#### Statistical Analysis

The purposes of the study are to describe the community foundation organizations at various ages and asset sizes and to determine if there are patterns to these characteristics and relationships among the variables. Because asset size is considered by

professionals in the field to be a prime organizational descriptor (roughly equivalent to gross sales or gross income in business), asset size is consistently identified as the independent variable. Age, an important variable in the life cycle model, is a second independent variable.

### Relationships

The following relationships between variables were tested:

1. Total number of staff and asset size/age.
2. Number of special project staff and asset size/age.
3. Number of program officers specialists and asset size/age.
4. Number of program officer generalists and asset size/age.
5. Number of financial support specialists and asset size/age.
6. Number of general support staff and asset size/age.
7. Number of marketing/donor relations specialists and asset size/age.
8. Number of communications/annual report specialists and asset size/age.
9. Number of staff in the office of the president and asset size/age.
10. Span of control and asset size/age.
11. Number of levels in the hierarchy and asset size/age.
12. Administrative budget and asset size/age.
13. Formality of personnel policies and asset size/age.
14. Number of people on the board and asset size/age.

15. Number of board meetings per year and asset size/age.
16. Number of grantmaking meetings per year and asset size/age.
17. Number of organizations and asset size/age.
18. Number of geographic affiliates and asset size/age.
19. Number of supporting organizations and asset size/age.
20. Number of advisory committees and asset size/age.
21. Number of people on advisory committees and asset size/age.
22. Number of financial institutions (trustee banks) and asset size/age.
23. Organizational form (trust, corporate, or mixed) and asset size/age.
24. Number of pages of annual report and asset size/age.
25. Population of the service area and asset size/age.
26. Primary mission and asset size/age.
27. Age and asset size/age
28. Amount of gifts received and asset size/age.
29. Number of grants and asset size/age.
30. Grants paid and asset size/age.
31. Number of grant categories and asset size/age.
32. Number of special project funds and asset size/age.
33. Number of different funds managed and asset size/age.
34. Total number of funds managed and asset size/age.
35. Loans and asset size/age.

The results and conclusions from the analysis of these relationships are discussed in Chapter IV. They indicate where there are relationships between characteristics of the community foundation and its age and size.

#### Scope and Limits of the Study

The study examines the characteristics of 89 community foundations of different ages and sizes randomly selected using a stratified grouping of foundations by asset size from the nationwide membership of the Council on Foundations. By the very nature of the process, only organizations mature enough to participate in the national Council on Foundations membership were included in the cross-sectional analysis. Fortunately, some have assets under \$1 million, providing a sample of smaller organizations. There is no easy way to identify emerging community foundations.

In the very early stages, no public record is developed until the organization is incorporated in a state and receives nonprofit status from the Internal Revenue Service. Experience in Michigan indicates this prelegal stage may continue for a year or more. Once formally organized, community foundation records are merged with all of the nonprofit applications in each state's attorney general's office. In order to find a community foundation without prior knowledge of its existence, a researcher would need to go through the record of each nonprofit organization in each state. There are over 10,000 nonprofit organizations in the state of Michigan alone (Michigan Nonprofit Forum, 1991).

The description of community foundations at each stage of growth was developed from the results of the data analysis of the cross-sectional study. The cross-sectional data were submitted to statistical analysis with the assistance of the Directions Center in Grand Rapids, Michigan, and staff from Grand Valley State University.

The field is changing rapidly and the very initiatives in the states of Michigan and Indiana and in Washington, D.C., that make the study valuable also influenced the development of the field during the study. Many of the resources and printed materials now available for community foundations did not exist when the study was begun.

The study, also, is limited by the sheer magnitude of the number of potential variables involved in a complete understanding of all of the approximately 400 locally developed organizations. In order to gain some understanding of the overall patterns of growth, the study selected data which are commonly reported by each organization in its published annual reports and which represents similar indicators identified by the literature review as key to understanding organizations.

#### Summary of the Research Methodology and Procedures

This descriptive study clearly is a starting point for further research on community foundations and, in particular, community foundation growth. The cross-sectional analysis has strong reliability due to the nature of the empirical data used. Validity is more problematic due to the difficulties in the random sampling

procedure, the lack of validity of the measurement tools, and the theoretical basis of the measures. The sample is large given the relatively small size of the total population of organizations. Eighty-nine of the 204 organizations were used in the study. The stages of growth were identified intuitively based on insights gained in tracking changes in the four subsystems of five Michigan community foundations from their early organization through 1989, and an analysis of the current status of the Cleveland Foundation, a large and old community foundation. Minutes of the meetings of the board of trustees were read and all changes were noted by subsystem by year for the Michigan foundations. The Cleveland Foundation's printed history and current annual report were used to gain understanding about its functions. An overview of the research design follows in Table 4.

Presented in Chapter IV are the results of the analysis. A model for the characteristics of community foundations at various ages and asset sizes is presented in Chapter V.

Summarized in Chapter VI are the research, conclusions, and ideas for future research.



Table 4  
Research Overview

A - Theories		B - Research Questions	C- Variables
Listed Below		Do community foundations develop over time and size through a series of identifiable growth stages? If so, what are the characteristics of these stages?	Listed below
		<u>Subsystem Development</u> , (Lawrence and Lorsch, et al)	
Mechanistic School Scientific Management (Administrative System)	A1	Does the administrative system of community foundations change over time and size? Is there a pattern to the change?	B1 Specialization of Labor Division of Labor Span of Control Hierarchical Development Job Definition
Behavioral Relations School (Social System)	A2	Does the social system of community foundations change over time and size? Is there a pattern to the change?	B2 Awareness of Individuals/Roles and Numbers Interpersonal and Interactive Relationships Complexity
Systems Approach Contingency Approach (Strategic System)	A3	Does the strategic system of community foundations change over time and size? Is there a pattern to the change?	B3 Organization's environment Growth related to mission
Mathematic Modeling Subsystem Analysis (Technical System)	A4	Does the technical system of community foundations change over time and size? Is there a pattern to the change?	B4 Asset size Grantmaking Leadership Fund Management
Life cycle paradigm of organization growth		<u>Growth Patterns</u> , (Greiner et al)	
Age A5		Do community foundations of different ages have different characteristics? Is so, do these characteristics change in a predictable way over time?	B5 Changes over time
Size A6		Do community foundations of different asset sizes have different characteristics? Do these characteristics change in a predictable way as the foundation grows?	B6 Changes over size
Age and Asset Size Relationship A7		Is there a relationship between age and asset size?	B7 Relationship between age and an organization's size
Periods of Evolution A8		Are there identifiable periods of stability in a community foundations growth history? Is so, what are the characteristics of these stable periods? Is there a pattern to the sequence of stable periods?	B8 Organizations alternate between periods of stability and instability
Periods of Revolution A19		Are there identifiable periods of instability in a community foundations growth history? If so, what are the characteristics? Is there a pattern to the sequence of the revolutionary periods?	B9 Organizations alternate between periods of stability and instability
Environment A10		Do community foundations serving different size communities have different characteristics?	B10 Organizations adapt to their environment



Table 4  
Research Overview

C- Variables		D- Indicators		E - Statistics
	Listed below	Listed below		Regression analysis
B1	Specialization of Labor Division of Labor Span of Control Hierarchical Development Job Definition	C1 Total number (#) of staff # of Special Project staff # of Program Officer Specialists # of Program Officer Generalists # of Financial Support Specialists # of General Support Personnel # of Marketing/Donor Relations Specialists # of Communication Specialists # in Office of President # of people supervised by President (Span of Control) # of levels of hierarchy Admin budget Personnel policies	D1	Descriptive and Correlational Relationship of each indicator • age • asset size • community size
B2	Awareness of Individuals/Roles and Numbers Interpersonal and Interactive Relationships Complexity	C2 # of Board Members # of Board Meetings a year # of Grantmaking Meetings a year # of Organizations # of Geographic Funds/Affiliates # of Supporting Foundations # of Advisory Committees # of People on Advisory Committees # of Trustee banks Legal form: corporate, trust or mixed # of pages in annual report	D2	Descriptive and Correlational Relationship of each indicator • age • asset size • community size
B3	Organization's environment Growth related to mission	C3 Population of service area Primary Mission orientation • leadership • grantmaking • donor services • leadership and donor services • leadership and grantmaking • donor service and grantmaking • leadership, donor service and grantmaking	D3	Descriptive and Correlational Relationship of each indicator • age • asset size • community size
B4	Asset size Grantmaking Leadership Fund Management	C4 Assets • total assets Grantmaking • # of grants • dollar value of grants paid • # of grantmaking categories • frequency of grantmaking Leadership • special project funds • # of special project staff Fund Management - Types of Funds/# of funds • unrestricted • field-of-interest • donor advised • designated • pooled income • agency endowment • manage private foundation • donor depository Donor Service • dollar value of new gifts • scholarships • program related investments • administrative endowment • emergency fund • # of loans	D4	Descriptive and Correlational Relationship of each indicator • age • asset size • community size
B5	Changes over time	C5 Founding date Reporting date Age	D5	Descriptive and Correlational Relationships of each indicator • asset size • community size Insight gained from case study
B6	Changes over size	C6 Total assets (in dollars)	D6	Descriptive and Correlational Relationship of each indicator • age • community size
B7	Relationship between age and an organization's size	C7 Age Asset size	D7	Relationship of each indicator • age • asset size
B8	Organizations alternate between periods of stability and instability	C8 Major fundamental changes in one or more subsystems	D8	Examination of case study time
B9	Organizations alternate between periods of stability and instability	C9 Major fundamental changes in one or more subsystems	D9	Examination of case study time
B10	Organizations adapt to their environment	C10 All variables Community population size	D10	Descriptive and Correlational Relationship of each indicator to population



D - Indicators		E - Statistics
	Listed below	Regression analysis
C1	Total number (#) of staff # of Special Project staff # of Program Officer Specialists # of Program Officer Generalists # of Financial Support Specialists # of General Support Personnel # of Marketing/Donor Relations Specialists # of Communication Specialists # in Office of President # of people supervised by President (Span of Control) # of levels of hierarchy Admin budget Personnel policies	D1 Descriptive and Correlational Statistics Relationship of each indicator to: • age • asset size • community size E1
d Numbers C2	# of Board Members # of Board Meetings a year # of Grantmaking Meetings a year # of Organizations # of Geographic Funds/Affiliates # of Supporting Foundations # of Advisory Committees # of People on Advisory Committees # of Trustee banks Legal form: corporate, trust or mixed # of pages in annual report	D2 Descriptive and Correlational Statistics Relationship of each indicator to: • age • asset size • community size E2
C3	Population of service area Primary Mission orientation • leadership • grantmaking • donor services • leadership and donor services • leadership and grantmaking • donor service and grantmaking • leadership, donor service and grantmaking	D3 Descriptive and Correlational Statistics Relationship of each indicator to: • age • asset size • community size E3
C4	Assets Grantmaking • total assets • # of grants • dollar value of grants paid • # of grantmaking categories • frequency of grantmaking Leadership • special project funds • # of special project staff Fund Management - Types of Funds/# of funds • unrestricted • field-of-interest • donor advised • designated • pooled income • agency endowment • manage private foundation • donor depository Donor Service • dollar value of new gifts • scholarships • program related investments • administrative endowment • emergency fund • # of loans	D4 Descriptive and Correlational Statistics Relationship of each indicator to: • age • asset size • community size E4
C5	Founding date Reporting date Age	D5 Descriptive and Correlational Statistics Relationships of each indicator to: • asset size • community size Insight gained from case studies E5
C6	Total assets (in dollars)	D6 Descriptive and Correlational Statistics Relationship of each indicator to: • age • community size E6
C7	Age Asset size	D7 Relationship of each indicator to: • age • asset size E7
eriods	Major fundamental changes in one or more subsystems	Examination of case study timelines
C8		E8
eriods	Major fundamental changes in one or more subsystems	Examination of case study timelines
C9		E9
ment	All variables Community population size	D10 Descriptive and Correlational Statistics Relationship of each indicator to population E10



## CHAPTER IV

### RESULTS

Described in this study are the characteristics of community foundations of different ages and asset sizes. The research data provide answers to the questions: What are the characteristics of community foundations at different ages and sizes? Do community foundations grow in predictable patterns?

In order to analyze the complexity of community foundations, each organization was measured in four subsystems: (1) administrative, (2) social, (3) strategic, and (4) technical, with a variety of measurements under each system. The questions asked were: Does the system change over time and asset size? Is there a pattern to the change?

The data are presented showing the relationships between variables. The Pearson product-moment correlation coefficient test was used and all correlations over  $\pm .25$  are reported. The  $p$  level was established at  $\pm .05$  and the exact degree of confidence is reported for each correlation. Descriptive information is taken from frequency tables, scattergrams, and cross-tabulations.

Several very strong, perhaps obvious relationships exist between some of the variables. A review of the relevant correlations supports the validity of the data set.

Table 5 shows that relationships which logically should be highly correlated are in fact reported as highly correlated.

Table 5  
Expected Relationships

Relationship	<u>r</u>	<u>p</u> level
Number of grants by dollar value of grantmaking	.69	.0001
Number of loans by dollar value of loans	.36	.0007
Total number of staff by administrative budget	.85	.0001
Total number of staff by span of control	.59	.0001
Total number of staff by levels of hierarchy	.57	.0001
Levels of hierarchy by span of control	.41	.0001
Total assets and dollar value of grants	.81	.0001

The results from the correlational tests are reported by the subsystems of the organization. First, a table of the relationships of the variables used to measure change within each subsystem is presented; this is followed by a description of the results.

#### Administrative System

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



order to see if organizations are similar to machines.

This mechanistic theory, taken from other types of organizations, suggests that as organizations grow they expand and diversify functions, add staff, and that the staff becomes more specialized. The variables are: (a) the degree of specialization of labor, (b) the division of labor, (c) the span of control of the chief executive, (d) the number of levels in a hierarchy, and (e) the definition of jobs.

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

Operationally speaking, age is determined by subtracting the date of the receipt of the organization's Internal Revenue Service (IRS) determination letter or the self-proclaimed starting date (for those organized before IRS determination letters were given) from the date of the data used to describe that organization. For example, a community foundation founded in 1961 which reported the data used in the study in its annual report of 1991 is considered 30 years old.

Total assets, as reported in the community foundation's published and audited annual report, is used as the indicator of organizational size. While multiple indicators of scale exist, total assets is the most common measurement used by community foundations to measure their size. As financial institutions, the total assets relate directly to the core functions of the business. Furthermore,

assets are universally reported by community foundations to the Internal Revenue Service (IRS) and thus are a measurable, accessible, and accepted standard for measuring size.

Measurements of the 13 dependent variables are: (1) total number of staff, (2) number of staff working on special projects, (3) number of program officers who are specialists, (4) number of program officers who are generalists, (5) number of financial support specialists, (6) number of general support personnel, (7) number of marketing/donor relations specialists, (8) number of communications specialists, (9) number of individuals in the office of the chief executive officer (CEO), (10) number of people supervised directly by the CEO (span of control), (11) number of levels in the hierarchy, (12) the administrative budget, and (13) the sophistication of the personnel policies. (See Table 6.)

Item 1, total number of staff, is a gross indicator of scale. Items 2-9 provide data on the degree and type of specialization of staff and the relationship of specialization to age and asset size (specialization of labor). These items also define jobs (job definition) and how the work is divided (division of labor). Item 10 measures the number of people supervised by the CEO (span of control). Item 11 identifies the levels in the hierarchy (hierarchical development). Items 11 (levels of hierarchy), 12 (administrative budget), and 13 (formality of personnel policies) are further indicators of the formality and maturity of the administrative system.

If the administrative system changes over time and asset size, it is expected that each of the measurements would be correlated

Table 6  
Age and Assets by Administration Indicators

Administration indicator	Age		Asset		No. of cases
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>	
Number of staff	.45	.0001	.79	.0001	89
Special project staff	.19	.0800	.62	.0001	86
Program officer specialists	.15	.1638	.34	.0001	89
Program officer generalists	.38	.0002	.52	.0001	89
Financial specialists	.37	.0004	.65	.0001	89
General support staff	.44	.0001	.65	.0001	89
Donor relations/ marketing	.25	.0171	.64	.0001	89
Communications specialist	.46	.0001	.74	.0001	88
Office of president	.32	.0021	.71	.0001	88
Span of control	.23	.0346	.44	.0001	88
Levels of hierarchy	.36	.0006	.43	.0001	88
Administrative budget	.46	.0001	.75	.0001	88
Personnel policies	.18	.0847	.29	.0053	88

with either age, asset size, or both. The results support this conclusion.

Both age and assets have a strong positive relationship to the total number of staff of a community foundation. As community foundations get older and as they become larger, more staff people are

hired. While both age and assets are strongly and positively correlated to staffing, asset size has the substantially stronger relationship. This is consistent with expectations regarding organizational growth. Furthermore, the findings support the idea that community foundation administrative systems will change as changes occur in age and asset size.

The hiring of staff to handle special projects is strongly related to the asset size of the community foundation but not to the age. This suggests that some flexibility of money is required in order for a community foundation to provide staffing for projects under their direct supervision. Longevity without assets does not correlate with increases in special project staff.

Age is not significantly related to the hiring of program officers who specialize in particular grantmaking areas such as health or education, while asset size is significantly correlated. These results further support the idea that asset size (growth) results in staff specialization. However, simple longevity does not.

Both age and asset size relate to the existence of a program officer in the foundation. The older the foundation and the larger the foundation, the more likely it is that it will have a program officer.

In general, the correlations underscore that specialization of staff relates both to age and assets. The more specialized the type of staff (for example, special projects staff, program specialists, donor relations/marketing, communication, and people in the office of the president), the more important assets become rather than age.

The data suggest that age alone does not lead to specialization of labor, but that asset growth does. Asset size appears to add to the complexity of the foundation requiring greater specialization.

Span of control measures a part of the management tasks of the CEO, normally the direct supervision of staff. Age is not significantly correlated to this task, but assets are related.

Both age and assets are related to the number of levels in the organizational hierarchy with assets having the stronger relationship.

In personnel policies the questionnaire of sample community foundations provided a range of 5 options. These were: 1 = no policy, 2 = a letter of agreement or contract with staff, 3 = brief and basic policies, 4 = formal written and somewhat detailed policies, and 5 = formal staff handbook.

Age is not significantly related to the sophistication of personnel policies, while asset level does correlate. Formalization of policies and procedures is supported by the literature on organization growth. As the number of staff grows, it appears the need for more formal personnel policies grows.

The administrative budget is significantly correlated to both age and asset size. This follows logically from the relationships which exist between age and asset size and the number of staff.

In the administrative system, each of the indicators demonstrates a significant relationship to the asset level of the community foundation. All but 3 (special project staff, program officer specialists, and personnel policies) of the 13 indicators have a

significant correlation with the age of the foundation. For this subsystem the answers to the research questions are yes. The community foundations do change as they grow and there is a pattern to the change.

While age is related to many of the changes, asset size is the stronger predictor of change across all indicators. This suggests that community foundations experiencing rapid asset growth will experience administrative change and that community foundations that are aging but not growing will experience less administrative change.

The organization increases in the following: the number of staff, the specialization of staff roles, the chief executive's span of control, the levels in the hierarchy, the dollars spent on staffing/administration, and the sophistication of rules and procedures embodied in the personnel policies. This growth is consistent with patterns found in other organizations.

### Social System

The social system analysis looks at the various roles and relationships of all the component parts of an organization, their interrelationships, and the complexity of the foundation. Organizational researchers suggest that the human side of the organization affects its functions. While almost an unlimited number of variables and approaches could be taken in looking at this system, many would be very difficult to measure on a comparative basis. Research on other organizations (typically corporations) suggests that as the

organization ages and grows, it becomes more complex by virtue of the expansion of the number of units doing the same work, the diversification of work, and the addition of tangentially related activities; for example, the development of conglomerates. The variables for this study are: (a) the roles and numbers of individuals in these roles, (b) the relationships, and (c) the complexity of the organization.

The questions to be answered are: Does the social system of the organization change over time and asset size? Is there a pattern to the change? Age and asset size continue to be the independent variables. Measurements of the 11 dependent variables are: (1) number of board members; (2) number of board meetings per year; (3) number of grantmaking meetings; (4) number of organizations; (5) number of affiliates; (6) number of supporting organizations; (7) number of advisory committees; (8) number of people on the advisory committees; (9) number of trustee banks; (10) the legal form: corporate, trust, or mixed (corporate and trust); and (11) number of pages of the annual report.

These items attend to the size and complexity of the organizational components. Items 1-3 provide an indicator of the degree of board involvement in the operation of the foundation. Items 4-10 describe the various structures which attach themselves to a community foundation and suggest organizational complexity. Item 10 distinguishes the legal form. Community foundations in trust form may not have the same organizational tasks as those in corporate form. The trustee bank manages many of the administrative

functions, while the foundation serves as a community distribution committee. Item 11 uses the number of pages of the annual report as a gross measurement of the complexity of the organization which is reported to the community.

If the social system changes over time and asset size, it would be expected that each measurement would be correlated with either age or asset size or both. The case study results support that a majority of the social system variable indicators change and are correlated with age and asset size. Table 7 provides an overview of the results for each variable in the social system.

Age of the organization is strongly and negatively correlated to the number of members on the board of trustees. Therefore, the older the organization the smaller the number of people on the board of trustees. This may be a function of the older foundations organized in trust form with a distribution committee. Perhaps younger organizations have larger boards because they need: (a) broad-based community support, (b) to raise assets, and (c) for board members to serve in staff roles when the number of staff is limited.

This is consistent with Ingram's (1986) insights into the changes in nonprofit boards of trustees described in Chapter II.

Assets are not as strongly related to the size of the board, although there is a small inverse relationship indicated. This may indicate organizations with large assets who are still growing rapidly still have a need for a larger board. This may also indicate an historic change. The older organizational form is to have a small board; the new organizational form is a larger board.



Table 7  
Comparison of Age and Assets by Social Indicators

Administration indicator	Age		Asset		No. of cases
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>	
Number of board members	-.41	.0001	-.22	.0348	89
Number of board meetings	-.06	.6034	-.07	.5424	88
Number of grantmaking meetings	.27	.0115	.16	.1256	88
Number of organizations	.32	.0024	.33	.0017	89
Number of affiliates	.02	.8429	.19	.5491	89
Supporting organizations	.36	.0005	.44	.0001	89
Number of advisory committees	.11	.2868	.03	.7982	89
Number of advisory members	.18	.0952	.04	.7386	89
Number of trustee banks	.28	.0114	.41	.0001	82
Legal form: trust, corporate, mixed	See Tables 8 and 9				87
Pages in annual report	.43	.0001	.46	.0001	89

Neither age nor assets are related to the number of times the boards meet. Board meetings may be a core function required equitably by all community foundations without concern for age or asset size.

While grantmaking is primarily reviewed in the technical subsystem, the number of meetings for grantmaking would affect the

complexity of the social system as well.

Asset level is not significantly correlated to the number of grantmaking meetings. Age of the foundation, while correlated, is also not strongly related. Despite the differences in the numbers of grants given each year, the numbers of funds from which grants are made, or the dollar value of grant, community foundations still require a similar number of grantmaking meetings despite their differences in age and size.

The number of board meetings and grantmaking meetings does not appear to be related to the age of the foundation or the asset size. One explanation may be that community foundations conduct a core of business which must be accomplished despite differences in age and size.

Both age and assets are significantly correlated to the number of organizations making up the conglomerate community foundation. As expected, this suggests that as community foundations grow larger and serve longer, they add organizational structures similar to those found in conglomerates.

A partial reason may be related to the addition of organizations related to community foundations following the 1969 Tax Act. Older (and larger) community foundations may have proven their value to donors when the Tax Act made it more appealing to terminate a family foundation into a community foundation.

Affiliated organizations are unrelated to age and assets. This is due largely to the fact that only 21 of the 89 cases had any affiliates and 43 of the 80 affiliates are tied to just four

community foundations.

Both age and assets are significantly correlated to the number of supporting organizations. The assets of the supporting organization may help with the size of the community foundation and an older organization would have time to establish relationships with donors and private foundations which can lead to supporting organizations.

Age and assets are not related to the number of advisory committees to community foundations. These results are principally due to the fact that 52 of the 89 cases reported no advisory committees and 10 others reported only one subcommittee. It seems this could be an error in reporting if indeed advisory committees are not identified in annual reports. Also, it could mean that advisory committees are not significant organizational structures for community foundations and, thus, are poor indicators of complexity.

The number of people serving on advisory committees is similarly not correlated to age or asset size for, perhaps, the same reasons as the number of advisory committees.

The number of financial organizations (typically trustee banks) serving as trustees of community foundations' assets increase with age but is more strongly correlated with asset size.

The legal structure changes by asset size. The three types of legal structures are: M = mixed form (both corporate and trust), T = trust form, and C = corporate form. Looking at the mixed form, the larger the foundation the more likely it will be a mixed form. Table 8 shows the legal form by asset size. This probably is related to age as well. Older foundations organized in the original

trust form and later added a corporate structure. A few foundations with smaller assets are in trust form. Most smaller foundations are in corporate form. Over half of the foundations are in corporate form.

Table 8  
Asset Size Related to Legal Form

Assets (in millions)	Mixed form		Trust form		Corporate form		Total
	<u>n</u>	%	<u>n</u>	%	<u>n</u>	%	
\$0-4.9	0	--	3	19	13	81	16
5-9.9	1	7	2	13	12	80	15
10-19.9	2	15	3	23	8	62	13
20-49.9	5	33	4	27	6	40	15
50-99.9	5	42	3	25	4	33	12
100-499.9	7	58	0	--	5	42	12
500+	3	75	0	--	1	25	4
Total cases	23		15		49		87

Table 9 shows that the legal form moves by age from predominantly a mixed form (13 of 22 cases) to a predominantly corporate form (23 of 26 cases). The switch from trust/mixed to corporate form happened after the depression. Mixed form community foundations are those which started in trust form and added a corporate form.

Table 9  
Age Related to Legal Form

Legal form	Age			Total
	Pre-Depression 1914-1930	Post-Depression to 1969 Tax Act 1931-1970	Post-1969 Tax Act 1971-1991	
Mixed form	13	8	0	21
Trust form	4	5	3	12
Corporate form	5	11	23	39
Total cases	22	24	26	72

Note. Missing cases = 17.

The number of pages in the annual report reflects the amount of information to be reported to donors and the public. This serves as a gross measure of the complexity of the organization. There is a significant relationship between both age and assets and the number of pages of the annual report.

The comparative data results suggest that the social system of a community foundation changes over time and asset size, though the relationships are not as strong, nor are the indicators as clear as they are in the administrative system.

Of major interest is the apparent inverse relationship between board size and both age and assets. As expected, this points up movement toward a more policy-related board as an organization

matures. Also of interest is the lack of a significant relationship between age and assets and the number of meetings for the board, as well as for grantmaking. This indicates there is a core of work which must be carried out by all community foundations, regardless of age or size.

A strong correlation between age and assets and the number of organizations and the number of supporting organizations suggests that growth in age and assets is related to the development of complex social arrangements. The correlations between age and asset size and the affiliated organizations is less clear. The lack of a significant relationship may be related to the newness of affiliated structures to the community foundation field. The number of affiliations reported ( $n = 21$ ) limits the conclusions which can be drawn.

### Strategic System

The strategic system analysis looks at the relationship of the community foundation to its environment and its choice of strategy. Systems theory suggests an organization interacts with the environment, and is both shaped and is in turn shaping the outside world.

The relationship of the mission to the environment discussed for other organizations and the hypothesis by Leonard (1989) regarding the strategic importance of the choice of mission suggests that the community foundation strategic system will change over age and organization size. The pertinent variables are: (a) the environment and (b) the community foundation's strategic decisions.

The questions are: Does the strategic system of a community foundation change over age and asset size? Is there a pattern to this change? Age and asset size are the two independent variables. (See Table 10.)

Table 10  
Environment Variable: Age and Assets  
by Population Size

Variable	<u>r</u>	<u>p</u>	<u>n</u>
Age by population	.30	.0047	87
Assets by population	.67	.0001	87

The dependent variables are the environmental and strategic decisions made by the foundation.

Measurements of these two dependent variables are: (1) environment determined by population size and (2) strategic decisions determined by choice of mission as described by Leonard (1989): (a) leadership; (b) grantmaking; (c) donor service; (d) leadership and donor service; (e) leadership and grantmaking; (f) donor service and grantmaking, or (g) leadership, donor service, and grantmaking.

There are significant relationships between age and population size and assets and the size of the population served. These findings confirm the common sense wisdom that community foundations were started in more metropolitan areas and, therefore, are older and larger. They serve different environments than newer and smaller organizations.

Table 11 shows the declared mission orientation for community foundations by asset level.

Table 11  
Mission Orientation by Asset Size

	<u>Mission Choice</u>						
<u>Asset Level</u>	Community Leadership	Service to Donors	Making Grants	Community Leadership and Service to Donors	Community Leadership and Making Grants	Service to Donors and Making Grants	Community Leadership and Service to Donors and Making Grants
0-4.9 million	0	2 (11%)	0	0	1 (6%)	7 (39%)	8 (44%)
5-9.9 million	0	3 (20%)	0	1 (7%)	1 (7%)	1 (7%)	9 (60%)
10-19.9 million	1 (8%)	0	2 (15%)	0	1 (8%)	2 (15%)	7 (54%)
20-49.9 million	0	0	0	1 (7%)	0	4 (27%)	10 (67%)
50-99.9 million	0	0	2 (17%)	1 (8%)	1 (8%)	1 (8%)	7 (58%)
100-49 million	0	0	1 (8%)	0	0	0	11 (92%)
500+ million	0	0	0	0	0	0	4 (100%)
	1 (1%)	5 (6%)	5 (6%)	3 (3%)	4 (4%)	15 (17%)	56 (63%)

Over half of the foundations report the most complex mission orientation including all three community foundation functions. Smaller foundations have a greater spread of mission positions,



while the largest two asset categories show the greatest unity of mission.

In the strategic system, the complexity of the environment, as measured by the population of the service area, is strongly correlated to both age and asset size. Mission orientation is less clear with over 60% of all community foundations selecting the most comprehensive of mission decisions without regard to asset size.

### Technical System

The technical system for community foundations is composed of four components: (1) asset management, including service to donors; (2) grantmaking, (3) leadership; and (4) fund management. These are the tasks of the foundation. Focusing on the technical components comes from recent organizational theory that systems are composed of subsystems which can be measured and modeled.

Each component of the technical system is expected to become larger and more complex as the organization becomes older and larger. In this regard, questions to be answered are: Does the technical system change over time and size? Is there a pattern to the change? Age and asset size are the two independent variables. Measurements of the dependent variables are:

Asset management and donor service: (a) total assets and (b) dollar value of new gifts.

Grantmaking: (a) the number of grants made each year, (b) the dollar value of the grants paid each year, (c) the number of grant-making categories (i.e., health, education), and (d) the frequency

of grantmaking.

Leadership: (a) the existence of funds for special projects (indicating a proactive leadership position) and (b) the number of special project staff (indicating a proactive leadership position).

Fund management: (a) the number of individual funds being managed; (b) the range of funds, including: unrestricted, field-of-interest, donor advised, designated, pooled income, agency endowments, managing a private foundation, donor depository, scholarships, program related investments (PRI), administrative endowment, and emergency funds; (c) number of loans; and (d) dollar value of loans.

Table 12 shows the correlations of these variables to age and assets.

Table 12  
Age and Assets by Technical Indicators

Administration indicator	Age		Asset		No. of cases
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>	
Total assets	.39	.0002	--	--	89
Dollar value of new gifts	.34	.0010	.62	.0001	89
Number of grants	.39	.0002	.60	.0001	89
Dollars of grants	.33	.0009	.81	.0001	88
Number of grant categories	.33	.0017	.13	.2296	88
Frequency of grantmaking	.27	.0115	.16	.1256	88

Table 12--Continued

Administration indicator	Age		Asset		No. of cases
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>	
Special project funds	-.20	.0578	-.26	.0126	88
Special project staff	.19	.0753	.62	.0001	86
Number of funds	.44	.0001	.69	.0001	85
Unrestricted	.02	.8313	.03	.8045	88
Field-of-interest	.15	.1634	-.12	.2820	88
Donor-advised	.11	.3259	.08	.4692	88
Designated	.08	.4597	.07	.5404	88
Pooled income	.22	.0427	.30	.0046	88
Agency endowment	.03	.8013	.18	.0922	88
Private foundation	.01	.9511	.05	.6621	88
Donor depository	-.17	.1088	.01	.8965	89
Scholarships	.05	.6450	-.10	.3307	88
Program related investment	-.25	.0186	-.36	.0005	88
Administrative endowment	.06	.5600	-.15	.1647	88
Emergency funds	.14	.1882	-.12	.2512	86
Number of loans	.89	.0070	-.37	.0003	87
Dollar value of loans	.11	.3039	.24	.0254	87

#### Asset Management and Donor Service

The relationship between asset size and age is critical in the development of a model for community foundation growth. The life

cycle model of Greiner (1972) and other organizational theories state there is a relationship between the age of the organization and the size of the organization. This relationship is also significantly correlated for community foundations. A correlation between size and age answers affirmatively three questions asked in the research: (1) Do community foundations of different ages have different characteristics? (2) Do community foundations of different asset sizes have different characteristics? (3) Is there a relationship between age and asset size?

There is a significant relationship between asset size and the size of gifts received by community foundations. The larger foundations attract larger gifts. There is a smaller, yet significant, relationship between the age of the foundation and the size of gifts. The older the foundation, the larger the gifts that were received.

### Grantmaking

The number of grants and the dollar value of grants given each year are significantly related both to age and asset size. Asset size once again is the more important variable, which makes intuitive sense, given that the interest on the assets is the source of funds for grantmaking. Indeed, the more money a foundation has, the more it can give.

The number of grant categories is significantly related to the age of the foundation but not to the asset level. One explanation may be that community foundations, over time, expand their

grantmaking interests in response to community needs and opportunities. Younger organizations may have fewer categories in order to be more focused in their impact. Of interest is the fact that asset level is not related to the number of grantmaking categories.

As previously noted, the frequency of grantmaking has only a weak relationship to the age of the foundation, and it is not significantly related to the level of assets.

### Leadership

A significant negative correlation exists between assets and the management of special project funds, though a marginally significant relationship exists between age and special project funds. A significant correlation exists between assets and the number of special project staff, but not between age and special staff. This suggests a recurring theme that asset size is the stronger variable regarding organizational complexity. This, in conjunction with the inverse relationship to special funds, suggests that community foundations with larger assets hire special project staff but do not establish special funds for these projects. This may be the result of having larger unrestricted and field-of-interest funds to spend on special projects without raising special project dollars.

### Fund Management

There is a significant relationship between both age and number of funds, and assets and the number of funds being managed. This tends to confirm that age and assets are related to growth, but not

necessarily to complexity. The variety of types of funds increases the complexity which is being managed. A foundation with a large number of similar and easily managed funds (for example, donor advised funds) may be less complicated to manage than a smaller foundation with many very different types of funds.

Table 13 shows the overview of the frequency of responses for each type of fund.

There are few significant relationships between age and assets and the types of funds under management. A small relationship exists between age and assets and the management of a pooled income fund. This is perhaps understandable, in that management of a pooled income fund requires sophisticated financial management and a large number of donors.

A second but inverse relationship exists between age and assets and program related investments (PRIs). This, however, does not seem sensible, primarily because program related investments require both a larger asset base, from which to make the investments, and significant financial management. This finding could be a function of the relatively small number of community foundations that make PRIs ( $n = 20$  of the 89 total cases).

An unexpected outcome is the lack of a significant relationship between age and assets and other types of funds under management. Not unlike board meetings, this may mean there is a core of common types of funds managed by community foundations, notwithstanding their age or asset size. These funds are: unrestricted, field of

Table 13  
Frequency of Responses by Types of Funds Managed and Asset Size

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

interest, donor advised, and designated. The field is almost evenly split in handling agency endowments and scholarships.

### Age and Assets--Common Relationships

The following indicators (see Table 14) are significantly correlated to both age and asset size. Population size is also presented because of its contribution to answering the research question: Do community foundations serving different size communities have different characteristics?

Table 14

Age/Asset/Population With Significant (+/-.25) Correlations of the Indicators to Both Age and Assets

Indicator	Age		Assets		Population	
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>
Administrative system						
Total number of staff	.45	.0001	.79	.0001	.64	.0001
Program officer generalist	.38	.0002	.52	.0001	.50	.0001
Financial specialist	.37	.0004	.65	.0001	.52	.0001
General support staff	.44	.0001	.65	.0001	.32	.0026
Donor relations staff	.25	.0171	.64	.0001	.60	.0001
Communications specialists	.46	.0001	.74	.0001	.52	.0001
Office of president	.32	.0021	.71	.0001	.53	.0001
Levels of hierarchy	.36	.0006	.43	.0001	.36	.0001
Personnel budget	.46	.0001	.75	.0001	.60	.0001



Table 14--Continued

Indicator	Age		Assets		Population	
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>
Social system						
No. of organizations	.32	.0024	.33	.0017	.27	.0119
Supporting organizations	.36	.0005	.44	.0001	.30	.0051
Pages in annual report	.43	.0001	.46	.0001	.43	.0001
Trustee banks	.28	.0114	.41	.0001	.51	.0001
Strategic system						
Population	.30	.0047	.67	.0001	--	--
Technical system						
Assets	.39	.0002	--	--	.67	.0001
Number of grants	.39	.0002	.60	.0001	.58	.0001
Grantmaking dollars	.33	.0009	.81	.0001	.70	.0001
Number of funds	.44	.0001	.69	.0001	.57	.0001
Program related investments	-.25	.0186	-.36	.0005	-.44	.0001
New loans	.89	.0070	-.37	.0003	-.38	.0004
New gifts	.34	.0010	.62	.0001	.55	.0001

Of 48 indicators used to answer the questions about the changing of the organizational subsystems over time and asset size, 21 demonstrate significant relationships with both age and asset size variables. Variables with weaker relationships (less than  $\pm .25$ ) to either age or asset size are not reported in Table 14.

A particularly illuminating finding is that asset size has a substantially stronger relationship to all other variables than does age. This suggests that while age and asset size are related, organizational change primarily attends to asset growth. A foundation which grows rapidly will experience change even if it is not an old organization. On the other hand, an aging organization not experiencing growth will not change as much. Greiner (1972) suggested this is a common organizational experience when he wrote: "Organizations that do not grow in size can retain many of the same management issues and practices over lengthy periods" (p. 40).

Some variables relate only to asset size and not to age. These are reported in Table 15.

### Age

In looking to the life cycle model as a paradigm for community foundation growth, age is a critical variable. The questions related to age are: Do community foundations of different ages have different characteristics? If so, do these characteristics change in a predictable way over time?

The dimension of age (time) was used to test relationships with all other variables. The answer to these questions is affirmative.

Table 15  
Variables Related to Assets But Not to Age

Variable	Assets		Age	
	<u>r</u>	<u>p</u>	<u>r</u>	<u>p</u>
Special project funds	-.26	.0126	.20	.0578
Special project staff	.62	.0001	.19	.0800
Program officer specialists	.34	.0011	.15	.1638
Personnel policies	.29	.0053	.18	.0847
Span of control	.44	.0001	.23	.0346

As discussed for each dependent variable, community foundations change on many dimensions over time.

### Size

The second major dimension of the life cycle model is organization size. The questions related to size are: Do community foundations of different asset sizes have different characteristics? If so, do these characteristics change in a predictable way as the foundations grow?

Size, or total assets, was used to see if there are relationships with other variables. Once again, the findings are supportive: Community foundations change on many dimensions as they grow larger in size. In fact, size appears to have the more important relationship with all other variables.

The life cycle model suggests age and asset size are related. The question to be considered is: Is there a relationship between age and asset size. The data reveal a correlation of .39 with a confidence level of .0001. Age and asset size are related.

### Environment

Life cycle theory also asserts (as does systems theory) that organizations serving different environments adopt different strategies. This answers the question: Do community foundations serving different size communities have different characteristics?

Using population as an indicator, the answer to this question is affirmative. Population significantly correlates to each of the variables related to age and asset size.

### Comparative Study Results for Asset Size

Using asset categories as natural divisions, the data can be organized to provide some further insight into which differences exist as community foundations grow older and larger. Table 16 provides the range of data, the mean, and standard deviation for each of the asset categories. Table 17 provides the same data for the individual indicators in seven asset categories.

These categories are admittedly somewhat arbitrary. Five million dollars was selected as the first point based on Struckhoff's (1977) theory that community foundations take off at \$5 million in assets (Downs's, 1967, growth accelerator effect). Over \$500 million was selected because of the obvious differences in the four

Table 16

Asset Categories, Number of Cases, Range,  
Mean, and Standard Deviation

	Asset Categories						
	0-4.9 mil	5-9.9 mil	10-19.9 mil	20-49.9 mil	50-99.9 mil	100-499.9 mil	500+ mil
	1	2	3	4	5	6	7
<b>Number of Cases</b>	19	15	13	15	12	12	4
<b>Range</b>	448,000-4 mil	5.2 - 8.5 mil	10 - 19.6 mil	22.6 - 45 mil	50.2 - 93 mil	101 - 248 mil	520 - 842 mil
<b>Mean</b>	2.4 mil	6.9 mil	14.3 mil	32.7 mil	68.6 mil	147 mil	621 mil
<b>Standard Deviation</b>	1.4 mil	973,213	3.8 mil	7.5 mil	15.6 mil	45.6 mil	148.8 mil

organizations in this category in view of the raw data. Other asset cuts were made based on these two end points.

#### Administrative System

The smallest organizations (assets \$0 to \$5 million) have the smallest number of personnel, the smallest administrative budgets, and the least amount of staff specialization. The largest organizations (assets over \$500 million) have the largest number of staff, the largest administrative budgets, and the highest degree of staff specialization. This follows the pattern which is expected if community foundations grow in ways similar to other organizations.

Table 17

Range and Mean for Each Indicator by  
Community Foundation Asset Size

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

Table 17--Continued

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

Table 17--Continued

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



Table 17--Continued

(In million \$)	Type 1 Assets 0-5	Type 2 Assets 5-10	Type 3 Assets 10-20	Type 4 Assets 20-50	Type 5 Assets 50-100	Type 6 Assets 100-500	Type 7 Assets 500+
Dollars Paid							
Range	0-730,000	326,000-1.8 mil	708,000-3.5 mil	596,000-21 mil	2.5 - 29.0 mil	3.8 - 17.5 mil	5-56 mil
Mean	176,863	832,153	1.3 mil	3.4 mil	8.5 mil	9.8 mil	30.6 mil
Standard Deviation	196,825	467,621	936,360	5.1 mil	8.5 mil	4.3 mil	20.8 mil
Number of Grantmaking Categories							
Range	0-8	0-7	0-8	0-11	4-9	5-9	5-6
Mean	3.842	5.33	4.69	6.29	6.58	6.6	5.5
Standard Deviation	2.57	1.88	1.89	2.55	1.4	1.4	1
Frequency of Grantmaking							
Range	1-6	1-5	2-6	2-10	3-12	3-12	4-6
Mean	2.6	2.8	3.9	5	5.67	5.5	4.5
Standard Deviation	1.5	1.12	.90	2.36	3.3	3	1
Number of Funds							
Range	5-110	22-200	28-161	15-442	14-529	50-540	180-976
Mean	32.765	94.87	79.25	136	286.75	284	539
Standard Deviation	27.08	50.92	48.06	113	152.6	168	391
Age							
Range	3-68	5-61	11-64	8-72	4-76	14-76	18-77
Mean	15.5	19.571	36.54	40.73	48.75	56.3	59.5
Standard Deviation	14.14	17.18	18.72	23.05	26.3	20.9	28

### Social System

The social system includes the concept of organizational complexity. The smallest organizations have more trustees but fewer organizational components (number of organizations, geographic funds, supporting foundations, advisory committees, and trustee banks) and less complexity than larger organizations. This is consistent with what would be expected from the general organizational literature.

### Strategic System

The strategic positioning related to mission is very similar notwithstanding the size of the organization. The more complex mission position (grantmaking, leadership, and donor service)

predominates at each asset level. This conformity may be a result of the community foundations reading Leonard's (1989), article on community foundation mission positions and adopting these positions. Another explanation may be that community foundations have common missions without regard to age or size as a core defining characteristics of the organization. Similar to the consistency in the number of board meetings and grantmaking meetings and the types of funds managed, mission may be unrelated to age or size. A more in-depth analysis would need to be completed to determine whether each organization is adopting and acting on the positions espoused.

Smaller organizations serve smaller communities and the size of the community served changes as the size of the organization grows. This suggests community foundations of differing sizes interact with different environments. These differences may also affect their functions.

#### Technical System

Each of the indicators for the components of the technical system change according to the growth in asset size. This suggests the functions of the organization widely differ as the organization grows. The obvious exception is the types of funds managed by community foundations where only the most sophisticated types of funds differ between foundations of varying sizes. This suggests an important part of the core of a community foundation does not relate to size.

Table 17 provides the research underpinnings for the model of community foundation growth which is presented in Chapter V. Changes in each indicator as the asset size increases becomes very obvious.

#### Research Results Summary and Conclusions

Results from the case studies support the existence of a pattern to the development of community foundations as they age and grow. In looking at the subsystems of community foundations, there are significant relationships between the majority of the indicators for that system and age and asset size. Asset size has the stronger relationship.

## CHAPTER V

### COMMUNITY FOUNDATION GROWTH MODEL

Based on the cross-sectional study results, a model for community foundation growth emerges. The characteristics of community foundation systems at various asset sizes were discussed in Chapter IV. The relationship of the multiple variables to age and asset size were confirmed with asset level consistently established as the more predictive variable. Using these data as a base, the following model describes the characteristics of community foundations at various asset levels.

Figure 18 provides an overview of the model. Along the bottom are the growth stages named with concepts from human development. These concepts and the characteristics given were developed intuitively based on the stages and organizational tasks noted in the five Michigan community foundation case studies and an analysis of the Cleveland Foundation. Under those titles are identified the general periods of steady evolutionary growth and the identified periods of turbulence. The characteristics of each stage and transition are explained. These model characteristics of stages are extrapolated from the description for each stage listed above. The descriptive stages are taken from the research data described in Chapter IV.

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

		1 (\$0 - 4.9 million)	2 (\$5-9.9million)	3 (\$10-19.9million)	
<b>Administrative System Indicators</b> Total Number (#) of staff # of Special Project staff # of Program Officer Specialists # of Program Officer Generalist # of Financial Support Specialists # of General Support Personnel # of Marketing/Donor Relations Specialists # of Communications Specialists # in Office of President # of people supervised by President (Span of Control) # of levels of hierarchy Administrative budget Personnel policies		•An all volunteer or paid staff ranging from 0-6 members with an average of 2 staff members. •Staff members are most likely to be an Executive Director and either a Program Officer serving as a generalist or a General Support/Clerical person. •The Executive Director supervises 1 staff member. •The administrative budget averages \$100,000. •Personnel policies are just starting to be developed. •This period is typified by the establishment of office hours, rudimentary policies and procedures, minutes of Board meetings, and basic administrative systems.	•Paid staff from 1-7 people with an average of 4 staff members per foundation. •Staff members are most likely to be an Executive Director, a Program Officer who is a generalist, a Secretary, and a Financial Support Person. •The Executive Director directly supervises 3 staff members with 2 levels in the hierarchy. •The administrative budget averages \$160,000.	•Paid staff from 2-9 with an average of 4 staff. •Staff members are most likely to be an Executive Director, a Secretary, a Program Officer, a generalist, and a Special Project person. •The Executive Director supervises staff members with 2 levels of hierarchy. •The administrative budget averages \$250,000.	
<b>Social System</b> # of Board Members # of Board meetings a year # of Grantmaking meetings # of Organizations # of Geographic Funds/Affiliates # of Supporting Foundations # of Advisory Committees # of people on Advisory Committees # of Trustee banks Legal form: corporate, trust, mixed # of pages in annual report		•Board of trustees ranging in size from 7-40 with 21 being average. •One organization with perhaps a geographic affiliate. •An advisory committee or two composed of approximately 45 people. •Corporate form. •3 banks holding the foundations assets. •6 Board meetings per year. •3 grantmaking meetings per year. •19 page annual report.	•Board of Trustees from 7-37, averaging 23. •One organization. •6 advisory committees, averaging 37 people involved. •Non-trustee advisors on the committees. •Corporate or trust form. •5 banks or organizations serving as financial trustees. •6 Board meetings per year. •3 grantmaking meetings per year. •30 page annual report.	•Board of Trustees from 7-24, averaging 16. •One organization with a geographic affiliate. •Corporate form. •5 organizations providing financial management services. •6 Board meetings per year. •4 grantmaking meetings per year. •24 page annual report. •2 advisory committees with 1 members.	
<b>Strategic System</b> Population of service area Primary Mission orientation •leadership •grantmaking •donor service •leadership & donor services		•Serves a population of under 350,000 people. •Embraces a mission of donor service, grantmaking, and community leadership.	•Serves a population of approximately 1 million. •Embraces all 3 strategic positions: grantmaking, leadership, and donor service.	•Serves a population of approximately 1 million. •Embraces all 3 strategic positions: grantmaking, leadership, and donor service.	
<b>Technical System</b> <b>Assets</b> •total assets <b>Donor Service</b> •\$ of new gifts <b>Grantmaking</b> •special project funds •dollar value of grants paid •# of grantmaking categories •frequency of grantmaking <b>Leadership</b> •special project funds •# of special project staff		<b>Fund Management - types of funds/# of funds</b> •unrestricted •scholarships •field-of-interest •program related investments •donor advised •designated •administrative endowment •pooled income •agency endowment •emergency fund •donor depository •manage private foundation •# of loans •\$ value of loans	<b>Assets</b> •Total assets \$500,000 - 5 million, average 2.5 million <b>Donor Service</b> •Annual gifts average approximately \$400,000. <b>Grantmaking</b> •Number of grants made each year 54.55 •Dollars given in grants under \$176,000 per year. •Number of categories of grantmaking - 4. •Grants made 3 times per year. •Some special project funds. <b>Fund Management</b> •Provide a full range of funds under management except donor depository and pooled income funds with 33 funds being managed. <b>Age</b> •16 years.	<b>Assets</b> •Total assets \$5-10 million, average 7 million. <b>Donor Service</b> •Gifts each year average \$1.7 million. <b>Grantmaking</b> •Number of grants made per year 120. •Dollars given in grants each year = \$800,000. •Grants given in 5 different categories. •Grants made 3 times per year. <b>Fund Management</b> •Provide a full range of fund options with 95 funds being managed. <b>Age</b> •20 years.	<b>Assets</b> •Total assets \$10-20 million, average 15 million. <b>Donor Service</b> •Gifts received each year \$1 million. <b>Grantmaking</b> •Number of grants made per year 120. •Dollars given in grants per year \$800,000. •Grants given in 5 categories per year. •Grants made 4 times per year. <b>Fund Management</b> •Provide a full range of funds with 95 funds being managed. <b>Age</b> •37 years.
		<b>Infancy &amp; Early Childhood</b>	<b>Middle Childhood</b>	<b>Late Childhood</b>	
<b>Stage of Evolution</b>		Creativity = •Early volunteer organization. •One organization. •Small technical component. •Growing board size, moving to: Early Organization = •1/2 time paid or volunteer staff. •Larger board. •All technical components underway.	Direction = •Full-time paid professional staff. •Board begins to shrink. •Increasing technical complexity.	Delegation = •More than one full-time paid professional. •Board continues to shrink in size. •Technical system continues to evolve.	
<b>Stage of Revolution</b>		<b>Leadership:</b> •Volunteers need help with workload caused by growth and increasing complexity.	<b>Early Professionalism:</b> •Movement from part-time and volunteer staff to 1st professionals (1-2) staff.	<b>Autonomy:</b> •Movement to more than one professional and need to delegate responsibility.	<b>Specialization:</b> •Initial staff specialization.

Figure 18. Community Foundation Characteristics.



2 (\$9.9million)	3 (\$10-19.9million)	4 (\$20-49.9million)	5 (\$50-99.9 million)	6 (\$100-499.9 million)	7 (\$500 million and over)
<p>staff from 1-7 people with an average of 4 staff members per organization. members are most likely to be Executive Director, a Program Officer who is a generalist, a Secretary, and a Financial Support person. Executive Director directly supervises 3 staff members with 2 levels in the hierarchy. Administrative budget averages \$250,000.</p>	<p>•Paid staff from 2-9 with an average of 4 staff. •Staff members are most likely to be an Executive Director, a Secretary or Assistant, a Program Officer who is a generalist, and a Special Project staff person. •The Executive Director supervises 3 staff members with 2 levels of hierarchy. •The administrative budget averages \$250,000.</p>	<p>•Paid staff from 0-31 with an average of 7. •Staff members are most likely to be an Executive Director, a Program Officer who is a generalist, Clerical Staff, and a Financial Support Specialist. •The Executive Director directly supervises 4 staff members with 2 levels in the hierarchy. •The administrative budget averages \$600,000.</p>	<p>•Paid staff from 4-23 with an average of 11 staff. •Staff members are most likely to be 2 people in the Executive Director's office, a Special Project Staff Person, 2 Program Officer generalists, 2 Financial Support Staff, and maybe a Marketing/Donor Relations Specialist. •This level begins the first phase of staff specialization after the basic systems have been staffed. •The Executive Director supervised 7 staff members directly with 3 levels of hierarchy. •The administrative budget averages \$700,000.</p>	<p>•Paid staff range from 6 to 31 with an average of 19. •Staff members are most likely to be an Executive Director, a Communications Specialist, a Marketing/Donor Relations Specialist, 6 Clerical Support, 4 Financial Support, 4 Program Officer Generalists, a Program Officer Specialist, and 2 Special Project Staff. •The Executive Director supervises 6 people directly with 4 levels to the hierarchy. •The administrative budget averages over \$1 million.</p>	<p>•Paid staff range from 32 to 100 with an average of 25. •Staff members are most likely to be an Executive Director, a Communications Specialist, a Marketing/Donor Relations Specialist, 8 Clerical Support, 6 Financial Support, 6 Program Officer Generalists, a Program Officer Specialist, and 2 Special Project Staff. •The Executive Director supervises 8 people directly with 5 levels to the hierarchy. •The administrative budget averages over \$1.5 million.</p>
<p>Board of Trustees from 7-37, averaging 23. organization. Advisory committees, averaging 5 people involved. Trustees advisors on the committees. Corporate or trust form. Minors or organizations serving as special trustees. Board meetings per year. Grantmaking meetings per year. Annual report.</p>	<p>•Board of Trustees from 7-24, averages 16. •One organization with a geographic affiliate. •Corporate form. •5 organizations providing financial management services. •6 Board meetings per year. •4 grantmaking meetings per year. •24 page annual report. •2 advisory committees with 12 members.</p>	<p>•Board of Trustees range from 5-36 with an average of 14 members. •The foundation has 2 organizations. •Probably there is a geographic affiliate. •The foundation has 3 advisory committees. •32 people serve on the committees. •The foundation is a corporate, mixed corporate and trust form. •5 financial organizations handle the foundations finances. •6 Board meetings per year. •Grants are made 5 times per year. •32 pages in the annual report.</p>	<p>•The Board of Trustees averages 11 members. •The foundation is in mixed, trust, or corporate form. •There are 2 organizations in the foundation. •At least 2 geographic affiliates. •5 advisory committees with 45 people on the committees. •6 financial organizations. •7 Board meetings per year. •6 grantmaking meetings per year. •41 pages in the annual report.</p>	<p>•The Board of Trustees ranges from 7-30 with an average of 17. •There are approximately 6 organizations which are part of the system. •A geographic affiliate. •3 supporting organizations are part of the foundation. •8 advisory committees with 68 people involved. •Legally is mixed or corporate form. •5 Board meetings per year. •6 grantmaking meetings per year. •56 pages to the annual report. •5 financial institutions.</p>	<p>•The Board of Trustees ranges from 31-100 with an average of 25. •There are approximately 10 organizations which are part of the system. •A geographic affiliate. •4 supporting organizations are part of the foundation. •9 advisory committees with 90 people involved. •Legally is mixed or corporate form. •6 Board meetings per year. •7 grantmaking meetings per year. •68 pages to the annual report. •6 financial institutions.</p>
<p>Serves a population of approximately 1 million. Occupies all 3 strategic positions: grantmaking, leadership, and donor relations.</p>	<p>•Serves a population of approximately 600,000. •Embraces all 3 strategic positions.</p>	<p>•Serves a population of nearly 1 million. •Embraces all 3 strategic positions.</p>	<p>•Serves a population of approximately \$1.3 million. •Embraces all 3 strategic positions.</p>	<p>•Serves a population of over 2 million. •Embraces all 3 strategic positions.</p>	<p>•Serves a population of over 2 million. •Embraces all 3 strategic positions.</p>
<p>Assets \$5-10 million, average 7 million. Service: Grants received each year average \$1.7 million. Grantmaking: Number of grants made per year 120. Grants given in grants each year = 0,000. Grants given in 5 different categories. Grants made 3 times per year. Fund Management: Provide a full range of fund options. 95 funds being managed. Age: 37 years.</p>	<p><b>Assets</b> •Total assets \$10-20 million, average 14 million. <b>Donor Service</b> •Gifts received each year \$1 million. <b>Grantmaking</b> •Number of grants made per year 183. •Dollars given in grants per year \$1.3 million. •Grants given in 5 categories per year. •Grants made 4 times per year. <b>Fund Management</b> •Provide a full range of funds with 89 funds being managed. <b>Age</b> •37 years.</p>	<p><b>Assets</b> •Total assets \$20-50 million, average 32 million. <b>Donor Service</b> •Gifts each year average \$7 million. <b>Grantmaking</b> •Number of grants made per year over 310. •Dollars given in grants each year, \$3.4 million. •Grants given in 6 categories. •Grants made 5 times per year. <b>Fund Management</b> •Provide a full range of fund options with about 130 funds being managed. <b>Age</b> •41 years.</p>	<p><b>Assets</b> •Total assets \$50-100 million, averages 69 million. <b>Donor Service</b> •Gifts received each year \$6 million. <b>Grantmaking</b> •Number of grants made per year 400. •Dollars given in grants each year \$5.5 million. •Number of grantmaking categories 7. •Grants made 6 times per year. <b>Fund Management</b> •Provide a full range of fund options. •287 fund managed <b>Age</b> •49 years.</p>	<p><b>Assets</b> •Assets \$100-500 million, averages 147 million. <b>Donor Service</b> •Gifts received each year \$15 mil.. <b>Grantmaking</b> •Number of grants made each year 942. •Dollars given in grants per year \$9.8 million. •Grants given in 7 categories per year. •Grants made 6 times per year. <b>Leadership</b> •Special project funds. •2 special project staff people <b>Fund Management</b> •Provides a full range of services. •Manages 284 funds. <b>Age</b> •56 years.</p>	<p><b>Assets</b> •Assets \$500 million and over, averages 1,470 million. <b>Donor Service</b> •Gifts received each year \$150 mil.. <b>Grantmaking</b> •Number of grants made each year 9,420. •Dollars given in grants per year \$98 million. •Grants given in 7 categories per year. •Grants made 6 times per year. <b>Leadership</b> •Special project funds. •2 special project staff people <b>Fund Management</b> •Provides a full range of services. •Manages 2,840 funds. <b>Age</b> •56 years.</p>
<b>Early Childhood</b>	<b>Late Childhood</b>	<b>Early Adolescence</b>	<b>Late Adolescence</b>	<b>Early Maturity</b>	<b>Full Professionalism</b>
<p>Delegation = •Full-time paid professional staff. •Delegation begins to shrink. •Increasing technical complexity.</p>	<p>Delegation = •More than one full-time paid professional. •Board continues to shrink in size. •Technical system continues to grow.</p>	<p>Early Specialization = •Continued delegation as staff grows in initial specialty areas. •Specialty areas more organizational components. •Technical system continues to grow.</p>	<p>Refined Specialization = •Support staff positions become specialized. •Board continues to shrink. •More organizations. •Technical system continues to grow.</p>	<p>Early Maturity = •Paid operations and support professionals with more than one per area. •More complex organization. •Technical system complex.</p>	<p>Full Professionalism = •All tasks with professional staff. •Large, complex system.</p>
<p>Autonomy: •Movement to more than one professional and need to delegate responsibility.</p>	<p>Specialization: •Initial staff specialists require more autonomy.</p>	<p>Replication: •Tasks continue to grow in number but not in complexity.</p>	<p>Organizational Depth: •Organization deepens and Program Officers begin to specialize.</p>	<p>Mature Professionalism: •All tasks with professional staff.</p>	





	4 (\$20-49.9 million)	5 (\$50-99.9 million)	6 (\$100-499.9 million)	7 (\$500+ million)
average of ely to be an story or r who is a project staff erises 3 of averages	<ul style="list-style-type: none"> <li>• Paid staff from 0-31 with an average of 7.</li> <li>• Staff members are most likely to be an Executive Director, a Program Officer who is a generalist, Clerical Staff, and a Financial Support Specialist.</li> <li>• The Executive Director directly supervises 4 staff members with 2 levels in the hierarchy.</li> <li>• The administrative budget averages \$600,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Paid staff from 4-23 with an average of 11 staff.</li> <li>• Staff members are most likely to be 2 people in the Executive Director's office, a Special Project Staff Person, 2 Program Officer generalists, 2 Financial Support Staff, and maybe a Marketing/Donor Relations Specialist.</li> <li>• This level begins the first phase of staff specialization after the basic systems have been staffed.</li> <li>• The Executive Director supervised 7 staff members directly with 3 levels of hierarchy.</li> <li>• The administrative budget averages \$700,000.</li> </ul>	<ul style="list-style-type: none"> <li>• Paid staff range from 6 to 31 with an average of 19.</li> <li>• Staff members are most likely to be an Executive Director, a Communications Specialist, a Marketing/Donor Relations Specialist, 6 Clerical Support, 4 Financial Support, 4 Program Officer Generalists, a Program Officer Specialist, and 2 Special Project Staff.</li> <li>• The Executive Director supervises 6 people directly with 4 levels to the hierarchy.</li> <li>• The administrative budget averages over \$1 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Paid staff from 23-45 with an average of 36 members.</li> <li>• Staff member are most likely to be 4 people in the offices of the Executive, 2 Communications Specialists, 3 Donor Relations/Marketing Specialists, 11 Clerical Support, 5 Financial Support, 6 Program Officers who are generalists, 7 Program Officers who are specialists, 6 Special Project staff.</li> <li>• The administrative budget is \$3 million.</li> <li>• Executive Director/President supervises 9 people directly with 4 levels of hierarchy.</li> </ul>
l, averages eographic financial t, er year. n 12	<ul style="list-style-type: none"> <li>• Board of Trustees range from 5-36 with an average of 14 members.</li> <li>• The foundation has 2 organizations.</li> <li>• Probably there is a geographic affiliate.</li> <li>• The foundation has 3 advisory committees.</li> <li>• 32 people serve on the committees.</li> <li>• The foundation is a corporate, mixed corporate and trust form.</li> <li>• 5 financial organizations handle the foundations finances.</li> <li>• 6 Board meetings per year.</li> <li>• Grants are made 5 times per year.</li> <li>• 32 pages in the annual report.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board of Trustees averages 11 members.</li> <li>• The foundation is in mixed, trust, or corporate form.</li> <li>• There are 2 organizations in the foundation.</li> <li>• At least 2 geographic affiliates.</li> <li>• 5 advisory committees with 45 people on the committees.</li> <li>• 6 financial organizations.</li> <li>• 7 Board meetings per year.</li> <li>• 6 grantmaking meetings per year.</li> <li>• 41 pages in the annual report.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board of Trustees ranges from 7-30 with an average of 17.</li> <li>• There are approximately 6 organizations which are part of the system.</li> <li>• A geographic affiliate.</li> <li>• 3 supporting organizations are part of the foundation.</li> <li>• 8 advisory committees with 68 people involved.</li> <li>• Legally is mixed or corporate form.</li> <li>• 5 Board meetings per year.</li> <li>• 6 grantmaking meetings per year.</li> <li>• 56 pages to the annual report.</li> <li>• 5 financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board of Trustees ranges from 11-13 people with an average of 12.</li> <li>• The foundation is composed of 4 organizations.</li> <li>• There are 2 geographic funds.</li> <li>• 3 supporting organizations are a part of the foundation.</li> <li>• 3 advisory committee with 14 advisors.</li> <li>• Mixed corporate/trust form.</li> <li>• 9 financial organizations serve as trustees.</li> <li>• 61 pages to the annual report.</li> <li>• 5 Board Meetings per year.</li> <li>• 5 grantmaking meetings per year.</li> </ul>
proximately ositions.	<ul style="list-style-type: none"> <li>• Serves a population of nearly 1 million.</li> <li>• Embraces all 3 strategic positions.</li> </ul>	<ul style="list-style-type: none"> <li>• Serves a population of approximately \$1.3 million.</li> <li>• Embraces all 3 strategic positions.</li> </ul>	<ul style="list-style-type: none"> <li>• Serves a population of over 2 million.</li> <li>• Embraces all 3 strategic positions.</li> </ul>	<ul style="list-style-type: none"> <li>• Serves a population of over 6 million.</li> <li>• Embraces all 3 strategic positions.</li> </ul>
average 14 11 million. er year 183. year \$1.3 as per year. ear. ts with 89	<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• Total assets \$20-50 million, average 32 million.</li> </ul> <p><b>Donor Service</b></p> <ul style="list-style-type: none"> <li>• Gifts each year average \$7 million.</li> </ul> <p><b>Grantmaking</b></p> <ul style="list-style-type: none"> <li>• Number of grants made per year over 310.</li> <li>• Dollars given in grants each year, \$3.4 million.</li> <li>• Grants given in 6 categories.</li> <li>• Grants made 5 times per year.</li> </ul> <p><b>Fund Management</b></p> <ul style="list-style-type: none"> <li>• Provide a full range of fund options with about 130 funds being managed.</li> </ul> <p><b>Age</b></p> <ul style="list-style-type: none"> <li>• 41 years.</li> </ul>	<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• Total assets \$50-100 million, averages 69 million.</li> </ul> <p><b>Donor Service</b></p> <ul style="list-style-type: none"> <li>• Gifts received each year \$6 million.</li> </ul> <p><b>Grantmaking</b></p> <ul style="list-style-type: none"> <li>• Number of grants made per year 400.</li> <li>• Dollars given in grants each year \$5 million.</li> <li>• Number of grantmaking categories 7.</li> <li>• Grants made 6 times per year.</li> </ul> <p><b>Fund Management</b></p> <ul style="list-style-type: none"> <li>• Provide a full range of fund options.</li> <li>• 287 fund managed</li> </ul> <p><b>Age</b></p> <ul style="list-style-type: none"> <li>• 49 years.</li> </ul>	<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• Assets \$100-500 million, averages 147 million.</li> </ul> <p><b>Donor Service</b></p> <ul style="list-style-type: none"> <li>• Gifts received each year \$15 mil..</li> </ul> <p><b>Grantmaking</b></p> <ul style="list-style-type: none"> <li>• Number of grants made each year 942.</li> <li>• Dollars given in grants per year \$9.8 million.</li> <li>• Grants given in 7 categories per year.</li> <li>• Grants made 6 times per year.</li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• Special project funds.</li> <li>• 2 special project staff people</li> </ul> <p><b>Fund Management</b></p> <ul style="list-style-type: none"> <li>• Provides a full range of services.</li> <li>• Manages 284 funds.</li> </ul> <p><b>Age</b></p> <ul style="list-style-type: none"> <li>• 56 years.</li> </ul>	<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• Assets \$520-842 million, averages 621 million.</li> </ul> <p><b>Donor Service</b></p> <ul style="list-style-type: none"> <li>• Gifts average \$19 million per year.</li> </ul> <p><b>Grantmaking</b></p> <ul style="list-style-type: none"> <li>• Number of grants made each year over 1,159.</li> <li>• Dollars given in grants each year \$31 million.</li> <li>• Grants are given in 6 categories.</li> <li>• Grants are made 5 times per year.</li> </ul> <p><b>Leadership</b></p> <ul style="list-style-type: none"> <li>• 6 special project staff people.</li> </ul> <p><b>Fund Management</b></p> <ul style="list-style-type: none"> <li>• Manages 539 funds.</li> </ul> <p><b>Age</b></p> <ul style="list-style-type: none"> <li>• 73 years.</li> </ul>
	<b>Early Adolescence</b>	<b>Late Adolescence</b>	<b>Early Maturity</b>	<b>Full Maturity</b>
id n size. s to grow.	<p>Early Specialization =</p> <ul style="list-style-type: none"> <li>• Continued delegation as staff grows in initial specialty areas.</li> <li>• Specialty areas more organizational components.</li> <li>• Technical system continues to grow.</li> </ul>	<p>Refined Specialization =</p> <ul style="list-style-type: none"> <li>• Support staff positions become specialized.</li> <li>• Board continues to shrink.</li> <li>• More organizations.</li> <li>• Technical system continues to grow.</li> </ul>	<p>Early Maturity =</p> <ul style="list-style-type: none"> <li>• Paid operations and support professionals with more than one per area.</li> <li>• More complex organization.</li> <li>• Technical system complex.</li> </ul>	<p>Collaborations =</p> <ul style="list-style-type: none"> <li>• More than one professional staff person in specialized areas.</li> <li>• Program Officers specialized.</li> <li>• Small board.</li> <li>• Complex technical system.</li> </ul>
ation: ft specialists require more ny.	<p>Replication:</p> <ul style="list-style-type: none"> <li>• Tasks continue to grow in number but not in complexity.</li> </ul>	<p>Organizational Depth:</p> <ul style="list-style-type: none"> <li>• Organization deepens and Program Officers begin to specialize.</li> </ul>	<p>Mature Professionalism:</p> <ul style="list-style-type: none"> <li>• All tasks with professional specialists.</li> <li>• Large, complex system.</li> </ul>	



The greatest differences appear in contrasting the characteristics of the emerging community foundations with the characteristics of the fully mature organizations. Between these two extremes are gradations of change typified by increasing size, complexity, and diversification. The names given to these periods reflect these differences.

### Growth Stages

The first stage, under \$5 million in assets, includes two phases which can most aptly be called infancy and early childhood. The phase in the model is called Infancy and Early Childhood; Figure 19 shows how this stage has two parts.

Infancy can be identified as a distinct phase. This is the period of volunteer leadership, high group cohesion, small asset-grant-investments and gifts, minimal formal systems, and high energy. This period, while not identified in the data, was clear in preliminary case studies of five Michigan community foundations.

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

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

<b>Infancy</b> <b>Assets - (0-499.9 thousand)</b> <b><u>Administrative System</u></b>	<b>Early Childhood</b> <b>Assets - (500,000 - 4.9 million)</b> <b><u>Administrative System</u></b>
<ul style="list-style-type: none"> <li>• Volunteer group organizing the foundation - no staff.</li> <li>• Initially the group operates as a committee of the whole, organizing into subcommittees after the Bylaws are adopted.</li> <li>• No hierarchy except for the committee structure of the Board.</li> <li>• No personnel policies.</li> <li>• Limited administrative budget (for brochures and legal/accounting fees).</li> </ul>	<ul style="list-style-type: none"> <li>• An all volunteer or paid staff ranging from 0-6 members with an average of 2 staff members.</li> <li>• Staff members are most likely to be an Executive Director and either a Program Officer serving as a generalist or a General Support/Clerical person.</li> <li>• The Executive Director supervises 1 staff member.</li> <li>• The administrative budget averages \$100,000.</li> <li>• Personnel policies are just starting to be developed.</li> <li>• This period is typified by the establishment of office, hours, rudimentary policies and procedures, minutes of Board meetings, and basic administrative systems.</li> </ul>
<b><u>Social System</u></b>	<b><u>Social System</u></b>
<ul style="list-style-type: none"> <li>• Small original group expands to about 20 as the Board becomes organized.</li> <li>• One organization.</li> <li>• No advisory committees.</li> <li>• Corporate form.</li> <li>• Board meets at least monthly (if not more frequently) for education and organizing decisions.</li> <li>• No annual report.</li> </ul>	<ul style="list-style-type: none"> <li>• Board of trustees ranging in size from 7-40 with 21 being average.</li> <li>• One organization with perhaps a geographic affiliate.</li> <li>• An advisory committee or two composed of approximately 45 people.</li> <li>• Corporate form.</li> <li>• 3 banks holding the foundations assets.</li> <li>• 6 Board meetings per year.</li> <li>• 3 grantmaking meetings per year.</li> <li>• 19 page annual report.</li> </ul>
<b><u>Strategic System</u></b>	<b><u>Strategic System</u></b>
<ul style="list-style-type: none"> <li>• Original population to be served is a specific community which may be expanded as trustees learn more about community foundations.</li> <li>• Primary mission is donor service or leadership or grantmaking until the trustees learn more about community foundations.</li> </ul>	<ul style="list-style-type: none"> <li>• Serves a population of under 350,000 people.</li> <li>• Embraces a mission of donor service, grantmaking, and community leadership.</li> </ul>
<b><u>Technical System</u></b>	<b><u>Technical System</u></b>
<b><u>Assets</u></b> <ul style="list-style-type: none"> <li>• Assets \$0-500,000.</li> </ul> <b><u>Donor Service</u></b> <ul style="list-style-type: none"> <li>• Provides basic fund options: unrestricted, field-of-interest, donor-advised, designated</li> </ul> <ul style="list-style-type: none"> <li>• Gifts under \$500,000.</li> </ul> <b><u>Grantmaking</u></b> <ul style="list-style-type: none"> <li>• 1-2 grants if any.</li> <li>• Grantmaking less than \$1,000.</li> <li>• 5-6 grantmaking categories.</li> <li>• Grantmaking 1 per year.</li> <li>• No special project staff or funds.</li> </ul> <b><u>Fund Management</u></b> <ul style="list-style-type: none"> <li>• Under 10 funds under management.</li> </ul> <b><u>Age</u></b> <ul style="list-style-type: none"> <li>• under 2 years.</li> </ul>	<b><u>Assets</u></b> <ul style="list-style-type: none"> <li>• Total assets \$500,000 - 5 million, average 2.5 mil.</li> </ul> <b><u>Donor Service</u></b> <ul style="list-style-type: none"> <li>• Annual gifts average approximately \$400,000.</li> </ul> <b><u>Grantmaking</u></b> <ul style="list-style-type: none"> <li>• Number of grants made each year 55.</li> <li>• Dollars given in grants under \$176,000 per year.</li> <li>• Number of categories of grantmaking - 4.</li> <li>• Grants made 3 times per year.</li> <li>• Some special project funds.</li> </ul> <b><u>Fund Management</u></b> <ul style="list-style-type: none"> <li>• Provide a full range of funds under management except donor depository and pooled income funds with 33 funds being managed.</li> </ul> <b><u>Age</u></b> <ul style="list-style-type: none"> <li>• 16 years.</li> </ul>

Figure 19. Infancy and Early Childhood Characteristics.

### Evolution

The phases are developed from the stages above and follow an evolutionary growth stage pattern. Evolutionary change is defined most closely to the administrative changes because they are so clear. These characteristics are descriptive of the period and were developed based on the Michigan community foundation case studies and the analysis of the Cleveland Foundation.

### Revolution

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

The asset levels chosen are based on the \$5 million take-off theory and the obvious differences found in the organizations with assets over \$500 million. Asset level distinctions were drawn between these two extremes forming seven categories of organizations.

### Description of the Model by System Development

Each stage of development can be described using the research results as the base. Growth and change in each indicator can be graphed against asset size. Not every variable is reported for every stage; for example, the first donor relations specialist does not emerge until the \$50 million asset level. This characteristic is, thus, not reported until this stage.

### Administrative System

Looking at the administrative system the indicators show changes as the organization grows in asset size (the consistently

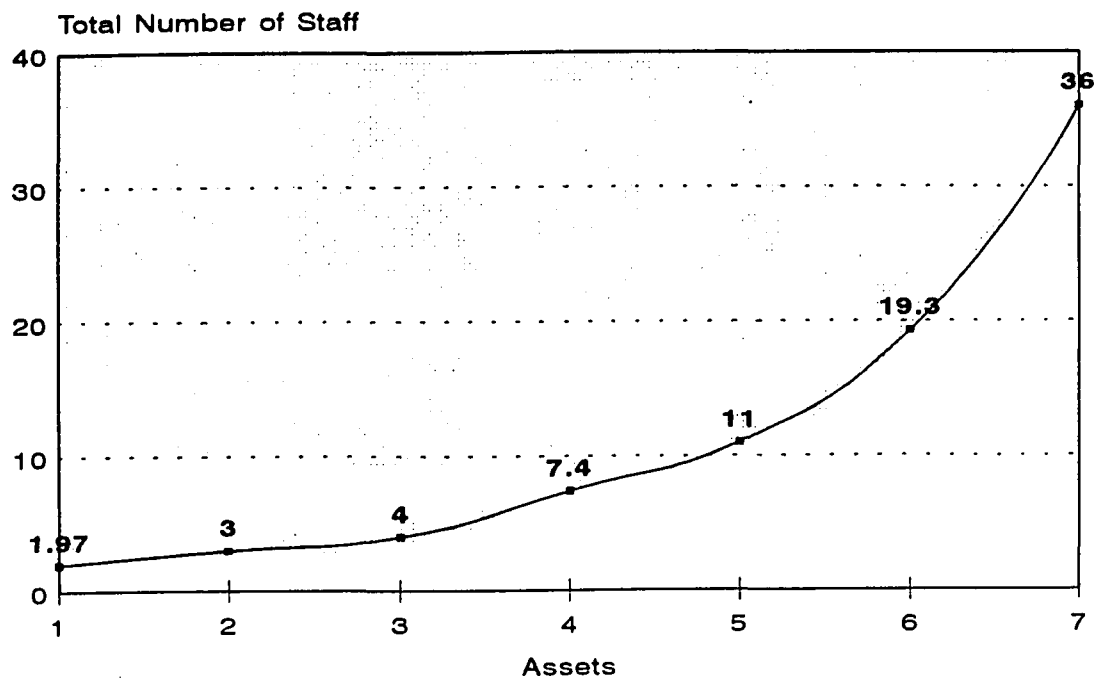
stronger variable). The 13 indicators considered were: (1) total number of staff, (2) number of special project staff, (3) number of program officer specialists, (4) number of program officer generalists, (5) number of financial officer specialists, (6) number of general support personnel, (7) number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

Total Number of Staff. Looking at the mean values for each asset level, it is easy to see that paid staffing changes greatly as assets grow. One repeating theme through all of the indicators are the relatively slow changes between \$10 million and \$49.9 million in assets. This is followed by rapid change and culminates in a major shift of characteristics for the organizations with assets over \$500 million.

Figure 20 graphs the change in the number of staff by asset size.

Staff Specialization. Staff specialization in the paid professional ranks begins at the \$5 million asset level when functional specialization occurs (program officer--generalist, finance, etc.). Support specialization begins at \$50 million in assets with a communication/donor relations position. Program officer specialists (in health, education, etc.) begins at \$100 million in assets.

Support and program subspecialization occurs over \$500 million in assets.

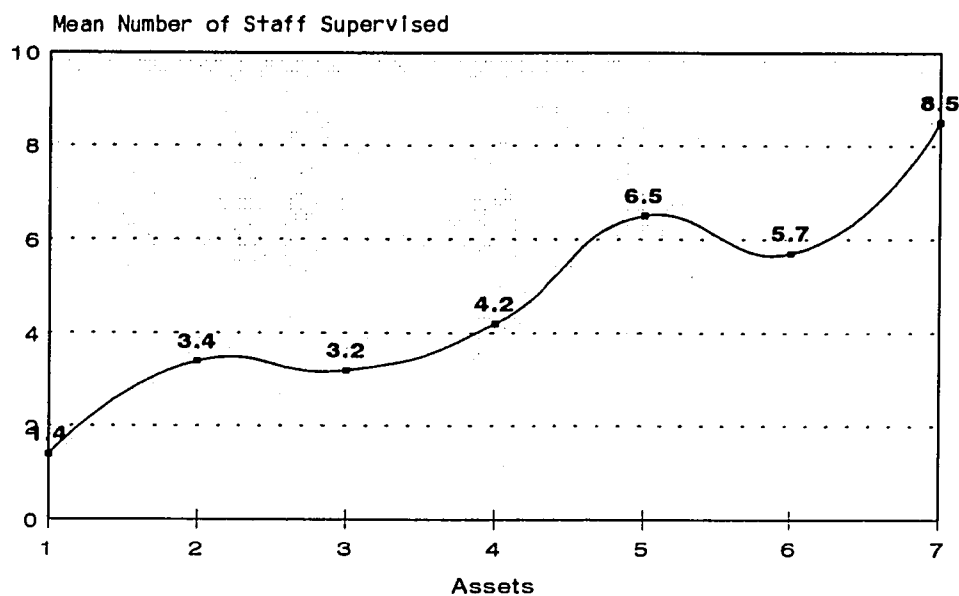


Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 20. Staff Growth by Assets.

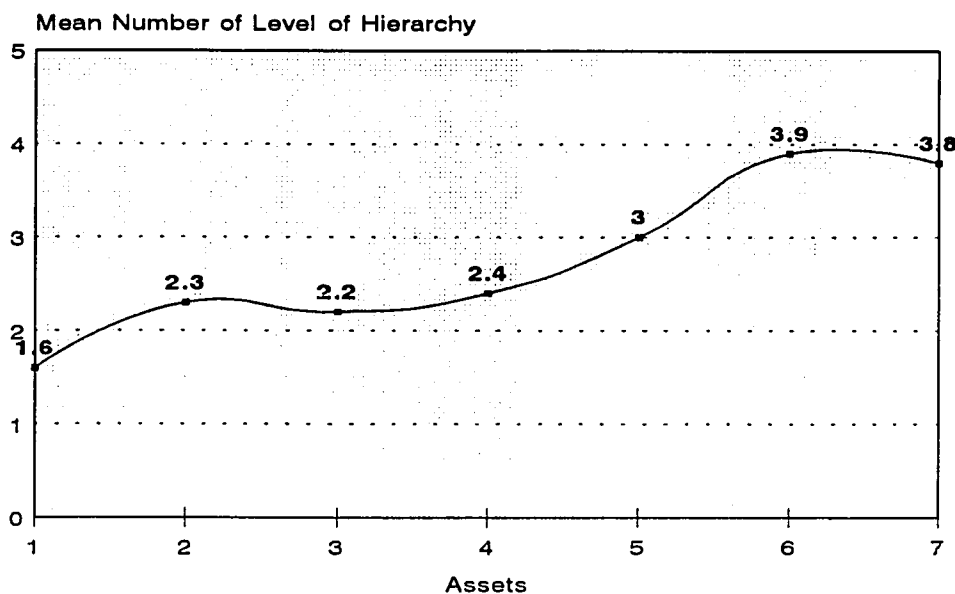
Span of Control and Growth in Hierarchy. The number of staff supervised by the chief executive (span of control), Figure 21, and the levels of hierarchy, Figure 22, follow similar patterns of growth.

Administrative Budget. The administrative budget growth pattern, Figure 23, roughly follows the other administrative indicators showing steady growth consistent with the growth in asset levels.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

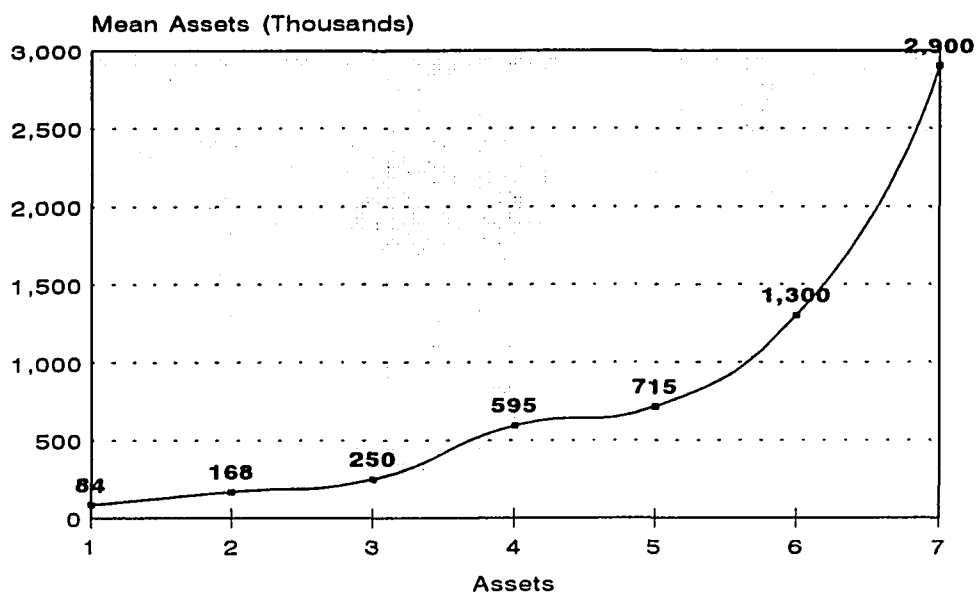
Figure 21. Span of Control by Assets.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 22. Levels of Hierarchy by Assets.





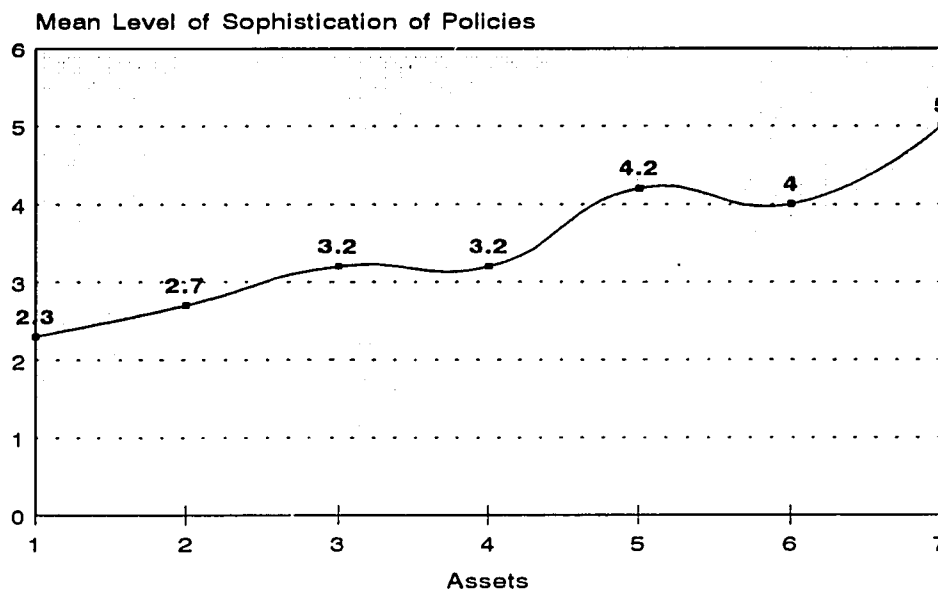
Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 23. Administrative Budget.

Personnel Policies. Growth in the sophistication of personnel policies follows a pattern related to growth in staffing. The more people who are employed, the more formal the policies. Figure 24 graphs this change.

### Social System

The 11 indicators considered in the social system are: (1) the number of board members, (2) the number of times the board meets each year, (3) the number of grantmaking meetings each year, (4) the total number of organizations, (5) the number of geographic funds/affiliates, (6) the number of supporting foundations, (7) the number of advisory committees, (8) the number of people on advisory committees, (9) the number of trustee banks, (10) the legal form



Legend. Sophistication of policies: 1 = no policy, 2 = a letter of agreement, 3 = brief and leisure policies, 4 = formal written and somewhat detailed policies, and 5 = formal staff handbook.

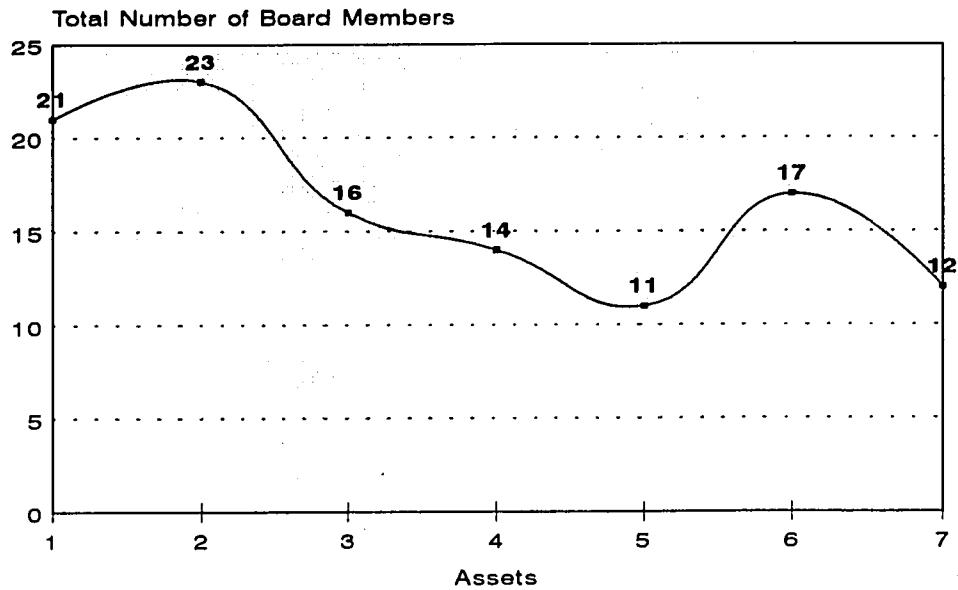
Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 24. Personnel Policies.

(corporate, trust, or mixed), and (11) the number of pages of the annual report.

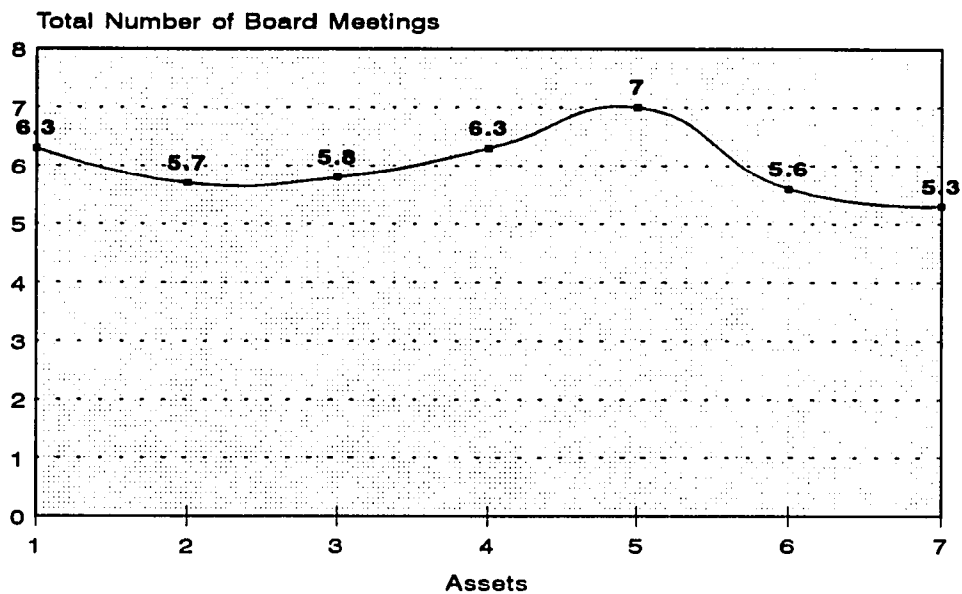
Number of Board Members. The social system indicator of the number of board members, Figure 25, shows the decline in the number of trustees as the foundation grows. This suggests the increased professionalization with staff handling more tasks and the board moving more to policy making.

Number of Board Meetings Each Year. The number of board meetings per year, Figure 26, shows the stability across asset sizes in



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 25. Number of Board Members.

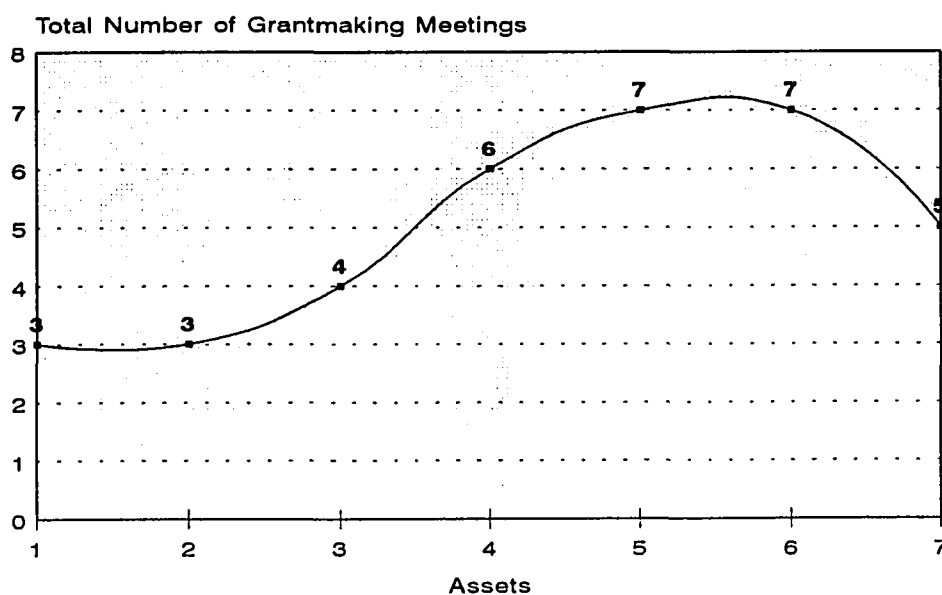


Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 26. Number of Board Meetings Per Year.

the number of meetings per year. The smallest boards (serving the largest foundations) meet the most frequently. The stabilization during the middle asset level is again visible.

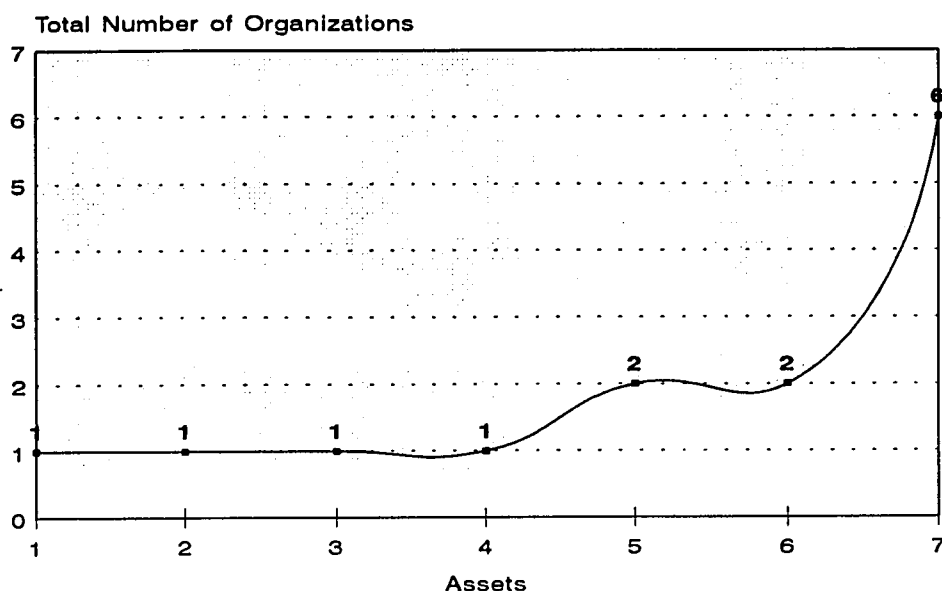
Number of Grantmaking Meetings. The number of grantmaking meetings, Figure 27, is relatively stable once the \$5 million asset level is reached. This suggests some stability to the cycle of grantmaking no matter what size and number of grants are given. Interestingly, those with the largest number of dollars to give away meet for grantmaking less frequently than those foundations with smaller assets.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 27. Number of Grantmaking Meetings Per Year.

Number of Organizations. The number of organizations remains relatively flat until the highest asset level. Figure 28 shows the rapid growth in the number of organizations with assets above the \$100 million level.

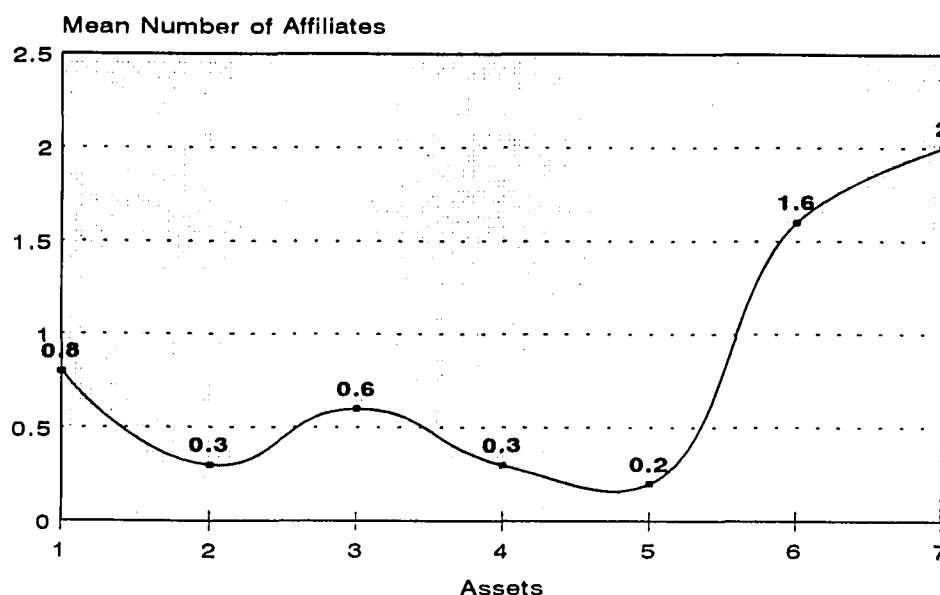


Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 28. Number of Organizations.

The degree of complexity related to the number of organizations remains constant until the \$50 million asset level where there is sudden growth. This may be the result of private foundations joining with community foundations after 1969, the addition of a modern corporate arm to the traditional trust form foundation, and growth through added organizational structures--such as conglomerates in business.

Number of Geographic Funds/Affiliates. The addition of geographic affiliates occurs quite late in the asset development of the foundations. Figure 29 shows this late growth.

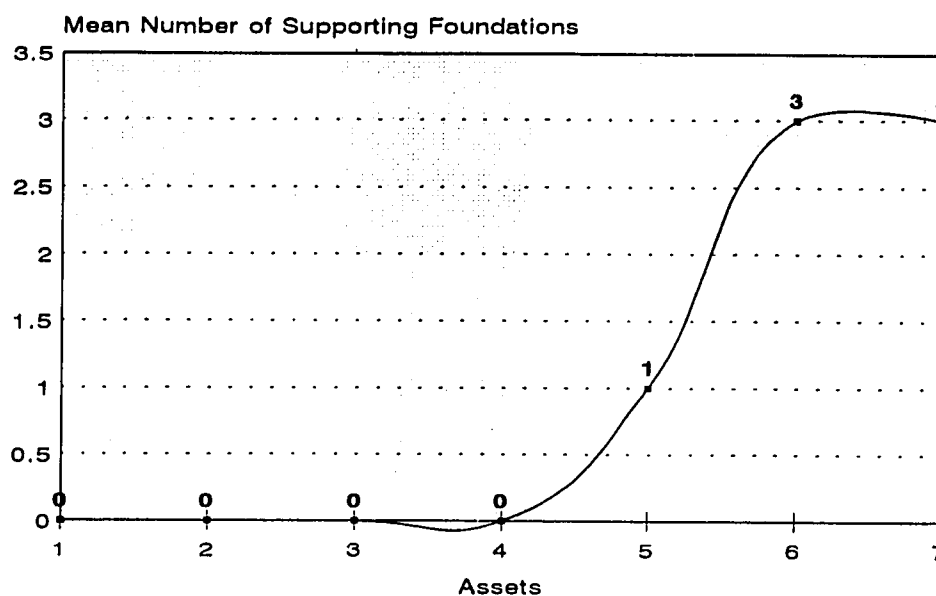


Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 29. Geographic Affiliates by Assets.

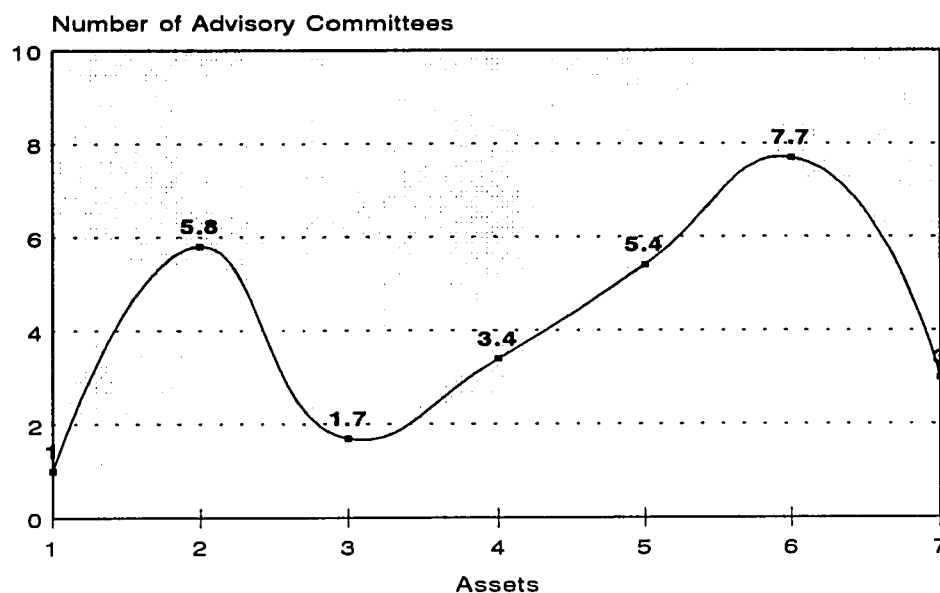
Number of Supporting Foundations. Supporting foundations do not really emerge as significant additions to community foundations until the more mature asset levels. Figure 30 shows this growth.

Number of Advisory Committees and Committee Members. The advisory committee pattern is less clear both in the number of committees, Figure 31, and the number of people involved in committees, Figure 32. During the building of early assets and in the higher asset levels, volunteers and advisory committees are



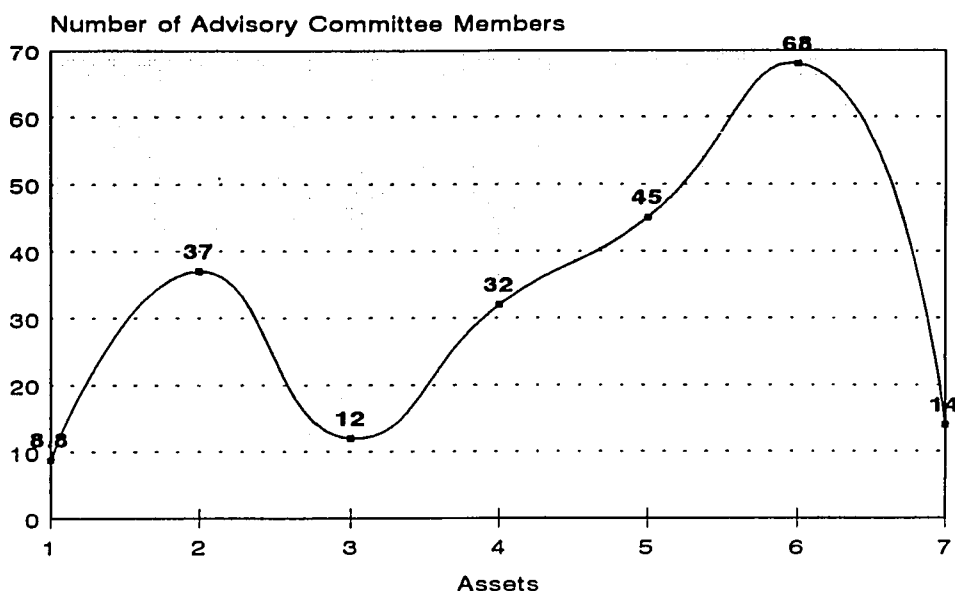
Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 30. Supporting Foundations by Assets.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 31. Number of Advisory Committees.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 32. Number of Advisory Committee Members.

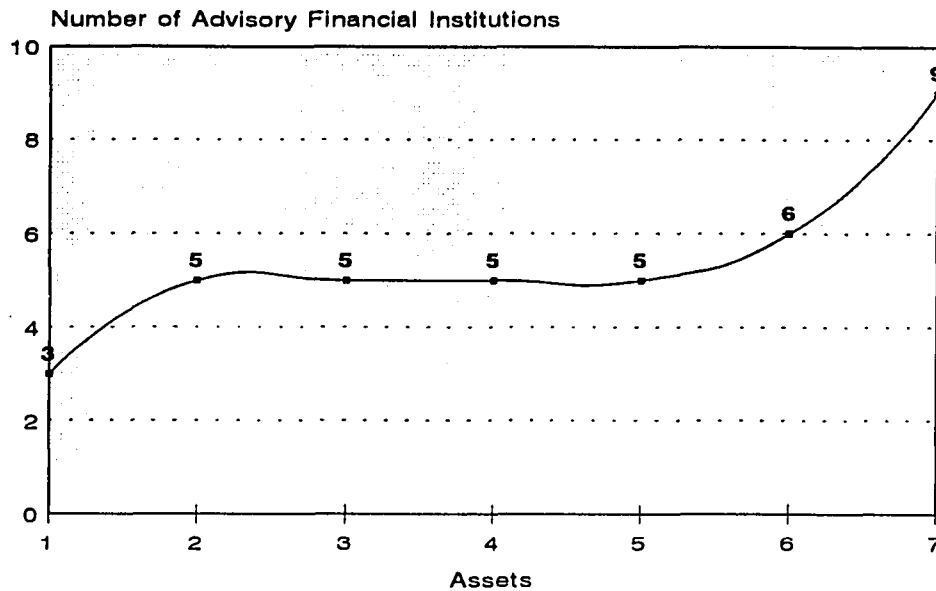
active; during the asset levels in the middle, fewer volunteers are involved.

Number of Trustee Banks. The number of financial institutions, Figure 33, increases with asset size. Again, the middle period of asset levels shows relative stability on this indicator.

Legal Form (Corporate/Trust/Mixed). Community foundations with smaller assets are more commonly in corporate form; larger assets are more commonly in a mixed form.

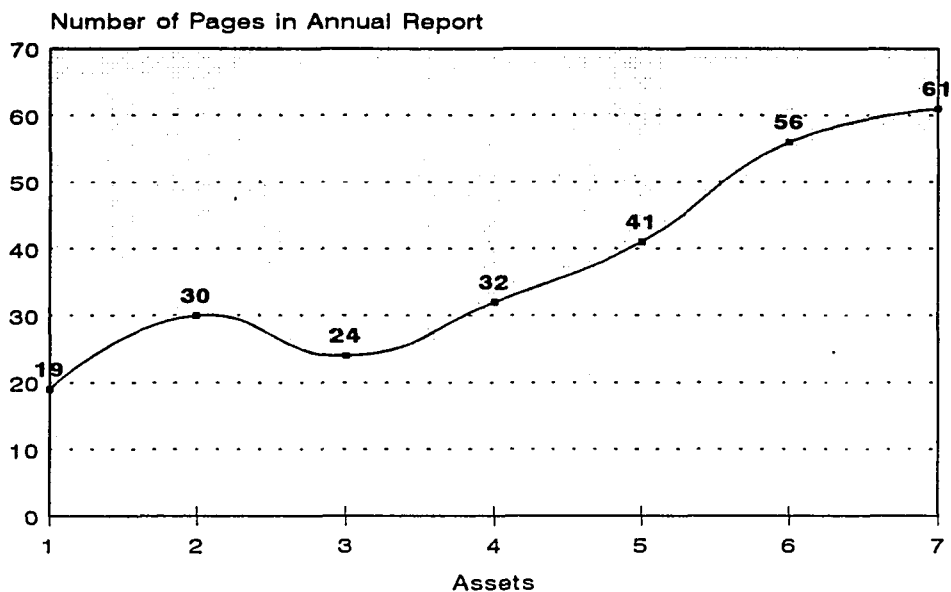
Number of Pages of Annual Report. The number of pages of the annual report, Figure 34, follows the growth in asset size. Not surprisingly, there is more activity and complexity to report as an organization grows.





Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 33. Number of Financial Institutions.



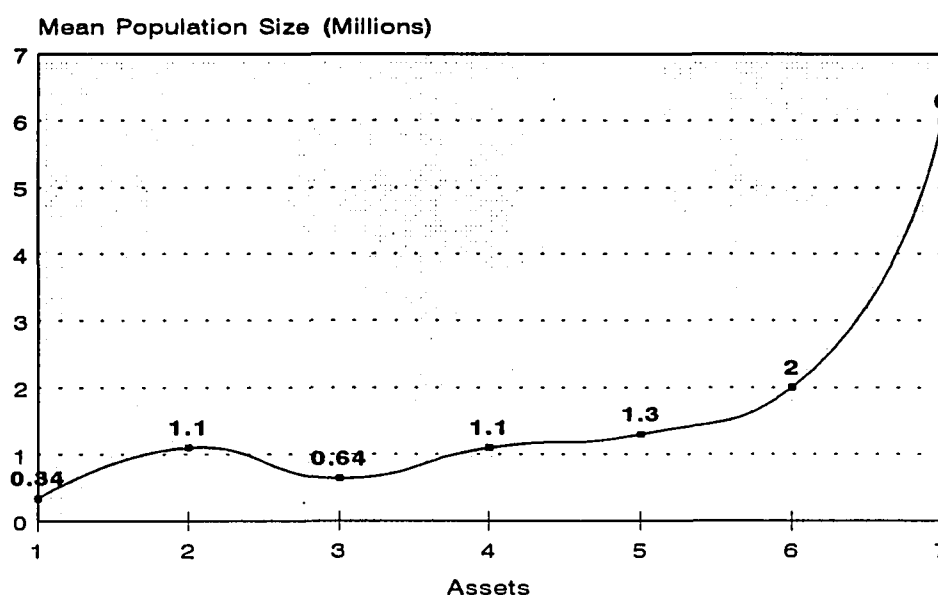
Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 34. Number of Pages in Annual Report.

### Strategic System

The two indicators for the strategic system are: (1) the environment measured by population size and (2) the mission measured by a choice of: (a) leadership; (b) grantmaking; (c) donor service; (d) leadership and donor service; (e) leadership and grantmaking; (f) donor service and grantmaking; and (g) leadership, donor service, and grantmaking.

Environment (Population). As expected, the asset size is related to the population of the area served, Figure 35. Access to assets in larger population areas, the historic start of community foundations in metropolitan areas, and the concept of scale may all help to explain this relationship.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 35. Population of Service Area.

Primary Mission Decision. Community foundations overwhelmingly report a commitment to all three mission positions without regard to their age or asset size.

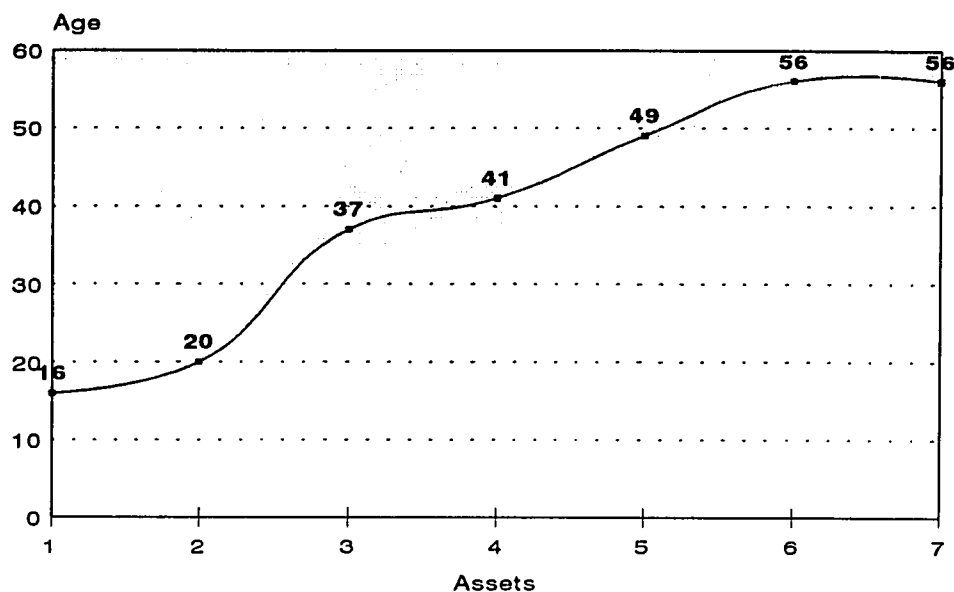
### Technical System

The technical system has indicators under four major categories. These categories and indicators are: (1) assets and donor service--(a) total assets and (b) number of new gifts; (2) grantmaking--(a) number of grants per year, (b) dollar value of grants paid, (c) number of grantmaking categories, and (d) frequency of grantmaking; (3) leadership--(a) the existence of special project funds and (b) number of special project staff; and (4) funds under management--(a) types of funds managed and (b) the number of funds.

Assets and Donor Service. The relationship of age to asset size suggest older foundations accumulate larger assets as a function of time and community size, Figure 36.

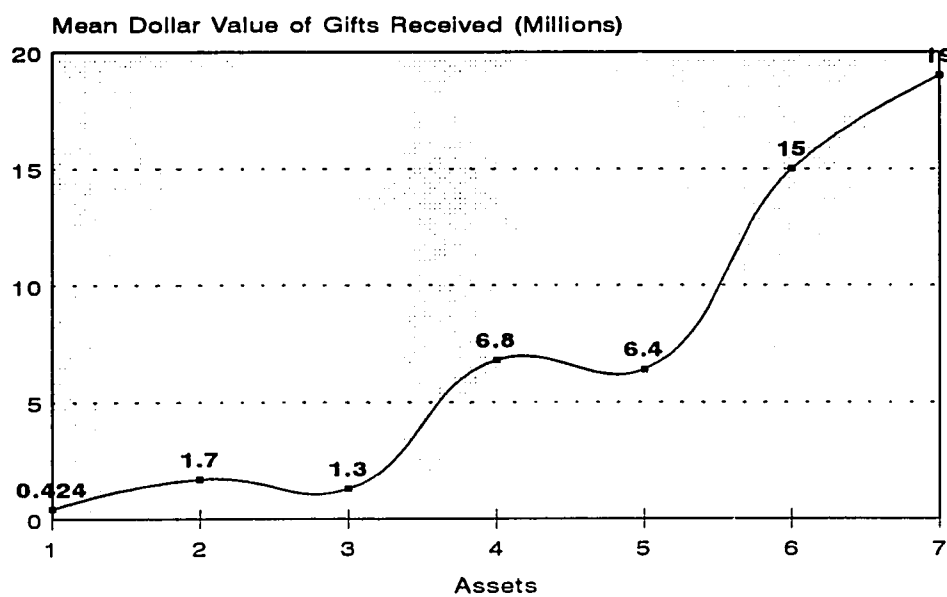
Donor gifts jump dramatically at \$10 million and at \$50 million. These stages need further investigation with particular reference to the changes which occur at these points, Figure 37. As mentioned before, the foundations with larger assets receive larger gifts and grow faster.

Grantmaking. The task of making grants increases with asset size both in the number of grants, Figure 38, and the dollar value of these grants, Figure 39.



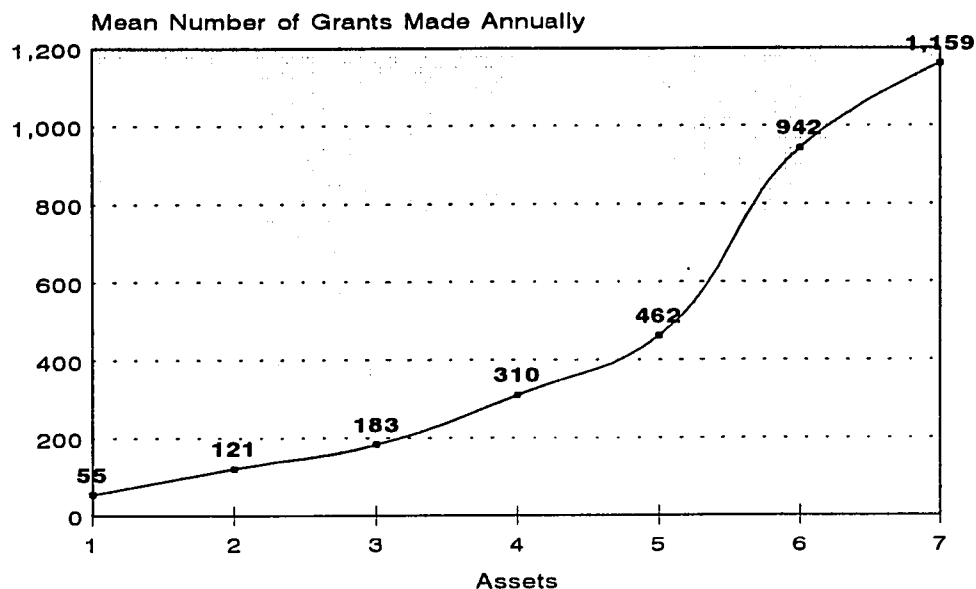
Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 36. Age by Assets.



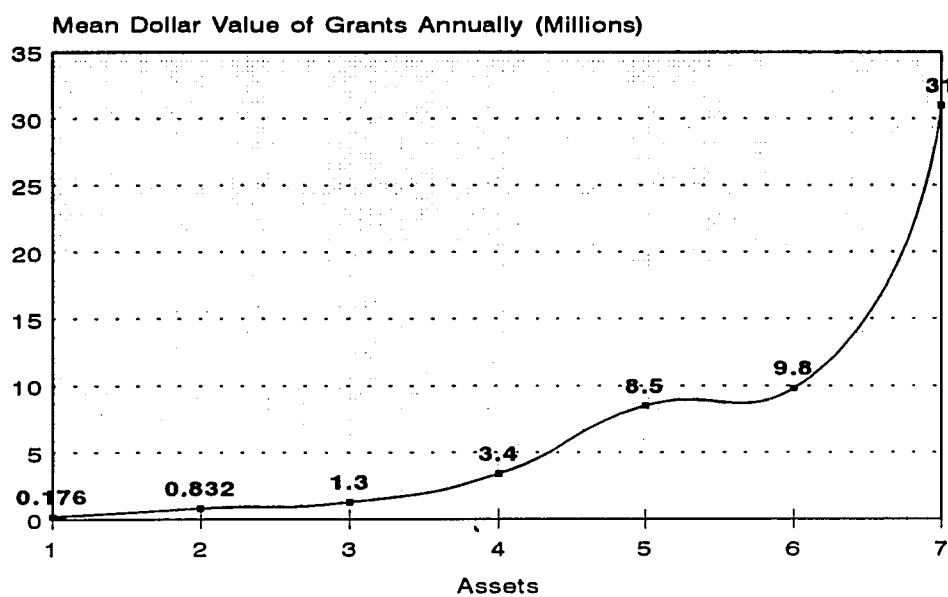
Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 37. Total Annual Gifts Received.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

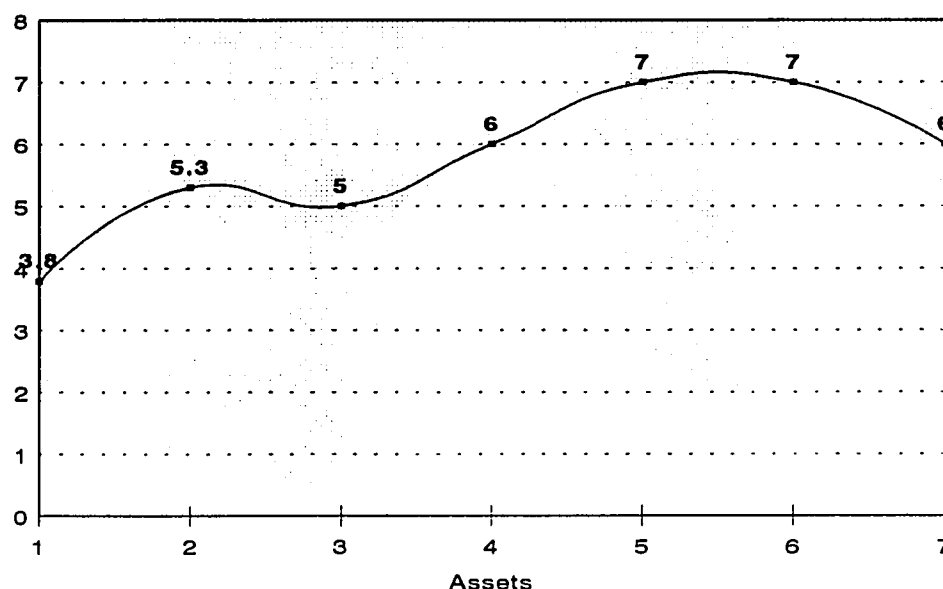
Figure 38. Number of Grants Made Annually.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 39. Total Dollar Value of Annual Grantmaking.

Interestingly, the number of grantmaking categories remains relatively stable across asset sizes, Figure 40, suggesting a core vision for all community foundations regarding what they fund.



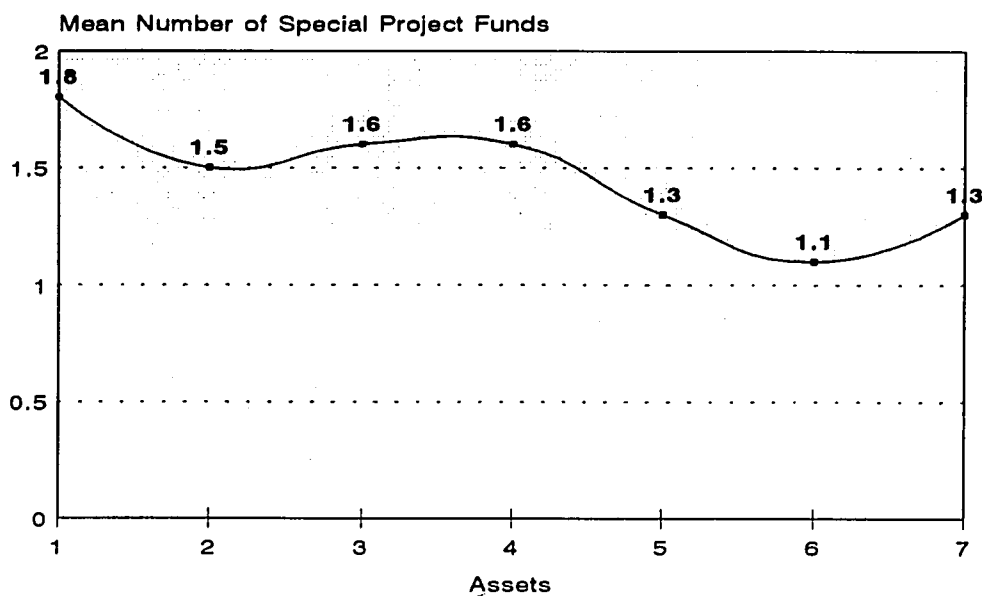
Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 40. Number of Grantmaking Categories.

As mentioned when looking at the social indicators (Figure 27), the frequency of grantmaking meetings is relatively stable across all asset categories.

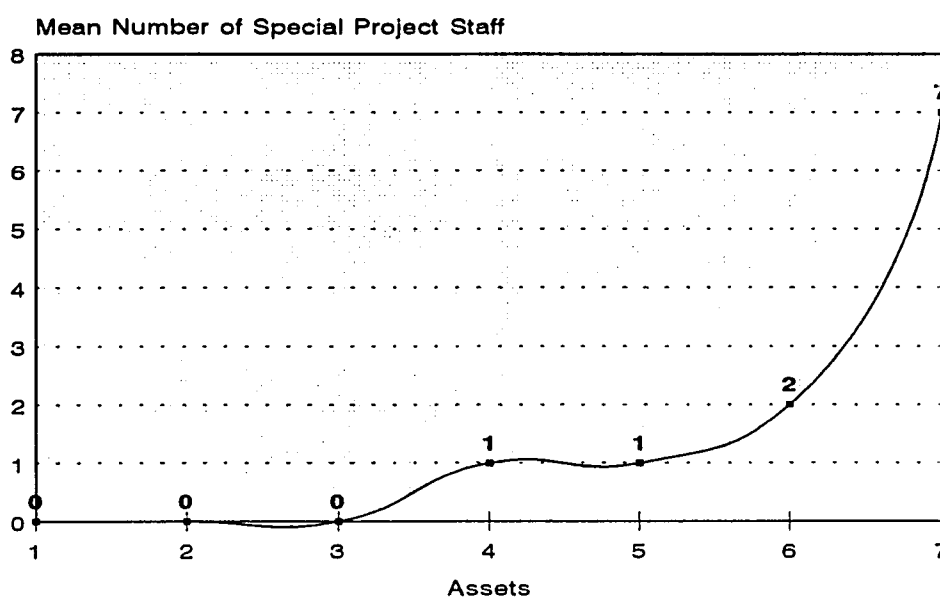
Leadership. The number of special project funds held was inconclusive. Figure 41 shows these data.

Figure 42 shows the development of the use of special project staff and its dramatic increase at the largest asset level.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 41. Special Project Funds by Assets.

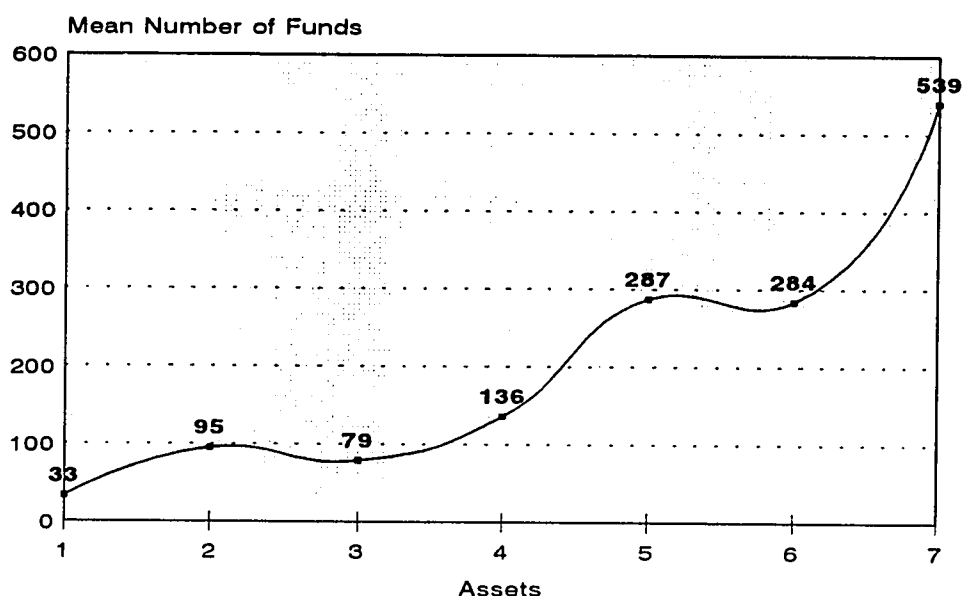


Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 42. Number of Special Project Staff.

Fund Management. Types of funds managed do not vary greatly based on size. Table 13 showing the frequency of the holding of various types of funds by asset size reflected these data.

The total number of different funds managed by the foundations grow in relationship to the asset levels, Figure 43.



Legend. Asset levels: 1 = 0-\$4.9 million, 2 = \$5-9.9 million, 3 = \$10-19.9 million, 4 = \$20-49.9 million, 5 = \$50-99.9 million, 6 = \$100-499.9 million, and 7 = \$500+ million.

Figure 43. Number of Funds.

### Age

Age of the organization is a major factor in the growth cycle according to Greiner (1972) and other life cycle researchers. Age follows the pattern predicted in that older foundations are larger foundations. Figure 36 shows this relationship.



In looking at each system, there is notable change tied to asset growth. Of particular note is the dramatic difference between the early years of the foundation with smaller assets and the older organization with major assets. Figure 18, the model for the community foundation characteristics, provides the growth cycle description of community foundations.

### Self-Assessment Checklist

The following self-assessment checklist, Figure 44, provides a guideline for community foundations to use in projecting where they are related to the characteristics of each subsystem. A description of each stage and the developmental challenges facing each stage are included under the Evolution and Revolution for each stage.

### Summary of the Model

The characteristics of community foundations at various ages and asset size can be identified. They follow a fairly predictable series of stages. Major differences can be seen in three categories: (1) the under \$5 million group, (2) the \$5 million to \$500 million group, and (3) over \$500 million group. Within these major divisions, minor changes occur as growth forces change. These changes are more evolutionary. A quick series of checks on major attributes will provide a community foundation and consultants with some sense of the current status of the foundation, an idea of what might be ahead, and areas where there might be major discontinuities.

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

SYSTEM	Infancy & Early Childhood (\$0-4.9 m)	Middle Childhood (\$5-9.9 m)	Late Childhood (\$10-19.9 m)	Early Adolescence (\$20-49.9 m)	Late Adolescence (\$50-99.9 m)	Early Maturity (\$100-499.9 m)	Full Maturity (\$500+m)
<b>Administrative System</b>							
Volunteer or Paid Staff	Range 0-6 Average 2	Range 1-7 Average 3	Range 2-8 Average 4	Range 0-31 Average 7	Range 4-23 Average 11	Range 6-31 Average 19	Range 12-45 Average 36
Special Project Staff	Range 0 Average 0	Range 0-3 Average <1	Range 0-3 Average <1	Range 0-4 Average 1	Range 0-3 Average 1	Range 0-9 Average 2	Range 2-15 Average 7
Program Officer Specialists	Range 0 Average 0	Range 0-4 Average <1	Range 0 Average 0	Range 0-15 Average 1	Range 0-1 Average <1	Range 0-5 Average <1	Range 0-7 Average 3
Program Officer Generalist	Range 0-1 Average <1	Range 0-2 Average 1	Range 0-2 Average 1	Range 0-3 Average 1	Range 0-7 Average 2	Range 1-12 Average 4	Range 1-8 Average 5
Financial Support Staff	Range 0-2 Average <1	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-4 Average 1	Range 0-3 Average 2	Range 1-9 Average 4	Range 3-6 Average 5
General Officer Support	Range 0-1 Average <1	Range 0-3 Average 1	Range 0-2 Average 1	Range 0-6 Average 2	Range 1-8 Average 3	Range 1-13 Average 6	Range 1-21 Average 9
Marketing/Donor Relations Specialist	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-2 Average <1	Range 0-2 Average <1	Range 0-2 Average 1	Range 1-5 Average 1	Range 1-7 Average 3
Communication Staff Specialist	Range 0 Average 0	Range 0 Average 0	Range 0 Average 0	Range 0 Average 0	Range 0-1 Average <1	Range 0-2 Average 1	Range 0-3 Average 2
Number of People in the Office of the President, CEO	Range 0-2 Average 1	Range 1-2 Average 1	Range 1-2 Average 1	Range 0-2 Average 1	Range 1-2 Average 2	Range 1-2 Average 1	Range 1-6 Average 4
Number of People Supervised by the President	Range 0-4 Average 1	Range 1-6 Average 3	Range 1-6 Average 3	Range 0-12 Average 4	Range 2-16 Average 7	Range 4-13 Average 6	Range 7-10 Average 9
Personnel Policies	No personnel policies or very simple agreement	Letter of agreement or individual contracts with staff	Brief and basic personnel policies	Brief and basic personnel policies	Formal written and somewhat detailed policies	Formal written and somewhat detailed policies	Formal staff handbook
Levels of Hierarchy	Range 0-4 Average 2	Range 1-5 Average 2	Range 2-3 Average 2	Range 0-5 Average 2	Range 2-4 Average 3	Range 1-9 Average 4	Range 3-4 Average 4
Administrative Budget	Range \$1,374-216,0 Average \$84,000	Range \$60,000-294 Average \$167,580	Range \$79,000-675, Average \$250,000	Range \$124,000-29 mil Average \$595,000	Range \$188,266-23 mil Average \$715,000	Range \$310,000-3. mil Average \$1 mil	Range \$1 mil-4 mil Average \$3 mil

Figure 44. Self-Assessment Checklist.

Figure 44--Continued

SYSTEM	Infancy & Early Childhood (\$0-4.9 m)	Middle Childhood (\$5-9.9 m)	Late Childhood (\$10-19.9 m)	Early Adolescence (\$20-49.9 m)	Late Adolescence (\$50-99.9 m)	Early Maturity (\$100-499.9 m)	Full Maturity (\$500+m)
<b>Social System</b>							
Number of Board members	Range 7-40 Average 21	Range 7-37 Average 23	Range 7-24 Average 16	Range 5-36 Average 14	Range 6-23 Average 11	Range 7-30 Average 17	Range 11-13 Average 12
Number of Organizations	Range 0-2 Average 1	Range 1-3 Average 1	Range 0-2 Average 1	Range 1-7 Average 2	Range 1-5 Average 2	Range 1-17 Average 6	Range 2-6 Average 4
Number of Geographic Affiliates	Range 0-5 Average <1	Range 0-4 Average <1	Range 0-8 Average <1	Range 0-3 Average <1	Range 0-10 Average 2	Range 0-13 Average 2	Range 1-3 Average 2
Supporting Foundations SOa3	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-1 Average <1	Range 0-3 Average <1	Range 0-6 Average 1	Range 1-10 Average 3	Range 1-7 Average 3
Number of Advisory Committees	Range 0-8 Average 1	Range 0-52 Average 6	Range 0-13 Average 2	Range 0-14 Average 3	Range 0-24 Average 5	Range 0-35 Average 8	Range 8-11 Average 3
Number of Advisory Committee Members	Range 0-85 Average 9	Range 0-236 Average 37	Range 0-94 Average 12	Range 0-170 Average 32	Range 0-178 Average 45	Range 0-202 Average 68	Range 0-53 Average 14
Legal Form	Corporate	Corporate	Corporate	Corporate Trust or Mixed	Corporate Trust or Mixed	Corporate or Mixed	Mixed
Number of Trustee Banks	Range 1-8 Average 3	Range 2-14 Average 5	Range 2-11 Average 5	Range 1-10 Average 5	Range 1-12 Average 6	Range 1-20 Average 5	Range 5-17 Average 9
Number of Board Meetings per Year	Range 2-12 Average 6	Range 2-12 Average 6	Range 4-12 Average 6	Range 4-11 Average 6	Range 4-12 Average 7	Range 4-11 Average 6	Range 4-7 Average 5
Number of Grantmaking Meetings per Year	Range 1-6 Average 3	Range 1-5 Average 3	Range 2-6 Average 4	Range 2-10 Average 5	Range 3-12 Average 6	Range 3-12 Average 6	Range 4-6 Average 5
Pages in Annual Report	Range 0-53 Average 19	Range 3-49 Average 30	Range 2-36 Average 24	Range 6-72 Average 32	Range 0-73 Average 41	Range 25-104 Average 56	Range 24-114 Average 61

Figure 44--Continued

SYSTEM	Infancy & Early Childhood (\$0-4.9 m)	Middle Childhood (\$5-9.9 m)	Late Childhood (\$10-19.9 m)	Early Adolescence (\$20-49.9 m)	Late Adolescence (\$50-99.9 m)	Early Maturity (\$100-499.9 m)	Full Maturity (\$500+m)
<b>Strategic System</b>							
Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service	Mission, Leadership and Donor Service
Population of Service Area	Range 14,000-1.1 mil Average 350,000	Range 150,000-7 mil Average 1 mil	Range 100,000-2 mil Average 1 mil	Range 200,000-3.7 mil Average 1.1 mil	Range 240,000-3.7 mil Average 1.3 mil	Range 350,000-8 mil Average 2 mil	Range 1.2-13.2 mil Average 6 mil
<b>Technical System</b>							
Total Assets	Range \$448,000-5 mil Average 2 mil	Range \$5.2-0.5 mil Average 6.9 mil	Range \$10-19.6 mil Average 14.3 mil	Range \$22.6-45 mil Average 32.7 mil	Range \$50-93 mil Average 69 mil	Range \$101-248 mil Average 147 mil	Range \$520-842 mil Average 621 mil
Number of Grants Made	Range 0-184 Average 55	Range 24-302 Average 121	Range 13-985 Average 183	Range 32-1,517 Average 310	Range 100-1,177 Average 462	Range 58-2,600 Average 942	Range 450-2,749 Average 1,159
Dollars Paid each Year	Range \$0-730,000 Average 176,863	Range \$326,000-1.1 mil Average 832,153	Range \$708-3.5 mil Average 1.3 mil	Range \$96,000-21 mil Average 3.4 mil	Range 2.5-29 mil Average 8.5 mil	Range 3.8-17.5 mil Average 9.8 mil	Range \$5-56 mil Average 30.6 mil
Number of Grantmaking Categories	Range 0-8 Average 4	Range 0-7 Average 5	Range 0-8 Average 5	Range 0-11 Average 6	Range 4-9 Average 7	Range 5-9 Average 7	Range 5-6 Average 6
Frequency of Grantmaking each Year	Range 1-6 Average 3	Range 1-5 Average 3	Range 2-6 Average 4	Range 2-10 Average 5	Range 3-12 Average 6	Range 3-12 Average 6	Range 4-6 Average 5
Dollar Value of Gifts Received Annually	Range \$14,000-1.7 mil Average \$400,000	Range \$245,000-4.5 mil Average \$1.7 mil	Range \$25,000-3.4 mil Average \$1.3 mil	Range \$621,000-30 mil Average \$6.8 mil	Range \$1.4-13 mil Average \$6.4 mil	Range \$421,000-28 mil Average \$15 mil	Range \$9-36 mil Average \$19 mil
Age in Years	Range 3-68 Average 16	Range 5-61 Average 20	Range 11-64 Average 37	Range 8-72 Average 41	Range 4-76 Average 49	Range 14-76 Average 56	Range 18-77 Average 56
Number of Funds Managed	Range 5-110 Average 33	Range 22-200 Average 95	Range 28-161 Average 79	Range 15-442 Average 136	Range 14-529 Average 287	Range 50-540 Average 284	Range 180-976 Average 539

Figure 44--Continued

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

Figure 44--Continued

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

## CHAPTER VI

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

#### Summary

Little research exists about community foundations. As 75-year-old institutions, they have a long history, yet very little empirical knowledge exists about this growing type of philanthropic organization. A recent call for standardization and certification by the larger metropolitan community foundation leaders, the phenomenal growth in the field demanding increased technical assistance, and the unique nature of community foundations require more knowledge about their growth patterns and characteristics. Efforts must begin to build a common understanding about the nature of community foundation development.

Literature concerning general organizational growth suggests that community foundations will change as they age and as they grow in asset size. Community foundations of different ages and assets exhibiting different characteristics will affect the development of standards, the delivery of technical assistance, and the understanding about differences. Organizational growth literature also suggests that the process of growth occurs by alternating periods of stability and instability--the stages of evolution and revolution which accompany growth.

This study measured multiple variables and indicators in order to determine if community foundations develop over time and size through a series of identifiable growth stages, and if there is a pattern to the growth cycle.

Several organizational theories provided the constructs used in approaching the study. The first metaphor and theory described organizations as machines. The variables of specialization of labor, division of labor, span of control, hierarchical development, and job roles defined what to observe pertaining to administrative structures. A second theory views organizations as social systems with the variables including the roles and numbers of individuals involved, the relationships, and the degree of organizational complexity. Systems theory as it relates to the choice of foundation strategy and the environment measured by the population size of the service area provided another perspective on foundations. Subsystem analysis, looking at the technical aspects of community foundations, included assets, grantmaking, leadership, and fund management. Life cycle theory provided a model of growth focused on change within the organization over time. Age, size, periods of evolution and revolution, and the environment are important variables.

The conclusions flow from a cross-sectional analysis of a random national sample, stratified by asset size, of 89 community foundation members of the Council on Foundations. Insight on growth was gained by reviewing the minutes of five Michigan community foundations of varying age and asset size, and the characteristics of the Cleveland Foundation as described in its annual report.



Analysis of this cross-sectional data included descriptive and correlational statistics. The statistics for each indicator draw a picture of the characteristics of community foundations at differing ages and asset sizes.

### Conclusions

Community foundation characteristics change as they grow older and larger similar to the changes described by other organizational researchers. These characteristics develop in a fairly predictable way. Community foundations experience growth in cycles of stability and instability similar to but less abrupt than other organizations. Community foundation systems change over time and these changes appear to follow a pattern.

### Administrative System

The administrative system most vividly changes as the foundation ages and grows larger in asset size. This pattern resembles the pattern described for other organizations. Starting with a small group of volunteers who believe in the foundation idea, the group organizes into an initial legal structure.

Staffing develops predictably with an initial growth in the number of staff and then with an increasing specialization of staff. As the community foundation ages and grows, staffing diversifies and specializes, the administrative budget grows, and the organization becomes more hierarchical.

Community foundations are unique in that they normally have a small number of staff. Even at nearly \$1 billion in assets, in an environment as complex as the New York City Metropolitan Area, the New York Community Trust employs fewer than 50 staff members. This fact raises considerable speculation regarding how community foundations accomplish their missions and how they operate internally. As grantmakers, smaller numbers of staff may accomplish major societal change through brokering and subcontracting tasks to grantees. Grants may also produce fundamental paradigm shifts in society which facilitate change without necessarily requiring large numbers of foundation staff.

While the asset level clearly relates to the growth of every other indicator (except board size which declines), community foundations of over \$500 million in assets do not appear to be as administratively complex as a for profit business or government agency of similar budget size. Community foundations represent a very modern organizational structure typified by a small professional staff, a flattened hierarchy, subcontracting functions to other organizations, a clear sense of mission, and a collegial environment of specialists.

A limited number of staff provides an environment where small group dynamics prevail. As the organization grows, the trustee group becomes even smaller. To the extent these large metropolitan community foundations seek to be representative of their communities and have a decreasing number of board members, the task of representing minority populations becomes even more difficult to achieve.

Thus, while the staffing pattern of growth follows other organizational experiences, the impact on the organizational culture may not be nearly as great as in organizations with greater numbers of staff, a national or international geographic scope, or a wider diversity of functions.

The personnel and administrative related tasks and experiences of the chief executive officer in different size community foundations may be different depending upon the age and asset size and how these tasks relate to staff size, specialization, and diversification.

### Social System

The social system changes over time and as the community foundation grows larger in asset size. But the pattern of social system growth does not follow as clearly the pattern suggested by other organizational researchers. This may be a function of the small number of staff involved even when the assets are large.

As community foundations become older and larger, their boards become smaller. This may reflect age, since the old trust form of community foundation structure did not require active asset development from living donors and did not require as much internal management. Furthermore, decreasing size may be the result, as is suggested for other nonprofits, of the board assuming a more policy-oriented role as the organization becomes increasingly professionalized.

If it might be true that community volunteer leadership relates

differently to a community than paid professional staff, then an all volunteer organization will differ from the highly professionalized one regardless of size.

The structural elements of the social system (the number of organizations, geographic affiliates, supporting organizations, and the role of trustee banks) only roughly appear to increase in complexity over age and time. The clear growth in the number of pages of the annual report, though, suggests that more complexity is involved in larger, older organizations.

### Strategic System

Two indicators measured the strategic system: population size (as a rough measure of environmental complexity) and mission orientation.

Population directly correlates to age and size. Large, old community foundations exist mainly in metropolitan areas; medium-sized, middle-aged foundations grow in medium-sized communities; and small community foundations relate to small communities. This follows the theory from other organizations that an open system will adapt itself to the environment. This neat model relating organization size to the community provides a baseline for future study. As populations migrate west and south, as younger organizations build assets over time, the relationship of asset size to community size may become increasingly weakened. While the environment will be changing, the aggregate pool of financial resources will continue to grow over time.

The question of mission orientation remains unclear. The majority of community foundations declare a commitment to all three primary mission positions: grantmaking, leadership, and service to donors. If true, it means that every foundation--notwithstanding assets, age, environment, or staff resources--commits to the same specific, identifiable role in the community. This result requires further analysis in light of the common belief that the primary mission position affects the rate of community foundation growth. Philosophical commitment to all three mission positions may not actually be implemented. But, sincere commitment to all three positions notwithstanding asset size, suggests common agreement in the field regarding the nature of community foundations. These commonalities provide an excellent base for early attempts at organizational definition, technical assistance, and standardization. There may be agreement among the community foundations regarding what they aspire to achieve.

In the technical system the grantmaking categories of all community foundations appear roughly equivalent. The management of special projects and the types of managed funds are related. This reinforces the conclusion that core functions flowing from the mission differ in scale but not in diversity. Only at the very highest asset levels do new functions appear, such as pooled income funds and program related investments. This common core suggests another area of agreement within the field. Not only do the community foundations aspire to achieve the same goals, but they also structure themselves in similar ways to accomplish these goals.

### Technical System

The technical system covers four areas: grantmaking, leadership, fund management, and donor service.

The organizational literature suggests organizational mission, strategies, and structures are custom-designed to the environment. As locally focused organizations serving widely divergent communities, one would expect greater disparity in mission, technical functions, and structure. A surprising consistency exists in adoption of the missions of donor service, leadership, and grantmaking. The number of grantmaking and board meetings does not change based on the local community. The types of funds managed are consistent across communities. Customized functions may be more closely related to the choice of grantmaking categories, methods of fund raising, and areas of community leadership than the existence of these three functions.

### Grantmaking

In grantmaking the number of grants and the dollar value of grants follow a predictable pattern and have a significant relationship to age, asset size, and population. The number of grantmaking categories and the frequency of grantmaking does not relate as closely. This suggests a core of work in grantmaking which remains unaffected by size. Such commonality provides a natural opportunity for technical assistance, definition, and early standardization.

### Leadership

In terms of leadership, the community foundations uniformly try to manage special project funds. Interestingly, the larger the foundation, the more likely special foundation staff manages the projects. This suggests the foundation retains management of the project as opposed to making a grant for another organization to carry it out. It also suggests smaller community foundation staffs carry greater demands on their time for special projects than those managing larger foundations.

### Fund Management

Surprisingly, most community foundations offer the same core of funds available to donors with the exception of those requiring a larger asset size, such as a pooled income fund. Organizational theory suggests that the diversity of types of managed funds increases with age and size as a function of complexity.

Yet, a core set of funds exists in almost every foundation. The complexity appears in the number and size of the various funds, not their existence. Again, the commonality suggests a natural place to begin definition, technical assistance, and standardization.

### Donor Service

Donor service includes both the number of types of funds available (which remains basically stable across age and size) and the

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

Such rapid growth may be because older and larger foundations serve areas with larger populations, or possibly, the community foundation has had more time to make an impact with larger grants. Yet, other possibilities exist; perhaps bequest gifts of larger size have had time to mature; or professional communication and development staff attract more gifts; or as the executive director delegates certain responsibilities to other staff, more time can be spent with donors; or the older and larger foundations can offer more options for the donor.

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

#### Age and Asset Size

Age and asset size are significantly correlated, which is in accord with the organizational literature. Asset size consistently appears the stronger of the two in relation to the other indicators. Community foundations of different ages exhibit different characteristics. Community foundations of different sizes also demonstrate



different characteristics. Many of these characteristics change in predictable ways as the foundation grows.

Age and asset size may become less correlated as new community foundations begin to aggressively raise assets. If the growth rate continues, community foundations may experience growth phases in more rapid succession than their older counterparts since asset size correlates the most significantly with the growth indicators.

#### Periods of Evolution and Revolution

The study suggests that community foundations experience periods of stability and periods of turbulence related mainly to changes in the staffing pattern. The causal relationship remains unclear. Two major shifts occur. One early in the growth cycle (under \$5 million in assets) demands a significant change in operation for the original volunteer board. The second (over \$500 million in assets) demands review as a major professionalized organization with multiple legal entities and major internal management positions emerges. A surprising finding is the steady evolutionary growth of the community foundation for a long period of time (\$5 million to \$500 million). This growth model reveals more units of similar work added with only minor changes and no major traumatic change in the organization.

These patterns of change provide a rough approximation of a model for community foundations. The data provides a starting point for further research and discussion.

## Recommendations

In a field virtually devoid of scholarly research, this dissertation brings together the general organizational theory on growth and the unique characteristics of community foundations. The research results and the proposed model of growth should be taken as beginning points for further research and continued discussion. This especially holds true in light of the movement toward standardization and certification, the need for technical assistance, and the uniqueness of these organizations.

There is a need for: (a) standard measurements of core functions based on common definitions which would provide truly comparable data to be collected; (b) tested measuring tools, which have been proven to measure community foundation phenomenon; (c) anthropological case study reports which capture the richness and variety of the organizations under study; and (d) further exploration of the appropriate relationship of a community foundation to the community served (assets per capita, grantmaking per capita, grantmaking related to the number and dollar needs of area nonprofits, etc.).

Drucker (1989) wrote about the future of organizations that "the question of the right size for a given task or a given organization will become a central challenge. . . . In an information-based society, bigger becomes a 'function' and dependent, rather than an independent variable" (pp. 259-260).

### Questions for Further Study

Many further research questions arise. For example, in the administrative arena, it would be helpful to know:

1. The similarities and differences in the time allocation, tasks, background, and skills needed for chief executive officers in various size community foundations. Is there an entrepreneurial manager needed for emerging community foundations with skills different from the professional management of a mature organization? Speculation by professionals in the field suggests the volunteer boards of trustees are changing professional managers somewhere at about \$20 million in assets when these assets are raised rapidly. The entrepreneurial manager is viewed as unable to become an institutional manager. This issue is of importance in preserving the limited and critical human capital of trained community foundation professionals.

2. Economies of scale and diseconomies of scale as the staffing costs decrease relative to total assets and increase relative to the addition of internal management functions. Is there a point in asset size and complexity when coordinating functions within the organization becomes expensive in time and resources compared to the operating of the foundation? Is there a too big or a too small?

Many community foundation professionals argue that larger organizations are "better" than smaller organizations as a result of economies of scale related to size. They see the increase in the number of smaller organizations as a threat to the field. While

"economies of scale" are asserted, diseconomies of scale are not discussed. Explanation of optimum size and a factual analysis of the psychological and economic issues of scale would be very helpful.

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

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

2. Do boards of different ages/sizes/and communities feel different levels of ownership and passion; clarity of vision, regarding the role of the foundation?

3. Are community foundations general contractors of the work of the nonprofit community and thus enormously more complicated through their grantmaking function than they appear structurally?

4. Are older and smaller community foundations operated more like community foundations of the same age or the same asset size?

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

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

A further question about the technical service which flows from the study follows:

1. Why do older and larger community foundations attract larger gifts each year?

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

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

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

As has been noted by various authors, the community foundation is both very old and very young. With a history over 70 years, very little is known about these organizations and with the accelerated growth in number and size, the field is evolving very quickly.

This study hopes to add to the discussion about growth, technical assistance, and possible standardization, new information regarding characteristics of community foundations related to age and size. Through this understanding of differences can develop a celebration of the growth of these marvelous vehicles of localized philanthropy.

## APPENDICES

## Appendix A

### Miller and Friesen Synthesis of Life Cycle Theories

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Source: From "A Longitudinal Study of the Corporate Life Cycle" by P. H. Friesen and D. Miller, 1984, Management Science, 30, p. 1163.

## Miller and Friesen Synthesis of Life Cycle Theories

	Situation	Organization	Innovation & Strategy
<b><u>Birth Phase:</u></b> (cf. Scott (1971) Stage One, Greiner's & Quinn & Cameron's (1983) Entrepreneurial Stage)	<ul style="list-style-type: none"> <li>• Small firm</li> <li>• Young</li> <li>• Dominated by owner-manager</li> <li>• Homogeneous, placid environment</li> </ul>	<ul style="list-style-type: none"> <li>• Informal structure</li> <li>• Undifferentiated</li> <li>• Power highly centralized</li> <li>• Crude information processing &amp; decision methods</li> </ul>	<ul style="list-style-type: none"> <li>• Considerable innovation in product lines</li> <li>• Niche Strategy</li> <li>• Substantial risk taking</li> </ul>
<b><u>Growth Phase:</u></b> (cf. Down's (1967) Rapid Growth Stage, Azides' (1979) Go-go Stage, Lyden's (1975) Second Stage)	<ul style="list-style-type: none"> <li>• Medium sized</li> <li>• Older</li> <li>• Multiple shareholders</li> <li>• More heterogeneous competitive environment</li> </ul>	<ul style="list-style-type: none"> <li>• Some formalization of structure</li> <li>• Functional basis of organization</li> <li>• Moderate differentiation</li> <li>• Somewhat less centralized</li> <li>• Initial development of formal information processing and decision making methods</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening of product-market scope into closely related areas</li> <li>• Incremental innovation in product lines</li> <li>• Rapid Growth</li> </ul>
<b><u>Maturity Phase:</u></b> (cf. Scott (1971) Stage 2, Greiner's (1972) Direction Stage Azides' (1979) Maturity Stage)	<ul style="list-style-type: none"> <li>• Larger</li> <li>• Still older</li> <li>• Dispersed ownership</li> <li>• Competitive and still more heterogeneous environment</li> </ul>	<ul style="list-style-type: none"> <li>• Formal, bureaucratic structure</li> <li>• Functional basis of organization</li> <li>• Moderate differentiation</li> <li>• Moderate centralization</li> <li>• Information processing and decision making as in growth phase</li> </ul>	<ul style="list-style-type: none"> <li>• Consolidation of product-market strategy</li> <li>• Focus on efficiently supplying a well-defined market</li> <li>• Conservatism</li> <li>• Slower growth</li> </ul>
<b><u>Revival Phase:</u></b> (cf. Scott's (1971) Stage 3, Greiner's Coord'n Stage, Quinn & Cameron's (1983) Elaboration of Structure Stage)	<ul style="list-style-type: none"> <li>• Very large</li> <li>• Environment very heterogeneous, competitive and dynamic</li> </ul>	<ul style="list-style-type: none"> <li>• Divisional basis of organization</li> <li>• High differentiation</li> <li>• Sophisticated controls, scanning and communications in info. processing; more formal analysis in decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy of product-market diversification, movement into some unrelated markets</li> <li>• High level of risk taking &amp; planning</li> <li>• Substantial innovation</li> <li>• Rapid growth</li> </ul>
<b><u>Decline Phase:</u></b> (cf. Down's (1967) Deceleration Phase, Lyden's (1975) and Kimberly's (1979) Fourth Stages, and Adizes' (1979) Prime Organizational Stage)	<ul style="list-style-type: none"> <li>• Market size</li> <li>• Homogeneous and competitive environment</li> </ul>	<ul style="list-style-type: none"> <li>• Formal, bureaucratic structure</li> <li>• Mostly functional basis for organization</li> <li>• Moderate differentiation and centralization</li> <li>• Less sophisticated info. processing systems and decision making methods</li> </ul>	<ul style="list-style-type: none"> <li>• Low level of innovation</li> <li>• Price cutting</li> <li>• Consolidation of product-market</li> <li>• Liquidation of subsidiaries</li> <li>• Risk aversion &amp; conservatism</li> <li>• Slow growth</li> </ul>

(Miller and Friesen, 1984)



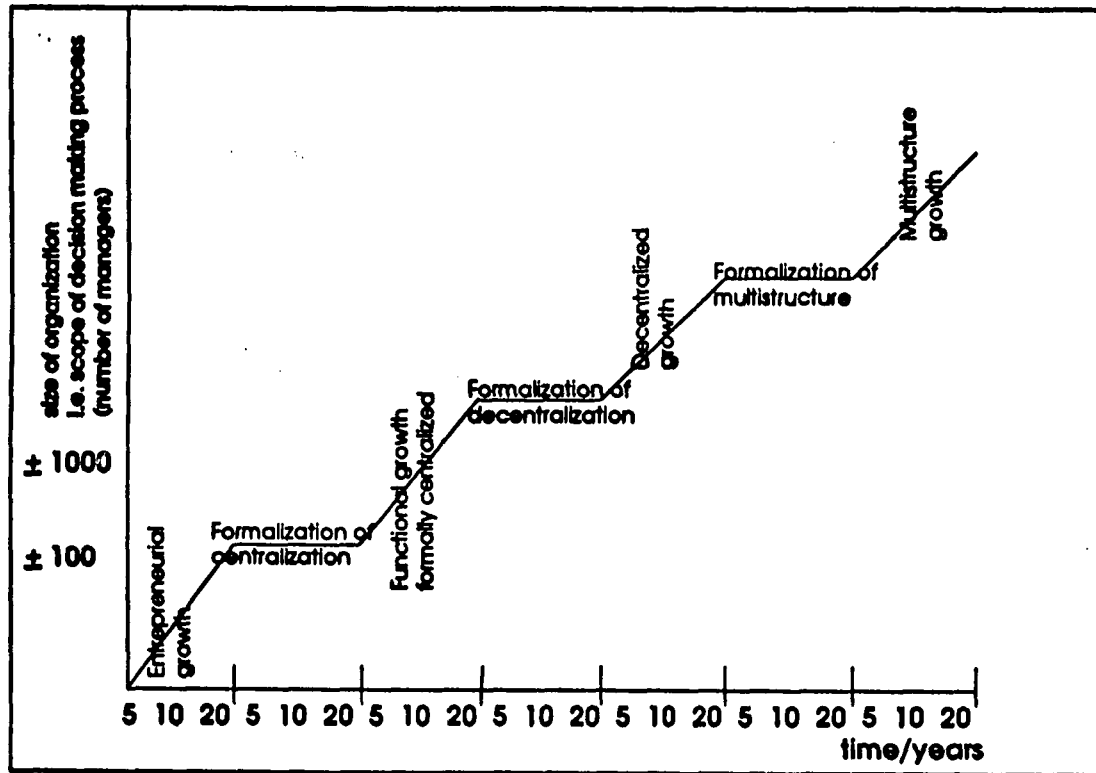
## Appendix B

### Handy Outline of Life Cycle Growth

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Source: From Understanding Organizations (p. 291) by C. B. Handy, 1979, New York: Penguin Books.

## Handy Growth Model



(Handy, 1979)

Appendix C  
Council on Foundations Membership List, 1989

COUNCIL ON FOUNDATIONS  
Membership List as of August 29, 1989  
Community Foundations

205

Abilene (Community Foundation of)  
Akron Community Foundation  
Alaska Conservation Foundation  
Albuquerque Community Foundation  
Ann Arbor Area Foundation, The  
Arizona Community Foundation, Inc., The  
Arkansas Community Foundation, Inc., The  
Ashland (Greater) Foundation, Inc.  
Ashland Trusts  
Atlanta (Metropolitan) Community Foundation, Inc.  
Aurora Foundation, The  
Austin Community Foundation  
Baltimore Community Foundation  
Baton Rouge Area Foundation  
Battle Creek Community Foundation  
Bay Area Community Foundation  
Beckley Area Foundation, Inc.  
Berkshire-Taconic Foundation  
Berrien Community Foundation, Inc.  
Bethlehem Area Foundation  
Black River Falls Area Foundation  
Boston Foundation  
Brevard County (Community Foundation of), Inc.  
Bridgeport Area Foundation, Inc., The  
Broward Community Foundation, Inc.  
Buffalo Foundation, The  
California Community Foundation  
Cambridge Community Foundation, The  
Cape Cod (Community Foundation of)  
Cap Fear Community Foundation, Inc.  
Carlsbad Foundation  
Cedar Rapids (Greater) Foundation, The  
Central Carolina Community Foundation

Central Minnesota Community Foundation  
Central New York Community Foundation, Inc.  
Champaign County (Community Foundation of), Inc.  
Charlottesville-Albemarle Foundation  
Chautauqua Region Community Foundation, Inc.  
Chemung County Area (Community Foundation of the)  
Chicago Community Trust, The  
Cincinnati (Greater) Foundation, The  
Clark County Community Foundation  
Cleveland Foundation, The  
Coastal Bend Community Foundation  
Collier County (Community Foundation of)  
Columbia Foundation, The  
Columbus Foundation, The  
Corcoran Community Foundation, The  
Corning Community Foundation, Inc.  
Cumberland Community Foundation, Inc.  
Dade Community Foundation  
Dallas Foundation, The  
Davenport Area Foundation  
Dayton Foundation, The  
Delaware Community Foundation  
Denver Foundation, The  
Duluth-Superior Area Community Foundation  
Dutchess County (Area Fund of), The  
East Bay Community Foundation  
East Tennessee Foundation  
Eastern Shore (Community Foundation of), The  
El Paso Community Foundation  
Erie Community Foundation, The  
Evanston Community Foundation  
Fargo-Moorhead Area Foundation  
Five Town Foundation, Inc., The  
Flint (Community Foundation of Greater), The  
Fond Du Lac Area Foundation  
Fort Collins Foundation

Fort Wayne Community Foundation, Inc.  
Foundation for the Carolinas  
Fox Valley Region (Community Foundation for the), Inc.  
Frederick County, Inc. (Community Foundation of), The  
Fremont Area Community Foundation, Inc.  
Fremont Area Foundation, The  
Fresno Regional Foundation  
Gainesville Community Foundation  
Glendale Community Foundation  
Glens Falls Foundation, The  
Grand Haven Area Community Foundation, Inc.  
Grand Rapids Foundation, The  
Grant County (Community Foundation of)  
Greene County (Community Foundation of), Inc.  
Greensboro (Greater Foundation of), Inc.  
Greenville (Greater Community Foundation of), Inc.  
Greenwich Foundation for Community Gifts, The  
Hamilton Community Foundation, Inc.  
Harrisburg (Greater) Foundation, The  
Hartford Foundation for Public Giving  
Hawaii Community Foundation, The  
Henderson County (Community Foundation of), Inc.  
Heritage Fund of Bartholomew County, Inc.  
Humboldt Area Foundation, The  
Idaho Community Foundation  
Indianapolis Foundation, The  
Jackson Foundation, The  
Jacksonville Community Foundation, The  
Kalamazoo Foundation  
Kanawha (Greater) Valley Foundation, The  
Kansas City (Greater) Community Foundation, The  
La Crosse Foundation, The  
Lancaster County Foundation  
Lawrence (Greater) Community Foundation  
Lincoln Foundation, Inc.  
Lorain County (Greater) Community Foundation of

Louisville Community Foundation, Inc., The  
Lubbock Are Foundation, Inc.  
Madison Community Foundation  
Maine Community Foundation, Inc.  
Marin Community Foundation  
Memphis-Plough Community Foundation/Community  
Foundation of  
Meriden Foundation ,The  
Mid-Nebraska Community Foundation, Inc.  
Middletown Community Foundation  
Milwaukee Foundation, The  
Minneapolis Foundation, The  
Minnesota Foundation  
Mobile Community Foundation, The  
Mohawk-Hudson Community Foundation  
Montana Community Foundation  
Monterey County (Community Foundation for)  
Montgomery Area Community Foundation, Inc.  
Muncie and Delaware County (Community Foundation of),  
Inc.  
Muskegon County Community Foundation, Inc.  
New Britain Foundation for Public Giving  
New Hampshire Charitable Fund and Affiliated Trusts  
New Haven Foundation, The  
New Jersey (Community Foundation of)  
New Mexico Community Foundation  
New Orleans (Greater) Foundation, The  
New York Community Trust, The  
Norfolk Foundation, The  
North Carolina Community Foundation, Inc.  
North Dakota Community Foundation  
Northern Chautauqua Community Foundation, Inc.  
Northern New York Community Foundation, Inc.  
Northern Virginia Community Foundation  
Oklahoma City Community Foundation, Inc.  
Old Colony Charitable Foundation

Omaha Community Foundation  
Oregon Community Foundation, The  
Outer Banks Community Foundation, Inc.  
Palm Beach County Community Foundation, Inc.  
Parkersburg Community Foundation  
Pasadena Foundation  
Peninsula Community Foundation  
Peoria Area Community Foundation  
Pequot Community Foundation, Inc., The  
Permanent Endowment Fund of Martha's Vineyard  
Phelps County Community Foundation  
Philadelphia Foundation, The  
Pinellas County Community Foundation  
Pittsburg Foundation, The  
Portsmouth Community Trust  
Puerto Rico Community Foundation, Inc.  
Racine County Area Foundation, Inc.  
Rhode Island Foundation, The  
Richland Coutny foundation of Mansfield, Ohio  
Richmond (Greater) Community Foundation  
Rochester Area Foundation  
Rochester Area Foundation, The  
Rockford Community Trust, Inc.  
Sacramento Regional Foundation  
Saginaw Community Foundation  
Salem Community Foundation, Inc.  
San Antonio Area Foundation  
San Diego Community Foundation  
San Francisco Foundation, The  
Santa Barbara Foundation  
Santa Clara County (Community Foundation of), The  
Santa Cruz (Greater) County Community Foundation  
Santa Fe Community Foundation  
Sarasota County Community Foundation, Inc.  
Scioto County Area Foundation  
Scranton Area Foundation, The



Seattle Foundation, The  
Shreveport-Bossier (Community Foundation of), The  
Sioux Falls Area Foundation, Inc.  
Sonoma County Foundation  
South Dakota Community Foundation  
Southeastern Michigan (Community Foundation for)  
Southwest Florida Community Foundation, Inc.  
Spartanburg County Foundation, The  
Spokane Inland Northwest Community Foundation  
Springfield Foundation, The  
St. Clair County (Community Foundation of)  
St. Louis Community Foundation  
St. Paul Foundation, The  
Stanwood-Camano Area Foundation  
Stark County Foundation, The  
Tacoma (Greater) Community Foundation, The  
Tarrant County (Community Trust of Metropolitan)  
The Community Foundation for the Ohio Valley, Inc.  
Toledo Community Foundation, The  
Topeka Community Foundation  
Triangle (Greater) Community Foundation  
Trident Community Foundation, Inc.  
Troy Foundation, The  
Tucson Community Foundation  
Tulsa Foundation, The  
Utica Foundation, Inc.  
Ventura County Community Foundation  
Vermont Community Foundation, The  
Virginia Beach Foundation, The  
Warren Foundation, The  
Washington, Inc. (Greater Community Foundation of)  
Waterbury Foundation, The  
Waterloo Civic Foundation  
Watertown Community Foundation  
Wausau Area Community Foundation, Inc.  
Wayne County (Greater) Foundation, Inc.

Wayne County, Indiana, Foundation, Inc.  
Wenatchee (Greater) Community Foundation  
Western North Carolina (Community Foundation Of), Inc.  
Westfield Foundation, Inc., The  
Wichita (Greater) Community Foundation  
Winston-Salem Foundation, The  
Worcester (Greater Community Foundation), Inc.  
Youngstown Foundation

## Appendix D

### List of Community Foundations Selected by Random Sample, Participation, and Asset Size

<u>Selected</u>	<u>Cases Participated in Study</u>
1. Abilene	1
2. Albuquerque	2
3. Aurora	3
4. Baton Rouge	No
5. Berkshire-Taconic	No
6. Boston	4
7. Bridgeport	5
8. Buffalo	6
9. Cambridge	No
10. Cape Fear	No
11. Cedar Rapids	No
12. Central New York	7
13. Chautauqua	No
14. Cincinnati	8
15. Costal Bend	No
16. Columbus	9
17. Cumberland	No
18. Davenport	No
19. Denver	10
20. East Bay	11
21. Erie	12
22. Five Town	13
23. Fort Collins	14
24. Foundation for Carolinas	15
25. Fresno	No
26. Grant County	No
27. Greenville	No
28. Hamilton	No
29. Hartford	16
30. Heritage Fund	17
31. Indianapolis	18
32. Kanawha Valley	19
33. Lancaster	No
34. Lorain	20
35. Madison	21
36. Memphis-Plough	No
37. Mid-Nebraska	22
38. Minneapolis	23
39. Mohawk-Hudson	No
40. Munci-Delaware	24
41. New Haven	25
42. New Orleans	26
43. Norfolk	27
44. Northern New York	28
45. Oklahoma City	29
46. Oregon	30
47. Palm Beach	31
48. Peninsula	32
49. Martha's Vineyard	33

<u>Selected</u>	<u>Reported in Study</u>
50. Philadelphia	33
51. Portsmouth	No
52. Rhode Island	34
53. Rochester	No
54. Sacramento	36
55. San Diego	37
56. Santa Clara	No
57. Scioto	No
58. South Dakota	No
59. Shreveport-Bossier	No
60. Spokane	No
61. St. Paul	38
62. Tacoma	No
63. Topeka	39
64. Tri-State	40
65. Tucson	41
66. Ventura	No
67. Waterbury	No
68. Watertown, S.D.	No
69. Wayne	No
70. Western North Carolina	No
71. Winston Salem	42
<u>72. Youngstown</u>	<u>43</u>
N = 72	N = 43

Assets Over \$500 million	=	0
Assets \$200 - \$500 million	=	1
1. Boston Foundation		
Assets \$100 - \$200 million	=	5
1. Columbus		
2. St. Paul		
3. Hartford		
4. Minneapolis		
5. Rhode Island		
Assets \$50 - \$100 million	=	9
1. New Haven		
2. Cincinnati		
3. Philadelphia		
4. Indianapolis		
5. Winston-Salem		
6. Oregon		
7. Foundation for the Carolinas		
8. San Diego		
9. Oklahoma City		
Assets \$20 - \$50 million	=	7
1. Peninsula		
2. Youngstown		
3. Buffalo		
4. Greater Kanawha Valley		
5. Denver		
6. Norfolk		
7. Madison		
Assets \$10 - \$20 million	=	5
1. Erie		
2. Lorain		
3. Central New York		
4. Northern New York		
5. East Bay		
Assets \$5 - \$10 million	=	7
1. Sacramento		
2. New Orleans		
3. Bridgeport		
4. Tuscon		
5. Aurora		
6. Abilene		
7. Palm Beach		

<b>Assets \$1 - 5 million</b>	<b>=</b>	<b>6</b>	<b>216</b>
1. Albuquerque			
2. Heritage Fund			
3. Ashland			
4. Fort Collins			
5. Munci-Delaware			
6. Five Town			
<b>Assets Under \$1 million</b>	<b>=</b>	<b>3</b>	
1. Topeka			
2. Martha's Vineyard			
3. Mid-Nebraska			

Appendix E

Randomly Selected and Stratified List for the Study  
and Case Studies



Community Foundations Represented in  
Cross Sectional Analysis (N=89)

218

Assets over \$500 million (N=4) 100% of Population

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

Assets Between \$100 Million and \$499 Million  
(N=10) 100% of Population

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

Assets Between \$50 Million and \$99 Million  
(N=14) 100% of Population  
(Omitting the Kalamazoo Foundation and  
The Fremont Area Foundation, both from Michigan)

1. California Community Foundation
2. New Haven Foundation, The
3. Hawaiian Foundation, The
4. Metropolitan Atlanta Community Foundation
5. Milwaukee Foundation, The
6. Greater Cincinnati Foundation, The
7. Kansas City Community Foundation and Its Affiliated  
Trusts, Greater, The
8. Philadelphia Foundation, The
9. Indianapolis Foundation, The
10. Oklahoma City Community Foundation, Inc.
11. Winston-Salem Foundation, The
12. Foundation for the Carolinas
13. New Hampshire Charitable Fund, The
14. Oregon Community Foundation, The

Assets Between \$20 Million and \$49 Million  
(N=14) 100% of Population  
(Omitting The Community Foundation of  
Southeastern Michigan and The Grand Rapids  
Foundation, both from Michigan)

219

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

Assets Between \$10 Million and \$19 Million  
(N=12)

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

Assets Between \$5 Million and \$9 Million  
(N=18)

1. Community Foundation for Monterey County
2. Greater New Orleans Foundation, The
3. Bridgeport Area Foundation, Inc., The
4. Central Minnesota Community Foundation
5. Arkansas Community Foundation
6. Community Foundation of New Jersey
7. Tucson Community Foundation
8. Palm Beach County Community Foundation
9. Greater Jacksonville Community Foundation
10. Omaha Community Foundation

11. Delaware Community Foundation
12. Madison Community Foundation
13. Community Foundation of Abilene
14. Aurora Foundation, The
15. Rockford Community Trust, The
16. Sacramento Regional Foundation
17. Greater Santa Cruz County Community Foundation
18. La Crosse Community Foundation

Assets Between \$1 Million and \$5 Million (N=12)

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

Assets Under \$1 Million (N=5)

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

<u>Case Studies</u>	<u>Assets</u>	<u>1992 Age</u>
1. The Kalamazoo Foundation	\$100 million +	70 years
2. The Muskegon County Community Foundation	24 million	25 years
3. The Grand Haven Area Community Foundation	5 million	20 years
4. The Cadillac Area Community Foundation	1 million	4 years
5. The Hillsdale County Community Foundation	0	<1 year

Community Foundation Analysis

The Cleveland Foundation	\$500 million +	75 years
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Appendix F  
Sample Survey

COUNCIL OF MICHIGAN FOUNDATIONS  
COMMUNITY FOUNDATION SURVEY

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Foundation Name: \_\_\_\_\_

Person Completing Survey: \_\_\_\_\_

1. What is the total estimated population of your service area? \_\_\_\_\_
2. Are you in corporate, trust, or a mixed corporate/trust form? \_\_\_\_\_
3. How many people does your Executive Director/President (the top staff leader) supervise? \_\_\_\_\_
4. How many layers are in your hierarchy? (For example, Executive Director supervising a secretary has two levels, an Executive Director alone is one level, a secretary who reports to a Program Officer who reports to an Executive Director has three levels.) \_\_\_\_\_
5. How many times per year does your Board of Trustees normally meet? \_\_\_\_\_
6. How many times per year do you make grants? \_\_\_\_\_
7. Please circle your primary mission at this point in time?
  - a. Community Leadership
  - b. Service to Donors
  - c. Making Grants
  - d. Community Leadership and Service to Donors
  - e. Community Leadership and Making Grants
  - f. Service to Donors and Making Grants
  - g. Community Leadership, Service to Donors, and Making Grants
8. Please circle the phrase that best describes your personnel policies:
  - a. No written policies
  - b. Letter of agreement or contract with employees
  - c. Brief and basic personnel policies
  - d. Formal written and somewhat detailed personnel policies
  - e. Formal staff handbook

Thank you, thank you!

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